



# Storm Center Brief

A Publication of the Florida Catastrophic Storm Risk Management Center

## Study Looks at Financial Incentives to Entice Floridians to Mitigate Homes Against Wind

In the years following Hurricane Andrew and the 2004-2005 hurricane seasons, multiple projects and programs have been initiated in Florida that have greatly increased knowledge about and opportunities for homeowners to implement wind mitigation techniques into their homes. However, demand for wind mitigation by homeowners has not been impressive. For example, despite provision of free wind inspections and matching grants, less than 1 percent of the homes in Florida were mitigated under the My Safe Florida Homes Program (RMS, 2009).

The main problem is clear: The current homeowner absorbs all of the cost of the wind mitigation, but does not absorb all of the benefits of mitigation activity. In other

words, homeowners must pay for wind mitigation efforts up front with no guarantee that they will reap the safety and financial benefits of doing so either while living in the home or after its resale.

The Storm Center has been awarded a matching \$75,000 grant from the state's Residential Construction Mitigation Competitive Grant Program to explore a promising set of finance solutions for the state to consider that could produce long-term, low-cost incentives for mitigation. This set of proposed solutions is referred to as a Home

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## Storm Center Associate Director Lori Schneider Appointed to Loss Projection Methodology Commission

Storm Center Associate Director Lori Schneider is the newest member of the Florida Commission on Hurricane Loss Projection Methodology. Florida's Chief Financial Officer Alex Sink made the appointment in late September.



Lori Schneider, Ph.D.

The Commission was created by the Legislature in 1995 as an independent panel of experts to evaluate computer models and other recently developed or improved actuarial methodologies for pro-

jecting hurricane losses. Dr. Schneider will serve on the commission as an expert in statistics.

Other commission members affiliated with the Storm Center include Dr. Jack Nicholson, CEO of the Florida Hurricane Catastrophe Fund; and Dr. Hugh Willoughby, research professor and meteorologist with Florida International University, who both serve on the Center's advisory council.

Commission Chair Randy Dumm, a professor who specializes in risk management and insurance at The Florida State University College of Business, is a Storm Center affiliated faculty member. 6



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## Mitigation Incentives *continued from page 1*

Hardening Incentives Program (HHIP). The proposed HHIP could be financed with one or more types of financial products, including community bonds (Voluntary Home Hardening Bonds, or VHHBs) and loans (Voluntary Home Hardening Loans, or VHHLs).

For this project, Center researchers propose to study the feasibility of VHHBs and VHHLs for use in Florida, and to produce a report that provides a detailed comparison of the various possible sources of financial return for homeowners to undertake cost-effective mitigation measures. All stakeholders will be identified and possible methods of providing positive returns to homeowners will be examined.

Seemingly, the optimal mitigation incentive options are programs that allow property owners to roll their mitigation costs into the other long-term investment costs of home ownership. These long-term costs are payable over time rather than due up front in full, the most notable examples of which are the homeowner's property taxes and the mortgage loan.

The two proposed types of programs have viable potential while each contains drawbacks. This project would consider the pros and cons of both, and determine the optimal structure of each.

The feasibility assessment portion of the research will specifically evaluate the potential adoption of VHHBs, VHHLs, and other similar programs within the State of Florida, with special attention given to:

- Financial structure;
- Underwriting considerations;
- Consumer protection considerations;
- Government participation necessary for approval and implementation; and
- Joint uses with other programs, such as "green" building, "smart" home improvements, and other environmental improvement programs.

Finally, researchers will survey Florida homeowners to learn how these new mitigation incentive options may be perceived, and to provide insight into their potential popularity. This project will be completed by June 30, 2010. ♣

## *Upcoming Meetings and Conferences*

[Hurricane Hugo 20th Anniversary Symposium](#) (Applied Technology Council)

October 22-23 — Charleston, SC

[International Association of Emergency Managers Annual Conference & EMEX 2009](#)

October 31— November 5 — Orlando, FL

[Institute for Business and Home Safety Annual Conference](#)

December 1-2 — Palm Harbor, FL

[National Association of Insurance Commissioners Winter Meeting](#)

December 5-8 — San Francisco, CA

[11th Annual Windstorm Insurance Conference](#)

January 25-28 — Jacksonville, FL

[National Evacuation Conference](#)

February 3-5 — New Orleans, LA



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