

Inflation Factor Adjustments

October 05, 2021

Inflation factors for renewal policies are higher than previous years to address increasing costs in building materials and to ensure the dwelling is insured for full replacement cost. Inflation factors may increase as high as 25 percent.

Note: Inflation factors are updated on a quarterly basis.

Renewals

This inflation adjustment will increase the policy's Coverage A amount, which may increase premiums for renewals effective on or after January 1, 2022.

Note

This change is not a rate change.

When an inflation factor is applied, the following statement will display on the *Declarations* page:

Your property coverage limits have been adjusted for inflation.

Nonrenewals

Citizens will nonrenew policies with an inflation factor resulting in a replacement cost that exceeds the applicable maximum Coverage A limit. As a result, affected policyholders will receive a *Notice of Nonrenewal*. The *Notice of Nonrenewal* states:

Your policy is ineligible for renewal. Due to the annual inflation-based adjustment to your dwelling's value, the coverage limit for the upcoming renewal term exceeds Citizens' maximum coverage limit(s) based on replacement cost as established by law.

As a reminder, dwellings with a replacement cost of \$700,000 or more and single condominium units with a combined dwelling and contents replacement cost of \$700,000* or more continue to be ineligible for

coverage.

***Note:** The maximum replacement cost limit of less than \$1 million continues to apply to risks in Miami-Dade and Monroe counties; however, the revised rule and processes apply.

Agents should review the policy's current coverage limit(s) to ensure adequate coverage exists. Agents can submit policy change and complete a new cost estimator or provide an alternate valuation document to amend the Coverage A amount.

Residential Component Technology (RCT) Express

Citizens' RCT Express now reflects the updated cost of construction to align with inflation adjustments. Any RCT Express that is created or updated after October 1 will reflect the new cost information.

Note

This includes new-business quotes and policy changes.

It is important to insure properties for the full replacement cost. This can prevent dwellings from being underinsured in the event of a loss.

Resources

Log in to the *Agents* site to access the following resources:

- *Rule 208: Coverage Limits – Minimum/Maximum* in the *Underwriting Guidelines*. Select **Personal > PR-M** or **PR-W**, and then select the policy type on the left menu.
- *Coverage Reference Sheet*: Select **Training > Personal Job Aids**, and look under Resources on the right.
- [Personal Lines Bulletin](#): *Update to Maximum Coverage Limits*
- Select **FAQs** on the top menu and enter *inflation* in the Search field.

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