

# Executive Summary

Claims Committee Meeting, December 2, 2021  
**Board of Governors Meeting, December 15, 2021**

## Claims Legal Services

### Topic

This Action Item seeks Board approval to contract with the law firms included in Attachment “A” to provide claims-related legal services to replace the existing panel of law firms whose contracts are set to expire in February 2023. Approval is requested for a five (5) year initial term with two (2) optional one (1) year renewal terms. The requested contract amount for the initial term is \$500,000,000.00. Board approval will be requested if additional funding is needed due to a contract renewal, large storm events, or other unanticipated impacts.

### History

Citizens regularly engages outside law firms to provide representation in claims-related pre-suit and litigation matters. This solicitation was designed to create a new panel of outside defense counsel to provide legal representation in the following four (4) claims-related Service Areas:

- **First Party Property,**
- **Third Party Liability,**
- **Subrogation, and**
- **Appeals.**

Citizens is currently contracted with eighty-nine (89) outside defense firms, of which seventy-six (76) are handling at least one assignment, to provide claims-related legal services on approximately 16,000 open/active litigated claims. Most of the current panel was procured and approved by the Board in 2015 (via RFP 15-0023), with a few additional firms added in 2016 and 2019 (via RFP 16-0009 & RFP 19-0007). This panel is operating under the first of two (2), one (1) year renewal terms which is set to expire on February 2, 2022.

Citizens staff recommends proceeding with the newly selected panel of firms for the following reasons:

1. **The new panel will help meet both current and future needs.** The new panel retains the top forty (40) firms (in volume) from the current panel and adds fifteen (15) new highly qualified firms to assist in work going forward.
2. **The new contracts enable Citizens to pay sound market rates to retain the quality and quantity of firms needed.** The current contract rates were set in 2015. Beginning in 2020, several firms raised concerns regarding the adequacy of these rates due to changes to market conditions. In 2021, Citizens staff performed a multi-faceted market analysis to determine the competitive rates needed to attract and retain a panel with the size, quality and location sufficient to handle Citizens’ present and future needs. This analysis included reviewing various trade publications that addressed rates for government/insurance related legal services, speaking with other insurance carriers with similar traits/needs as Citizens, and polling law firms providing insurance defense related services. Citizens staff also took steps in the RFP to ensure rates would remain competitive throughout the duration of the agreement by including two (2) automatic rate increases (approximately 4%) after year three (3) and year six (6). The hourly rates established by Citizens in the RFP range from \$200/hr (Partner) and \$165

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(Associate) for First Party Property and Third Party Liability cases, to \$280 (Partner) and \$185 (Associate) for Appellate matters.<sup>1</sup>

The RFP incentivized firms to propose discounts up to 20% off the market rates to attract Citizens' business. The table below provides a breakdown of the firms recommended for award and the amount of fee discounts:

Service Area	# of Firms Awarded	# of Firms Providing a Discount	% of Firms Providing Discount	Average Discount of All Awarded Firms
First Party	81	58	72%	5.8%
Third Party	54	42	78%	6.6%
Appeals	18	9	50%	2.0%
Subrogation	16	12	75%	Variable <sup>2</sup>

Price was not the only factor used in the selection process and will not be the only factor in the assignment of work. Other key factors used in the RFP process were the following:

- Attorney Resources (number of attorneys)
- Geographic Coverage (firm location)<sup>3</sup>
- Prior Citizens Experience
- Key Attorneys Qualifications/Experience
- Service Area Experience
- Quality Control
- Writing Samples (Appellate Service Area only)

The proposed contracts do not require Citizens to make any assignments or pay any minimum amounts to the selected law firms. Also, given the ever-changing nature of Citizens' claims-related litigation needs, Citizens explicitly reserved the right to use attorneys and firms selected outside of this solicitation.

3. **The request for \$500,000,000.00 in spending authority is a reasonable estimate for the initial 5-year contract term.** The following table shows the recent contract spend as well as the future

<sup>1</sup> The RFP included a notice that Appellate assignments may be made on either an hourly or flat rate fee structure. Citizens currently utilizes flat fee arrangements on most Appellate assignments as a way to control and reduce costs. In any Appellate assignments where it is determined that, due to case facts, complexity, etc., the flat fee is not appropriate, Citizens will apply the hourly Appellate rates referenced above. Contractually, Citizens will reserve the right to use flat rate and other alternative billing arrangements in all Service Areas should the opportunity arise.

<sup>2</sup> Subrogation firms are paid on a contingency basis with the rate being determined on a case-by-case basis based on amount at issue, anticipated complexity and stage of litigation at time of resolution. The RFP established caps on the contingency fees and allowed law firms to propose lower caps.

<sup>3</sup> The majority of Citizens litigation is located in the Tri-County area of SE Florida. As such, additional points were awarded to firms who provided coverage in these areas.

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estimated spend by year, which could need to be adjusted based on the number or severity of future storms and other factors.

Year	EOY PIF Count*	EOY Pending Litigation Count**	Claim Legal Fees***
2019	442,203	12,578	\$96,677,085.11
2020	542,739	13,111	\$82,724,877.91
2021	775,430	16,503	\$80,000,000.00 est.
2022	1,064,219	16,250	\$90,000,000.00
2023	1,410,494	15,750	\$100,000,000.00
2024	-	15,250	\$100,000,000.00
2025	-	14,750	\$105,000,000.00
2026	-	14,250	\$105,000,000.00

\* **EOY PIF Counts** for 2021-26 are estimates.

\*\* **Pending Litigation Counts** are difficult to predict. For this Action Item, Citizens staff assumes no significant change in case counts despite the rapid rise in policyholder numbers. This assumption reflects the anticipated effects of recent legislation and the implementation of internal strategies to reduce litigation. No assumptions are made for hurricanes or other weather events; as always, one major storm could cause a significant increase in litigation for several years.

\*\*\* **Legal Fees** for 2019 were higher on a relative basis due primarily to a higher percentage of hurricane-related cases (Irma) vs. non-hurricane cases. Legal Fees for 2020-2021 were lower due to a reduction in trials and hearings during COVID-19. Legal Fees for 2022-23 are expected to increase with the resumption of trials and hearings post-COVID. The increase in Legal Fees expected for 2025-26 reflects a scheduled increase in hourly rates under the proposed contracts.

## Recommendation

The recommendation is listed in the attached Action Item.

## Claims Legal Services

**ACTION ITEM**

**New Contract**

**Contract Amendment**

**Other** \_\_\_\_\_

**CONSENT ITEM**

**Contract Amendment**

**Existing Contract Extension**

**Existing Contract Additional Spend**

**Previous Board Approval** \_\_\_\_\_

**Other** \_\_\_\_\_

**Action Items:** Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

**Move forward as Consent:** This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

**Consent Items:** Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

<b>Item Description</b>	<b>Claims Legal Services, RFP 21-0012</b>
<b>Purpose/Scope</b>	This Action Item seeks approval of contracts with ninety-one (91) law firms to provide legal defense services to Citizens in the following four (4) claims-related service areas: First Party Property, Third Party Liability, Subrogation, and Appeals. These contracts will replace agreements that were procured in 2015 and are set to expire on February 2, 2022. The new contracts will: (a) ensure that Citizens maintains the appropriate amount of resources, in terms of volume and location, to meet both current and future needs, (b) add new firms to the existing panel to ensure quality of representation, and (c) ensure that Citizens is paying sound market rates going forward.
<b>Contract ID</b>	<b>Claims Legal Services RFP 21-0012</b> Multiple Vendors – See Attachment “A” (new firms are identified in bold letters).
<b>Budgeted Item</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Procurement Method</b>	On August 3, 2021, Citizens issued Claims Legal Services RFP 21-0012. Ninety-nine (99) proposals were timely submitted. The proposals were reviewed and scored by an Evaluation Committee who recommended to award contracts to ninety-one (91) law firms on October 26, 2021. A listing of the recommended firms is set forth on Attachment “A”. New firms are identified in bold letters.

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<b>Contract Amount</b>	The estimated contract amount over the five (5) year initial term is \$500,000,000.00. Additional funding may be needed if (i) Citizens elects to renew the contracts for an additional two years, or (ii) Citizens experiences unanticipated policy growth or an increased number of large storms. Citizens staff will not exceed the approved contract amount without first obtaining Board approval.
<b>Contract Terms</b>	The contracts will have a five (5) year initial term and two (2) one-year optional renewal terms.
<b>Committee Recommendation</b>	Staff proposes that the Claims Committee review and, if approved, recommend the Board of Governors:  a) Authorize Citizens to contract with the law firms listed in Attachment "A", for an initial term of (5) years, with two (2) optional one (1) year renewal terms, with a contract amount for the initial term not to exceed \$500,000,000.00, as set forth in this Claims Legal Services Action Item; and  b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
<b>Board Recommendation from Committee</b>	If approved at its December 2, 2021 meeting, the Claims Committee recommends that the Board of Governors:  a) Authorize Citizens to contract with the law firms listed in Attachment "A", for an initial term of (5) years, with two (2) optional one (1) year renewal terms, with a contract amount for the initial term not to exceed \$500,000,000.00, as set forth in this Claims Legal Services Action Item; and  b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
<b>Contacts</b>	Jay Adams, Chief Claims Officer  Tim Cerio, Chief Legal Officer & General Counsel

## Attachment "A"

### Service Area 1. First Party Property:

- Andrews, Crabtree, Knox and Longfellow LLP
- Bartlett LLP
- **Beachside Legal Services, PLLC**
- Bernal & Bernal PA
- **Bernstein & Chackman P.A.**
- **Boyd & Jenerette, PA**
- Boyd Richards Parker & Colonnelli, PL
- Bromagen, Rathet, Klee & Smith, PA
- Bronstein & Carmona, P.A.
- Buckner & Shifrin, PA
- Carr, Allison, Oliver & Sisson PC
- Chepenik Trushin LLP
- Cole, Scott & Kissane, PA
- Colodny Fass, PLLC
- Conroy Simberg, PA
- Dean, Ringers, Morgan & Lawton PA
- Dutton Law Group PA
- eclat Law, LLP
- Faulk, Waas, Hernandez, Solomon, Mendlestein & Davis PA
- Franklin Legal Group, PA
- Gaebe Mullen Antonelli & DiMatteo, PA
- Galloway, Johnson, Tompkins, Burr & Smith, APLC
- Garcia Legal, PA
- Goede, Adamczyk, DeBoest & Cross, PLLC
- Goldstein Law Group, P.A.
- GrayRobinson, PA
- Groelle & Salmon, P.A.
- Hudson & Calleja, LLC
- **Hunker Appeals, PA**
- Isriel Ponzoli, PA
- Kelly Kronenberg, PA
- Kubicki Draper PA
- Laufer & Laufer, PA
- Law Office of Julie Lewis Hauf, PL
- Law Offices of Hoffman & Hoffman, PA
- **Levy Law Group**
- Lewis Brisbois Bisgaard & Smith, LLP
- **Litchfield Cavo LLC**
- Luks and Santaniello, LLC
- Lydecker LLP
- MRN Law PA
- Oscar E Marrero, PA dba Marrero & Wydler
- Joseph M. Maus, PA dba Maus Law Firm
- Ralph L. McGrath, Jr., dba McGrath Law Group
- Meier, Bonner, Muszynski, O'Dell, & Harvey, PA
- Methe & Rothell, PA
- **Metzger Law Group P.A.**
- Michael A Kundid PA dba Ebbets Kundid & Falowski
- Michaud, Mittlemark & Asrani, PLLC
- Milber Makris Plousadis & Seiden LLP
- **Paez Law Group, PA**
- Paul, Elkind, Branz, & Paul, LLP
- Pearson Doyle Mohre & Pastis LLP
- Pena, Garcia & Diz, PLLC
- Perez Law Group, PA
- Peterson & Martin PA dba Peterson Bernard
- Peterson Vandenberg and Mortell PA dba Peterson Bernard
- Paula J Phillips dba Phillips Perez, PA
- Quintairos, Prieto, Wood & Boyer, P.A.
- **RCWL PLLC (Watson / Leigh PA)**
- Reynolds Parrino Shadwick, PA
- Roberts, Reynolds, Bedard & Tuzzio, PLLC
- Roig, Tutan, Rosenberg, Martin, Stoller, & Bellido, PA dba Roig Lawyers
- Rubinton Simms, PA
- Saxon Gilmore & Carraway, PA
- Simkovic Law Firm, PA
- Southeast Law Group, PA
- Stone, Glass & Connolly LLP
- The Rock Law Group, PA
- The Silver Law Firm, PA
- Thompson Miller, PA
- Traub Lieberman
- Vernis & Bowling
- Wade Palmer & Shoemaker PA
- Wadsworth, Margrey & Dixon LLP
- **Walker Revels Greninger & Netcher, PLLC**
- Walton Lantaff Schroeder & Carson LLP
- **Wicker Smith O'Hara McCoy & Ford PA**
- Williams, Leininger & Cosby PA
- Hayes G Wood, PA dba Wood, Feldman & Poole
- Zumpano Castro, PLLC

## **Service Area 2. Third Party Liability:**

- Andrews, Crabtree Knox and Longfellow LLP
- **Bernstein & Chackman PA**
- **Boyd & Jenerette, PA**
- Boyd Richards Parker & Colonnelli, PL
- Bromagen, Rathet, Klee & Smith PA
- Buckner & Shifrin, PA
- Butler Weihmuller Katz Craig LLP
- Carr Allison, Oliver & Sisson PC
- Cole, Scott & Kissane, PA
- Dean, Ringers, Morgan & Lawton PA
- Derrevere Stevens Black & Cozad
- Dutton Law Group, PA
- eclat Law, LLP
- Faulk, Waas, Hernandez, Solomon, Mendlestein & Davis PA
- Franklin Legal Group, PA
- Gaebe Mullen Antonelli & DiMatteo, PA
- Galloway, Johnson, Tompkins, Burr & Smith, APLC
- Garcia Legal, PA
- GrayRobinson, PA
- **Hunker Appeals PA**
- Isriel Ponzoli, PA
- Kelly Kronenberg, PA
- Kubicki Draper PA
- Law Offices of Hoffman & Hoffman PA
- Lewis Brisbois Bisgaard & Smith, LLP
- **Litchfield Cavo LLP**
- Luks and Santaniello, LLC
- Lydecker LLP
- Oscar E Marrero, PA dba Marrero & Wydler
- Ralph L. McGrath, Jr., PA dba McGrath Law Group
- Meier, Bonner, Muszynski, O'Dell & Harvey, PA
- **Metzger Law Group, PA**
- Michael A Kundid PA dba Ebbets Kundid & Falowski
- Michaud, Mittlemark & Asrani, PLLC
- Milber Makris Plousadis & Seiden LLP
- **Paez Law Group, PA**
- Pearson Doyle Mohre & Pastis LLP
- Perez Law Group PA
- Peterson & Martin PA dba Peterson Bernard
- Peterson Vandenberg and Mortell PA dba Peterson Bernard
- Paula J Phillips dba Phillips Perez, PA
- Quintairos, Prieto, Wood & Boyer, P.A.
- **Ramey & Kampf, PA**
- Roig, Tutan, Rosenberg, Martin, Stoller, & Bellido, PA dba Roig Lawyers
- Stone, Glass & Connolly, LLP
- Thompson Miller, PA
- Traub Lieberman Straus & Shrewsbury, LLP dba Traub Lieberman
- Vernis & Bowling
- Wade Palmer & Shoemaker PA
- Wadsworth, Margrey & Dixon LLP
- **Walker, Revels, Greninger & Netcher, PLLC**
- Walton Lantaff Schroeder & Carson LLP
- **Aequalis Socil PLLC dba WhiteBird, PLLC**
- **Wicker Smith Ohara McCoy & Ford PA**
- Williams, Leininger & Cosby, PA

## **Service Area 3: Subrogation:**

- Bromagen, Rathet, Klee & Smith PA
- Bronstein & Carmona, PA
- Bush Ross PA
- Butler Weihmuller Katz Craig LLP
- Conroy Simberg, PA
- Cozen O'Connor
- Derrevere Stevens Black & Cozad
- Garcia Legal, PA
- GrayRobinson, PA
- Groelle & Salmon P.A.
- Hudson & Calleja, LLC
- Michaud, Mittlemark & Asrani, PLLC

- **Mintzer, Sarowitz, Zeris, Ledva & Meyers, LLP**
- **The Jordan Legal Group, PA**
- Vernis & Bowling
- Williams, Leininger & Cosby, PA

**Service Area 4: Appellate:**

- **Boyd & Jenerette, PA**
- Butler Weihmuller Katz Craig LLP
- Cole, Scott & Kissane, PA
- Dean, Ringers, Morgan & Lawton PA
- Dutton Law Group, PA
- Franklin Legal Group, PA
- GrayRobinson, PA
- Kelly Kronenberg, PA
- Law Office of Paul R. Percy, P.A.
- Lewis Brisbois Bisgaard & Smith, LLP
- Link & Rothenbach, PA
- Luks and Santaniello, LLC
- Lydecker LLP
- Methe & Rothell, PA
- Roig, Tutan, Rosenberg, Martin, Stoller, & Bellido, PA dba Roig Lawyers
- Traub Lieberman Straus & Shrewsbury, LLP dba Traub Lieberman
- Vernis & Bowling
- Williams, Leininger & Cosby, PA