Taming the Cost of Cats

Dr. Lars Powell – Director, Alabama Center for Insurance Information and Research
Natural disaster is a statewide issue in Alabama
The cost of catastrophes

Insurance Premiums

Uninsured Losses

Reduced [SERIES NAME]
Protect what is priceless.

The Insurance Institute for Business & Home Safety's FORTIFIED Home™ High Wind program helps strengthen homes against the devastating power of severe storms that generate damaging winds and produce large hail. With three levels of designation available, there is a FORTIFIED Home for every budget.

Whether you are buying a new home or upgrading an existing home, you want to know it will be as safe, strong and durable as possible. Homes that earn the FORTIFIED Home designation stand above other homes because they meet more stringent wind construction requirements set by IIBHS. The better performance and better quality built into every FORTIFIED Home is independently inspected by a certified FORTIFIED Home Inspector. FORTIFIED Home Evaluation work with homeowners and builders throughout the construction and retrofitting process to ensure:

- You have peace of mind knowing that your home has the appropriate resilience upgrades address the hazards where you live.
- Critical construction details are verified at different building and retrofitting stages.
- Prospective buyers know the home was built to the highest severe weather protections standard with a transferrable FORTIFIED Home designation.
- Your home will have lower life-cycle and maintenance costs.

GET STARTED TODAY VISIT DISASTERSAFETY.ORG/GET-STARTED

FORTIFIED Homes is a program of the Insurance Institute for Business & Home Safety.

The University of Alabama
Culverhouse
College of Commerce
Alabama Center for Insurance Information and Research
Protect what is priceless.

High Wind & Hail

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RESILIENCE

Emergency Response

Loss Mitigation

Insurance Coverage
Alabama Coastal Insurance Survey

- 373 coastal homeowners
- 32 cities in Baldwin & Mobile
- Do you have insurance?
- What does it cover?
Does your policy include **Windstorm Coverage**?

- **Yes**: 60%
- **No**: 29%
- **I don't know**: 11%
Do you have a **Flood Insurance** policy?

- No: 76%
- Yes: 17%
- I don't know: 7%
Consumer Insurance Knowledge & Behavior

- 45% of the policy holders do not know if their policies cover ordinance and law.

- 21% of policy holders do not know if the replacement cost or actual cash value of their house is insured.

- 34% have never shopped for homeowners insurance policy.
From 2005 to 2011, the average coastal Alabama homeowners insurance premium increased by \( \uparrow 136\% \uparrow \) & 34\% never shopped?
From 2005 to 2011, the average coastal Alabama homeowners insurance premium increased by 136% & 34% never shopped?
From 2005 to 2011, the average coastal Alabama homeowners insurance premium increased by 136%.

&

34% never shopped? Why not?
• Describes process of shopping
• Explains coverage parts that differ across policies
• Provides a template for comparing coverage & price across companies
• Includes one-page list of 10 questions to ask your insurance agent to avoid common purchasing mistakes

• Available for free at www.InsuranceGuide.ua.edu
# Homeowners Comparison Checklist

## Property Information
- Address:
- City / Zip:
- Distance to Gulf:
- Construction Type:
- Exterior Finish:
- Year Built:
- Square Feet:
- Roof Material:
- Roof Shape:
- Roof Straps: Y/N
- Foundation Type:
- # Stories:
- Shutters / Protective Glass:
- Alarm:
- Flood Zone:
- FORTIFIED: Y/N, B/S/G
- Swimming Pool: Y/N

## Property Updates
- Roof
- Wiring
- Plumbing
- HVAC

## Requested Coverage Limits
- Dwelling: RCV/ACV
- Other Structures: RCV/ACV
- Contents: RCV/ACV
- Additional Living Expense: RCV/ACV
- Liability:
- Medical Payments:
- *AOE Deductible:
- Named Wind Deductible:
- *AWD Deductible:
- Flood:
- Ordinance or Law:

* AOE = All Other Perils, *AWD = All Other Wind;
** B/S/G = Bronze/Silver/Gold
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<th>Quote 2</th>
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Top 10 Questions to Ask About Your Homeowners Insurance

How much coverage did you quote on my house and does this include detached structures (garage, workshop, etc.)?

How much coverage is provided for my personal property (my stuff)?

Am my contents insured for replacement cost or actual cash value (ACV)?

Is my house insured for replacement cost or actual cash value (ACV)?

Do I have sewer and water coverage?

How much is my deductible in dollars? How about my wind deductible?

Do I have (or did you quote) a separate Wind/Hail policy?

Do I have coverage for Additional Living Expenses?

Do I have Ordinance and Law coverage do I have?

Do I have (or did you quote) a Flood Policy? What is my flood zone?

For more information visit aclu.culverhouse.ua.edu/homepersguide, email aclu@culverhouse.ua.edu or call 205-348-4513.
Top 10 Questions To Ask About Your Homeowners Insurance

1. How much coverage did you quote on my house and does this include detached structures (garage, workshop, etc.)?
2. How much coverage is provided for my personal property (my stuff)?
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7. Do I have (or did you quote) a separate Wind/Hail policy?
8. Do I have coverage for Additional Living Expenses?
9. How much Ordinance and Law coverage do I have?
10. Do I have (or did you quote) a Flood Policy?
Wind-Driven Rain

Initial Performance (Test standards)

Aging Effects

Repair vs. Replacement

Hail

Wildfire
Taking a Holistic View of Structures

Photo: Hurricane Ike damage in Sabine Pass, Texas (By Junglecat) [CC BY-SA 3.0 (http://creativecommons.org/licenses/by-sa/3.0) or GFDL (http://www.gnu.org/copyleft/fdl.html)], via Wikimedia Commons
Asphalt Shingle Wind Research: Takeaways

- Key to wind performance = effective seal
- Options for real world assurance:
  - Validation of seal
  - Resilient system:
    - Polymer modified
    - Sealed roof deck
Aging/Weathering
New and existing homes can qualify:
- Single-family detached homes
- Two-family dwelling units
- Manufactured homes
- Townhouses

Property types NOT eligible:
- Mixed use buildings and Commercial buildings. (FORTIFIED Commercial)
- Multi-unit residential not listed above
FORTIFIED Home™ Approach

• Focus on vulnerable systems
• Independently verified and monitored
• Property designation = valid for 5 years
Systems Evaluated Under FORTIFIED

**Hurricane**
- Roof and Attic Vent System

**High Wind/High Wind & Hail**
- Roof System*
  - *Class 3 or 4 Impact Rating for HWH
- Gables, Porches, Carports and Chimneys
- Gables, Porches, Carports and Chimneys
- Garage Doors and Structure (CLP)

Location and Design Wind Speed are key determining factors in deciding which standard(s) apply.
FORTIFIED Home™ Hurricane Bronze Designation

Ensure adequate gable end sheathing is present

Nail or re-nail sheathing

Seal roof deck

Install rated ridge & off-ridge vents

Gable ends:
- block rake vents
- anchor outlookers

Install wind rated roof cover

Cover or remove gable end vents

Ensure soffit vent covers are adequately attached
Water Intrusion Highlights

Water Intrusion Demo at the IBHS Research Center
Key Silver Requirements

Hurricane
- Brace gable ends
- Anchor carports/porches
- Wind rated garage doors
- Protect openings

High Wind
- Gable wall sheathing
- Brace gable ends
- Anchor carports/porches
- Anchor wood frame chimneys
Common carport fails at 80mph
Key Gold Requirements

**Hurricane**
- Anchor wood frame chimneys
- Pressure rated windows and doors
- Continuous load path and minimum wall sheathing requirements

**High Wind**
- Garage door must be pressure rated
- Continuous load path and minimum wall sheathing requirements
FORTIFIED Commercial™

- Incremental approach that incorporates three levels of building resilience and storm protection that build on each other — Bronze, Silver, and Gold.
- New commercial construction AND existing buildings.
- Presently, there is NOT a designation program for FORTIFIED Commercial.
- Standards are available at: disastersafety.org/fortified-commercial
FORTIFIED Key Facts

- Independent verification required by certified FORTIFIED Home Evaluator
- Costs
  - Inspection: varies by evaluator; ~cost of home inspection or $100/hr
  - Upgrades: depends on level and starting point
    - New 0–3%
    - Existing (Bronze): re-roof $0.25–$0.50/sf of roof area (e.g., 2,000 sf roof = $500–$1,000)
- Designations valid for 5 years
- Re-designation focuses on roof and requires evaluation by certified FORTIFIED Home Evaluator
Benefits to Insurers

- Improved underwriting (IBHS has granular data on the structure)
- Potential to lower loss and loss adjustment costs
- Potential to lower post-Cat ALE and BI costs
“Coastal Code Supplement” = FORTIFIED Bronze
Most require re-roof permit
Orange Beach (Baldwin County)
  – adopted FORTIFIED Gold standard equivalent
  – provides permit rebates for FORTIFIED designations
  – Local tax credit
Multiple Listing Service (MLS) inclusion of FORTIFIED is coming…

Alabama Leadership (Coastal)
Mandated insurance discount
Law enacted to create Strengthen Alabama Homes Trust Fund to fund residential mitigation program
Enacted PACE-type program to encourage commercial resilience (PIER)
Governor (University of Alabama) is engaged
DOI is fully engaged
FORTIFIED Increases Home Values

"Results show that switching from a conventional construction standard to a Fortified designation increases the value of a home by nearly 7% holding all other variables constant."
FORTIFIED Designations

Total Designations 3,484

FORTIFIED programs are products of the Insurance Institute for Business & Home Safety
FORTIFIED Wise™ Training

Visit FORTIFIEDHOME.ORG
Activating IBHS Research

- IBHS members
- Building industry (trade groups, manufacturers, installers)
- State insurance regulators
- Building codes and standards organizations
- Media
- Other research organizations
- Consumers
- Additional stakeholders