

# Executive Summary

Actuarial & Underwriting Committee Meeting, March 22, 2022

**Board of Governors Meeting, March 23, 2022**

## Product Updates - March 2022

### Personal Lines Programs: Eligibility Requirement Updates

As part of ongoing efforts to streamline the underwriting process and refine eligibility guidelines, staff reviewed questions from agents that arise during the underwriting process and eligibility concerns that emerge from underwriting and claims.

Staff proposes the following changes to improve underwriting efficiency, reduce agent questions and further define which risks are eligible for Citizens' products:

- **Business Use** - expand described types of ineligible business uses to include:
  - not for profit
  - animal or other attractions
  - media production
  - care of adults
- **Farm Eligibility** - clarify that commercial farming and ranching are not eligible, and that any farming or ranching must be personal or incidental to be eligible
- **Adult Day Care, Adult Family Care Home, Assisted Living Facilities** - clarify that any business use that includes adult care is not eligible
- **Day Care Rule** - simplify rule to reference state licensing requirements rather than restating them and clarify types of eligible use
- **Exotic Animals** - add description of exotic animals, including venomous reptiles, other non-domesticated or inherently dangerous animals, and referencing the list of exotic animals defined by Florida Administrative Code and used by Florida Fish and Wildlife Commission
- **Material Misrepresentation, Arson, and Fraud Rule** – adding *convicted* or *pleaded no contest* in addition to *canceled* in the application questions for Arson and Fraud. Align the timeline to 15 years for all types
- **SB76 Update**- Add schedule of annual glide path rate changes
- **Eligibility**-Update offer of coverage language to reference “any” authorized insurer instead of “an” authorized insurer

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## All Programs - Policy Form Updates

Over time, Citizens, its contracted forms advisory service, Insurance Services Office, Inc. (ISO), and the private market, introduce various policy contract updates to address emerging issues, changes in underlying risk and recent court outcomes. These updates are not always addressed at the same time or with the same approach by individual insurers or ISO. Periodically, Citizens' staff undertakes efforts to compare various policy contracts in use in Florida and identify opportunities for improvement. Detailed review was completed, contract language is evaluated against current market conditions, Citizens' claims experience and recent case law.

As a result of this review, Staff recommends numerous changes that will update Citizens' policy language to improve claims outcomes and better align with industry standards. Significant changes are outlined below. Additional changes with limited impact are listed in Appendix A.

Changes will be applied across all Citizens contracts where relevant to eligibility and coverage provided.

- Expand the scope of Actual Cash Value (ACV) calculation to include labor, overhead and profit, taxes, fees, etc. This applies to claims settlements when payment for Replacement Cost Coverage is contingent on repairs being incurred and only ACV is initially paid.
- Introduce language requiring that the insured must incur the cost for matching undamaged items that are included in the claim estimate before payment will be made for those items. (Personal Lines).
- Update policy language to exclude coverage for theft, vandalism, liability, loss of rental income and similar losses that arise from home rental via home-sharing services completed via an online platform. (Homeowners only).
- Update policy language to exclude coverage for smoke damage unless claim is reported within 180 days of the date the fire is extinguished.
- Expand exclusion for criminal or intentional acts, misrepresentation or failure to cooperate to include those acts that occur under the direction or with the awareness of the insured and to apply to coverage for any insured not just the insured committing these acts. This includes acts of a third party.
- Broaden and clarify requirements for any insured to cooperate, including allowing inspection of property for any loss, submitting to examinations under oath and providing any available information. Requirements to provide information expanded to include videos, corporate and board documents, damaged property, any other property contributing to loss, and other relevant items or information.

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- Expand liability and medical payments exclusions to include trampolines, skateboard ramps, empty pools, drones, hobby aircraft, sexual misconduct, bullying, illegal substances including cannabis and other similar extra-hazardous items, illegal conditions or conduct. (Personal Lines).
- Update alternative dispute resolution language to require that both appraisers or the umpire and one appraiser must sign the award; the award must be provided in writing on a form approved by us; the umpire must be competent for the type of loss; and that the award must identify relevant policy provisions.
- Add requirement that theft, attempted theft, burglary, vandalism or malicious mischief must be reported to police within 14 days of occurrence.
- Clarify that earth movement includes blasting and subsidence and that the exclusion applies to walls and ceilings in addition to foundations and floors. (Personal Lines).
- Update earth movement and settlement to add land or air shock, waves or tremors, and other types of earth movement not currently listed. Exclusion includes shrinking, bulging, expansion or disarrangement of walls, floors, ceilings, pavements, and patios. (Commercial Lines).
- Clarify and update property coverage (including sublimits) to align with ISO's current contract versions (includes updates to address advances in technology – virtual currency, drones, home sharing, etc.) Includes adding sublimits on property in self-storage and drones and exclusions for credit cards, personal data, virtual currency and home sharing.
- Expand loss settlement penalty for covered loss while the residence is vacant. Add required language that ensuing loss from fire, explosion or collapse is not excluded and clarify that property under construction is not considered vacant. (Personal Lines).
- Broaden exclusion for various types of damage from animals, or infestation of animals, vermin or other. Exclusion does not apply if there is ensuing loss due to fire, explosion, or collapse.
- Clarify that coverage for Fungi, Wet Or Dry Rot, Yeast Or Bacteria does not include transmission of disease. (Personal Lines).
- Expand and align exclusions for causes of loss across lines of business as relevant. Excluded causes of loss include: smoke, rust, smog, wear, tear, inherent vice, fire lightning, smoke from smudging or industrial operations, discharge, dispersal, seepage, migration of pollutants, neglect, animals, nesting or infestation or waste products from animals, consequential losses (rental value, business income or business interruption), intentional loss, criminal acts or illegal activity, government action, weather conditions, acts or decisions, faulty, inadequate or defective planning, design, materials or maintenance. (Commercial Lines).

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## Recommendation

If approved at its March 22, 2022 meeting, the Actuarial & Underwriting Committee recommends that the Board of Governors:

- a) Approve the described product update proposals to update Citizens' Product guidelines, forms, and supporting documents; and
- b) Authorize staff to take any appropriate or necessary action consistent with the Product Updates - March 2022 Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents, applications or forms and other relevant activities. Final changes and implementation timeline may vary slightly, based on project complexity and feedback from the OIR.

## PRODUCT UPDATES – MARCH 2022

**ACTION ITEM**

**New Contract**

**Contract Amendment**

**Other: Product Updates**

**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>Item Description</b>	Product updates described in the accompanying Executive Summary: Product Updates – March 2022. These changes include: <ul style="list-style-type: none"> <li>• Personal Lines Programs: Eligibility Requirement Updates</li> <li>• All Programs – Policy Form Updates</li> </ul>
<b>Purpose/Scope</b>	Actuarial and Underwriting Committee approval and Committee recommendation to Board of Governors for approval of proposed changes.
<b>Contract ID</b>	Title: N/A Contract number, if applicable Recommended vendor, if applicable
<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 Terms</b>	N/A

## PRODUCT UPDATES – MARCH 2022

<b>Committee Recommendation</b>	<p>Staff proposes that the Actuarial and Underwriting Committee review, and if approved, recommend the Board of Governors:</p> <ul style="list-style-type: none"><li>a) Approve the described product update proposals to update Citizens' Product guidelines, forms, and supporting documents; and</li><li>b) Authorize staff to take any appropriate or necessary action consistent with the Product Updates - March 2022 Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents, applications 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>
<b>Board Recommendation from Committee</b>	<p>If approved at its March 22, 2022 meeting, the Actuarial and Underwriting Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"><li>a) Approve the described product update proposals to update Citizens' Product guidelines, forms, and supporting documents; and</li><li>b) Authorize staff to take any appropriate or necessary action consistent with the Product Updates -March 2022 Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents, applications 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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