

## **State Solutions to Coastal Homeowners Insurance Issues**

Summary of practical and innovative solutions enacted in various states to address the affordability and availability of property and casualty insurance in coastal areas.

### **Building Code Reform**

#### *Louisiana SB 44 (2005)*

- Enacted a statewide building construction code, adopting the 2003 wind and flood mitigation requirements prescribed in the 2003 International Building Code and the 2003 International Residential Code.
- Encourages use of construction materials of greater durability and lower long-term costs, with a goal of providing greater storm resistance.

#### *Mississippi HB 1406 (2006)*

- Requires its most southerly counties to enforce wind and flood mitigation requirements based on the 2003 International Building Code and 2003 International Residential Codes.

#### *Florida HB 1A (2007)*

- Adopts a true statewide building code by eliminating the “Panhandle Carve Out”
- Requires statewide compliance with wind-borne debris protection in accordance with the International Building Code (2006) and the International Residential Code (2006) in the wind-borne debris region.

### **Coastal Restoration for Storm Protection**

#### *Louisiana Acts 8 and 69 (2005)*

- Recognizes the benefits of using natural defenses, such as coastal wetlands, as hurricane and storm surge protection.
- Creates and places all state coastal restoration and hurricane protection activities under the Coastal Protection and Restoration Authority
- Provides dedicated funding for coastal restoration from the state share of revenue from offshore drilling.

## **Tax Credits for Mitigation Expenses**

### *South Carolina HB 3820 (2007)*

- Individual taxpayers allowed a credit against state income tax for costs incurred to retrofit a residence to make it more resistant to hurricane, rising floodwater, or other catastrophic windstorm event.
- Tax credit for fortification measures not to exceed the lesser of 25% of the cost incurred or \$1,000.
- Individual taxpayers allowed a credit from state income tax for state sales and use taxes paid on purchases of tangible personal property used to retrofit a residence. Maximum credit allowed is \$1,500.

## **Matching Grant Program for Consumer Mitigation**

### *South Carolina HB 3820 (2007)*

- Grants to assist homeowners in retrofitting their properties to make them less vulnerable to hurricane damage.
- Grants must be matched on a dollar-for-dollar basis for a total of \$10,000 for the mitigation project.
- Low income homeowners eligible for grants up to \$5,000 with no matching amount required.

### *Florida HB 7057 (2006, amended 2007 and 2008)*

- Creates the My Safe Florida Home Program to provide free home-retrofit inspections of site-built, single-family, residential property to be offered throughout the state to determine what mitigation measures are needed, what insurance premium discounts may be available, and what improvements to existing residential properties are needed to reduce the property's vulnerability to hurricane damage.
- Financial grants to encourage single-family, site-built, owner-occupied, residential property owners to retrofit their properties to make them less vulnerable to hurricane damage.
- Grants must be matched on a dollar-for-dollar basis for a total of \$10,000 for the actual cost of the mitigation project with the state's contribution not to exceed \$5,000.

## **Tax Deduction – Catastrophe Savings Account**

### **South Carolina HB 3820 (2007)**

- Individual taxpayer allowed a deduction from state income tax for amounts contributed to a Catastrophe Savings Account.
- Catastrophe Savings Account may be established by a policyholder for residential property in South Carolina to cover insurance deductibles under insurance policies for the taxpayer's residence that covers hurricane, rising floodwaters, or other catastrophic windstorm events.
- Total amount to be contributed to savings account may not exceed:
  1. \$2000 (for individuals with deductibles not more than \$1000)
  2. The lesser of \$15,000 or twice the deductible (for individuals with deductibles greater than \$1,000)
  3. \$250,000 (for self-insured individuals)

## **Tax Credits for Premiums by Low Income Households**

### **South Carolina HB 3820 (2007)**

- Credit allowed against state income tax for excess premium paid for property and casualty insurance if the premium paid exceeds 5% of the taxpayer's adjusted gross income.
- Credit not to exceed \$1,250

## **Tax Credits for Insurance Companies**

### **South Carolina HB 3820 (2007)**

- Licensed insurers providing full property and casualty coverage that includes wind and hail coverage to property insurers in coastal areas may claim a credit against the premium tax in an amount equal to 25% of the tax due on the premium written for the property owners for the taxable year.

### **Mississippi HB 1500 (2007)**

- Annual credit against state insurance premium taxes for insurance companies for new policies written for essential property insurance within coastal area of Mississippi. Credit not to exceed \$100,000 during calendar year.

## **Windstorm Residual Market Reform**

### *Mississippi HB 1500 (2007)*

- Wind pool is restructured to gain tax exempt status.
- Additional funds are provided to assist the Windstorm Underwriting Association in defraying expenses and cost for reinsurance. (Funding also provided in 2008 by HB 1604, and 2009 by HB 32b)
- Provides for insurer assessments and policyholder surcharges.

## **Coastal Market Assistance Program**

### *Connecticut HB 7300 (2007)*

- Insurance Commissioner may establish a coastal market assistance program to assist homeowners in obtaining homeowners insurance for properties located in proximity to coastal areas.

## **Premium Discounts for Mitigation Measures**

### *Louisiana HB 558 (2007)*

- Insurers required to submit rates and rating plans shall provide discounts, credit, rate differentials and adjustments in deductibles to insureds who: (a) build or retrofit a structure to comply with the construction code or (b) who install mitigation improvements or utilize construction techniques to reduce losses from windstorm or hurricane.

### *Connecticut HB 7300 (2007)*

- Insurers offering homeowners insurance policies for residential dwellings shall offer premium discounts to homeowners who install permanent storm shutters or impact-resistant glass

### *Mississippi Wind Pool (2007)*

- The Mississippi Windstorm Underwriting Association approved (August 3, 2007) using credits against premiums for fortified construction designed to lessen damage from hurricanes.

## **Insurer Incentive Program**

### *Louisiana HB 678 (2007), extended by SB 44 (2008)*

- Insure Louisiana Incentive Program designed to encourage additional insurers to participate in the voluntary property insurance market.
- Individual matching grants to companies between \$2 million and \$10 million to be allocated by the Insurance Commissioner.
- Grants made only to insurers who satisfy minimum capital requirements (capital and surplus exceeding \$25 million), stable financial conditions and adequate risk-based reinsurance program,
- Matching grants shall not exceed 20% of an insurer's capital and surplus.
- The new property insurance written by the insurers who receive a matching grant shall be residential, commercial, mono-line or package property insurance policies and must include coverage for wind and hail. New premium written must be at least two times the amount of the grant and the insurer's matching allocated capital.
- Funds remaining after 2008 grants will be used to create a homeowners policy premium assistance program.

### *Florida SB 1980 (2006)*

- Appropriates \$250 million to attract new insurers to the state to write homeowners insurance.
- Applicants have to provide matching funds and commit to writing at 2:1 net written premium to surplus for the duration of the surplus note.
- Notes would have to be paid back over 20 years, the first three years is interest only.