

Executive Summary

Actuarial and Underwriting Committee Meeting, July 11, 2023

Board of Governors Meeting, July 12, 2023

Product Updates – July 2023

Florida Legislative Session 2023

During the legislative session, the Florida Legislature passed several bills that required Citizens staff to implement changes to its products and supporting procedures. Statutory changes are described below. Updates to rules and forms to address the new laws are in process or have been implemented when necessary to meet statutory effective dates.

Changes Applicable to Citizens:

Flood Requirements – Personal Lines

Updates requirements for Citizens' policyholders to maintain flood insurance:

- Condominium unit-owner policies are not required to carry flood insurance to be eligible for coverage with Citizens.
- Language governing phase-in for flood coverage requirements for risks outside of the Special Flood Hazard Area changed from "property valued at" to "structure that has a dwelling replacement cost of" for each phase.
- Tenant risks will be included under the last phase because there is not a dwelling replacement cost for these policies. Last phase reads: d. January 1, 2027, for all other personal lines residential property insured by the corporation.

Eligibility for Risks with FIGA Claim

Prohibits Citizens from determining a risk is ineligible for coverage with the corporation solely because such risk has unrepaired damage caused by a covered loss when the claim has been filed with the Florida Insurance Guaranty Association until the earlier of 24 months after the date the Florida Insurance Guaranty Association began servicing such claim or the Florida Insurance Guaranty Association closes the claim.

New Policies from Carriers that are Unsound or in Receivership

Statute governing Citizens' rate increase limitations modified to add a separate and higher limitation of 50% for new applicants whose most recent insurance was provided by an insurer determined by the office to be unsound, or an insurer placed in receivership under chapter 631. This higher limitation also applies to subsequent renewals of those policies.

Division of Administrative Hearings for Litigation

Specific statutory language was introduced to provide that, in addition to any other method of alternative dispute resolution authorized by state law, Citizens may adopt policy forms that provide for the resolution of disputes regarding its claim determinations, including disputes regarding coverage for, or the scope and value of, a claim, in a proceeding before the Division of Administrative Hearings.

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Changes Applicable to Insurance Industry:

Underwriting Review Period

Reduces the time period that Underwriting is allowed to review new policies and cancel from 90 to 60 days. An exception is included to retain the 90-day period for Citizens Property Insurance Corporation when underwriting risks that, prior to the date of the application, were most recently insured by an insurer that has been placed in receivership.

Restriction on Nonrenewal or Cancellation of Risks with Claims

Adds a restriction for nonrenewal or cancellation of risks with claims until the earlier of when the dwelling or residential property has been repaired or 1 year after the insurer issues the final claim payment, if such property was damaged by any covered peril other than damage that is the result of a hurricane or wind loss that is the subject of the declaration of emergency pursuant to s. 252.36 and the filing of an order by the Commissioner of Insurance Regulation.

Definition of Hurricane and Hurricane Deductible

- Changes to policy forms to address changes to the statutory language defining duration of hurricane and update other references to hurricane and hurricane occurrence as needed.
- Provides a definition of hurricane deductible:
"Hurricane deductible" means the deductible applicable to loss caused by a hurricane.

Exclusion of Wind or Contents Coverage

For policyholders who exclude wind coverage or contents coverage, allows the required statement to be handwritten or typed.

Forms changes – Personal Lines and Commercial Lines

- Senate Bill 2A, 2022, provides Citizens the option of merging three current accounts into one account. In preparation for this, policyholder notifications regarding potential assessment must be updated to align with statute.
- Changes to appraisal language to set forth the necessary qualifications for any appraiser, including that a person who has received any professional discipline cannot serve as an appraiser. Also providing a method to replace an appraiser if the person who was chosen by a party becomes unqualified during the appraisal process.
- Supporting forms updates for 2023 Legislative changes described above and other non-substantive changes that may be required to ensure compliance with statute and alignment of contract provisions. Includes changes to policy form language to implement statutory changes regarding reporting of claims, supplemental claims or reopened claims to state that claim timelines are tolled for servicemembers while deployed and ability to file is materially affected.

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Rewriting Policies to Citizens Midterm - Personal Lines New Business

Staff recommend changes to Personal Lines underwriting rules to stipulate those risks in which the most recent prior policy was not in force for a full annual term will remain ineligible until the prior policy expiration date. Risks may be submitted up to 30 days after the prior annual policy's full annual term expiration date. This mid-term cancellation rule is not applicable if the prior policy was canceled by the company, canceled for non-payment or if the prior carrier has been declared insolvent.

Recommendation

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

- a) Approve changes to Citizens' Product guidelines, forms and supporting documents to comply with the 2023 Regular Session Legislative changes and to implement changes as described above; and
- b) Authorize staff to take any appropriate or necessary action consistent with the Product Updates – July 2023 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, based on project complexity, operational considerations, and feedback from the OIR.

PRODUCT UPDATES – July 2023

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.

Item Description	Product updates described in the accompanying Executive Summary: Product Updates – July 2023. These changes include: <ul style="list-style-type: none"> Product Changes from 2023 Regular Session including updates from Senate Bill 2A 2022 and other updates to forms and rules.
Purpose/Scope	Actuarial and Underwriting Committee approval and Committee recommendation to Board of Governors for approval of proposed changes.
Contract ID	Title: N/A Contract number, if applicable Recommended vendor, if applicable
Budgeted Item	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No N/A
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A

PRODUCT UPDATES – July 2023

<p>Committee Recommendation</p>	<p>Staff proposes that the Actuarial & Underwriting Committee review, and if approved, recommends the Board of Governors:</p> <ul style="list-style-type: none"> a) Approve the changes to Citizens’ Product guidelines, forms and supporting documents to comply with the 2023 Regular Session Legislative changes and to implement changes described above; and b) Authorize staff to take any appropriate or necessary action consistent with the Product Updates – July 2023 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, based on project complexity, operational considerations and feedback from the OIR.
<p>Board Recommendation from Committee</p>	<p>If approved at its July 11, 2023 meeting, the Actuarial and Underwriting Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"> a) Approve the described 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 – July 2023 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, based on project complexity, operational considerations and feedback from the OIR.
<p>Contacts</p>	<p>Kelly Booten, Chief Operating Officer</p>