

# E&Y Final Report Update

Board of Governors Meeting







March 3, 2021





# E&Y Current State Observations: Citizens' Response

# E&Y Current State Observations

 <b>Org structure and roles &amp; responsibilities</b>	 <b>Litigation management processes</b>	 <b>Quality assurance</b>	 <b>Internal performance management</b>	 <b>Defense counsel performance management</b>	 <b>Technology</b>
<ul style="list-style-type: none"> <li>• Senior counsel lack defined roles, guidelines and codified performance expectations creating opportunities for inconsistent guidance and levels of support to the claims organization</li> <li>• Key litigation management roles are performed across multiple groups, creating duplication of efforts, slowing decision making and limiting productivity</li> <li>• There is a high utilization of Independent Adjusters, accompanied with concerns over their capabilities, limiting their autonomy and authority levels, and impacting Claim Litigation Manager efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Triage assignments into the Claims Litigation unit are highly manual, limiting Citizens' ability to align claims to the best suited resources based on claim facts and characteristics</li> <li>• There were no claim handling litigation avoidance procedures documented or observed, and the assignment process once suit is filed is not data-driven</li> <li>• The provided claim litigation guidelines do not promote adequate control over outside counsel activities or effective expense management consistent with leading industry practices</li> <li>• The assignment of litigated claims to defense counsel does not utilize key litigation management performance metrics to drive decision making</li> </ul>	<ul style="list-style-type: none"> <li>• The questionnaires used by Claims QA, Claims Legal Billing and Claims Litigation Management should be revised</li> <li>• The number of QA reviews for individual contributors are too low and are inconsistently performed, limiting Citizens' ability to identify trends and address training or performance opportunities in a timely manner. This also restricts the ability to consistently and effectively evaluate employees</li> <li>• Provided QA performance reports contain only a quality score and cannot analyze root causes, limiting Citizens' ability to identify trends and training opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• The current performance management framework does not consistently leverage the use of metrics and QA results to drive improvement or provide a comprehensive assessment of performance at the individual, departmental or organizational level</li> <li>• Internal performance management lacks outcome-focused and objective goals and/or formal performance expectations</li> <li>• Provided performance reporting cannot be broken down to granular levels; limiting claims leadership's ability to effectively and efficiently measure performance, and design continuous improvement plans</li> </ul>	<ul style="list-style-type: none"> <li>• Defense counsel performance is measured by various departments, with no clearly defined feedback loop or ownership, leading to a lack of consistency and transparency regarding performance expectations and performance management</li> <li>• Defense counsel performance accountability is not clearly defined; it lacks specific, objective and measurable performance expectations and does not specify non-performance levels. This ultimately leads to inconsistent expectations and execution of performance</li> </ul>	<ul style="list-style-type: none"> <li>• Acuity lacks leading practice litigation management rules, forms and dashboards to help determine whether firms are billing appropriately for work performed, and to measure adherence to billing guidelines</li> <li>• Acuity, in its current capacity, rates as average for most categories compared to other litigation management systems. Data and reporting currently rates as below average and e-Billing and financial rates above average</li> <li>• Information transfer between Acuity and ClaimCenter is not automated, requiring manual entries, which led to observed inaccuracies and incompleteness in the Acuity data</li> </ul>

## **Citizens' Response to E&Y Observations**

- Claims Legal will develop a document that details the roles and responsibilities for each position and validate that each attorney is being utilized appropriately.
- Claims Legal will develop performance management metrics to monitor and measure performance based on a feedback loop from the business unit they service based on topics such as responsiveness, communication and responsiveness delivered through a QA program.
- Chief Claims Officer and newly appointed Chief General Counsel will evaluate if a new alignment would be beneficial placing Claims Litigation, Claims Legal Billing and Claims Legal under the leadership of the Claims division to remove duplication of efforts and to improve the speed of decision making.

## **Citizens' Response to E&Y Observations**

- Claims Litigation will evaluate the current staffing model to determine the appropriate utilization of staff versus Independent Adjusters and validate that there is an appropriate governance for the litigation structure.
- Claims Litigation agrees that there are data points that can enhance the assignment process. This will be incorporated into the Matter Management ITN as our current system does not support this.
- Claims Litigation will review the guidelines and provide updates based on our processes to reflect that the litigation team retains ownership of the claim, responsible for setting and approving the budget for Defense Counsel and that Claims Legal has produced exemplars to support the current litigation strategies that will be leveraged by Defense Counsel.

## **Citizens' Response to E&Y Observations**

- Review the Legal Billing QA process to move it out from within the business unit to the Claims Governance QA process that will conduct governance reviews against the Billing Guidelines.
- Claims Governance QA will review the staffing additions that will be necessary to conduct a more valid sample size at the individual level and will conduct a cost benefit analysis to see if additional QA staffing can be justified.
- Claims Legal will design a process to include a feedback loop, at the attorney level, from the client to establish a scoring mechanism that will be used as a performance metric.

## **Citizens' Response to E&Y Observations**

- Citizens is issuing a new Matter Management ITN and will include recommendations presented by E&Y to aid in gathering additional data points and to help with automating work.

**Please refer to the Appendix for the full detail of each observation**



# E&Y Improvement Opportunities

## Executive summary

Prioritized litigation management improvement opportunities for \$11M-\$18M in potential savings



### Enhance data-driven segmentation and assignment models

- Leverage historical claims and litigation data to develop analytical models that will drive assignment and support decision-making
- Develop analytical tools to support a future state segmentation model, including a complexity-based assignment model, a litigation avoidance predictive model, and a triage assessment decision support tool



### Re-evaluate the roles and duties of key claims, claims legal, and litigation management resources

- Define the roles and responsibilities associated with senior counsel to promote consistency in tasks as well as to assist with the promotion of suit avoidance measures, including handling lower-severity litigated claims. This will allow for greater organizational efficiencies, as well as help manage legal spend
- Create a centralized Litigation Management unit within the claims organization to centralize the governance (identification, selection, maintenance, oversight) of defense counsel allowing the organization to identify preferred business partners, as well as compile and distribute key performance data of panel firms



### Strengthen existing guidelines to promote effective management over litigated claims

- Revise provided Best Claims Practices Litigation & Non-litigated Liability and Claims Litigation Legal Services guidelines to drive improved efficiency, accuracy and consistency in the management of litigated claims



### Improve defense counsel oversight and performance management

- Develop a formal, rigorous and consistent outside counsel performance management program that measures satisfaction with counsel performance as well as claim outcomes and adherence to Citizens' guidelines
- Enhance the defense firm prioritization model to assist with defense firm assignment by shortlisting the best firms suited to handle a particular matter, based on jurisdiction/location, defense firm's capacity, firm's historical performance, matter details, as well as considerations of any conflicts



### Enhance Citizens' litigated claims performance management practices

- Enhance the Quality Assurance program to focus on impacts to litigated claim outcomes to help Citizens motivate consistent claim handler behaviors and adherence to guidelines
- Enhance the current performance management framework to leverage the use of outcome-focused metrics and QA results to drive improvement at the individual, departmental and organizational level



## **Enhance data-driven segmentation assignment models**

Leverage historical claims and litigation data to develop analytical models that will drive assignment and support decision-making.

- Citizens does not agree with designing an analytical model to drive assignments to Defense Counsel. Due to the large volume of suits received, it would be careless to assign these to a limited number of Defense Counsel. Capacity and geography would need additional consideration, as well as management discretion for assignment to the appropriate firm.
- Requirements will be added to the Matter Management ITN to support the collection of additional data to aid managements decision-making.

## Enhance data-driven segmentation assignment models

Develop analytical tools to support a future state segmentation model, including a complexity-based assignment model, a litigation avoidance predictive model, and a triage assessment decision support tool.

- Analytical tools cannot assess the risks associated with the FL market conditions for litigation and could not anticipate the need for segmentation layers without the intervention of management. However, Citizens does support the need to collect additional information to help management make informed decisions.
- Citizens does not support a litigation avoidance predictive model as it could have unintentional consequences. Claims adjusters need to adjust claims based on the merit of the claim and policy language that is in force at the time of loss. Generally, in Florida, the one-way attorney fee statute influences whether a claim will be litigated or not based on whether there is attorney representation or not. Citizens does avoid litigation when possible by engaging strategies such as the Managed Repair Program, Appraisal, adjuster focused training on relevant topics, etc.
- The purpose of the Triage team is to focus on the non-litigation claims handling to validate if the adjustment was appropriate based on the policy in force at the time of the loss and then apply the appropriate litigation strategy based on those findings. When the decision supports that the adjustment was appropriate, Citizens strategy is to defend our position to reduce future suit activity.

## **Re-evaluate the roles and duties of key claims, claims legal, and litigation management resources**

Define the roles and responsibilities associated with senior counsel to promote consistency in tasks as well as to assist with the promotion of suit avoidance measures, including handling lower-severity litigated claims. This will allow for greater organizational efficiencies, as well as help manage legal spend.

- Claims Legal operates as an advisory role to Non-litigated claims, Litigated claims and SIU. In this capacity they provided legal advice based on specific claims which provides attorney client privilege. If they were to adjust claims, we would lose the attorney client privilege.
- Claims Legal, as it is currently organized, cannot litigate claims on behalf of Citizens and needs to continue to provide legal guidance in claims matters. In order to have Citizens attorneys litigate on behalf of the policyholder, a separate captive firm would need to be established. If a captive firm is desired, a detailed cost benefit analysis would need to be conducted.

## **Re-evaluate the roles and duties of key claims, claims legal, and litigation management resources**

Create a centralized Litigation Management unit within the claims organization to centralize the governance (identification, selection, maintenance, oversight) of defense counsel allowing the organization to identify preferred business partners, as well as compile and distribute key performance data of panel firms.

- Vendor Operations currently handles the centralized governance for Defense Counsel.
- Citizens is currently evaluating what the relationship needs to be for Claims Legal, Claims Litigation and Vendor Operations.

## **Strengthen existing guidelines to promote effective management over litigated claims**

Revise provided Best Claims Practices Litigation & Non-litigated Liability and Claims Litigation Legal Services guidelines to drive improved efficiency, accuracy and consistency in the management of litigated claims.

- Claims Governance performs all quality assurance reviews against the Best Practices. The Best Practices are reviewed annually based on quality assurance results and the areas that are identified that need improvement. However, Claims Governance does not conduct legal billing quality assurance reviews.
- Citizens will move the Legal Billing quality reviews into the Claims Governance team for consistency reviews against the Best Practices.
- Citizens will review and revise the Legal Service guidelines.

## **Improve Defense Counsel oversight and performance management**

Develop a formal, rigorous and consistent outside counsel performance management program that measures satisfaction with counsel performance as well as claim outcomes and adherence to Citizens' guidelines.

- Vendor Operations has a consistent Defense Counsel performance management program that adheres to Citizens guidelines that is based at the firm level with individual attorney metric reporting.
- There are many factors outside of our control to review pure outcomes of Defense Counsel matters to leverage as a performance measure.
- The new Matter Management system will contain more granular metric data that will be incorporated into Citizens guidelines.



## **Improve Defense Counsel oversight and performance management**

Enhance the defense firm prioritization model to assist with defense firm assignment by shortlisting the best firms suited to handle a particular matter, based on jurisdiction/location, defense firm's capacity, firm's historical performance, matter details, as well as considerations of any conflicts.

- The new Matter Management system will provide additional metrics to incorporate into the Defense Counsel assignment methodology.
- Citizens has concern with limiting the number of Defense Counsel firms as that could create situations where Defense Counsel could leverage Citizens and make it difficult for performance management to occur. Citizens does not feel that it is prudent to have a few firms with extremely large pending volumes of litigated claims.

## **Enhance Citizens' litigated claims performance management practices**

Enhance the Quality Assurance program to focus on impacts to litigated claim outcomes to help Citizens motivate consistent claim handler behaviors and adherence to guidelines.

- Citizens will review the Claims Governance Quality Assurance program to see if any enhancements are needed.
- Citizens will review the new Matter Management system for additional metrics that could be added to bolster the Quality Assurance program.

## **Enhance Citizens' litigated claims performance management practices**

Enhance the current performance management framework to leverage the use of outcome-focused metrics and QA results to drive improvement at the individual, departmental and organizational level.

- Citizens will review the current performance management framework for improvement opportunities with the new Matter Management system and expanded data/metrics



# Appendix

E&Y Current State Observations:  
Citizens' Detailed Response

## Org Structure and Roles & Responsibilities

Senior counsel lack defined roles, guidelines and codified performance expectations creating opportunities for inconsistent guidance and levels of support to the claims organization.

- Claims Legal has position descriptions for all attorney positions and they are all assigned to teams by subject matter areas and cause of loss.
- Claims Legal will develop a document that details the roles and responsibilities for each position and validate that each attorney is being utilized appropriately.
- Claims Legal will develop performance management metrics to monitor and measure performance based on a feedback loop from the business unit they service based on topics such as responsiveness, communication and responsiveness delivered through a QA program.

## Org Structure and Roles & Responsibilities

Key litigation management roles are performed across multiple groups, creating duplication of efforts, slowing decision making and limiting productivity.

- Chief Claims Officer and newly appointed Chief General Counsel will evaluate if a new alignment would be beneficial placing Claims Litigation, Claims Legal Billing and Claims Legal under the leadership of the Claims division to remove duplication of efforts and to improve the speed of decision making.



## Org Structure and Roles & Responsibilities

There is a high utilization of Independent Adjusters, accompanied with concerns over their capabilities, limiting their autonomy and authority levels, and impacting Claim Litigation Manager efficiency.

- Claims Litigation will evaluate the current staffing model to determine the appropriate utilization of staff versus Independent Adjusters and validate that there is an appropriate governance for the litigation structure.

# Litigation Management Processes

Triage assignments into the Claims Litigation unit are highly manual, limiting Citizens' ability to align claims to the best suited resources based on claim facts and characteristics.

- Claims Litigation will add an additional requirement to the Matter Management ITN to request this type of automated functionality.

# Litigation Management Processes

There were no claim handling litigation avoidance procedures documented or observed, and the assignment process once suit is filed is not data-driven.

- Claims Governance in partnership with Corporate Training conduct monthly training for all staff based on policy interpretation observed during quality file reviews and current market conditions.
- Vendor Operations supplies Independent Adjuster firms with similar training leveraging a Train the Trainer module.
- Claims Governance has worked with Product Development to develop appropriate language to deliver the Managed Repair Program and amendments to the Appraisal language all in support of litigation avoidance.
- Claims Litigation agrees that we need to move to a data driven assignment process. This will be a requirement in the Matter Management ITN as our current system does not support this.

# Litigation Management Processes

The provided claim litigation guidelines do not promote adequate control over outside counsel activities or effective expense management consistent with leading industry practices.

- Claims Litigation will review the guidelines and provide updates based on our processes to reflect that the litigation team retains ownership of the claim, responsible for setting and approving the budget for Defense Counsel and that Claims Legal has produced exemplars to support the current litigation strategies that will be leveraged by Defense Counsel.

# Litigation Management Processes

The assignment of litigated claims to defense counsel does not utilize key litigation management performance metrics to drive decision making.

- The current Matter Management system does not have the ability to automate assignments to Defense Counsel based on litigation performance management metrics.
- Claims Litigation agrees with this recommendation and will include this requirement in the Matter Management ITN.

# Quality Assurance

The questionnaires used by Claims QA, Claims Legal Billing and Claims Litigation Management should be revised.

- There are two QA review programs that run simultaneously: Claims Governance QA that reviews litigation against the Best Practices in a governance role, and the Litigation Business Unit review that conducts a technical review for management reviews.
- Review the Legal Billing QA process to move it out from within the business unit to the Claims Governance QA process that will conduct governance reviews against the Billing Guidelines.
- Claims Governance QA program is under constant review based on changes to Best Practices.



# Quality Assurance

The number of QA reviews for individual contributors are too low and are inconsistently performed, limiting Citizens' ability to identify trends and address training or performance opportunities in a timely manner. This also restricts the ability to consistently and effectively evaluate employees.

- Current Claims Governance QA reviews are based on productivity targets using the current staffing levels with the target set at a statistical valid sample of all matters and not focused on the individual level.
- Claims Governance QA will review the staffing additions that will be necessary to conduct a more valid sample size at the individual level and will conduct a cost benefit analysis to see if additional QA staffing can be justified.

# Quality Assurance

Provided QA performance reports contain only a quality score and cannot analyze root causes, limiting Citizens' ability to identify trends and training opportunities.

- Managers have the ability to review each individual review in InPoint which includes the individual root cause per question.

# Internal Performance Management

The current performance management framework does not consistently leverage the use of metrics and QA results to drive improvement or provide a comprehensive assessment of performance at the individual, departmental or organizational level.

- Claims Litigation Best Practices were developed and apply to staff and Independent Adjusters. Claims Governance QA performs governance reviews against the Best Practices while the business unit performs technical reviews along with their daily interactions. All of these measurements are used in the performance management process.
- Vendor Operations provides the Independent Adjuster Firm performance management information at the Independent Adjuster level.

# Internal Performance Management

Internal performance management lacks outcome-focused and objective goals and/or formal performance expectations.

- Claims Legal attorney team does not have outcome focused goals as they are providing advisory services and do not own the claims or the claims process.
- Claims Legal will design a process to include a feedback loop, at the attorney level, from the client to establish a scoring mechanism that will be used as a performance metric.

# Internal Performance Management

Provided performance reporting cannot be broken down to granular levels; limiting claims leadership's ability to effectively and efficiently measure performance, and design continuous improvement plans.

- Vendor Operations conducts all performance management meetings with the Independent Adjuster firms and provide reporting at the firm level and at the individual level with root causes.

# Defense Counsel Performance Management

Defense counsel performance is measured by various departments, with no clearly defined feedback loop or ownership, leading to a lack of consistency and transparency regarding performance expectations and performance management.

- Claims Litigation and Claims Legal provide their observations of Defense Counsel to Vendor Operations which collects all data points and inputs them into the Defense Counsel Dashboard which provides a holistic view of all performance data.
- There is no automated means to collect this data with the current Matter Management system. This will be included as a requirement in the Matter Management ITN.



# Defense Counsel Performance Management

Defense counsel performance accountability is not clearly defined; it lacks specific, objective and measurable performance expectations and does not specify non-performance levels. This ultimately leads to inconsistent expectations and execution of performance.

- Guidelines are in place that outline the expectations for Defense Counsel, but are not outcome based, as Citizens is responsible for the litigation strategy and for managing the budget which drives consistency across Defense Counsel.
- Requirements will be added to the Matter Management ITN to include metric capabilities such as time to settle litigation and settlement amount based on segmentation strategy, etc.

# Technology

Acuity lacks leading practice litigation management rules, forms and dashboards to help determine whether firms are billing appropriately for work performed, and to measure adherence to billing guidelines.

- Citizens will add requirements to the Matter Management ITN to include litigation management rules, forms and dashboards to measure adherence to billing guidelines.

# Technology

Acuity, in its current capacity, rates as average for most categories compared to other litigation management systems. Data and reporting currently rates as below average and e-Billing and financial rates above average.

- Citizens is issuing a Matter Management ITN to improve the overall abilities for matter management and e-Billing to collect additional data with robust reporting.

# Technology

Information transfer between Acuity and ClaimCenter is not automated, requiring manual entries, which led to observed inaccuracies and incompleteness in the Acuity data.

- The Matter Management system is not fully integrated with the Claims Management system.
- Requirements for increased integration points will be included in the Matter Management ITN.