

CitizensAdvisor



State insurance regulators approve key policy changes

TALLAHASSEE, FL – The Office of Insurance Regulation (OIR) has approved policy contract changes that will help Citizens Property Insurance Corporation connect with customers early in the claims process to protect homes and families while addressing skyrocketing water loss costs that threaten to raise rates.

Following a thorough review, OIR signed off on a slate of recommendations that are needed to stem a rising tide of water losses, particularly in South Florida, which threaten to cause rate increases and stall successful depopulation efforts.

The policy changes take effect for new policies and renewals beginning July 1, 2016.

The revisions allow policyholders to spend the greater of \$3,000 or 1 percent of coverage amount on on reasonable emergency measures prior to an inspection by Citizens following a loss. The change will ensure that policyholders have the ability to take immediate action to protect their property from further damage while providing Citizens the opportunity to inspect the damage and authorize permanent repairs. If needed, Citizens can approve additional funds for emergency repairs.

Another approved provision sets timelines for making repairs once a loss has been reported to Citizens. It specifies that, except for reasonable emergency measures taken to prevent further damages, no permanent repairs will be covered if made within 72 hours after a claim has been reported unless Citizens inspects the loss or approves repairs before that time.

The revisions strike a balance between a policyholder's need to protect their property from further damages while allowing Citizens to ensure that damages can be inspected and assessed before permanent repairs are made so that appropriate repairs can be approved.

These changes aim to control costs and rates for all policyholders and are needed curb assignment of benefit (AOB) abuses, under which policyholders give third-party vendors the ability to control their claims following a loss. In many AOB cases, Citizens is not informed of a loss until after repairs have been made.

On average, Citizens now receives the first notice of loss for non-catastrophic water losses more than 30 days after the loss occurs. This delay is accelerating litigation; Citizens now is receiving an average of 620 new lawsuits a month. This impedes claim resolution and is driving Citizens' costs and rate need higher for all policyholders.

Citizens hopes to reverse this trend by taking action to keep policyholders in charge of their claims and limiting the ability of third parties to take control and promote litigation. Citizens supports legislative initiatives to ensure this occurs in the future.

To ensure that repairs are made correctly and timely, policyholders should [Call Citizens First](#) to report a loss as soon as they know there might be damage so that Citizens can promptly inspect any damages before permanent repairs are made.

April 4, 2016

Events

June 9 @ 10 a.m.
[Consumer Services Committee](#)

June 22 @ 9 a.m.
[Board of Governors](#)

Spotlight



James Holton
Board of Governors

Policies in Force

489,979
as of March 25, 2016

News Links

[Will early five-day 'cones' bring backlash? Storm forecasters wonder](#)
Palm Beach Post

[An effort to raise awareness after a slow decade for hurricanes](#)
Sarasota Herald-Tribune

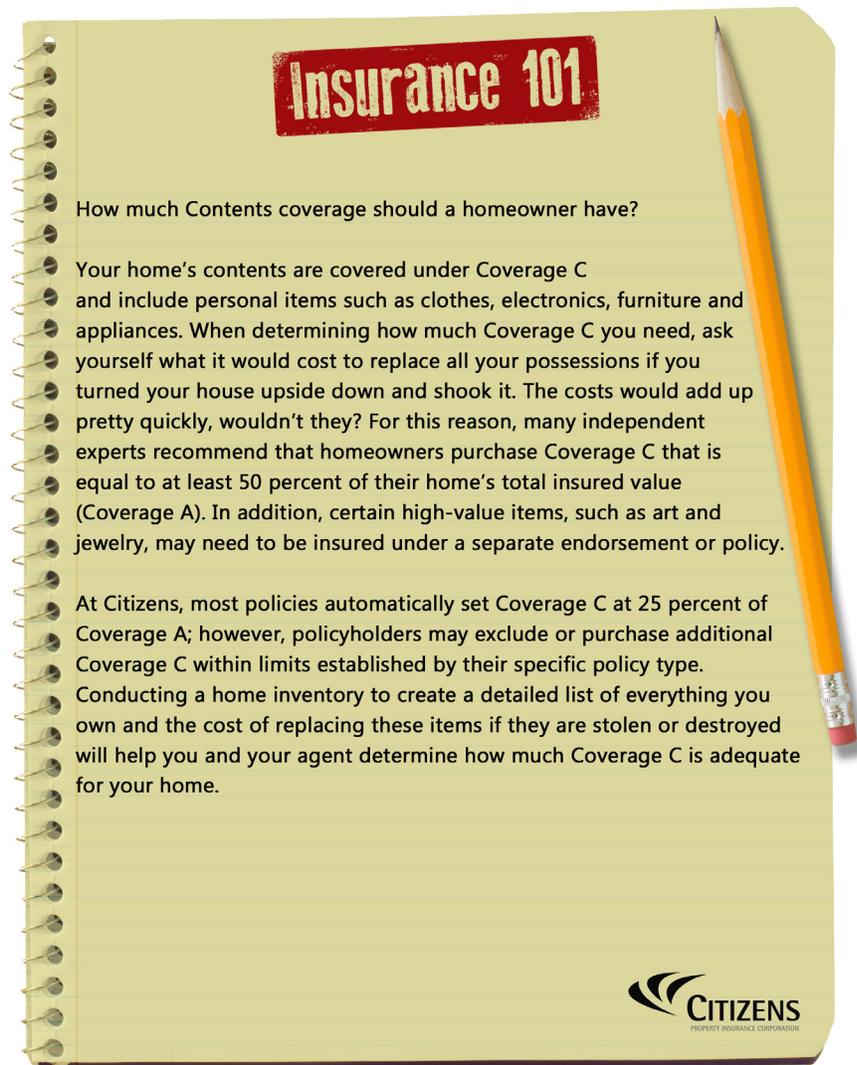
[People in and out of Citizens Property Insurance had a bad year in the Florida Legislature](#)
Tampa Bay Times

[Watch out for active hurricane season in 2016](#)
Metro.us

[Letter: Legislative miss](#)
Naples Daily News

[Commentary: Florida's Failure to Pass AOB Reforms Will Impact State Insurance Market](#)
Insurance Journal

Did You Know?

A graphic of a spiral-bound notebook with a yellow cover. A red sticker on the cover reads "Insurance 101". A yellow pencil is positioned vertically on the right side of the notebook. The notebook page contains text about Contents coverage.

Insurance 101

How much Contents coverage should a homeowner have?

Your home's contents are covered under Coverage C and include personal items such as clothes, electronics, furniture and appliances. When determining how much Coverage C you need, ask yourself what it would cost to replace all your possessions if you turned your house upside down and shook it. The costs would add up pretty quickly, wouldn't they? For this reason, many independent experts recommend that homeowners purchase Coverage C that is equal to at least 50 percent of their home's total insured value (Coverage A). In addition, certain high-value items, such as art and jewelry, may need to be insured under a separate endorsement or policy.

At Citizens, most policies automatically set Coverage C at 25 percent of Coverage A; however, policyholders may exclude or purchase additional Coverage C within limits established by their specific policy type. Conducting a home inventory to create a detailed list of everything you own and the cost of replacing these items if they are stolen or destroyed will help you and your agent determine how much Coverage C is adequate for your home.

CITIZENS
PROPERTY INSURANCE CORPORATION

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Citizens Board approves recommendations to further stem water losses

MAITLAND, FL – Citizens Property Insurance Corporation’s Board of Governors earlier this month approved a slate of recommendations designed to reduce the impact of skyrocketing water-loss claims that are threatening to reverse years of progress in returning Citizens to the state’s insurer of last resort.

Among a handful of recommendations approved by the Board are offering premium discounts to policyholders who choose managed repair agreements so that repairs can be completed by a Citizens-vetted qualified contractor and placing sublimits on water loss claims if other incentives are not sufficient to reduce claims costs. Any changes would have to be approved by the Office of Insurance Regulation.

The changes are needed following recent unsuccessful attempts to pass significant legislative reforms aimed at curbing abuses involving assignment of benefit (AOB), under which policyholders give third party vendors the ability to control their claims following a loss.

Water-loss trends connected to runaway AOB-based litigation threaten to reverse Citizens’ depopulation efforts as private insurance companies begin raising rates or dropping policyholders, forcing them to return to Citizens.

“The unfortunate impact on Citizens policyholders will be premium increases in affected regions in 2017 and beyond, as well as potentially fewer private-market insurance options as private carriers reduce their exposure in the hardest hit areas,” said Barry Gilway, Citizens President, CEO and Executive Director.

Due largely to water-related losses, Citizens’ policyholders in South Florida can expect to see annual rate hikes approaching 10 percent in 2017 and years to come. Estimated rates in those counties would have to nearly triple to pay for non-wind related losses. Under the 10 percent glide path, Miami-Dade policyholders could see average premiums climb from \$2,800 to \$4,000 in just five years.

Policyholders in other parts of the state, who were expected to enjoy rate decreases in 2017, also may be subjected to higher rates based on higher water claims and increased AOB-related litigation.

2017 Indicated Rates

Using rates approved by the Office of Insurance Regulation for 2015, Citizens actuaries calculated current non-wind loss trends and determined the indicated rate need for Miami-Dade, Broward and Palm Beach Counties along with an overall figure for the rest of the state.

Citizens continues to work with the Office of Insurance Regulation to identify and implement policy changes to improve the claims process and avoid the need for across-the-board sublimits.

Region	Indication
Broward	186.5%
Palm Beach	165.8%
Miami Dade	189.6%
Rest of State	-10.1%

“For the past four years, we have worked hard to return Citizens to its role as a true residual insurer,” said Chris Gardner, Chairman of Citizens Board of Governors. “Citizens remains committed to protecting surplus for the benefit of its policyholders when they need it. These loss trends, however, raise serious concerns.”

To ensure that repairs are made correctly and timely, customers [Call Citizens First](#) to report a loss as soon as they know there might be damage so that Citizens can promptly inspect any damages before permanent repairs are made.

Currently, however, Citizens is receiving first notice of loss for non-weather water losses an average of more than 30 days after the loss occurs and, in many cases, is not informed of the loss until after repairs have been made. This delay is accelerating litigation; Citizens now receives an average of 620 new lawsuits a month.

Call Citizens First

866.411.2742

24/7 to report a claim

Llame a Citizens primero 24 horas/7 días a la semana para reportar un reclamo



Pipes

Storms



Water

Fire



Water



#CallCitizensFirst

