

PRODUCT CHANGES – INCREASED COST OF CONSTRUCTION (COMMERCIAL LINES)

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ACTUARIAL & UNDERWRITING COMMITTEE, MARCH 15, 2016
BOARD OF GOVERNORS MEETING, MARCH 16, 2016

EXECUTIVE SUMMARY

BACKGROUND

Citizens previously provided this industry standard additional coverage for Increased Cost of Construction in its Commercial Residential and Non-Residential Multi-Peril programs but removed it as part of the January 2013 filings to reduce exposure.

The coverage is intended to assist with the additional costs of making required updates due to ordinance and law changes. In the event of a loss, policyholders could be required to make various updates to buildings that are not currently covered by Citizens Commercial Multi-Peril policies.

PROPOSAL

In consideration of the potential financial impact to condominium associations, small business owners and consumers in the event of a loss, staff recommends restoring this coverage to address additional costs that may be necessary to repair, rebuild or replace damaged property.

RECOMMENDATION

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

- (a) Approve the proposal to adopt policy changes to reinstate Increased Cost of Construction coverage for Citizens' Commercial Multi-Peril policies; and
- (b) Authorize staff to take any appropriate or necessary action consistent with this Action Item, including filing with the Office of Insurance Regulation, system change implementations and other supporting activities.