

Executive Summary

Actuarial and Underwriting Committee Meeting, July 09, 2024

Board of Governors Meeting, July 10, 2024

Product Updates – July 2024

Roof Covering Exclusion – Commercial Lines

Commercial Underwriting has recently been receiving requests to insure buildings where the roof age and/or condition do not meet our eligibility requirements. These risks were previously able to find coverage, but the hardening market has left a gap, leaving some buildings uninsurable.

To address this issue, Staff proposes introducing a Roof Covering Exclusion to be used only in our commercial lines products. Benefits include providing insurance for those who are unable to obtain coverage during roof replacement, allowing Citizens to limit loss exposure, and supporting the depopulation of risks once roofs are replaced.

Staff proposes this exclusion will only be applied to risks that do not meet eligibility requirements for roof age and/or condition that have a fully executed roof replacement contract with proof of downpayment. The roof replacement must be completed within the new business policy term or the policy will be non-renewed.

Commercial Statistical Plan (CSP) Code Updates – Commercial Lines

Citizens Commercial Statistical Plan (CSP) Classification Code Table(s), located in Citizens Underwriting Guidelines, currently describe what classes of business are eligible for coverage in the CNRW and CNRM Programs.

Citizens' staff conducted an analysis of the current tables and additional CSP codes to identify needed changes as part of a comprehensive risk review process which included underwriting field surveys, underwriting inquiries from agents, and market capacity.

As a result of this analysis, two new codes are being added, and no new classifications are being introduced, as similar classes of business utilizing the same CSP code and rates already exist in both programs. This revision will better classify the predominant activity of the insured and improve data quality within our programs. The proposed CSP changes will be filed in conjunction with the 2025 Annual Rate Filing.

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Commercial Non-Residential Multiperil Valuation Requirements

Staff recommends updates to the commercial non-residential multiperil program to require an appraisal rather than relying on a Citizens inspection. This will better align with Citizens' other Commercial programs, streamline Commercial Underwriting workflow, and ensure that properties are properly valued at time of policy issuance.

Application Change – Commercial Lines

Citizens is updating inspection language on applications to include “surveys” in addition to inspections to better reflect that Citizens also conducts underwriting field surveys.

STATUTORY CHANGES:

House Bill 939 - Notice Requirements – Personal and Commercial Lines

House Bill 939 requires all insurers to use 14-point bold font on all “Notice of Change in Policy Terms” documents sent to all policyholders with each renewal package.

Citizens will update this form on all policy types in accordance with the new legislation, starting with Commercial Lines effective October 1, 2024, and Personal Lines effective December 1, 2024. Citizens will add the term “summary of changes” to this notice, to better express and align with statute.

House Bill 1503- Surplus Lines, Flood Coverage (Effective 7/1/2024) – Personal Lines

House Bill 1503 modified the Citizens statute as follows:

- Expanded comparable coverage offers that can render a risk ineligible at new business or renewal; applies only to non-primary residences. Eligible offers will now include those from Surplus Lines insurers approved by the Office of Insurance Regulation for take-out plans as defined in the legislation, and
- Revised flood coverage requirements for Citizens' policies to apply only to dwellings; policyholders will no longer need to secure flood coverage for contents only policies or Coverage C (contents) on policies covering dwellings.

Underwriting rules, applications and declarations pages have been revised to conform with these changes.

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House Bill 1611- Removal of “Unsound” Rating – Personal Lines

House Bill 1611 deleted a prior requirement that Citizens apply a higher 50% rating cap to risks that, prior to applying for coverage with Citizens, were most recently insured with an insurer determined by the office to be unsound or an insurer placed in receivership under chapter 631.

A prior rule filing submitted by Citizens addressing the “unsound” rating cap was not acted upon by the Office of Insurance Regulation and was not relevant because there were no insurers that met the standard of the law during the time the law was in effect.

House Bill 7073- Tax Bill (Effective 10/1/2024) – Personal Lines

House Bill 7073 requires all insurers to provide premium deductions to policyholders. These deductions apply only to personal lines and exclude tenant lines of business. The amounts include:

- a deduction of 1.75%, and
- the amount charged for the State Fire Marshal regulatory assessment under s.624.515.

These deductions apply to annual policies effective 10/1/24 through 9/30/25. For the taxable years beginning on January 1, 2024, and January 1, 2025, insurers are allowed a 100% credit for these deductions against any tax due under s 624.509(1), after all other credits and deductions have been taken in the order as provided in s 624.509(7).

Recommendation for Approval

Staff proposes that the Actuarial and Underwriting Committee review, and if approved, recommends the Board of Governors:

- a) Approve changes to Citizens’ Product guidelines, forms and supporting documents to implement changes as described above; and
- a) Authorize staff to take any appropriate or necessary action consistent with the Product Updates – July 2024 Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents, applications or forms and other relevant activities. Final changes and implementation timeline may vary, based on project complexity, operational considerations, and feedback from the OIR.

PRODUCT UPDATES – July 2024

ACTION ITEM

New Contract

Contract Amendment

Other: Product Updates

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval _____

Other _____

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

Move forward as Consent: This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	Product updates described in the accompanying Executive Summary: Product Updates – July 2024. These changes include: <ul style="list-style-type: none"> Roof Covering Exclusion – Commercial Lines Commercial Statistical Plan (CSP) Code Updates – Commercial Lines Commercial Non-Residential Multiperil Valuation Requirements Application Change – Commercial Lines Product changes from 2024 Regular Session
Purpose/Scope	Actuarial and Underwriting Committee approval and Committee recommendation to Board of Governors for approval of proposed changes.
Contract ID	Title: N/A Contract number, if applicable Recommended vendor, if applicable
Budgeted Item	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No N/A
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A

PRODUCT UPDATES – July 2024

Committee Recommendation	<p>Staff proposes that the Actuarial & Underwriting Committee review, and if approved, recommends the Board of Governors:</p> <ul style="list-style-type: none">a) Approve the described proposals to update Citizens' Product guidelines, forms and supporting documents; andb) Authorize staff to take any appropriate or necessary actions consistent with the Product Updates – July 2024 Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents, applications or forms and other relevant activities. Final changes and implementation timeline may vary, based on project complexity, operational considerations, and feedback from the OIR.
Board Recommendation from Committee	<p>If approved at its July 9, 2024, meeting, the Actuarial and Underwriting Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none">a) Approve the described proposals to update Citizens' Product guidelines, forms and supporting documents; andb) Authorize staff to take any appropriate or necessary actions consistent with the Product Updates – July 2024 Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents, applications or forms and other relevant activities. Final changes and implementation timeline may vary, based on project complexity, operational considerations, and feedback from the OIR.
Contacts	Jay Adams, Chief Insurance Officer