

# Executive Summary

Actuarial & Underwriting Committee Meeting, December 6, 2016

Board of Governors Meeting, December 7, 2016

## Product Changes – Required Building Updates (Commercial Lines)

### History

Citizens' current eligibility rules regarding updates to buildings for commercial lines policies are outdated and no longer effectively address hazards associated with older buildings that have not been updated. Furthermore, agents and policyholders do not have a clear and consistent method to provide details on building updates to Citizens Commercial Underwriters. Finally, the current rules do not provide for any exceptions to be granted.

To enhance the current rules and provide a systematic method for updates to be reported, staff recommends the rules for roof and electrical updates be amended as follows and that the attached Roofing Inspection Form and Electrical Inspection Form be established as a recommended means of reporting updates that have been made.

### **Roof Rule:** **Included in *Ineligible Risks***

### **Current**

Buildings or Business Personal Property located in a building in which the roof has not been updated or replaced in the last 30 years.

### **Proposed**

Buildings or Business Personal Property located in a building in which the roof covering has not been updated / replaced and exceeds the following Roof Covering Age thresholds (N/A to Tenant Business Personal Property only policies):

Roof Shape	Roof Covering Type/Material	Roof Covering Age
Flat –(slope less than 2:12)	Built up: 3-ply, Tar and Gravel, Modified Bitumen, Membrane or other coverings not referenced below.	Over 15 Years*
Hip, Gable, Mansard, or Other.	Shingles: Fiberglass/Asphalt Composition, or Wood Shake	Over 20 Years*
	Shingles: Fiberglass Dimensional/Architectural	
	Metal	Over 30 Years*
	Tiles: Clay, Concrete, or Slate	Over 50 Years*

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\*Exception: Risks that do not meet the roof covering age replacement requirements above, may be eligible for coverage by submitting acceptable documentation to establish the remaining life expectancy of the roof covering to function as intended based upon an inspection of the wear and tear, decay, deterioration, decline, or defect, present from natural, climatic, construction, or other local conditions. Acceptable documentation includes a completed Citizens Commercial Roof Condition Inspection Form, or equivalent document providing similar information from a Florida licensed roofing or general contractor.

## **Electrical Rule: Included in Ineligible Risks**

### **Current**

Buildings or Business Personal Property located in a building in which the electrical system has not been updated in the last 30 years.

### **Proposed**

Buildings or Business Personal Property located in a building constructed on or before 1975 in which the electrical system has not been updated or inspected to verify:

- If any unsafe or inadequate wiring conditions /deficiencies exist; and
- What electrical system components have been updated

Acceptable documentation to verify the electrical system inspection / update requirements above includes submission of a completed Citizens Commercial Electrical Inspection Form or equivalent document providing similar information from a Florida licensed electrician or general contractor.

## **Recommendation**

Citizens' Actuarial & Underwriting Committee approved staff's recommendations and recommends that the Board:

- a) Authorize filing with the Office of Insurance Regulation (OIR) of the building update requirements for commercial risk as described above; and
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item to include filing with OIR, system change implementations, development of necessary forms and other supporting activities. Final changes may vary slightly, depending on guidance from the OIR.

# ACTION ITEM

Actuarial & Underwriting Committee Meeting, December 6, 2016  
Board of Governors Meeting, December 7, 2016

<b>CONTRACT ID:</b>	<b>Product Changes – Required Building Updates (Commercial Lines)</b>
<b>BUDGETED ITEM</b>	N/A
<b>CONTRACT AMOUNT</b>	N/A
<b>PURPOSE / SCOPE</b>	<p>Citizens' current eligibility rules regarding updates to buildings for commercial lines policies are outdated and no longer effectively address hazards associated with older buildings that have not been updated. Furthermore, agents and policyholders do not have a clear and consistent method to provide details on building updates to Citizens Commercial Underwriters. Finally, the current rules do not provide for any exceptions to be granted.</p> <p>To enhance the current rules and provide a systematic method for updates to be reported, staff recommends the rules for roof and electrical updates be amended as follows and that the attached Roofing Inspection Form and Electrical Inspection Form be established as a recommended means of reporting updates that have been made.</p> <p><b>Roof Rule:</b> <b>Included in Ineligible Risks</b></p> <p><b><u>Current</u></b> Buildings or Business Personal Property located in a building in which the roof has not been updated or replaced in the last 30 years.</p> <p><b><u>Proposed</u></b> Buildings or Business Personal Property located in a building in which the roof covering has not been updated / replaced and exceeds the following Roof Covering Age thresholds (N/A to Tenant Business Personal Property only policies).</p> <p><b>Electrical Rule:</b> <b>Included in Ineligible Risks</b></p> <p><b><u>Current</u></b> Buildings or Business Personal Property located in a building in which the electrical system has not been updated in the last 30 years.</p> <p><b><u>Proposed</u></b> Buildings or Business Personal Property located in a building constructed on or before 1975 in which the electrical system has not been updated or inspected to verify:</p> <ul style="list-style-type: none"><li>• If any unsafe or inadequate wiring conditions /deficiencies exist; and</li><li>• What electrical system components have been updated</li></ul>

# ACTION ITEM

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	Specific requirements and acceptable documentation will be included in filed underwriting rules, as described in the documents presented to the Actuarial and Underwriting Committee and Board of Governors.
<b>CONTRACT TERM(S)</b>	N/A
<b>PROCUREMENT METHOD</b>	N/A
<b>RECOMMENDATION</b>	<p>Citizens' Staff recommends the Actuarial &amp; Underwriting Committee approve and recommend that the Board:</p> <ul style="list-style-type: none"><li>a) Authorize filing with the Office of Insurance Regulation (OIR) of the building update requirements for commercial risk as described above; and</li><li>b) Authorize staff to take any appropriate or necessary action consistent with this Action Item to include filing with OIR, system change implementations, development of necessary forms and other supporting activities. Final changes may vary slightly, depending on guidance from the OIR.</li></ul>
<b>CONTACTS</b>	John Rollins, Chief Risk Officer Karen Holt, Senior Director Product Development

# Commercial Roof Condition Inspection Form

Applicant/Insured Name: \_\_\_\_\_ Application/Policy#: \_\_\_\_\_

Location Address Inspected: \_\_\_\_\_ Building Number Inspected: \_\_\_\_\_

Date of Inspection: \_\_\_\_\_

This *Roof Condition Inspection Form* must be completed and signed by a Florida-licensed professional. The form will not be accepted without the dated signature of one of the following appropriately licensed inspectors:

- Licensed roofing contractor
- Licensed general contractor

*Note:* This form **does not** verify windstorm loss mitigation features.

**ROOF (Clear photos showing the entire roof's surface and condition must be submitted with this form.)**

<b>Primary Roof:</b>		
Covering material: _____	<b>If updated (check one):</b>	<b>Overall Condition of Roof:</b>
Roof age (years): _____		Excellent <input type="checkbox"/>
Remaining useful life: _____	Full replacement <input type="checkbox"/>	Good <input type="checkbox"/>
Date of last update: _____	Partial replacement <input type="checkbox"/>	Fair (explain) <input type="checkbox"/>
Roofing Permit Verified: <input type="checkbox"/> *Yes <input type="checkbox"/> No	% of replacement _____	Poor (explain) <input type="checkbox"/>
*Permit Application Date: _____		

<b>Visible damage:</b> (describe; e.g. curling/ lifted/ loose/ missing shingles or tiles, or punctures, blistering, drainage issues, or bare spots in gravel, or coating degradation, or cracking of asphalt, etc.)	<b>Any visible damage /deterioration?</b> Primary roof <input type="checkbox"/> Yes <input type="checkbox"/> No Secondary Roof <input type="checkbox"/> Yes <input type="checkbox"/> No	<b>Any visible signs of leaks?</b> Primary roof <input type="checkbox"/> Yes <input type="checkbox"/> No Secondary Roof <input type="checkbox"/> Yes <input type="checkbox"/> No
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<b>Secondary Roof:</b>		
Covering material: _____	<b>If updated (check one):</b>	<b>Overall Condition of Roof:</b>
Roof age (years): _____		Excellent <input type="checkbox"/>
Remaining useful life: _____	Full replacement <input type="checkbox"/>	Good <input type="checkbox"/>
Date of last update: _____	Partial replacement <input type="checkbox"/>	Fair (explain) <input type="checkbox"/>
Roofing Permit Verified: <input type="checkbox"/> *Yes <input type="checkbox"/> No	% of replacement _____	Poor (explain) <input type="checkbox"/>
*Permit Application Date: _____		

**Comments:**  
 (Additional Comments Required if Primary or Secondary Roof Condition is denoted as Fair or Poor):

This Inspection Form and the information set forth in it are provided solely for the purpose of verifying that certain structural or physical characteristics exist at the Location Address listed above and for no other purpose. It is not intended to constitute legal or professional advice. The information provided should not be relied upon, or treated as, as substitute for specific advice relevant to particular circumstances. The undersigned does not make a health or safety certification or warranty, express or implied, of any kind, and nothing in this Form shall be construed to impose on the undersigned or on any entity to which the undersigned is affiliated any liability or obligation of any nature to the named insured or to any other person or entity.

All *Roof Condition Inspection Forms* must be signed and completed by a Florida-licensed roofing or general contractor.  
 I certify that the above statements are true and correct.

Inspector Name (printed)	Telephone Number	
Signature of Inspector	License Type	License Number
		Date

# Commercial Electrical Inspection Form

Applicant/Insured Name: \_\_\_\_\_ Application/Policy#: \_\_\_\_\_

Location Address Inspected: \_\_\_\_\_ Building Number Inspected: \_\_\_\_\_

Date of Inspection: \_\_\_\_\_

**Documentation:** Attach inspection photos and any supplemental documentation used to confirm the age or condition of the electrical system.

Electrical System Summary	Year Built: _____	
Is the electrical system in good working order?	Yes	No
Does the entire electrical system meet applicable code?	<input type="checkbox"/>	<input type="checkbox"/>
Is the system sufficient for the load requirement?	<input type="checkbox"/>	<input type="checkbox"/>
Is the system properly grounded?	<input type="checkbox"/>	<input type="checkbox"/>
Are there any safety concerns, deficiencies, or update recommendations?	<input type="checkbox"/>	<input type="checkbox"/>

Main Electrical Panel <input type="checkbox"/> Circuit Breaker <input type="checkbox"/> Fuses	Secondary Electrical Panel <input type="checkbox"/> Circuit Breaker <input type="checkbox"/> Fuses	Branch Wiring Circuits
Manufacturer: _____ Amperage Rating: _____ Is amperage rating adequate? <input type="checkbox"/> Yes <input type="checkbox"/> No Year of Last Panel Update: _____ Is a panel update recommended? <input type="checkbox"/> Yes <input type="checkbox"/> No  <i>Please describe the last update or any recommended updates in the comment section.</i>  <b>Condition:</b> <input type="checkbox"/> evidence of scorching <input type="checkbox"/> signs of corrosion <input type="checkbox"/> loose connections <input type="checkbox"/> improper grounding <input type="checkbox"/> GFI breakers not working correctly <input type="checkbox"/> breakers not sized correctly <input type="checkbox"/> double taps <input type="checkbox"/> open knockouts <input type="checkbox"/> missing panel cover <input type="checkbox"/> Other: _____ <input type="checkbox"/> No hazards present	Manufacturer: _____ Amperage Rating: _____ Is amperage rating adequate? <input type="checkbox"/> Yes <input type="checkbox"/> No Year of Last Panel Update: _____ Is a panel update recommended? <input type="checkbox"/> Yes <input type="checkbox"/> No  <i>Please describe the last update or any recommended updates in the comment section.</i>  <b>Condition:</b> <input type="checkbox"/> evidence of scorching <input type="checkbox"/> signs of corrosion <input type="checkbox"/> loose connections <input type="checkbox"/> improper grounding <input type="checkbox"/> GFI breakers not working correctly <input type="checkbox"/> breakers not sized correctly <input type="checkbox"/> double taps <input type="checkbox"/> open knockouts <input type="checkbox"/> missing panel cover <input type="checkbox"/> Other: _____ <input type="checkbox"/> No hazards present	<b>Wiring Type:</b> <input type="checkbox"/> Aluminum (single strand) <input type="checkbox"/> Aluminum (multi strand) <input type="checkbox"/> Copper <input type="checkbox"/> Copper Clad <input type="checkbox"/> Knob and Tube <input type="checkbox"/> Other: _____  <b>Condition:</b> <input type="checkbox"/> ungrounded or inoperative outlets <input type="checkbox"/> missing GFCI outlets <input type="checkbox"/> overuse of outlets/power strips <input type="checkbox"/> extension cord used as permanent wiring <input type="checkbox"/> broken/unsupported light fixtures <input type="checkbox"/> Other: _____ _____ <input type="checkbox"/> No hazards present

**Comments:**

**This Inspection Form and the information set forth in it are provided solely for the purpose of verifying that no unsafe or inadequate electrical wiring conditions / deficiencies exist at the Location Address listed above and for no other purpose. It is not intended to constitute legal or professional advice. The information provided should not be relied upon, or treated as, as substitute for specific advice relevant to particular circumstances. The undersigned does not make a health or safety certification or warranty, express or implied, of any kind, and nothing in this Form shall be construed to impose on the undersigned or on any entity to which the undersigned is affiliated any liability or obligation of any nature to the named insured or to any other person or entity.**

All Electrical Inspection Forms must be completed, signed, and dated by a Florida-licensed electrician or general contractor.  
 I certify that the above statements are true and correct.

Inspector Name (printed) \_\_\_\_\_ Telephone Number \_\_\_\_\_

Signature of Inspector \_\_\_\_\_ License Type \_\_\_\_\_ License Number \_\_\_\_\_ Date \_\_\_\_\_