

Hurricane Premium Discounts

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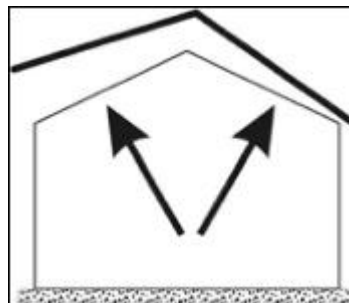
Hurricanes are among the most destructive and costliest of all natural disasters. Since 1995, the United States has entered a cycle of more intense hurricane activity. Between 2003 and 2007 Florida was hit by nine hurricanes, resulting in 2.9 million claims and \$31.3 billion in insured losses. The possibility of a major hurricane striking a large population center in Florida during the next 20 to 30 years of high activity emerges as a near certainty. As populations continue to increase in Florida coastal regions where the threat is highest, so does the possibility for even greater destruction. This risk can be devastating for entire communities, for the insurance industry, which ultimately must pay for a significant portion of the incurred losses, for local and state government who have to struggle with the impact on their populations and economies, and for the nation as a whole. For these reasons, it is essential to reduce the destruction expected from future storms.

Hurricane Damage

How Wind Forces Affect Homes

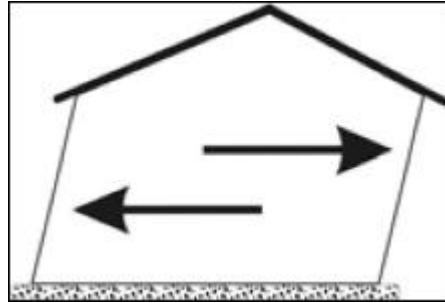
Wind forces are complex. The effect of wind on a building depends on the interaction of many factors. Natural factors such as wind speed, wind height, ground surface features, and the properties of the air affect possible windstorm damage. Building characteristics, including the shape, location, and physical properties of structures, also determine a structure's overall resistance to wind damage. Together, these variables create differences in pressure that push and pull on the exterior surfaces of buildings during a hurricane.

Uplift occurs as wind flows over a roof. Similar to the effect on airplane wings, wind flow under a roof pushes upward while wind flow over a roof pulls upward.

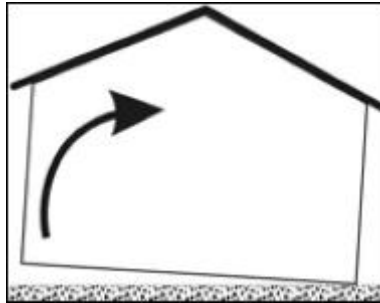


Hurricane Premium Discounts and Mitigation Options

Tilting or **sliding** occurs when horizontal wind pressures create a shearing action along the foundation.



Overturning, or rotating off the foundation, can also result from shearing action when a structure is otherwise unable to tilt or slide off the foundation.



Safe Homes

A safe home is designed to resist these three effects of wind. The exterior surfaces of a home interact to function as the building envelope. Think of this envelope as a protective shield from the outdoor elements such as heat, humidity, and stormy weather. A stronger shield makes for a safer home and more comfortable occupants.

The structural components of a building envelope are the foundation, walls, and roof. A safe envelope has a continuous load path. This load path connects all the structural parts of a building envelope much like how a human skeleton supports and connects parts of our body.

The non-structural components of a building envelope include windows, doors, garage doors, and other openings in the structural components. These parts protect the inside of a building much like how human skin protects our internal organs.

In addition, the location of the structure has an impact on its ability to resist high winds. Winds are subject to "friction" – objects on the ground can significantly retard wind speed, while taller buildings may bear the brunt of much higher winds. If the structure is in an unobstructed location or within 1,500 feet of open water, it is more susceptible to damages caused by high winds. Proper landscaping may help to shield the home and divert winds around the building.

Wind Damage

The weakest link in the building envelope is the point most likely to fail in a windstorm. When a hurricane or tornado strikes, a home is only as strong as the weakest link. Typically, when one link fails, the rest of the structure is subjected to greater stress and probability of failure. For example, high winds will exert uplift on a home's roof. Normally, that force is exerted externally, by the passage of the wind over the roof and under the eaves. If, however, a window is blown out, or a gable wall is forced in by the shearing effect of the wind, the uplift force is multiplied: the wind coming in through the breach exerts an additional interior force lifting the roof. Likewise, small cracks in the building's exterior may allow wind-borne water into the structure. Over a period of time, that water may saturate insulation, weighing down the ceiling or weakening other structural components. The collapse of an interior ceiling may damage the integrity of the load path, weakening walls or connections with the roof, and eventually lead to catastrophic damage.

Sometimes a high wind speed alone can break the building's load path or punch a hole in the building envelope -- the actual force of high winds can cause a door or window to break open or a gable end to shear. Other times nearby debris can be picked up in the wind and projected against the building envelope. Roof shingles from a neighbor's home, branches from fallen trees, or unsecured yard furniture are examples of potentially dangerous wind-borne debris that can break windows or doors.

Once wind forces create an opening in the building envelope, the dangers of structural failure greatly increase. Obviously, wind damage will result if the building envelope fails, but water intrusion can be just as damaging -- if not more so.

Water Intrusion

Once the wind has opened up a structure, wind-driven rain enters, causing additional damage. Direct wind damage to structures built to high wind standards has been reduced, but it has become clear that just improving the structural integrity of homes is not enough. Wind driven water intrusion can cause catastrophic damage to walls, ceilings, and interiors of homes, which leads to major disruption of households. Water intrusion can be of particular importance to the homeowner because some insurance policies do not cover water intrusion unless it originates from damage to the roof, walls, windows or doors of the home. When wind speeds get above 60 mph, rainwater is driven against the exterior of the home with great force. Any time water builds up on the exterior wall surfaces and there is lower pressure on the inside of the house, the water can penetrate in large quantities through cracks, holes and gaps in the siding and around windows and doors. When this happens for hours at a time the resulting damage and mold can be as devastating as wind damage. After a storm passes, mold can be a particularly insidious problem if no electricity is available to dry out damaged homes. Some studies have found that water damage can increase the cost of an insurance claim up to eight times as much as simple wind damage alone. Hurricanes also bring the possibility of storm surges along coastal areas caused by wind-whipped tidal forces as well as localized inland flooding from the tremendous amounts of rain that fall during the storm. Windstorm policies will protect a homeowner from damages arising from high winds (and wind-borne water damage), but will not cover damage caused by storm surges, flooding and standing water. Flood insurance, available through the National Flood Insurance program is available to cover those perils. This program focuses only on windstorm coverage.

Lessons Learned

On August 24, 1992, Hurricane Andrew slammed into south Florida. This devastating storm wrought over \$25 billion in damage, leaving 43 people dead in its wake. Andrew's catastrophic disaster recovery costs threatened to undermine property insurance companies doing business in the State of Florida. In the aftermath of Hurricane Andrew, the Florida Legislature created a series of tools to stabilize the economy and insurance industry in anticipation of future storms:

Insurance Industry Reorganization

Citizens Property Insurance Corporation was formed by a merger of the Florida Windstorm Underwriting Association and the Florida Residential Property and Casualty Joint Underwriting Association to provide coverage for residents unable to obtain a conventional homeowners insurance policy.

The Florida Hurricane Catastrophe Fund, a re-insurance fund, was established to limit insurance exposure after a storm.

Hurricane Preparedness

The Bill Williams Residential Safety and Preparedness Act created the "Hurricane Loss Mitigation Program". The Legislature intended this program to direct funds for, "programs to improve the wind resistance of residences and mobile homes, including loans, subsidies, grants, demonstration projects, and direct assistance; cooperative programs with local governments and the federal government; and other efforts *to prevent or reduce losses or reduce the costs of rebuilding after a disaster*".

This program is administered by the Florida Division of Emergency Management, with the input of the Residential Construction Mitigation Program (RCMP) Advisory Council. This program funds loss mitigation efforts for mobile homes, assistance to cover mitigation costs for lower-income homeowners, hurricane research, statewide mitigation planning, informing the public of wind mitigation issues, and post-storm rebuilding efforts. This program also funded the research necessary to develop the residential inspection program that now forms the basis for the My Safe Florida Home Program (discussed below).

Building Code Revisions

In 1994, Miami-Dade County strengthened its building code to address a number of flaws that came to light after Hurricane Andrew. Shortly thereafter, Broward County also adopted the Miami-Dade revisions, creating the South Florida Building Code -- the most wind-resistant building code in the United States. In 2001, the state adopted a new, strengthened building code for the rest of the state -- the Florida Building Code or FBC. This uniform code replaced more than 450 local building codes across the state. (Miami-Dade and Broward Counties continue to use the South Florida Building Code they enacted in 1994.)

Hurricane Premium Discounts and Mitigation Options

Recent research indicates that improving the resiliency of the building stock located in hurricane-prone regions can markedly reduce loss and damage. In the aftermath of Hurricane Charley, post-disaster assessments indicated that insured losses for structures built under the 2001 Florida Building Code were as much as 40-50% lower than equivalent homes built to the previous building codes. Florida continues to fund research and testing of hurricane mitigation technologies that can be incorporated into future building code revisions. The state also participates in the Federal Alliance for Safe Homes and its "Blueprint for Safety" program, which encourages homebuilders to use mitigation techniques that exceed the minimum requirements of the Florida Building Code.

The new building codes adopted in 1994 and 2001 focus on new construction in Florida. In 2007, the legislature turned its attention to older homes. The legislature directed the Florida Building Commission to adopt standards for mitigation techniques for site-built, single-family-residential structures constructed prior to the implementation of the Florida Building Code. In particular, the law directed the Building Commission to find effective techniques to:

- ◆ brace gable end walls,
- ◆ add secondary water barriers for roofs,
- ◆ enhance roof-to-wall connections
- ◆ strengthen roof-decking attachments, and
- ◆ protect building openings such as windows and doors.

The purpose of this directive is to develop cost-effective techniques homeowners can use to make their existing home more storm resistant.

Homeowners can easily implement some of these improvements -- such as opening protection and gable-end wall bracing -- for relatively little cost without major reconstruction. Other upgrades are more complicated and costly. Reroofing presents an excellent opportunity for homeowners to tackle the more complicated and costly mitigation techniques. As a result, the Florida Building Code was amended in 2007 to require that all roof replacements in Florida strengthen the roof decking attachments and incorporate a secondary water barrier.

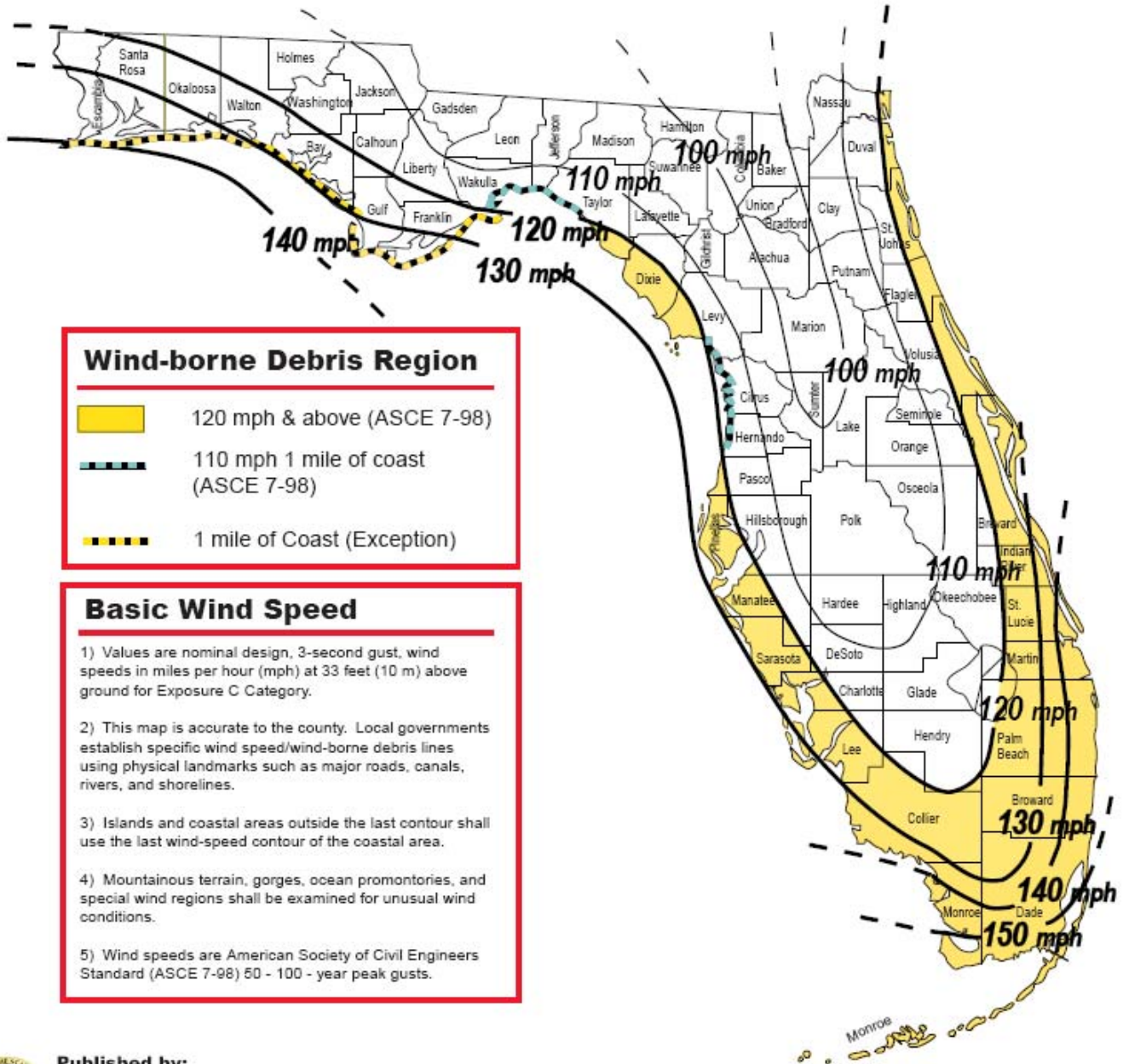
(In addition, the law requires that roof replacements on single-family residential structures located in the wind-borne debris region* that have an insured value of \$300,000 or more must also incorporate cost-effective improvements of roof-to-wall connection -- as long as such improvements do not add more than 15 percent to the cost of the reroofing).

When filing a building permit for any new construction activity in Florida (including renovations of existing structures) with an estimated cost \$50,000 or more, the permit application must now include plans for protecting the structure's openings, e.g., window shutters, wind resistant film, impact resistant doors, etc.

* The "wind-borne debris region" is, in general, where the Florida Building Code requires all new homes to have opening protections (shutters, etc.) and is where sustained winds of 120 mph or greater are likely to occur. (see map on the following page)

State of Florida

Wind-Borne Debris Region



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My Safe Florida Home Program

In 2006, the Legislature created the Florida Comprehensive Hurricane Damage Mitigation Program and appropriated \$250 million to provide financial incentives and assistance for residential property owners in Florida to retrofit their properties. The goal of the program is to make existing homes less vulnerable to hurricane damage and helping decrease the cost of residential property and casualty insurance. In 2007, the legislature renamed this program “My Safe Florida Home”. The Department of Financial Services administers this program with the intent to:

- ◆ Provide free home inspections for at least 400,000 single-family, residential properties; and
- ◆ Provide mitigation grants to at least 35,000 applicants before June 30, 2009.

These two measures comprise the heart of the program, and are intended to go hand in hand. The purpose of the inspections is to identify weaknesses in residential structures that would make them especially vulnerable in a hurricane. The purpose of the grants is to assist the owners of such structures in “mitigating” those weaknesses. The Department delivers these inspection services and grants directly to homeowners, and through partnerships with non-profit entities and local governments.

In addition to the inspections and grants, the Florida Comprehensive Hurricane Damage Mitigation Program is also responsible for developing and implementing a comprehensive and coordinated approach for hurricane damage mitigation in Florida. This includes consumer education and awareness programs, establishing an advisory council with representatives of the insurance, banking and construction industries as well as academic researchers; pursuing federal funding of mitigation programs when possible; and authorizing the Department of Financial Services to establish rules to implement the program.

Inspections

The original mission of the My Safe Florida Home program was to provide free home-retrofit inspections of site-built, single family, residential properties throughout the state. (Please note this excludes mobile homes, manufactured homes, large multi-family structures and commercial properties.)

After a home is inspected, inspectors generate a report that summarizes the results and identifies recommended improvements a homeowner may make to mitigate hurricane damage. The report also provides a range of cost estimates regarding recommended mitigation improvements, as well as premium discounts reflecting the home’s current mitigation features and recommended improvements. The report will also specify the home’s current and projected wind resistance relative to the Uniform Home Grading Scale (discussed below).

The My Safe Florida Home program also certifies inspection companies (known as “wind certification entities”, or WCEs) and individual inspectors to conduct the free inspections. Inspectors must pass a background check and drug test, demonstrate competency and possess at least two year’s experience in residential construction or building inspection. The Department also imposes continuing education requirements on certified inspectors. A list of certified WCEs and inspectors is

posted at the My Safe Florida Home website: www.mysafefloridahome.com

As of March 1, 2009, the program had processed 443,339 inspection applications and completed 399,164 free home inspections in 67 counties at a cost of \$60 million (approximately \$150 per inspection). This nearly fulfills its goal to conduct 400,000 inspections. Due to budget constraints in the 2009 legislative session, funding of the free inspections has been suspended. Property owners may still obtain mitigation inspections, at their own expense, in order to qualify for discounted wind-storm premiums.

Mitigation Grants

My Safe Florida Home program also provided matching grants, of up to \$5,000, to homeowners whose residences have been inspected and identified as in need of hurricane mitigation. These mitigation grants are used to encourage single-family, site-built, owner-occupied, residential property owners to retrofit their properties to make them less vulnerable to hurricane damage. The purpose of the grant is to bring the wind resistance of older structures up to the levels required of new construction in the stronger 2001 Florida Building Code. To be eligible for a matching grant a residential property must:

- ◆ Be a home for which the building permit application for initial construction was made before March 1, 2002 (i.e., built under the old building codes).
- ◆ Have undergone a hurricane mitigation inspection after May 1, 2007
- ◆ Be a homestead property (i.e., the homeowner's personal residence, not a rental property);
- ◆ Be a dwelling with an insured value of \$300,000 or less;
- ◆ Be located in the wind-borne debris region. (see map).

A grant from My Safe Florida Home may match the homeowner's contribution to the mitigation expenses – dollar-for-dollar, up to \$5,000. In effect, the grant will cover one-half of the mitigation costs, up to \$10,000. For example, if the total cost to retrofit the property is \$8,000, the homeowner may apply for a \$4,000 grant – with the homeowner footing the remaining half. If total costs were \$12,000, the homeowner would be limited to the maximum grant of \$5,000. Low-income applicants may apply for non-matching grants, i.e., full reimbursement of mitigation costs up to \$5,000. Residential units in structures housing up to four families (e.g., a duplex or small townhome building) may qualify for a grant, provided all unit owners participate in the mitigation effort.

When recommended by a hurricane mitigation inspection, matching grants may only be used to offset costs for:

- ◆ opening protections (e.g., hurricane shutters);
- ◆ exterior doors, including garage doors and
- ◆ gable-end wall bracing.

As part of the grant application process, My Safe Florida Home may require that improvements be made to all of the structures openings, including exterior doors and garage doors should the Department determine such additional improvements are necessary to achieve effective mitigation.

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Grant applications must contain a signed statement made under penalty of perjury that the applicant has submitted only a single application. Documents which demonstrate compliance with the above criteria must be attached. The My Safe Florida Home program allows homeowners to select from a list of participating licensed contractors to implement the mitigation efforts. Many hurricane mitigation inspectors and WCEs qualified by the My Safe Florida Home program are also qualified mitigation contractors. (As of March 1, 2009, the program has certified 3,321 contractors to perform mitigation under the program.) Homeowners are responsible for securing all required permits and hiring approved licensed contractors to perform the mitigation work. Matching fund grants must also be available to local governments and nonprofit entities for mitigation projects. Grant applications and a list of approved mitigation contractors are available at My Safe Florida Home's website: www.mysafefloridahome.com

As of March 1, 2009, the My Safe Florida Home program received 42,887 grant applications and awarded 40,385 grants totaling \$148 million for hurricane mitigation. Due to budget constraints, funding for the matching grants was discontinued in 2009. The Department anticipates that 32,000 homes will have been retrofitted by the legislature's target date of June 30, 2009. (If applicants awarded a grant do not complete their mitigation efforts and request reimbursement, the Department anticipates that another 2,700 homes could be retrofitted with the unspent grant funds, nearly fulfilling the legislature's goal of 35,000 grants.)

Mitigation and Premium Discounts

In the wake of Hurricane Andrew, the Legislature decided that consumers needed more detailed disclosures regarding their property insurance premiums. Beginning in 1997, insurers were required to separate residential property insurance premiums into two components: rates for hurricane coverage and rates for all other coverages.

As noted earlier, homes built under the new stronger building codes withstand the impacts of hurricane force winds much better than those constructed under the state's older code – resulting in fewer and lower claims due to wind damage. One of the fundamental concepts of insurance is that the premium the policyholder pays should relate to the level of risk being insured.

In 2002, the Florida legislature codified that concept into law. It mandated that all windstorm policies provide premium discounts -- on the wind storm component of the premium -- if the insured property complies with the new stronger building codes. All properties built in Florida after 2001 (1994 in Miami-Dade or Broward counties) qualify for premium discounts. In addition, older structures that have been inspected and judged to meet the new codes' structural requirements are eligible for premium discounts. In most cases, owners of older structures will need to document the property's eligibility for the discount.

Unfortunately few homeowners were aware of the premium discounts and therefore few retrofitted their properties to take advantage of the cost savings. Beginning in 2005, all carriers offering windstorm coverage in Florida were required to notify their windstorm policy holders of the availability of possible premium discounts, credits or rate reductions. Most insurers simply notified their policy holder of a range of possible discounts based on average conditions throughout the

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state. The Office of Insurance Regulation decided that this notification was too vague to be useful to policy holders.

As of 2007, all carriers must now notify each policy holder of specific discounts available to that policy holder based on the insured property's age, location, structure design and building techniques, using a standardized form developed by the Office of Insurance Regulation (OIR-B1-1655). <http://www.floir.com/pdf/OIR-B1-1655.pdf> Different carriers may offer different premium discounts, and impose different methods to qualify for those discounts. Some carriers may refund premiums for the current coverage period upon proof of completed mitigation efforts; other carriers may simply reduce future premium payments upon policy renewal. Agents should be aware of the discounts and procedures of the insurers that they represent.

see Illustration on the following page

In 2007, the legislature mandated a "uniform mitigation verification" form that policyholders could file with insurers for the purpose of "factoring discounts for wind insurance." This standardized form (OIR- B1-1802) <http://www.floir.com/pdf/OIR-B1-1802.pdf> is completed and signed by an approved My Safe Florida Home wind certified entity (WCE) or other person conducting the inspection. The homeowner then submits the verification form to the homeowner's windstorm carrier. The carrier will review this form and determine the premium discounts the policy holder is entitled to, based on the policy rates the company has filed with the Office of Insurance Regulation. Insurers must accept valid a uniform mitigation verification form certified by the Department of Financial Services (through its free mitigation inspection program) or forms signed by:

- ◆ A hurricane mitigation inspector employed by an approved My Safe Florida Home wind certification entity (WCE);
- ◆ A certified building code inspector;
- ◆ A licensed general or residential contractor;
- ◆ A licensed professional engineer who has passed Building Code Training Program; or
- ◆ A licensed professional architect.

Completed inspection reports remain valid for insurance purposes for a five-year period.

Shutter Requirement for Continued Coverage

Effective January 1, 2009, Citizens Property Insurance Company will no longer insure high-value homes in the wind-borne debris region unless those homes have opening protections (e.g. shutters, impact resistant glazing, etc.). To be covered by Citizens, a residential structure with an insured value of \$750,000 or more that is located in the wind-borne debris region must have opening protections on all openings -- and those protective measures must comply with the Florida Building Code at the time they were installed.

Citizens will not issue new policies to such properties after January 1, 2009, unless they comply with the opening protection requirement. Existing Citizens' policies have an additional six months

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Illustration: Citizens Premium Discounts for Windstorm Mitigation Construction Features

Description	Discount
<p>2001 Florida Building Code Compliance (FBC) Homes built in compliance with the 2001 Florida Building Code receive a significant discount as a result of the construction features required by the new code. Citizens requires proof to substantiate the existence of loss mitigation features (Mitigation Affidavits) except for roof shape that is verifiable via a photograph. Citizens will automatically apply the minimum FBC 2001 discount if the dwelling was built on or after January 1, 2002 and documentation is provided that validates the year of construction.</p>	Up to 86%
<p>Roof Shape Hip Roof - A roof that is sloped on all four sides like a pyramid. The savings listed above are exclusive of other mitigation devices. Premium credits may be increased when other mitigation devices are installed in conjunction with the above device.</p>	Up to 47%
<p>Opening Protection Shutters or Special/Impact Resistant windows and doors Please note: Dade and Broward counties are eligible for Opening Protection credit if the dwelling was built in 1996 or later and documentation is provided that validates the year of construction. The savings listed above are exclusive of other mitigation devices. Premium credits may be increased when other mitigation devices are installed in conjunction with the above device.</p>	Up to 44%
<p>Roof Deck Attachment 6d nails or screws 8d nails or screws Dimensional lumber The savings listed above are exclusive of other mitigation devices. Premium credits may be increased when other mitigation devices are installed in conjunction with the above device.</p>	Up to 9%
<p>FBC Roof Coverings Asphalt shingles Clay or concrete tiles Metal panels The savings listed above are exclusive of other mitigation devices. Premium credits may be increased when other mitigation devices are installed in conjunction with the above device.</p>	Up to 11%
<p>Roof Covering Asphalt shingles Clay or concrete tiles Metal panels The savings listed above are exclusive of other mitigation devices. Premium credits may be increased when other mitigation devices are installed in conjunction with the above device.</p>	Up to 11%
<p>Roof to Wall Connectors Clips Single or Double Wraps Toe Nails/Screws Structurally Connected Other roof to wall connectors The savings listed above are exclusive of other mitigation devices. Premium credits may be increased when other mitigation devices are installed in conjunction with the above device.</p>	Up to 35%

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to comply. Letters of notification were sent to of existing policy holders on January 1, 2009, giving them six months to verify compliance with the new requirement. Non-renewals of existing policies will begin on June 30, 2009, unless the property is in compliance at that time.

If the coverage value of a currently-insured property in a wind-borne debris area increases above \$750,000 -- for example, due to remodeling or an addition -- then that policy becomes subject to these requirements. Citizens will notify such insureds of the opening protection requirement by letter 90 days after renewal. If Citizens does not receive verification of adequate opening protections within 90 days of that letter, the insured will receive a non-renewal notice, which will give the insured six more months to meet this new requirement.

Please note that only homes with "Hurricane" rated openings are eligible for continued Citizen's coverage in Miami-Dade and Broward counties. Citizens will accept other types of opening protections for homes located in elsewhere in the wind-borne debris region.

Opening Protections:		Eligible for Citizen's coverage in	
		Miami-Dade and Broward counties	in rest of Florida
"Hurricane" rated	All exterior openings are protected by protections rated "Hurricane"	yes	yes
"Glaze" rated	All glazed openings are protected by glass rated "glaze"	no	yes
"Basic" rated	All glazed openings are protected by glass rated "basic"	no	yes
Wood Panels	All exterior openings are protected by plywood or OSB that meets 2004 Florida Building Code standards	no	yes
Not Rated	Exterior protections were manufactured prior to 1994 or wood panels do not meet FBC standards	no	no
No opening protections		no	no

Although this new requirement applies only to state-administered Citizens' policies on high-value homes located in wind-borne debris areas – other private windstorm carriers will most likely adopt similar requirements in their policy language.

Uniform Home Grading Scale

In 2006, the Florida Legislature ordered the Office of Insurance Regulation to develop an “objective rating system” that will allow homeowners to evaluate the relative ability of Florida properties to withstand the wind load from a hurricane. In 2007, the legislature amended that mandate, requiring the Financial Services Commission adopt a “uniform home grading scale”.

As a result, the Office of Insurance Regulation, working with the University of Florida and a private consulting company, designed and tested a rating system. An advisory board of experts from the public and private sectors oversaw system’s development and gave its unanimous approval. The rating system is based largely on research done on single-family, site-built homes from 2001 to 2002 -- and is not accurate when applied to manufactured housing or multifamily structures. The Financial Services Commission adopted the rating system on November 1, 2007, renaming it the Uniform Home Grading Scale (UHGS).

The Uniform Home Grading Scale produces scores between 1 and 100 and measures the relative ability of a structure to withstand the forces associated with a sustained hurricane or severe tropical storm. The UHGS currently does not produce scores of 100 at the top of the scale, as it has been designed to accommodate future building code improvements and implementation of “code-plus” mitigation techniques. The UHGS takes into account the construction features of the home, the wind zone location of the home, and the terrain surrounding the home. In evaluating the home itself, eight primary wind resistive building features are considered:

- Roof Shape (Hip and Other)
- Secondary Water Resistance
- Roof Cover (whether meeting the stronger Florida Building Code requirements)
- Roof Deck Attachment (using three levels of strength)
- Roof-Wall Connection (using four levels of strength)
- Opening Protection (using three levels of protection for wind-borne debris)
- Number of Stories
- Roof Covering Type (tile and non-tile)

In addition to these eight primary elements, the UHGS considers eleven secondary factors in its evaluation of the structure: dimensional lumber deck, masonry walls, reinforced masonry walls, opening coverage, unbraced gable ends, foundation restraint, reinforced concrete roof deck integral with reinforced concrete or reinforced masonry walls, soffits, vinyl siding, and the leak potential of doors, windows and skylights.

Because the home’s construction, location, and surrounding terrain are considered in the final rating, a score rendered by the scale can be interpreted consistently across the state regardless of wind zone location. In more severe wind zones a home will need to have stronger construction features to achieve a high score than a home located in a milder wind zone. Homes built to comply with the 2001 Florida Building Code (or later) will receive a score between 40 and 90, with “code plus” improvements and effective loss mitigation efforts raising the score within that range.

Other Uses of the Uniform Home Grading Scale

Real Estate Closings

Beginning in 2011, all purchasers of residential property located in the wind-borne debris region must be informed of the structure's rating under the Uniform Home Grading Scale. In other words, sellers of such property will have to complete a valid wind storm inspection prior to closing the transaction. The property's rating under the Uniform Home Grading Scale must be included in the contract of sale or as a separate document attached to the contract. The Financial Services Commission may adopt rules, consistent with other state laws, to administer this section, including the form of the disclosure and the requirements for the windstorm mitigation inspection or report that is required for purposes of determining the Uniform Home Grading Scale.

Premium Rate Filings

By February 2011, the Office of Insurance Regulation will propose a method to correlate wind mitigation discounts, credits or other rate differentials with the structure's Uniform Home Grading Scale rating. The goal is to provide homeowners and potential homebuyers with a consistent, state-wide method to determine the approximate cost of windstorm insurance.

By October 2011, the Financial Services Commission must adopt final rules directly tying the Uniform Home Grading Scale to an insurer's rate filings for residential property insurance discounts, credits or other rate differentials. The rules may establish minimum rate differentials that all insurers must offer. All rate differentials must be consistent with generally accepted actuarial principles and wind-loss mitigation studies. The final rules must allow a period of at least 2 years after the effective date of the revised mitigation discounts, credits, or other rate differentials for a property owner to obtain an inspection or otherwise qualify for the revised credit, during which time the insurer shall continue to apply the mitigation credit that was in effect immediately prior to the effective date of the revised credit.

Windstorm Premiums

Many factors affect the cost of a homeowner's windstorm coverage. To a great extent, the premium cost is based on decisions the homeowner chooses to make.

Insurer: Windstorm coverage is available through the state-administered Citizens Property Insurance Corporation, as well as private-sector P&C carriers. Different carriers will offer different levels of windstorm coverage at different prices. Not all carriers will necessarily underwrite windstorm coverage in all areas of Florida, so a homeowner may be constrained in the choice of carrier by the location of his or her property. The lack of a competitive private windstorm insurance market is one of the most important insurance-related issues facing Florida today.

Location: In addition to affecting the availability of competing carriers, the location of the insured's property affects its exposure to possible windstorm damage. Generally speaking, coastal areas are more susceptible to wind damage, inland properties present less risk to insurers. As a result, property owners near the coasts will pay higher windstorm premiums than inland homeowners. Short of picking up and moving, homeowners have little control over this factor.

Deductible: Under Florida law, windstorm policyholders may choose a flat \$500 deductible, or a 2%, 5% or 10% deductible depending on the actual value of the home. The larger the deductible chosen by the policy holder, the lower the windstorm premium. Of course, if the policyholder selects a higher deductible, out-of-pocket expenses in the event of a hurricane claim may be higher. Homeowners should consider their financial ability to shoulder those possible higher out-of-pocket expenses when deciding whether to opt for a higher deductible.

Mitigation improvements: As we've learned, state law requires insurance companies to offer discounts for strengthening a home against windstorm damage. The Uniform Verification Form outlines the concerns of most interest to insurers: roofing, continuous load, gable ends and opening protection. Mitigation efforts addressing these areas of the building envelope can result in significant discounts for the homeowner. These discounts apply only to the hurricane-wind portion of the policy.

Wall Street Instructors' continuing education course "Effective Hurricane Mitigation" details the types of construction techniques that existing homeowners can take to make their property more wind-resistant. That course explores the terminology used by inspectors and insurers on the Uniform Mitigation Form. This information is helpful for agents wishing to assist their clients in developing a cost-effective checklist of improvements that will reduce on their premium payments. [Click here for more details.](#)