

# Executive Summary

Actuarial & Underwriting Committee Meeting, July 13, 2021

Board of Governors Meeting, July 14, 2021

## Product Updates – July 2021

Over time, market changes, claims trends, technology improvements and legislative changes 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, coverage forms and supporting documents.

### 2021 Legislative Changes

Updates to Citizens' products are required by Senate Bill 76, which was passed during the 2021 Florida Legislative Session and was subsequently signed into law.

Changes Include:

- Personal Lines eligibility change: Private market quotes must be more than 20% greater than Citizens' quote to be eligible for coverage, up from 15% previously.

Due to the effective date of the legislation, supporting changes to applications and eligibility rules were filed with the Office of Insurance Regulation (OIR) in June. Changes have been approved and were implemented July 1, 2021.

- Updates to contract language to reflect changes to loss-reporting timelines, requiring all claims be reported within two years.

Changes will be implemented with annual forms changes, scheduled for a February 2022 effective date.

- Update policyholder application language to reflect the change in Citizens' maximum allowable premium increase from 10% to 11%.

This change is aligned with the rate change also presented at this Actuarial and Underwriting Committee meeting and subsequent Board of Governors meeting, proposed to be effective February 1, 2022. Additional updates will be required to coincide with future rate increases to address additional annual adjustments of 1% per year up to 15% in 2026, as outlined in Senate Bill 76.

### Personal Lines Programs: Eligibility Requirement Updates

During ongoing review of Personal Lines programs, staff has identified several opportunities to update and streamline eligibility rules and program offerings:

- Eliminate exception that allows owner-occupied risks with lower coverage amounts to be written in Dwelling programs. These risks will be required to be written in a Homeowners program unless prohibited by underwriting issues. Dwelling programs are typically used for landlord-type risks and this change improves program consistency and requires risks to be written with appropriate coverage and premium.

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- Modify Homeowners HO-8 program eligibility to allow owner-occupied risks not eligible for HO-3 due to nonweather water losses. These risks are currently written on the Dwelling DP-1 policy, which has more limited coverage than is intended for owner-occupied risks. The HO-8 does not include water coverage but does provide other important coverages more appropriate for owner-occupied risks such as Additional Living Expense and Ordinance or Law. The premiums for HO-8 are appropriate to the coverage provided and generally higher than the premium for the DP-1 contract.
- Update new-business eligibility rules requiring new applicants to provide a 4-point inspection for homes over 20 years of age, rather than the current over 30-year requirement. This will provide more substantive information for new applications for coverage. This information may be used for general underwriting review and depopulation or reinsurance purposes.

## Personal and Commercial Lines – Eligibility Requirement Updates

Update Personal and Commercial Lines eligibility rules to clarify that specific documentation regarding structural stability may be required. This documentation includes county-required inspections, engineering reports or other relevant documentation.

## Personal and Commercial Lines – Coverage Form Updates

- Alternative Dispute Resolution
  - Add “reasonable” standard to appraiser and umpire fees and expenses.
  - Update Commercial Lines contracts to:
    - introduce specific timeframes for response to appraisal demand to ensure either party to a claim has adequate opportunity to evaluate more complex commercial claims; and
    - add specific commercial experience requirement to umpire/appraiser qualifications.
    - Update language regarding existing damage to better express that exclusion applies to preexisting damage for which a claim has already been made.
- Update language regarding concealment/fraud to include situations when claim information is presented by representative of the insured.
- Update forms to support federal requirements under the Office of Foreign Assets Control.
- Update Managed Repair Program Consent Form to better reflect process (HO-3/DP-3 only).
- Adopt updated ISO form regarding Terrorism Risk Insurance Act (Commercial Lines).

## Recommendation

Staff proposes that the Actuarial and Underwriting Committee review, and, if approved, recommend the Board of Governors:

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- a) Approve the above proposals to update Citizens' Product guidelines, policy contract forms and supporting documents; and
- b) Authorize staff to take any appropriate or necessary action consistent with the Product Updates - July 2021 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**

**New Contract**

**Contract Amendment**

**Other Product Changes**

**CONSENT ITEM**

**Contract Amendment**

**Existing Contract Extension**

**Existing Contract Additional Spend**

**Previous Board Approval** \_\_\_\_\_

**Other** \_\_\_\_\_

**Action Items:** Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

**Move forward as Consent:** This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

**Consent Items:** Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

<b>Purpose/Scope</b>	Product changes described in the accompanying Executive Summary Product Updates – July 2021. These changes include: <ul style="list-style-type: none"> <li>• Implementation of the requirements of Senate Bill 76 which has been signed into law, effective July 1, 2021;</li> <li>• Updates to Product Eligibility; and</li> <li>• Revisions to policy contracts and other forms</li> </ul>
<b>Contract ID</b>	Product Updates – July 2021
<b>Budgeted Item</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A
<b>Procurement Method</b>	N/A
<b>Contract Amount</b>	N/A
<b>Contract Term</b>	N/A

<p><b>Committee Recommendation</b></p>	<p>Staff proposes that the A&amp;U Committee review, and, if approved, recommend the Board of Governors:</p> <ul style="list-style-type: none"> <li>a) Approve the above proposals to update Citizens' Product guidelines, policy contract forms and supporting documents; and</li> <li>b) Authorize staff to take any appropriate or necessary action consistent with the Product Updates - July 2021 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>
<p><b>Board Recommendation from Committee</b></p>	<p>If approved at its July 13, 2021 meeting, the A&amp;U Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"> <li>a) Approve the above proposals to update Citizens' Product guidelines, policy contract forms and supporting documents; and</li> <li>b) Authorize staff to take any appropriate or necessary action consistent with the Product Updates - July 2021 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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