



Lisa Miller & Associates

Business Development, Government Consulting, Public Relations

Citizens Claims Committee Conference Call of 3-6-25:

(meeting agenda and supporting documents/reports available at <https://www.citizensfla.com/-/20250306-claims>) Meeting started at 1pm.

Claims Committee

- Jason Butts – Chair
- Josh Becksmith
- Erin Knight
- Jon Palmquist - Technical Advisor
- Jay Adams - Staff

Approval of Prior Claims Committee Meeting Minutes (November 11, 2024 Claims Committee Meeting)

[Approval of Prior Committee Meeting Minutes 11.21.24](#)

APPROVED

Chief Insurance Officer Report (by Jay Adams, Chief Insurance Officer)

[Hurricane Season Debrief](#) (slide deck)

Adams provided the following update on Citizens claims to date from 2024's three Florida hurricanes, as of February 1, 2025, with the amount of payouts listed including reserves:

Hurricane Debby

Citizens has received 3,095 claims with \$29.5 million paid. 88% of those claims are closed (30% with pay and 70% without pay).

Hurricane Helene

Citizens has received 15,029 claims with \$120 million paid. 92% of those claims are closed (32.6% with pay and 67.4% without pay). There was no data provided on the reasons for closed claims without payment, such as claims below deductible or non-covered flood claims. Citizens provided that information in its last Claims Committee meeting last November, [in defense](#) of accusations about unfairly denying hurricane claims following misleading press stories.

Hurricane Milton

Citizens has received 60,481 claims with \$857.7 million paid. 87% of those claims are closed (57% with pay and 43% without pay). Again, there was no data breakdown on closed claims without payment.

Adams reminded the committee that Citizens will continue to receive claims for these events until the one-year statute of limitations for filing is reached, which will be August 5 (Debby), September 26 (Helene), and October 9 (Milton).

Adams was asked and said the number of claims with pre-suit notice of litigation 'is significantly less' than it was during 2022's Hurricane Ian.

Non-Litigated Claims Vice President Report (by Craig Sakraida, VP of Non-Litigated Claims)

[Non-Litigated Claims Update](#) (slide deck)

The committee skipped a formal presentation for the second Claims Committee meeting in a row. The presentation materials provide 2024 end of year statistics compared to 2023 and show:

- New claims reported increased 16% due to hurricane claims still being filed, with 3,156 alone so far in 2025.
- Total claims pending increased 1%.
- New Non-Weather Water claims reported decreased 30%.
- Emergency Water Restoration Services acceptance rate increased 16%.
- Managed Repair Program participation rate decreased 6%.

Claims Litigation Vice President Report (by Elaina Paskalakis, VP of Claims Litigation)

[Litigated Claims Update](#) (slide deck)

Likewise, this formal presentation was skipped over for the second meeting in a row. Jay Adams instead offered to answer any questions from either presentation's materials in the slide deck. The presentation materials provide 2024 end of year statistics compared to 2023 and show:

- New lawsuits decreased 2% in 2024 vs. 2023.
- End of 2024 pending volume of 16,024 lawsuits represents a 13% decrease compared to year-end 2023.
- The plaintiff was represented at First Notice of Loss (FNOL) in 67% of incoming residential property lawsuits, a 24% increase compared to 2023. Public Adjusters represented 50% of those FNOL and attorneys 16%.
- 33% of lawsuits are brought within 6 months of FNOL, a 22% increase compared to 2023.
- Assignment of Benefits (AOB) lawsuits continue to drop (down 65% in 2024 vs. 2023), now representing 9% of all new incoming lawsuits. AOBs now represent 17% of all pending lawsuits.
- 362 claims disputes have been referred to the Florida Division of Administrative Hearings, Citizens new dispute resolution method that may be invoked by either Citizens or the policyholder in lieu of a lawsuit. 97% of referrals were invoked by Citizens.

There was a question from the committee's Technical Advisor, Jon Palmquist on whether Adams and staff will be meeting with the independent adjusting firms it contracts with to establish training, guidelines, standards, and practices, which Adams then walked the committee through.

That opened up a question on exactly who within Citizens owns the claim, which opened up questions on whether Citizens is doing enough upfront to prevent policyholder dissatisfaction over claims handling.

Chair Butts Q: “Is the original adjuster, the person who sees it all the way through, from that initial visit through potential litigation, or do we have somebody else that steps in at the time of litigation?”

Adams A: “We expect the independent adjusting firm to make the decision on how best to handle that claim. That claim could be just desk adjusted, meaning, if it's a very low severity, they may just handle that claim over the phone, because there may not be a need to send an adjuster. If it's deemed that an adjuster needs to go out on site, that's when we would deploy a cat field adjuster. They would go out there and would really do the initial scope of damages. So the expectation is they're going to take photos, they're going to document what they see, they're going to put it in the Xactimate estimate, and then they're going to return it to the desk adjuster. The desk adjuster is really the claim owner during the catastrophe event. That adjuster is going to make sure that all of the items submitted are covered by the policy. They're going to make sure that measurements and those types of things make sense for what they put in the estimate. So ultimately, the desk adjuster becomes the adjuster that the insured would have to deal with. If that claim gets disputed later on, we do transfer that file away from that individual desk adjuster and a new adjuster would pick that up, and the idea is we're going to try to work with the policyholder or their representative to bring that claim into a dispute resolution process. And that could be, hey, we just have a conversation back and forth. Look at the documentation. We may agree to whatever they're submitting,” said Adams.

“If we don't agree, then the next option, typically, is we will move that over into the appraisal process. And again, that will set the amount of the loss that's binding, and then that ends the process. If that claim was denied for any particular reason, it would be eligible for our DOAH (Florida Division of Administrative Hearings) arbitration process, or they could file a lawsuit. Both of those processes start with a Notice of Intent to Litigate. So Senate Bill 76 requires the insured to submit a Notice of Intent ten days prior to filing lawsuit, and we leverage that 10 days to see if we can negotiate a settlement. If it goes over into litigation or even into the DOAH arbitration process, it transfers over to a litigation specialist, and then they handle that until it is ultimately resolved. So there's a potential that it could pass hands several times,” answered Adams.

While acknowledging a decrease in Citizens' total litigation, helped by recent legislative reforms, Chairman Butts asked what's causing the claims dissatisfaction leading to litigation. “Where is it not right,” he asked. “Is there any liability on to these independent adjusters when they don't get it right, when it's moving from them to the second adjuster and then potentially in to litigation? And how long do we let an independent adjuster continue to work with us?”

“That's a really hard question to answer,” replied Adams. He explained that there is usually no “demand surge” (an increase in demand for repair and rebuilding) at the time of initial loss and claim adjusting. When the initial damage estimate is made in the field, it's based on current pricing for materials and labor from the Xactimate database. Adams said that once demand surge hits, maybe 120 days later “there can be significant differences” in the original estimate compared to Citizens repricing it at that later point.

"You ask, is there liability against the adjuster? And the answer to that is really no. They're doing the best they can with the information they have," replied Adams. "A lot of times, immediately following an event, there may be tree debris, there could be all kinds of things that would keep the adjuster from being able to see and experience all of the damages. So what we like to say at Citizens is, it really is an iterative process. And what I mean by that is, we provide our initial estimate for what we see as damage, and covered under the policy, and then if the insured has a representative or contractor that comes out and they have a different value on the estimate, we ask them to submit that, we'll review that. We have the ability to reprice the estimate that we have with the latest Xactimate database, and then that's where the process starts of back and forth," Adams explained. "We continue to work with the insured so we can resolve the claim without going into any type of dispute process, and that's really what the process is intended to do."

"I think the intention sounds great," Chairman Butts replied, but noted the frustration among homeowners, especially in storm impacted Pinellas County, when the estimate amounts between adjuster and contractor are so different. "In today's world of knowing, predicting, and artificial intelligence, you would think that they would have some type of standard of knowing, when there are so many claims in a certain area what that surge pricing could be. And it seems the frustration of folks could lead to a much quicker decision to hire representation," Butts said.

Butts said he'd like to see Citizens "be more out in front of that. It just doesn't make sense to me why we know that the original loss estimate is going to be potentially significantly less than what it's going to cost to put their house back," and suggested Adams work with Xactimate and other partners "so folks aren't having to experience that," Butts said. "In my opinion, it shouldn't be a back and forth for months at a time to get to a number that it's going to cost to truly put somebody back. And I think that that's the expectation of most insureds, (that) when they have a loss, is to get put back whole and not have to have a long process to get paid."

Chairman Butts said "I'd love to see Citizens be a leader on bringing solutions to that issue," adding that it could potentially lead to less litigation, too. "It just seems like there could be a better way."

Adams replied he'd be glad to have a conversation with Chairman Butts, noting he's had past conversations with Xactimate on this very issue.

That lead to another question from Technical Advisor Jon Palmquist, who referenced the Litigated Claims Update slides, that showed the plaintiff was represented at First Notice of Loss in 67% of incoming residential property lawsuits in 2024, a 24% increase from 2023.

"I was surprised by that. It's not incremental. That's a big jump. Have you looked at why or what's going on? Is it pricing? Is it scope? Is it surge?" Palmquist asked, adding "it was already high in the past." Adams brought in Elaina Paskalakis, VP of Claims Litigation, to answer the question.

"The farther we move away from the storms, the First Notice of Loss coming are very much higher represented at that time than when we're close to the storms," replied Paskalakis. "That's just a phenomenon we've seen over time."

"Well we've seen that each time," acknowledged Palmquist, "but this represents a 24% increase as opposed to last year. Do we know why?"

Adams provided further explanation, noting the amount of catastrophe activity varied greatly in 2023 versus 2024, driving that 24% increase. “The only storm we had was Hurricane Idalia and if I recall, I believe we got less than 4,500 or 4,800 claims out of that. So you're comparing a non-catastrophe year to a year where in 2024, we had about 75,000 or 80,000 claims.” He also reiterated Paskalakis’ point. “The further we get away from the date of loss, and then you just get a first notice of loss? A lot of those are set up to go directly into litigation because those folks had marginal to no damage. And what they're trying to do is claim something that is not related to the storm,” Adams explained. “We deny the claim and through the Notice of Intent process, they just flip that into a lawsuit.” Adams added another factor was the nature of the three 2024 hurricanes, which involved a lot of damage from flooding, rain, and storm surge, “where there’s no coverage in our policy for those things. So that tends to drive up lawsuits as well.”

Vendor Update (by Greg Rowe, Senior Director of Claims Vendor & System Management)

Rowe explained that the very increased catastrophe claim volume previously discussed has led to greater spend “that was not originally anticipated” in three of the following four existing contracts.

Independent Adjusting Services - Litigated

Citizens staff is seeking an additional \$125 million for independent adjusting services for litigated liability and property claims, as well as for appraisal and mediation. The original contract for nearly \$631 million was approved in 2017 and expires in August of 2027. Citizens is currently utilizing 8 of its 13 vendors, including activated approved contingency firms. Rowe noted that catastrophe claims are the leading cause of loss for all new and pending lawsuits. “Dating back to 2017 approximately \$171 million in spend has been related directly to catastrophe related claims...and was unbudgeted in the original spending request,” Rowe said. He clarified that these are desk adjusters with specialization in litigated claims.

“It seems to me this is an extraordinary spend,” said Chairman Butts. “I just think we really need to take a look as we spend this money, is there a way to make sure that we are getting the best folks into the field to get these claims adjusted properly and keep us from having to spend more on the litigation side.”

APPROVED

Claims Legal Services

Citizens staff is seeking the next \$50 million in incremental spending of the overall \$500 million contract that the Citizens Board approved in December 2021 over five years (through February 2027) for outside law firms to provide representation in claims-related pre-suit and litigation matters. As of January 1, 2025, Citizens has spent about \$399 million of this \$500 million contract and forecasts this additional \$50 million increment will cover legal costs through mid-2025.

APPROVED

Enterprise Litigation Management System

Citizens staff is seeking an additional \$350,000 for its Enterprise Litigation Management System “ELMS” contract with Trialnet. The system is used by both Citizens’ internal staff and contracted outside defense counsel to help manage all activity on claims related legal matters, including data analysis and reporting, management and auditing and payment of all law firm and litigation vendor billing, storage of

all litigation related documents and communication between Citizens and its contracted outside defense counsel. This additional amount will increase the total spend for the ELMS services to \$3.3 million. Rowe noted that Citizens is currently in the final stages of implementing a new litigation management system from Litify in May.

APPROVED

Court Reporting Services

Citizens staff is seeking \$10 million to renew the Court Reporting Services contracts through April of 2026. This is described as a network of experienced and credentialed vendors capable of providing court reporting, transcription and video services in support of Citizens' Litigated Claims Department. Although litigation frequency continues to decline, Citizens currently has more than 15,000 open litigation claims assigned to the Claims Litigation Department.

Chairman Butts questioned why, in this day and age of AI and auto-transcription, why this expense is needed. Paskalakis explained that the courts require court reporters and their services to swear in witnesses under oath. A discussion followed, including Governor Knight, asking why a hybrid system can't be implemented instead that would include both technology and human personnel. Paskalakis added that since the COVID pandemic, the courts have allowed virtual depositions, necessitating specialized systems and technology with associated costs. She said that has created a savings from having to pay travel expenses for lawyers to attend in-person depositions. Knight asked for a breakdown of the proposed \$10 million spend. Rowe replied the extra \$10 million is a projection by Citizens staff, based on existing volume of litigation. It does not include any catastrophic events that may occur in the future. The current contract is set to expire in April 2026 and he said Citizens will be soliciting new contracts in anticipation.

Jay Adams noted that all of the contracts discussed are related to pending litigation "and litigation takes a long time to get resolved. So we're going to have a backlog of this for some time." In addition to seeing favorable trends with new litigation filings, he said that Citizens has "strategies in place that I believe are helping reduce the plaintiff attorneys filing suits against Citizens," without going into detail. He said Citizens receives a market level report on litigation and that "it appears that Citizens is starting to see less litigation at a much higher percentage than the rest of the market. So our strategies that we have in play are the drivers of that," Adams told the committee.

With the current yearly contract expiring in just a few weeks, Chairman Butts and Governor Knight acknowledged they will need to approve this. Rowe said he doesn't have immediate access to the contract but will provide it to the committee afterward so they can review the hourly rates charged for various services within the contract.

APPROVED

Addendums

Recovery Cases of Interest Addendum

SIU Addendum

New Business

NONE

Adjournment: 2:03pm