

Executive Summary

Actuarial & Underwriting Committee Meeting, June 19, 2017

Board of Governors Meeting, June 20, 2017

Product Changes – Older Homes – Personal Lines

As the residual market carrier, Citizens insures a significant portion of older homes in the market. Current eligibility rules include several requirements regarding plumbing, electrical and HVAC systems in these homes. In order to improve consistency and underwriting efficiency and effectiveness, staff recommends the following revisions to these rules.

PROPOSAL

- Eliminate the “Property over 50 years old” rule:
 - The existing “Property over 30 years old” rule requiring acceptable 4 point inspections for homes aged 30 and older will provide sufficient underwriting information to determine eligibility.
 - Evaluation of available data does not support the need for more rigorous treatment of homes over 50 years.
 - For mobile homes, this change includes a revision to the minimum electrical amperage rule:
 - Current eligibility requires a 100 amp service unless certified by a *licensed electrician or municipal building inspector within 5 years.*
 - Eligible inspectors will be expanded to include any licensed home inspector, and the inspection will be valid for 12 months, which is consistent with other products’ inspection requirements of other Citizens’ products.
- Update eligibility rules to no longer accept homes with Polybutylene plumbing regardless of the age of the home:
 - Citizens’ current rules restrict Polybutylene plumbing only on homes over 30 years old
 - Polybutylene is a hazardous exposure, regardless of the age of the home and this risk has not been shown to be directly tied to the age of a dwelling.

In the interest of continuing to improve and refine the underwriting of older homes, staff has also made a number of revisions to the 4 point inspection form to enhance clarity, improve ease of use, and provide greater focus on the most pertinent information. These changes do not impact eligibility.

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Recommendation

Citizens' Staff recommends the Actuarial & Underwriting Committee approve and recommend that the Board:

- a) Approve the above proposals to update underwriting requirements to refine underwriting eligibility, promote consistency, and align with private market carriers; and
- b) Authorize staff to take any appropriate or necessary action consistent with this Product Changes - Older Homes - Personal Lines Action Item to include system change implementations, document changes and supporting activities.

ACTION ITEM

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CONTRACT ID:	Product Changes – Older Homes – Personal Lines
BUDGETED ITEM	N/A
CONTRACT AMOUNT	N/A
PURPOSE / SCOPE	<p>Eliminate the “Property over 50 years old” rule</p> <p>Revise electrical amperage rule exception for mobile homes with service less than 100 amps to:</p> <ul style="list-style-type: none">○ Change inspection requirements to be within one year instead of five.○ Allow inspection by any licensed home inspector instead of requiring licensed electrician or municipal home inspection. <p>Update eligibility rules to no longer accept homes with Polybutylene plumbing regardless of the age of the home</p> <p>Staff has also made a number of revisions to the 4 point inspection form to enhance clarity, improve ease of use, and provide greater focus on the most pertinent information. These changes do not impact eligibility.</p>
CONTRACT TERM(S)	N/A
PROCUREMENT METHOD	N/A
RECOMMENDATION	<p>Citizens' Staff recommends the Actuarial & Underwriting Committee approve and recommend that the Board:</p> <ul style="list-style-type: none">a) Approve proposal to implement requirements to refine underwriting eligibility, promote consistency, and align with private market carriers; andb) Authorize staff to take any appropriate or necessary action consistent with this Product Changes – Older Homes – Personal Lines Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, document changes and supporting activities. Final changes may vary slightly, depending on guidance from the OIR.
CONTACTS	Steve Bitar, Chief of Underwriting and Agency Services Karen Holt, Senior Director Product Development