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

Property and Casualty Insurance (C) Committee
Tuesday Aug. 8th, 2017, Philadelphia

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

2008
• Mitigation Credits Required
• Initial Data Call

2016
• Subsequent Data Call
SC consumers that take advantage of mitigation credits have, on average, saved 14% on their homeowners insurance premiums.

Coastal homeowners insurers offer, on average, a maximum premium credit of 48% for all mitigation measures combined.
From 2008 to 2016, insurers began offering significantly greater mitigation discounts to consumers.
Coastal home insurers offer, on average, a maximum premium credit of 48% for all mitigation measures combined.
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
doi.sc.gov/marketassist
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](http://bechtel.colorado.edu/~willam/4830%202006%20IBC.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

**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.
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**

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<thead>
<tr>
<th>Zone</th>
<th>2006+ IRC</th>
<th>Bronze</th>
<th>Silver</th>
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<td>Coastal Zone</td>
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</table>

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**

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<tr>
<th>Zone</th>
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<td>N/A</td>
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<tr>
<td>Coastal Zone</td>
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<td>35%</td>
<td>45%</td>
<td>50%</td>
<td>60%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Zone</th>
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<th>Silver</th>
<th>Gold</th>
<th>FFSL</th>
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</thead>
<tbody>
<tr>
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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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334-240-4422
Other state approaches:

Wind Insurance Savings Calculator

House or Condominium?

I am interested in learning about wind insurance incentives for:

- House
- Condominium

Click Next to continue.
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

Credit: Annalise Mannix, FIRM
<table>
<thead>
<tr>
<th>Action ID</th>
<th>Mitigation Action Description</th>
<th>Discount Range</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Re-roof</td>
<td>0% to 6%</td>
</tr>
<tr>
<td>2</td>
<td>Re-roof and Re-nail Roof Sheathing</td>
<td>0% to 19%</td>
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<tr>
<td></td>
<td>Re-roof, Re-nail Roof Sheathing, and Add Secondary Water Resistance</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Protect All Windows</td>
<td>0% to 20%</td>
</tr>
<tr>
<td>4</td>
<td>Protect All Windows and Doors</td>
<td>6% to 7%</td>
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<tr>
<td>5</td>
<td>Mitigation Actions 1 and 4</td>
<td>7% to 14%</td>
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<tr>
<td>6</td>
<td>Mitigation Actions 3 and 4</td>
<td>7% to 22%</td>
</tr>
<tr>
<td>7</td>
<td>Mitigation Actions 3 and 5</td>
<td>12% to 22%</td>
</tr>
</tbody>
</table>
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
§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.
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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- Visit UP’s website and search for more buying tips, claim tips, articles and helpful info at: www.uphelp.org