

# State approaches to facilitating mitigation: Standards, mandates, incentives and help

Property and Casualty Insurance (C) Committee  
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Charles Angell, Alabama DOI  
Amy Bach, United Policyholders  
Kendall Buchanan, South Carolina DOI

# We can't:

- Control the weather or naturally occurring EQs
- Put the modeling genie back in the bottle
- Force for-profit companies to insure risks that will jeopardize their solvency
- Force property owners to make improvements they can't afford to make

# We can:

- Coordinate among stakeholders/partner
- Research
- Facilitate
- Incentivize
- Reward
- Provide financial assistance for

**RISK REDUCTION**

# Imperatives:

- Understand effective risk reduction techniques and options
- Establish standards, partnerships and viable mitigation support programs
- Preserve affordable, quality property insurance options for consumers

# Three main approaches:

## Legislatively mandated discounts

- Alabama, Georgia (GUA), Mississippi, and North Carolina

## Legislatively mandated notice/offer of discount

- Florida, Oklahoma, Louisiana, Maryland, New York (allows a discount), South Carolina, and Rhode Island

## Voluntary programs

- Wildfire Partners, Firewise USA, UP Mitigation Pilot Program

# Mitigation Credits

**Kendall Buchanan**

**Deputy Director**

**SC Department of Insurance**

# Background

2007

- Omnibus Coastal Property Insurance Reform Act

2016

- Subsequent Data Call

2008

- Mitigation Credits Required
- Initial Data Call

# Homeowners Mitigation Credits

Average Savings Realized



SC consumers that take advantage of mitigation credits have, on average, saved 14% on their homeowners insurance premiums.



IBHS: 13%



SC Safe Home: 11%

Max. Credits Available



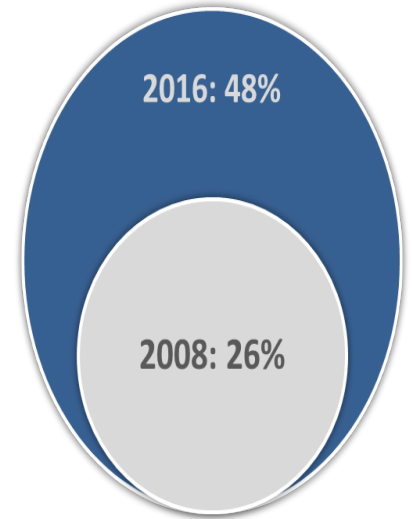
Coastal homeowners insurers offer, on average, a maximum premium credit of 48% for all mitigation measures combined.



IBHS: 20%



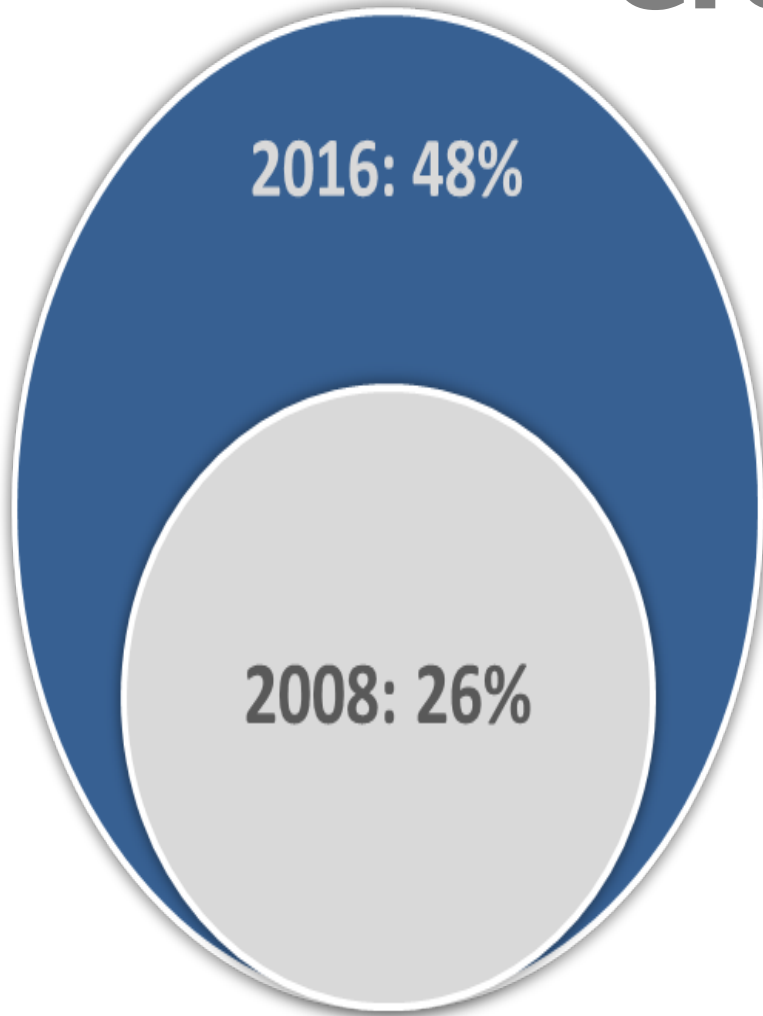
SC Safe Home: 9%



Average Max Available Credit – Then and Now



# Average Maximum Available Credit



**From 2008 to 2016, insurers began offering significantly greater mitigation discounts to consumers.**

# Maximum Credits Available



Roof Tie Downs: 9%



Storm Shutters: 12%



Impact Resistant Glass: 12%



Openings: 15%



Wall to Floor Strength: 9%



Building Codes: 11%

**Coastal home insurers offer, on average, a maximum premium credit of 48% for all mitigation measures combined.**

# Average Savings Realized



Roof Tie Downs: 5%



Storm Shutters: 8%



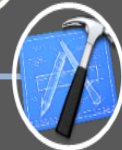
Impact Resistant Glass: 8%



Openings: 8%



Wall to Floor Strength: 5%



Building Codes: 9%

SC consumers who take advantage of mitigation credits have, on average, saved 14% on their homeowners insurance premiums.

# Other Coastal Consumer Initiatives

## SC Safe Home

- Grant program to strengthen homes against hurricanes

## Tax Credits for Fortification Measures

- Incentive to make homes more resistant to wind damage

## Catastrophe Savings Accounts

- Aid in financial preparation for catastrophic events

## SC MarketAssist

- Connects consumers with local agents

# **Additional Information**

**[doi.sc.gov/coastal](https://doi.sc.gov/coastal)**

**[doi.sc.gov/marketassist](https://doi.sc.gov/marketassist)**

**[doi.sc.gov/mitigationcredits](https://doi.sc.gov/mitigationcredits)**

# Standards and techniques: How far along are we?

- Building codes, mandated safety standards, public safety agencies, industry standards
- IBHS, NFPA, EERI, BSSC, etc.
- Innovative products

# Current hurricane standards include:

- **Insurance Institute for Business and Home Safety**
  - Levels for existing homes: Fortified for Existing Homes standards, Gold, Silver, Bronze (see next two slides); compliance with new construction: Fortified for Safer Living; or
- **2006 International Residential Building Code**
  - Hurricane mitigation construction requirements
    - <http://bechtel.colorado.edu/~willam/4830%202006%20IBC.pdf>
    - <https://disastersafety.org/wp-content/uploads/fortified-home-hurricane-standards.pdf>

# IBHS Hurricane standards

- **Bronze**
  - The base level of certification
  - Ensures the roof and attic ventilation systems do not leak by requiring roof sheathing, weatherproofing and fastening
- **Silver**
  - Must meet Bronze level requirements
  - Focuses on protecting door and window openings, attached structures and gable end walls
    - Porches and carports must have adequate connections for uplift pressures based on site design wind speed and exposure category
    - Garage doors must be pressure rated for pressures associated with site design wind speed and exposure category.



# Gold:

- Must meet both Bronze and Silver level requirements
  - Chimneys must be adequately connected to roof structure to resist loads based on site design wind speed and exposure category
  - Windows, skylights and glass doors must be rated for the design pressures appropriate for the exposure category, wind speed, window size, and window location on the building
  - A continuous load path must be designed and installed providing connection from roof to wall, wall to floor, and floor to foundation
  - Walls must have a minimum of 7/16 inch structural sheathing (oriented strand board or plywood)

# ALABAMA WIND MITIGATION PROGRAM

Charles M. Angell FCAS, MAAA  
Deputy Commissioner & Casualty Actuary  
Alabama Department of Insurance  
August, 2017

# ALABAMA WIND MITIGATION PROGRAM

## GOALS:

- \* Improve coastal resiliency – residential and businesses
- \* Improve ability to attract business development
- \* Reduce cost to consumers and communities from hurricanes.

# ALABAMA WIND MITIGATION PROGRAM

## Legislative / Regulatory Actions

- **AL Act 2009-500**: Requires admitted insurers to provide discounts in coastal counties for 1 & 2 family homes that are built or retrofitted to IBHS standards.
- **Bulletin 2009-07**: DOI issued Benchmark Discounts
- **Bulletin 2013-07**: DOI updated Benchmark Discounts to reflect model changes.
- **Reg 152, Oct. 2013**: DOI requires all Personal Property rating plans to provide by-peril premiums for Hurricane, Other Wind & Hail, and All Other Perils.
- **AL Act 2015-313**: Expands original Act to now include residential and commercial buildings statewide. (AL Code Section 27-31D)
- **Bulletin 2016-07**: DOI issued new Benchmark Discounts by county.

# ALABAMA WIND MITIGATION BENCHMARK DISCOUNTS - 2017

- For both the IBHS Hurricane and IBHS High Wind/Hail Certificates.
- These discounts are not to be subject to any "total maximum credits" rule.

## **RESIDENTIAL HURRICANE PREMIUM DISCOUNTS**

	<u>2006+ IRC</u>	<u>Bronze</u>	<u>Silver</u>	<u>Gold</u>	<u>FFSL</u>
<b>Northern Zone</b>	20%	35%	35%	45%	N/A
<b>Central Zone</b>	20%	35%	40%	45%	N/A
<b>Coastal Zone</b>	20%	35%	45%	55%	60%

Metal roof > 10 years old and all other roofs > 5 years old: 10 point reduction from above discounts.

# ALABAMA WIND MITIGATION BENCHMARK DISCOUNTS - 2017

## COMMERCIAL HURRICANE PREMIUM DISCOUNTS

	<u>2006+ IRC</u>	<u>Bronze</u>	<u>Silver</u>	<u>Gold</u>	<u>FFSL</u>
<b>Northern Zone</b>	20%	35%	35%	40%	N/A
<b>Central Zone</b>	20%	35%	40%	45%	N/A
<b>Coastal Zone</b>	20%	35%	45%	50%	60%

Metal roof > 10 years old or metal roof with no sub-decking, or both: 10 point reduction from above discounts.

All non-metal roofs > 5 years old: 10 point reduction from above discounts.

# ALABAMA WIND MITIGATION BENCHMARK DISCOUNTS - 2017

## RESIDENTIAL & COMMERCIAL

### OTHER WIND/HAIL PREMIUM DISCOUNTS

<u>2006+ IRC</u>	<u>Bronze</u>	<u>Silver</u>	<u>Gold</u>	<u>FFSL</u>	
<b>Northern Zone</b>	10%	20%	25%	30%	N/A
<b>Central Zone</b>	10%	20%	25%	30%	N/A
<b>Coastal Zone</b>	10%	20%	25%	30%	35%

Metal roof > 10 years old and all other roofs > 5 years old: 10 point reduction from above discounts.



# ALABAMA WIND MITIGATION PROGRAM

## STRENGTHEN ALABAMA HOMES GRANT PROGRAM (AL Code Section 27-31E):

- \* Offers grants up to \$10,000 (\$15,000 if low-income) to mitigate a coastal home.
- \* Homeowner must mitigate their home to IBHS Bronze or Silver.
- \* Homeowner must carry property insurance including Hurricane / Wind-Hail
- \* Up to \$8M annual funding from DOI licensing fees, AL Windpool, FHLB-ATL.
  - \* Over 7,000 applications received.
  - \* Over 400 grants awarded in first 8 months. Going forward anticipate awarding 800 – 1,000 per year.
  - \* Over 4,100 homes in AL already Fortified without grants.




# ALABAMA WIND MITIGATION PROGRAM


**For more information:**

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# Other state approaches:



## Wind Insurance Savings Calculator


	<a href="#">Home</a>	<a href="#">Background</a>	<a href="#">Helpful Links</a>	<a href="#">Start Over</a>	<a href="#">Contact Us</a>
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### House or Condominium?

**I am interested in learning about wind insurance incentives for:**

- House
- Condominium

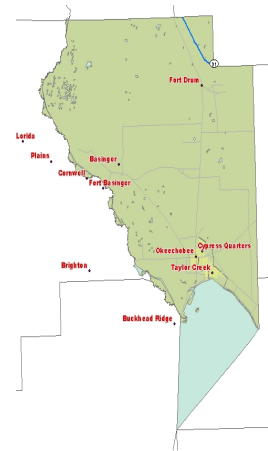
Click **Next** to continue.

**Next** 



# Florida's Wind Mitigation Incentives

- Florida's Wind Insurance Savings Calculator
  - Tool for finding wind insurance Mitigation incentives
  - Calculate savings
- Property Assessed Mitigation Funding (PACE option)
- Residential Construction Mitigation Program



Values for selected location:  
Wind Speed 120 MPH  
Terrain Terrain B  
Debris Non-Windborne Debris Region

# [Florida] Discounts - Require Roof/Shutter Enhancements on new/Renovations

<b>Action ID</b>	<b>Mitigation Action Description</b>	<b>Discount Range</b>
1	Re-roof	0% to 6%
2	Re-roof and Re-nail Roof Sheathing	0% to 19%
3	Re-roof, Re-nail Roof Sheathing, and Add Secondary Water Resistance	0% to 20%
4	Protect All Windows	6% to 7%
5	Protect All Windows and Doors	7% to 10%
6	Mitigation Actions 1 and 4	7% to 14%
7	Mitigation Actions 3 and 4	7% to 22%
8	Mitigation Actions 3 and 5	12% to 22%

# Mississippi Code §83-75-3

- Requires licensed insurers to provide mandated discount rates to any person who constructs or retrofits an insurable property in compliance with specified IBHS mitigation measures
  - Applies only to policies that provide wind coverage
  - Applies to homeowners in select coastal cities
  - Multi-family dwellings, mobile homes and businesses are not eligible
- To obtain a discounted rate, homeowners in the specified coastal cities must **retrofit** and **certify** their properties in accordance with one of the tiered IBHS Fortified for Safer Homes mitigation levels

# (cont.) §83-75-3 Discount Rates

- Pursuant to the authority provided in Miss. Code §83-75-7, the Commissioner set forth the following discount credits for dwellings certified for IBHS Fortified for Existing Homes mitigation:
  - **Bronze:** 17%
  - **Silver:** 25%
  - **Gold:** 30%
- New dwellings constructed and certified by the IBHS as qualifying for a Fortified Safer Living receive a minimum of 40% credit

# Louisiana Rev. Stat. 22:1483

- Requires licensed insurers to provide discounts to policyholders who:
  - build or retrofit structures to comply with LA Uniform Construction Code (“LAUCC”) or
  - install mitigation improvements demonstrated to reduce the amount of loss from a windstorm
    - i.e., roof deck attachments, secondary water barriers, roof coverings, and brace gable ends
- However, there is no mandated discount amount; rather, insurers must file a schedule of wind mitigation credits with the DOI

# Louisiana Notice Requirement

- In accordance with R.S. 22:3 to enforce the provisions of R.S. 22:1483, the Commissioner promulgated §12715 and §12719 of the LA Admin. Code, requiring:
  - **Notice** to its policyholders of the minimum mitigation measures that must be considered for discounted premiums; and
  - Each insurer responsible for ensuring its producers and authorized representatives are knowledgeable and prepared to properly inform policyholders about the discounts available



# Louisiana – Making Mitigation Affordable

- R.S. 47:301(10)(ee)
  - Allows policyholders to receive exclusions on state sales and use tax
    - i.e., purchasing storm shutter devices that provide window damage protection in a windstorm
- R.S. 47:293(10); 47:293(2) and (9)(a)(xii)
  - Provides tax deductions for policyholders who voluntarily retrofit existing residential structures to bring it into compliance with the LAUCC
    - Equal to 50% of the cost, less any other state, municipal or federal-sponsored incentives
    - Allows for \$5,000 of deductions per retrofitted residential structure

# California:

- 100 million dead trees due to bark beetle infestation/drought, Governor creates Tree Mortality Task Force
- That, plus risk scoring model adoption combined to severely reduce home insurance affordability/availability in brush/WUI areas. A plague of non-renewals.
- TMTF Insurance Subgroup is examining every possible solution, looking to other states experiences re: hurricane mitigation programs

<http://www.uphelp.org/blog/wildfire-mitigation-insurance-project>

# **UP/FSC/Local Gov't survey conducted in Spring, 2017:**

47% of homeowners said they were told that their high “Fireline score” had made them uninsurable

80% responded that their insurer made no mention of or recommendations for mitigation steps to reduce risk

# Mitigation program challenges:

- Insurer participation: Without regulations/legislation, homeowners can mitigate all they want, it may or may not matter to insurers
- Risk Scoring Models: Wildfire models that do not factor in mitigation or local firefighting capability are contributing to decreased competition and availability and the growth of the non-admitted market
- Costs, inspection, ongoing maintenance logistics

# Solutions?

- Wildfire Partners partnership between Boulder County, FEMA, and Colorado Department of Natural Resources
- Homeowners receive a \$250 value inspection of vegetation in defensible space zones
- 50% cost sharing up to \$2,500 for mitigation if you hire a Wildfire Partners Forestry Contractor
- Certificate that USAA and Allstate recognize as proof of proper mitigation, State Farm for renewals
  - Wildfire Partners represents that no insurer has denied coverage for a homeowner that has presented the certificate

# Nevada County, CA Fire Safe Council

- Defensible Space Advisory Visit
  - CalFire trained inspector comes to property for free and checks compliance with Public Resources Code 4291, which as of 2005 requires 100 feet of defensible space around a property
  - Up to \$4000 grants available based on need (supported in part and at times by County, Allstate, and Americorps)
- Defensible Space Verification Service
  - \$100 plus mileage fee and the inspector comes back to see if the property owner has complied with PRC 4291 (checklist provided in advance – goal is to pass the first time, usually they want to see more than \$100 feet for insurance purposes because many insurers are coming in with a heavy hand)

# **(cont.) Nevada County**

- The Defensible Space Verification has traditionally been accepted by most insurers as proof that the homeowner has mitigated enough to warrant continued coverage
- However, in a recent meeting of the Governor's Tree Mortality Task Force legislative committee, the FSC reported their first denial that cited CalFire guidelines
- Some insurers in addition to renewing, will offer a 5% discount for the verification, however it is not by any means uniform, mandated, and is subject to change

# Firewise/ USAA

- National Fire Protection Association (NFPA) and USAA
- Become a “Recognized Community”
  - Obtain a wildfire risk assessment as a written document from your state forestry agency or fire department.
  - Form a board or committee, and create an action plan based on the assessment.
  - Conduct a “Firewise Day” event.
  - Invest a minimum of \$2 per capita in local Firewise actions for the year.
  - Submit an application to your state Firewise liaison.





- 5% USAA Discounts available
  - California – Policies effective on or after 10/1/2014
  - Colorado - Policies effective on or after 5/30/2015
  - Texas - Policies effective on or after 6/30/2015
  - Arizona - Policies effective on or after 2/15/2016
  - Oregon – Policies effective on or after 6/30/2016
  - New Mexico - Policies effective on or after 1/1/2017
  - Utah - Policies effective on or after 1/5/2017

# Questions? Comments?

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# For More Information:

- Visit UP's website and search for more buying tips, claim tips, articles and helpful info at:

[www.uphelp.org](http://www.uphelp.org)

The screenshot shows the United Policyholders website. At the top left is the logo with the tagline "Empowering the Insured". A search bar is in the top right. A navigation bar contains links for "About UP", "Our Programs", "Latest News", "Library", "Find Help", and "Support Us". The main heading is "How can we help you?" followed by a brief description of the organization's mission. A "Loss Recovery" section lists resources like "Insurance Claim Tips" and "State by State Assistance". Below this are three columns: "Latest News" with a recent article about "Needs Analysis", "How To" Library with a publication on "Earthquake Claim Tips", and "Disaster Recovery Help" with a publication on "Tropical Storms Irene and Lee". On the right side, there are buttons for "Claim Help" and "Underinsurance Help", a "Read UP's Tip of the Month" section with a gift icon, and a "Keep up with UP" section with a "Donate Today" button and a Facebook link. The footer contains a disclaimer and copyright information.

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### Loss Recovery

- Insurance Claim Tips
- State by State Assistance
- Sample Letters and Forms
- Tools and Resources
- R2R Blog/Bulletin Board

#### Latest News

TUESDAY, JANUARY 03, 2012  
How to Do a "Needs Analysis" Before you Buy Life Insurance  
SATURDAY, DECEMBER 03, 2011  
A Home-Insurance Trap?  
FRIDAY, DECEMBER 02, 2011  
Understanding endorsements and riders for home insurance policies  
SUNDAY, NOVEMBER 27, 2011  
Workshops help Boulder County homeowners find out if they're underinsured  
[ View More ]

#### "How To" Library

PUBLICATION  
Earthquake Claim Tips for Homeowners and Businesses  
PUBLICATION  
Roadmap to Recovery  
Surveys  
PUBLICATION  
Speak UP: How to communicate with your insurance company  
PUBLICATION  
"Survivors Speak" Tip Series  
[ View More ]

#### Disaster Recovery Help

FRIDAY, SEPTEMBER 16, 2011  
Tropical Storms Irene and Lee - Property Damage Claim Help  
THURSDAY, DECEMBER 15, 2011  
Joplin Tornado Insurance Claim Help  
THURSDAY, JANUARY 05, 2012  
Texas Wildfire Recovery Help  
TUESDAY, DECEMBER 20, 2011  
Boulder Colorado - Fourmile Canyon Wildfire Recovery  
THURSDAY, DECEMBER 15, 2011  
San Bruno Help Resources  
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