

# Executive Summary

**Actuarial & Underwriting Committee Meeting, March 28, 2023**

Board of Governors Meeting, March 29, 2023

## Product Updates –March 2023

### **Senate Bill 2-A**

Senate Bill 2-A (SB2A) was passed during the December 2022 Special Session and included several necessary Citizens-specific product changes, including flood policy requirements and new and renewal eligibility premium comparison thresholds. In addition, the legislation included changes to all property insurance policies regarding attorney fees and assignment of benefits agreements (AOB). Due to tight timeframes required to comply with statutory effective dates, several items have been implemented or are in the process of implementation. Citizens has identified the following changes to ensure alignment with the new legislation.

#### **Citizens Flood Requirements – Personal Lines**

Effective April 1, 2023 for new business; July 1, 2023 for renewals, all personal lines residential policies that include wind coverage for risks located within the special flood hazard area must purchase a flood insurance policy to be eligible for Citizens. Risks outside the special flood hazard area, for policies that include wind coverage, will also be required to purchase a flood policy. This requirement will be phased in by coverage amount beginning January 1, 2024 and ending in 2027 when all Citizens personal lines residential policies that include wind coverage will be required to purchase flood insurance. Staff has updated and received approval from the Office of Insurance Regulation (OIR) for revised underwriting rules, required flood affirmation form and Declarations to comply with the new statute.

#### **New business – Commercial Lines Residential Eligibility Requirements (15% to 20%)**

Commercial lines underwriting rules and applications have been updated to stipulate the new eligibility requirements outlined in SB2A. The legislation stipulates that residential risks are not eligible for Citizens unless all other offers of coverage are more than 20 percent greater than the premium for comparable coverage from Citizens (prior law was 15 percent). Revised rules and applications have been approved by the OIR.

#### **Renewal Eligibility for Residential Policies – Personal Lines and Commercial Lines (20%)**

SB2A also stipulates revised renewal eligibility standards, requiring that a commercial lines residential policy, or a personal lines residential policy renewing on or after April 1, 2023, is only eligible for Citizens if all other private market offers of comparable coverage are more than 20% greater than Citizens renewal premium. Previously, any offer greater than Citizens' renewal premium would allow for continued eligibility. Appropriate filings have been made and approved for this change.

Legislation also removes the exception that allows personal lines policyholders deemed ineligible at renewal to return, if within 36-months, their private market renewal exceeds the rate increase allowed by the statutory rate cap applicable to Citizens.

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## **Forms Changes – Personal Lines and Commercial Lines**

Personal lines and commercial lines policy forms and endorsements are being updated to encompass the SB2A changes. Changes include removing the definition of assignment agreement; the removal of assignee and assignment language; changes to statutory claims reporting timelines; and updates to address changes to statutory attorney fee provisions. Some of these policy changes have already been filed and approved by the OIR, and further changes will be filed along with any changes resulting from the 2023 Florida Legislature Regular Session.

## **Optional Windstorm or Hail Deductible & Updates to Roof Age Eligibility – Personal Lines**

Given the recent passage of SB2A, Citizens has deferred the implementation of the wind/hail deductible to focus on the more pressing legislative changes.

Additionally, at the board's directive and due to SB2A, Citizens staff proposes to suspend any future amendments to its roof age eligibility rules at this time. Future changes to roof age eligibility will be considered once all changes from SB2A have been incorporated into Citizens policies and a new market analysis has been performed.

## **Senate Bill 2-D Update**

At its December 2022 meeting, the Board approved staff's recommendation to update roof eligibility rules to better align with Senate Bill 2-D. Part of this recommendation was to require an inspection for older roofs, demonstrating 5 years remaining life and no issues with roof condition. When a satisfactory inspection is provided, Citizens proposed to allow a **one-time extension**, allowing annual policy renewals for up to 5 years for "soft" roof types. This extension was subject to acceptable roof condition and other eligibility rules. Subsequent renewals would have required roof replacement. To identify any deteriorating roof conditions, Citizens also planned to conduct an inspection during the 5-year period.

Underwriting eligibility rules supporting the changes were filed with the Office of Insurance Regulation. The Office provided feedback that the one-time limitation on the extension of coverage does not align with statute and requested that Citizens modify this rule. Updates to the rule have been filed, removing the one-time limitation for "soft" roof types. All extensions of coverage require an inspection demonstrating satisfactory roof condition and Citizens will also conduct an inspection during the 5-year period to confirm satisfactory condition. These filings have been approved.

## **Assessment Language – Personal Lines and Commercial Lines**

At the board's directive, we have implemented new language in our applications and declaration pages to advise of potential assessment surcharges to policyholders. These changes have been approved by the Office of Insurance Regulation as of January, and will be in effect for new business April 1, 2023, and renewal business May 1, 2023. The assessment surcharge language will be implemented on additional policyholder notices later this year.

## **Rewriting Policies to Citizens Midterm - Commercial Lines New Business**

Staff recommends changes to Commercial Lines underwriting rules to stipulate those risks in which the prior policy was not in force for a full annual term, due to policyholder request or the insured's failure to pay premium, will remain ineligible until the prior policy expiration date. This mid-term cancellation rule is not applicable if the prior policy carrier issued a company cancellation (excluding non-payment) or if the prior carrier has been declared insolvent.

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## **Annual Rate Filing and Glidepath Filing – Personal Lines and Commercial Lines**

Staff proposes any necessary rules and forms changes to support the commercial lines and personal lines annual rate filings, currently scheduled to be effective October 1, 2023 and November 1, 2023, respectively. Necessary updates include non-primary residence and non-competitive rating for personal lines and A-rates for commercial lines, in addition to usual base rate changes.

Staff also proposes any necessary rules and forms changes to support the January 1, 2024 commercial lines and personal lines glidepath filings (increasing the statutory maximum rate change to 13%).

## **Recommendation**

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

- a) Approve the above 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 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 – March 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.

<b>Item Description</b>	Product updates described in the accompanying Executive Summary: Product Updates – March 2023. These changes include: <ul style="list-style-type: none"> <li>• Senate Bill 2A and Other Product Changes</li> <li>• Annual Rate Filings and Glidepath Filings</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 2023

<b>Committee Recommendation</b>	Staff proposes that the Actuarial & Underwriting Committee review, and if approved, recommend the Board of Governors: <ul style="list-style-type: none"><li>a) Approve the above 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 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.</li></ul>
<b>Board Recommendation from Committee</b>	If approved at its March 28, 2023 meeting, the Actuarial and Underwriting Committee recommends that the Board of Governors: <ul style="list-style-type: none"><li>a) Approve the described 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 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.</li></ul>
<b>Contacts</b>	Kelly Booten, Chief Operating Officer