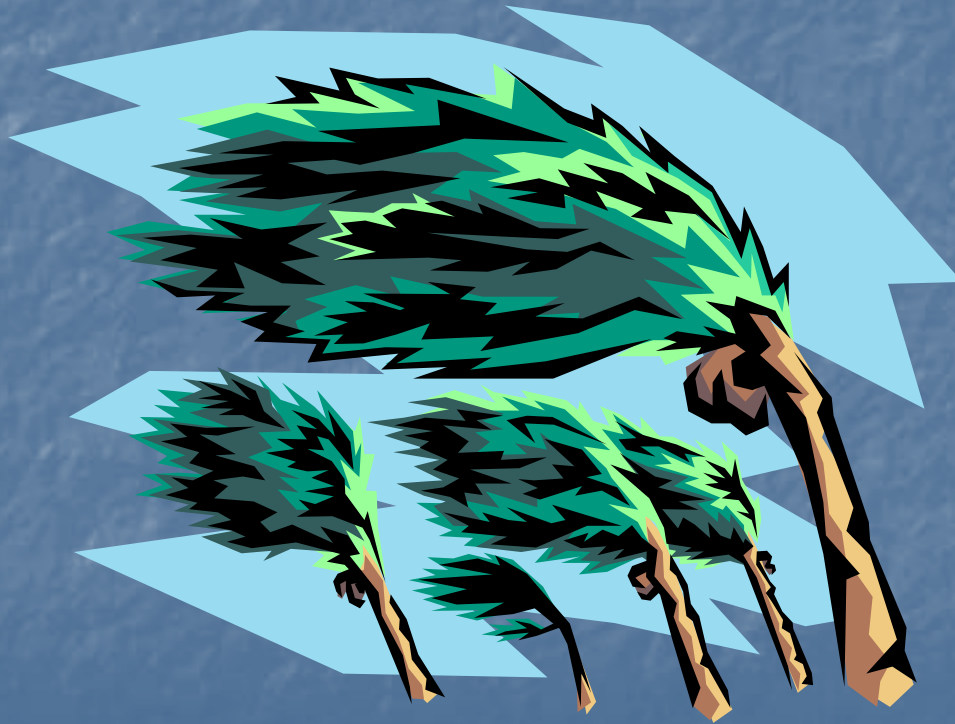


# Calendar Year Hurricane Deductible



2007

# Overview

- n Application of Law
- n Endorsement Forms
- n Examples of Deductible Application

# Purpose

This class is intended to provide:

- n Overview of Citizens' Calendar Year Hurricane Deductible Endorsement
- n Basic understanding of its application

# Coverage

This coverage applies to in-force policies regardless of the policy effective date including:

- n Personal Lines Account (PLA),
- n High Risk Account (HRA) - Residential.



# Exclusions

This coverage *does not* apply to...

- n Commercial Lines Account (CLA), nor
- n High Risk Account (HRA) - Commercial/Commercial Residential.



# THE LAW



Florida House Bill 9A was signed into law by the Governor in December 2004. This change in statute directs changes to the annual application of a hurricane deductible.

# Basic Philosophy

- n The endorsement does not change the current application of deductibles when a loss occurs.
- n Instead, the endorsement amends the amount of the deductible that can be applied to losses resulting from hurricanes.

# Application of the Law



- n Calendar Year Defined

January 1st through  
December 31st of any  
given year.

# Multiple Policies

## n One or More Policies

"...one or more policies issued by the same insurer..." is defined as two or more Citizens' policies for the same property under the same named insured in the same calendar year. This includes renewals and re-writes with or without a lapse in coverage.

# Multiple Policies

Example of Two Policies Effective In the Same Calendar Year:

1/1/05 ----- Calendar Year----- 12/31/05

8/1/04 ----- Policy 1 ----- 8/1/05

8/1/05 ----- Policy 2 ----- 8/1/06

# Exclusion

One or more policies does not include:

- n An owner of a rental property insured with Citizens and the renter's contents for the same property insured with Citizens.
- n An owner cancels his Citizens' policy because the property is sold and then the new owner's policy issued by Citizens.

# Application of Deductibles

## n PLA – Deductibles Apply at Policy Level

For PLA, deductibles are applied at the policy level. For example, if Other Structures are specifically scheduled on the policy, the Hurricane or All Other Perils (AOP) deductible is applied to the total of all covered loss and not per scheduled structure.

# Application of Deductibles

## n HRA – Deductibles Apply at Item Level

For HRA, deductibles are applied separately to each scheduled item on the policy. Also, the deductibles can vary by item. Therefore, the hurricane deductible will be accumulated on a calendar year basis separately for each structure.

# Determining the Applicable Deductible

- n A deductible will be applied to each hurricane loss.
- n However, the calendar year hurricane deductible limits the number of times the hurricane deductible can be applied.

# Determining the Applicable Deductible

If more than one hurricane occurs during the calendar year, the deductible amount that will apply for each subsequent hurricane will be the greater of:

- n The remaining amount of the calendar year hurricane deductible; or
- n Personal Lines Account Multi-peril policies: The All Other Perils (AOP) deductible
- n High Risk Account – Wind only policies: The Other Windstorm or Hail (OWH) deductible. For HRA, there are OWH deductible options that are equal to or greater than the hurricane deductible options.

# Determining the Applicable Deductible

**IMPORTANT** – It is important to understand that the AOP/OWH deductible will be applied to each and every subsequent hurricane loss in the same calendar year when it is greater than the remaining amount of the hurricane deductible.

# Reporting Losses Below Deductible

Citizens' calendar year hurricane deductible endorsements do not address this requirement. However, Citizens' base policies contain a Loss Settlement condition that outlines the insured's duties after a loss.

ISO has addressed this issue in their calendar year hurricane deductible endorsements. If a question arises, agents should be referred to our Loss Settlement condition noted above.

# Change in Carriers

When a policyholder becomes insured with Citizens, hurricane losses under a prior insurer's policy will not be counted towards the Citizens hurricane deductible.

# Depopulation

- n During the assumed period and at the time the policy is issued by the assuming carrier, Citizens hurricane deductible will continue to apply.
- n On January 1 of the following calendar year, the assuming carrier's hurricane deductible will apply.

# Endorsement Forms

ACCOUNT	POLICY TYPE	ENDORSEMENT FORM #
PLA	Homeowner	CIT 24 05 05
PLA	Dwelling	CIT 25 05 05
HRA	Residential	CIT W24 05 05

# Examples

## Example 1: Multiple Losses – Hurricane Deductible Exhausted

Policy	Date	Event	Loss Amounts	Deductible Amount Applied	Remaining Hurricane Deductible Amount	Payment Amount
<b>Policy 1</b> Coverage "A" = \$200,000  Eff: 6/1/05 – 06	June 1, 2005	Policy Effective Date	-	<b>Hurricane:</b> 2% = \$4,000 <b>AOP (OWH):</b> \$1,000	-	-
	July 1, 2005	Hurricane Loss	\$20,000	<b>Hurricane:</b> \$4,000	\$0	\$16,000
	August 1, 2005	Hurricane Loss	\$15,000	<b>AOP:</b> \$1,000	\$0	\$14,000

# Examples

## Example 2: Multiple Losses – Hurricane Deductible Less Than AOP/OWH Deductible

Policy	Date	Event	Loss Amounts	Deductible Amount Applied	Remaining Hurricane Deductible Amount	Payment Amount
<b>Policy 1</b> Coverage "A" = \$200,000  Eff: 6/1/05 - 06	June 1, 2005	Policy Effective Date	-	<b>Hurricane:</b> 2% = \$4,000 <b>AOP (OWH):</b> \$1,000	-	-
	July 1, 2005	Hurricane Loss	\$2,000	<b>Hurricane:</b> \$2,000	\$2,000	No Payment
	August 1, 2005	Hurricane Loss	\$1,500	<b>Hurricane:</b> \$1,500	\$500 (less than AOP)	No Payment
	September 1, 2005	Hurricane Loss	\$5,000	<b>AOP:</b> \$1,000	\$500	\$4,000

# Examples

## Example 3: Multiple Losses, Policies and Calendar Years

Policy	Date	Event	Loss Amounts	Deductible Amount Applied	Remaining Hurricane Deductible Amount	Payment Amount
<b>Policy 1</b> Coverage "A" = \$200,000  Eff: 8/1/04 - 05	August 1, 2004	Policy Effective Date	-	Hurricane: 2% = \$4,000 AOP (OWH): \$1,000		-
	<b>January 1, 2005</b>	<b>Calendar Year 1</b>	-	Hurricane: 2% = \$4,000 AOP (OWH): \$1,000	-	-
	July 1, 2005	Hurricane Loss	\$2,000	Hurricane: \$2,000	\$2,000	No payment
<b>Policy 2</b> Coverage "A" = \$205,000  Eff: 8/1/05 - 06  <i>Note: Cov. "A" increased due to inflation causing hurricane deductible to also increase.</i>	August 1, 2005	-	-	Hurricane: 2% = \$4,100 AOP (OWH): \$1,000 <i>Note: Hurr Ded increased due to inflation.</i>	\$2,100	-
	August 15, 2005	Hurricane Loss	\$3,000	Hurricane: \$2,100	\$0	\$900
	September 1, 2005	Hurricane Loss	\$5,000	AOP: \$1,000	\$0	\$4,000
	<b>January 1, 2006</b>	<b>Calendar Year 2</b> Note: Hurricane deductible begins anew.	-	Hurricane: 2% = \$4,100 AOP (OWH): \$1,000	-	-
	June 1, 2006	Hurricane Loss	\$5,000	Hurricane: \$4,100	\$0	\$900

# Examples

## Example 4: HRA (wind-only) Multi Item Policy

Policy	Date	Event	Loss Amounts	Deductible Amount Applied	Remaining Hurricane Deductible Amount	Payment Amount
<b>Policy 1</b>  <u>Item 1:</u> Coverage "A" = \$200,000  <u>Item 2:</u> Coverage "A" = \$100,000	June 1, 2005	Policy Effective Date	-	<u>Item #1:</u> Hurricane: 2% = \$4,000 AOP (OWH): \$1,000 <u>Item #2:</u> Hurricane: 2% = \$2,000 AOP (OWH): \$500		-
	July 1, 2005	Hurricane Loss	\$500 - Item #1	Hurricane: \$500	\$3,500	No payment
			\$3,000 - Item #2	Hurricane: \$2,000	\$0	\$1,000
	September 1, 2005	Hurricane Loss	\$2,000 - Item #1	Hurricane: \$2,000	\$1,500	No payment
	October 1, 2005	Hurricane Loss	\$1,000 - Item #2	AOP (OWH): \$500	\$0	\$500
	October 15, 2005	Hurricane Loss	\$3,500 - Item #2	AOP (OWH): \$500	\$0	\$3,000

QUESTIONS ?