

Executive Summary

Claims Committee Meeting, March 10, 2022
Board of Governors Meeting, March 23, 2022

Special Investigative Services

Topic

This Consent Item seeks approval to increase the previously authorized spend amount from \$850,000 to \$1 million. As of January 31, 2022, the remaining spend available under the agreement is \$284,746.31 to last until the contract expiration on December 5, 2023. The additional funds will allow Citizens to increase the number of outsourced investigative assignments arising from recent growth in policy counts and the expanded utilization of our investigative firms to assist with fraudulent catastrophe claims, agency investigations and underwriting investigations.

History

Citizens' Special Investigation Unit (SIU) is a dedicated unit, which conducts investigations pertaining to fraudulent or false insurance claims and other fraud-related actions against Citizens throughout the insurance cycle. The unit is comprised of the following four (4) teams where investigations are triaged and assigned accordingly:

- Major Case Unit
- Field Investigations
- Outsourcing/Investigative Research
- Agency/Underwriting Investigative Team

To effectively and efficiently balance resources, the SIU utilizes approved Special Investigative Services vendors to conduct investigations in order to maximize capacity and allow for scalability of investigative services in response to a CAT event. The use of a Vendor at that time will maintain the efficiency and effectiveness needed to detect, deter and prevent insurance fraud from being perpetrated against Citizens.

On May 22, 2018, Citizens issued a Request for Proposals, RFP 18-0031, for Special Investigative Services. Responses were received and evaluated by an Evaluation Committee. The Evaluation Committee recommended award to vendors on July 26, 2018. Currently, there are seven (7) vendors contracted to perform services under the contract.

When the solicitation was issued in 2018, our policy count was approximately 443,000. When gauging our estimated contract spend for the current agreement, our policy count at that time combined with the prior agreement's total spend of approximately \$370,000 for its four-year term (estimated at approximately \$466,000 for a five year agreement), gave confidence that \$850,000 for the current agreement's estimated contract budget would be sufficient. However, as of January 31, 2022, Citizens' policy count has risen to 776,790. This unexpected increase has contributed to the need for more fraud investigation resources.

In addition, Citizens' SIU is now involved in more catastrophe claims activity than previously anticipated. These fraud investigations are mostly associated with Hurricane Irma, Hurricane Michael, and Tropical

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Storm Eta; and many of the claims are not reported to Citizens until three (3) years after the storm. In 2021 alone, 26% of the SIU investigations were for catastrophe claims (942 in total).

In 2021, the contract spend was approximately \$183,641. With almost two years remaining under the current agreements, and with only \$284,746 of available spend remaining, the SIU will not have sufficient funding to continue its use of outside investigators to reduce fraud on Citizens' book of business. This Consent Item seeks approval to increase the contract amount by \$150,000 to ensure sufficient funds are available to continue these efforts.

Recommendation

The recommendation is listed in the attached Consent Item.

Special Investigative Services

ACTION ITEM

New Contract

Contract Amendment

Other _____

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval - 9/26/2018

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.

Item Description	Special Investigative Services, RFP 18-0031
Purpose/Scope	<p>The Citizens' Special Investigation Unit (SIU) is a dedicated unit, which conducts investigations pertaining to fraudulent or false insurance claims and other fraudulent activities throughout the insurance cycle. To effectively and efficiently balance resources, the SIU utilizes approved Special Investigative Services vendors to conduct investigations in order to maximize capacity and allow for scalability of investigative services in response to a CAT event. The use of contracted vendors maintains the efficiency and effectiveness needed in order to detect, deter, and prevent insurance fraud from being perpetrated against Citizens.</p> <p>With consideration to our rising policy count, this Consent Item seeks to increase the available budget remaining under the Special Investigative Services program by \$150,000, which would increase the remaining available spend to approximately \$434,700 to carry the existing agreement to its December 5, 2023 expiration.</p>
Contract ID	<p>Special Investigative Services RFP 18-0031</p> <p>Vendors: Delta Associated Investigations, Inc., Kelley Investigations, Inc., Specialty Group, Inc., S.K.I. Inc., Eagle Eye Investigative Solutions, Lemieux & Associates, Advantage Surveillance LLC</p>

Special Investigative Services

<p>Budgeted Item</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>The claim-related costs for this contract are a budgeted expense paid as an Adjusting Expense under the claim file. Costs relating to underwriting and agency investigations are budgeted and approved administrative expense within the Claims budget.</p>
<p>Procurement Method</p>	<p>On May 22, 2018, Citizens issued a Request for Proposals, RFP 18-0031, for Special Investigative Services. Responses were received and evaluated by an Evaluation Committee. The Evaluation Committee recommended award to vendors on July 26, 2018. Currently, there are seven (7) vendors contracted to perform services under the contract.</p>
<p>Contract Amount</p>	<p>On September 26, 2018, the Board approved an initial contract spend of \$510,000 for the three-year base of the contract and \$340,000 for the two-year renewal, totaling \$850,000. As of January 2022 month-end, the contract balance remaining is \$284,746.31.</p>
<p>Contract Terms</p>	<p>The contract had a three (3) year initial base term, with three (3) optional one (1) year renewal terms. The base term of the contract expired on December 5, 2021. The two-year renewal option was exercised, which extended the contract expiration dates to December 5, 2023.</p>
<p>Committee Recommendation</p>	<p>Staff proposes that the Claims Committee review, and if approved recommend the Board of Governors:</p> <ul style="list-style-type: none"> a) Authorize an increase the previously approved contract amount for Special Investigative Services agreements from \$850,000 to \$1,000,000, as set forth in this Consent Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
<p>Board Recommendation from Committee</p>	<p>If approved at its March 10, 2022 meeting, the Claims Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"> a) Authorize an increase in the previously approved contract amount for Special Investigative Services agreements from \$850,000 to \$1,000,000, as set forth in this Consent Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
<p>Contacts</p>	<p>Jay Adams, Chief Claims Officer</p>