

# Executive Summary

Claims Committee Meeting, June 1, 2020

Board of Governors Meeting, June 24, 2020

## Adjusted Compensation for Catastrophe Deployments

Independent Adjusting Services – Non-Litigated/Catastrophe, RFPs 17-0006, 17-0020, 18-0027

Commercial Adjusting Services, RFP 15-0018

This Consent Item seeks to introduce Pre-Catastrophe Deployment language, definition and compensation into the following contracts:

- Independent Adjusting Services – Non-Litigated/Catastrophe, RFP 17-0006
- Independent Adjusting Services – Catastrophe, RFPs 17-0020 and 18-0027
- Commercial Adjusting Services, RFP 15-0018

### History

In its normal catastrophe operations, Citizens partners with Independent Adjusting firms who provide qualified and licensed adjusters to perform adjusting services in catastrophic circumstances.

Currently, the initial deployment of catastrophe adjusting resources is requested using the Catastrophe Deployment provision in the above contracts. Citizens provides the Catastrophe Deployment requests for a defined number of desk resources based on claim projection at the time of the request. Adjusters who are deployed pursuant to the contracts' Catastrophe Deployment provisions, as opposed to the contracts' standard deployment provisions, are required to work up to twelve (12) hours per day at the daily catastrophe rate outlined in Section 8.2 of RFPs 17-0006, 17-0020 and 18-0027 and outlined in Section 4.2 of RFP 15-0018. The daily rates for Catastrophe Deployments vary from \$250.00-\$425.00 more, per adjuster, per day, than the daily rates for standard deployments (\$600.00-\$1,600.00). This daily rate increase is largely due to the number of hours worked per day being twelve (12) instead of the standard ten (10) hours per day, and the increased demand of adjusting resources during a catastrophic event.

After responding to Hurricane Dorian in 2019, Citizens has determined that an additional catastrophe-related deployment option is beneficial for desk adjuster deployments. Citizens is therefore seeking approval to amend the above contracts to add this additional deployment option, which is referred to as Pre-Catastrophe Deployment. Pre-Catastrophe Deployment includes a seven (7) day compensation guarantee to attract resources while claims volume remains uncertain. However, Pre-Catastrophe Deployment is compensated at the standard rates rather than the higher compensation rates provided under a Catastrophe Deployment, and Adjusters work the standard ten (10) hour day rather than the twelve (12) hour days required under a Catastrophe Deployment. The Pre-Catastrophe Deployment option may be required for up to seven (7) days while Citizens evaluates the need for Catastrophe Deployment. This would provide costs savings particularly in scenarios such as Hurricane Dorian, where the path of the storm is uncertain, but a timely request for resources is paramount due to the possible need for adjusting resources and the shortage of adjusters in the industry.

The proposed amendment also includes modifications to Catastrophe Deployment compensation. Since Pre-Catastrophe Deployments will include a seven (7) day compensation guarantee, the amendment will remove this guarantee for Catastrophe Deployments. The amendment also modifies

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the timeframe that a Field Adjuster receives daily rate compensation for a Catastrophe Deployment. Citizens currently compensates Field Adjusters at the contract's daily rate for the first seven (7) days of their catastrophe deployment, in addition to compensation based on the gross claim amount of each claim adjusted. This initial seven (7) days of daily rate compensation is currently provided even if the deployment commences at the end of a lengthy catastrophe response. The amendment will limit this daily rate compensation to Field Adjuster deployments commencing within the first twenty-eight (28) days of the catastrophe response.

Citizens anticipates that this Pre-Catastrophe Deployment option and related changes will provide benefits in the form of an overall cost savings to the organization and increased operational efficiency as it relates to the catastrophe deployment strategy.

## Recommendation

Staff recommends the Citizens' Claims Committee approve and recommends the Board:

- a) Approve the recommended contract amendment to Independent Adjusting Services – Non Litigated/Catastrophe, RFP 17-0006; Independent Adjusting Services – Catastrophe, RFPs 17-0020, 18-0027; and Commercial Adjusting Services, RFP 15-0018 for the remaining base contract term and all renewals, to add a Pre-Catastrophe Deployment option and revise compensation for Catastrophe Deployment; and
- b) Authorize staff to take any appropriate or necessary actions consistent with this Consent Item.

# CONSENT ITEM

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<b>CONTRACT ID</b>	<b>Adjusted Compensation for Catastrophe Deployments (CONTRACT AMENDMENT)</b> Independent Adjusting Services – Non-Litigated/Catastrophe, RFPs 17-0006, 17-0020, 18-0027 Commercial Adjusting Services, RFP 15-0018
<b>BUDGETED</b>	Yes. This Consent Item is not requesting additional funds. The requested amendments are not expected to require an increase to previously approved funds.
<b>CONTRACT AMOUNT</b>	<p>The estimated contract amount is anticipated to remain at \$343,900,000 for the following contracts. The Board previously approved these contracts under this shared funding limit on the following dates:</p> <ul style="list-style-type: none"><li>- Independent Adjusting Services – Non-Litigated/Catastrophe, 17-17-0006: June 20, 2017</li><li>- Independent Adjusting Services – Catastrophe, 17-17-0020: September 6, 2017</li><li>- Independent Adjusting Services – Catastrophe, 18-18-0027: June 20, 2018</li></ul> <p>The estimated contract amount is anticipated to remain at \$31,800,000 for Commercial Adjusting Services, 15-15-0018. The Board approved an initial contract spend of \$16,800,000 on September 30, 2015. An additional \$15,000,000 was approved on September 26, 2018</p>
<b>CONTRACT HISTORY</b>	These contracts were approved by the Board on the dates provided above.
<b>CONTRACT TERM(S)</b>	<p>The contracts listed below have five (5) year base terms, with five (5) optional, one-year renewal terms:</p> <ul style="list-style-type: none"><li>- Independent Adjusting Services – Non-Litigated/Catastrophe, 17-17-0006: August 4, 2017 through August 3, 2022</li><li>- Independent Adjusting Services – Catastrophe, 17-17-0020: September 7, 2017 through September 6, 2022</li></ul> <p>The contract listed below has a five (5) year base term, with four (4) optional, one-year renewal terms:</p> <ul style="list-style-type: none"><li>- Independent Adjusting Services – Catastrophe, 18-18-0027: September 27, 2018 through September 26, 2023</li></ul> <p>The contract listed below has a four (4) year base term, with three (3) optional, one-year renewal terms:</p> <ul style="list-style-type: none"><li>- Commercial Adjusting Services, 15-15-0018: October 23, 2015 through October 22, 2020</li></ul>

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<b>PURPOSE/SCOPE</b>	<p>This Consent Item requests approval to amend these contracts to add a Pre-Catastrophe Deployment option for Desk Adjusters. This will provide Citizens an additional option for deploying and retaining Desk Adjusters while Citizens evaluates the need for Catastrophe Deployments. Citizens may require Pre-Catastrophe Deployment for up to seven (7) days when preparing for a potential catastrophic event.</p> <p>Pre-Catastrophe Deployment is compensated at the standard daily rate, and Adjusters work a normal ten (10) hour day. However, it also includes a seven (7) day compensation guarantee to help attract resources when the claim volume may be uncertain. This seven (7) day guarantee is currently provided for Catastrophe Deployments, but the amendment moves this guarantee from Catastrophe Deployment to Pre-Catastrophe Deployments. Catastrophe Deployments will continue to provide a higher daily compensation rate and require a twelve-hour workday.</p> <p>The amendment also modifies the timeframe that a Field Adjuster receives daily rate compensation for a Catastrophe Deployment. Citizens currently compensates Field Adjusters at the contract's daily rate for the first seven (7) days of their Catastrophe Deployment, in addition to compensation based on the gross claim amount of each claim adjusted. This initial seven (7) days of daily rate compensation is currently provided even if the deployment commences at the end of a lengthy catastrophe response. The amendment will limit this daily rate compensation to Field Adjuster deployments commencing within the first twenty-eight (28) days of the catastrophe response.</p> <p>Citizens anticipates that implementing Pre-Catastrophe Deployment and the related changes will provide benefits in the form of an overall cost savings to the organization and an increased operational efficiency as it relates to the Catastrophe Plan.</p>
<b>PROCUREMENT METHOD</b>	Amendments to existing, previously competitively procured contracts.
<b>RECOMMENDATION</b>	<p>Staff recommends the Citizens' Claims Committee approve and recommends the Board:</p> <ul style="list-style-type: none"><li>a) Approve the recommended contract amendment to Independent Adjusting Services – Non-Litigated/Catastrophe, RFP 17-0006; Independent Adjusting Services – Catastrophe, RFPs 17-0020, 18-0027; and Commercial Adjusting Services, RFP 15-0018 for the remaining base contract term and all renewals, to add a Pre-Catastrophe Deployment option and revise compensation for Catastrophe Deployment; and</li><li>b) Authorize staff to take any appropriate or necessary actions consistent with this Consent Item.</li></ul>
<b>CONTACTS</b>	Jay Adams, Chief Claims Officer