

ACTION ITEM

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Actuarial & Underwriting Committee Meeting, September 27, 2016
Board of Governors Meeting, September 28, 2016

CONTRACT ID:	Product Change: Managed Repair
BUDGETED ITEM	N/A
CONTRACT AMOUNT	N/A
PURPOSE / SCOPE	<p>Citizens has developed a multi-pronged strategy to address rapidly rising claims costs due to water losses. One key element is the introduction of a Managed Repair Contractor Network to provide policyholders the option of selecting a Citizens-approved contractor to handle emergency water removal services as well as covered repairs.</p> <p>At the March 2016 Actuarial and Underwriting Committee and Board meetings, Citizens staff recommended an approach to support the Managed Repair Contractor Network program that included providing a premium credit to the policyholder upon their acceptance of an endorsement requiring that the policyholder utilize Citizens-approved contractors for some types of losses.</p> <p>Following that meeting, Citizens Staff conducted additional research and began developing detailed specifications, program structure and policy forms. The information gained through these efforts led to a decision to recommend a change in direction to a more consumer oriented approach for offering policyholders the services of a Managed Repair Contractor Network. Citizens will use two separate programs: an Emergency Water Removal Services program that offers water extraction and drying services, funded by Citizens with no deductible applied, and a Managed Repair Program that provides an approved contractor to complete repairs, with payment less deductible made directly to the contractor. Premium credit or deductible reduction incentives will not be offered.</p> <p>Changes Required: The proposed program requires the introduction of two policy endorsements that provide direction as to the application of the separate programs. These endorsements are triggered upon Citizens' offer of the programs and the policyholder's acceptance, and remain dormant if programs are not used. These endorsements amend and add clarifying policy provisions. Minimal supporting changes to the HO-3 and DP-3 policy forms will accompany these endorsements.</p>
CONTRACT TERM(S)	N/A
PROCUREMENT METHOD	N/A
RECOMMENDATION	<p>Citizens' staff recommends the Actuarial & Underwriting Committee approve and recommend that the Board:</p> <ul style="list-style-type: none">a) Approve development of the new endorsements and policy changes that are described above and are required to support the implementation of the Managed Repair Contractor Network; andb) Authorize staff 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	John Rollins, Chief Risk Officer Karen Holt, Senior Director Product Development