

Office of the
Internal Auditor

AUDIT REPORT

February 2023

Claims Litigation Triage



Table of Contents:

Page



Executive Summary

Background

1

Audit Objectives and Scope

1

Results

1 - 3



Appendix

Distribution

4

Audit Performed by

4



Executive Summary

Background

Litigation trends in Florida have been on the rise since 2016, with the state having over 75% of nationwide homeowner's suits. Citizens continues to experience a high rate of litigated claims due to this litigious environment and the company's continuous increase of policies in force (PIF). In 2022, Citizens was served with 11,808 lawsuits for an average of 984 lawsuits per month. When compared to 2021, new litigation increased by approximately 17%.

The Claims Litigation Triage Unit plays an important role in the litigation management process as it performs an in-depth review of all incoming litigation, provides the initial handling recommendation and assigns the matter to the corresponding litigation unit.

Citizens' Litigation Specialists utilize the reports generated by the Triage Unit to hit the ground running at the onset of receiving the assignment of a litigated claim. Also, the review assists in the litigation process as it is cognizant of best claims practices and litigation strategies developed by Claims Litigation and Claims Legal.

Objectives and Scope

Through this operational review, Internal Audit assessed the effectiveness and success of the controls, practices, and processes applied by the Triage Unit in the evaluation and assignment of litigated claims.

The scope included a review of the following areas:

- Lawsuit receipt, evaluation, and assignment
- Claims Litigation Triage Policies & Procedures
- Triage Performance & QA
- Validate the accuracy of utilized reports
- Analyze potential benefits and success of Triage

Audit Results

Internal Audit completed an assessment of the Claims Litigation Triage operation, noting the following favorable practices in place:

- Management holds meetings regularly, and each team has group and individual meetings with their respective Managers.
- The unit holds Triage Fundamentals and Triage Roundtable sessions bi-monthly or as needed to ensure the teams are calibrated.
- Triage Specialists serve as peer reviewers among them to validate the correctness of data captured as part of case evaluations.
- Managers perform spot-checks and internal QA exercises to assess data correctness.



Executive Summary

- Triage Specialists perform weekly reconciliation exercises
- Data mismatch reports are reviewed monthly, and data is corrected as necessary.
- Job aids and guides have been created to assist in the onboarding and day-to-day processes for Claims Litigation Triage Specialists and Triage Managers.
- An independent and thorough Quality Assurance (QA) process is in place to assess Claims Litigation Triage review, handling, and recommendations.

The Claims Litigation Triage Unit is responsible for completing an in-depth review of all incoming lawsuits and their associated claims files, capturing all pertinent information, and generating a comprehensive report with a recommended resolution path. The corresponding Citizens' Claims Litigation Teams utilize the information gathered to handle these lawsuits.

Internal Audit did not note exceptions at Claims Litigation Triage or Quality Assurance levels. Nonetheless, Management is encouraged to consider the following improvement opportunities to enhance the effectiveness of the unit's processes:

- **Update Manuals / Guidelines** - While Management has developed guidelines and job aids for Managers and Specialists, these should be regularly reviewed and updated to reflect any changes in responsibilities and requirements. For example, the error tolerance for file reviews was reduced from .02% to .01%, and the guidelines do not reflect this.
- **Rampart** - The Rampart application is a Microsoft Access database that serves as the Triage unit's system of record.

Rampart does not currently incorporate a broad interface with ClaimCenter, PolicyCenter, and Acuity. The application only auto-populates limited information from Acuity, which is initially entered by Litigation Support when a lawsuit is received. Due to this reason, Claims Litigation Triage Specialists spend considerable time manually entering data into the required tabs, sub-tabs, and fields in Rampart to generate their report. Limited fields are also completed manually in the litigation management application, Acuity.

Furthermore, current processes include redundancies such as peer reviews, manager spot checks, Manager QA reviews (different from the independent review carried out by Citizens' QA Division), and monthly data mismatch verification, which focus more on the correctness and completeness of the information entered by the Triage Specialists, rather than the quality of the assessment or the recommended resolution path.

Management could benefit from automating or substituting Rampart with a tool that allows efficiencies by pulling and pushing more information from and to Citizens' applications, permitting Triage Specialists to concentrate efforts on the review and recommendations rather than data accuracy/consistency. Granted that the review



Executive Summary

time may vary depending on the complexity of a claim, automation or auto-population could assist Triage Specialists in completing more reviews than the current target of two (2) file reviews per day.

While Citizens is procuring new litigation management and InsuranceSuite solutions, the Triage Unit could benefit from having a permission-based workspace or tab within the new system(s) to conduct file reviews and provide analysis and recommendations.

- **Position Profiles** – Claims Litigation Triage Specialists currently perform duties under the Claims Litigation Adjuster Lead position profile. This profile contains essential functions that Triage Specialists do not perform as part of their responsibilities, such as negotiating and settling claims, which accounts for 10% of the time. Also, Triage Specialists are responsible for evaluating lawsuits and recommending a course of action or resolution path; however, the job description does not require prior litigated claim experience.

A job posting obtained from Citizens' website for a Triage Review Adjuster invites individuals "who are ready to combine their advanced claims experience with their legal background" to join the Claims Litigation Team; however, the experience requirements are either:

- Eight (8) or more years of experience handling P&C claims (personal and commercial); or
- JD and two (2) years of adjusting experience.

Internal Audit is aware that Triage functions are performed under claims adjusting best practices and guidelines, as well as litigation strategies developed by Claims Litigation and Claims Legal. Notwithstanding, Management may consider reevaluating the position profile and updating responsibilities and minimum requirements.

We thank Management and staff for their cooperation and professional courtesy throughout this audit.



Distribution

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