

# Executive Summary

Claims Committee Meeting, March 28, 2024

Board of Governors Meeting, April 10, 2024

## Enterprise Litigation Management System – Additional Spend for Continued System Operations

### Topic

This Consent Item seeks Board approval for an additional \$1,000,000 in authorized spend under the Enterprise Litigation Management System “ELMS” contract with Trialnet, Inc. D/B/A Acuity Management Solutions, a Subsidiary of Mitratesch Holdings, Inc. “Mitratesch”. If approved, this would increase the total spend authorized for Mitratesch’s ELMS services to \$2,950,000.

### History

The Enterprise Litigation Management System is used by both Citizens’ internal staff and contracted outside defense counsel to facilitate the management of all activity on claims related legal matters, including: data analysis and reporting, management and auditing of all law firm and litigation vendor billing, storage of all litigation related documents and communication between Citizens and its contracted outside defense counsel. Citizens is currently in a transition period with Mitratesch supporting the existing ELMS system, named “Acuity”, while staff works with Litify, Inc. to implement the new ELMS solution procured under ITN 22-0019.

The current contract for ELMS, with Mitratesch Holdings, Inc. (“Mitratesch”), dates to April 30, 2012, following the completion of ITN 11-0054. This resulted in a contract with Acuity Management Solutions (“Acuity”). On September 29, 2020, Acuity was acquired by Mitratesch, who continued the Software-as-a-Service (“SaaS”) solution, now called “Acuity ELM Essentials.”

Mitratesch is currently providing these ELMS services, after choosing not to participate in ITN 22-0019. That procurement resulted in a contract award to Litify, Inc. (Litify) for a new ELMS system. Thereafter, Single Source 22-2003 procured Mitratesch to contractually provide the required services, both to maintain the current operating system, and to assist with the successful transition to the new vendor, Litify, Inc. This contract with Mitratesch is set to expire on June 18, 2025, with no renewal available. The remaining time before contract expiration should allow for the successful transition to Litify.

The original estimated contract amount for Mitratesch’s ELMS services was \$1,950,000 for a recommended three (3) year contract period and included all anticipated costs associated with ongoing maintenance/license fees throughout the contract term. This estimate was based on certain assumptions pertaining to data/file size and litigation spend known at the time.

However, since the latest Mitratesch contract was approved by the Board on May 18, 2022, there have been several factors that have contributed to an increase of expenses for the use of the Acuity ELMS system requiring additional spend, which include the following:

1. Increase in litigation volume. During the eighteen (18) month period from January 2021 through August 2022, Citizens experienced a 50% increase in its pending lawsuit count, from 13,000 to over 20,000 suits. The fees for the Acuity ELMS system are calculated based on a percentage

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of the total dollar amount of invoices processed through the system each month. With this sharp increase in pending litigation came an increase in associated litigation costs, which directly impacted the costs for the ongoing Acuity ELMS system. As an example, in May 2022, at the time the original spend request was submitted to the Board, Citizens paid \$6.7 million through the ELMS system. By May of 2023, that number had risen to almost \$13 million. This increase in invoice amounts/litigation costs effectively doubled the per month cost of the Acuity ELMS system over that period.

2. Increase in hourly rates for contracted outside counsel. New Claims Legal Services contracts for outside defense counsel went into effect in February 2022 and provided increased hourly rates for Citizens' panel counsel for all new matters assigned after the effective date. This increase in hourly rates resulted in an increase in litigation related costs. Similar to the impacts of the rise in litigation volume, these inflationary increases directly impacted the cost for the Acuity ELMS, given that it is calculated based on the amount of invoice processed through the system each month. In May 2022 when the original Mitratach ELMS action item was approved by the Board, only 20% of matters were under the new higher rates. Currently, over 75% of matters are under the new rates.
3. Transition assistance. Mitratach continues to assist in the transition over to the new ELMS vendor/system with Litify, Inc. Citizens' contractual agreement with Mitratach provides for transition assistance to be provided by Mitratach at mutually agreed upon rate. In November 2023, Citizens entered into a Scope of Work agreement with Mitratach to provide these transition assistance services using a mix of fixed and hourly costs. Mitratach has been a critical and valuable partner given the complexity of the ELMS transition project.

Staff currently anticipates the "go-live" date, when Citizens will be fully transitioned over to the new ELMS vendor, Litify, Inc., to occur during the month of October 2024. To date, Citizens has incurred approximately \$1.6 million in spend under the ongoing ELMS agreement with Mitratach. The remaining authorized spend under this agreement of approximately \$350,000 will be exhausted prior to the anticipated go-live date. Therefore, given the (1) increased costs of using Acuity set forth above, (2) criticality of the ELMS system in Citizens' Claims Litigation operations, and (3) the time and process required to fully transition to the new Litify ELMS system, the attached Consent Item seeks Board approval for an additional \$1,000,000 in spend under the Mitratach ELMS agreement.

## Recommendation

The recommendation is listed in the attached Consent Item.

## Enterprise Litigation Management System – Additional Spend for Continued System Operations

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| <input type="checkbox"/> <b>ACTION ITEM</b><br><br><input type="checkbox"/> <b>New Contract</b><br><br><input type="checkbox"/> <b>Contract Amendment</b><br><br><input type="checkbox"/> <b>Other</b> _____ | <input checked="" type="checkbox"/> <b>CONSENT ITEM</b><br><br><input type="checkbox"/> <b>Contract Amendment</b><br><br><input type="checkbox"/> <b>Existing Contract Extension</b><br><br><input checked="" type="checkbox"/> <b>Existing Contract Additional Spend</b><br><br><input type="checkbox"/> <b>Previous Board Approval</b> _____<br><br><input type="checkbox"/> <b>Other</b> _____ |
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**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.

<b>Item Description</b>	<b>Enterprise Litigation Management System – Additional Spend for Continued System Operations</b>
<b>Purpose/Scope</b>	<p>This Consent Item seeks Board approval for additional spend, not to exceed \$1,000,000, under the Enterprise Litigation Management System “ELMS” contract with Trialnet, Inc. D/B/A Acuity Management Solutions, a Subsidiary of Mitratesch Holdings, Inc. “Mitratesch”. This amount is in addition to the \$1,950,000 previously approved by the Board on May 18, 2022. The total amount of authorized spend under the ELMS contract with Mitratesch, including the amount previously authorized, and the sum requested now, will be \$2,950,000.</p> <p>Additional funding is being requested due to unanticipated factors which include, (1) increased litigation volume, (2) increased hourly rates for contracted outside counsel, and (3) additional costs associated with file and data transition assistance provided by Mitratesch, required for the successful transition over to the new ELMS vendor. As a result, Citizens’ staff is requesting authorization for additional contract funding in the amount of \$1,000,000.</p> <p>The transition to the new ELMS vendor is ongoing with an estimated completion date of October 2024.</p>
<b>Contract ID</b>	<b>Enterprise Litigation Management System</b> 22-22-0003-00
<b>Budgeted Item</b>	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No

## Enterprise Litigation Management System – Additional Spend for Continued System Operations

<b>Procurement Method</b>	Mitratesch is currently providing these services, after choosing not to participate in ITN 22-0019. That procurement resulted in a contract award to Litify, Inc. (Litify) for a new ELMS system. Thereafter, Single Source 22-2003 procured Mitratesch to contractually provide necessary services, both to maintain the current operating system, and to assist with the successful transition to the new vendor, Litify, Inc.
<b>Contract Amount</b>	<p>The original estimated contract amount was \$1,950,000 for the recommended three (3) year contract period and included all anticipated costs associated with ongoing maintenance/license fees throughout the contract term. This estimate was based on certain assumptions pertaining to data/file size and litigation spend known at the time.</p> <p>The Board approved this contract with Mitratesch on May 18, 2022.</p>
<b>Contract Terms</b>	The contract has a three (3) year term effective June 19, 2022, with the option to terminate after year two (2).
<b>Committee Recommendation</b>	<p>Staff proposes that the Claims Committee review, and if approved recommend the Board of Governors:</p> <ul style="list-style-type: none"> <li>a) Authorize additional spending authority under the Enterprise Litigation Management System Agreement with Trialnet, Inc. D/B/A Acuity Management Solutions, a Subsidiary of Mitratesch Holdings, Inc. of \$1,000,000 as set forth in this Consent Item which, if approved, would increase the total spend authorized to \$2,950,000; and</li> <li>b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.</li> </ul>
<b>Board Recommendation from Committee</b>	<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"> <li>a) Authorize additional spending authority under the Enterprise Litigation Management System Agreement with Trialnet, Inc. D/B/A Acuity Management Solutions, a Subsidiary of Mitratesch Holdings, Inc. of \$1,000,000 as set forth in this Consent Item which, if approved, would increase the total spend authorized to \$2,950,000; and</li> <li>b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.</li> </ul>
<b>Contacts</b>	<p>Jay Adams, Chief Insurance Officer</p> <p>Brian Newman, General Counsel &amp; Chief Legal Officer</p>