

# Executive Summary

Claims Committee Meeting, June 12, 2025

Board of Governors Meeting, June 25, 2025

## Claims Legal Services

### Topic

This Consent Item seeks Board approval for \$250 million in spend authority under the Claims Legal Services contracts. This approval is requested for estimated 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 and requested that Staff provide ongoing litigation updates as justification for spend authority in \$50 million increments as needed. As of the March 12, 2025 meeting, the total Board approved amount for Claims Legal Services is \$450 million. The five (5) year base term expires February 2027.

As of March 1, 2025, Citizens has incurred approximately \$445 million in spend under the approved Claims Legal Services contracts. Citizens forecasts that the spend authority of \$250 million requested in this Consent Item will cover the cost of Claims Legal Services through the end of the initial five (5) year contract term on February 2, 2027.

The table below, which breaks down legal spend to date by Catastrophe (“CAT”) and Non-Catastrophe (“Non-CAT”) litigation, illustrates that much of the defense costs Citizens incurs is attributable to the defense of catastrophe related litigation.

Period	Pending Litigation	Catastrophe Litigation	Non-Catastrophe Litigation	Total	% CAT	% Current Contract Rates
<b>Feb-22</b>	17,725	\$4,463,337.67	\$4,022,248.73	\$8,485,586.40	53%	7%
<b>Mar-22</b>	18,115	\$5,357,685.85	\$4,731,844.18	\$10,089,530.03	53%	20%
<b>Apr-22</b>	18,558	\$4,971,346.83	\$4,387,579.36	\$9,358,926.19	53%	28%
<b>May-22</b>	18,898	\$5,302,918.56	\$4,572,535.94	\$9,875,454.50	54%	35%

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Period	Pending Litigation	Catastrophe Litigation	Non-Catastrophe Litigation	Total	% CAT	% Current Contract Rates
Jun-22	19,236	\$5,534,915.19	\$4,978,007.38	\$10,512,922.57	53%	38%
Jul-22	19,703	\$5,157,946.89	\$4,771,236.66	\$9,929,183.55	52%	41%
Aug-22	20,053	\$5,981,421.55	\$5,665,868.79	\$11,647,290.34	51%	45%
Sep-22	20,478	\$5,578,063.20	\$5,335,568.14	\$10,913,631.34	51%	47%
Oct-22	20,390	\$6,074,828.14	\$5,777,969.66	\$11,852,797.80	51%	50%
Nov-22	20,378	\$5,359,790.28	\$5,596,056.72	\$10,955,847.00	49%	55%
Dec-22	20,379	\$4,833,143.96	\$4,935,383.19	\$9,768,527.15	49%	59%
Jan-23	20,186	\$6,037,512.39	\$5,981,597.80	\$12,019,110.19	50%	59%
Feb-23	20,047	\$5,537,767.18	\$5,754,232.53	\$11,291,999.71	49%	62%
Mar-23	19,716	\$6,267,354.60	\$6,816,964.52	\$13,084,319.12	48%	65%
Apr-23	19,420	\$5,475,777.04	\$5,954,501.41	\$11,430,278.45	48%	71%
May-23	19,141	\$5,885,434.09	\$6,450,175.09	\$12,335,609.18	48%	75%
Jun-23	19,111	\$6,017,406.82	\$6,131,653.28	\$12,149,060.10	50%	79%
Jul-23	19,028	\$5,804,815.00	\$5,904,499.48	\$11,709,314.48	50%	79%
Aug-23	18,942	\$6,539,764.71	\$7,022,459.32	\$13,562,224.03	48%	80%
Sep-23	18,755	\$6,216,702.83	\$6,115,978.22	\$12,332,681.05	50%	83%
Oct-23	18,533	\$6,452,893.91	\$6,831,255.97	\$13,284,149.88	49%	84%
Nov-23	18,384	\$5,854,843.87	\$6,427,663.20	\$12,282,507.07	48%	86%
Dec-23	18,043	\$5,143,989.16	\$5,570,334.76	\$10,714,323.92	48%	87%
Jan-24	17,762	\$6,836,798.07	\$6,712,478.71	\$13,549,276.78	50%	86%
Feb-24	17,597	\$6,728,508.51	\$6,497,996.22	\$13,226,504.73	51%	88%
Mar-24	17,288	\$6,752,862.92	\$6,540,094.71	\$13,292,957.63	51%	89%
Apr-24	17,259	\$6,851,705.46	\$6,944,483.87	\$13,796,189.33	50%	90%
May-24	16,991	\$6,578,478.66	\$6,664,089.06	\$13,242,567.72	50%	91%
Jun-24	16,895	\$6,378,627.48	\$6,446,274.05	\$12,824,901.53	50%	91%
Jul-24	16,918	\$6,834,621.20	\$6,977,213.45	\$13,811,834.65	49%	92%
Aug-24	16,843	\$7,034,910.77	\$7,131,375.35	\$14,166,286.12	50%	92%
Sep-24	16,629	\$6,671,477.56	\$7,143,658.19	\$13,815,135.75	48%	94%
Oct-24	16,529	\$7,134,316.45	\$7,532,045.40	\$14,666,361.85	49%	93%
Nov-24	16,406	\$6,120,370.44	\$6,457,309.19	\$12,577,679.63	49%	95%
Dec-24	16,126	\$5,584,138.85	\$6,204,908.93	\$11,789,047.78	47%	95%
Jan-25	15,575	\$6,320,048.90	\$6,979,934.84	\$13,299,983.74	48%	95%
Feb-25	14,895	\$5,124,436.35	\$5,009,340.57	\$10,133,776.92	51%	96%
<b>Total</b>		<b>\$220,800,961.34</b>	<b>\$222,976,816.87</b>	<b>\$443,777,778.21</b>	<b>50%</b>	

# Executive Summary

**Claims Committee Meeting, June 12, 2025**

**Board of Governors Meeting, June 25, 2025**

Due to the successful implementation of its non-litigated claims/litigation avoidance strategies and Division of Administrative Hearings program, Citizens continues to see a decrease in both new lawsuits and overall pending litigation. As of March 31, 2025, the number of pending claims-related lawsuits crossed below 15,000 matters. Per the table below, Citizens has also seen a decrease in the average monthly legal spend beginning at the end of 2024 and continuing throughout the early parts of 2025.

Year	Average Monthly Legal Spend	Average Monthly Pending Litigation	Average % of Matters w/ Current Contract Rates
<b>2022</b>	\$ 10,308,154.26	19,447	38.7%
<b>2023</b>	\$ 12,182,964.77	19,109	74%
<b>2024</b>	\$ 13,396,561.96	16,937	91%
<b>2025</b>	\$ 11,716,880.33	15,235	95%

Despite these positive trends, it should be noted that Citizens continues to maintain a high volume of claims-related litigation in the form of total pending lawsuits. As illustrated in the tables above, it should also be noted that the rate of reduction in legal spend stemming from the reduction in new and pending lawsuits has been moderated by the simultaneous increase in hourly defense counsel rates that went into effect for all *new* matters assigned after the contract effective date of February 3, 2022. Previously assigned matters are billed under a firm's lower 2017 contract rates.

Moving forward, Citizens anticipates further reductions in both pending litigation and related legal spend in the immediate future as it continues to realize the impacts of the claims and litigation related strategies mentioned above. At the time of the original Board approval of these contracts on December 15, 2021, Citizens estimated \$500 million in spend authority was needed to fund these services through the initial five (5) year term. That estimate did not include the impacts of any CAT related litigation. To date, approximately \$220 million of the \$445 million incurred has been attributed to CAT related litigation.

To fund these services through the remainder of the initial term of the agreement, February 2, 2027, Citizens is requesting \$250 million in spend authority across the initial and supplemental Claims Legal Services contracts. Based on the breakdown of CAT related and Non-CAT related spend to date, Citizens estimates that \$125 million of the total \$250 million requested will be attributed to CAT related litigation, with the remaining \$125 million estimated to cover non-CAT related litigation.

## 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
<b>Purpose/Scope</b>	This Consent Item seeks Board approval for \$250 million in authorized spend under the Claims Legal Services contracts to fund these services through the first part of 2027. 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.
<b>Contract ID</b>	Claims Legal Services 21-21-0012 & 22-22-0021 (Multiple Contracts)
<b>Budgeted Item</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Procurement Method</b>	On August 3, 2021, Citizens issued Claims Legal Services RFP 21-0012 and 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 and an additional twenty-two (22) contracts were approved by the Board on March 29, 2023.
<b>Contract Amount</b>	This Consent Item seeks \$250 million under the Claims Legal Services contracts.

## Claims Legal Services

<b>Contract Terms</b>	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.
<b>Committee Recommendation</b>	Staff proposes that the Claims Committee review, and if approved recommend the Board of Governors: <ul style="list-style-type: none"><li>a) Authorize up to \$250 million in spend under the Claims Legal Services contracts; and</li><li>b) Authorize staff to take any appropriate or necessary action consistent with this Claims Legal Services Consent Item.</li></ul>
<b>Board Recommendation from Committee</b>	If approved at its June 12, 2025, meeting, the Claims Committee recommends that the Board of Governors: <ul style="list-style-type: none"><li>a) Authorize up to \$250 million in spend under the Claims Legal Services contracts; and</li><li>b) Authorize staff to take any appropriate or necessary action consistent with this Claims Legal Services Consent Item.</li></ul>
<b>Contacts</b>	Jay Adams, Chief Insurance Officer  Brian Newman, General Counsel & Chief Legal Officer