

Executive Summary

Actuarial and Underwriting Committee Teleconference, March 27, 2018

Board of Governors Meeting, April 11, 2018

Update: Product Changes Regarding Water Losses

At its December 2017 meeting, Citizens staff advised the Board of Governors that several product changes originally scheduled to be effective February 1, 2018 had been delayed. This delay was the result of the Emergency Order issued by the Office of Insurance Regulation following Hurricane Irma and the need to redirect significant resources to the response. The majority of those changes now are scheduled to be implemented for policies effective May 1, 2018 and later.

As staff continued to refine the implementation plan for coverage changes for non-weather water losses and the supporting Managed Repair Program (MRP), it became clear that an opportunity existed to further refine the coverage changes to ensure that the policyholder is protected and that the changes function as intended. As a reminder, MRP consists of two voluntary services: Emergency Water Removal Services and the Managed Repair Contractor Network.

To allow time to review and refine changes, effective dates have been tentatively established for August 1, 2018, for the following:

Personal Lines

Coverage Limit for Water Losses

- Introduce \$10,000 policy coverage limit for non-weather water losses for HO-3 and DP-3 policy types
- Provide policyholders the option of utilizing Citizens Managed Repair Program which will provide full Coverage A limits for covered damage

Duties after Loss

- Extend relevant duties required by the policy to apply to any claimant who will be receiving policy benefits

Overview

As previously discussed, the proposed program established that Citizens will offer our Emergency Water Removal Services to policyholders who report non-weather water losses in a timely manner.

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.

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- Coverage will be subject to a limit of \$10,000, with \$3,000 of this limit available for water mitigation services.
- 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.
- 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.

Update to Proposal

Staff recommends the following changes:

Refine contract language addressing reasonable emergency measures:

- 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.
- Create a new *Reasonable Emergency Measures* coverage section that separately addresses non-weather water losses and losses from other perils.
- Include coverage for reasonable emergency measures for Coverage C – Personal Property for non-weather water losses under the \$3,000 limit on coverage.
- Clarify that coverage for reasonable emergency measures for non-weather water losses does not include permanent repairs.

Update *Duties after Loss* policy section to clarify that duties include keeping records of expenses for reasonable emergency measures and for all other costs including permanent repairs.

Staff is including additional technical policy changes to ensure that:

- 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
- The interactions of the Managed Repair Programs with the contract language are clearly defined

Communication of Coverage Changes for Water Losses

As described previously, Citizens is implementing multiple communication approaches to ensure that policyholders understand the coverage changes and the options available to them that include:

- Acknowledgement of coverage limitations at time of application.
- Notice of Change in Policy Terms provided for all renewal policies.

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- Agent training and communication program
- Policyholder letter/brochures/postcards
- Explanation of options at time of loss

Recommendation

Citizens' Actuarial and Underwriting Committee recommends that Citizens Board of Governors:

- a) Approve the above proposals contained in this Update: Product Changes Regarding Water Losses; and
- b) Authorize staff to take any appropriate or necessary action consistent with the accompanying Update: Product Changes Regarding Water Losses Action Item, which includes system change implementations, document changes, filings with the Office of Insurance Regulation and other supporting activities.

ACTION ITEM

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CONTRACT ID:	Update: Product Changes Regarding Water Losses
BUDGETED ITEM	N/A
CONTRACT AMOUNT	N/A
PURPOSE / SCOPE	<p>Citizens' previous proposal for its Managed Repair Program established that policyholders will be offered Emergency Water Removal Services for non-weather 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">• Coverage will be subject to a limit of \$10,000, with \$3,000 of this limit available for water mitigation services.• 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.• 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. <p>Update to Proposal Staff recommends the following changes:</p> <p>Refine contract language addressing reasonable emergency measures:</p> <ul style="list-style-type: none">• 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.• Create a new <i>Reasonable Emergency Measures</i> coverage section that separately addresses non-weather water losses and losses from other perils.• Include coverage for reasonable emergency measures for Coverage C – Personal Property for non-weather water losses under the \$3,000 limit on coverage.• Clarify that coverage for reasonable emergency measures for non-weather water losses does not include permanent repairs.

ACTION ITEM

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	<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">• 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.• The interactions of the Managed Repair Programs with the contract language are clearly defined.
CONTRACT TERM(S)	N/A
PROCUREMENT METHOD	N/A
RECOMMENDATION	<p>Citizens' Actuarial and Underwriting Committee recommends that Citizens Board of Governors:</p> <p>A) Approve the above proposals contained in this Update: Product Changes Regarding Water Losses; and</p> <p>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.</p>
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