

# PRODUCT CHANGES – PERSONAL LINES APPRAISAL LANGUAGE

ACTUARIAL & UNDERWRITING COMMITTEE, SEPTEMBER 29, 2015  
BOARD OF GOVERNORS MEETING, SEPTEMBER 30, 2015

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## BACKGROUND

At the March 2015 Board of Governors meeting, staff presented a proposal to revise Personal Lines policy contract language addressing the “Appraisal” section. The intent was to improve the effectiveness of the appraisal process, align better with private industry policy language, and encourage policyholders to consider alternative dispute resolution rather than costly, time consuming litigation.

## PROPOSAL

The changes were approved by the Board. Subsequently, Citizens received suggestions from external stakeholders to further improve the appraisal language. After review of the feedback and consultation with the Office of Insurance Regulation, staff proposes further changes as outlined below.

Changes from the prior version approved by the Board are as follows:

- Eliminate the proposed language providing the insurer a 60 day review period prior to the inception of the appraisal process.
- Delete the phrase “financially disinterested” as a requirement for appraisers or umpires.
- Introduce the requirement that the appraiser be competent, replacing the term “impartial”.
- Introduce the requirement that the umpire be competent and impartial, utilizing the language introduced by 2015 legislation defining appraisal conflicts of interest for umpires (Section 627.70151, Florida Statute).
- Refine the requirements for supporting documentation regarding damaged property, clarifying additional details that must be included in the appraisal award.

Detailed changes are outlined in Attachment A. Although the Office of Insurance Regulation was consulted in the development of this language, the Office will not provide final feedback until forms filings are submitted. Therefore, minor changes to the language are possible. Any substantive changes will be communicated to the Board.

## RECOMMENDATION

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Citizens’ staff recommends that the Actuarial and Underwriting Committee approve and recommend that Citizens’ Board:

- (a) Approve the above proposal to further improve the appraisal language as outlined, and
- (b) Authorize staff to take any appropriate or necessary action consistent with this Action Item to include filing with the Office of Insurance Regulation and system change implementations.

# PRODUCT CHANGES – PERSONAL LINES APPRAISAL LANGUAGE ATTACHMENT A

ACTUARIAL & UNDERWRITING COMMITTEE, SEPTEMBER 29, 2015  
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## Citizens Property Insurance Corporation's Proposed Appraisal Condition September 11 Changes For OIR discussion purposes only

### F. Mediation or Appraisal

#### 2. Appraisal.

Appraisal is an alternate dispute resolution method to address and resolve disagreement regarding the amount of the covered loss.

- a. If you ~~and we~~ fail to agree on the amount of loss, either party may demand an appraisal of the loss. If you or we demand appraisal, the demand for appraisal must be in writing and shall include an estimate of the amount of any dispute that results from the covered cause of loss.

The estimate shall include a description of each item of damaged property in dispute as a result of the covered loss, along with the extent of damage and the estimated amount to repair or replace each item.

- b. In this event, each party will choose a competent appraiser within 20 days after receiving a written demand from the other.
- c. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss.
- d. If they fail to agree, the two appraisers will choose a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record located in the county described in the "Location of Residence Premises" of your Declarations.

~~You, we, the appraisers or the umpire shall be given reasonable and timely access to inspect the damaged property.~~

- ~~fe.~~ The two appraisers will submit their differences to the umpire. A decision agreed to by any two will set the amount of the loss.

- ~~f.~~ The appraisal award will be in writing and shall include the following:

- (1) ~~A detailed list, —itemized estimate including the —amount to repair or replace, submitted by the umpire of of each specific item included in the award from the appraisal awarded from the appraisal findings;~~

- (2) The agreed amount of each item, its replacement cost value and corresponding actual cash value; and

- (3) A statement of "This award is made subject to the terms and conditions of the policy."

- ~~gf.~~ Each party will:

- (1) Pay its own appraiser, including their costs associated with producing the estimate described in 2.a. above~~itemized lists of all physical damage~~; and

- (2) Bear the fees and expenses of the appraisal and umpire equally.

- ~~hg.~~ You, we, the appraisers and the umpire shall be given reasonable and timely access to inspect the damaged property, in accordance with the terms of the policy.

- ~~i.~~ If, however, we demanded the mediation in 1. above and either party rejects the mediation results, you are not required to submit to, or participate in, any appraisal of the loss as a precondition to action against us for failure to pay the loss.

**ACTION ITEM**

	<b>PRODUCT CHANGES – PERSONAL LINES APPRAISAL LANGUAGE</b>
<b>PURPOSE / SCOPE:</b>	<p><b>BACKGROUND</b></p> <p>At the March 2015 Board of Governors meeting, staff presented a proposal to revise Personal Lines policy contract language addressing the “Appraisal” section. The intent was to improve the effectiveness of the appraisal process, align better with private industry policy language, and encourage policyholders to consider alternative dispute resolution rather than costly and time consuming litigation.</p> <p><b>PROPOSAL</b></p> <p>The changes were approved by the Board at the March 2015 Board meeting. Subsequently, Citizens received suggestions from external stakeholders to further improve the appraisal language. After review of the feedback and consultation with the Office of Insurance Regulation, staff proposes further changes as outlined below.</p> <p>Changes from the prior version approved by the Board are as follows:</p> <ul style="list-style-type: none"><li>• Eliminate the proposed language providing the insurer a 60 day review period prior to the inception of the appraisal process.</li><li>• Delete the phrase “financially disinterested” as a requirement for appraisers or umpires.</li><li>• Introduce the requirement that the appraiser be competent, replacing the term “impartial”.</li><li>• Introduce the requirement that the umpire be competent and impartial, utilizing the language introduced by 2015 legislation defining appraisal conflicts of interest for umpires (Section 627.70151, Florida Statute).</li><li>• Refine the requirements for supporting documentation regarding damaged property, clarifying additional details that must be included in the appraisal award.</li></ul> <p>Detailed changes are outlined in Attachment A. Although the Office of Insurance Regulation was consulted in the development of this language, the Office will not provide final feedback until forms filings are submitted. Therefore, minor changes to the language are possible. Any substantive changes will be communicated to the Board.</p>
<b>RECOMMENDATION:</b>	<p>Citizens’ staff recommends that the Actuarial and Underwriting Committee approve and recommend that Citizens’ Board:</p> <ul style="list-style-type: none"><li>(a) Approve the above proposal to further improve the Personal Lines Appraisal Language as outlined, and</li><li>(b) Authorize staff to take to take any appropriate or necessary action consistent with this Action Item to include filing with the Office of Insurance Regulation and system change implementations.</li></ul>