

Executive Summary

Claims Committee Meeting, June 15, 2017
Board of Governors Meeting, June 20, 2017

Water Mitigation Estimate Review Program, RFP 16-0007

History

On March 16, 2016, Citizens issued Request for Proposal (RFP) No. 16-0007 to contract with third party vendors capable of providing a scalable and credentialed network of experienced, qualified and established water mitigation review companies to provide independent and objective reviews of all water mitigation invoices submitted to Citizens. As a result, in June 2016, Lynx Services, LLC was awarded the primary contract for the services with Paul Davis Restoration receiving a contingency contract.

The purpose of this third party vendor invoice review process is to determine whether water mitigation invoices submitted to Citizens on non-weather water losses to residential, commercial and specialty properties are reasonable, customary and adhere to established industry standards, practices and guidelines. To achieve this goal, contracted vendors conduct a comprehensive review of the mitigation invoices submitted and identify any overcharges or unreasonable charges which are then outlined in a detailed report provided to Citizens. In addition to invoice review services, when requested, the vendor will assist with claim resolution by working closely with Citizens' outside defense counsel, to include providing testimony during legal proceedings, as well as broader initiatives such as trend analysis based on data obtained and reviewed through normal course of business.

The contract at issue has a three (3) year base term with two (2) optional one (1) year renewals. The initial contract amount was \$1,829,065.

This Executive Summary addresses the following two initiatives:

1) Budget Increase – Assignment Volumes

In order to compensate for the understated initial spend estimate and to safeguard against future funding shortages for the remainder of this five year contract based on assignment volume level, the anticipated contractual spend has been updated to reflect the most current trending estimates. With that said, the overall expense is expected to increase by an estimated \$1,590,935 over the original estimate made during the time of procurement.

Note: Current approved contract funds will be depleted by approximately June 2019 however the contract term is not scheduled to expire until July 2021.

2) Resolution Support Services

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Of the total \$1,590,935 of additional contract spend being requested, approximately \$144,000 is associated with this Resolution Support Services initiative. Specifically, the estimated \$144,000 cost associated with these services is comprised of monthly estimates of \$3,000 per month in Resolution Support, which is expected to remain throughout the term of the contract. This request for additional spend is based on Citizens' initial spend estimate failing to adequately account for Citizens' need of these vendor services in support of the claims resolution process. Therefore, this request is being made in order to ensure proper compensation and continuation of these vital services in light of their initial underestimated frequency and value.

Recommendation

Staff recommends that Citizens' Claims Committee approve and recommend the Board of Governors to:

- a) Approve the recommended increase of the total contract authority by \$1,590,935 from \$1,829,065 to a total of \$3,420,000 for Water Mitigation Estimate Review Program, RFP 16-0007;
- b) Approve the contract amendment to provide Resolution Support Services as a billable item;
- c) Authorize staff to take any appropriate or necessary actions consistent with the Consent Item; and
- d) Approve this amendment not to exceed \$3,420,000.