



BOARD OF DIRECTORS MEETING

The Board meeting of the Colorado FAIR Plan was held at 8:30 AM on April 5th, 2024, at 8354 Northfield Blvd, Denver, CO and via Zoom with notice having been posted to the Plans website.

Those present:

Board of Directors:

Bryan Bernier – Board Chair	CO Ins. Trade Ind. Agent	PIIAC
Trina Markey – Vice Chair	Admitted Mutual	State Farm Insurance Company
Carole Walker	CO Ins. Trade	RMIIA
Jae Walker	Admitted Mutual	Liberty Mutual Insurance Company
Mark Woods	Admitted Stock	Travelers Insurance Company
Brad Levine	Consumer Advocacy	Levin, Sitcoff, Waneka

Colorado Division of Insurance:

Michael Conway, Commissioner
Keilani Fleming

DORA Division of Insurance
DORA Division of Insurance

Other:

Mark Hillis
Melissa Chlon
Russ Hamblen
Erin Lux
Melanie Bartlett, JD

FAIR Plan Cost Sharing Alliance
FAIR Plan Cost Sharing Alliance
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Fairfield and Woods (Plan Counsel)

Guests:

None

1. Call to Order

Mr. Bernier called the meeting to order.

2. Anti-Trust Preamble

Mr. Bernier read a portion of the Anti-Trust Preamble and noted that all Board members had previously signed same

3. Roll Call and Introduction of the Board



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Mr. Bernier took roll call for the Board Members and guests and noted that a quorum was present.

4. Approval of Minutes

Mr. Bernier noted that the General Session Minutes of the prior meeting on March 1, 2024, had been posted to the Plans website, and were also provided to all Board members prior to the meeting. Ms. Walker thanked Ms. Chlon for her work memorializing and providing the prior meeting Minutes to the group.

Mr. Burlingame moved to accept the Minutes of the March 1st General Session meeting, Ms. Walker seconded, and the motion carried.

5. Executive Director

Ms. Bartlett provided an update on the candidate review process. Commissioner Conway asked about the number of applicants, and how the process had worked. Ms. Walker noted that with thanks to Ms. Lux, they had received 45-47 applicants, they had pre-screened the top five, and brought in the top two to interview with the Board. The top two had completed some professional profile testing for additional feedback. The final candidate will be posted publicly to the Plans website for 14 days, and following that 14-day waiting period, a formal offer may be presented. Mr. Levine motioned to delegate authority to Mr. Bernier. Mr. Walker seconded, Mr. Bernier abstained, and the motion carried.

6. Updates and Decisions

a. Deductibles

- i. **Dwelling Deductibles:** Ms. Chlon noted that the actuaries were working on rates for the dwelling product. As part of their initial review, they had used \$1,000 as a base deductible, but know that the Plan would need to indicate what the base deductible would need to be.

Ms. Chlon noted that the Plan needed to determine what the wind/hail deductible for the dwelling product would be.

Mr. Burlingame noted that the industry average for deductibles is between \$1,000 and \$2,500 in the standard markets. He noted that a lower deductible might cause the FAIR Plan risks to become maintenance type policies.



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Mr. Bernier asked Commissioner Conway about limiting coverage to a Fire only policy. Commissioner Conway noted that he had always been opposed to providing a Fire-only policy but might be open to that conversation in the future. A general discussion took place around how hail and wind would be addressed if the Plan offered solely a fire only policy. Commissioner Conway noted, again, that there is an availability issue and not an affordability issue.

Mr. Burlingame noted that there was a frequency problem that may arise with the offering of the Extended Coverage under the DP product with hail exposure. Commissioner Conway indicated that a conversation would need to take place at the regulatory level. Mr. Bernier noted the history of hail events in the Colorado markets.

Commissioner Conway noted clearly that he was concerned that the consumers who ended up in the FAIR Plan should have basic coverages that took care of their homes. He again noted there were ways to deal with other coverage issues. But those decisions needed to be made later. Mr. Walker noted that related to wind/hail, a 2% deductible was quickly becoming the norm.

Ms. Markey made a motion to select a \$2,000 base deductible with no buy down option, but reasonable options to buy up to higher deductibles. After discussion Mr. Burlingame seconded, and the motion passed.

Mr. Burlingame made a motion to offer a base Wind/Hail deductible of 2% with a minimum deductible of \$5,000 with the ability to buy up to 3% and 5%,. Ms. Markey seconded, and the motion carried.

ii. Commercial Deductibles:

Ms. Chlon noted that similar to the dwelling decisions, the Plan board needed to determine both the base deductible as well as wind/hail deductibles.

Mr. Burlingame noted that homeowners with LLC's typically could qualify for commercial coverage. Ms. Markey and Mr. Walker noted that there could be underwriting guidelines which outlined the use of property and how it would or would not qualify.



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A general discussion was held noting that robust underwriting guidelines as detailed in the underwriting manual will allow for underwriter discretion as applications are processed. Examples of items that may be included in underwriting guidelines will be the requirement of multiple declinations, claims history limitations, and eligibility for multi-unit dwellings and which line of business would be appropriate.

Mr. Woods motioned to use \$5,000 as the base deductible on all other perils with no buy down option. Ms. Markey seconded, and the motion passed.

Ms. Walker motioned to offer a base deductible of 5% with a buy up option of 10% for Wind/Hail perils. Ms. Markey seconded. Mr. Woods and Mr. Bernier opposed but the motion passed. It was noted that the Executive Director may address deductibles again, but for the purposes of building the system, the above decisions will be used.

b. Minimum Retained Premium

Ms. Chlon noted that the current draft manual outlined an MRP of either two months premium (when a monthly payment plan is chosen), or an MRP of \$200, whichever is less. And this would be deemed fully earned. The exception to this would be if the risk were to be rejected within the first 20 days following receipt of the application, and in those cases, the entire initial premium would be returned.

There was discussion around MRP, noting that it follows what would generally be considered automobile policy procedures but is also seen in residual markets. It was noted that a generally accepted minimum retained premium would be closer to 25% of the annual premium. There were no objections to including MRP in the manual nor was there a formal vote at this time.

c. Commercial Form

Mr. Hamblen explained that CP 00 99 is the simpler form, especially from an endorsement standpoint. Actuaries can do this either way, but the 00 99 also lines up with the DP product for consistency. Multiple parties on this Board provided examples of the differences between the CP 00 99 and CP 00 10. Mr. Hamblen explained the endorsement functionality and noted that, where both have options to add endorsements, the CP 00 99 is more basic, and is used by just about all FAIR Plans that offer commercial lines coverage.



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Mr. Bernier motioned to pivot from CP 00 10 to CP 00 99. Mr. Burlingame seconded, and the motion passed unanimously.

d. Vacancy and Unoccupied Risks

Ms. Chlon sought the direction of the Board regarding the offering of coverage for vacancies under the DP 01 form. She noted that most states cover seasonal occupancy as well as coverage for homes under construction. She also noted that there were some states that fully excluded vacancies for all risks. Further information was provided noting that most Plans do limit coverage for vacancy to VMM only, and that Plans which offered coverage for vacant building mandated that the property be secured, with utilities on, and taxes paid and current. Abandoned property typically should not be considered for coverage with a FAIR Plan.

A discussion was held about vacant properties. Further, it was noted that robust underwriting guidelines will give underwriter discretion to review and decide on the eligibility of the risk presented.

Mr. Burlingame motioned to accept vacant properties that meet specified underwriting guidelines, and to maintain the exclusion for the peril(s) of vandalism & malicious mischief. Ms. Markey seconded the motion and it passed unanimously.

e. Electronic Payment Fees

Ms. Chlon indicated that a decision was needed pertaining to electronic payment fees which are those fees associated with credit, debit card, and ACH payments. The Plan could either fully pass those fees along to customers or choose to simply absorb those fees. After a discussion around Colorado-specific regulations around the topic, Mr. Walker made a motion that fees would be included in the premium calculations, essentially being considered an overhead-type expense, thus no separate fee for electronic payments would be passed to the consumer. Mr. Woods seconded the motion and the motion passed.

f. Condition Charges / Surcharges

Ms. Chlon shared several examples of types of condition charges that are used in a supplemental fashion for applications that present with a higher-than-average risk level. A discussion was held regarding the types of condition charges that will be used and how the premiums will be impacted. Although there was not a vote on this



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matter, the Board accepted the use of the condition charges presented and their premium implications.

The charges shared with the group included unsafe arrangement of heating equipment, inadequate or unsafe wiring, conversion of a living space into multiple units, poor physical condition or need of repairs, poor housekeeping, and vacancy.

There was a discussion of a charge for multiple claims however, it was determined that multiple claims could potentially disqualify an applicant, or have other underwriting implications, but that a claims-specific condition charge would not be necessary and would be outlined in the underwriting manual.

g. Premium Taxes

Ms. Chlon noted that it would appear, similar to other FAIR Plans across the country, that the Colorado FAIR Plan would be exempted from the collection of premium taxes. After a brief discussion, it was determined that the Colorado FAIR Plan will move forward without including coding for premium taxes. Commissioner Conway agreed but noted that this may be reviewed again at a later date. There was no vote, but all parties were in agreement that the Colorado FAIR Plan is except from premium taxes in its current state.

7. Other Business

a. Accounting Update

Ms. Chlon noted that the Assessments have been mailed and the emails will go out next week. The Bank of Colorado scanner is functional and ready. Accounts receivable are just under \$20K as of the end of February, and timesheets were just over \$32K for the same time frame.

b. System Update

Ms. Chlon noted that Alliance leadership met with Finys in March. There is a recurring Monday morning meeting to review the progress of the system build. Ongoing meetings with integration vendors, such as Bank of CO, ISO, and Docusign are underway.

c. DORA Updates



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Commissioner Conway advised that his team is working on the Plan of Operations and are on track to have the draft out for review by next week.

Mr. Walker asked if DORA had an update on member companies ability to recoup the assessment amount(s), Commissioner Conway advised that a regulatory framework notification is forthcoming.

8. Adjournment

Ms. Markey noted that the next meeting is scheduled for May 3, 2024. Mr. Burlingame motioned to adjourn. Mr. Walker seconded, and the Board Meeting adjourned by unanimous consent.

Respectfully Submitted,

Bryan Bernier
Board Chair

Trina Markey
Vice Chair