



PERSONAL PROTECTION

Morris & Reynolds Insurance Presents

June 2012

CITIZENS' NEW EXCLUSIONS & CHANGES

MANY COVERAGES WILL NO LONGER BE OFFERED AS STATE REDUCES EXPOSURES

CHANGES TO CITIZENS COVERAGE



Citizens, the State of Florida's "insurer of last resort", has recently announced many reductions or eliminations of coverages as it seeks ways to reduce its nearly 1.5 Million policies and the half trillion dollars in exposure it insures. These changes are critical to understand as you review your coverage. This issue of Personal Protection outlines the recent changes that begin this year.

\$ 1,000,000.00+ HOMES NO LONGER ELIGIBLE



Citizens will no longer provide coverage on **Dwellings with replacement cost value (Coverage "A") of more than \$1 million and single condominium units with a combined Dwelling and Contents value of (Coverage "A" & "C") of more than \$1 Million, will no longer be eligible for coverage.** Larger homes will need to be insured with private insurers. Morris & Reynolds offers dozens of home insurers and many of them are eager to write larger homes and will include windstorm. We will be automatically offering options to replace impacted Citizens policies prior to your next renewal.

PERSONAL PROPERTY REDUCED TO 25%



The Coverage C, Personal Property (Contents), limit is reduced from 50% to 25% of the Coverage "A" (Dwelling) limit. If your current limit exceeds 25% it will be reduced to 25% at renewal. A home with a Dwelling (A) limit of \$ 400,000 will renew with a \$100,000 Personal Property limit instead of the \$200,000 it enjoyed in the past. If you desire more coverage than the new 25% limit allows please contact us.

SCREENED ENCLOSURES NO LONGER ELIGIBLE



Citizens has also announced that it will no longer offer coverage on screened enclosures. Whether attached to your home or not, Citizens will no longer insure a pool or patio screened-in enclosure.

CARPORTS, TIKI HUTS & OTHER STRUCTURES



A variety of other structures will also no longer be automatically covered and these include aluminum car ports, patios and awnings, slat houses, chickees, gazebos, cabanas, pergolas and tiki huts.

The only exceptions are such structures that are a permanent addition to the home and shares the same roof as the home. Citizen's will now automatically exclude such 'other structures' but can consider adding certain ones back if requested and if approved. The list of excluded enclosures includes:

- Screened enclosures that are aluminum framed or not covered by the same or substantially the same materials as that of the primary dwelling.
- Carports that are aluminum or not covered by the same or substantially the same materials as that of the primary dwelling.
- Patios with a roof covering not constructed of the same materials as that of the primary dwelling.
- Awnings.
- Structures with a roof or wall covering that are thatch, lattice, slats or a similar material.
- Slat houses, chickees, tiki huts, gazebos, cabanas, canopies, pergolas or similar structures constructed to be open to the weather.

OTHER STRUCTURES REDCED FROM 10% TO 2%

The automatic coverage limit for Other Structures is being reduced from 10% to 2% of the Coverage "A" (Dwelling) limit. If you desire a higher limit please contact us and we will be happy to quote a higher limit.

LIABILITY LIMIT MAXIMUM REDUED TO \$ 100,000

As of June 1, 2012 Citizens Multi-Peril (Homeowners) policies will include a maximum limit of \$ 100,000 for Personal Liability. This is a reduction in coverage compared to the former \$ 300,000 limit and thus lowers your coverage. Supplemental policies are available to increase the new Citizens limit to \$ 200,00 or \$ 300,000 and we would be happy to quote those for you.

If you carry a Liability Umbrella Citizen's change presents a gap in coverage as most Umbrella insurers require a primary policy to have a \$ 300,000 limit. In light of Citizen's reduction in coverage, Umbrella insurer's will generally do one of the following (*see Page Two*);



14821 South Dixie Highway
Miami, Florida 33176



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STARTING IN 2012, MANY COVERAGES WILL NO LONGER BE PROVIDED OR WILL BE REDUCED

LIABILITY LIMIT MAXIMUM (CONTINUED)

- (1) Accept the new \$ 100,000 limit,
- (2) Accept the new lower Citizens limit but surcharge their umbrella premium;
- (3) Require a supplemental 'gap' policy to increase your limit to \$ 300,000 or
- (4) Not accept Citizens as a primary insurer.

DISCONTINUATION OF BUILDERS RISK

Citizens has discontinued writing builder's risk coverage. Projects that are complete, will be completed by their renewal, or are on hold/abandoned will non-renew at the end of their policy term. Policy terms may be extended if the project completion date is after the renewal and with proper documentation.

SINKHOLE COVERAGE:

Due to a large increase in claims in recent years, counties with a history of losses will have a rate increase for Sinkhole coverage on Home and Fire policies including Hillsborough, Pinellas, Pasco and Hernando. All sinkhole claims will now be subject to a mandatory 10% Sinkhole Loss deductible.

If you want to remove Sinkhole coverage from your policy please contact us after confirming that such a change is acceptable to your lender if you have a mortgage. Citizens will consider such requests made prior to renewal.

HOMEOWNER'S (3) LOSS ASSESSMENT

For Homeowner's 3 policies the maximum limit of coverage for Loss Assessment will be reduced to \$ 1,000 as of renewal.

FUNGI (MOLD) MAXIMUM

Citizens has instituted the following maximums for Fungi (Mold) claims; **\$10,000.00 for Property and \$50,000.00 for Liability.**

Assessment Example	CITIZENS POLICY	ABC INSURANCE COMPANY POLICY
Tier 1: Potential Citizens Policyholder Surcharge (one-time assessment up to 45% of premium).	\$ 900.00	Not applicable
Tier 2: Potential Regular Assessment (one-time assessment up to 18% of premium).	Not Applicable ¹	\$ 360.00 ¹
Tier 3: Potential Emergency Assessment (up to 30% of premium annually. May apply for multiple years).	\$ 600.00	\$ 600.00
Potential Annual Assessment:	\$ 1,500.00	\$ 960.00

DISCONTINUE "CLASS C" OPENING PROTECTION CREDITS:

"Class C" credits will be discontinued. "Class C" credits were used for ordinary, non-impact openings, and included a variety of certain aluminum shutters and wood structural panels. At renewal, policies with these credits will be re-evaluated by Citizens and those that do not meet the criteria will lose the discount. "Class A" and "Class B" credits will continue.

Mitigation credits may be removed at renewal if a mitigation inspection determines that the features were ineligible. Our newsletter "*Hurricane Mitigation Credits & Savings*" has useful information about mitigation credits, inspections and re-inspections as well as the new forms Citizens uses. Please contact us for a copy or with your questions.

PREMIUMS & RATE INCREASES:

Rate Changes: Rates for new and renewal policies are subject to a 10% rate change cap (increase or decrease). The cap excludes coverage changes, surcharges, Sinkhole Loss coverage, changes from mitigation re-inspections, and a required rapid cash build-up provision for the Florida Hurricane Catastrophe Fund.

Rate changes vary by policy type and are part of a five-year plan by Citizens to increase their base rates by at least 50%.

Surcharges: The Florida Insurance Guarantee Fund (FIGA) is a state plan that backs admitted insurers in the event they fail. To increase its funds in the event of a disaster, the state has added a disaster surcharge of .024% to personal policies and .122% to commercial policies for one year or more to replenish FIGA.

ASSESSMENTS

Citizens continues to have the ability to assess its policyholder's in addition to the premium it charges. The chart above illustrates how Citizens can surcharge it's clients by **45% in one year (Policy Holder Surcharge) and 30% per year annually (Emergency Assessment)** in the event it needs funds after a large loss.

MORRIS & REYNOLDS INSURANCE

Morris & Reynolds represents and has access to dozens of home insurers, more than most any other agency. In light of the changes that Citizens is making at this time many competing, private, insurers are expanding and seeking new business as well as offering solutions to the changes noted in this newsletter. No matter your needs, Morris & Reynolds can help. Please contact us at any time at tel. number **305.238.1000** or online at morrisandreynolds.com. As always, thank you for allowing us to provide your protection.



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