

# Executive Summary

**Claims Committee Meeting, December 8, 2020**

Board of Governors Meeting, December 16, 2020

## Appraisal Services, RFP 15-0022

This Action Item is requesting approval for up to \$36 million in additional contract spend to support the Appraisal Services program through the remainder of the renewal terms. This additional approved spend would result in total approved spend not to exceed \$72,750,000 for the four (4) year base term and three (3) one (1) year renewal terms.

### History

Citizens contracts with seven vendors for Appraisal Services. Under these contracts, Vendors provide experienced appraisers who perform appraisals in the field and serve as Citizens' appraiser under the pre-suit appraisal claims process set forth in Citizens' insurance policies. The contracts were awarded in 2015 pursuant to Request for Proposal (RFP) 15-0022, with an award to three primary vendors and four contingent vendors. The contracts have a four (4) year base term and three (3) one-year renewal terms. The contracts have been renewed through April 8, 2021 pursuant to the first renewal option. The two remaining renewal options provide for extension of the contracts through April 8, 2023.

The Board of Governors approved the contracts on December 9, 2015 for an amount not to exceed \$36.75 million. Contingent vendors received a contract that could be activated upon written notice from Citizens. In 2018, Citizens transitioned two of the four contingent vendors to primary vendors in response to increased assignment volume, for a total of five primary vendors and two contingent vendors.

This Action Item is seeking approval for an additional \$36 million in contract spend to cover the last six (6) months of the current renewal term as well as the remaining two (2) one (1) year renewals. This additional spend approval is necessary due to an increase in usage of Appraisal Services. We are receiving approximately 5,860 assignments per year as of now, with current monthly spend trending at approximately \$1 to \$1.2 million, or \$14.4 million annually. In comparison, the original approved spend amount of \$36.75 million was based on an estimated 3,100 assignments per year.

Citizens has exceeded original usage estimates under these contracts for several reasons. First, we have experienced an increased number of storm and CAT events. Citizens has also expanded the types of claims assigned to appraisers under these contracts. In particular, Citizens has been using Appraisal Services in responding to First Notice of Loss claims from prior CAT events. These later reported claims pose complex challenges in the investigation and evaluation of reported damages. Appraisers are best suited for these complexities due to their previous experience evaluating wind damage and costs associated with repairs. Under this approach, Citizens handles the late reported hurricane claims with a specific group of desk adjusters with corresponding field assignments to the appraisers. This uniform and consistent workflow contributes to final settlements through the appraisal process or through a signed release that in turn reduces the overall costs and timelines for claims handling.

### Recommendation

The recommendation is listed in the attached Action Item.

# ACTION ITEM

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|---|---|
| <input type="checkbox"/> Contract – New                         | <input type="checkbox"/> Committee or Board Minutes |
| <input type="checkbox"/> Contract – Amendment of Contract Terms | <input type="checkbox"/> Product Changes            |
| <input checked="" type="checkbox"/> Contract – Additional Spend | <input type="checkbox"/> Other _____                |

<b>Contract ID</b>	Appraisal Services RFP 15-0022
<b>Budgeted Item</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>Funding for the requested additional spend was not budgeted for 2020. Funding is included in the 2021 budget submitted to the Board for approval in December 2020. Funding for subsequent contract years will be budgeted in the appropriate budget year.</p>
<b>Procurement Method</b>	These contracts were procured in 2015 pursuant to Request for Proposal (RFP) 15-0022. The Board of Governors approved the contracts on December 9, 2015, with an award to three primary vendors and four contingent vendors. Contingent vendors received a contract that could be activated upon written notice from Citizens. In 2018, Citizens transitioned two of the four contingent vendors to primary vendors in response to increased assignment volume, for a total of five primary vendors and two contingent vendors.
<b>Contract Amount</b>	This Action Item is requesting approval for an additional \$36 million dollars in contract spend. This additional approved spend would result in total approved aggregate spend not to exceed \$72,750,000 for the four (4) year base term and three (3) one (1) year renewal terms.
<b>Contract Term(s)</b>	These contracts include a four (4) year base term and three (3) one-year renewal terms. The contract base term was April 9, 2016 to April 8, 2020. The contracts have been renewed through April 8, 2021 pursuant to the first renewal option. The two remaining renewal options provide for extension of the contracts through April 8, 2023.
<b>Purpose/Scope</b>	<p>This Action Item seeks Board approval for an additional \$36 million in contract spend for Citizens' Appraisal Services contracts. Under these contracts, Vendors provide experienced appraisers who perform appraisals in the field, and who serve as Citizens' appraiser under the pre-suit appraisal claims process set forth in Citizens' insurance policies.</p> <p>This additional spend approval is requested to cover the last six (6) months of the current renewal term as well as the remaining two (2) one (1) year renewal terms. It is needed due to an increase in usage of Appraisal Services. We are receiving approximately 5,860 assignments per year as of now, with current monthly spend trending at approximately \$1 to \$1.2 million, or \$14.4 million annually. In comparison, the original approved spend amount of \$36.75 million was based on an estimated 3,100 assignments per year.</p>

# ACTION ITEM

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<b>Committee Recommendation</b>	<p>Staff proposes that the Claims Committee review and approve for consideration by the Board of Governors to:</p> <ul style="list-style-type: none"><li>a) Authorize up to \$36 million in additional contract spend under the Appraisal Services contracts, RFP 15-0022 , for a total approved aggregate contract spend not to exceed \$72,750,000, as set forth in this Action Item, over the total life of the contract;</li><li>b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.</li></ul>
<b>Contacts</b>	Jay Adams, Chief Claims Officer