



A Resource of the State of Florida

Hurricane Loss Reduction for Residences and Mobile Homes in Florida

**A Research Project Funded by
The State of Florida Department of Community Affairs
Through Contract 01-RC-11-13-00-22-004**

PRELIMINARY REPORT ON INCENTIVES AND BARRIERS TO MITIGATION WITHIN HOMEOWNERS INSURANCE

DELIVERABLE #10

DUE BY MAY 31, 2001

PREPARED BY
THE INTERNATIONAL HURRICANE CENTER
FLORIDA INTERNATIONAL UNIVERSITY

PURPOSE

This report provides preliminary findings regarding: (a) the potential for damage to site-built or to manufactured homes from hurricane impact, (b) the promotion and/or adoption of loss reduction (mitigation) measures, (c) the recognition of such mitigation measures by the insurance industry, and (d) the incorporation of incentives or barriers to such mitigation through homeowner insurance.

These preliminary findings represent work in one of five research tracks under the “Hurricane Loss reduction for Residences and Mobile Homes in Florida” project being funded by the Florida department of Community Affairs (DCA).

Underlying these preliminary findings and the research work that produced them are several critical larger issues including the following:

1. What could be the impact of catastrophic losses, such as those from a hurricane strike, on the insurance industry?
2. How can the insurance industry contribute to reducing the potential for damage from hurricane impact thereby reducing its own risk, and maintaining its capability for indemnifying losses?
3. While reference is often made to the *insurance industry* it must be made clear that it is the *individual insurer*, as licensed by a specific state, as a stand-alone entity that ultimately may be affected by catastrophic loss or which may have the power and the interest to promote specific loss-reduction measures.

The issues of risk, acceptability and distribution of risk and loss reduction are as central to the activities of the insurance industry as are those of the affordability and availability of insurance, and the objective of profiting economically from these activities. Are these opposing or conflicting issues? How can an insurer simultaneously promote *affordability*, which entails keeping premiums low for the consumer, with the capability of *indemnifying* consumers for their losses, which implies potential losses for the insurer itself, while always seeking the maximum profit from this activity?

These and other issues appear to indicate that insurers operate within a complex environment that may turn particularly delicate when it comes to the potential for losses from natural hazards. Indeed some insurance experts believe the property-casualty insurance industry is in a precarious position regarding potential catastrophic natural hazard losses (Eugene L. Lecomte, Insurance Institute for Property Loss Reduction 1996)

Against this background still fresh is the impact of Hurricane Andrew (1992) where several individual insurers went out of business as a consequence of the losses incurred, and even the larger insurers sustained considerable adverse impacts and were eventually forced to modify their approach to insuring property in Florida. This does indeed provide empirical evidence of the precarious nature on the insurance business with respect to potential loss from hurricane impact.

To complicate matters further there appear to be a pervasive attitude among some homeowners that could be summarized as follows: "it won't happen to me" "the government will provide disaster assistance" "I have insurance". This can be translated as a de-facto usage of tax monies and of insurance resources to cover potential losses from hurricanes, or other hazards, by homeowners who have no incentive to adopt or support mitigation to reduce the potential for such losses (*Potential Impact on Finance and Insurance - Economic Consequences of Earthquakes: Preparing for the Unexpected*. Ed. Barclay G. Jones 1997, University of Buffalo, Buffalo, NY 14261)

All of these factors must be taken into account in the ultimate analysis of findings from a research track with the following scope:

Incentives and Barriers to Mitigation within Homeowners Insurance: Research will be conducted to determine if government-promoted and homeowner-funded loss-reduction measures are being supported in tangible ways by insurers. The research will specifically address the following:

- (a) *Are conventionally site-built homeowners being offered insurance premium reductions for shutters of for higher rating from the Building Code effectiveness Grading System and if so to what extent;*
- (b) *Are insurers recognizing the difference in construction and setup standards for the newer wider and stronger manufactured housing units through lower rates;*
- (c) *What incentives are already in place and what other incentives may the insurance industry be willing to consider and on what basis; and*
- (d) *What is the potential hurricane loss reduction that may result from insurance incentives?*

This report has been completed by Kirshnan Dandapani (FIU) and Deanne Butchey (FIU) with contributions from Nicole Dash (IHC) and Ricardo Alvarez (IHC).

This report has been prepared in compliance with the deliverable requirements of DCA Contract Number 01-RC-11-13-00-22-004 executed September 8, 2000 and modified

through Amendment #1 executed January 18, 2001. This report specifically complies with deliverable #10 of said contract, due by May 31, 2001, which reads as follows:

By May 31, 2001, the Contractor shall submit in both hard-copy and electronic format a preliminary report on Incentives and Barriers [to Mitigation] within Homeowners Insurance. This report shall include research conducted on items a-d as referenced under this Scope of Work, Section A, Part II Research, Item 4.

A WORK IN PROGRESS

As required this is a preliminary report on the activities and findings of the IHC research team under the specific research track mentioned above. In addition to reviewing literature and consulting various sources of information ongoing work by the IHC research team has involved: (a) a survey of insurers focusing on the questions included in the scope for this specific research track, and (b) the telephone survey of mobile homeowners in four regions of the state that included several questions on the insurance issue.

From this initial work the IHC research team has learned that while the specific questions to be addressed are quite direct, and apparently simple to answer, the reality is that there are numerous other issues involved including the commercial nature of insurers' activities and the desire to preserve competitive positions and to protect information considered proprietary. In addition, antitrust regulations and other statutes make it difficult, or even preclude, the gathering of information through collective discussions at group meetings of insurers.

These factors plus the limited time available for this effort have made it difficult arriving at clearcut answers for the questions listed above.

The IHC research team will continue working on this issue with the objective of expanding its findings in an effort to answer said questions through the final report required by the contract, that is due by June 29, 2001.

GENERAL OVERVIEW

On any given year, only two percent of existing housing units in the United States are replaced through new construction projects, that may incorporate more stringent building codes than those in effect in earlier years (Institute for Building and Home Safety.- IBHS Annual Report 2000) Therefore in order to make a meaningful impact on reducing the cost to society as a whole of natural disasters through the minimizing of injuries, loss of lives, jobs, property and business activity, the need to improve the quality of existing structures must be addressed through retrofit. Arguments for security and safety of the home range from the “nesting syndrome” where a mother wants to provide an emotionally and physically stable environment that reduces vulnerability to the damaging effects of a catastrophe versus complete apathy (“Que sera sera”). However, the main criterion for retrofit is cost-effectiveness.

While homeowners appear to mainly engage in Risk Mitigation Measures (RMMs) or actions aimed at reducing the costs of hazard impact when the benefits accrued outweigh the out of pockets costs, providers of insurance will only write policies where there is profit potential or maximum loss reduction. The availability of insurance, which reduces the financial impact of losses in a disaster, is in itself a disincentive to mitigation (*Insurance Viability and Loss Mitigation: Partners in Risk Resolution* p 211, Walker, George R. 1995). The aim of preliminary meetings of the IHC researchers with insurance representatives and the survey was to determine their priority lists for loss reduction techniques and to ascertain their major concerns pertaining to incentives and barriers to mitigation.

The major concerns that are to be addressed are the following:

- a) Are conventionally site-built homeowners being offered more significant insurance premium reductions for shutters, laminated glass or for a higher rating from the Building Code Effectiveness Grading System as compared to homes that are factory built;
- b) Are insurers recognizing the difference in construction and setup standards for the newer, wider and stronger manufactured housing units through lower premiums;
- c) What incentives are already in place and what other incentives may the insurance industry be willing to consider and on what basis;
- d) What is the potential to the entire industry and society as a whole for hurricane loss reduction that may result from insurance incentives?

While the survey looked at barriers and incentives to mitigation within Homeowners' insurance for all single-family homes, the primary focus was mitigation issues with respect to Mobile/Manufactured homes. According to the Manufactured Housing Institute, HUD-regulated, manufactured homes accounted for more than one-third of all new single-family homes built and sold in the past year. Therefore the importance of a study of this nature cannot be understated.

THE INSURANCE INDUSTRY IN FLORIDA

During the course of interviews over the past two months with various representatives from the insurance companies providing coverage to manufactured homes under homeowners' policies in Florida, several topics of interest were exposed. One was that many of these companies are in the process of product development of homeowners' policies internally to address the needs of proposed changes in building codes and other considerations. As a result most of them were hesitant to meet formally in group settings, on the grounds of potential problems of an anti-trust nature and other compliance issues. Many believed that by mid-summer, after new homeowners' policies are drafted, it might become possible for them to work together in a study group to explore mitigation issues. As a result, while attempts were made to speak to representatives of all the insurance companies addressing the needs of mobile homeowners in Florida only a few felt confident enough at the current juncture to speak with IHC researchers at length about their concerns.

At these informal meetings the following concerns were disclosed by several of the insurance representatives of insurance companies covering mobile/manufactured homes. Catastrophe losses in Florida appear to be partially underwritten by insurers' profits from elsewhere in the country creating de-facto subsidies enjoyed by some companies in Florida. This gives some insurers a competitive advantage, which allow them to reduce the price of some types of insurance. While most companies without hesitation will cover post 1994 built homes, homes built between 1988 – 1994 still have significant value and need to have accessibility to coverage (note mobile homes depreciate similarly to automobiles). While the 1994 HUD standards were meant to protect people by reducing the number of death and injuries, and also reduce property damage and insurance costs while improving the quality and durability of manufactured homes, damage to these units are still substantial in the event of a hurricane strike (*Municipal Regulation of Mobile Homes and HUD Code - Manufactured Homes*, Robert F. Brown, Bickerstaff, Heath, Smiley, Pollan, Keven & McDaniel, LLP 1999). Given this focus, and the low premiums, hence in the view of insurers it will never be possible to provide discounts to equate the costs of mitigation so it is important to get others agencies to

provide incentives like low interest loans, and federal money to get rid of dangerous homes.

Installation issues were a major concern such as incorrect installation and no inspection of tie-downs after originally installed (IBHS Focus Group on *Manufactured and Modular Home Study Group*, January 2000). The HUD code stipulates that “anchoring equipment exposed to weathering should have a resistance to weather deterioration at least equivalent to that provided by a coating of zinc on steel of not less than 0.30 ounces per square foot of surface coating”. Based on inspections a few years after installation, some insurers believe (IHC survey 2001) these tie-down specifications may not be adequate. Other insurers expressed concerns about differences in types of soil as well as soil changes brought about by extreme rain or flooding during hurricanes that may reduce the effectiveness of the tie-downs. The suggestion was made by some insurers responding to the IHC survey that maintenance and periodic inspection of installation components may be critical to ensure an effective performance by the same..

There is also a fear that because of vertical integration, where manufacturers are involved at different levels of the manufactured home industry supplying the units, finance, insurance, sale and eventual installation, some aspect of safety may be compromised (IBHS Focus Group, January 2000). There was also a need for separation of modular from manufactured homes. Modular homes must meet local codes as opposed to HUD code.

In some areas of Florida (i.e. Broward County) insurers may have large proportion of their clients that only use manufactured homes seasonally and appear not mind the potential for hurricane damage as long as the structure and furnishings are covered. In many cases personal items are removed before hurricane season. Thus the “nesting” syndrome does not come into play here and the cost of mitigation may not justify a reduction in insurance premiums (IHC insurers survey).

Investigation of hurricane damage after Andrew showed that much of the damage resulted from breaching of the building envelope when wind-borne debris broke windows and doors (*Natural Hazard Mitigation Insights - Industry Perspective: Impact Resistance Standards*, IBHS 2000). Given this empirical evidence another aspect that may require additional investigation is the methodology for assessing the wind resistance of mobile homes. This appear to be needed to assist insurers in assessing damage potential and actuarially determining insurance rates. Lacking such potential damage assessment methodology and in view of the sensitivity of the market to

competitive rate adjustments, insurers are by and large not recognizing differences in the construction of mobile homes

Based on preliminary interviews of representatives from two of the largest insurers of mobile homes in Florida, Liberty American Insurance Company and Tower Hill Insurance Company, a preliminary survey for insurance representatives was drafted. Pilot testing of the survey instrument was conducted on these companies as well as the Florida Farm Bureau. Based on the underwriting guidelines (i.e.: location, year of unit manufacture etc.) for incentives and barriers to mitigation a detailed survey was produced. This survey attempted to ascertain whether insurers recognized the difference in construction techniques and installation standards on manufactured homes based on newer building codes especially the U.S. Department of Housing and Urban Development (HUD) 1994 revisions. The survey also attempted to capture the efficacy of shutters and other loss mitigation techniques as well as higher ratings from the Building Code Effectiveness Grading System in providing premium reductions for conventional site-built homes. The focal point of the survey was to determine the current incentives to mitigation and the barriers to future mitigation attempts and to ensure the eventual goal of economic and social loss reduction due to hurricanes. The final survey is presented in Appendix II.

Several of the major insurance companies in the U.S. refuse to directly cover manufactured homes. In fact many of them have subsidiary companies based in Florida so as to ensure that potential losses here do not affect the profitability in other states. The market in Florida is dominated by individual agents who search for coverage for their clients by relying on ratings of the financial condition of insurance companies by A. M. Best Company. Foremost Insurance Company, Tower Hill Insurance Company and Liberty American Insurance Company cover the bulk of the market in Florida. State Farm also plays some limited role while other large national insurers only indirectly provide coverage to a lesser extent in Florida. Many large insurers like Allstate, and Nationwide cover manufactured homes through The Florida Residential Property and Casualty Joint Underwriting Association (JUA). The JUA is not a state agency. It is a semi-public association overseen by a 13-member Board of Governors whose membership is prescribed by state law. The JUA does not directly write policies, but rather, appoints private insurance agencies around the state with the authority to write policies into the association. The JUA contracts with private insurers that provide its main information system, administer policies and perform claims adjusting for policyholders. The JUA's staff in Tallahassee acts as a "home office," overseeing the work of these private contractors. It was created by the Florida Legislature in December 1992 because of the disruption to the state's property

insurance market caused by Hurricane Andrew. The JUA's mission, under state law, is to provide residential property insurance to "applicants who are in good faith entitled, but are unable, to procure insurance through the voluntary market." The JUA began writing policies in March 1993.

The JUA offers policies through two separate lines of business. Personal Residential Lines includes Homeowners, Mobile Homeowners, Tenants, Condominium Unit Owners and Dwelling Fire policies. Commercial Residential Lines includes Condominium Association, Apartment Building and Homeowners Association policies. The JUA writes policies in all 67 Florida counties, and it writes policies both with and without windstorm coverage.

The table below offers preliminary results from the telephone survey of mobile home households on name of homeowner's insurance.

Insurance Company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	State Farm	41	8.3	16.5	16.5
	Allstate	54	10.9	21.7	38.2
	USAA	4	.8	1.6	39.8
	Nationwide	13	2.6	5.2	45.0
	Travlers	3	.6	1.2	46.2
	JUA	2	.4	.8	47.0
	Foremost	10	2.0	4.0	51.0
	American Federation	6	1.2	2.4	53.4
	Liberty Mutual	5	1.0	2.0	55.4
	Mobile Home Insurance Association	10	2.0	4.0	59.4
	Philadelphia	4	.8	1.6	61.0
	Thru AARP	3	.6	1.2	62.2
	Tower Group	23	4.6	9.2	71.5
	Omega	2	.4	.8	72.3
	Progressive	2	.4	.8	73.1
	Thru AAA	14	2.8	5.6	78.7
	Other	53	10.7	21.3	100.0
	Total	249	50.2	100.0	
Missing	System	247	49.8		
	Total	496	100.0		

Based on discussions with industry representatives, it was disclosed that while risk mitigation measures for hurricane protection are desirable, some insurers believe that

the potential for large hurricane losses could be alleviated by having fewer frame constructed homes in coastal exposed areas. On an off-note it was discovered that a problem of major concern to some insurers today is not so much the potential for losses in the advent of a hurricane, but the repetitive problem of water damage caused by defective plumbing work (IHC insurers survey)

LIST OF INCENTIVES AND DISCOUNTS

The Survey of Insurance Representatives was hand delivered to 21 Representatives of Insurance Companies. Of these, four do not do business directly in Florida and relied on their business experiences elsewhere to complete the survey. A total of six do not cover manufactured homes at all, while others though not formally covering manufactured homes did underwrite some through their agents under JUA policies for example Allstate and Nationwide. Many were hesitant to answer in detail questions on the survey because of proprietary and competitive reasons. Others were not comfortable completing the survey while conversations were undergoing regarding policy changes for the 2001 Hurricane season. Amendments are made every year regarding the Hurricane and Tropical Storm Bulletin. A sample from 1999 is attached in Appendix III. When a hurricane or tropical storm as identified by the National Oceanic and Atmospheric Administration moves within certain boundaries there is an automatic suspension of writing of new policies, request for increase in coverage or reinstatement of a lapsed policy.

CONVENTIONAL SITE-BUILT HOMES

The FWUA is in the process of trying to implement a new program, which will provide hurricane-safety inspections for their policyholders at a cost of \$150. Mitigation measures like strengthened roofs, braced garage doors and hurricane shutters may reduce the wind portion of insurance premiums by as much as 60% (Florida Wind Underwriting Association - FWUA). Houses that are located some distance (i.e.: 50 miles) from coastal areas rarely carry windstorm but generally carry flood insurance. Premium credits are generally given for shutter and laminated glass according to the schedule filed and approved by the Insurance Service Office (ISO). These are based on the class of the RMM and the location of the property. Hurricane deductibles are generally driven by the physical location of the property. In coastal regions, many insurance companies have a mandatory \$1000 deductible. Higher deductible levels of 2%, 5% and 10% of the cost of the insured loss usually warrant lower premiums and are optionally available statewide. For the case of the few companies who were generous enough to break down their deductibles by policyholders, the majority of the

homeowners' policies had hurricane deductibles of \$500 and in the houses over \$200,000 in value, the deductible was on average, 2%.

MANUFACTURED/MOBILE HOMES

From the surveys that have been returned to date the following information was gleaned. No incentives and discounts are currently in place for Risk Mitigation Measures. Discounts are available for mundane reasons like "over 55" (10%), "AAA membership", (5%), New Home (Only available in the first year), Non-smoker/Burglar Alarms (2%), Fire Sprinkler system (2%) etc. Wind, Hail and Water Exclusion Endorsement is offered on all policies located in FWUA eligible areas like South Florida. The state of Florida through the Florida Department of Highway Safety and Motor Vehicles requires tie-downs to anchor mobile homes. Hurricane Deductibles are typically about \$500 regardless of whether the respondents defined their core market as having values in the \$20 - \$30,000 range, \$30 - \$40,000 range, and those who view the majority of their policies covering homes over \$40,000. Many also opt for deductibles, which are between 2 – 5% of Coverage.

All the survey respondents expressed a need for methodology or guidelines to assess the potential for damage for additions to mobile homes such as sunrooms, carports, roofovers and porches. The potential for direct wind damage and wind-borne debris destruction appears to increase with these additions. Because of the lack of information it is impossible to actuarially determine the impact of these in the advent of a major storm.

There is a small reduction in insurance premiums for mobile homes built after 1994, which represents the more stringent HUD standards for manufacturing of these units. The reasoning behind the lack of significant discounts on typical RMMs like laminated glass, storm shutters and roof bracing is because even though the newer models are well built, mobile-home foundations are by definition not permanent (Per the IHC insurers survey, some insurers suggest mobile homes should be installed on permanent foundations). The cost of a permanent foundation, which supports the weight of the home with a poured concrete footer, perimeter wall and interior piers can add up to \$4000 to the cost of an average doublewide manufactured home. Most sit atop old-fashioned piles of cinder blocks stacked but not cemented together. The home is bolted to the frame, which is then tied down. These homes rely upon various types of tie-downs to keep them from uplifting or tipping over in high winds. The answers to the question on the survey regarding how the bolting of the manufactured home to a permanent foundation brought about the uniform contention that it would save about 30% of the costs from

damage. Foremost Insurance Company reports that approximately 65% of the homes it insures are on permanent foundations, however the proportion is unfortunately not that high in Florida. The grip on the ground is based on a set of anchoring rods augered into the soil like large corkscrews. In the opinion of some insurers (IHC insurers survey) these straps and anchors may get rusted quickly and are rarely if at all tested for effectiveness after being installed. Some companies believe that the internal straps and connectors for roof, walls and floor are still not adequate in significantly reducing the potential for damage even in the post 1994 HUD code built homes.

Survey results indicate that the typical homeowners' insurance rates are approximately:

- \$850 on homes with value of around \$40,000
- \$660 on homes with value of around \$30,000
- \$480 on homes with value of around \$20,000

Replacement Cost Coverage is usually offered for Manufactured Homes.

The IHC insurers survey also resulted in some suggestions for the legislature concerning mobile/manufactured homeowners' insurance. The salvage title laws, with regard to the disposal or recycling of damaged or older mobile homes, in Florida were viewed as an obstacle as were the wind pool assessments. It was also recommended that the older homes especially should be subject to inspections on a regular basis.

BARRIERS TO MITIGATION

Conventional Site-built Homes

The major barrier to mitigation is cost. While efforts have been made to show that homeowners may recover their "mitigation investment" within 1 – 15 years because of insurance premium reductions, there are still many who are not convinced this may be the case (EIIP Virtual Forum - *Mitigation Investment*). Education may combat this obstacle.

Manufactured/Mobile Homes

The major barrier to mitigation is cost-effectiveness. Because of the structural concerns regarding the anchoring system, most typical RMMs do not prove to be cost effective. The other major concern is that of wind-borne debris from add-ons. Most standard mitigation measures have not proven to be effective against wind-borne debris. Given the very nature of mobile/manufactured homes the mitigation measure that may prove

to most productive, the bolting of the unit onto permanent foundations, is not a viable option (*Standard Specifications for Performance of Exterior Windows, Glazed Curtain Walls, Doors and Storm Shutters Impacted by Wind-borne Debris in Hurricanes* American Society for Testing Materials - ASTM -1996-1999)

POTENTIAL FOR HURRICANE LOSS REDUCTION AS A RESULT OF INSURANCE INCENTIVES FOR MITIGATION

While there is no empirical evidence of a monetary value for the alleviation of costs from damage by a major hurricane based on the different classes of RMMs, the survey uncovered percentages, which are used actuarially to affect the insurance premiums. On average hurricane shutters are viewed as reducing the potential of damage by 10%, laminated glass by 10%, roof bracing by 20% and bolting of the side walls to the foundation or concrete slab by 20%. However many survey participants warned that with the new building code going into effect in Florida they were in the process of quantifying the benefits for their rating system. Given the competitive nature of the business, uniform discounts may be expected once the risk classification is determined.

There is currently no widespread view that risk mitigation attempts such as hurricane shutters, laminated glass, roof-bracing or thicker flooring will help in reducing the potential for damage of manufactured homes in the event of a major hurricane. Simple mitigation measures like removal of add-ons like porches, awnings car ports in the advent of a catastrophe have been viewed as desirable however no incentives like premium discounts are available for them since the compliance is difficult to ascertain. There is the view that the use of permanent foundations and subsequent bolting of the sidewalls to these foundations can help alleviate the potential of the manufactured home to move during a hurricane. While permanent foundations are desirable and are recognized as such by it being a requirement for the eligibility of obtaining an FHA mortgage insurance, not many manufactured/mobile homes are placed on these. When a HUD code manufactured home is placed on a permanent foundation it is classified and subject to taxation as real estate. It can add between \$4,000 - \$6,000 to the cost of installation and hence the value of the site, as it is usually included in the real estate assessment. These requirements eliminate the majority of the mobile home parks in Florida since most homes are on rented property.

There appears to be a general consensus among insurers that improvement in the quality and installation of tie-downs as a risk mitigation measure could reduce the cost of hurricane loss protection and as such premiums. However given the nature of these many believe that continuous inspections are essential to allotment of reduced

premiums. Some insurers believe that certification of wind damage resistance by the state on an on going basis could be the answer to hurricane loss reduction (IBHS). The problems of certification range from what department should administer this program; the cost effectiveness, the criteria and training to how often the process should be repeated. Views for re-certifications range over some pre-determined time horizon, to every time a certain level of winds moves through an area. While the process of certification faces significant logistic impediments, the uniform clamoring for this by industry representatives demand that further investigation be entailed. Without a database of the mitigation status of the state's housing stock many insurance companies do not believe it to be possible to take advantage of current technological advances in modeling and simulation technology to price their products and to determine the loss potential of a major hurricane.

PRELIMINARY SURVEY RESULTS

A major issued covered in the Telephone Survey of Mobile Home Residents is insurance. The goal is to get as comprehensive of a picture as possible of insurance coverage for mobile home residents. The following section discusses preliminary results on important insurance questions. While the survey is not completed at this time, these results give an early picture of the results. Final results will be available for the final report.

Renters

The majority of households interviewed own their mobile home. As the below table indicates, less than five percent rent their units. Of the five percent, only three indicate they have renter's insurance

Do you own or rent your home?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Own	473	95.4	95.4	95.4
	Rent	23	4.6	4.6	100.0
	Total	496	100.0	100.0	

Do you have renters' insurance?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	3	.6	13.0	13.0
	No	20	4.0	87.0	100.0
	Total	23	4.6	100.0	
Missing	System	473	95.4		
	Total	496	100.0		

Homeowners

The majority of homeowners indicate that they have homeowner's insurance with 81% indicating that they have wind coverage. About five percent report that their wind coverage is a policy separate from their homeowner's policy. The following three tables summarize these results.

Do you have homeowners' insurance?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	418	84.3	89.9	89.9
	No	44	8.9	9.5	99.4
	Not sure	3	.6	.6	100.0
Missing	Total	465	93.8	100.0	
	dk/nr	8	1.6		
	System	23	4.6		
Total	Total	31	6.3		
		496	100.0		

Do you have windstorm coverage?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	313	63.1	81.3	81.3
	No	20	4.0	5.2	86.5
	Not sure	52	10.5	13.5	100.0
Missing	Total	385	77.6	100.0	
	dk/nr	33	6.7		
	System	78	15.7		
Total	Total	111	22.4		
		496	100.0		

Is your Windstorm coverage part of your homeowners insurance or a separate policy?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Part of regular policy	288	58.1	92.0	92.0
	A separate policy	15	3.0	4.8	96.8
	dk/nr	10	2.0	3.2	100.0
	Total	313	63.1	100.0	
Missing	System	183	36.9		
	Total	496	100.0		

Insurance Details

When asked about their windstorm deductible, about 34% indicated that they were not sure if the deductible for wind was different from their regular deductible. About 27% reported that their windstorm coverage has a different deductible, with the remaining 39% indicating that both their windstorm and homeowner's insurance has the same deductible.

A similar percentage was not sure if they were getting any discounts for extra wind-related protection. And only nine percent believe they are getting discounts for some type of rating or extra wind-related protection. The majority, 60%, indicates that they are getting no discounts of any type. The following two tables detail these results.

Is your Windstorm coverage deductible different from regular deductible?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	85	17.1	27.2	27.2
	No	122	24.6	39.0	66.1
	dk/nr	106	21.4	33.9	100.0
	Total	313	63.1	100.0	
Missing	System	183	36.9		
	Total	496	100.0		

Are you receiving any insurance discounts for extra wind-related protection?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes, because of wind rating	16	3.2	3.8	3.8
	Yes, because of extra protection	21	4.2	5.0	8.9
	No	251	50.6	60.0	68.9
	Don't know	130	26.2	31.1	100.0
	Total	418	84.3		
	Missing	System	78	15.7	
Total		496	100.0		

Flood Insurance

Only about 32% of the respondents indicate that they have flood insurance. The hope is that the 68% without flood insurance are not in designated flood zones. While some counties have limited mobile home in coastal zones, many mobile homes are located on canals, lakes, or other large bodies of water (think of the mobile homes in the Florida Keys).

Do you have flood insurance?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	135	27.2	31.8	31.8
	No	289	58.3	68.2	100.0
	Total	424	85.5	100.0	
	Missing	dk/nr	49	9.9	
	System	23	4.6		
	Total	72	14.5		
Total		496	100.0		

APPENDIX I: CONTACTS

Cover Mobile Homes:

Liberty American Insurance Group, Inc.

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APPENDIX II: SURVEY FOR INSURANCE REPRESENTATIVES

Part A: Mobile Homes

- 1) Do you insure manufactured homes in South Florida? If not proceed to Part B.
 - a) Yes
 - b) No
- 2) Do you insure any manufactured homes built before 1994?
 - a) Yes
 - b) No
- 3) What proportion of your homeowners' policies is for manufactured homes?
(Please give the approximate percentages)
- 4) Of mobile homeowners' policies, what proportion range in value of
 - 0 - \$20,000
 - \$20,000 - \$30,000
 - \$30,000 - \$40,000
 - Over \$40,000?
(Please give the approximate percentages)
- 5) What are the hurricane deductibles on manufactured homes with the following values: (please give approximate dollar amounts or percentage of value)
 - 0 - \$20,000
 - \$20,000 - \$30,000
 - \$30,000 - \$40,000
 - Over \$40,000?
- 6) In manufactured homes built before 1994, what discounts are offered for the following risk mitigation measures (RMMs) defined as actions that reduce or eliminate the losses to individuals and their property from natural disasters. These normally involve an upfront investment cost in exchange for a stream of benefits accruing over time in the form of reduced expected losses from natural disasters (please give approximate dollar amount or percentage of value).
 - Hurricane shutters
 - Laminated glass in the windows

- Roof bracing
 - Bolting of the side walls to the foundation or concrete slab
 - Anchored tie-downs?
 - Others
- 7) Do you offer lower hurricane deductibles for the following RMMs (please answer yes or no for each):
 - Hurricane shutters
 - Laminated glass in the windows
 - Roof bracing
 - Bolting of the side walls to the foundation or concrete slab
 - Anchored tie-downs?
 - Others
- 8) Please quantify how the following RMMs will help alleviate the costs from damage by a major hurricane (reduce by 10%, 20%, 30%, 40% More than 20%)
 - Hurricane shutters
 - Laminated glass in the windows
 - Roof bracing
 - Bolting of the side walls to the foundation or concrete slab
 - Anchored tie-downs?
 - Others
- 9) What proportion of mobile homeowners' policies are for:
 - Single-wide homes
 - Double-wide homes
 - Triple-wide homes
- 10) What is the proportion of homeowners' policies in Level 1 parks versus non-level 1 parks?
- 11) What is the proportion of homeowners' policies not visible to two neighboring properties?
- 12) you insure any manufactured homes that are elevated more than 4 feet?
 - a) Yes
 - b) No

- 13) On what other forms of retrofitting of existing structures do you offer discounts or reduced premiums?
- 14) What are your Hurricane Warning boundaries for temporarily stopping the writing of new policies?

- 15) Do you offer a Wind, Hail & Water Exclusion Endorsement in the South Florida area since homeowners are eligible for FWUA here?
 - a) Yes
 - b) No
- 16) What proportion of mobile homes covered are set up on permanent masonry (like concrete) pad)?
- 17) What changes would you like to see in the construction, location and upkeep of Mobile Homes which would entice you to actively pursue Home Owners' Policies for this type of housing?

- 18) What changes would you like to see in the legislature concerning mobile homeowners' insurance (e.g. solutions from other states)?

Part B: Conventional Single Family Homes

- 1) What proportion of your homeowners' policies is for single family homes? (Please give the approximate percentages)
- 2) What proportion of your homeowners' policies is for multi-unit homes? (Please give the approximate percentages)

- 3) Of single family conventional homeowners' policies, what proportion range in value of (please give the actual percentages)
0 - \$59,000
\$60,000 - \$99,000
\$100,000 - \$149,000
\$150,000 - \$199,000
Over \$200,000?

- 4) What are the hurricane deductibles on single family homes with the following values: (please give approximate dollar amounts or percentage of value)

0 - \$59,000
\$60,000 - \$99,000
\$100,000 - \$149,000
\$150,000 - \$199,000
Over \$200,000?

- 5) In homes built before 1994, what discounts are offered for the following risk mitigation measures (RMMs) defined as actions that reduce or eliminate the losses to individuals and their property from natural disasters. These normally involve an upfront investment cost in exchange for a stream of benefits accruing over times in the form of reduced expected losses from natural disasters (please give approximate dollar amount or percentage of value).

Hurricane shutters
Laminated glass in the windows
Roof bracing
Bolting of the side walls to the foundation or concrete slab
Others

- 6) Do you offer lower hurricane deductibles for the following RMMs (please answer yes or no for each):

Hurricane shutters
Laminated glass in the windows
Roof bracing
Bolting of the side walls to the foundation or concrete slab
Others

- 7) Please quantify how the following RMMs will help alleviate the costs from damage by a major hurricane (reduce by 10%, 20%, 30%, 40% More than 20%)

Hurricane shutters
Laminated glass in the windows
Roof bracing
Bolting of the side walls to the foundation or concrete slab
Others

- 8) What is the proportion of homeowners' policies not visible to two neighboring properties?

- 9) On what other forms of retrofitting of existing structures do you offer discounts or reduced premiums?
- 10) What are your Hurricane Warning boundaries for temporarily stopping the writing of new policies?
- 11) Do you offer a Wind, Hail & Water Exclusion Endorsement in the South Florida area since homeowners are eligible for FWUA here?
- a) Yes
 - b) No
- 12) What changes would you like to see in the construction, location and upkeep of Single Family Homes which would entice you to more actively pursue Home Owners' Policies for this type of housing?

Appendix III: Map of Hurricane Boundaries

More or less:

If a tropical storm crosses the following boundaries the company will restrict all business within the following boundaries:

West of 75° West Longitude

East of 98° West Longitude

North of 15° North Latitude

South of 35° North Latitude