

Executive Summary

Claims Committee Meeting, November 17, 2022

Board of Governors Meeting, December 7, 2022

Appraisal and ADR Services

Topic

Citizens is requesting approval to contract with twelve (12) vendors for Appraisal and Alternative Dispute Resolution ("ADR") Services as specified in Attachment A. Approval is requested for a four (4) year base term and three (3), one (1) year renewal terms, for an amount not to exceed \$74,200,000.

History

Citizens' Claims department contracts with multiple vendors for Appraisal and ADR Services. The vendors provide qualified appraisers for catastrophic and non-catastrophic losses throughout the state of Florida for both commercial and residential properties.

This Action Item requests approval for twelve vendor contracts, which will replace the current vendor contracts expiring on April 8, 2023. Five (5) of the seven (7) current contracts are "primary" contracts with services currently provided by the vendors. The other two (2) contracts are "contingent" contracts that may be activated to provide services on thirty (30) days notice from Citizens. All of these contracts were procured through Request for Proposal No. 15-0022 in 2015.

Approval is requested to contract with eight (8) vendors for primary contracts, and four (4) vendors for contingent contracts, as provided in Attachment A to the Action Item. Citizens procured the proposed panel of contracts through Request for Proposal No. 22-0014, Appraisal Services. Citizens received forty-seven (47) responses to the RFP, and forty-six (46) proposals satisfied the minimum requirements for the RFP. The proposals were independently scored by an evaluation committee, who met and recommended award of the contracts in a public meeting on October 19, 2022. Pricing comprised twenty percent (20%) of the RFP evaluation. Vendors were provided the opportunity to bid up to a fifteen percent (15%) discount on the fee schedule specified by Citizens. The fee schedule is shown below, with a comparison to the current contract:

	Appraisal/ADR Services	Mileage	Drive Time	Administrative Set Up Fee
2016 Fee Schedule	\$148.50/Hour	\$0.445/Mile	N/A	\$100
2023 Fee Schedule	\$165/Hour	N/A	\$123.75/Hour	\$100

The recommendation to award twelve (12) vendors considers Citizens estimated primary resource needs for the handling of daily claims volumes, as well as the additional contingent resources needed to ensure scalability for catastrophic events, and to mitigate the risk of attrition or increased volumes due to market activity.

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The proposed contracts include a four (4) year base term with three (3) optional, one (1) year renewal terms, which may be exercised at Citizens' sole discretion. Estimated cost of this contract, including renewals, is not to exceed \$74,200,000, broken out as follows*:

- Approximately \$42,400,000 for the four (4) year base term; and
- Approximately \$31,800,000 for the three (3) one-year renewal options

*Note: Fees may vary as they are transaction based.

Estimated spend considers an approximate 53% increase in PIF count with continued growth expected. Additionally, given the impact of Senate Bill 76 (SB 76), we are averaging approximately one hundred and twenty-eight (128) Notice of Intent (NOI) submissions per week with steadily increasing volumes. Of these, one hundred percent (100%) of the scoping and pricing NOI's were handled outside of litigation with approximately sixty-nine percent (69%) of those settled via the appraisal process. From a cost savings perspective, average litigation cost for both defense and plaintiff attorney expenses averages approximately \$118,400 per lawsuit. The average cost of appraisal settlement is \$2,011. This realized savings is a direct result of Citizens strategy to utilize the appraisal process to avoid potential litigation.

The cost for these services is included in the approved 2023 Annual Operating Budget and is paid as a Loss Adjusting Expense (LAE).

Recommendation

The recommendation is listed in the attached Action Item.

Appraisal and ADR 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	Appraisal and ADR Services RFP 22-0014
Purpose/Scope	This Action Item seeks Board approval to contract with twelve (12) vendors for Appraisal and Alternative Dispute Resolution ("ADR") Services, as referenced in Attachment "A", Notice of Intent to Award. Approval is requested for "primary" contracts to the top eight-ranked vendors. These vendor contracts are expected to meet Citizens needs for the Services when Citizens transitions from the expiring contracts in April 2023. Approval is also requested for "contingent" contracts for the next four (4) ranked vendors. These contingent contracts could be activated by Citizens as needed with thirty (30) days' notice. The contingent contracts are intended to help ensure that Citizens has the necessary resources in the event of vendor attrition and/or increased volumes due to market activity or CAT events.
Contract ID	Appraisal and ADR Services RFP 22-0014 Reference Attachment "A", Notice of Intent to Award
Budgeted Item	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Appraisal and ADR Services

Procurement Method	Citizens procured the requested contracts through Request for Proposal (RFP) No. 22-0014 for Appraisal Services. Forty-six (46) responses met Citizens' mandatory requirements and were evaluated by an Evaluation Committee. The evaluation committee recommended award of eight (8) primary contracts and four (4) contingent contracts as provided in Attachment A.
Contract Amount	<p>The estimated cost of these contracts, including renewals, is not to exceed \$74,200,000.</p> <p>This estimate is based upon a forecasted 53% increase in PIF count with continued growth expected, as well as the updated contractual compensation schedule and the current strategy to divert potential litigated disputes to appraisal. The total represents an estimate of approximately \$10.6 million in annual LAE spend for Appraisal and ADR Services and does not take into account potential variances in assignment volumes due to market, legislative and CAT related impact.</p>
Contract Terms	The contract will have a four (4) year base term, with three (3) one-year renewal options.
Committee Recommendation	<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 Appraisal and ADR Services contracts with twelve vendors as provided in Attachment A, for a term of four (4) years, with three (3) additional one-year renewals, for an amount not to exceed \$74,200,000, as set forth in this Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
Board Recommendation from Committee	<p>If approved at its November 17, 2022 meeting, the Claims Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"> a) Authorize Appraisal and ADR Services contracts with twelve vendors as provided in Attachment A, for a term of four (4) years, with three (3) additional one-year renewals, for an amount not to exceed \$74,200,000, as set forth in this Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
Contacts	Jay Adams, Chief Claims Officer



**NOTICE OF INTENT TO AWARD
REQUEST FOR PROPOSALS NO. 22-0014
APPRAISAL SERVICES
OCTOBER 19, 2022**

Citizens Property Insurance Corporation ("Citizens") intends to award Primary Contracts for Appraisal Services to the following Vendors:

- ROL Insurance Consulting dba Claims Questions LLC
- FKS Insurance Services, LLC
- Lozano Insurance Adjusters, Inc.
- Pacesetter Claims Service, Inc.
- Calibrated Insurance Services, LLC
- CIS Group, LLC
- Alacrity Parent, LLC dba Alacrity Solutions Group, LLC
- Allied American Adjusting Company LLC

Citizens intends to award Contingent Contracts for Appraisal Services to the following Vendors:

- Ryze Claim Solutions LLC
- Jimmie Giles Financial Insurance, LLC
- Global Risk Solutions, Inc.
- Straight Line Resources, LLC dba Straight Line Global

The Contracts resulting from this solicitation are subject to approval by Citizens' Board of Governors.

FAILURE TO FILE A PROTEST WITHIN THE TIME PRESCRIBED IN SECTION 627.351, F.S., CONSTITUTES A WAIVER OF PROCEEDINGS. SEE SECTION 4.1, PROTESTS, WITHIN THE SOLICITATION DOCUMENT FOR DETAILS REGARDING HOW AND WHERE TO FILE A PROTEST.