

ACTION ITEMActuarial and Underwriting Committee March 15, 2016
Board of Governors Meeting March 16, 2016

Page 1 of 2

CONTRACT ID:	Water Product Changes Update and Proposal (Personal Lines)
BUDGETED ITEM:	N/A
CONTRACT AMOUNT:	N/A
PURPOSE / SCOPE:	<p>Purpose: This Action Items seeks Board approval for Citizens staff to implement Product Changes to encourage selection of the Claims managed repair program at the time of policy purchase or renewal.</p> <p>Background: At the December 2015 Actuarial and Underwriting Committee and Board of Governors meetings, Citizens staff presented an update on the dramatic increase in both frequency and average cost of water damage claims since late 2013, along with a summary of actions planned to address the issue. Recent actuarial analysis indicates that trends are continuing to worsen.</p> <p>Proposal: Staff recommendation for product options is dependent on the outcome of the current filings.</p> <ul style="list-style-type: none">• Assuming Staff and the Office are able to reach agreement on the current round of policy changes, Staff recommends that Citizens offer a premium credit to policyholders who select the Managed Repair Policy Endorsement.• If agreement is not reached, Staff recommends a stronger incentive to encourage selection of the Managed Repair Policy Endorsement. This recommendation includes a coverage change to introduce a \$10,000 policy sublimit for water losses. The insured will be given the option to maintain existing coverage levels with no sublimit by selecting the Managed Repair Policy Endorsement.
CONTRACT TERM(S):	N/A
PROCUREMENT METHOD:	N/A
RECOMMENDATION:	<p>Citizens' staff recommends that the Actuarial and Underwriting Committee approve and recommend that Citizens' Board:</p> <p>(a) Approve one of the following product options:</p> <p>If agreement on current filings is reached with the Office of Insurance Regulation, Citizens will introduce a premium credit to policyholders as an incentive to select the Managed Repair Policy Endorsement; or</p> <p>If agreement is not reached, Citizens will introduce a \$10,000 sublimit for water losses, with the option for the policyholder to opt out and maintain</p>

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Page 2 of 2

current coverage limits by selecting the Managed Repair Policy Endorsement

- (b) Authorize staff to take to take any appropriate or necessary action consistent with this Action Item, including filing with the Office of Insurance Regulation, system change implementations and other supporting activities

CONTACTS:

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