

Executive Summary

Claims Committee Meeting, November 17, 2022
Board of Governors Meeting, December 7, 2022

Additional Contract Spend for Hurricane Ian – Claims

Topic

This Consent Item seeks Board approval for additional contract spend not to exceed \$136,356,575 across the included list of thirty-nine (39) existing Adjusting Services contracts and six (6) emergency procured Adjusting Services contracts. The requested additional spend represents Citizens' total projected contract expenditures for Non-Litigated/Catastrophe Adjusting Services related to Hurricane Ian. This Consent Item also seeks Board approval for contract spend not to exceed \$720,000 under an emergency procured contract with Vexcel Imaging US, Inc. (Vexcel) for an aerial imagery damage assessment tool.

History

Hurricane Ian made landfall near Cayo Costa, a barrier island west of Fort Meyers, shortly after 3 p.m. on September 28, 2022. Ian, a category four storm, caused severe damage to the State of Florida and resulted in significant claim volume with a projected estimate of 100,000 claims.

In responding to Hurricane Ian, Citizens has greatly increased the number of adjusters deployed under its competitively procured contracts for Adjusting Services. Citizens also used emergency procurement processes to enter into six (6) contracts for desk and field adjusting services with the vendors described further herein and one (1) contract for a post-event damage assessment tool with Vexcel, to avoid any hinderance or delay to Citizens' ability to respond to this large event.

Citizens estimates that the Hurricane Ian response will require total contract expenditures of \$136,356,575 under the listed Adjusting Services contracts. This Consent Item requests additional contract spend approval for this amount so that Citizens will have sufficient contract spend remaining for other and future non-litigated claims. The estimate is based on a projected claim count of 100,000 claims. As Citizens progresses through this deployment, Citizens will be able to better assess the estimated spend and report accordingly back to the Board.

Additional information on these vendors, contracts, and spend is provided below.

Adjusting Services (Competitive Procurements): Citizens competitively procured contracts for Non-Litigated/Catastrophe Adjusting Services in 2017 and 2018 under Requests for Proposal Nos. 17-0006, 17-0020, 18-0027, and 18-0025. The Board approved total contract spend of \$343,900,000 across these contracts beginning with the Action Item for RFP 17-0006 in 2017. The Action Items for the other Adjusting Services contracts referenced the same contract limit and indicated that no additional spend authority was requested. No additional contract spend has been requested prior to this Consent Item. As of October 14, 2022, Citizens has paid \$247,500,249 under these contracts with \$96,399,750 in approved spend remaining. Through October 28, 2022, Citizens assigned 53,079 Hurricane Ian claims to Adjusting Services vendors, including assignments to the emergency procured vendors identified below. Citizens projects an additional 46,921 Hurricane Ian claim assignments will be made through 2023. Invoicing for Hurricane Ian related assignments is expected to continue into 2024.

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Adjusting Services (Emergency Procurements): Citizens used emergency procurement procedures to enter six (6) additional contracts for Non-Litigated/Catastrophe Adjusting services. The contracts provide additional qualified adjusting resources to assist with Hurricane Ian claims volume. The services include management oversight of adjusting resources as well as administrative support. The contracts include the same compensation rates as the competitively procured contracts. Citizens has paid an estimated \$437,175 under the contracts as of October 26, 2022. Each contract expires thirty (30) days after completion of the vendor's last assignment for Hurricane Ian. The contracts are with the following vendors:

- Barrett Claims Management, Inc.
- Global Risk Solutions, Inc.
- Larson Claim Services, LLC
- Peak Claims Group, Inc.
- Renfroe & Co. Inc.
- Pilot Catastrophe Services Inc.

Aerial Imagery Damage Assessment Tool (Emergency Procurement): Citizens used emergency procurement procedures to contract with Vexcel for a damage assessment tool. The tool uses machine learning to provide an automated damage assessment score for individual properties, based on a comparison of aerial imagery before and after the catastrophic event. This automated damage assessment score enables Citizens claims personnel to more quickly assess the level of damage incurred by groups of insured properties in various areas, including inaccessible areas, as compared to manual review of imagery for each individual property. Citizens committed to a minimum spend of \$510,000 under the executed contract, and Citizens has used approximately \$6,618 of that as of October 26, 2022. Citizens projects total contract spend of \$534,618 as of the December 7 Board meeting. Approval is requested for \$720,000 in total contract spend. The contract includes a one (1) year term and will be used exclusively for the Hurricane Ian response.

Recommendation

The recommendation is listed in the attached Consent Item.

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ACTION ITEM

New Contract

Contract Amendment

Other _____

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval _____

Other: Emergency Contracts for Hurricane Ian

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	<p>Additional Contract Spend for Hurricane Ian – Claims</p> <p>Multiple Vendor Contracts:</p> <p>Adjusting Services Contracts (Competitive Procurements)</p> <p>Adjusting Services – Non-Litigated/Catastrophe (sixteen (16) contracts procured in 2017 under RFP 17-0006)</p> <p>Adjusting Services – Catastrophe (seven (7) contracts procured in 2017 under RFP 17-0020)</p> <p>Adjusting Services – Catastrophe (nine (9) contracts procured in 2018 under RFP 18-0027)</p> <p>Fast Track Adjusting Services (seven (7) contracts procured in 2018 under RFP 18-0025)</p> <p>Adjusting Services Contracts (Emergency Procurements):</p> <p>Adjusting Services – Non-Litigated/Catastrophe (six (6) contracts procured on an emergency basis in October 2022 with Barrett Claims Management, Inc.; Global Risk Solutions, Inc; Larson Claim Services, LLC; Peak Claims Group, Inc.; Renfroe & Co. Inc.; and Pilot Catastrophe Services Inc.; Contract Nos. 22-22-3001 through 22-22-3004; 22-22-3306; and 17-17-0006-07)</p> <p>Aerial Imagery Damage Assessment Tool (Emergency Procurement):</p> <p>Aerial Imagery Damage Assessment Tool (one (1) contract procured on an emergency basis in October 2022 with Vexcel Imaging US, Inc., Contract No. 22-22-3005-00)</p>
Purpose/Scope	<p>This Consent Item seeks Board approval for additional contract spend not to exceed \$136,356,575 across the thirty-nine (39) existing Adjusting Services contracts and six (6)</p>

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	<p>emergency procured Adjusting Services contracts listed above. This requested additional spend is the projected spend for services under these contracts for Hurricane Ian. The additional spend approval is requested to ensure that Citizens has sufficient contract spend for the Hurricane Ian response, while also retaining sufficient spend for adjusting services for other non-litigated claims as Citizens’ Policies In Force Count continues to grow.</p> <p>Most of the Adjusting Services contracts under this Consent Item were competitively procured and approved by the Board in 2017 and 2018, for a total contract amount not to exceed \$343,900,000 across the various contracts. Six (6) were procured on an emergency basis for the Hurricane Ian response. As of October 2022, Citizens has paid \$247,500,249 under the competitively procured contracts, with \$96,399,750 in approved spend remaining. Citizens has paid \$437,175 under the emergency procured contracts for adjusting services. The emergency contracts include the same compensation rates as the other contracts.</p> <p>This Consent Item also seeks Board approval for contract spend not to exceed \$720,000 under an emergency procured contract with Vexcel Imaging for an aerial imagery damage assessment tool. Citizens committed to a minimum spend of \$510,000 under the executed contract, and Citizens has used approximately \$6,618 of that as of October 26, 2022.</p> <p>The contract with Vexcel, and the six (6) adjusting services contracts also identified as emergency procurements, have not previously been submitted to the Board for approval. Citizens proceeded with these seven contracts on an emergency basis so as not to prevent, hinder, or delay necessary action in coping with Hurricane Ian, consistent with Executive Order 22-219 issued by the Governor on September 24, 2022.</p>
Budgeted Item	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Procurement Method	<p>Most of the contracts were competitively procured in 2017 and 2018 under Request for Proposal Nos. 17-0006, 17-0020, 18-0027, and 18-0025, as identified above.</p> <p>The remaining seven (7) contracts were procured on an emergency basis for Citizens’ response to Hurricane Ian, in accordance with Citizens’ Emergency Purchases procedures and Executive Order 22-219 issued by the Governor of the State of Florida on September 24, 2022.</p>
Contract Amount	<p>\$136,356,575 across the forty-five (45) Adjusting Services contracts listed above, in addition to the \$343,900,000 previously approved by the Board in 2017 and 2018.</p> <p>\$720,000 under the emergency procured contract with Vexcel Imaging US, Inc., for an Aerial Imagery Damage Assessment Tool.</p>
Contract Terms	<p>The following thirty Adjusting Services contracts have five-year base terms, with five optional, one-year renewal terms:</p> <ul style="list-style-type: none"> Adjusting Services – Non-Litigated/Catastrophe, 17-17-0006, beginning August 4, 2017 Adjusting Services - Catastrophe, 17-17-0020, beginning September 7, 2017

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	<p>Fast Track Adjusting Services, 18-18-0025, beginning September 11, 2018</p> <p>The following nine (9) Adjusting Services contracts have a five-year base term, with four optional, one-year renewal terms:</p> <p style="padding-left: 40px;">Adjusting Services – Catastrophe, 18-18-0027, beginning September 27, 2018</p> <p>The six (6) emergency adjusting services contracts remain in effect until thirty (30) calendar days after completion of the vendor’s last work assignment for Hurricane Ian.</p> <p>The contract for an Aerial Imagery Damage Assessment Tool runs for one (1) year from the effective date of October 14, 2022</p>
<p style="text-align: center;">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 additional contract spend not to exceed \$136,356,575 across the Adjusting Services contracts listed above, in addition to the \$343,900,000 in spend previously approved by the Board in 2017 and 2018, as set forth in this Consent Item; b) Authorize spend not to exceed \$720,000 under the Aerial Imagery Damage Assessment Tool contract with the Vexcel Imaging, US, Inc., as set forth in this Consent Item; and c) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
<p style="text-align: center;">Board Recommendation from Committee</p>	<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 additional contract spend not to exceed \$136,356,575 across the Adjusting Services contracts listed above, in addition to the \$343,900,000 in spend previously approved by the Board in 2017 and 2018, as set forth in this Consent Item; a) Authorize spend not to exceed \$720,000 under the Aerial Imagery Damage Assessment Tool contract with the Vexcel Imaging, US, Inc., as set forth in this Consent Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
<p style="text-align: center;">Contacts</p>	<p>Jay Adams, Chief Claims Officer</p>