

Executive Summary

Claims Committee Meeting, June 23, 2022
Board of Governors Meeting, July 13, 2022

Claims Legal Services

Topic

This Consent Item seeks Board approval for \$50,000,000 in additional spend authority under the Claims Legal Services contracts.

History

Citizens regularly engages outside law firms to provide representation in claims-related pre-suit and litigation matters. Citizens currently utilizes a panel comprised of ninety-one (91) 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.

This panel of law firms was competitively procured via RFP 21-0012 and approved by the Board on December 15, 2021. At that time, Citizens requested \$500,000,000 in spend authority based on the estimated total contract amount for all ninety-one (91) contracts over the initial five (5) year term. The Board voted on December 15, 2021 to approve \$50,000,000 in initial authorized spend. This approval included a request that Staff provide ongoing litigation updates as justification for additional spend requests/authorization, and to facilitate discussion and seek solutions to the ongoing litigation concerns.

As of May 1, 2022, Citizens has incurred approximately \$19,000,000 in spend under the approved Claims Legal Services contracts and forecasts that this number will likely exceed the \$50,000,000 in authorized spend prior to the September Board of Governor's meeting. Citizens continues to see claims-related litigation increase in terms of both new and total pending lawsuits. Since November 2021, the number of pending claims-related lawsuits has risen over 2,000 to 18,500, averaging almost 1,000 new lawsuits per month for 2022. In addition to pending lawsuits, Citizens' policy-in-force count has also continued to increase, with an additional 75,000 policies added from January 1 – April 30, 2022.

With the ongoing increases in (1) new claims-related litigation, (2) overall amount of pending claims-related litigation and (3) policy-in-force counts, Citizens anticipates that spend under the Claims Legal Services contract will not abate for the foreseeable future. In addition to these factors, it should also be noted that the Claims Legal Services contracts procured under RFP 21-0012 allow for increased rates for panel counsel beginning in February 2025.

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Year	Month	PIF	Pending Litigation	Fees*
2022	Feb	792,616	17,725	\$6,285,555.20
2022	Mar	817,926	18,115	\$6,556,057.94
2022	April	851,066	18,558	\$6,498,089.53
2022	YTD Spend for Current Contract			\$18,839,866.07**

*Fees include firm fees and expenses only, vendor expenses (court reporters, experts, etc.) have been removed

**YTD contract spend excludes a portion of February covered under the previous contacts

Based on the aforementioned, Staff is requesting approval for an additional \$50,000,000 in authority under the Claims Legal Services contracts to continue to fund these services through the remainder of 2022. Additional authority requests will be provided prior to exhaustion of previously approved amounts or in the event of a change in circumstances caused by large storm events or other changes to the market.

Recommendation

The recommendation is stated in the attached Consent 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.

Item Description	Claims Legal Services
Purpose/Scope	This Consent Item seeks Board approval for an additional \$50,000,000 in authorized spend under the Claims Legal Services contracts to fund these services through the remainder of 2022.
Contract ID	Claims Legal Services 21-21-0012-01 (Multiple Contracts)
Budgeted Item	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Procurement Method	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. These ninety-one (91) contracts were approved by the Board on December 15, 2021.
Contract Amount	The estimated contract amount over the five (5) year initial term is \$500,000,000. On December 15, 2021, the Board approved an initial \$50,000,000 in spending authority with a request that Staff return to the Board to provide ongoing updates on pending litigation and to request additional spend authority as needed.

Claims Legal Services

Contract Terms	The contracts have a five (5) year initial term and two (2) one-year optional renewal terms. The contracts do not require Citizens to make any assignments of work or pay any minimum amounts to the contracted firms.
Committee Recommendation	Staff proposes that the Claims Committee review, and if approved recommend the Board of Governors: <ul style="list-style-type: none">a) Authorize additional spending authority under the Claims Legal Services contracts of \$50,000,000 as set forth in this Consent Item; andb) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
Board Recommendation from Committee	If approved at its June 23, 2022 meeting, the Claims Committee recommends that the Board of Governors: <ul style="list-style-type: none">a) Authorize additional spending authority under the Claims Legal Services contracts of \$50,000,000 as set forth in this Consent Item which, if approved, would make the total spend authorized to-date \$100,000,000 (out of the total \$500,000,000 requested by staff); andb) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
Contacts	Jay Adams, Chief Claims Officer Tim Cerio, General Counsel & Chief Legal Officer