

Executive Summary

Claims Committee Meeting, June 23, 2022

Board of Governors Meeting, July 13, 2022

Claims Flooring Valuation Services

Topic

Citizens is currently receiving Claims Flooring Valuation Services from ITEL Laboratories Inc. under Contract No: 1515002500. This service is required within the operation of the Claims Department to accurately identify the grade of flooring materials based on certain specifications and provide a current retail price to be used for claims settlement purposes.

History

For the past twelve years, Citizens has partnered with ITEL Laboratories Inc. to provide Claims Flooring Valuation Services. The current Contract No: 1515002500, will expire on December 17, 2022. Due to this upcoming expiration, Citizens must re-solicit a vendor to provide these same services under a new contract.

There was a Florida company providing this service until it was administratively dissolved on September 23, 2016 – LKQ Technologies. Also, a Canadian corporation named IOC Insurance Claims provides this service, at least for Canadian insurers. The last time these services were procured by Citizens through an RFP, only one vendor responded, ITEL Laboratories. Research also found two other potential companies that could provide testing services, the National Institute of Certified Floor Covering Experts (NICFI) and Professional Testing Laboratory, Inc. After reviewing their services, it was found that neither organization could provide the valuation for insurance losses. Both companies test for durability and substances used in the manufacture of the floor covering, not the valuation services Citizens sought. Neither dealt with lab testing samples of damaged flooring.

Claims currently utilizes the claims estimating software, Xactimate, to provide replacement cost estimates for carpet, pad, wood and other types of flooring, after the “kind and quality” of the flooring is determined. On these types of flooring claims, 60% - 75% of the replacement cost is related to the kind and quality of the flooring material. Xactimate does not provide the ability to identify the actual type, quality and most importantly, the pricing specifications of damaged flooring. ITEL Laboratories, Inc’s Claims Flooring Valuation Service provides this type of pricing data very quickly and accurately, using the latest up to date comprehensive product data. Such comprehensive data allows ITEL Laboratories, Inc. to quickly analyze a flooring sample, determine product kind, quality and pricing and identify multiple like kind and quality retail products for the adjuster to consider. Due to the wide range of material options and prices, industry estimating software providers only offer generic product quality indicators for use on flooring valuations (ie: economy, standard, premium, etc). It is up to the adjuster or contractor to verify the product quality and pricing for all flooring materials on a claim-by-claim basis. As a result of “private labeling”¹ and multi-channel distribution networks within the flooring industry, it is extremely difficult and time consuming to identify the kind and quality of damaged flooring and then accurately match this to a comparable like kind and quality retail product.

¹ Private Labeling – The practice of carpet retail establishments removing the carpet manufacturers name and replacing it with a private label owned by the retailer, thus preventing the consumer from being able to comparison shop across multiple retail establishments.

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Through market research, as well as the information Citizens was able to verify directly from prospective vendors, ITEL Laboratories Inc. remains the only vendor in the marketplace who can provide this type of Claims Flooring Valuation Service to Citizens. As a result, Citizens procured these Services in accordance with s. 287.057(3)(c), Florida Statutes as an exceptional purchase.

Citizens estimates that approximately 40% or more of the claims involving a flooring loss currently qualify for the Flooring Valuation Service, based on the guidelines set forth in Citizens' Best Practices and Estimating Guidelines.

Continuation of these Flooring Valuation Services with ITEL Laboratories will allow Citizens to:

- Obtain accurate pricing and better product matching
- Maintain transparency with insured during the valuation process
- Improve policyholder satisfaction
- More accurately manage indemnity spend on flooring claims
- Reduce Citizens' exposure to disputed claims

Because this service is procured via a Single Source Solicitation, the contract term is limited to a three (3) year term with no renewals, per s.287.057(13), Florida Statutes. The estimated cost of this contract is not to exceed \$630,000. The cost for these services will be included in the annual operating budget and is paid as a Loss Adjusting Expense (LAE).

Recommendation

The recommendation is listed in the attached Action Item.

Claims Flooring Valuation 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.

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| Item Description | Claims Flooring Valuation Services Single Source No: 22-2001 |
| Purpose/Scope | This Action Item seeks Board approval of a three (3) year contract for Claims Flooring Valuation Services. The incumbent vendor, ITEL Laboratories Inc's., contract for Flooring Valuation Services expires on December 17, 2022, and has been re-solicited in compliance of 287.057(3)(c), Florida Statutes. Approval of this Action Item will allow Citizens to continue to receive the same Claims Flooring Valuation Services we receive today, needed to: <ul style="list-style-type: none"> • Obtain accurate pricing and better product matching • Maintain transparency with insured during the valuation process • Improve policyholder satisfaction • More accurately manage indemnity spend on flooring claims • Reduce Citizens' exposure to disputed claims |
| Contract ID | Claims Flooring Valuation Services Single Source No: 22-2001 ITEL Laboratories, Inc |
| Budgeted Item | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

Claims Flooring Valuation Services

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| Procurement Method | On May 4, 2022, Citizens issued a Single Source Solicitation, No: 22-2001, for Claims Flooring Valuation Services, in accordance with s. 297.057(3)(c), Florida Statutes. Single Source 22-2001 was posted for the required fifteen (15) business days, followed by the seventy-two (72) hour Notice to Award posting. |
| Contract Amount | The estimated contract spend over the life of the contract is \$630,000. |
| Contract Terms | The contract will have a three (3) year base term, with no renewal option. |
| Committee Recommendation | Staff proposes that the Claims Committee review, and if approved, recommend the Board of Governors: a) Authorize the Flooring Valuation Services contract with ITEL Laboratories, Inc. for a term of three (3) years, for an amount not to exceed \$630,000, as set forth in this Claims Flooring Valuation Services Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item. |
| Board Recommendation from Committee | If approved at its June 23, 2022 meeting, the Claims Committee recommends that the Board of Governors: a) Authorize the Flooring Valuation Services contract with ITEL Laboratories, Inc. for a term of three (3) years, for an amount not to exceed \$630,000, as set forth in this Claims Flooring Valuation Services Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item. |
| Contacts | Jay Adams, Chief Claims Officer |