

# ACTION ITEM

Actuarial and Underwriting Committee Meeting, March 27, 2018  
Board of Governors Meeting, April 11, 2018

<b>CONTRACT ID:</b>	<b>Update – Product Changes Regarding Water Losses</b>
<b>BUDGETED ITEM</b>	N/A
<b>CONTRACT AMOUNT</b>	N/A
<b>PURPOSE / SCOPE</b>	<p>Citizens previous proposal for its Managed Repair program established that policyholders will be offered Emergency Water Removal Services for nonweather water losses that are reported in a timely manner.</p> <p>Policyholders also will have the option to utilize the Managed Repair Contractor Network for repair of covered damage. The following describes the recommendations for policyholders who choose not to participate in the Emergency Water Removal Services program or Managed Repair Contractor Network.</p> <ul style="list-style-type: none"><li>• Coverage will be subject to a limit of \$10,000, with \$3,000 of this limit available for water mitigation services.</li><li>• To ensure that coverage remains available for permanent repairs after water mitigation services, the options to request Citizens' approval for any additional water mitigation coverage or a limit of 1% of Coverage A when that amount exceeds \$3,000 no longer will be available.</li><li>• In the event that the \$3,000 is not adequate to complete water mitigation, Citizens will offer the Emergency Water Removal Services to complete water mitigation.</li></ul> <p><b>Update to Proposal</b> Staff recommends the following changes:</p> <p>Refine contract language addressing reasonable emergency measures:</p> <ul style="list-style-type: none"><li>• Modify the coverage amount available for water mitigation services to allow \$3,000, eliminating the options for 1% of Coverage A or requesting Citizens' approval for additional coverage</li><li>• Create a new <i>Reasonable Emergency Measures</i> coverage section that separately addresses nonweather water losses and losses from other perils</li><li>• Include coverage for reasonable emergency measures for Coverage C – Personal Property for nonweather water losses under the \$3,000 limit on coverage</li></ul>

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	<ul style="list-style-type: none"><li>Clarify that coverage for reasonable emergency measures for nonweather water losses does not include permanent repairs</li></ul> <p>Update <i>Duties After Loss</i> policy section to clarify that duties include keeping records of expenses for reasonable emergency measures and for all other costs including permanent repairs.</p> <p>Staff is including additional technical policy changes to ensure that</p> <ul style="list-style-type: none"><li>The introduction of the \$10,000 limit on coverage and the other related changes described in this and previous action items addressing water losses do not result in unintended changes to the policy contract</li><li>The interactions of the Managed Repair Programs with the contract language are clearly defined</li></ul>
<b>CONTRACT TERM(S)</b>	N/A
<b>PROCUREMENT METHOD</b>	N/A
<b>RECOMMENDATION</b>	<p>Citizens staff recommends the Actuarial and Underwriting Committee approve and recommend that the Board of Governors:</p> <ul style="list-style-type: none"><li>A) Approve the above proposals for Update – Product Changes Regarding Water Losses; and</li><li>B) Authorize staff to take any appropriate or necessary action consistent with this Update – Product Changes Regarding Water Losses Action Item to include system change implementations, document changes, filings with the Office of Insurance Regulation and other supporting activities.</li></ul>
<b>CONTACTS</b>	Steve Bitar, Chief of Underwriting and Agency Services