



## **Task Force on Citizens Property Insurance Corporation Claims Handling and Resolution**

### **Minutes of February 1, 2008**

Citizens Claims Center  
8301 Cypress Plaza Drive, Suite 108  
Jacksonville, Florida 32256

#### **Call to Order**

The eighth meeting of the Task Force on Citizens Property Insurance Corporation Claims Handling and Resolution (Task Force) was called to order by Chairman, Senator Mike Fasano at 12:00 p.m. on February 1, 2008. Chairman Bob Milligan has been appointed Interim Director of the State Board of Administration and asked Senator Fasano to Chair the Task Force. The meeting was held at the Citizens Training Center, 8301 Cypress Plaza Drive, Suite 108, Jacksonville, Florida. Roll was called by Vicki A. Twogood. The following members were in attendance: Chairman Mike Fasano; Heather Carruthers; Scott Wallace; Mike Lancashire, Michael B. Twomey, Sr. and Interim Insurance Consumer Advocate, Terry Butler. Chairman Fasano declared a quorum. Representative Julio Robaina attended via conference call. Prior to the 12:00 meeting, the Task Force members took a tour of Citizens Daily Claims Center.

#### **Legislative Charge and Overview**

Chairman Fasano read the excerpt of House Bill 1A, which created the Task Force and established the legislative charge.

#### **Nomination for Vice Chairman**

Chairman Fasano asked for a motion to nominate a Vice Chairman. Terry Butler made a motion to nominate Heather Carruthers. Mike Lancashire and Michael B. Twomey, Sr. seconded the motion. Motion approved and Heather Carruthers is Vice Chairman.

#### **Minutes**

The minutes from the October 5, 2007, meeting in Tallahassee, Florida were read. Chairman Fasano asked for a motion to approved the minutes and allow staff to make clerical changes, if needed. Michael B. Twomey, Sr., made a motion for the minutes to be approved and the motion was seconded by Scott Wallace.

#### **Citizens: Daily Claims Department - Performance Review - Claims Process and Workflow – Claims Call Center**

Mr. Eduardo Mareovich, Senior Vice President of Claims, Citizens Property Insurance Corporation (Citizens) provided the Task Force members with an overview of the staffing positions within the Daily Claims Department. Mr. Mareovich introduced Mr. Charles Lowe, Director of Claims Operations, who outlined the responsibilities of the claims units within their Tampa Branch, Jacksonville Operations, Liability Claims Unit and Field Operations. Their Claims Organization currently totals 198 Citizens employees, with 67 adjusters handling non catastrophic claims. In 2007, Citizens Claims Operations handled 36% of all non catastrophic claims (14,389) which is a 33% increase in claims handled by staff from 2005 (9,646). A Claims Administrator handled 66% (18,727) of their claims in 2005 and 64% (25,501) in 2007. By year end 2008, Citizens expects to handle 50% of all non catastrophe claims internally and anticipate 20,000 to 22,000 claims. By comparison, 0% of claims were handled internally in 2004. Also, by year end 2008, there will be a staff increase of inside adjusters to 60 and field estimators to 28. By year end 2009, they will handle 80% of all non catastrophe claims, have a staff increase of inside adjusters to 100 and field adjusters to 53. An overview on the volume of non catastrophe claims, new, pending and closed, was provided for 2004 through 2007. The increase in claims is driven by POE transactional claims (1,000 per month) with a 74% increase in new claims volume and a 3% increase due to sinkhole and commercial claims. Chairman Fasano asked that non-catastrophe claims be defined. Mr. Lowe explained that it is when a catastrophe has not been declared (hurricane, tornadoes, etc.). A 2007 quarterly claims volume by lines of business (LOB) was provided. This consisted of new and closed claims for Citizens three accounts: Personal Lines Account (PLA); Commercial Lines Account (CLA) (both of which are multi-peril policies); and High Risk Account (HRA) (which is for hurricane wind-only policies). An overview of the average cycle time for claims handling and resolution was presented for claims from 2004 through 2007. The percentage of claims closed within 30, 60 and 90 days was given, however; sinkhole and liability claims were not included in these statistics. The average cycle time for major peril claims for fire, water/rain, wind, sinkhole, theft and vandalism was also provided. Other than sinkholes, the average cycle time was less than 60 days for 2007. Results from Citizens' Customer Service surveys received from 2005 through 2007 were provided along with the number of claims for those years. New claims increased 74% in 2007, while Department of Financial Services (DFS) complaints increased nominally. An overview of the average indemnity per claim was given for 2004 through 2007 and also included the figures for each of Citizens' three accounts, the PLA, CLA and HRA. The various stages in the life of a claim were discussed with the goal being a "single claim adjuster ownership until resolution". Citizens conducted 514 claim file reviews and found that, on average, there is a one day contact time and six day inspection time when a claim is reported. A detailed summary of the file review was also provided. Education and standards currently used and to be implemented in the future for the claims staff was provided. Core competencies will include customer service, ethics, policy, estimatics and file quality standards. An organization chart of the Consumer Call Centers was reviewed as well as a breakdown on the total number of calls handled in 2007, average handle time and average hold time. A breakdown of call reasons received at the Lynx Call Center that handles overflow and catastrophe calls was provided for 2007. Also, statistics on the number of e-mails Citizens' received from August through December 2007, via their

“Contact Us” web link was provided. In addition, Citizens’ advised their standard of adjusting meets expectations due to the combination of accuracy, timeliness, ownership/communications and efficiency. A brief Q & A on their Claims Process and Workflow was also provided.

### **Department of Financial Services: Consumers’ Daily Claim Concerns**

Ms. Marta Arrington, Director, Division of Consumer Services, provided a comparison between Citizens, State Farm, Allstate Floridian and Universal Property & Casualty for policy counts and market share based on policy count as of September 30, 2007. A ratio of non hurricane claims complaints to policy count for each company was given for complaints from 2004 through 2007. Also, an illustration on the ratio of complaints to policy count for just 2007 between the four companies was presented. A review of Citizens claims handling for non hurricane complaints in 2007 provided the number and percentage in regard to claim delay, denial and dispute. Ms. Arrington’s presentation concluded by providing recommendations in reducing claim delay concerns and outlined a three-step process to achieve this goal.

### **Citizens: Office of the Internal Auditor (OIA)**

Ms. Joyce Bellows, Chief of Internal Audit, Citizens Property Insurance Corporation, outlined the goals of the Audit Committee, Office of the Internal Auditor and the 2008 Audit Plan. The OIA projected timeline of February 2008 to May 2008 for achieving the goals set is based on hiring two qualified Senior Internal Auditors to support their initiatives. An OIA process overview for annual activities that consist of planning, fieldwork and reporting was presented. Also, the risk assessment process was outlined and ranges from client interviews, financial statement analysis and overall risk assessment. Ms. Bellows will provide a report to the Task Force that will include specific areas of review for their claims area audit and will solicit input from Senior Management to determine if additional staff is needed to meet their obligations.

### **Citizens: Insurance Agent Training - Update Agent Certification Program - Online and Field Training Program - Agent Review Process**

Ms. Susanne Murphy, Executive Vice President, Citizens Property Insurance Corporation, introduced Mr. Joseph Bouthillier, Director of Agent & Consumer Services. Mr. Bouthillier advised the Task Force that over 8,900 agents are appointed with Citizens and located at over 6,000 agencies throughout the state. Citizens is working to improve communications with their agents to better inform them on the multiple lines of business (LOB) with varying rules and frequent changes. Mr. Bouthillier reviewed Section 627.351, Florida Statutes, which defines appointment requirements for agents. He also informed the Task Force that Citizens Appointment Agreement adds more requirements for agents in addition to statutory requirements. Mr. Bouthillier provided an overview of Citizens’ agent certification and training programs, and advised that agent compliance will be verified through various audits. Agent compliance statistics for 2007 was provided, as well as a comparison of Citizens’ staffing for 2007 and

2008. The Department of Financial Services (DFS) approved the three hour agents training certification program and will give agents 1(one) continuing education credit. Terry Butler will review this issue with the DFS.

### **Citizens: 2004/2005 Open Claims - Update Mediation, Appraisal and Litigation**

Mr. Curtis Hutchens, Assistant General Counsel, Citizens Property Insurance Corporation, provided an update on the 2004/2005 open claims from June 18, 2007 that included the number of claims open, closed and still pending as of December 31, 2007. These are claims in mediation, appraisal, litigation and supplements/others. A chart of the 2004/2005 new and reopened claims from June 18, 2007 through December 31, 2007 was also reviewed as well as resolved and pending claims. Chairman Fasano asked that the Task Force be informed at the next meeting on February 26, 2008 of the amount Citizens paid out with the reopening of claims.

### **Public Testimony**

Chairman Fasano asked for public testimony. Mr. Mark Boardman, Florida Association of Public Insurance Adjusters (F.A.P.I.A.), addressed the Task Force with the following suggestions and comments:

Agents should assist consumers by providing coverage and explaining policy provisions and not be involved with the claims process. Field adjusters that initially inspect a property loss where the home is deemed uninhabitable should have the authority to advance funds for Additional Living Expense (ALE). Mr. Boardman would like to see a copy of the Customer Satisfaction Survey Citizens' enclosed with every check for payment of a claim and states he has never receive one. He stated that filing a supplemental claim is not wrong if the consumer is due the additional payment. Chairman Fasano questioned how consumers know to contact a public adjuster and Mr. Boardman replied he solicits business.

### **Task Force Discussion**

Representative Julio Robaina, via conference call, asked that any changes proposed to the legislation filed be discussed at the next meeting to get consensus by the Task Force. Chairman Fasano reviewed the focus of the next Task Force meeting which will be held on February 26, 2008 in Tallahassee, Florida.

### **Adjourned**