

Office of the Internal Auditor

Advisory Memorandum

February 2022

Claims & Litigation Legal Services
Guidelines Revision





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Background

In 2020, Ernst & Young (EY) was engaged by Citizens to perform an operational assessment of the litigated claims management process vis a vis industry leading practice. Following the completion of this study Internal Audit was requested to provide oversight and support to Citizens on the implementation of agreed corrective action from the EY Study.

As part of the continued monitoring of the progress of the working plan and implementation of the initiatives developed by Claims Management in response to EY's observations and improvement opportunities, Internal Audit provided advisory services in support of the review and update of the Claims & Litigation Legal Services Guidelines ("the Guidelines"). The EY report recommended strengthening the existing guidelines to promote effective management over litigated claims, encourage proactive defense counsel management and more effectively manage legal spend.

The intention of Citizens' Guidelines is to provide guidance for the handling of all matters where legal services are needed in representation of Citizens and/or its insureds. The Guidelines were last revised October 23, 2017.

Objectives and Scope

The objective of this engagement was to provide advisory services in support of the review and strengthening of the existing guidelines for outside counsel to promote effective expense management, as well as improved efficiency, accuracy and consistency in the management of litigated claims.

Results

Management created a workgroup tasked with the review of the Guidelines. The workgroup included staff from the Claims Vendor Management, Claims Legal, and Claims Litigation units.

Internal Audit monitored the strategic meetings and observed diligent efforts and collaboration between the members of the workgroup to propose, analyze and discuss changes to the existing Guidelines, taking into consideration the unique nature of Citizens and its position in the Florida insurance market. The workgroup held regular meetings to accomplish the revision of the Guidelines and maintained regular communication throughout the process. Internal Audit provided input as appropriate.

After the strategic meetings and review, the workgroup presented revised Guidelines consisting of sixteen (16) sections and two (2) appendixes. The revised guidelines cover the general aspects of litigated claims handling and have been updated to address the



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observations and improvement opportunities previously identified. More specifically, the guidelines have been enhanced in the following areas:

- Reporting requirements and timelines
- Case budgets
- Submission requirements for communications / documents
- Counsel preparedness
- New and consolidated sections to provide clarity
- Billing
- Performance Management of firms / individuals

The objective of the workgroup was completed, and the proposed 2022 Guidelines for Claims & Litigation Legal Services have been submitted for management review and approval.

We would like to thank management and staff for their cooperation and for utilizing IA advisory services.



Distribution

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