

ACTION ITEM

Mobile Home Additional Structures Buyback

Actuarial & Underwriting Committee, March 5, 2013

Board of Governors Meeting, March 22, 2013

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PURPOSE / SCOPE:

Background

In response to direction from the Board of Governors at its December 14, 2012 meeting, staff presented a proposal to the Actuarial and Underwriting Committee to develop an optional buyback for mobile home additional structures i.e., attached carports and screened enclosures. The A&U Committee discussed concerns about this proposal. The Committee voted to approve this recommendation so that it could move forward for additional discussion by the Board.

RECOMMENDATION:

The proposal was presented as follows: Develop an optional buyback, available at the policyholder's request, to provide coverage for screened enclosures and carports.

The buyback endorsement would include:

1. Coverage for screened enclosures and carports attached to mobile home
2. Offered per \$100 of coverage up to a limit of \$10,000
3. Actual cash value coverage
4. Application of the policy deductible

A request has been made by the mobile home community to also provide coverage for covered patios under this endorsement. Staff recommends incorporating this request because the wind-resistance of these structures is not significantly different than screened enclosures and carports.

The following types of structures would remain excluded:

1. Aluminum framed screened enclosures (i.e., pool/bird cages)
2. Awnings
3. Screens
4. Any structure with roof or wall coverings of thatch, lattice, slats, or similar material (fiberglass, canvas and related materials may be considered for addition to this list)
5. Slat houses, chickees, tiki huts, gazebos, cabanas, pergolas or similar structures

Pricing:

1. The premium amount of the Coverage A due to the screen enclosure/carport will be adjusted to reflect the increased vulnerability of these exposures.
2. The proposed premium adjustment due to screen enclosures/carports will be 16%.
3. For example, if the mobile home is valued at \$20K and a screen enclosure attachment is valued at \$5K, only the premium due to the \$5K of screened enclosure/carport will be adjusted by the additional 16%.
4. Any premium adjustment will be subject to the glide-path cap. No insured would experience any overall rate increase greater than 10%. This 10% cap would apply to both the most current rate increase effective the beginning of 2013, as well as any premium adjustment for Screen Enclosures/Car Ports.
5. On average, the estimated adjustment for Screen Enclosures/Car Ports would result in an overall 1.5% premium impact.

The Actuarial and Underwriting Committee recommends that the Board of Governors approve this Mobile Home Additional Structures Buyback Action Item.

Upon approval, staff will make the appropriate filings with the OIR.