

THE Journal of Public Adjusting

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FAPIA Vows to Stand with Policyholders in Wake of Confusing Coverage

July 2016 will bring significant changes to Citizens policies when a number of revisions become effective at that time. Citizens published the following document outlining the changes approved by the OIR:

Summary of Policy Contract Changes for Water Losses:

Effective July 2016

The following policy language changes have been approved by the Office of Insurance Regulation for Citizens HO-3 (Homeowners), HO-6 (Condo

Unit) and DP-3 (Dwelling) policies. *The summaries of changes provided below are for informational purposes only and subject to relevant Citizens policy contract language.*

Reasonable Emergency Measures

Policyholders must take *Reasonable Emergency Measures* (previously *Reasonable Repairs*) solely for the purpose of protecting their property from further damage. To encourage prompt notice of losses and prevent abuse, reasonable emergency measures may not exceed the greater of \$3,000 or



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NAPIA President R. Scott deLuise Urges NAIC to Review the Utilization of Managed Repair Programs by Insurance Companies

In a late 2015 exclusive interview in *The Journal of Public Adjusting*, NAPIA President R. Scott deLuise discussed the association's commitment to fostering fair claims practices and a stronger relationship with The National Association of Insurance Commissioners (NAIC) along with other key industry organizations. DeLuise stated in the interview, "We see these relationships as crucial to the promotion of fair handling of insurance claims and protection of policyholders from bad actors in all areas of insurance claims. We're committed to expanding the positive influence

that NAPIA provides our industry partners. Interestingly, the insurance companies and their trade associations are also paying attention to our relationships with the national associations."

DeLuise recently demonstrated this commitment to promoting fair practices in a letter dated April 11, 2016, to the NAIC regarding managed repairs programs adopted by insurance companies. In the letter, deLuise urges NAIC to undertake an immediate review of the practice stating, "The hundreds of trained, licensed and regulated public

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FAPIA's Response to Upcoming Citizens Policy Changes, NAPIA's Perspective

on Managed Repair Programs, and an Introduction to the New HL Law Group Blog

In our May issue of *The Journal of Public Adjusting*, we have an outline of the Citizens policy changes taking effect in July along with a statement from FAPIA President Mike Rump denouncing the modifications.

Also this time, we have excerpts from a letter written by NAPIA President R. Scott deLuise to the NAIC addressing managed repair programs and the catastrophic effects it holds for policyholders. Along the same lines, we are taking a look at the repair management service currently in negotiations with Citizens.

Finally, we are very excited to introduce the newly-launched HL Law Group blog on the HL Law Group website at www.hllawgroup.com where you will find even more industry information.

Thank you for joining us again,

Harold Y. Levy, ESQ.

HL Law Group, P.A.
330 SW Davie Boulevard
Fort Lauderdale, FL 33315
(954) 713-1212 | (954) 760-4239 (FAX)
Harold@HLLawGroup.com

Citizens in Negotiations with Contractor Connection for Managed Repair Program

Citizens is in the process of creating a managed repair program with Contractor Connection, a repair management service that would allow the insurer to control the claim from start to finish. Subject to approval by the OIR, once in place, policyholders would agree to use contractors pre-selected by Citizens in exchange for a discount.

A recent Sun Sentinel article stated the following about Contractor Connection:

According to a proposal submitted last fall, Contractor Connection would prequalify network contractors, route jobs through its 24-hour assignment center, and use a variety of quality control checks to monitor progress. After a catastrophe, the company could draw from its network of 4,800 contractors in the U.S.

Members of a Citizens selection committee that recommended negotiating with Contractor Connection said they were impressed by the company's existing network, its oversight process, its ability to scale up in a catastrophe and the fact it would not charge Citizens any money for its service. Citizens' Board of Governors had authorized spending \$15 million over five years.

Details about the program outlined in the article include:

- Property owners get a three-year

workmanship warranty backed by Contractor Connection even if the contractor goes out of business.

- Customer service representatives monitor each assignment to ensure "key performance indicators are being met on a consistent basis."
- Structural repairs are re-inspected and results are reported back to Citizens.
- Complaints about workmanship warranties or damages are escalated to an issue resolution team that works with customers and contractors to resolve issues.
- Contractors must maintain minimum customer satisfaction scores and could be removed from the network for failing to perform at or above the required level, or by request of Citizens.

Prior to joining the network, contractors are reportedly subject to extensive professional reviews including criminal background, financial stability and credit history, insurance and state license compliance along with other requirements.

Read the article titled, "Citizens negotiating managed repair program," in its entirety on the Sun Sentinel website at www.sun-sentinel.com.

Watch for more on managed repair programs in upcoming issues of *The Journal of Public Adjusting*. ♦



Newly-Launched HL Law Group Blog Offers Even More In-Depth Industry Information

HL Law Group is excited to announce that our law firm's blog is now live on our website. In addition to select articles found in *The Journal of Public Adjusting*, the blog will also feature exclusive, blog-only information. We are planning on rolling

out additional features associated with the blog in the future in our ongoing effort to help you expand your knowledge and achieve your business goals.

Visit the HL Law Group blog at http://hllawgroup.com/_wp/. ♦

1 percent of the *Coverage A* limit, unless the policyholder first receives approval from Citizens.

Loss Reporting

To prevent permanent repairs being made prior to Citizens' inspection, except for *Reasonable Emergency Measures*, there is no coverage for permanent repairs that begin before the earlier of:

- a. 72 hours after Citizens is notified of the loss
- b. The time of loss inspection by Citizens
- c. The time of other approval by Citizens

Coverage C – Personal Property

Under *Coverage C – Personal Property*, the personal property of water or steam is not covered. Replacement of water in a swimming pool is covered when there is covered loss or damage to the swimming pool.

Additional Coverages

Collapse coverage states more explicitly that coverage for collapse of a building does not include coverage for collapse of plumbing that results only from age, deterioration or maintenance.

Perils Insured Against

- ⊙ Language stating that *Collapse* is not a *Peril Insured Against* now includes additional detail to better describe collapse.
- ⊙ *Accidental Discharge of Water or Steam* states that coverage is provided for necessary access to repair only the

portion or part of the plumbing system that caused a covered loss.

Conditions

- ⊙ Reasonable emergency measures may include permanent repair when necessary to protect the covered property from further damage or prevent unwanted entry to the property. To the degree reasonably possible, the damaged property must be retained for Citizens to inspect.
- ⊙ Citizens has no duty to provide coverage if failure to comply with duties after loss is prejudicial to Citizens.

FAPIA Denounces Diminishing Coverage

Responding to the pending changes, FAPIA President Mike Rump issued the following statement on behalf of the association regarding the modifications:

This is the kind of news that will not “hit” Floridians until after they suffer a loss – when it's too late.

Upon reviewing the different coverage limitations that have been approved at the request of Citizens Board of Governors, it strikes us that while coverage for damaged property continues to diminish, there is no corresponding reduction in premiums. Some of the exclusions are so hidden that even seasoned insurance professionals are having a hard time distinguishing between what will be covered and what will not be covered. How will policyholders who are out there without the benefit of their own insurance professional fare? These kind of

ambiguities in policy language are usually dealt with through litigation which causes increased expense and further delay in the resolution of a claim.

At the December 2015 Citizens Board of Governors meeting where these additional coverage exclusions were originally approved, Citizens also approved an additional \$350 million dollars to the budget to litigate and defend lawsuits due to denied claims. Clearly Citizens anticipated the result of these coverage reductions.

If Citizens can get away with reducing their responsibility for insurance claims without reducing their premiums, why wouldn't the other Florida carriers follow suit? This has always been the case. Other carriers have always followed Citizens' lead on coverage reductions. The result is going to be an industrywide reduction in coverage. The only ones who stand to lose in this scenario are the unsuspecting policyholders. Insurance is supposed to be a safety net. Pretty soon policyholders in Florida will find that their safety net has holes.

FAPIA cannot support efforts to continue to diminish the insurance policy coverage that policyholders in Florida are paying for. FAPIA will stand shoulder-to-shoulder with insured Floridians, and the people who help them after a loss, to bring awareness to this issue.

Look for updates on Citizens policy changes in future issues of *The Journal of Public Adjusting*. ♦



HL Law Group, P.A.
330 SW Davie Boulevard
Fort Lauderdale, FL 33315

Inside *The Journal of Public Adjusting*:

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NAPIA President R. Scott deLuise Urges NAIC to Review the Utilization of Managed Repair Programs by Insurance Companies continued from page 1

insurance adjuster members of NAPIA consider such arrangements to be an impermissible conflict of interest and potentially harmful to insurance consumers.”

Here is a look at other excerpts from the letter:

Managed property repair is one of several initiatives that the insurance industry has undertaken in recent years to curtail the rights of insureds. We strongly recommend that the NAIC review all such activities as they are inter-related efforts to control costs, streamline the claims process and reduce claims payouts—all of benefit to the insurers and not to the consumer.

The public adjuster profession is most concerned that managed property repair programs will discourage, if not outright prohibit, claimants from seeking assistance in understanding and managing claims discussions with carriers. As it is now, claimants are at significant disadvantage except for the presence of those who have only the consumer’s interest as their foremost priority, public adjusters, by definition, being among those parties.

An examination of industry practices by one or more of the various working groups of the Property/Casualty Insurance (C) Committee and the Market Regulation and Consumer Affairs (D) Committee as they relate to managed repair programs and

other recent coverage and policy form adjustments done in an effort to control costs would go far to either assure consumer confidence that such changes are not detrimental to consumers or highlight imbalances in industry actions and the obligations that insurers have to the laws and regulations governing insurance and the consumers they serve. We believe there will be a finding of an imbalance that needs to be remedied.

We look forward to working with you and your members in cooperation with the carrier community and the NAIC designated consumer representatives to fully vet the effect of recent insurer actions, and to highlight the mutual concerns that we share with the insurers over contractors who are doing harm to insurers, insureds and the public adjuster profession.

DeLuise has more than three decades of industry experience, is licensed to practice public adjusting in more than 30 states, and has expertise in all phases of insurance loss consulting, responsibility for companywide commercial and industrial loss consultation coordination, and serves as a FEMA engagement coordinator and disaster team director.

Look for more on NAPIA’s stance on managed repair programs in upcoming issues of *The Journal of Public Adjusting*. ♦