

AUGUST-29-2012

Affordable Homeowners Insurance Commission

REPORTS OF COMMISSION SUBCOMMITTEES



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COMMISSIONERS

APPOINTED BY GOVERNOR ROBERT BENTLEY

Tim Russell (Chair) – Probate Judge, Baldwin County
Julie Magee – Commissioner, Alabama Department of Revenue
Jim Ridling – Commissioner, Alabama Department of Insurance
Ben Brooks – Senator, District 35
Steve McMillan – Representative, District 95
A.J. McCampbell – Representative, District 71
Joe Faust – Representative, District 94
David Sessions – Representative, District 105
Mike Hill – Representative, District 41
John Caylor – Consumer
Rux Bentley – Independent Agent
Michelle Kurtz – Consumer/Homeowners Hurricane Insurance Initiative
Steve Simkins – State Farm
Wayne Parker – Independent Agent
Elizabeth Huntley – Consumer/Attorney
Sid Belcher – ALFA
Tom Malone – Consumer
Jim Higdon – Consumer
Joe Ruffer – Engineer, Mobile City/County
Gregg Armstrong – Consumer
Joe Demos – State Farm
Darius Foster – Consumer
Aubrey Fuller – Independent Businessman
Carl Schneider – Independent Agent/Smart Home America
K. Carl Smith – Consumer
J. Gary Ellis – Consumer/GUMBO
Geoff Plott – Wells Fargo
Donald Price – Independent Risk Management, CPA
Jerry Workman – Farmers Insurance

ACADEMIC RESOURCES

Thomas Pieplow – Athens State University
Don-Terry Veal – Auburn University, Center for Governmental Services
Benjamin Woodruff – University of Alabama
Ezekiel Nichols – University of Alabama

Commission meetings were facilitated by the Center for Governmental Services at Auburn University, as requested by the Commission Chair. This report was assembled and edited by the Center for Governmental Services.

EXECUTIVE SUMMARY

The Affordable Homeowners Insurance Commission (AHIC) was enacted by Governor Robert Bentley in August 2011. Within an environment of insurance availability and rate-related crisis, the Governor charged the Commission with exploring existing issues and then making recommendations that may be considered. In addressing the thirty-member Commission for the first time on August 1, 2011, the Governor requested that actions be conducted within a framework of consensus-building: “The customers that are in this state, they need choice and they need affordability. I want you to be willing to go to different areas of the state and hear those people in those areas.”

The Commission, originally formed to deal with rising costs of homeowners insurance, and the availability of insurance or reinsurance within the Gulf Coast region, expanded to include the entire State. In the wake of disasters impacting the state, whether hurricanes, tornadoes or oil spills, homeowners continue to be confronted with insurance, building, and rebuilding challenges. It was recognized that insurance availability and cost disparities among and between the geographical regions of the state are prevalent.

The Commission, chaired by Judge Tim Russell, Baldwin County Judge of Probate, determined to proceed by organizing the activities into three (3) primary stages: education and information-gathering, compilation and evaluation, and development of priorities and recommendations.

During the first stage the Commission held listening sessions at five (5) locations throughout the State. The locations, Mobile, Dothan, Guntersville, Tuscaloosa and Decatur, were strategically selected so that the Commission could hear directly from the citizenry impacted by the insurance crisis. Other experts from the fields of insurance, risk management and disaster mitigation also met with the Commission. As a result, an extensive array of best practices, research, models, and options were generated.

The second stage of compiling the information and data for use in comparisons and applications to circumstances in Alabama began. Among the information assembled was a cumulative report of the Coastal Recovery Commission (CRC) that served as a model and reference point for some of the work of the AHIC. Discussions that centered on the merits of the options designed to positively impact the insurance crisis ensued, with the opinions and input from diverse sources examined.

In the final stage, Dr. Don-Terry Veal, director of the Center for Governmental Services (CGS) at Auburn University, was appointed as a moderator by Judge Tim Russell, citing that “The commission has strong differences of opinion, which is good, but a moderator can help us come together and settle upon majority and minority decisions.” A process ensuring that all voices would be heard was provided by CGS and approved for use by the Commission.

Over the next few months the Commission identified and ranked priorities, met in small groups, evaluated, and debated, resulting in the formulation of four subcommittees. The subcommittees dealt with the broad areas of need for which solutions are being sought. The subcommittees are: 1). Education (to include a Concept to Create an Alabama Center for Insurance Information and Research), 2). Mitigation, 3). Regulatory, and 4). Statutory.

Each subcommittee further developed priorities and potential solutions. The result of work conducted by the subcommittees is reports from each group that summarize and identify recommendations that will be submitted to Governor Robert Bentley, and considered by the Legislature. The reports from each of the subcommittees are compiled in this document.

The Commission members and the support group have worked thousands of hours and have traveled thousands of miles without reimbursement to serve at the pleasure of the Governor and the citizens of Alabama. I personally would like to thank the Commission members, Reese Hodges, Auburn University Center for Governmental Services, the commission's two doctoral students from the University of Alabama, Mr. Ben Woodruff and Mr. Ezekiel Nichols, as well as, Dr. Thomas Pieplow from Athens State University.

The Commission has reached consensus. Please accept this report as a summary of the work conducted by the Affordable Homeowners Insurance Commission.

Sincerely,

Judge Tim Russell, Chair
Affordable Homeowners Insurance Commission

REPORT OF THE EDUCATION SUBCOMMITTEE

Concept to Create an Alabama Center for Insurance Information & Research

Submitted by Subcommittee Members:

J. Gary Ellis, Chair

Geoff Plott, Co-Chair

Donald Price

Jerry Workman

Benjamin Woodruff

Ezekiel Nichols

Julie Magee (ex-officio)

Jim Ridling (ex-officio)

Tim Russell (ex-officio)

J. Gary Ellis, Chair

Mission Statement

The Alabama Center for Insurance Information & Research will be an independent nonprofit center of excellence which supports and promotes activities that strengthen the competitive insurance market in Alabama for benefit of a healthy economic environment and service to consumers. The center will provide education programs using partner organizations and leadership to develop innovative approaches to solving problems associated with insurance issues. This will require independent analysis and research to implement well-informed decisions. Issues to address include, but are not limited to, the fields of engineering, building science, architecture, accounting and finance, risk management, insurance, building codes and enforcement, inspections, teaching and communication, and other fields of expertise as needed. The cross-discipline, multi-profession approach will be a center for insurance and mitigation analysis, research and education. It will provide independent interpretation of information and provide opinions and unbiased conclusions.

Request for Proposal

The Alabama Affordable Homeowners Insurance Commission suggests to Governor Bentley to seek proposals from Alabama's educational institutions to provide comprehensive proposals to facilitate, develop, establish, and manage an Alabama Center for Insurance Information & Research that will provide information and research for use by the various stakeholders including state and federal agencies, policy makers, insurance companies, elected officials, and the public at large. The intent is to provide a healthy and aggressive technology framework making information readily available to all stakeholders.

The Center's Core Focus Is:

- Education and outreach
- Research and repository of information
- To facilitate collaboration among agencies and stakeholders
- To foster leadership and engagement by academic institutions and students

The Center's Goals Are to:

- Be a statewide, credible, and respected source of information on risk management
- Build capacity in insurance research
- Create platforms for better collaboration among academia, professional associations, trade groups, government agencies, and stakeholders in each community
- Provide valuable new insights to policy makers, consumers, and insurance and risk management professionals alike
- Identify barriers that may distract new insurers from doing business in Alabama
- Be independent, high quality and rapidly responsive to all stakeholders
- Identify insurance industry strategies and activities that can benefit Alabama's economy and quality of life
- Identify opportunities for insurance industry partnerships and collaborations between the public, academic institutions, trade associations, and consumer groups
- Coordinate and disseminate information related to catastrophic storm risk management, including but not limited to research and information that benefits businesses, consumers, and public policy makers

- Facilitate Alabama's preparedness and responsiveness to catastrophic storms and collaborate with other public and private institutions
- Create and promote studies that enhance the educational options available to risk management and insurance students, which encourage academic enrollment
- Publish and disseminate findings primarily related to risk management on a regular basis
- Organize and sponsor conferences, symposia and workshops to educate consumers and policymakers
- Be financially sustainable with dedicated funding
- Operate in an accountable manner with established deliverables and performance matrix
- Use all available expertise and infrastructure available to distribute education, research, and economic information
- Establish a communication outreach program to citizens and public at large

Also, the Center's goals would be to provide research to officials interested in or impacted by insurance and underlying factors that drive insurance pricing, terms, and availability, including such topics as:

- Home design, construction materials and techniques that would increase resistance to strong winds, hail, and wind driven rains (architecture, material science, building science, atmospheric science), to reduce rates by fostering more options
- Ways to enhance the captive insurance industry in Alabama
- Educating Alabama's congressional delegation and policy makers about why the catastrophe reinsurance market has moved offshore and how to bring it and its related well-paying jobs back to the United States and to Alabama without cost to taxpayers

- Approaches to increasing Alabama's attractiveness to potential out of state homeowner insurers
- Approaches to reducing the price surge in lodging and building materials following a catastrophic event
- Improvements in regulation that would balance consumers' needs with the desire to attract new insurers to Alabama

Alabama Center for Insurance Information & Research

This proposal calls for establishing an Alabama Center for Insurance Information & Research at a university or central location in Alabama. Research indicates that a relatively small investment in a center as described can yield large returns to the state in terms such as reduced costs and increased benefits from risk management expenditures, enhanced availability of insurance, and increased productivity. In recent years, Alabama has faced financial, meteorological, and health-related crises of historic proportions, underscoring the need for a deeper insurance and risk management knowledge base. The committee recommends reviewing other centers to discover what works and what does not, and how we can improve our initial plan. Several examples are referred to under the heading "Other Models and Examples" as an appendix to this draft.

Cost of Risk to the State of Alabama

Like most environments, the State of Alabama is subject to many natural catastrophic events including tornadoes, hurricanes, hailstorms, floods, and earthquakes, to name the most severe perils. It is subject to man-made catastrophes such as pollution, epidemics, and conflagrations, as well as oil spills beyond our control.

Every day Alabamians must deal with the usual perils that can destroy the finances of a business

or a family. These include potential liability from operating a car (or fleet of cars), loss of a dwelling (or factory); loss of earnings when a business is out of commission, paying medical bills; replacing the earnings of a breadwinner (or key person in a firm), and planning for retirement (or providing pensions for a workforce). The cost of risk managing is substantial and adds up to a significant percentage of a family, or business's budget. Managing risks in the most efficient and effective way is an ongoing battle that leaves most people confused and frustrated – and often they end up doing the wrong thing.

Improvements in the risk management process can provide substantial savings on what is known as cost of risk which include factors such as insurance premiums, uninsured losses, loss prevention efforts, and administration. Annually the cost of risk in the State of Alabama runs into the hundreds of millions of dollars. Even a small improvement in this number can justify a substantial investment in research and education – both of which can be provided by the Alabama Center for Insurance Information & Research.

Implementation

PHASE ONE:

Planning and structuring of operating entity, including development of funding sources

PHASE TWO:

Establishment by legislature to set its authority, role and funding resources (research, information exchange and training)

Research

The families and businesses of Alabama can benefit significantly from the creation of an Alabama Center for Insurance Information & Research that carries out credible, high-quality research leading to pragmatic results. Its output should influence public policy and provide practical benefits to the public, professional organizations, trade groups, and non-profit

organizations. Among the many issues that the Center might address are:

- Availability of insurance. The addition of new insurance companies increases competition in the marketplace. What barriers, if any, are keeping additional financially sound insurance companies out of the Alabama market? What will bring additional insurers into the market?
- Insurance rate mitigation. What measures can be taken to reduce insurance rates? What is the ratio of benefits to cost for various approaches? How can the consumer get the best return on their investment?
- How can individuals and families most effectively manage the personal risks they face such as premature death, disability, medical expense, and outliving their resources?
- The cost of healthcare consumes approximately eighteen percent of GDP in the United States and the trend is inexorably upward. What approaches to providing and financing healthcare have been effective in other states and nations? Are any elements of these approaches relevant for the State of Alabama? What lessons, if any, may be learned from the experience of others?
- Worker compensation is a significant issue for many businesses. What approaches for making this essential program more efficient and effective have proved successful elsewhere?
- What techniques beyond insurance might be used to manage risk effectively, especially in disaster-prone areas such as the coast? How can these techniques be employed by families and businesses?
- What public policy measures might be helpful for making insurance more easily available at a reasonable price? What has worked elsewhere? What has been tried and failed?
- How can businesses and government infuse risk management techniques into decision-making processes to enhance the well-being benefits to all stakeholders?

Information, Education and Training

As stated, the Alabama Center for Insurance Information & Research would have an important role in providing public information, education, and training functions that would benefit citizens throughout the state. Intelligent consumers make markets more efficient and effective, which promotes the ability of the free enterprise system to provide the most goods and services for the least cost and improve business practices. Among the areas of consumer education and training the Center could provide are the following:

- Provide consumers with the knowledge they need to make intelligent risk management decisions (including the purchase of insurance) and lower their cost of risk. This could be done online, via television and radio public service announcements, and through community-based seminars led by instructors who have been trained through the center.
- Establish a source of information readily accessible and understandable to answer consumer questions about insurance, such as: how does insurance work; what are the different types of insurance and what basic knowledge does any consumer need concerning each type; what do I do if I have a claim; what are the social benefits of insurance; how are premiums determined; what happens to the premiums I pay to insurers; how significant is fraud in the cost of insurance, and what can I do if I suspect someone of fraud; how do I shop most effectively to get the right insurance for me, my family, and business, and how do I keep my rates down; how are insurance companies regulated, and how can I involve regulators if I believe the law is being broken; what are the different types of insurance distribution systems and what are the features of each; what is the nature of financial ratings on insurance companies, and how do I find the financial rating on my carrier; what are the probabilities of various types of losses (e.g., death by accident and otherwise, auto

crashes and collision with deer and other animals, house fires, tornadoes, hurricane, disability)?

- Provide training for K – 12 teachers so that they can teach financial literacy, including insurance literacy, to their students.
- Provide models for institutions of higher learning on how to initiate risk management and insurance education into their curricula.
- Enlist college students to help consumers with their questions about insurance and other risk management techniques

The Center would work with many other organizations including nonprofit foundations established to conduct education and research in insurance and risk management, universities throughout the world, the Alabama Insurance Department, and other state agencies charged with providing related services.

A Home for the Alabama Center for Insurance Information & Research

The Alabama Center for Insurance Information & Research's mission calls for it to develop programs that will enhance public policy makers' knowledge and provide practical solutions that benefit the citizens of the state. To do this effectively the Center must have access to a wealth of resources that can be reached through both formal and informal channels. Furthermore, it should be respected for its high level of competence, integrity, and credibility. To accomplish this mission in the most effective and efficient manner it could be located on a university campus, where most of the intellectual and support resources needed are already in place. Sound decisions on this multi-dimensional subject require input from a wide variety of perspectives. Furthermore, the Center's leader must be highly respected and recognized for work in his or her field.

- The location that will house the Alabama Center for Insurance Information & Research should be well-positioned to serve as a home

for such credible information and research. The center setting should be able to provide highly-qualified faculty in closely related areas such as actuarial science, statistics and mathematics, engineering, natural sciences, law, and public policy.

Suggested Organizational Structure

Director

The director should be a seasoned professional, acclaimed with highly-respected credentials in his or her fields of research and experience, capable of leadership at the highest level with demonstrated success in writing grant and contract applications for outside funding of projects.

Research Associate

A seasoned researcher, preferably published in some credible documentation of field research.

Communications Director

Experienced in developing and implementing multi-channel communications and outreach.

Graduate Assistants/Interns

The applicants might be Ph.D. students who benefit by furthering their research while creating doctoral dissertations, thus benefiting the state by increasing the pool of talented scientists.

The Alabama Center for Insurance Information & Research Advisory Committee/Board

The Alabama Center for Insurance Information & Research Advisory Committee/Board will provide direction, information, experience, education, and advice to the Alabama Center for Insurance Information & Research staff. The committee/board is a seamless network of voluntary participants including governmental, business, and non-profit organizations dedicated to working with the Center to inform Alabamians about the benefits of insurance as an individual and business risk management tool while educating them about its applications, components, and limitations. The committee/board will assist the Center in using actuarial and issue-based research about insurance in partnerships with professional organizations, schools, businesses, community groups, and other non-profits with the fundamental objective of empowering Alabamians with the knowledge they need to make intelligent risk management decisions for themselves and/or their businesses.

Members for Consideration

Governor of Alabama

Alabama Department of Insurance

Alabama Department of Revenue

Alabama Senate and House Insurance Committee Chairperson

Alabama Independent Insurance Agents Association

Alabama Insurance Information Service

Alabama Association of Realtors

Alabama Bankers Association

Alabama Mortgage Bankers Association

Alabama Life Underwriters (NAIFA)

Alabama Smart Homes (Smart Homes America)

Business Council of Alabama

Consumer Group Organizations and
Nonprofits

Insurance Companies

Potential Academic Partners

Alabama State University

Athens State University

Auburn University

Auburn University at Montgomery

Samford University

Troy University

Tuskegee University

University of Alabama

University of Alabama at Birmingham

University of Alabama in Huntsville

University of Montevallo

University of South Alabama

Potential Professional Partners

Alabama Society of Certified Accountants

Alabama Society of Professional Engineers

American Institute of Architects

Alabama State Bar

Casualty Actuarial Society

American Risk and Insurance Association

Society of Actuaries

International Code Council

Code Officials Associations of Alabama
(COAA)

Alabama Section of American Society of Civil
Engineers

Potential Trade Association Partners

Home Builders Association of Alabama

Mortgage Bankers Association of Alabama

Agencies and Groups in Other States

National Association of Insurance
Commissioners

Federal Agencies

Federal Emergency Management Agency

U.S. Government Accountability Office

Non-Government Research Organizations

Captive Insurance Companies Association

Carnegie Institution for Science

Independent insurance agencies

Risk Management Society

Insurance Industry Rating Agency and
Research Group

Industry Research and Trade Associations

American Insurance Association

Insurance Institute for Business and Home
Safety

Reinsurance Association of America

Property Casualty Insurance Association

Appendix: Collaborative Examples

Following is a list of examples that are illustrative of alliances. Duplication of any one group is not suggested nor implied. The type of product, resources and structure would be suggested by the proposing institution.

Hazards and Vulnerability Research Institute (University of South Carolina)

<http://webra.cas.sc.edu/hvri>

They are associated with the Department of Geography and they work with homeland security, NASA, Army Corps of Engineers, National Science Foundation and NOAA. Researchers outside of USC include individuals from Benedict College, LSU, University of Arizona and the Norwegian University of Science and Technology. Student researchers include a dozen PhD students across seven disciplines and six Masters and undergraduate students.

Center for the Study of Natural Hazards and Disasters (University of North Carolina)

<http://hazardscenter.unc.edu>

The advisory board is made up of professors from different schools (Civil Engineering at Georgia Tech, Environmental Science at Appalachian State, Engineering at Texas A&M, Engineering at Jackson state) as well as government officials and industry representatives. Geographically they come from across the nation but a great many have ties to North Carolina. The Principle Investigators are delineated into Coastal Hazards Modeling (with reps from Miss State and Oklahoma), Engineering (reps from NC State, LSU, and Texas Southern), Planning (reps from UNC Chapel Hill), and Social Science (reps from Connecticut and LSU). The actual staff members are all UNC-CH professors from various disciplines.

They also list other schools that they partner with such as LSU, Mississippi State, UNC Charlotte, Massey University, New Zealand etc.

Risk Management and Decision Process Center (University of Pennsylvania)

<http://www.wharton.upenn.edu/riskcenter>

Not much information is available because the University of Pennsylvania are a private school. They list corporate associations which are companies which are paying for research to be completed. They have a list for government partners (DHS, DoT, FEMA, USDA, EPA) including international groups (OECD, World Bank, and World Economic Forum). They do not list exactly who they work with but the listed academic partners include Carnegie Mellon, University of Wisconsin- Madison, CREATE at USC, Georgia State University, Harvard, and University of Michigan. The Research Team is directed by professors from Wharton's Risk Management program. The Research fellows come from mostly other Ivy League schools. There is also a visiting scholars program with individuals from Europe and the Pacific Rim.

Stephenson Disaster Management Institute (Louisiana State University)

<http://www.sdmii.lsu.edu>

The Board of Experts is made up of representatives of state government, industry risk managers, FEMA, and the US Military. There are Senior Fellows which are experts from the recovery industry. The staff is made up of individuals on campus at LSU. The research affiliates are all members of LSU staff. The graduate students come from various backgrounds including public administration and communications.

LSU's center is a bit different. They have the "Command College" which is to train emergency management professionals, the Disaster Lab, which is a command center for disaster operations, and Small Business Disaster Preparedness which helps small businesses with continuity planning. The effort is more on outreach than on research.

Florida Catastrophic Storm Risk Management Center (Florida State University)

<http://www.stormrisk.org>

The center has an advisory council that oversees the strategic direction of the center. The majority of the council is made up of industry professionals both in the insurance industry and risk management for major employers. For example, the Vice President of Risk Management for The Walt Disney Company is also on the council. The members of the council are found all over the state from Miami to Tampa to Orlando to Tallahassee. Academia is represented in the case of FIU and the Chief Operating Officer of the Florida Hurricane Catastrophe Fund (FHCF) for the State Board of Administration represents the interests of the citizens. The primary researchers are from Florida State but individuals from Florida A&M, the University of Florida, and Florida Atlantic University are also represented.

REPORT OF THE MITIGATION SUBCOMMITTEE

Submitted by Subcommittee Members:

Joe Ruffer, Chair

Gregg Armstrong

Joe Demos

Darius Foster

Aubury Fuller

Carl Schneider

K. Carl Smith

Julie Magee (ex-officio)

Jim Ridling (ex-officio)

Tim Russell (ex-officio)

Joe Ruffer, Chair

Overview

This report is in two parts - Part I covers existing homes, and Part II covers future home construction. Each part has a general section, as well as sections on Education, Regulation, Statutory, Funding and Mitigation. This is being done in order to provide input to those respective committees. The topics covered are from the March 20 and 26, 2012, "Topic Specific" reports compiled by Auburn University and from a report entitled, "A Roadmap to Resilience," compiled by the Coastal Recovery Commission and dated 2010.

Act 2011-643, known as the Strengthen Alabama Homes Act, created a mitigation program to provide for the addition of loss prevention features in coastal areas. There was no source of funding provided in the Act, however, and it is the Mitigation Subcommittee's recommendation that a minimum of \$100,000,000 be allocated from any Restore Act funds received to fund the mitigation program.

In order to most efficiently and economically implement the recommendations herein, regulatory guidance and oversight of a state-level authority will be required. This will be necessary not only for a state-wide building code, but also necessary for a coastal building code and enforcement. While ADECA has been tasked with oversight of Federal Flood Insurance Regulations and has been involved in selection of a uniform building code, the State of Alabama Building Commission (SBC) is the only agency that presently has expertise in high-wind region design of buildings. Therefore, the logical choice for the development and oversight of enforcement of a state-wide building code would be the SBC. Funding necessary to this end could come from Hazard Mitigation Grant Program, Sea Grant Program, the building permit fee, or from a new or existing insurance premium tax.

Part I - Existing Homes

- General
 - A. By far the greatest short-term need is mitigation of existing homes
 - B. Needed to lower insurance premiums by reducing potential damage
- Education

Educate consumers and other stakeholders about potential insurance cost savings and return on investment that can come from fortifying and retrofitting their homes and particularly benefits gained from opening protection of windows and watertight roof systems

Appendix A - Effects that mitigation features can have toward reducing losses that can occur due to storms
- Regulatory
 - A. Encourage accurate mitigation inspections by requiring that they be conducted by trained, certified building and inspection officials and other licensed professionals
 - Appendix B - Sample list of certifications
 - B. Require that window protection and roof systems meet building code requirements when reroofing
 - Appendix C - Portion of Chapter 9 of the International Residential Code covering which class of shingle is allowed for a specific wind speed
 - C. Require uniformly adopted standards for retrofitting homes
 - Appendix D - Requirements to be certified as Fortified

- D. Develop guidelines for uniform data collection of retrofit construction
 - Appendix E - Example of uniform data collection form
- Statutory

Require licensing of roofing contractors and window protection contractors. Also require affidavit of work performed

Appendix F - Example of letter
- Funding Needs and Opportunities
 - A. Eliminate sales tax on materials used to retrofit homes
 - B. Encourage use of Hazard Mitigation Grant Program (HMGP) funds and, for the coastal counties, dedicate a portion of the BP Oil Spill Fine funds for use by individuals to pay for mitigation of their home
- Mitigation
 - A. Develop an action-specific mitigation program that is focused on a “most bang for the buck” approach
 - B. This program will have information for use in obtaining funding for eligible mitigation items and a recommended priority list of specific methods to reduce storm damages
 - Appendix G - Effects that mitigation features can have toward reducing losses that can occur due to storms

Part II – New/Future Home Construction

- General
 - A. Uniform building codes that adequately address design for high winds, and uniform enforcement is the keys to building homes that will withstand the damages caused by high winds, and thus are the keys to normalizing homeowner insurance premiums throughout the State of Alabama
 - B. Code development, adoption and oversight by a state agency are essential
- Education
 - A. Work with stakeholders in the construction, sale, appraisal, and financing of homes and buildings to develop and implement stronger codes and a uniform review process
 - B. Strengthen and develop programs to train and license local building code officials to increase effectiveness of code enforcement throughout the coastal region
 - C. Publicize information about stronger building standards with consumers and other stakeholders
- Regulatory
 - A. Adopt minimum qualifications for building code officials
 - B. Use code-plus wind design standards in the wind-borne debris regions of the coastal counties
 - Appendix F - Requirements to be certified as Bronze with the Insurance Institute for Business & Home Safety (IBHS)

- C. A database built from vital building statistical data collected by local building inspection departments that can be used to determine the durability of structures
 - Appendix G - Sample data collection form
- D. Encourage code uniformity by establishing that changes to local building standards will be adopted uniformly by all jurisdictions and, in particular, Baldwin and Mobile counties
- Statutory

Require that local building inspection departments obtain an ISO rating and require that insurance carriers and models recognize this insurance industry-established Building Code Effectiveness Grading Standard (BCEGS)
- Funding Needs and Opportunities
 - A. Enforcement of building codes in rural areas where building inspection departments are virtually non-existent could be done on a regional basis with the various governmental entities sharing the cost on a pro rata basis, or this could be done utilizing non-profit groups who could, under contract with the state agency who has oversight, collect the permit fees and perform the necessary plan review and inspection services
 - B. In the coastal counties, consideration should be given once again to the BP Oil Spill Fine money
- Mitigation
 - A. Adoption and enforcement of the latest edition of the International Residential Code is absolutely essential
 - B. Will fall under the authority of the state agency tasked with this regulatory action
 - C. If there is insufficient political will for a statewide code, require the adoption of uniform codes for the coastal counties of Mobile and Baldwin
 - D. In addition, develop ongoing involvement and dialogue among stakeholders through a newly-formed Alabama Insurance Institute

Appendix A: Loss Reduction Effects of Mitigation Features

| Mitigation | Terrain B ¹ | | | Terrain C ² | | |
|---|------------------------|-------|--------|------------------------|-------|--------|
| | Min | Avg | Max | Min | Avg | Max |
| Roof Cover: Non-Code/Code Compliant ³ | 17.3% | 50.9% | 91.2% | 6.5% | 36.4% | 83.6% |
| Opening Protection: None/Hurricane | 2.5% | 17.8% | 70.2% | 11.8% | 61.1% | 267.2% |
| Roof Deck: A ⁴ /C ⁵ | 0.7% | 22.3% | 148.1% | 1.5% | 33.7% | 203.8% |
| Soffits: Vinyl/Wood | 0.8% | 7.4% | 21.7% | 7.1% | 24.5% | 114.7% |
| Roof to Wall Connection: Toe Nail/Wrap ⁶ | 0.0% | 8.2% | 78.0% | 0.0% | 16.6% | 78.0% |
| No SWR/SWR ⁷ | 0.0% | 6.5% | 41.9% | 0.1% | 8.0% | 56.2% |

This chart shows the percent of reduction in losses you could receive from a storm for specific mitigation features. These are presented in order of most reduction in loss to the least reduction in loss

Notes:

1. Terrain B - Urban and suburban areas, wooded areas, or other terrain with numerous closely spaced obstructions having the size of single-family.
2. Terrain C - Open terrain with scattered obstructions having heights generally less than 30 ft. This category includes flat open country and grasslands.
3. If you use code compliant shingle, such as Class H, on your roof, you could receive 50.9% less damage than if you use a lower class shingle that is not code compliant.
4. Roof Deck A – 6 penny nails on a 6" X 12" spacing pattern
5. Roof Deck C – 8 penny nails on a 6" spacing pattern
6. Wrap – Simpson Strong-Tie Connector (Example: H16 or MTS30)
7. SWR – Secondary Water Resistance such as taping of joints on the roof deck, roofing felt, synthetic underlayment and ice shields

Appendix B: Credentialing of Professionals

Certifications needed in order inspect any mitigation measures applied to existing structures to help reduce storm damage.

- Registered Engineer
- Registered Architect
- ICC - International Code Council - Residential Building Inspector
- ICC - International Code Council - Building Plans Examiner
- IBHS - Institute for Business & Home Safety FORTIFIED for Safer Living - Inspector
- IBHS - Institute for Business & Home Safety FORTIFIED for Safer Living - Plan Review and Inspector
- IBHS - Institute for Business & Home Safety FORTIFIED for Safer Living - Existing Homes

Appendix C: Roof Assemblies - International Residential Code

ROOF ASSEMBLIES

R904.2 Compatibility of materials. Roof assemblies shall be of materials that are compatible with each other and with the building or structure to which the materials are applied.

R904.3 Material specifications and physical characteristics. Roof covering materials shall conform to the applicable standards listed in this chapter. In the absence of applicable standards or where materials are of questionable suitability, testing by an *approved* testing agency shall be required by the *building official* to determine the character, quality and limitations of application of the materials.

R904.4 Product identification. Roof covering materials shall be delivered in packages bearing the manufacturer's identifying marks and *approved* testing agency *labels* when required. Bulk shipments of materials shall be accompanied by the same information issued in the form of a certificate or on a bill of lading by the manufacturer.

SECTION R905 REQUIREMENTS FOR ROOF COVERINGS

R905.1 Roof covering application. Roof coverings shall be applied in accordance with the applicable provisions of this section and the manufacturer's installation instructions. Unless otherwise specified in this section, roof coverings shall be installed to resist the component and cladding loads specified in Table R301.2(2), adjusted for height and exposure in accordance with Table R301.2(3).

R905.2 Asphalt shingles. The installation of asphalt shingles shall comply with the provisions of this section.

R905.2.1 Sheathing requirements. Asphalt shingles shall be fastened to solidly sheathed decks.

R905.2.2 Slope. Asphalt shingles shall be used only on roof slopes of two units vertical in 12 units horizontal (2:12) or greater. For roof slopes from two units vertical in 12 units horizontal (4:12), double underlayment application is required in accordance with Section R905.2.7.

R905.2.3 Underlayment. Unless otherwise noted, required underlayment shall conform to ASTM D226 Type I, ASTM D 4869 Type I or ASTM D 6757.

Self-adhering polymer modified bitumen sheet shall comply with ASTM D 1970.

R905.2.4 Asphalt shingles. Asphalt shingles shall comply with ASTM D 225 or D 3462.

R905.2.4.1 Wind resistance of asphalt shingles. Asphalt shingles shall be tested in accordance with ASTM D7158. Asphalt shingles shall meet the classification requirements of Table R905.2.4.1(1) for the appropriate maximum basic wind speed. Asphalt shingle packaging shall bear a *label* to indicate compliance with ASTM D 7158 and the required classification in Table R905.2.4.1(1).

Exception: Asphalt shingles not included in the scope of ASTM D7158 shall be tested and labeled to indicate compliance with ASTM D 3161 and the required classification in Table R905.2.4.1(2).

TABLE R905.2.4.1(1)
CLASSIFICATION OF ASPHALT ROOF SHINGLES PER ASTM D 7158

| MAXIMUM BASIC WIND SPEED FROM FIGURE 301.2(4)a (mph) | CLASSIFICATION REQUIREMENT |
|--|----------------------------|
| 85 | D, G or H |
| 90 | D, G or H |
| 100 | G or H |
| 110 | G or H |
| 120 | G or H |
| 130 | H |
| 140 | H |
| 150 | H |

For S1: 1 mile per hour = 0.447 m/s

TABLE R905.2.4.1(2)
CLASSIFICATION OF ASPHALT SHINGLES PER ASTM D 3161

| MAXIMUM BASIC WIND SPEED FROM FIGURE 301.2(4)a (MPH) | CLASSIFICATION REQUIREMENT |
|--|----------------------------|
| 85 | A, D or F |
| 90 | A, D or F |
| 100 | A, D or F |
| 110 | F |
| 120 | F |
| 130 | F |
| 140 | F |
| 150 | F |

For S1: 1 mile per hour = 0.447 m/s

Appendix D: Hurricane Resistance for Existing Homes

FORTIFIED for Existing Homes®
HURRICANE RESISTANCE BRONZE DESIGNATION
 Field Checklist for Re-roofing Projects



EXISTING ROOF

The Insurance Institute for Business & Home Safety FORTIFIED for Existing Homes® program helps any homeowner in a coastal area strengthen their home against the devastating power of tropical storms and hurricanes.

Whether working with a homeowner to upgrade, re-build, remodel or maintain their home, using the FORTIFIED for Existing Homes® Hurricane Resistance standards, can turn your client's home into a resilient, durable, hurricane resistant, single-family home.

This checklist is a tool that will assist roofing contractors to identify and track the installation of FORTIFIED upgrades to the roof and attic ventilation systems that are required to qualify for a FORTIFIED Hurricane Resistance Bronze designation.

| COMPONENT/SYSTEM |  |  |  |
|---|---|---|--|
| ROOF • Roof deck is sealed • Roof deck attachment meets program standards • Roof covering condition meets standards | ✓ | ✓ | ✓ |
| ATTIC VENTILATION • Roof mounted vents are high wind rated • Soffit vents will resist water intrusion • Gable overhangs and vents properly constructed • Gable end vents are protected against water intrusion | ✓ | ✓ | ✓ |
| GABLES OVER 4' TALL - EXTERIOR (if applicable) • Must have structural sheathing | ✓ | ✓ | ✓ |
| OPENINGS • Impact protected with an approved system | | ✓ | ✓ |
| ATTACHED STRUCTURES - PORCHES/CARPORTS • Roof to beam strapped to resist uplift • Beam to column strapped to resist uplift • Column to structure strapped to resist uplift | | ✓ | ✓ |
| GABLES OVER 4' TALL- BRACING (if applicable) • Braced to withstand high wind pressures | | ✓ | ✓ |
| CHIMNEYS (if applicable) • Properly attached to structure | | | ✓ |
| OPENINGS • Have adequate design pressure ratings | | | ✓ |
| CONTINUOUS LOAD PATH • Roof to wall connection • Wall to floor connection • Floor to foundation | | | ✓ |

**ADDITIONAL RESOURCES
AVAILABLE AT
DISASTERSAFETY.ORG/
FORTIFIED:**

- FORTIFIED for Existing Homes® evaluation application
- Answers to Frequently Asked Questions
- Downloadable FORTIFIED for Existing Homes® Hurricane Resistance Engineering Guide
- Information on a home will be evaluated after the roof replacement is complete
- The FORTIFIED Evaluator Directory



PHONE (813) 286-3400
DisasterSafety.org FORTIFIED@ibhs.org
 FAX (813) 286-9960

The FORTIFIED for Existing Homes™ designation process involves six simple steps:

STEP 1. APPLY

Once the re-roofing project is complete, the homeowner will need to visit the FORTIFIED for Existing Homes™ section at www.DisasterSafety.org/fortified, and complete an online application. There is no charge and it takes less than 5 minutes.

STEP 2. SCHEDULE AN EVALUATION

When the application is received and processed, the homeowner will be directed to a list of certified evaluators approved to work in your area. The next step is to schedule a fee-based evaluation of the home by an IBHS certified FORTIFIED evaluator. The homeowner has the option to interview any evaluator listed, discuss their fees and negotiate accordingly. All FORTIFIED Evaluators are certified by IBHS after completing a comprehensive training program, passing an exam and meeting IBHS' rigorous professional requirements.

STEP 3. HAVE FORTIFIED EVALUATION PERFORMED

At the scheduled time, the evaluator selected by the homeowner will visit the home and conduct a FORTIFIED evaluation. The evaluator's role is to collect information about the home and complete a comprehensive checklist provided by IBHS. At the conclusion of the evaluation, the information is transmitted to IBHS for analysis.

STEP 4. RECEIVE AND REVIEW CUSTOMIZED REPORT FROM IBHS

After the evaluation, the homeowner will receive a written report, called the Current Condition Report, by email from IBHS. This report will include an analysis of the home's current condition, explain deficiencies (if any) and identify further improvements needed to achieve each of the three FORTIFIED designations for the specified natural hazard.

STEP 5. TAKE ACTION

If the criteria outlined in this checklist are executed and documented properly, the home will qualify for a FORTIFIED Bronze designation. If the property owner would like to further upgrade the home and achieve a Silver or Gold designation in the future, the Current Condition report can be used as the basis for creating a FORTIFIED action plan to further strengthen their home.

STEP 6. GET DESIGNATED

Using this checklist will help ensure proper completion and documentation of FEH Bronze requirements and paves the way to a Bronze designation. Actual Bronze designation is contingent on verification of compliance by IBHS.

Field Checklist for Re-roofing

ROOF CONSTRUCTION

(refer to pages 8 & 9 of Engineering Guide)

| Roof sheathing panels (plywood or OSB) are a minimum of 7/16" thick | | | |
|---|--|----|--|
| The roof sheathing panels must be fastened in accordance with Table 2 on page 9 of the Engineering Guide. This may require that fasteners be added. | | or | |
| Complete the following (required): | | | |
| Design wind speed established by local jurisdiction: | | | |
| Fastener type: | | | |
| Existing fastener spacing - Along panel edge | | | |
| Existing fastener spacing - In the field | | | |
| -or- | | | |
| Roof deck is sawn lumber or wood board decking (see page 8 for fastener type requirements) | | or | |
| Roof framing members are maximum 24" on center | | or | |
| NOTE: All deteriorated or damaged roof decking must be repaired in accordance with methods described on pages 10 – 12 of the Engineering Guide | | | |

PREVENTING WATER INTRUSION SEALING THE ROOF DECK

| Reinforced synthetic underlayment installed w/ button cap nails, horizontal and vertical laps are sealed/taped | | or | & | | |
|--|--|----|---|-----|--|
| Self adhering polymer modified bitumen tape at least 4" wide applied to all vertical and horizontal roof sheathing seams with 30# Type II underlayment applied over tape | | or | | N/A | |
| A full layer of self-adhering polymer modified bitumen membrane ("peel & stick") is applied to the entire roof deck | | or | | N/A | |
| -or- | | | | | |
| A closed-cell 2-part spray applied polyurethane foam is applied to the underside of the roof sheathing panels at the joints between panels and along all intersections roof sheathing and roof framing members | | | | | |

- Photograph required: all photographs must clearly show the fortified upgrade installed
- Product documentation required
- Contractor affidavit: must identify product(s) used and must reference property address
- Invoice/delivery documents: must reference property address
- Item complete

ROOF COVERING

| Select one type: | | <input checked="" type="checkbox"/> | | | | |
|--|---|-------------------------------------|--|----|----|--|
| Asphalt Shingles | (must meet requirements provided in Table 5 on page 16 of the Engineering Guide) | | | | | |
| If asphalt shingles: | All shingles and starters at intersections, eaves, valleys a gable end shingles are set in 8"-wide strip of flashing cement | | | or | or | |
| Concrete or clay tiles | Installation meets requirements on page 16 of the Engineering Guide | | | or | or | |
| Metal roofing panels | Installation meets requirements on page 17 of the Engineering Guide | | | or | or | |
| Other roof covering materials | Installation meets requirements on page 17 of the Engineering Guide | | | or | or | |
| NOTE: Detailed material requirements and installation requirements by roof covering type are found on pages 12 – 15 of Engineering Guide.* | | | | | | |

ATTIC VENTILATION SYSTEM - ROOF AND WALL VENTS CONSTRUCTION

| | | <input checked="" type="checkbox"/> | | | | |
|---|---|-------------------------------------|-----|-----|-----|-----|
| Attic is sealed, no ventilation at overhangs or on roof of any kind (if checked, skip to Gables-Exterior) | | | | N/A | N/A | N/A |
| If attic is not sealed: | ROOF MOUNTED VENTS: (indicate # of each vent type found on the roof) | | | | | |
| | Number of ridge-vents | | | | | |
| | Number of off-ridge vents | | | | | |
| | All roof mounted vents meet requirements of TAS 100(A) | | N/A | | or | |
| | All roof mounted vents are installed per manufacturer's high wind installation requirements | | N/A | | or | |

ATTIC VENTILATION SYSTEM - GABLE END WALL VENTS

| | | | | |
|---|-------------------------------------|--|-----|-----|
| (if not applicable, skip this section) | <input checked="" type="checkbox"/> | | | |
| House has gable end vents | | | N/A | N/A |
| Gable end vents are shuttered (with permanent anchors installed) to prevent water intrusion per the details on page 24 of the Engineering Guide | | | | |

NOTE: If home has gable end vents, vents must be protected to prevent water intrusion in order to qualify for a Bronze designation. See page 24 of the Engineering Guide for detail.

ATTIC VENTILATION SYSTEM - SOFFITS AND OVERHANGS

| | <input checked="" type="checkbox"/> | | |
|---|-------------------------------------|--|--|
| Soffits and overhangs are <= 12" deep (measured from face of wall to the outside edge of the soffit) | | | |
| Soffits and overhangs greater than 12", and covered with aluminium or vinyl material have additional support in accordance with details on pages 21 – 22 in Engineering Guide | | | |
| Soffit and Overhangs are covered with rigid material (for example, wood panels or fiber cement) | | | |

GABLES OVER 4'TALL - EXTERIOR

| | | | |
|--|-------------------------------------|--|--|
| (if not applicable, skip this section) | <input checked="" type="checkbox"/> | | |
| Gable end walls are sheathed with a minimum of 7/16" plywood, or OSB | | | |
| Gable end walls are sheathed with sawn lumber or wood board siding, nominally 1" thick | | | |

NOTE: If either of these items is checked, the gable end walls will not require retrofit in order to qualify for Bronze designation.

GABLES WITH OVERHANG AND OUTLOOKERS

| | | | |
|--|-------------------------------------|----|--|
| (to upgrade and verify compliance soffit material may have to be removed) | <input checked="" type="checkbox"/> | | |
| Outlookers are a minimum 2 x 4 framing at 24" o.c. | | or | |
| Outlookers and/or roof framing members are not notched | | or | |
| Outlooker overhang does not exceed 26" | | or | |
| Gable end wall is sheathed with 7/16" plywood or OSB or 1" thick sawn lumber or board siding | | or | |
| Outlooker details comply with standards in Engineering Guide on pages 17 & 18 | | or | |

OTHER IMPORTANT FORTIFIED INFORMATION:

This checklist is only a summary and omits detailed information related to compliance and verification. Further information about the prescriptive methods and performance standards herein and how they are verified for designation purposes can be found in the FORTIFIED for Existing Homes™ Hurricane Engineering Guide (available for download at www.disastersafety.org). Any questions related to compliance should be directed to your chosen FORTIFIED evaluator.

Many of the systems and components that will require improvement during the re-roofing process are typically concealed by finished materials (ie. roof underlayment is covered by roof covering). For a re-roofing project, documentation of FORTIFIED improvements will be required prior to the upgrades being concealed to verify that the work done meets FORTIFIED standards. Using this checklist and the compiled documentation, the contractor working with the homeowner can provide a detailed package of information critical for the designation process. The homeowner can then apply at www.disastersafety.org/fortified and request that their home receive a FORTIFIED for Existing Homes™ Hurricane Bronze resistance designation. A certified evaluator will be required to audit the property for compliance and submit documentation to IBHS for review and designation.

The Insurance Institute for Business & Home Safety provides local evaluator training and certification to ensure that designation is consistent, accurate, and technically rigorous throughout the country.

FORTIFIED building programs also include marketing and advocacy guidance for member companies and local FORTIFIED service providers to communicate the benefits and the importance of keeping homes FORTIFIED.

Appendix E: Uniform Mitigation Verification Inspection Form

Uniform Mitigation Verification Inspection Form

Maintain a copy of this form and any documentation provided with the insurance policy

| | |
|--------------------------------|-----------------|
| Inspection Date: | |
| Owner Information | |
| Owner Name: | Contact Person: |
| Address: | Home Phone: |
| City: | Work Phone: |
| County: | Cell Phone: |
| Insurance Company: CHARTIS PCG | Policy #: |
| Year of Home: | Email: |

NOTE: Provide photos of features and/or documentation used in validating the compliance or existence of each construction or mitigation attribute. Your insurer may ask additional questions regarding your mitigated feature/s.

1. **Building Code:** What building code was used to design and build the structure or what Fortified Designation is current (requires copy of Fortified Designation Certificate)

- A. Built in Compliance with the IRC 2006. Year Built _____
- B. IBHS Fortified for Existing Homes- Bronze Designation Certificate
- C. IBHS Fortified for Existing Homes- Silver Designation Certificate
- D. IBHS Fortified for Existing Homes- Gold Designation Certificate
- E. IBHS Fortified for Safer Living Designation (FFSL homes can only qualify with approval of plans prior to beginning construction)
- F. Unknown, Undetermined, No Building Code Enforced, or an adopted code version prior to the IRC 2006.

2. **Roof Covering:** Select all roof covering types in use. Provide the permit application date or FBC/MDC Product Approval number or Year of Original Installation/Replacement or indicate that no documentation was available to verify compliance for each roof covering identified.

| 2.1 Roof Covering Type: | FBC or MDC Product Approval # | Year of Original Installation or Replacement | Estimated Year? | No Documentation Was Provided for Compliance |
|--|-------------------------------|--|--------------------------|--|
| <input type="checkbox"/> 1. Asphalt/Fiberglass Shingle | _____ | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> 2. Concrete/Clay Tile | _____ | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> 3. Metal | _____ | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> 4. Built Up | _____ | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> 5. Membrane | _____ | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> 6. Other _____ | _____ | _____ | <input type="checkbox"/> | <input type="checkbox"/> |

- A. All roof coverings listed above meet the IRC 2006 with an FBC or Miami-Dade Product Approval listing current at time of installation demonstrating compliance with FBC or High Velocity Hurricane Zone (HVHZ) minimum wind uplift requirements.
- B. One or more roof coverings do not meet the requirements of Answer "A".
- C. No roof coverings meet the requirements of Answer "A".

3. **Roof Deck Attachment:** What is the weakest form of roof deck attachment? If the roof deck is plywood/OSB, Dimensional Lumber, or Tongue & Groove fill in the chart below.

| Roof Deck Attachment Information | Deck Thickness | Dim/T&G Board Width | Truss/Rafter Spacing | Average # of Misses in 4 feet | Dim/T&G # Nails Per Board | # Nails in 4 Feet | Total Fastener Length (Deck Thickness plus exposed nail length to the nearest 1/8 inch) | Fastener Type (Smooth, Ring Shank, Deformed Shank, Screw) |
|----------------------------------|----------------|---------------------|----------------------|-------------------------------|---------------------------|-------------------|---|---|
| For Plywood OSB | Select | Select | Select | Select | Select | Select | Select | Select |
| For Dimensional Lumber/T&G | Select | Select | Select | Select | Select | Select | Select | Select |

Use the information collected from the above chart to select the proper Deck Fastening Classification below. For deck types other than Plywood/OSB, Dim Lumber, or Tongues & Groove or where complete information is not available use Answers "E" thru "H". For calculations to support Deck "B" or "C", use Answer "F" and provide the calculations used to determine compliance.

Inspectors Initials _____ Property Address _____

*This verification form is valid for up to five (5) years provided no material changes have been made to the structure.

Page 1 of 4

| Overall Deck Rating- Plywood/OSB or Dimensional Lumber or Tongue & Groove Decking Types | Deck Thickness | Truss/Rafter Spacing | # Nails in 4 Feet (field nailing) | Fastener Length | Average # Misses |
|--|----------------|----------------------|--|-----------------|------------------|
| <input type="checkbox"/> Deck A- 6d nails or staples or any of the following is true | <7/16" | >24" | For 2.375" Nails < 5 | < 2.375" | > 3 |
| <input type="checkbox"/> Deck B- 8d nails spaced 6/12 and all of the following is true OR documentation attached to certify an equivalent mean uplift resistance of 103 PSF | >=7/16" | <=24" | For 2.375" Nails = 5 | >= 2.375" | < 3 |
| <input type="checkbox"/> Deck C- 8d nails spaced 6/6 and all of the following is true OR documentation attached to certify an equivalent mean uplift resistance of 182 PSF | >=7/16" | <=24" | For 2.375" Nails >= 9 | >= 2.375" | < 3 |
| <input type="checkbox"/> Deck D- Dim Lumber or Tongue & Groove and all of the following is true | N/A | <= 24" | 2 nails/board > 6" or 1 nail/board <= 6" | N/A | N/A |
| <input type="checkbox"/> E. Reinforced Concrete Roof Deck | | | | | |
| <input type="checkbox"/> F. Other: _____ | | | | | |
| <input type="checkbox"/> G. Unknown or unidentified | | | | | |
| <input type="checkbox"/> H. No attic access. | | | | | |

4. **Roof to Wall Attachment:** What is the **WEAKEST** roof to wall connection? (Do not include attachment of hip/valley jacks within 5 feet of the inside or outside corner of the roof in determination of WEAKEST type)

- A. Toe Nails- Truss/rafter anchored to top plate of wall using nails driven at an angle through the truss/rafter and attached to the top plate of the wall, or Metal connectors that do not meet the minimal conditions or requirements of B, C, or D

Minimal conditions to qualify for categories B, C, or D. All visible metal connectors are:

Secured to truss/rafter with a minimum of three (3) nails and attached to the wall top plate of the wall framing, or embedded in the bond beam, with no more than a ¼ gap from the blocking or truss/rafter and blocked no more than 1.5" of the truss/rafter, and free of visible severe corrosion (red flaky rust).

- B. Clips- Metal connectors that do not wrap over the top of the truss/rafter or metal connectors with a minimum of 1 strap that wraps over the top of the truss/rafter and does not meet the nail position requirements of C or D, but is secured with a minimum of 3 nails.
- C. Single Wraps- Metal connectors consisting of a single strap that wraps over the top of the truss/rafter secured with a minimum of 2 nails on the front side and a minimum of 1 nail on the opposing side.
- D. Double Wraps- Metal Connectors consisting of 2 separate straps that are attached to the wall frame, or embedded in the bond beam, on either side of the truss/rafter where each strap wraps over the top of the truss/rafter secured with a minimum of 2 nails on the front side, and a minimum of 1 nail on the opposing side or metal connectors consisting of a single strap that wraps over the top of the truss/rafter, is secured to the wall on both sides, and is secured to the top plate with a minimum of three nails on each side.
- E. Structural Anchor bolts structurally connected or reinforced concrete roof.
- F. Other: _____
- G. Unknown or Unidentified
- H. No attic access

5. **Roof Geometry:** What is the roof shape? (Do not consider roofs of porches or carports that are attached only to the fascia or wall of the host structure over unenclosed space in the determination of roof perimeter or roof area for roof geometry classification)

- A. Hip Roof- Hip roof with no other roof shapes greater than 10% of the total roof system perimeter.
Total length of non-hip features: _____ feet; Total roof system perimeter: _____ feet
- B. Flat Roof- Roof on a building with 5 or more units where at least 90% of the main roof area has a roof slope of less than 2:12. Roof area with slope less than 2:12 _____ sq. ft.; Total roof area _____ sq. ft.
- C. Other Roof- A building with 1 to 4 units, any roof that does not qualify as a Hip Roof (A) or a building with 5 or more units, any roof that does not qualify as either a Hip Roof (A) or Flat Roof (B)

6. **Gable End Bracing:** For roof structures that contain gables, please check the **weakest** that apply.

- A. Gable End(s) are braced at a minimum in accordance with the Fortified for Safer Living or Existing Homes requirements.
- B. Gable End(s) do not meet the above conditions
- C. Not applicable, unknown or unidentified

Inspectors Initials _____ Property Address _____
 *This verification form is valid for up to five (5) years provided no material changes have been made to the structure. Page 2 of 4

7. Wall Construction Type: Check all wall construction types for exterior walls of the structure and percentages for each:

- A. Wood Frame _____ %
- B. Wood Frame with Masonry Veneer _____ %
- C. Un-Reinforced Masonry _____ %
- D. Reinforced Masonry _____ %
- E. Poured Concrete _____ %
- F. Other: _____ %

8. Sealed Roof Deck (SRD): (standard underlayment's or hot mopped felts do not qualify as an SRD)

- A. Self-adhering polymer modified bitumen roofing underlayment applied directly to the sheathing either continuously or on all plywood/OSB joints with 4-6 inch wide self-adhering strips OR foam adhesive SRD barrier (not foamed on insulation) applied as a supplemental means to protect the dwelling from water intrusion in the event of roof covering loss.
- B. Synthetic Underlayment with a minimum tear strength of 20 lbs. per ASTM D 1970 or ASTM D 4533 nailed with annular ring shank cap nails 12 inches o.c. in the field and 6 inches o.c. on overlaps with seam tape on all joints in compliance with the Fortified for Existing Homes Program
- C. No SWR.
- D. Unknown or undetermined.

9. Opening Protection: What is the weakest form of wind borne debris protection installed on the structure? Use the chart to determine the weakest form of protection for each category of opening, then check only one answer below ("A" thru "E") based upon the lowest protection level for ALL Glazed Openings and check the protection level for all Non-Glazed Openings (x.1 or x.2).

| Windborne Debris Protection Level Chart | | Glazed Openings | | | | Non-Glazed Openings | |
|---|---|------------------------|--------------|-----------|-------------|---------------------|--------------|
| | | Windows or Entry Doors | Garage Doors | Skylights | Glass Block | Entry Doors | Garage Doors |
| N/A | Not Applicable- there are no openings of this type on the structure | | | | | | |
| A | Verified cyclic pressure & large missile (9-lb for windows doors/4.5 lb for skylights) | | | | | | |
| B | Verified cyclic pressure & large missile (4-8 lb for windows doors/2 lb for skylights) | | | | | | |
| C | Verified Wood Structural Panels meeting the fastening requirements of the FBC 2007 or IBC/IRC 2009 | | | | | | |
| D | Opening Protection products that appear to be A or B but are not verified Other protective coverings that cannot be identified as A, B, or C Unprotected Verified Non-Glazed Entry/Garage Doors indicating compliance with ASTM E 330, ANSI/DASMA 108, or PA/TAS 202 for wind pressure resistance only. | | | | | | |
| E | No Windborne Debris Protection | | | | | | |

- A. Exterior Openings Cyclic Pressure and 9-lb Large Missile (4.5 lb for skylights only)** All Glazed Openings are protected at a minimum, with impact resistant coverings or products listed as wind borne debris protection devices in the product approval system of the State of Florida or Miami-Dade County and meet the requirements of one of the following for "Cyclic Pressure and Large Missile Impact".

- Miami-Dade County PA 201, 202, and 203
- Florida Building Code Testing Application Standard (TAS) 201, 202, and 203
- American Society for Testing and Materials (ASTM) E 1886 and ASTM E 1996
- Southern Standards Technical Document (SSTD) 12
- For Skylights Only: ASTM E 1886 and ASTM E 1996
- For Garage Doors Only: ANSI/DASMA 115

- A.1 All Non-Glazed Openings have an equal or higher level of windborne debris protection or no Non-Glazed Openings exist.
- A.2 One or More Non-Glazed Openings have a lower level or no windborne debris protection

Inspectors Initials _____ Property Address _____
 *This verification form is valid for up to five (5) years provided no material changes have been made to the structure. Page 3 of 4

- B. Exterior Opening Protection- Cyclic Pressure and 4 to 8-lb Large Missile (2-4.5 lb for skylights only)** All Glazed openings are protected, at a minimum, with impact resistant coverings or products listed as windborne debris protection devices in the product approval system of the State of Florida or Miami-Dade County and meet the requirements of one of the following for "Cyclic Pressure and Large Missile Impact":
- ASTM E 1886 and ASTM E 1996 (Large Missile – 4.5 lb.)
 - SSTD 12 (Large Missile – 4 lb. to 8 lb.)
 - For Skylights Only: ASTM E 1886 and ASTM E 1996 (Large Missile - 2 to 4.5 lb.)
 - For Garage Doors Only: ANSI/DASMA 115 or Miami-Dade PA 201, 202, and 203 or FBC TAS 201, 202, and 203
- B.1 All Non-Glazed Openings have an equal or higher level of windborne debris protection or no Non-Glazed Openings exist.
- B.2 One or More Non-Glazed Openings have a lower level or no windborne debris protection
- C. Exterior Opening Protection- Wood Structural Panels (No OSB)** All Glazed openings are protected with Wood Structural Panels meeting the Prescriptive Exception to Engineered Impact Protection Systems in the FBC 2007 or IBC/IRC 2009. (For PlyLox Clips see answer D or E). All panels are precut, predrilled, and labeled with permanent in-place fasteners installed on the structure around each opening.
- C.1 All Non-Glazed Openings have an equal or higher level of windborne debris protection or no Non-Glazed Openings exist.
- C.2 One or More Non-Glazed Openings have a lower level or no windborne debris protection
- D. Exterior Opening Protection (unverified shutter systems with no documentation)** All Glazed openings are protected with protective coverings not meeting the requirements of Answer "A", "B", or "C" or systems that appear to meet Answer "A" or "B" with no documentation of compliance.
- D.1 All Non-Glazed Openings have an equal or higher level of protection or no Non-Glazed Openings exist
- D.2 One or More Non-Glazed Openings have a lower level or no protection
- E. None or Some Glazed Openings** One or more glazed exterior openings do not have wind-borne debris protection.

| <i>MITIGATION INSPECTIONS MUST BE CERTIFIED BY A QUALIFIED INSPECTOR.</i> | | |
|--|---------------|------------------------------|
| Qualified License Holder Name: (for information on qualified license holders contact your insurance agent) | License Type: | License# or FEH Evaluator #: |
| Inspection Company Name: | | Phone: |

The definitions on this form are for inspection purposes only and cannot be used to certify any product or construction feature as offering protection from hurricanes.

Inspectors Initials _____ Property Address _____
 *This verification form is valid for up to five (5) years provided no material changes have been made to the structure. *Page 4 of 4*

Appendix F: Roofing Compliance Letter

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FORTIFIED for Existing Homes™: ROOFING COMPLIANCE LETTER
To be completed by roofing contractor

Homeowner's Name: _____

Property Address: _____

City, State, Zip: _____

Roof Replaced On: _____

FORTIFIED ID: _____

ROOF COVERING COMPLIANCE

I, the licensed roofer whose name and signature appears below, do hereby certify that the roof for the address above was replaced in its entirety on the date noted, and confirm that the installation of the same was completed in accordance with all requirements of the FORTIFIED for Existing Homes™ program

(Initial adjacent to the appropriate program below).

_____ 2010 Hurricane Resistance

_____ 2010 High Wind & Hail Resistance

_____ 2010 Wildfire Resistance

A warranty of _____ years for materials was provided to the homeowner at the time of completion.

A warranty of _____ years for workmanship was provided to the homeowner at the time of completion

PERMIT INFORMATION (if required by local building authority)

The Permit Number for the work completed is _____,
dated _____.

The permit was issued by the _____ (County/City)
building department.

The final inspection from the Building Department was conducted on _____.

OR

_____ Initial here if no permit was issued for this property for the work above.

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ROOF MATERIALS

Roofing Covering (type) _____

Manufacturer _____

Specifications Test Standard and Rating:

| <i>Initial Here</i> | Wind Speed for location | Shingle Testing Standard/Classification |
|---------------------|-------------------------|---|
| | 110 MPH | ASTM D3161 (Class F) or ASTM D 7158 (Class G or H) |
| | 120 MPH | ASTM D 7158 (Class G or H) |
| | 130 MPH | |
| | 140 MPH | ASTM D 7158 (Class H) |
| | 150 MPH | |

ROOF DECK ATTACHMENT RE-NAILING

Initial Here

_____ Previous nail pattern/type meets FORTIFIED for Existing Homes™ roof deck nail requirements. (No re-nailing needed.)

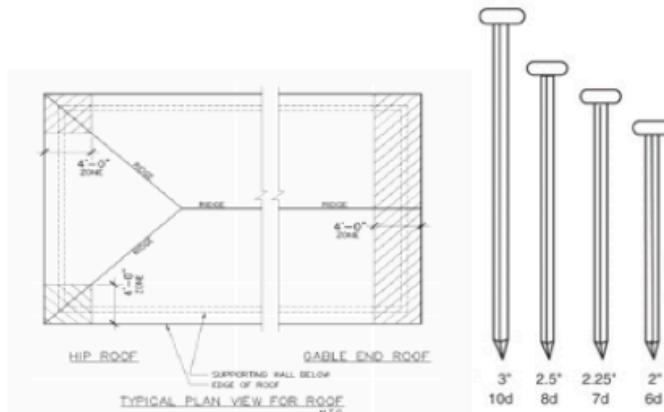
| Fastener Type (circle one) | Length (circle one) | Diameter (circle one) | Shank Type (circle one) |
|-------------------------------|------------------------|--------------------------|----------------------------|
| 6d nails | 2" | .113 | smooth |
| 8d nails | 2 3/8" | .131 | ring |
| 10d nails | 2 1/2" | .148 | spiral |
| screws | 3" | # ____ (screws) | deformed |
| Other: _____ | Other: _____ | Other: _____ | Other: _____ |

Outside of 4'corner zone: _____ O.C. spacing along panel edges _____ O.C. spacing in the field

Within the 4' zone: _____ O.C. spacing along panel edges _____ O.C. spacing in the field

(see diagrams below)

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The entire roof deck was re-nailed during re-roofing to meet the FORTIFIED nailing requirements using (please enter type/spacing per FORTIFIED standards).

| Fastener Type (circle one) | Length (circle one) | Diameter (circle one) | Shank Type (circle one) |
|-------------------------------|------------------------|--------------------------|----------------------------|
| 6d nails | 2" | .113 | smooth |
| 8d nails | 2 3/8" | .131 | ring |
| 10d nails | 2 1/2" | .148 | spiral |
| screws | 3" | # <u> </u> (screws) | deformed |
| Other: _____ | Other: _____ | Other: _____ | Other: _____ |

Spacing after re-nailing:

Outside of 4' corner zone: _____ O.C. spacing along panel edges _____ O.C. spacing in the field

Within the 4' zone: _____ O.C. spacing along panel edges _____ O.C. spacing in the field

SEALED ROOF DECK
Initial Here

A qualified form of FORTIFIED for Existing Homes™ roof deck sealing system **WAS NOT** installed during re-roofing.

A qualified form of FORTIFIED for Existing Homes™ roof deck sealing system was installed during re-roofing. See below for qualifications.

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Qualifications for a sealed roof deck:

Reinforced synthetic underlayment which has an ICC approval as an alternate to ASTM D226 Type II felt paper installed w/ button cap nails, horizontal and vertical laps are sealed/taped. The synthetic underlayment must have a minimum tear strength of 20 lbs. per ASTM D1970 or ASTM D4533.

Manufacturer _____

Product/Specifications: _____

Self adhering polymer modified bitumen tape meeting ATSM D1970 at least 4" wide applied to all vertical and horizontal roof sheathing seams with 30# Type II underlayment applied over the entire roof deck, covering the tape

A full layer of self-adhering polymer modified bitumen membrane ("peel & stick") meeting ATSM D1970 is applied to the entire roof deck

Manufacturer _____

Product/Specifications: _____



ATTIC VENTILATION SYSTEMS

Initial Here

Attic is sealed, no ventilation at overhangs or on roof of any kind

If attic is not sealed:

Roof mounted vents:

(indicate # of each vent type found on the roof)

Ridge vents _____

Off-ridge _____

Turbines¹ _____

All roof mounted vents meet requirements of TAS 100(A)

All roof mounted vents are installed per manufacturer's high wind installation requirements

¹Note: all qualified turbine vents require removal of the turbine head and installation of an approved storm cap when wind speeds are expected to exceed 70 mph. Provide an approved storm cap with turbine vent.

AFFIDAVIT

Drip edge

Initial Here

- _____ A qualified drip edge has been installed
- _____ Eave drip edge extend $\frac{1}{2}$ " below sheathing and extend back on the roof a minimum of 2"
- _____ Drip edge is mechanically fastened to the roof deck at maximum of 4" o.c.

Other items

Initial Here

- _____ (Y or N) Does roof have skylights or light tunnels?
If yes, number of skylights/ tunnels present _____
- _____ (Y or N) Were solar panels removed during roof cover replacement?
If yes, were panels re-installed using manufacturer's high wind installation methods?

I certify that the above information is true and accurate to the best of my knowledge as of the date shown below and I understand that false or fraudulent information with the intent to deceive will be reported under insurance fraud guidelines.

Signature: _____ Date: _____

Printed Name: _____

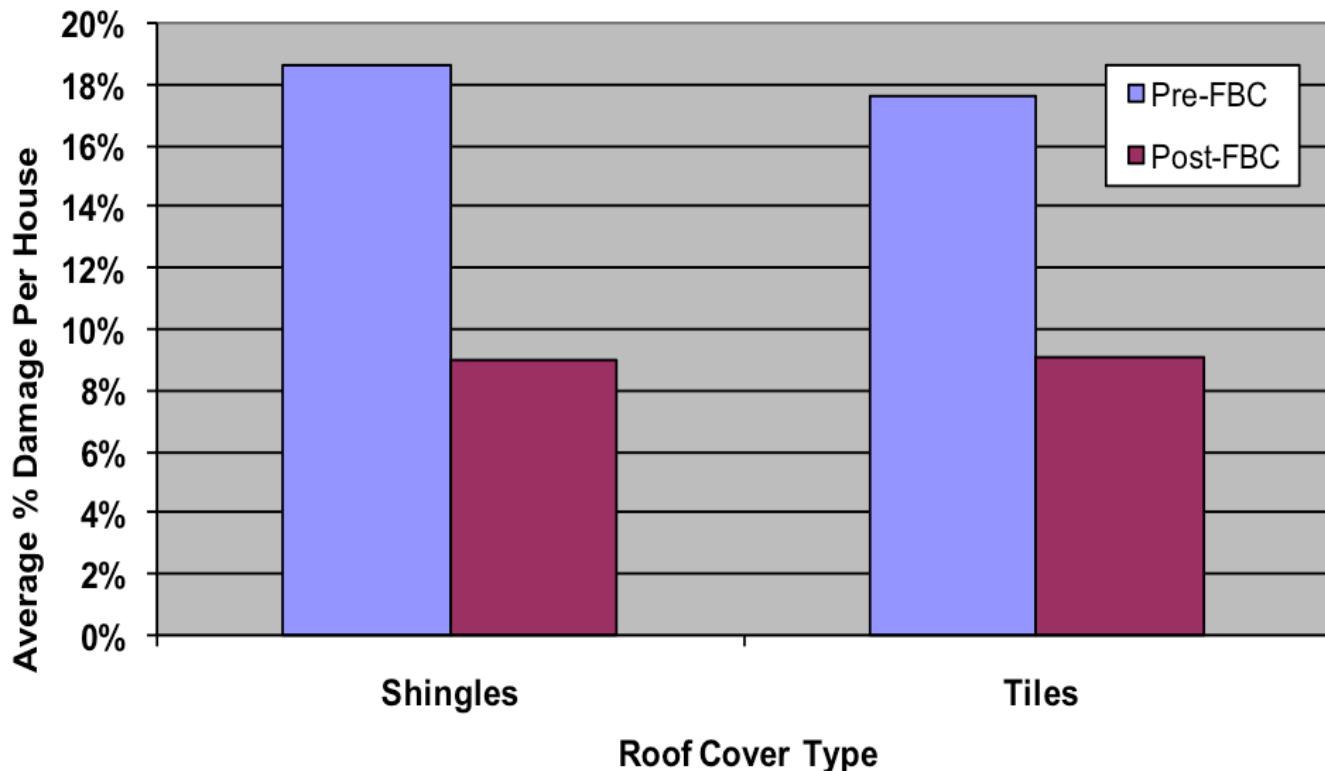
Company: _____ Phone Number: _____

Address: _____

Address: _____

Appendix G: Hurricane Damage Surveys

**Hurricane Charley Damage Survey
370 Houses in Charlotte Harbor Area**



Roof cover is the main driver of losses in hurricanes where open terrain gust wind speeds are ~120 mph or less

FBC – Florida Building Code

REPORT OF THE REGULATORY SUBCOMMITTEE

Submitted by Subcommittee Members:

Steve Simkins, Chair

Wayne Parker

Elizabeth Huntley

Sid Belcher

Mike Hill

Tom Malone

Jim Higdon

Ezekiel Nichols

Julie Magee (ex-officio)

Jim Ridling (ex-officio)

Tim Russell (ex-officio)

Steve Simkins, Chair

Summary

The Regulatory Subcommittee met on two occasions by telephone (May 18th and May 31st) to discuss suggestions, or recommendations, that should be considered from a regulatory standpoint. Discussion was held regarding the types of regulatory actions (Insurance, Revenue, Executive Order, etc.) that would be applicable, and what regulatory actions could be made without legislative action. In addition, the Subcommittee went through all of the recommendations made by the Affordable Homeowners Insurance Commission.

Of note, several of the actions suggested by the full Commission were addressed in the 2012 legislative session. Several of these new laws will require regulatory explanation. As noted below, some of the suggestions were difficult to ascertain the intent of the author, but we did our best to address them regardless. However, overall, many of the recommendations were discussed in detail, and ideas were generated from that discussion.

Ultimately, the Subcommittee has a couple of recommendations, but for the most part has concluded that most regulatory action would require legislative action prior to any regulatory enactments or financial resources not currently available. Among the items that could potentially be handled now through regulatory action may include:

1. Improved building requirements and enforcement
2. Collecting and storing claims information and other data beneficial to consumers in selecting an insurer (complaint ratios, rate data, etc.)
3. Collecting construction-type information
4. Continue looking at multi-state compact
5. Land use oversight
6. Looking at revision of consumer affairs division at the Department of Insurance and complaint handling procedures

7. Further education and discussion on proper valuation of homeowners' policies
8. If finances become available, actions such as mitigation grants and other recommended programs may become feasible and require regulatory or executive intervention.

Discussion

In hindsight, the Legislative and Regulatory Subcommittees might have been better served to be combined, as many actions taken by the regulators often require legislative action. A large number of the ideas presented by the full Commission actually were legislative in nature. That said, the Regulatory Subcommittee met on two occasions, May 18th and May 31st, to discuss ideas presented by the full Commission and ideas that Committee members contributed.

In the second meeting, each of the 25 ideas suggested by the full Commission was discussed and a few additional ideas were addressed. The ideas presented by the full Commission included:

Ideas primarily legislative in nature:

1. Defined statewide building codes
2. Premium tax “credit” and law
3. Tax incentives package/mitigation
4. Captives - A+ ratings - and better
5. Data/transparency/clarity package as reflected in education pieces
6. Fraud bill
7. Bill to address the licensing of subcontractors
8. Pass the clarity bill
9. Entitle: “Accumulated Loss Data Act” (clarity)
10. Provisions for flood and wind
11. Recoupment of losses

- 12. AIUA reform necessary
- 13. Disclosure at the time of insurance purchase (Bill of Rights)

Ideas that may be readily addressed:

- 14. Enact state oversight of enforcement of a uniform building code
- 15. Feasibility of having to collect/store data on all construction in each county for better data in the models
- 16. Explore the feasibility of a regional multi-state compact for hurricane exposure, including a subcommittee of the Affordable Homeowners

Insurance Commission:

- 17. Clear due process for complaints regarding insurance companies
- 18. Study land use
- 19. Provisions to update and revise maps, including the waterfront
- 20. Deal with lack of code enforcement
- 21. Valuation and replacement costs
- 22. Examine use of credit scores in cost of insurance

Items considered difficult to address:

- 23. Rebuilding
- 24. Develop provisions from the perspective of legislation
- 25. Define “consequences” to acts and to deprivation – include costs and criminal

A. Recent Legislative Accomplishments:

Many of the full Commission suggestions were actually accomplished during the 2012 legislative session, including numbers 2, 4, 5, 6, 10, 23 and 25. Those included passage of an insurance fraud bill (HB 323), passage of the insurance clarity law (SB 210), passage of an insurance purchase “bill of rights” (HB 166) and the passage of company and individual incentive bills (SB catastrophe savings accounts and SB insurance company incentive bill for writing in coastal counties). Further, mitigation credits were passed by the legislature in 2009, and a subsequent regulatory bulletin was issued requiring companies to provide mitigation discounts up to 35% for homeowners who mitigated their homes to the 2006 International Residential Code, or the IBHS standards for new homes or retrofits. These discounts were put into effect by companies in 2010, although they are not yet readily known or used by the vast majority of the general public. See: <http://www.aldoi.gov/PDF/Legal/2010-03-ModificationAlaBulletin2009-07Premiumdiscounts.pdf>.

In the late 2000s, the Alabama legislature passed into law a provision allowing for “captive” insurers to be created, specifically for the lines of private residential homeowners insurance. While few, if any, have been created to this point, they are allowed under current state law and an available tool to groups who might be interested.

Finally, work in recent years to adopt a statewide building code has been undertaken by a committee created in 2010 by the legislature. The committee of the Residential and Energy Codes board has recently adopted statewide standards for building codes. These codes are not prescriptive, in so much as municipalities and counties do not have to adopt and enforce these codes unless they choose to do so. However, a copy of what has been adopted by this Board can be found here: <http://www.adeca.alabama.gov/Divisions/energy/Pages/EnergyCodes.aspx>.

B. Recent Regulatory Accomplishments

There was significant discussion that occurred both at the subcommittee level and in several of the public meetings about valuations of homes and why insurance companies required valuations higher than what homes' current market value might be, or higher than what homes could be sold for. In addition, several members of the Commission questioned why insurers did not allow customers to insure whatever percentage of the homes' values that they wished.

In 2010, in addition to enforcing the mitigation discount bulletin discussed above, the Insurance Department issued Regulation 150, addressing some of these concerns as passed along by consumers. This regulation requires companies to adjust valuations on a regular basis, as appropriate, and requires companies to explain to consumers their right to alter or adjust valuations, as appropriate. This regulation did not address more freedom of choice by consumers in selecting valuation (most companies allow private homeowners to insure 80% of the value of their home and above, before coinsurance provisions apply). The subcommittee believes that, given the confusion surrounding the valuation of homeowners policies in today's unique economic climate, and confusion around valuation options, there is a need for additional discussion and education on this issue.

In addition, we expect the Department of Insurance to issue regulations to assist in the implementation of several of the bills passed and signed into law in 2012, including the Insurance Fraud law, the Clarity Act, HB 405 (Residential Roofer Bill), and the Homeowners Bill of Rights.

C. Recommendations of the Regulatory Subcommittee

There are seven (7) recommendations included below.

1. Improved building requirements and enforcement

Currently two regulatory bodies exercise some control of building codes and enforcement on the state level: State Fire Marshall/Department of Insurance and the Alabama Department of Economic and Community Affairs. In addition, enforcement and adoption of codes also exists (or doesn't exist) at the county and local level in so much as there is currently no statewide prescriptive building code in the State of Alabama.

A recent IBHS study rated Alabama second to last in coastal states for building code adoption and enforcement, highlighting the need for attention to this matter, both at the state level, as well as the local level. Based upon testimony to the Commission, as well as publicly available information, the coastal counties of Baldwin and Mobile have adopted codes stronger than most of the rest of the state and appear to be making serious attempts to enforce those codes. However, the perception that Alabama does not require codes affects not only the availability of insurance due to companies' concerns about the building levels of homes statewide, but also the affordability of insurance. More and more reinsurance costs are partly driven by building standards required in a state.

While legislative action is likely required to adopt a prescriptive code, clearly more work needs to be done in this area. As ADECA has control of the Energy and Residential Codes Board, this state agency should continue to consider and advocate for stronger codes and the passage of a statewide prescriptive code as nearly every other state adjacent to the

Atlantic Ocean or the Gulf of Mexico has already done. In addition, funds should be made available through this agency or through the State Fire Marshall's office to encourage building code enforcement in those areas where codes have already been adopted.

Ultimately, stronger building practices which will improve the safety and welfare of Alabama citizens, the amount and extent of catastrophic loss, and in turn the amount of time Alabama citizens are displaced from their homes, are vital to addressing affordable homeowners insurance in Alabama.

2. Collecting and storing claims information and other data beneficial to consumers in selecting an insurer (complaint ratios, rate data, etc.)

Passage of SB 210 will require the Department of Insurance to collect and store claims data information of insurance companies in Alabama. This information will then be aggregated and made available to the public at the zip code level. Further, a recent bill passed during the 2011 legislative session requires the Department of Insurance to make company rate filing requests available to the public once the rate filing is final as approved by the Department of Insurance.

In addition, discussion was had both at the public meetings, as well as at the full Commission meetings, about additional data that could be helpful to the public in helping them select the best coverages and price. Items that were discussed included making rate information available on the Department of Insurance website, as well as providing some data about how companies handle claims.

Other states (and to some degree Alabama) have undertaken projects with some success in posting rate and claims data on their websites. For example,

some states ask insurers to provide sample rates for 15-20 different "types" of homes in certain territories, or zip codes, to give an idea of what rates are available in a consumer's area. Some states also provide an annual complaint ratio to consumers allowing a comparison of insurers based upon the number of complaints they receive vs. the number of policies they have in a state. Such efforts can be time consuming and at times limited by technology. Further, homeowners' rates have become very individualized, so providing useful data to a consumer can be challenging and at times even misleading. That said, this Subcommittee would encourage the Department of Insurance to continue to look for ways to provide such data in a useful and cost-effective manner so that customers can more easily comparison shop and obtain the best insurance coverage for their needs.

3. Collecting construction type information and land use oversight

Currently, it appears that little information is collected at the statewide level as to the construction quality of homes across the State of Alabama. Weak codes in certain parts of the state, lack of code enforcement, and determining the need for a prescriptive statewide code, might be better known and understood if a state agency was responsible for overseeing these activities. Further, recent storm activity (hurricane, tornado, thunderstorm, etc.) has highlighted the cost the State of Alabama and local government entities must incur as a result of poor construction techniques (through the cost of aid, cleanup, etc.). Thus, it is the recommendation of this subcommittee that, assuming that this does not currently exist at the State level, one State agency be given the responsibility for the collection of construction data across the State of Alabama and that such agency provide information to the Governor

concerning the “cost” lack of uniform building techniques impose on Alabama taxpayers.

In addition, land use enforcement at the local level can create a conflict between potential local revenue and positive economic impact vs. building in unsafe or unhealthy areas. While no Subcommittee members were comfortable with the idea of statewide oversight of local building issues, discussion was had over this conflict and how bad local land use management has created some of the issues driving the affordability and availability of insurance. Thus, the Subcommittee thought it was relevant to address the issue in this report and raise the issue for discussion among the full Commission.

4. Continue looking at multi-state compact

Several speakers and members of the Commission expressed the possibility of reducing rates, particularly in the markets of last resort (such as the AIUA), by spreading risks across state lines. It is the belief of some that such spreading could result in lower aggregate claims costs, lower administrative costs, and lower reinsurance costs.

Such discussions have been had in the past among public officials in coastal states and have been discussed at regional meetings of both insurance commissioners and governors of southeastern states. In addition, several proposals have been put forth at the national level promoting such a plan. To this point, little progress has been made at consolidating such efforts on a regional level. However, this Subcommittee would encourage Alabama public officials to continue such efforts in hopes of finding economies of scale that might reduce fixed costs in state wind plans, and in turn allow for more affordable wind insurance to consumers in coastal areas.

5. Looking at revision of consumer affairs division at the Department of Insurance and complaint handling procedures

One of the suggestions of the full Commission was to address “a lack of due process” for consumers at the Department of Insurance. The Department has a fairly elaborate consumer affairs division that receives and investigates many types of complaints. In addition, the new Insurance Fraud Bill that passed this year will give them additional teeth in their investigative powers. Thus, it is difficult to say that consumers “lack due process” in dealing with the Department of Insurance.

That said, this issue was raised several times during the public meeting in Mobile and the full Commission meetings. Thus, it is the recommendation of this Subcommittee that the Department of Insurance examine their consumer affairs division to determine if additional measures could be made to make consumer interactions more positive moving forward.

6. Further education and discussion on proper valuation of homeowners' policies (see discussion in Section B, above)

7. If finances become available, actions such as mitigation grants and other recommended programs may become feasible and require regulatory or executive intervention

One of the primary limitations on implementation of ideas brought forth by speakers, members of the public at large, and Commission members is the lack of money necessary to implement such programs. For example, retrofitting and mitigating homes to withstand hurricane force winds is an important step to improving the availability and affordability of insurance. Effective programs to assist mitigation activities

in surrounding states have generally consisted of a public/private partnership requiring millions of dollars to ensure their success. In addition, ideas have been floated about a public/private captive insurer, subsidization of deductibles through grants or low interest loans, and creation of cat bonds to lower the cost of reinsurance. None of these ideas requires legislative action, but would require regulatory action should such funds become available.

Several sources of revenue have been discussed, including federal grants, environmental fines or settlements, or local CDBG monies. However, to this point such monies have not surfaced. However, should such funds become available in the future, it is the recommendation of this subcommittee that quick regulatory action be taken to implement one or more of these programs, prioritizing the importance of affordable and available homeowners insurance not only to the Alabama Gulf Coast but to the State of Alabama and its economic future.

REPORT OF THE STATUTORY SUBCOMMITTEE

Submitted by Subcommittee Members:

Ben Brooks, Chair

Steve McMillan, Vice-Chair

John Caylor

Rux Bentley

Joe Faust

David Sessions

Michelle Kurtz

Julie Magee (ex-officio)

Jim Ridling (ex-officio)

Tim Russell (ex-officio)

Ben Brooks, Chair

Summary and Recommendations

The Statutory Subcommittee gave its recommendations to the full Alabama Affordable Homeowners Insurance Commission (AHIC) on June 29, 2012. On that date, the full AHIC reviewed and discussed those recommendations and voted as follows:

- 1. Recommend the reintroduction and passage of SB4 from the 2009 Special Session.** This bill would prohibit a percentage wind deductible except in the case of tropical named storm events. The version recommended would have a “buy-back” provision.
- 2. Recommend reintroduction and passage of SB197 (re-structure of portions of the Alabama Insurance Underwriting Association) from the 2010 Regular Session, or passage of a version of it.** The AHIC reviewed and discussed the significant growth, limited re-insurance, cost, and challenges faced by the AIUA. This bill would re-structure the “write-out” process of the wind-pool to a modified “zone by zone” approach. One unit would include zones 1-3 of the AIUA pool and the second unit would include zone 4 of the AIUA pool. The full AHIC recommended that this bill, or some version of it, be considered due to the rapid growth of the pool’s insured value exposure versus its ability to pay claims in the event of a catastrophe. The consensus of the full AHIC also was that it would like to continue to review the wind-pool and potentially make additional recommendations for legislation.
- 3. Recommend reintroduction and passage of SB199 from the 2010 Regular Session.** This bill would require disclosure of the cost per thousand of each coverage (i.e., fire, wind, etc.), or at least of wind vs. non-wind coverage, on the declaration page in the annual policy renewal package. The goal is to promote transparency as to the basis of charges for non-wind coverages in Alabama geographic regions.
- 4. Recommend reintroduction and passage of SB7 from the 2011 Regular Session.** This bill would require each insurance carrier to give written notice of the availability of discounts (as made available under the 2009 Act) for mitigation/upgrading of existing homes to be more storm and wind resistant.
- 5. Recommend the formation of a Multi-State Insurance Alternatives Advisory Committee.** Interest was expressed in confirming that membership would substantially include consumer representation, but no formal procedure was finally recommended by the AHIC for selecting the members.
- 6. Recommend that the Alabama United States Congressional Delegation call for a summit to organize insurance representatives and consumer advocates to study and form solutions for the multi-state problem of rising homeowners insurance/reinsurance costs, limited availability of homeowners insurance, and national alternatives which would support state-based solutions such as catastrophe funds.**
- 7. Recommend the creation and passage of additional legislation which would create incentives to encourage private insurance carriers to write policies that remove policyholders from the AIUA wind pool (i.e., reduce the volume of policyholders in the pool and reduce its growth).**
- 8. Recommend the formation of an Insurance Research Institute and as to the restructuring of the Alabama Insurance Commission** (making it similar to the structure of the Alabama Real Estate Commission—representatives appointed by the Governor from geographic districts and those representatives would hire the Director of the Commission) were carried over for separate review/discussion in response to reports from other subcommittees or at later meetings of the full AHIC.

- 9. Recommend amendments to the existing homeowner's captive insurance statutes.** These changes could include 1) allowing "captive" insurance companies to sell statewide; 2) allowing "captive" insurance companies to participate in the State Guaranty Association; 3) allowing "captive" insurance companies to sell auto coverages; and 4) allowing a "captive" to be formed by an insurance agency. These changes could be offered to increase the possibility of the formation of alternative insurance products (i.e., captive companies) and to provide incentives to encourage the formation of such alternative insurance products (i.e., captive companies) in the Alabama market.
- 10. Recommend the creation and passage of legislation to encourage and allow for alternative insurance market products.** These alternative market products would include, but would not be limited to, higher deductible policies with lower premiums where a catastrophic backstop fund would be available for consumers who elect the higher deductible policy.
- 11. Recommendations as to how building codes might impact insurance affordability and availability** were carried over for separate AHIC review/discussion in response to other subcommittee reports.
- 12. Recommend that the legislature explore options for legislation which would allow the sale of policies with an insured value which is less than replacement cost and which will cover the amount of debt on the insured home or allow the sale of policies for an agreed value or a stated value.**
- 13. Recommend that the full AHIC Commission explore the rate hearing process and processes in other states relative to the potential of mandating a public hearing by the Alabama Insurance Commissioner if the homeowner's premium rate equals or exceeds a specified percentage increase.**
- 14. At an earlier meeting the full AHIC voted to recommend that if BP monies are received by the State of Alabama then \$100 million should be used to fund the trust fund created within the Alabama Department of Insurance by the "Strengthen Alabama Homes Act" (Act 2011-644).** Said trust fund is intended to provide grant opportunities for retrofits and mitigation to existing homes in order to reduce homeowners insurance premiums.