

# Claims Update: Independent Adjuster Contracts

Board of Governors  
December 7, 2016





# Independent Adjuster Vendor Contracts

2016 Hurricane Matthew Response

# Hurricane Matthew Response

- Catastrophe response issues were identified
  - Independent Adjuster firms (IA Firms) failed to meet the catastrophe deployment requests for resources
- Claims executed the catastrophe response by adjusting to the IA Firms deployment request failures
  - Adjustments made would not be scalable in a larger event
- Cannot continue to reward the IA Firms non-performance with claims volume



# Independent Adjuster Vendor Contracts

2015 New Contract Issuance

# 2015 Independent Adjuster Contracts

- Litigation, Non Catastrophe and Catastrophe were procured in a single solicitation/contract
- Goal was to establish the most resources with as few vendors as possible due to claims volume constraints
  - Up to 5,000 Independent Adjuster resources
    - Litigation
    - Non Catastrophe
    - Catastrophe
  - Office space to house commitments
    - Litigation
    - Fast Track

# 2015 Independent Adjuster Contracts

- Eight vendor contracts were secured
  - Providing a total Independent Adjuster resource commitment of 3,441
    - 3,441 individual adjusters (fully credentialed in Citizens CAIS system)
    - Litigation teams were staffed
    - Non Catastrophe teams were staffed including Non Weather Water

# Credentialing Efforts

- Citizens credentialed the following resources:
  - 3,677 total resources against the vendor commitments
    - 1,209 Litigation resources
    - 1,461 Non Litigation resources
    - 1,007 Fast Track resources
  - 144 resources for additional supporting roles (not qualified to meet the vendor commitment numbers)
    - 93 Associate Adjuster resources
    - 51 CAT Adjuster 1 resources

# New Vendor Contract Performance

- Vendors were able to perform within guidelines
  - Litigation
  - Non Catastrophe
    - Managed Claim Model (MCM)
    - Non Weather Water
- Citizens leveraged Non Catastrophe claims to train the vendors on best practices, estimating guidelines and the Claims Management System



# Vendor Catastrophe Performance

- Vendors were NOT able to perform within guidelines
  - Unable to meet the Catastrophe Deployment resource requests based on their commitments
  - Unable to have resources available at the appointed time slots for training and orientation
  - Unable to deploy resources as requested by position
    - Team Leads
    - Desk Adjusters
    - Task/Field Adjusters

## The Bottom Line...

- Areas of the contract under Citizens control performed as expected
  - Commitment versus credentialing
  - Office space commitment to house Independent Adjusters
  - Litigation and Non Catastrophe work
- Areas of the contract outside Citizens control performed poorly
  - Deployment of resources for Catastrophe



# Independent Adjuster Vendor Contracts

Current State

## Current State

- Single contract that includes the following services:
  - Litigation
  - Non Catastrophe
    - Managed Claim Model (MCM)
    - Non Weather Water
    - Task
  - Catastrophe

## Contracted Vendors

Contract Status	Vendor	Resource Commitment
Active	CIS	400
Active	NCA Group	548
Active	Bright Claim	500
Active	Bradley Stinson & Assoc	600
Inactive	Legacy Claims	235
Inactive	Lozano	297
Inactive	Jimmy Giles	463
Inactive	Pacesetter	398

# Current Contract Model Challenges

- Claim Assignments to Vendors
  - Vendors are handling multiple file types
    - Litigation
    - Non Catastrophe
    - Catastrophe
  - Non performance is difficult to address when handling multiple file types
    - A problem in any one area potentially places all areas in jeopardy and creates workflow issues for the Business Unit

# Hurricane Matthew Deployment Failures

- Catastrophe Deployment Failures of the activated IA Firms
  - Requested 624 resources from a commitment of 2,048 resources (30% of commitment)
    - Roles based
      - Team Lead
      - Desk Adjuster
      - Task Adjuster
  - Actual resources deployed was 279 (45% of requested deployment)
    - Deployments did not match the request based on roles



# Independent Adjuster Vendor Contracts

Results of Catastrophe Deployment Failures



# Results of Catastrophe Deployment Failures

- Active IA Firms are in breach of contract
  - Corrective action plans issued
  - Liquidated damages assessed
  - Non realized staffing penalties assessed
  
- Reputational Risk of Citizens
  - Larger event could have jeopardized our ability to respond
    - Adjusting the catastrophe response and shifting workflows provided a sufficient response to the low volume of claims
    - Not scalable for a larger event
  - Single contract with Litigation, Non Catastrophe and Catastrophe places all business units at risk for resources during an event

# Response to Independent Adjuster Firms

- Settlement Agreements delivered to four active vendors
  - 1) Assessment of liquidated damages
    - \$120,000 (60 adjusters @ \$2,000)
  - 2) Assessment of unrealized staffing penalties
    - \$106,920 (57 adjusters @ applicable Day Rate)
  - 3) Deactivating the MCM teams (Non Catastrophe)
  - 4) Vendors not to honor any potential non-compete clauses with Independent Adjusters
  - 5) Vendors not allowed to participate in the future solicitation for Non Catastrophe and Catastrophe

# Results of Catastrophe Deployment Failures

- Four inactive vendors offered to move to active status
  - Offered activation of Managed Claim Model (MCM) teams
  - Not requiring office space in Jacksonville
    - New solicitations will be issued early 2017
    - Not activating Catastrophe Fast Track which requires office space
  - Able to compete for new solicitation contracts



# Independent Adjuster Vendor Contracts

Additional Risks

# Additional Risks

- Resource Constraints – Independent Adjuster Firms
  - No relationship with Catastrophe IA's resulting in little to no IA firm loyalty
  - IA's engaged in multiple IA firm rosters
  - Focus mainly on Florida based IA's – not countrywide
  - Difficult to train and engage CAT resources when there is no active event

# Additional Risks

- Resource Constraints – Independent Adjusters
  - Market savvy evaluating Policies In Force and Claims volumes
  - Many working Non CAT claims and did not want to lose their current positions
  - More qualified IA's were engaged with FEMA
  - Guarantee of claims volume to deploy
  - Working non insurance jobs
  - Not committed to any one IA Firm

# Additional Risks

- Policies In Force & Claims Volume
  - Lower Policies In Force and Claims Volume
  - Cannot engage enough Non CAT resources to convert to CAT resources in an event
  - Leverage the Non CAT claims for Firm training to be prepared to engage during an event
    - MCM – Non CAT full claims adjustment
    - Team Leads
    - Desk Adjusters
  - Claims Management System (complex to train just in time for CAT resources)

## Lessons Learned

- 1) No contract in place to guarantee catastrophe resources
- 2) Independent Adjuster Firm roster commitments cannot be relied upon for event response under the current contract structure
- 3) Contract and financial penalties were not sufficient for compliance
- 4) Providing IA Firms with Litigation and Non Catastrophe daily claims volume did not ensure that the IA Firms were developing relationships with adjusters for Catastrophe response





# Independent Adjuster Vendor Contracts

Future State

## Solicitations/Contracts

- Conduct new solicitations to provide reliable capacity for catastrophe adjusters for the 2017 Hurricane season
- Discrete contracts with resource commitments assigned to a single contract
  - Litigation
  - Non Catastrophe
  - Catastrophe
- Provides more accountability to managing the IA Firms
- Accurate accounting of available resources

# Catastrophe Request For Information (RFI)

- Solicitation released November 2016
- Requesting information from Catastrophe Vendors
  - Capability
    - Ability to respond
    - Best practices
    - Organizational structure recommendations
  - Reliability
    - Relationships with adjusters
    - Prioritization of deployments
  - Quality
    - Skillset of adjusters
    - Productivity standards
- Perform extensive due diligence to evaluate RFI for optimum approach



# Questions