

**Adopted
AMENDMENT NO 1 PROPOSED TO**

Cmte Sub for Senate Bill No. 2851

BY: Senator(s) Hewes

1 **AMEND by inserting the following sections after line 293 and**
2 **renumbering any succeeding section:**

3 **SECTION *.** (1) Effective July 1, 2007, a rate filing for
4 residential property insurance must include actuarially reasonable
5 discounts, credits or other rate differentials, or appropriate
6 reductions in deductibles, for properties on which fixtures or
7 construction techniques demonstrated to reduce the amount of loss
8 in a windstorm have been installed or implemented. The fixtures
9 or construction techniques shall include, but not be limited to,
10 fixtures or construction techniques that enhance roof strength,
11 roof covering performance, roof-to-wall strength,
12 wall-to-floor-to-foundation strength, opening protection, and
13 window, door and skylight strength. Credits, discounts or other
14 rate differentials for fixtures and construction techniques that
15 meet the minimum requirements of the International Residential
16 Code or the International Building Code must be included in the
17 rate filing. All insurance companies must make a rate filing that
18 includes the credits, discounts or other rate differentials by
19 January 1, 2008. By January 1, 2009, the Department of Insurance
20 shall reevaluate the discounts, credits, other rate differentials
21 and appropriate reductions in deductibles for fixtures and
22 construction techniques that meet the minimum requirements of the
23 International Residential Code or the International Building Code,

24 based upon actual experience or any other loss relativity studies
25 available to the department. The department shall determine the
26 discounts, credits, other rate differentials and appropriate
27 reductions in deductibles that reflect the full actuarial value of
28 that revaluation, which may be used by insurers in rate filings.

29 (2) (a) A rate filing for residential property insurance
30 made on or before the implementation of paragraph (b) may include
31 rate factors that reflect the manner in which building code
32 enforcement in a particular jurisdiction addresses the risk of
33 wind damage. However, that rate filing also must provide for
34 variations from those rate factors on an individual basis based on
35 an inspection of a particular structure by a licensed home
36 inspector, which inspection may be at the cost of the insured.

37 (b) A rate filing for residential property insurance
38 made more than one hundred fifty (150) days after approval by the
39 department of a building code rating factor plan submitted by a
40 statewide rating organization shall include positive and negative
41 rate factors that reflect the manner in which building code
42 enforcement in a particular jurisdiction addresses risk of wind
43 damage. The rate filing shall include variations from standard
44 rate factors on an individual basis based on inspection of a
45 particular structure by a licensed home inspector. If an
46 inspection is requested by the insured, the insurer may require
47 the insured to pay the reasonable cost of the inspection. This
48 paragraph applies to structures constructed or renovated after the
49 implementation of this paragraph.

50 (c) The premium notice shall specify the amount by
51 which the rate has been adjusted as a result of this subsection
52 and also shall specify the maximum possible positive and negative
53 adjustments that are approved for use by the insurer under this
54 subsection.

55 (3) An insurer may not write a residential property
56 insurance policy without providing hurricane or windstorm
57 coverage. This subsection does not apply with respect to risks
58 located in the Coast area that are eligible for coverage by the
59 Mississippi Windstorm Underwriting Association established under
60 Section 83-34-1 et seq.

61 (4) (a) It is the intent of the Legislature to provide a
62 program by which homeowners may obtain an evaluation of the wind
63 resistance of their homes with respect to preventing damage from
64 hurricanes, together with a recommendation of reasonable steps
65 that may be taken to upgrade their homes to better withstand
66 hurricane force winds.

67 (b) To the extent that funds are provided for this
68 purpose, the Legislature authorizes the establishment of a program
69 to be administered by the Mississippi Windstorm Underwriting
70 Association for homeowners insured in the Coast area as defined in
71 Section 83-34-1 et seq.

72 (c) The program may provide grants to homeowners, for
73 the purpose of providing homeowner applicants with funds to
74 conduct an evaluation of the integrity of their homes with respect
75 to withstanding hurricane force winds, recommendations to retrofit
76 the homes to better withstand damage from those winds, and the
77 estimated cost to make the recommended retrofits.

78 (d) The department shall establish by rule standards to
79 govern the quality of the evaluation, the quality of the
80 recommendations for retrofitting, the eligibility of the persons
81 conducting the evaluation, and the selection of applicants under
82 the program. In establishing the standards, the department shall
83 consult with the State Department of Audit to minimize the
84 possibility of fraud or abuse in the evaluation and retrofitting
85 process, and to ensure that funds spent by homeowners acting on
86 the recommendations achieve positive results.

87 (e) The Mississippi Windstorm Underwriting Association
88 shall identify areas of this state with the greatest wind risk to
89 residential properties and recommend annually to the department
90 priority target areas for those evaluations and inclusion with the
91 associated residential construction mitigation program.

92 (f) Discounts must be used without any modifications,
93 unless they are supported by detailed alternative studies.

94 **SECTION *.** There is established within the Department of
95 Insurance a Comprehensive Hurricane Damage Mitigation Program.
96 This section does not create an entitlement for property owners or
97 obligate the state in any way to fund the inspection or
98 retrofitting of residential property or commercial property in
99 this state. Implementation of this program is subject to the
100 availability of funds that may be appropriated by the Legislature
101 for this purpose. The program shall develop and implement a
102 comprehensive and coordinated approach for hurricane damage
103 mitigation that shall include the following:

104 (a) **Cost-benefit study on wind hazard mitigation**
105 **construction measures.** The performance of a cost-benefit study to
106 establish the most appropriate wind hazard mitigation construction
107 measures for both new construction and the retrofitting of
108 existing construction for both residential and commercial
109 facilities within the wind borne debris regions of Mississippi.
110 The recommended wind construction techniques shall be based on
111 both the newly adopted Mississippi building code sections for wind
112 load design and the wind borne debris region. The list of
113 construction measures to be considered for evaluation in the
114 cost-benefit study shall be based on scientifically established
115 and sound, but common, construction techniques that go above and
116 beyond the basic recommendations in the adopted building codes.
117 This allows residents to utilize multiple options that will
118 further reduce risk and loss and still be awarded for their

119 endeavors with appropriate wind insurance discounts. It is
120 recommended that existing accepted scientific studies that
121 validate the wind hazard construction techniques benefits and
122 effects be taken into consideration when establishing the list of
123 construction techniques that homeowners and business owners can
124 employ. This will ensure that only established construction
125 measures that have been studied and modeled as successful
126 mitigation measures will be considered to reduce the chance of
127 including risky or unsound data that will cost both the property
128 owner and state unnecessary losses. The cost-benefit study shall
129 be based on actual construction cost data collected for both
130 several types of residential construction and commercial
131 construction materials, building techniques and designs that are
132 common to the region. The study shall provide as much information
133 as possible that will enhance the data and options provided to the
134 public, so that homeowners and business owners can make informed
135 and educated decisions as to their level of involvement. Based on
136 the construction data, modeling shall be performed on a variety of
137 residential and commercial designs, so that a broad enough
138 representative spectrum of data can be obtained. A report shall
139 be provided that will establish tables of data reflecting
140 actuarially reasonable levels of wind insurance discounts (in
141 percentages) for each mitigation construction
142 technique/combination of techniques. Additional data that will
143 enhance the program, such as studies to reflect property value
144 increases for retrofitting or building to the established wind
145 hazard mitigation construction techniques and cost comparison data
146 collected to establish the value of this program against the
147 investment required to include the mitigation measures, also shall
148 be provided.

149 (b) **Wind certification and hurricane mitigation**
150 **inspections.**

151 (i) Home-retrofit inspections of site-built,
152 residential property, including single-family, two-family,
153 three-family or four-family residential units, and for a set of
154 representative commercial facilities shall be offered to determine
155 what mitigation measures are needed and what improvements to
156 existing residential properties are needed to reduce the
157 property's vulnerability to hurricane damage. A state program
158 will be established within the Department of Insurance to provide
159 homeowners and business owners wind certification and hurricane
160 mitigation inspections. The inspections provided to homeowners
161 and business owners, at a minimum, must include:

162 1. A home inspection and report that
163 summarizes the results and identifies corrective actions a
164 homeowner may take to mitigate hurricane damage.

165 2. A range of cost estimates regarding the
166 mitigation features.

167 3. Insurer-specific information regarding
168 premium discounts correlated to recommended mitigation features
169 identified by the inspection.

170 4. A hurricane resistance rating scale
171 specifying the home's current as well as projected wind resistance
172 capabilities.

173 This data shall be provided by trained and certified
174 inspectors in standardized reporting formats and forms regardless
175 of the insurer involved with the property owner to ensure all data
176 collected during inspections is equivalent in style and content
177 that allows construction data, estimates and discount information
178 to be easily assimilated into a database. It also ensures
179 consistency of the program information for the consumers when
180 dealing with more than one (1) insurance company for the
181 comparison of services or when changing policies. Data pertaining
182 to the number of inspections, inspection reports and consumers

183 participating in the program shall be stored in a state database
184 for evaluation of the program's success and review of state goals
185 in reducing wind hazard loss in the state.

186 (ii) To qualify for selection by the department as
187 a provider of wind certification and hurricane mitigation
188 inspections services, the entity shall, at a minimum:

189 1. Use wind certification and hurricane
190 mitigation inspectors who:

191 a. Have prior experience in residential
192 and/or commercial construction or inspection and have received
193 specialized training in hurricane mitigation procedures through
194 the state certified program. In order to qualify for training in
195 the inspection process, the individual should be either a licensed
196 building code official, a licensed contractor in the State of
197 Mississippi, or a civil engineer with a professional engineering
198 license.

199 b. Have undergone drug testing and
200 background checks.

201 c. Have been certified through a state
202 mandated training program, in a manner satisfactory to the
203 department, to conduct the inspections.

204 2. Provide a quality assurance program
205 including a reinspection component.

206 3. Have data collection equipment and
207 computer systems, so that data can be submitted electronically to
208 the state's database of inspection reports, insurance
209 certificates, and other industry information related to this
210 program. It is mandatory that all inspectors provide original
211 copies to the property owner of any inspection reports, estimates,
212 etc., pertaining to the inspection and keep a copy of all
213 inspection materials on hand for state audits.

214 (c) **Financial grants to retrofit properties.** Financial
215 grants may be used to encourage single-family, site-built,
216 owner-occupied, residential property owners or commercial property
217 owners to retrofit their properties to make them less vulnerable
218 to hurricane damage.

219 (d) **Education and consumer awareness.** Multimedia
220 public education, awareness and advertising efforts designed to
221 specifically address mitigation techniques shall be employed, as
222 well as a component to support ongoing consumer resources and
223 referral services. In addition, all insurance companies shall
224 provide notification to their clients regarding the availability
225 of this program, participation details, and directions to the
226 state Web site promoting the program, along with appropriate
227 contact phone numbers to the state agency administering the
228 program. The notification to the clients must be sent by the
229 insurance company within thirty (30) days of filing their
230 insurance discount schedules with the Department of Insurance.

231 (e) **Advisory council.** There is created an advisory
232 council to provide advice and assistance to the program
233 administrator with regard to his or her administration of the
234 program. The advisory council shall consist of:

235 (i) A representative of lending institutions,
236 selected by the Department of Insurance from a list of at least
237 three (3) persons recommended by the Mississippi Bankers
238 Association.

239 (ii) A representative of residential property
240 insurers, selected by department from a list of at least three (3)
241 persons recommended by the Professional Insurance Agents
242 Association of Mississippi.

243 (iii) A representative of home builders, selected
244 by the department from a list of at least three (3) persons
245 recommended by the Mississippi Homebuilders Association.

246 (iv) One (1) faculty member of a state university,
247 selected by the department, who is an expert in
248 hurricane-resistant construction methodologies and materials.

249 (v) Two (2) members of the House of
250 Representatives, selected by the Speaker of the House of
251 Representatives.

252 (vi) Two (2) members of the Senate, selected by
253 the Lieutenant Governor.

254 (vii) The Executive Director of the Mississippi
255 Windstorm Underwriting Association.

256 (viii) The Director of the Mississippi Emergency
257 Management Agency.

258 Members appointed under subparagraphs (i) through (iv) shall
259 serve at the pleasure of the Department of Insurance. Members
260 appointed under subparagraphs (v) and (vi) shall serve at the
261 pleasure of the appointing officers. All other members shall
262 serve as voting ex officio members. Members of the advisory
263 council shall serve without compensation but may receive
264 reimbursement as provided in Section 25-3-41 for per diem and
265 travel expenses incurred in the performance of their official
266 duties.

267 (f) **Rules and regulations.** The Department of Insurance
268 shall adopt rules and regulations governing the Comprehensive
269 Hurricane Damage Mitigation Program. The department also shall
270 adopt rules and regulations establishing priorities for grants
271 provided under this section based on objective criteria that gives
272 priority to reducing the state's probable maximum loss from
273 hurricanes. However, pursuant to this overall goal, the
274 department may further establish priorities based on the insured
275 value of the dwelling, whether or not the dwelling is insured by
276 Mississippi Windstorm Underwriting Association and whether or not

277 the area under consideration has sufficient resources and the
278 ability to perform the retrofitting required.

279 **FURTHER, AMEND the title by inserting after the following**
280 **after the semicolon on line 12 the following:**

281 TO PROVIDE THAT RATE FILINGS FOR RESIDENTIAL PROPERTY INSURANCE
282 MUST INCLUDE DISCOUNTS, CREDITS OR OTHER RATE DIFFERENTIALS FOR
283 PROPERTIES ON WHICH CONSTRUCTION TECHNIQUES THAT HAVE BEEN
284 DEMONSTRATED TO REDUCE THE AMOUNT OF LOSS IN A WINDSTORM HAVE BEEN
285 INSTALLED OR IMPLEMENTED; TO ESTABLISH A PROGRAM BY WHICH
286 HOMEOWNERS MAY OBTAIN AN EVALUATION OF THE WIND RESISTANCE OF
287 THEIR HOMES WITH RESPECT TO PREVENTING DAMAGE FROM HURRICANES,
288 TOGETHER WITH A RECOMMENDATION OF REASONABLE STEPS THAT MAY BE
289 TAKEN TO UPGRADE THEIR HOMES TO BETTER WITHSTAND HURRICANE FORCE
290 WINDS; TO ESTABLISH WITHIN THE DEPARTMENT OF INSURANCE A
291 COMPREHENSIVE HURRICANE DAMAGE MITIGATION PROGRAM, WHICH SHALL
292 CONSIST OF A COST-BENEFIT STUDY ON WIND HAZARD MITIGATION
293 CONSTRUCTION MEASURES, WIND CERTIFICATION AND HURRICANE MITIGATION
294 INSPECTIONS, FINANCIAL GRANTS TO RETROFIT PROPERTIES, EDUCATION
295 AND CONSUMER AWARENESS EFFORTS, AND AN ADVISORY COUNCIL;