

Increased Cost of Construction Coverage and Annual Cost-of-Construction Inflation Factor

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Increased Cost of Construction Coverage

The Office of Insurance Regulation (OIR) has approved Citizens' request to reinstate the additional coverage of Increased Cost of Construction for new business and renewal policies for Commercial Residential and Nonresidential Multiperil policies effective September 1, 2016.

Increased Cost of Construction coverage is intended to assist policyholders with the costs of making required ordinance and law updates to damaged property. Coverage limits are \$10,000 or 5 percent of the limit of insurance applicable to that building, whichever is less. For additional information, refer to the commercial lines coverage forms.

Citizens has updated the Commercial Residential and Nonresidential Multiperil coverage forms for the reinstatement of this coverage. Agents can view the updated forms on the [Commercial](#) section of the [Agents](#) site by selecting *CR-M* or *CNR-M*.

Annual Cost of Construction Inflation Factor

For Commercial Nonresidential Multiperil policies, a cost-of-construction inflation factor now will be applied to the building limit at each renewal, effective on or after September 1, 2016, and based on the Xactware® Replacement Cost Index. When an inflation factor is applied, the following statement will display on the *Declarations* page:

Your coverage limits have been adjusted for inflation.

Notes:

- The cost-of-construction inflation factor already exists on the other commercial lines of business.
- This change is not associated with a rate change.
- The inflation factor does not apply to Business Personal Property, special class items or mobile

homes.

Agents should review the current coverage limit(s), coinsurance election and coinsurance policy provisions annually to ensure adequate coverage exists and to avoid any potential reduced claims payment in the event of a loss.

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