

# ALABAMA WIND MITIGATION PROGRAM

National Tornado Summit  
& Disaster Symposium

February 26-28, 2018  
Oklahoma City, OK

# ALABAMA WIND MITIGATION PROGRAM

## GOALS:

- Reduce # of lives displaced by a hurricane or tornado
- Reduce debris removal costs
- Reduce storm impact on local economy, tax revenues
- Reduce insurance & reinsurance costs for insureds & insurers
- Improve attractiveness of state to potential employers

# ALABAMA WIND MITIGATION PROGRAM

## Legislative / Regulatory Actions

- **AL Act 2009-500**: Requires admitted insurers to provide discounts in coastal counties for 1 & 2 family homes that are built or retrofitted to IBHS standards.
- **AL Bulletin 2009-07**: DOI published original mitigation benchmark discounts eff. 5/1/10.
- **2013**: DOI issued Bulletin updating Benchmark Discounts to reflect model changes.

# ALABAMA WIND MITIGATION PROGRAM

## Legislative / Regulatory Actions

- **Reg 152, Oct. 2013:** DOI requires all Personal Property rating plans to provide by-peril premiums separately for Hurricane, Other Wind & Hail, and All Other Perils.
- **AL Act 2015-313:** Expands Act 2009-500 to now include residential and commercial buildings statewide.
- **AL Bulletin 2016-07:** DOI issued Bulletin providing new Benchmark Discounts by county .

# ALABAMA WIND MITIGATION PROGRAM

## Process to Develop Benchmark Discounts

- Worked with IBHS, Aon Benfield, AIR
- Aon Benfield ran AIR Hurricane and Severe Storm models by county for residential and commercial structures to determine reduction in AAL's for the different IBHS construction standards and the 2006 IRC.

# ALABAMA WIND MITIGATION BENCHMARK DISCOUNTS

## RESIDENTIAL HURRICANE PREMIUM DISCOUNTS

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

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

# ALABAMA WIND MITIGATION BENCHMARK DISCOUNTS

## COMMERCIAL HURRICANE PREMIUM DISCOUNTS

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

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

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

# ALABAMA WIND MITIGATION BENCHMARK DISCOUNTS

## RESIDENTIAL & COMMERCIAL DISCOUNTS

## OTHER WIND/HAIL PREMIUM

	<u>2006+ IRC</u>	<u>Bronze</u>	<u>Silver</u>	<u>Gold</u>
Northern Zone	10%	20%	25%	30%
Central Zone	10%	20%	25%	30%
Coastal Zone	10%	20%	25%	30%

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

# ALABAMA WIND MITIGATION PROGRAM

## GRANT PROGRAM

### AL Act 2011-643: Strengthen Alabama Homes (SAH)

- Statute created a separate fund & gave Commissioner authority to set the rules via regulation
- Offers grants up to \$10,000 to mitigate a home to IBHS Bronze or Silver
- Homeowner must pay initial inspection fee (~\$350) and any excess cost above grant amount

# ALABAMA WIND MITIGATION PROGRAM

## GRANT PROGRAM

- \$5-7M annual funding:
  - DOI provides \$5M from producer license fees
  - AIUA provided \$4M over 2 years as a depopulation strategy
  - FHLB-ATL has provided funds for low-income homeowners
- Can mitigate approximately 700-800 homes per year.
- AL currently has about 6,300 homes mitigated to IBHS standards compared to 1,200 in all other states.
- Seeking additional funding from non-profit foundations, large local employers, insurers, reinsurers, etc.

# ALABAMA WIND MITIGATION PROGRAM

## GRANT ADMINISTRATION SYSTEM

Donated by Alabama Center for Insurance Information & Research (ACIIR)

- Takes online application and provides applicant with status updates
- Coordinates assignment of applications to IBHS Evaluators
- Coordinates assignment of applications to Fortified™-trained Contractors to obtain bids

# ALABAMA WIND MITIGATION PROGRAM

## GRANT ADMINISTRATION SYSTEM

- Awards bids and monitors status of construction
- Monitors receipt of IBHS certificate and insurance premium discounts
- Our Admin System could be made available to other states for a fee

# ALABAMA WIND MITIGATION PROGRAM

## GRANT PROGRAM

- SAH enters into an MOU with Evaluators and Contractors to control the flow of assignments and work performed.
- AL currently has 10 IBHS certified Evaluators and 15 IBHS trained Contractors working with SAH, but we need more of each.
- It has been a challenge to sign up enough Contractors to invest the time and money to work the program.

# ALABAMA WIND MITIGATION PROGRAM

## GRANT PROGRAM

- Outreach
  - Smart Home America ([www.smarthomeamerica.org](http://www.smarthomeamerica.org)) does an excellent job educating the public on mitigation and the grant program.
  - Contractors
  - Realtors (get Fortified on the MLS)
  - Bankers, Mortgage Lenders, Home Appraisers
  - Mayors, County Commissioners, Chambers of Commerce, Economic Development Committees, Municipal Building Departments
  - Home Expos

# ALABAMA WIND MITIGATION PROGRAM

## LESSONS LEARNED

- Control the acceptance of applications to match funding
- Vet Contractors. State clear expectations of performance and recourse in MOU's with Evaluators and Contractors
- Establish procedures to monitor for fraud (e.g. claim settlement & grant for same roof)
- Meet / communicate regularly with Evaluators & Contractors regarding program status / procedures
- Be prepared to work with IBHS to resolve unique construction challenges (e.g. dry-stack foundations)

# ALABAMA WIND MITIGATION PROGRAM

## NEXT STEPS:

- Train additional Evaluators and Contractors for the program.
- Secure additional funding.
  - Have launched a fund-raising strategy with other professionals.
- Secure agreements with Appraisers and Lenders to include value of mitigation work in home appraisals.
- Educate homeowners across the state of the value of fortification.

# ALABAMA WIND MITIGATION PROGRAM

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