

Executive Summary

Claims Committee Meeting, March 9, 2023
Board of Governors Meeting, March 29, 2023

Mobile Home Demolition Services

Topic

This Consent Item seeks approval to increase the previously authorized spend amount from \$2,814,048 to \$27,814,048. Currently, Citizens has three (3) competitively procured vendors to perform services under the contract, and as of January 2023 month-end, the contract balance remaining is \$947,700.77 to last until the contract expiration on October 18, 2024. The additional funds requested will allow Citizens to handle the greatly increased volume of mobile home demolition services needed because of Hurricane Ian, as well as to anticipate any daily and/or 2023/2024 catastrophe volume that may arise.

History

Section 319.30, Florida Statutes, requires Citizens to obtain the title to any mobile/manufactured home that has been determined by a Claims' Adjuster to be a total loss. As a result, it is Citizens' responsibility to ensure proper demolition and removal of all mobile/manufactured homes that have been determined to be a total loss. As detailed below, the increased spend authority requested is due to projected increases in claims volume.

Currently each contracted vendor provides Citizens with experienced personnel and equipment to safely demolish, remove, and properly dispose of all mobile home debris and remnants from an insured property, regardless of the severity, in non-catastrophic and catastrophic situations. Each vendor provides services to Citizens and Citizens' policyholders throughout the entire State of Florida.

The services include:

- Demolition – The systematic, appropriate, and safe destruction of a mobile/manufactured home structure.
- Removal – The safe and lawful removal of all mobile/manufactured home debris and remnants from a property.
- Disposal – Ensure the safe, proper, and legal disposal of all mobile home debris and remnants in accordance with state and local laws, regulations and/or restrictions.

From January 2015 through April 2019, the previous agreements for mobile home demolition services only incurred \$935,606.86 of the previous Board approved contract spend of \$2,345,040. However, during those previous agreements, Citizens mobile home policy count increased by 5,293, from 54,073 (as of 12/31/2015) to 59,366 (as of 12/31/2018). The only catastrophe handled under the course of those earlier agreements was Hurricane Irma, which resulted in 131 assignments. Irma attributed to \$431,291.64 of the previous agreement's total spend (\$935,606.86). Updating to 2019-year end, 11,097 mobile home policies were added to this book of business, with Citizens ending 2019 with a total of 70,463 policies.

Executive Summary

Claims Committee Meeting, March 9, 2023
Board of Governors Meeting, March 29, 2023

The current Vendors were competitively procured through Request for Proposals (RFP) 18-0026 for the Mobile Home Demolition contractors. On September 26, 2018, the Board approved these current agreements with an initial contract spend of \$1,407,024 for the three-year base term of the contract and \$1,407,024 for the three one-year renewals, for a total of \$2,814,048.

Since then, between 2019- and 2022-year end, Citizens' mobile home book of business rose by an additional 7,052 policies, bringing us to 77,515 policies. As of January 2023, our contracted vendors have completed 256 assignments under the current agreements, effective October 18, 2018. Hurricane Michael resulted in 155 of those completed assignments at a total cost of \$1,197,885.08, which equates to approximately \$7,700 per assignment. The Hurricane Michael demolition volume alone utilized a majority of the \$1,407,024 budget allocated for the three-year base term of the contract.

As a result of Hurricane Ian, Citizens has received 11,050 mobile home claims, with 3,585 of those being reported with higher severity codes of four (4) and five (5). As of January 2023 month-end, with that claim volume, we have issued 127 demolition assignments with approximately five (5) to seven (7) demolition assignments issued each day since then.

As noted above, the remaining contract balance available as of the end of January 2023 was \$947,700.77. Using the estimated cost per demolition assignment (\$7,700), and the potential Hurricane Ian demolition volume of 3,585 (severity four (4) – 1,404 claims and severity five (5) – 2,181 claims) becoming assigned demolitions, our estimated expenses related to Ian alone would be up to \$28 million. However, our internal estimates are not quite as high, projecting expenses between \$10 to \$15 million. These estimates would exhaust our remaining contract spend authority noted above. The additional spend authority requested will provide the support needed for daily demolition needs, in addition to any unknown catastrophe events that may occur in 2023 and/or 2024, given that the demolition contracts are active until October 2024. In calculating the additional spend that may be needed to provide coverage over the remaining contract terms, we have combined the median value of losses projected from Ian (\$12.5 million) and then added another \$12.5 million, to allow for the possibility of a similar event and response in the future. As a result, this Consent Item seeks approval to increase the available contract spend amount by \$25 million to ensure sufficient spend authority is available to continue our efforts to assist our policyholders.

Recommendation

The recommendation is listed in the attached Consent Item.

Mobile Home Demolition Services

ACTION ITEM

New Contract

Contract Amendment

Other _____

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval - 9/26/2018

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.

<p>Item Description</p>	<p>Mobile Home Demolition Services, RFP 18-0026 Request for Additional Contract Spend</p>
<p>Purpose/Scope</p>	<p>Section 319.30, Florida Statutes requires Citizens to obtain the title to any mobile/manufactured home that has been determined by a Claims' Adjuster to be a total loss. It is Citizens' responsibility to ensure proper removal and destruction of all mobile/manufactured homes that have been determined to be a total loss.</p> <p>The contracted Vendors provide experienced employees and equipment to safely demolish, remove and dispose of all mobile home debris and remnants from an insured property, regardless of the severity, in non-catastrophic and catastrophic situations.</p> <p>Multiplying the approximate cost per demolition assignment of \$7,700 by 3,585, which reflects the total number of severity four (4) and severity five (5) mobile home claims from Hurricane Ian (severity four (4) – 1,404 claims and severity five (5) – 2,181 claims), our estimated expenses may be up to nearly \$28 million dollars. However, our internal estimate falls closer to between \$10 to \$15 million, which will exhaust our remaining contract budget of \$947,700, as of January 2023 month-end. Calculating the additional spend that may be needed to provide coverage until the agreements expire in October 2024, and to cover any daily and/or catastrophe demolition needs that may arise, we combine the median value of losses we may incur from Ian to arrive at \$12.5 million, and then add another \$12.5 million for the possibility of a similar response in the future. As a result, this Consent Item seeks to increase the available budget remaining under the Mobile Home Demolition Services agreement by \$25 million, increasing the contract spend amount to \$27,814,048 million, to ensure sufficient funds are available to continue our efforts to assist our policyholders.</p>

Mobile Home Demolition Services

Contract ID	Mobile Home Demolition Services Contract No. 18-18-0026 Vendors: Irondog, Inc., Tropical Demolition Inc., WHM Services LLC
Budgeted Item	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>The claim-related costs for this contract are a budgeted expense paid as an Adjusting Expense under the claim file.</p>
Procurement Method	<p>On April 11, 2018, Citizens issued a Request for Proposals (RFP) 18-0026 for Mobile Home Demolition. Responses were received and evaluated by an Evaluation Committee. The Evaluation Committee recommended award to vendors on July 24, 2018. Currently, there are three (3) vendors contracted to perform services under the contract.</p>
Contract Amount	<p>On September 26, 2018, the Board approved an initial contract spend of \$1,407,024 for the three-year base term of the contract and \$1,407,024 for the three one-year renewals, for a total of \$2,814,048. As of January 2023 month-end, the contract balance remaining is \$947,700.77. This Consent Item seeks Board of Governors approval to increase the contract spend authority.</p>
Contract Terms	<p>The contract had a three (3) year initial base term, with three (3) optional one (1) year renewal terms. The base term of the contract expired on October 17, 2021. Two of the three optional one-year renewals have been exercised, which extended the contract expiration dates to October 17, 2023.</p>
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 an increase the previously approved contract amount for Mobile Home Demolition Services agreements from \$2,814,048 to \$27,814,048 million, as set forth in this Consent Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
Board Recommendation from Committee	<p>If approved at its March 9, 2023, meeting the Claims Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"> a) Authorize an increase in the previously approved contract amount for Mobile Home Demolition Services agreements from \$2,814,049 to \$27,814,048 as set forth in this Consent Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
Contacts	<p>Jay Adams, Chief Claims Officer</p>