

Executive Summary

Claims Committee Meeting, March 28, 2024
Board of Governors Meeting, April 10, 2024

Claims Legal Services

Topic

This Consent Item seeks Board approval for \$50 million in additional spend authority under the Claims Legal Services contracts, for a total of \$350 million authorized spend. This approval is requested for expenditures across the initial panel contracts (RFP 21-0012) approved by the Board on December 15, 2021, and the supplemental panel contracts (RFP 22-0021) approved by the Board on March 29, 2023.

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 one-hundred and twelve (112) outside defense firms to provide legal representation in the following four (4) claims-related Service Areas:

- First Party Property,
- Third Party Liability,
- Subrogation, and
- Appeals.

The current Claims Legal Services contracts were procured under RFP 21-0012 and RFP 22-0021. The Board approved the initial panel contracts at a December 15, 2021 Board of Governors meeting. At that meeting, Citizens requested \$500 million in spend authority based on the estimated total contract amount over the initial five (5) year term. The Board approved \$50 million 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. The Board approved spend increases of \$50 million at the July 13, 2022 and December 22, 2022 Board of Governors meetings. At the March 29, 2023 Board of Governors meeting, the Board approved the supplemental panel contracts and an additional \$50 million in contract spend across the initial and supplemental panel contracts. The Board approved two additional spend increases of \$50 million at the September 27, 2023 and December 6, 2023 meetings, bringing the total Board approved amount to \$300 million.

As of February 28, 2024, Citizens has incurred approximately \$261 million in spend under the approved Claims Legal Services contracts. Citizens forecasts that spend will likely exceed the approved \$300 million prior to the July 2024 Board of Governors meeting. Citizens continues to maintain a high volume of claims-related litigation in terms of both new and total pending lawsuits. As of February 28, 2024, the number of pending claims-related lawsuits continues to exceed 17,500. In addition to pending lawsuits, Citizens' policy-in-force count continues to rise, with PIF count totaling 1,165,867 as of Jan 31, 2024.

With the continuing high volume of (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 contracts will not abate for the foreseeable future. In addition to these factors, it should be noted that the contracts allow for increased rates for panel counsel beginning in February 2025.

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A summary of the monthly contract spend to date is provided below:

Year	Month	PIF	Pending Litigation	Fees*
2022	Feb	792,616	17,725	\$5,785,718.60
2022	Mar	817,926	18,115	\$6,556,057.94
2022	Apr	851,066	18,558	\$6,498,089.53
2022	May	883,333	18,898	\$6,763,133.37
2022	June	931,957	19,236	\$7,487,900.64
2022	July	994,456	20,806	\$7,331,711.52
2022	Aug	1,029,829	20,468	\$9,361,644.64
2022	Sept	1,071,850	20,927	\$9,669,797.70
2022	Oct	1,111,283	20,833	\$10,376,969.15
2022	Nov	1,126,319	20,813	\$7,617,890.07
2022	Dec	1,145,811	20,863	\$8,867,051.11
2023	Jan	1,167,579	20,703	\$13,335,467.46
2023	Feb	1,193,725	20,555	\$11,171,285.79
2023	Mar	1,239,396	20,203	\$12,957,826.09
2023	April	1,272,815	19,868	\$13,158,730.23
2023	May	1,304,332	19,576	\$14,154,532.41
2023	June	1,317,174	19,539	\$14,221,564.99
2023	July	1,348,834	19,484	\$12,480,509.30
2023	Aug	1,377,425	19,010	\$14,758,643.99
2023	Sep	1,407,805	18,577	\$14,618,550.28
2023	Oct	1,334,620	18,533	\$17,115,416.77
2023	Nov	1,260,430	18,384	\$11,406,614.31
2023	Dec	1,228,718	18,043	\$13,422,086.49
2024	Jan	1,165,867	17,762	\$12,250,431.94
Total Spend for Current Contract				\$261,368,581.72**
*Fees include firm fees and expenses only, other vendor expenses have been removed				
**Total contract spend excludes a portion of February 2022 covered under the previous panel contracts				

Based on the above, Staff is requesting approval for an additional \$50 million in spend authority across the initial and supplemental Claims Legal Services contracts to fund these services through the second quarter of 2024. Additional spend authority will be requested 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 listed 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 million in authorized spend under the Claims Legal Services contracts to fund these services through the second quarter of 2024. This approval is requested for expenditures across the initial panel contracts (RFP 21-0012) approved by the Board on December 15, 2021, and the supplemental panel contracts (RFP 22-0021) approved by the Board on March 29, 2023. This approval would increase total authorized spend to \$350 million, if approved.
Contract ID	Claims Legal Services 21-21-0012 & 22-22-0021 (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. On December 6, 2022, Citizens issued Supplemental Claims Legal Services RFP 22-0021. Twenty-three (23) proposals were timely submitted. The proposals were reviewed and scored by an Evaluation Committee who recommended to award contracts to twenty-two (22) law firms on February 17, 2023. These twenty-two (22) contracts were approved by the Board on March 29, 2023.

Claims Legal Services

<p>Contract Amount</p>	<p>The estimated contract amount over the five (5) year initial term is \$500 million. On December 15, 2021, the Board approved an initial \$50 million in spend 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. The Board approved additional spend in \$50 million increments on July 13, 2022, December 22, 2022, March 29, 2023, September 27, 2023 and December 6, 2023, bringing the total approved amount to \$300 million.</p>
<p>Contract Terms</p>	<p>The current Claims Legal Services contracts have a five (5) year initial term ending on February 2, 2027, with two (2) one-year optional renewal terms. The Supplemental Claims Legal Services contracts also expire on February 2, 2027, with 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.</p>
<p>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 up to \$50 million in additional spend under the Claims Legal Services contracts as set forth in this Consent Item which, if approved, would make the total spend authorized to-date \$350 million; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
<p>Board Recommendation from Committee</p>	<p>If approved at its March 28, 2024 meeting, the Claims Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"> a) Authorize up to \$50 million in additional spend under the Claims Legal Services contracts as set forth in this Consent Item which, if approved, would make the total spend authorized to-date \$350 million; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
<p>Contacts</p>	<p>Jay Adams, Chief Insurance Officer Brian Newman, General Counsel & Chief Legal Officer</p>