

Executive Summary

Claims Committee Meeting, September 12, 2024

Board of Governors Meeting, September 25, 2024

Claims Legal Services

Topic

This Action Item seeks Board approval for \$50 million in additional spend authority under the Claims Legal Services contracts, for a total of \$400 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.

This Action Item also seeks Board approval to enter contracts with new firms as appropriate at Citizens' discretion when a senior attorney or attorneys handling matters for Citizens leaves a firm with whom Citizens is currently contracted and moves to a firm that is not on Citizens' contracted panel. Contracts executed under this authority will be governed by the Board's approval of the other panel contracts including the shared spend limit. This approval is requested for the Claims Legal Services panel (RFPs 21-0012 and 22-0021) and the General Corporate Legal Services panel (RFP 22-0013) approved by the Board in September 2022.

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 three additional spend increases of \$50 million at the September 27, 2023, December 6, 2023, and April 10, 2024 meetings, bringing the total Board approved amount to \$350 million.

As of August 1, 2024, Citizens has incurred approximately \$333 million in spend under the approved Claims Legal Services contracts. Citizens forecasts that spend will likely exceed the approved \$350 million prior to the December 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 August 1, 2024,

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the number of pending claims-related lawsuits is approximately 17,000. In addition to pending lawsuits, Citizens' policy-in-force count continues to rise, with PIF count totaling 1,213,495 as of July 1, 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.

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
2024	Feb	1,169,427	17,597	\$12,760,903.11
2024	Mar	1,168,919	17,288	\$10,378,042.87
2024	Apr	1,188,800	17,259	\$13,494,015.49
2024	May	1,193,484	16,991	\$12,966,850.03

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2024	June	1,213,495	16,895	\$11,445,694.30
2024	July		16,918	\$10,849,477.65
Total Spend for Current Contract				\$333,263,565.17**
*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 contacts				

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 end 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.

This Action Item also seeks approval to contract with new firms as appropriate when a previously vetted senior attorney or attorneys handling matters for Citizens leaves a firm with whom Citizens is currently contracted and moves to a firm that is not on Citizens' contracted panel. At the present, when this situation occurs, Citizens is limited in its ability to access that attorney's legal services, since that attorney is no longer on Citizens' panel. Not only does this limit Citizens' options for assigning future matters, but it can cause disruption and/or delays in Citizens' handling of pending matters. Citizens typically redirects a departing attorney's work to other attorneys at the same firm or to other contracted firms.

This Action Item provides staff flexibility when addressing attorney departures from firms on the panel. Where a senior level attorney has demonstrated high performance at competitive rates, it is often in Citizens' best interest to continue to receive services from that attorney under a contract with their new firm. In many instances, keeping matters with the departing attorney provides continuity and cost savings. This requested authority would only be utilized at Citizens' discretion and with attorneys who have been vetted and demonstrated future value by way of their past relationship with Citizens while working at a contracted firm.

This approval for additional contracts is requested for the Claims Legal Services panel (RFPs 21-0012 and 22-0021) and the General Corporate Legal Services panel (RFP 22-0013). The Board approved the General Corporate Legal Services panel of seventeen firms in September 2022 for an amount not to exceed \$8,400,000. The General Corporate Legal Services panel includes five practice areas: Administrative and Government Law, Civil Litigation, Class Action Defense, Employment Law, and Transactional Law.

New contracts executed under this authority will be governed by the Board's approval of the other panel contracts including the shared spend limit. Additional contracts entered pursuant to this authority are not expected to increase total spend under either panel.

Recommendation

The recommendation is listed in the attached Action 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
<p>Purpose/Scope</p>	<p>This Action 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 \$400 million, if approved.</p> <p>This Action Item also seeks Board approval to enter contracts with new firms as appropriate when a senior attorney or attorneys handling Citizens matters leaves a firm with whom Citizens is currently contracted and moves to a firm that is not on Citizens' contracted panel. At the present, when this situation occurs, Citizens is limited in its ability to access that attorney's legal services, since that attorney is no longer on Citizens' panel. Not only does this limit Citizens' options for assigning future matters, but it can cause disruption in Citizens' handling of pending matters and increased costs as new counsel must be retained and brought up to date on the status of such pending matters.</p> <p>This Action Item will ensure continued access to attorneys whom Citizens has vetted as providing high-quality legal counsel and reduce disruption in the workflow of pending matters. Contracts executed under this authority will be governed by the Board's approval of the other panel contracts including the shared spend limit. This approval is requested for the Claims Legal Services panel (RFPs 21-0012 and 22-0021) and the General Corporate Legal Services panel (RFP 22-0013). Any new contracts entered pursuant to this authority are not expected to increase total spend under either panel.</p>

Claims Legal Services

<p>Contract ID</p>	<p>Claims Legal Services 21-21-0012 & 22-22-0021 (Multiple Contracts)</p> <p>General Corporate Legal Services 22-22-0013 (Multiple Contracts)</p>
<p>Budgeted Item</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>Procurement Method</p>	<p>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.</p> <p>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.</p> <p>On May 6, 2022, Citizens issued General Corporate Legal Services RFP 22-0013. Twenty (20) proposals were timely submitted. The proposals were reviewed and scored by an Evaluation Committee who recommended to award contracts to seventeen (17) law firms on August 22, 2022. These seventeen (17) firms were approved by the Board on September 21, 2022.</p>
<p>Contract Amount</p>	<p>For Claims Legal Services, 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, December 6, 2023, and April 10, 2024, bringing the total approved amount to \$350 million.</p> <p>For General Corporate Legal Services, the Board approved spend not to exceed \$8,400,000. This Action Item does not request additional spend for General Corporate Legal Services.</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>

Claims Legal Services

	<p>The current General Corporate Legal Services contracts have a three (3) year initial term ending on February 1, 2026, with a three (3) year renewal option.</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 up to \$50 million in additional spend under the Claims Legal Services contracts as set forth in this Action Item which, if approved, would make the total spend authorized to-date \$400 million;b) Authorize the addition of new firms to the Claims Legal Services and General Corporate Legal Services panels as appropriate to continue to receive legal services from attorneys who leave a currently contracted firm; andc) Authorize staff to take any appropriate or necessary action consistent with this Claims Legal Services Action Item.
Board Recommendation from Committee	<p>If approved at its September 12, 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 Action Item which, if approved, would make the total spend authorized to-date \$400 million;b) Authorize the addition of new firms to the Claims Legal Services and General Corporate Legal Services panels as appropriate to continue to receive legal services from attorneys who leave a currently contracted firm; andc) Authorize staff to take any appropriate or necessary action consistent with this Claims Legal Services Action Item.
Contacts	<p>Jay Adams, Chief Insurance Officer</p> <p>Brian Newman, General Counsel & Chief Legal Officer</p>