

# Executive Summary

Actuarial & Underwriting Committee Meeting, September 27, 2016

**Board of Governors Meeting, September 28, 2016**

## Product Change: Managed Repair

### Policy Changes to Support Managed Repair Contractor Network (Personal Lines)

#### History

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.

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.

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.

#### Proposed Program Highlights:

- Consumer friendly, giving the policyholder the option to participate.
- Initially applies only to water losses caused by accidental discharge from a plumbing system. Other causes of loss may be added in the future. Programs may not be appropriate for all water losses.
- Utilizes two separate programs:
  - “Emergency Water Removal Services”
    - Offers water extraction and drying services to the insured at the time of loss.
    - Cost of service is funded by Citizens and is not subject to the policy deductible or final coverage decisions.
    - Amount of services is limited to \$3,000 or 1% of Building coverage, but Citizens may approve additional amounts.
  - “Managed Repair Contractor Network Program”
    - Provides a Citizens-approved contractor to inspect, estimate, and complete repairs for covered losses.
    - Payment is made directly to the contractor and the policyholder is responsible for paying the deductible to contractor.

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- Both programs are supported by a Citizens adjuster who is assigned to the loss and is responsible for coverage decisions and approval of the estimate to repair.
- If the policyholder does not participate, original policy provisions apply.
- Available only for the HO-3 and DP-3 products. Other lines may be contemplated in the future.

The premium incentive that was initially proposed will not be offered. The deductible will not be applied for “Emergency Water Removal Services”, but will be applied for permanent repairs completed under the “Managed Repair Contractor Network Program”. Staff evaluated a deductible incentive for permanent repairs but research suggested that deductible incentives will not significantly impact participation.

## 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.

## Recommendation

Citizens’ Staff recommends the Actuarial & Underwriting Committee approve and recommend that the Board:

- a) Approve development for the new endorsements and policy changes that are described above and are required to support the implementation of the Managed Repair Contractor Network; and
- b) 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.

# ACTION ITEM

Actuarial & Underwriting Committee Meeting, September 27, 2016  
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<b>CONTRACT ID:</b>	<b>Product Change: Managed Repair</b>
<b>BUDGETED ITEM</b>	N/A
<b>CONTRACT AMOUNT</b>	N/A
<b>PURPOSE / SCOPE</b>	<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>
<b>CONTRACT TERM(S)</b>	N/A
<b>PROCUREMENT METHOD</b>	N/A

# ACTION ITEM

2 | PAGE

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

<b>RECOMMENDATION</b>	Citizens' Staff recommends the Actuarial & Underwriting Committee review and approve and then recommend Citizens Board:  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; and  b) 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.
<b>CONTACTS</b>	John Rollins, Chief Risk Officer Karen Holt, Senior Director Product Development