

State approaches to facilitating mitigation support and incentives

Property and Casualty Insurance (C)
Committee

Tuesday Aug. 8th, 2017, Philadelphia, PA

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Imperatives:

- Preserving quality and affordable property insurance options for consumers
- Understanding effective risk reduction techniques and options
- Facilitating risk reduction
- Incentivizing risk reduction
- Rewarding risk reduction
- Maintaining risk reduction

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

Mandated Discounts Based On IBHS Standards

- Most statutes that mandate discounts require conformance to an insurance industry standard:
 - **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 Code
 - all hurricane mitigation construction requirements
 - <http://bechtel.colorado.edu/~willam/4830%202006%20IBC.pdf>
 - <https://disastersafety.org/wp-content/uploads/fortified-home-hurricane-standards.pdf>

(cont.) IBHS Standards

IBHS mitigation program is designed to improve both community and individual homeowner post-disaster loss recovery and expense

- **Bronze**

- The base and most easily achieved 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.

(cont.) IBHS Standards

- Gold
 - Must meet both Bronze and Silver level requirements
 - Designed to minimize hurricane damage
 - 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)

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

Requirement to Offer/Notify Insurance Discounts to Consumers

- Some states **require insurers to offer insurance discounts** to homeowners who mitigate loss
- But these states do **not mandate** *specific discount rates*
- There are often requirements that insurance providers **notify** insurance consumers of the discounts they offer

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

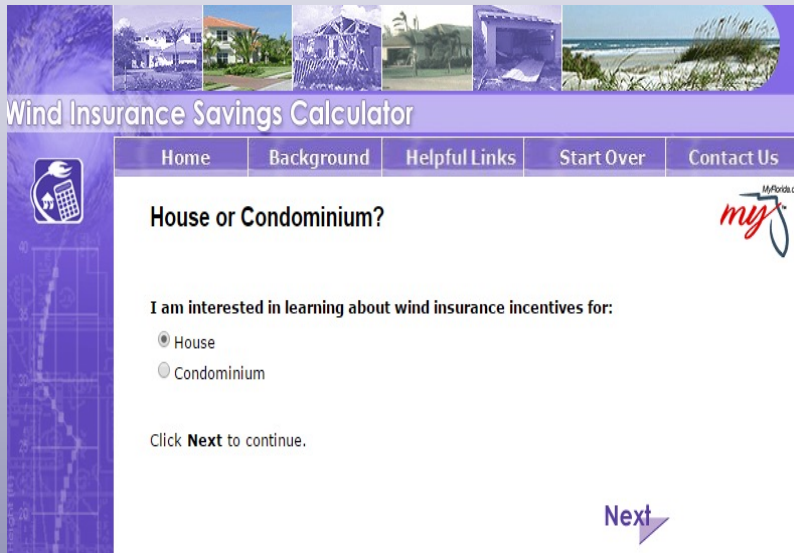
- In accordance with R.S. 22:3 to enforce the provisions of R.S. 22:1483, the Commissioner promulgated § 12715 and § 12719 of the LA Admin. Code, requiring:
 - **Notice** to its policyholders of the minimum mitigation measures that must be considered for discounted premiums; and
 - Each insurer be responsible 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

Other Notice Requirement Plans: Florida's Wind Mitigation Incentives

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



Wind Insurance Savings Calculator

Home Background Helpful Links Start Over Contact Us

House or Condominium?

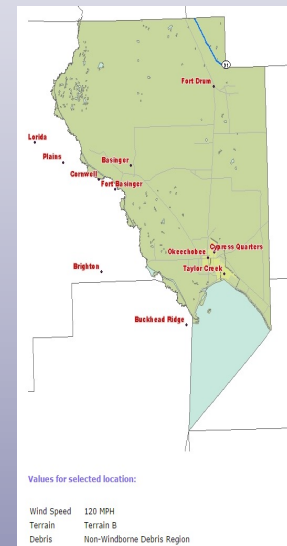
I am interested in learning about wind insurance incentives for:

☒ House

☐ Condominium

Click **Next** to continue.

Next



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

Action ID	Mitigation Action Description	Discount Range
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%

Potential Cancellation and Non-renewal of Policies Necessitates Discounts

- **Cancellation and Non-renewal Causes Financial Hardship**
 - Policyholders purchase insurance to ensure catastrophes or other events do not cause sudden loss, but are suddenly unable to protect themselves
 - Claim data sharing makes purchasing new insurance difficult for consumers who have been cancelled or non-renewed, at no fault of their own
- **Policy Approaches for Prohibiting or Limiting Non-renewals and Cancellations:**
 1. To prevent marketplace disruptions; or
 2. When claims are made related to natural disasters

Regulations Enacted to Limit Marketplace Disruptions

- “Cooling off period”
 - Prohibits cancellation and non-renewal within a set period following a natural disaster
 - e.g., Rhode Island (R.I. Gen. Laws § 27-76-1 et seq., 27-29-4(7), 27-29-4.1 and 42-14-17); New York (N.Y. ISC. LAW § 3425); and Florida (Fla. Stat. Ann. § 627.4133)
- Commissioner approval required
 - Insurance providers wanting to materially reduce their volume of policies must file a plan with the DOI detailing how “orderly” reduction will take place and describe the reasons (e.g., New York)

Regulations Prohibiting Non-renewal due to Natural Disasters

- Weather-related events
 - Prohibits cancellation or non-renewal due to natural causes
 - e.g., Arkansas (Ark. Code Ann. § 23-63-109); South Carolina (S.C. Code 1976 § 38-75-790)
- Automatic one-time renewal
 - Policyholders get an automatic one-time renewal if damage was caused by declared disaster
 - e.g., California (Cal. Ins. Code. § 675.1)

Regulations Protecting Policyholders from Non-renewal

- Pennsylvania allows the Commissioner to bring an action against insurance providers that **refuse to renew** a private residential property insurance policy, unless:
 - the policy was obtained thru misrepresentation or fraud;
 - there has been substantial increase in risk;
 - there is a substantial increase in hazards insured against by willful or negligent acts of the insured;
 - the insured has failed to pay; or
 - any other reason approved by the commissioner

(Pa Stat. 40 § 1171.5(9))

The need for wildfire mitigation

- Wildfire-prone areas in California, Colorado, and elsewhere in the mountain west are experiencing an availability/affordability crisis
- Insurers are reducing volume in high risk areas (or leaving altogether) and raising premiums on customers they keep
- Insurer's are levying wither unreasonable or unaffordable mitigation requirements, sometimes far in excess of state requirements
- This phenomenon is leaving rural Californians, for example, with limited and expensive options (FAIR Plan, Surplus lines)
- Risk classification-based modeling such as ISO/Verisk FireLine and CoreLogic are dominating many insurers' underwriting criteria

California: a case study

- Tree mortality, climate change, and **[over]reliance on the use of risk classification models (e.g., ISO/Verisk Fireline)** are creating the perfect storm of insurance unaffordability/unavailability in brush areas
- According to a United Policyholders survey conducted in Spring of 2017, 47% of homeowners were told a high “Fireline score” made them uninsurable, while 80% responded that their insurer made no recommendations to mitigate risk in order to reduce risk

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

Who can be part of the solution?

- Firesafe Councils
- Wildland firefighters (e.g., CalFire)
- State, local, and Federal government
- Community Organizations
- Insurance Commissioners
- Insurers/insurer-partnerships

Some precedent for successful programs:

Wildfire Partners (Boulder County, CO)

Nevada County, CA Firesafe Council

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.

(cont.) Firewise USAA

- 5% 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
- Insert: anything we can find on the amount of the discount/a sufficient description of the types of mitigation they want to see (e.g., “home ignition zone”)

Problems and potential solutions

- Wildfire Partners, Firewise USA, and the Nevada County FSC are good examples of voluntary programs but without legislation that mandates that compliance is automatic eligibility, then homeowners can mitigate all they want, it may or may not matter to insurers
- Insurance Commissioners need increased oversight over insurer's use of wildfire models that do not account for mitigation or local firefighting capability as the sole underwriting criteria (e.g., FireLine, CoreLogic)
- Establishing uniform mitigation criteria accepted by all insurers will help prevent market disruption, this could be industry self-correcting *or* legislatively mandated

Questions? Comments?

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Mitigation Credits

Kendall Buchanan
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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



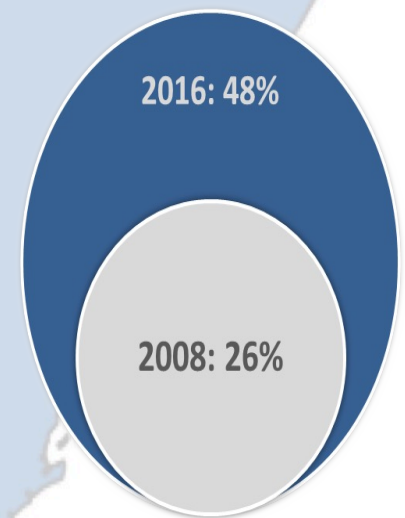
Coastal homeowners insurers offer, on average, a maximum premium credit of 48% for all mitigation measures combined.



IBHS: 20%

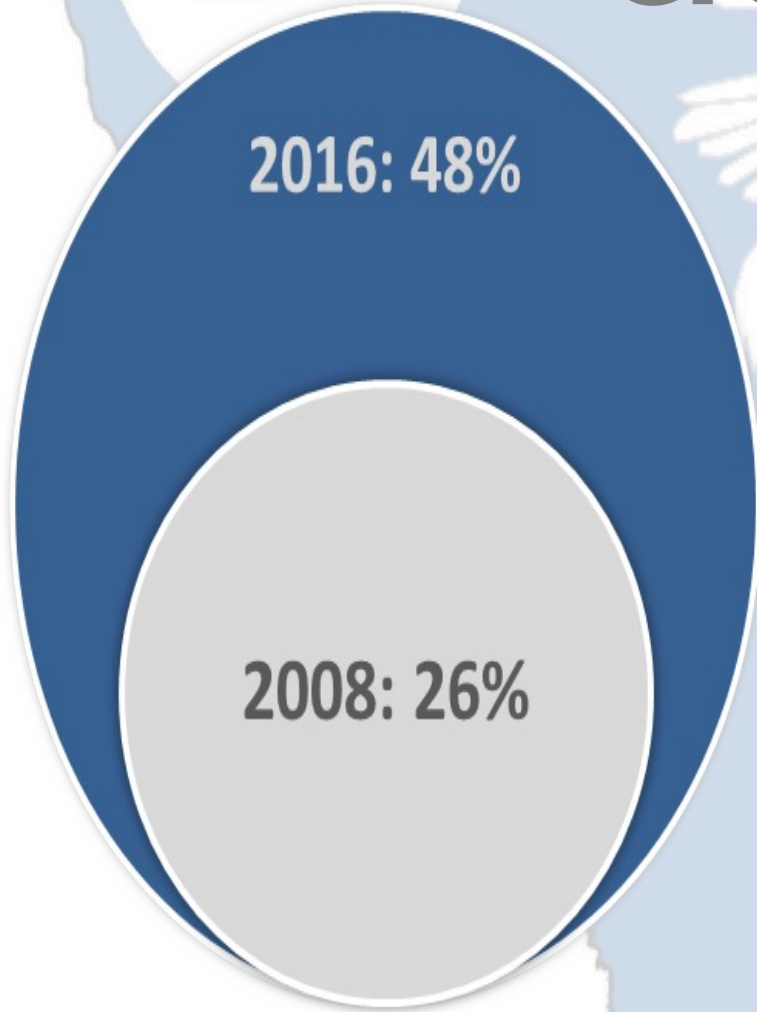


SC Safe Home: 9%



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

Average Savings Realized

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



Roof Tie Downs: 5%



Storm Shutters: 8%



Impact Resistant Glass: 8%



Openings: 8%



Wall to Floor Strength: 5%



Building Codes: 9%

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

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>
Northern Zone	20%	35%	35%	45%	N/A
Central Zone	20%	35%	40%	45%	N/A
Coastal Zone	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>
Northern Zone	20%	35%	35%	40%	N/A
Central Zone	20%	35%	40%	45%	N/A
Coastal Zone	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>	
Northern Zone	10%	20%	25%	30%	N/A
Central Zone	10%	20%	25%	30%	N/A
Coastal Zone	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

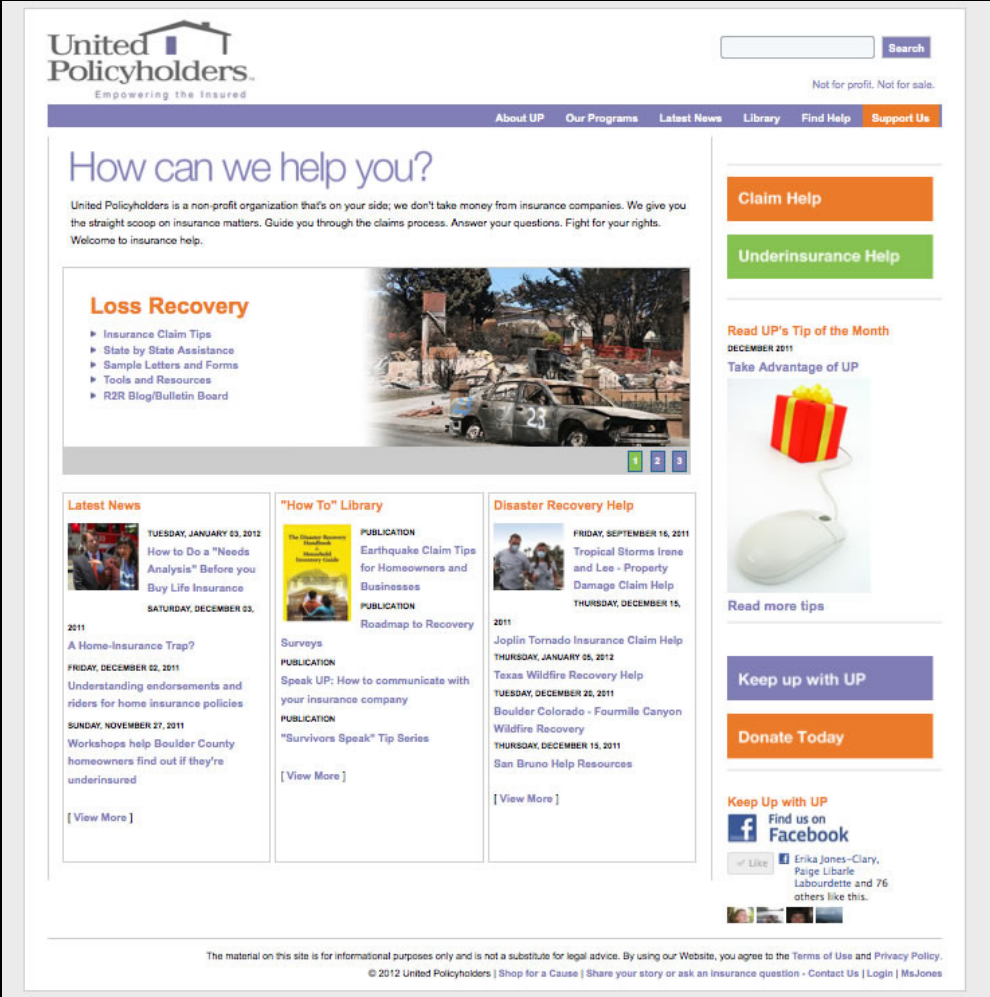
For more information:

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For More Information:

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

www.uphelp.org



The screenshot shows the United Policyholders website. At the top is the logo with the tagline "Empowering the Insured". A search bar and the text "Not for profit. Not for sale." are on the right. A navigation bar includes 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 paragraph about the organization's mission. A "Loss Recovery" section lists resources like "Insurance Claim Tips" and "State by State Assistance". To the right is a "Claim Help" button and a "Underinsurance Help" button. Below these is a "Read UP's Tip of the Month" section for December 2011, featuring a gift icon and a mouse cursor. The bottom of the page is divided into three columns: "Latest News" with articles from January 2012 and December 2011; "How To" Library with publications on earthquake claims and disaster recovery; and "Disaster Recovery Help" with articles from September 2011 and January 2012. A footer at the bottom contains a disclaimer and copyright information.

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Empowering the Insured

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How can we help you?

United Policyholders is a non-profit organization that's on your side; we don't take money from insurance companies. We give you the straight scoop on insurance matters. Guide you through the claims process. Answer your questions. Fight for your rights. Welcome to insurance help.

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?
Understanding endorsements and riders for home insurance policies
Workshops help Boulder County homeowners find out if they're underinsured

[View More]

"How To" Library

PUBLICATION
The Disaster Recovery Handbook: Household Recovery Guide

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

[View More]

Claim Help

Underinsurance Help

Read UP's Tip of the Month

DECEMBER 2011
Take Advantage of UP

Read more tips

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of Like Erika Jones-Clary, Paige Liblarie Labourdette and 76 others like this.

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