

# Executive Summary

Actuarial & Underwriting Committee Meeting, June 19, 2018

**Board of Governors Meeting, June 20, 2018**

## Product Changes - June 2018

Staff has identified several opportunities to update Citizens products. These changes are driven by recent legislation, emerging case law, market changes and general research and analysis. These items do not have significant impact on eligibility or coverage; they are intended to support efforts to ensure appropriate alignment with the private market and maintain intended policy coverage.

### Personal Lines Rule Changes

#### Roof Underwriting Rules

Roof rules used by private market insurers have evolved to introduce greater detail and specificity. Staff recommends revising roof rules to further define roof eligibility characteristics and provide more detailed standards for determining roof condition. These revisions are not intended to broaden or narrow risk eligibility.

#### Mobile Home Dwelling Coverage Limit

Within Citizens Mobile Home programs, the Dwelling program offers more limited coverage than the Homeowners program and is intended for tenant occupied homes or risks that are not eligible for the Homeowner's program. To support this intent, Staff recommends deleting a footnote stating that risks with coverage limits below \$60,000 are eligible for the Mobile Home Dwelling program. This footnote was inadvertently added to the Dwelling manual and conflicts with other eligibility rules. This change clarifies that owner-occupied mobile homes are eligible in the Mobile Home Dwelling program only if not eligible for the Mobile Homeowner's program.

### Commercial Lines Rule Changes

#### Wind Mitigation Forms

Implement updates to commercial nonresidential wind mitigation forms to address required documents, clarify definitions and appropriate inspector signatures.

#### CSP Code Updates

Expand Commercial Class Statistical Plan (CSP) codes to more effectively classify types of business that are currently eligible and to reflect new classifications for lessor risks.

#### Commercial Residential Multi-Peril (CRM) Wood Roof Rules

Modify CRM roof construction rules to align with other Citizens Commercial programs. Changes include adding the Roof Construction Enhancement definition and rules and documentation requirements for UL Class 90 upgrades. The construction symbol table will be updated to mirror the Commercial Non-Residential Multi-Peril product.

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## Policy and Underwriting Form Changes – Personal and Commercial Lines

### Policyholder Acknowledgement of Flood Coverage

Citizens currently requires that applicants who are located in certain high risk flood zones must either provide proof of flood insurance or sign a waiver that acknowledges their understanding that Citizens' policies do not provide flood coverage. This acknowledgement is specifically required by statute for new business policies. The statute also provides that Citizens shall not require that applicants purchase flood coverage to obtain coverage with Citizens. Agents have requested updates to the form to add an additional option to allow applicants to indicate that they have purchased flood coverage on the structure but not the contents.

### Legislative changes

New legislation, passed during the 2018 Legislative session, introduces modifications to flood insurance disclosure language provided to policyholders and updates mediation requirements. Citizens' staff requests approval to implement necessary and appropriate changes to respond to these requirements.

### Additional Information included in Rescission and Reinstatement Notices

In response to the Emergency Order issued by the Office of Insurance Regulation following Hurricane Irma, Citizens issued notices of reinstatement and rescission of cancellation or nonrenewal to policyholders who may have been impacted. Upon review of the standard notices that are used, Staff identified the opportunity to include additional information explaining that notices may be issued as a result of hurricanes or other events and not as a result of the policyholder resolving the original reason for cancellation or non-renewal.

### Reasonable Emergency Measures (Personal Lines Only)

Staff recommends updates to personal lines contracts for Condo, other unit owners and tenants to adopt structural changes relating to coverage for reasonable emergency measures that were recently introduced in the HO-3 and DP-3 contracts. These changes have limited coverage impact, but in some cases could result in slightly broader coverage for losses caused by perils other than non-weather water.

### Additional Forms Changes

During research and review of Citizens' current projects, impacts from Hurricane Irma, market activity, recent case law and other information, opportunities have been identified for several minor forms updates to existing policy language. The changes are not intended to modify the coverage provided under the policy contracts.

#### **Diminution in Value**

More explicitly state that the policy does not provide coverage for loss of value.

#### **Water damage occurring over a period of time**

Evaluate and modify policy language as needed to more explicitly state that the constant or repeated seepage of water or steam over a period of time is not covered.

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## **Ensuing and Concurrent Loss**

Evaluate policy language and modify as needed to address current case law and ensure coverage remains as intended and legally compliant.

## **Existing Damage**

Update policy language to more explicitly state that existing damage is not covered under the policy.

## **Proof of Mailing**

Update policy language to reflect current process and to permit electronic mailing of documents as allowed by statute.

## **Pools and Pool Decking (Commercial Lines Only)**

Amend policy language in Commercial programs to more explicitly state that coverage for pools and pool decking is provided when declared and included in the coverage amount.

## Recommendation

Citizens' Actuarial and Underwriting Committee recommends that Citizens Board of Governors:

- a) Approve the above proposals to update policy contract forms, underwriting rules and supporting forms; and
- b) Authorize staff to take any appropriate or necessary action consistent with the Product Changes - June 2018 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.