

## 2021 Product Changes

Over time, market changes, claims experience and technology improvements necessitate the need to update Citizens' products. Staff continuously monitors internal and external information to determine when changes are warranted. Citizens' staff has evaluated this information and identified recommended updates to product rules, structure and supporting coverage forms.

### Personal and Commercial Lines Product Changes

#### **Commercial Lines Property Valuation**

Citizens' Commercial underwriting guidelines currently require that all buildings must be insured at 100% of replacement cost value. The intent is to ensure that policyholders maintain adequate coverage and that policy premiums are appropriate for the risk assumed. The Commercial Residential and Commercial Non-Residential Wind programs also include policyholder options to accept a premium surcharge to waive policy co-insurance provisions. These options conflict with the requirement to insure at full replacement cost.

#### **Recommendation**

Staff proposes that Citizens' Commercial Lines guidelines, rating rules, and policy forms be modified to better align with Citizens' requirements. Changes will include elimination of rating factors related to coinsurance, related policy form language governing the co-insurance provisions, references to Agreed Value options and updates to first loss rating factors. The requirement that policies must be insured at 100% of replacement cost will remain in place. The proposed annual rate changes include necessary adjustments to rates.

#### **Updates to Support Annual Rate Changes**

The proposed annual changes include updates to wind mitigation credits. These changes require supporting updates to the Personal Lines program manuals to update information provided to agents.

#### **Recommendation**

Staff proposes changes to Personal Lines program guidelines as described above. Filings and system changes will be completed as appropriate.

#### **Retire Underutilized Personal Lines Products**

During ongoing review of Personal Lines programs, staff has identified the opportunity to streamline program offerings by retiring three product lines with limited usage. In most cases, the risks written in these lines can be accommodated in other lines. The only risks that no longer will be accommodated are tenant risks with extensive loss history or unacceptable liability exposure. The products will be eliminated in phases. New business no longer will be accepted and in-force counts will be allowed to

# Executive Summary

Actuarial & Underwriting Committee Meeting, December 15, 2020  
**Board of Governors Meeting, January 26, 2021**

reduce by attrition. As a final future step, policies will be moved to comparable lines of business.

Dwelling Lines	Alternative Product	Policies in Force	New Applications YTD
DP-1 Tenant	HO-4	11	0
DP-3 Tenant	HO-4	36	11
<b>Mobile Home Dwelling Lines</b>			
MDP-1 Tenant	MHO-4	94	2
		<b>141</b>	<b>13</b>

### Recommendation

Staff proposes changes to Personal and Commercial Lines program guidelines and structure as described above. Filings and system changes will be completed as appropriate.

### Recommendation

Staff recommends that the Board of Governors:

- a) Approve the above proposals to update Citizens' Product guidelines, rating rules, policy contract forms and supporting documents; and
- b) Authorize staff to take any appropriate or necessary action consistent with the 2021 Product Changes Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents or forms and other relevant activities. Final changes and implementation timeline may vary slightly, based on project complexity and feedback from the OIR.

# ACTION ITEM

Actuarial & Underwriting Committee Meeting, December 15, 2020  
Board of Governors Meeting, January 26, 2021

- |   |   |
|---|---|
| <input type="checkbox"/> Contract – New                         | <input type="checkbox"/> Committee or Board Minutes |
| <input type="checkbox"/> Contract – Amendment of Contract Terms | <input checked="" type="checkbox"/> Product Changes |
| <input type="checkbox"/> Contract – Additional Spend            | <input type="checkbox"/> Other _____                |

<b>Contract ID</b>	2021 Product Changes
<b>Budgeted Item</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No – N/A
<b>Procurement Method</b>	N/A
<b>Contract Amount</b>	N/A
<b>Contract Term(s)</b>	N/A
<b>Purpose/Scope</b>	Product changes described in the accompanying Executive Summary 2021 Product Changes. These changes include: <ul style="list-style-type: none"><li>• Updating Commercial Property Valuation to align 100% property valuation requirement with policy provisions and rating;</li><li>• Updating program guidelines to support annual rate changes; and</li><li>• Retiring underutilized product lines.</li></ul>
<b>Recommendation</b>	Staff recommends that the Board of Governors: <ul style="list-style-type: none"><li>a) Approve the proposals to update Citizens' product guidelines, rating rules, policy contract forms and supporting documents; and</li><li>b) Authorize staff to take any appropriate or necessary action consistent with the 2021 Product Changes Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents or forms and other relevant activities. Final changes and implementation timeline may vary slightly, based on project complexity and feedback from the OIR.</li></ul>
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