



National Association of Insurance and Financial Advisors  
Florida

### **1 Hour of Self-Study CE**

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## **When The Wind Blows: Premium Discounts for Hurricane Loss Mitigation**

### **Course Reading Assignment**

#### **BACKGROUND**

In 2005, the Florida Legislature enacted a law mandating premium credits on residential property insurance policies if the property owner strengthened his or her home against hurricane damage. The legislation can be found in Florida Code 215.559, and mandated that the legislature appropriate \$10 million every year for the purposes of hurricane mitigation. \$7 million was slated to homeowners - \$4.2 million slated for single family homes and \$2.8 million targeted for inspection of mobile homes and the improvement of mobile home tie-downs. The remaining \$3 million was to be used to retrofit existing facilities, such as hurricane shelters. The program is set to "sunset" on June 30, 2011.

The law mandated premium credits on the wind portion of insurance policies that cover residential property, if the property owner strengthens his or her home against hurricane damage. In addition to premium credits, the law also mandated that insurers make lower wind deductibles available to homeowners who implement certain hurricane mitigation measures. As of October 1, 2005, or the first renewal thereafter, an insurer must inform its policyholders about the availability of such discounts and lower deductibles. Notifications must also be made at each successive renewal. Additionally, each insurer was required to file its schedule of discounts by March 1, 2007. After that date, all residential property insureds must receive not only the notice about the availability of such credits, but the exact amount of credits that apply specifically to their homes.

While the law doesn't mandate the amount of any discounts, it does mandate that discounts be filed by March 1, 2007. Depending on the location in Florida, the wind portion of a homeowners insurance premium may be anywhere from 15 percent to 79 percent of the total premium.

Florida Statute 626.0629 requires insurance companies to offer Florida homeowners "discounts, credits, or other rate differentials..." for construction techniques that reduce damage and loss in windstorms. Florida insurance companies were required to submit filings by March 2003 that provide for these wind mitigation discounts. The insurance company filings began to take effect during 2003. Each year, as insurance companies submit new filings, the Wind Insurance Savings Calculator is updated to reflect these filings that contain the latest information about premium savings. The discounts estimated on this website are for single family houses and owner-occupied units of multi-family dwellings.

The wind insurance savings presented herein are given as percentages of the wind portion of your total insurance premium. The wind portion is generally between 15 and 70% of the total premium depending on where you live in Florida.

The Florida Office of Insurance Regulation has approved Insurance Services Office, Inc.'s (ISO) homeowners program for insurers to provide homeowners premium credits for wind-loss mitigation features in residential properties.

The new legislation rescinds a previous wind mitigation program designed to recognize protective devices over building openings. The Office of Insurance Regulation has approved ISO's program, which contains:

- wind mitigation credits for up to 26 percent of the wind portion of the homeowners premium
- a minimum credit for only those risks that previously qualified for, and received, a credit under the state's now-obsolete Windstorm Protective Device Rule (shutters)
- a 15 percent credit for residential properties built after January 1, 2002. The credit applies only to communities that participate in ISO's Building Code Effectiveness Grading Schedule (BCEGS) program and have classifications of Grades 1, 2 or 3 for enforcement of the latest building code
- a 25 percent reduction to credits contained in the BCEGS program

The legislation also established the "My Safe Florida Home" program within the Department of Financial Services (DFS). This program called for DFS to provide "fiscal accountability, contract management, and strategic leadership for the program." Further, the My Safe Florida Home program was established in 2006 as part of the Florida Comprehensive Hurricane Damage Mitigation Program (FCHDMP). Funding provided financial assistance to strengthen homes against hurricane winds. Some of the more notable provisions in the program included free home inspections, up to \$5,000 in matching funds for mitigation improvements to their homes, and designating each area of improved mitigation would create a credit toward the homeowner's insurance. The intent of this program was to make Floridians aware of how they could strengthen their homes against hurricanes by reducing hurricane damage exposure.

Even with the matching grants available, some homeowners were not able to afford their share of the cost. For these homeowners, this section of the code also called for DFS to develop a program of no-interest loans, repayable over three years. The loans would be made by private creditors, with DFS paying the interest.

One final interesting note about these grants: The legislature included a paragraph in this section expressing their intent that the grants provided are to be considered as "disaster relief," as defined in the U.S. Internal Revenue Code.

To help homeowners meet the requirements of the Hurricane Damage Mitigation Program, and to receive the credit on their homeowners' insurance policy, FLDFS implemented a two-step process:

1. The homeowner must undergo a free home inspection.
2. The applicant must then apply for a matching grant to get the work completed that was identified in the inspection. Matching grants of up to \$5,000 were available for homes insured for under \$300,000.

It should be noted that the matching grant money from the state was specifically made unavailable to homeowners who were upgrading roofs. As the program got under way, it was found that many homeowners were using the grant money to repair roofs that were already worn-out — something they should have done on their own.

#### **ELIGIBILITY**

To qualify for the grants a homeowner must have had a valid homestead exemption and must have owned a site-built home with an insured value of less than \$300,000. Mobile and manufactured homes were not eligible, nor were commercial properties.

The matching grants — up to \$5,000 — were distributed after a free home inspection was conducted. To take advantage of these discounts homeowners were required to have a licensed contractor inspect their home to identify mitigation measures and legally verify improvements.

**NOTE: As of June 30, 2009 this program has expired, and it isn't clear when or if it will be reactivated. Due to budget constraints no funds are available for inspections or grants, and the legislature has not appropriated additional funds from other sources.**

#### **INSPECTION REPORTS**

Property owners who wish to take advantage of these discounts must have their home inspected by a licensed professional. Those making such inspections include contractors (general, residential, or building), building inspectors, and registered architects, engineers, or certified building code officials. The two-fold inspection must first identify potential mitigation measures that the property owner can take. After the homeowner completes the mitigation work, the inspector must return and legally verify that the improvements have been made.

These inspection reports must include:

1. What improvements to the home may be made to mitigate hurricane damage.
2. How much each improvement will cost.
3. The amount of insurance discounts available for each improvement.
4. A hurricane resistance rating scale specifying the home's current as well as projected wind resistance capabilities.

#### **MATCHING GRANTS**

After the inspection, the homeowner must have applied for a matching grant from FLDFS. For instance, if the work was estimated to cost \$5,000, the homeowner would furnish \$2,500 and receive a matching grant of

\$2,500. In order to receive the grant, the work must have been performed by a contractor on the FLDFS list of “participating contractors.” Remember that the grant money was not available to upgrade roofs. The maximum amount of a matching grant that a homeowner could receive was \$5,000 (for a project estimated to cost \$10,000 or more).

**As stated previously, as of June 30, 2009 the My Safe Florida Home has expired. Due to budget constraints no funds are available for inspections or grants, and the legislature has not appropriated additional funds from other sources.**

#### **PARTICIPATING CONTRACTORS**

In order to qualify as a “participating contractor,” the contractor must enter into a “Participation Agreement” with FLDFS. Such participating contractors must:

1. Use wind certification and hurricane mitigation inspectors who:
  - Have prior experience in residential construction or inspection and have received specialized training in hurricane mitigation procedures.
  - Have undergone drug testing and background checks.
  - Have been certified, in a manner satisfactory to the department, to conduct the inspections.
2. Provide a quality assurance program including a re-inspection component.

**NOTE: Although the program has expired the My Safe Florida Home program maintains a list of inactive inspectors associated with the program. The list indicates the dates they were active to allow insurance companies to verify that the Uniform Mitigation Verification Inspection Forms (Form 1802) submitted by homeowners were completed by qualified, certified inspectors.**

#### **CHOOSING A CONTRACTOR**

An excellent service that the agent can offer is helping the insured pick a contractor—or at least helping the insured know what to look for in a contractor. Remember that only approved participating contractors should be used for hurricane mitigation work. A list of such contractors may be found at the Web Site of “My Safe Florida Home.”

However, when choosing a contractor — even one on the FLDFS list — the following 10 rules should always be followed.

1. Be wary of contractors who solicit business door-to-door or via cold calls. In addition, avoid contractors who quote a price that will automatically go up the next day or week if that price is not accepted immediately.
2. Obtain recommendations from friends, family members, and neighbors about experienced and reputable contractors who have performed excellent work for them. The contractor should also be asked to furnish references.
3. Obtain a written estimate from the contractor that includes any oral agreements the contractor makes in this process. The estimate should contain a line-by-line breakdown of costs, including materials and labor. In addition, the contractor should be asked if there is a charge for an estimate. Avoid dealing with a contractor who charges for an estimate.

4. Obtain at least three estimates along with the names and phone numbers of two former customers of the contractor. Contact these customers and ask about the work performed.
5. Do not automatically select the lowest bidder. Their work may be lacking in quality. Remember the old saying: "You get what you pay for."
6. Verify that the contractor is licensed. In order to check the Florida license of a contractor call 850-487-1395. The contractor should also be properly bonded and insured. Ask for certificates of insurance for workers compensation and general liability policies. Also, the homeowner should make sure that the products used for the hurricane mitigation meet code requirements and that all appropriate building permits have been pulled.
7. Contact the Better Business Bureau to see if complaints have been filed against the contractor. This information may be obtained on the bureau's Web site.
8. Avoid dealing with a contractor who asks the homeowner to pay for the entire job before the work begins. The standard practice is to pay 33 percent of the job up-front.
9. Get a copy of the proposed contract. Ideally, it should include a hold harmless clause in favor of the homeowner, particularly for major work such as when heavy equipment will be used in constructing a swimming pool. A hold harmless clause specifies that the contractor will indemnify the homeowner with respect to the homeowner's liability to members of the public who are injured or whose property is damaged during the course of the contractor's operations. The contract should also explicitly specify the work to be performed, the start and end dates, payment agreements, and warranty information.
10. Ask a knowledgeable friend, relative, or attorney to review the home repair contract before entering into the agreement. Pay special attention to any warranty information on products used to strengthen the home.

### **QUIZ QUESTION 1**

The "My Safe Florida Home" program was established and falls within the jurisdiction of which department?

- a. Office of Insurance Regulation (OIR)
- b. Health department
- c. Department of Financial Services (DFS)
- d. Insurance Services Office (ISO)

### **ADVISORY COUNCIL**

The law calls for the creation of an advisory council whose responsibility is to advise and assist the administrator of this mitigation program. The Advisory Council is to be made up of the following:

1. A representative of lending institutions, selected by the Financial Services Commission from a list of at least three persons recommended by the Florida Bankers Association.
2. A representative of residential property insurers, selected by the Financial Services Commission from a list of at least three persons recommended by the Florida Insurance Council.
3. A representative of home builders, selected by the Financial Services Commission from a list of at least three persons recommended by the Florida Home Builders Association.
4. A faculty member of a state university, selected by the Financial Services Commission, who is an expert in hurricane-resistant construction methodologies and materials.
5. Two members of the House of Representatives, selected by the Speaker of the House of Representatives.
6. Two members of the Senate, selected by the President of the Senate.

7. The Chief Executive Officer of the Federal Alliance for Safe Homes, Inc., or his or her designee.
8. The senior officer of the Florida Hurricane Catastrophe Fund.
9. The executive director of Citizens Property Insurance Corporation.
10. The director of the Division of Emergency Management of the Department of Community Affairs.

The members of the Advisory Commission all serve without compensation, but are reimbursed expenses.

### **Change to the Insurance Code**

The law modifies the Florida Insurance Code by adding one section, 627.711. This section requires insurers to let insureds know about the availability of premium credits for hurricane mitigation. In addition to premium credits, insurers must also make lower wind deductibles available to homeowners who perform such mitigation efforts.

### **Filing of Rate Credits**

On December 8, 2005, the Florida Office of Insurance Regulation issued an “informational memorandum” — number OIR-05-22M. That memo clarifies how insurers are to submit for approval, the rate credits they propose for homeowners who take measures to mitigate damage from hurricanes to their homes. It includes a link to the printed slides from a Power Point file explaining the step-by-step procedure for filing these credits. Examples are available for insurers who use Insurance Services Office, Inc. (ISO) filings and for insurers who make their own filings.

### **Changes to the Administrative Code**

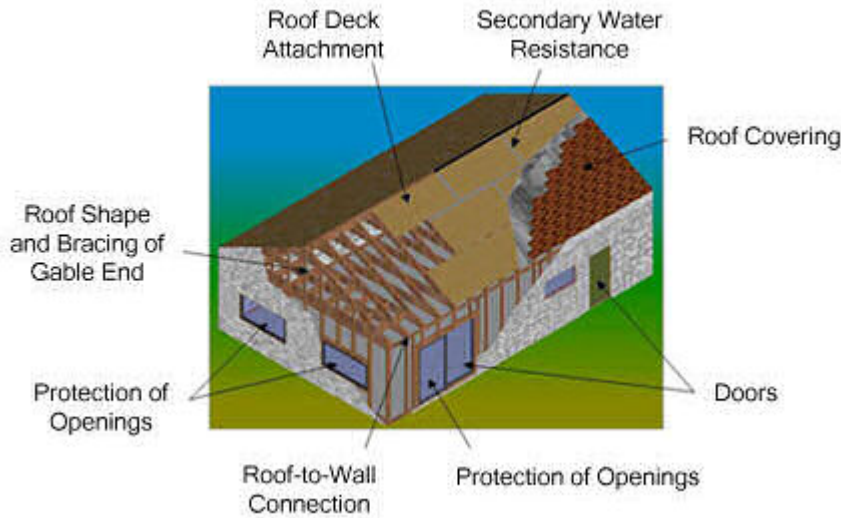
Finally, two sections of the Florida Administrative Code have been added, 690-170.017 and 690-170.0155. The first section mandates that the discounts must reflect those already published in a study by FLDFS.

The second section lists the various forms and how they are to be used in the mitigation program. While most of these forms relate to the procedure for filing rates and rate credits with FLDFS, others are meaningful to consumers:

1. OIR-B1-1655, “Notice of Premium Discounts for Hurricane Loss Mitigation.” This is the notice that insurers are to give to each of their customers, explaining the premium credits available and the procedure to be followed by the homeowner in order to obtain such credits.
2. OIR-B1-1802, “Uniform Mitigation Verification Inspection Form.” This is the form to be completed by the home inspector, verifying that the inspection has been completed and the results thereof.

### **WIND-RESISTIVE FEATURES OF A HOME**

This section addresses the various wind-resistive features of a home. The more an agent knows about these features, the better they can advise and assist property owners with their homeowners’ coverage. Included in this section are several diagrams to better illustrate the type of features. The wind-resistive features on a home include roof shape, roof deck, roof covering, opening protection, upgrading exterior walls, upgrading exterior garage doors, secondary water resistance, roof-to-wall connection and connectors,



**MITIGATION**

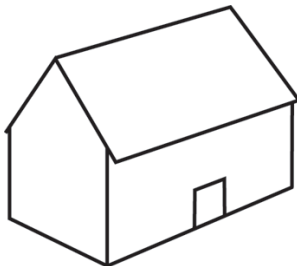
Mitigation involves a range of activities that are implemented to lessen the impacts that disasters have on people’s lives and property through hazard avoidance, damage prevention or control, and insurance. Mitigation includes activities such as wind proofing critical buildings, elevating flood prone homes and businesses, and locating development outside of a flood zone.

**ROOF SHAPE**

When most people think of drawing a picture of a home, the first thing that comes to mind is a simple square topped with a triangle. However, there are seven basic roof shapes found on homes: gable, hip, A-frame, saltbox, shed, gambrel and Mansard. Note that gable and hip roofs are the most common types used in Florida.

**Gable**

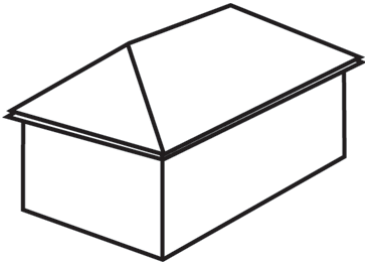
This type of roof is the classic gable and dates back to ancient Greece and the Parthenon. Homes built in Northern Europe contained triangular gables on the sides or at the front. Likewise, many American homes have gable roofs.



Bracing on the gable ends of roofs provides greater protection in the event of high winds. This technique is referred to as “X-ing the A.” In other words, an X-shaped frame is installed across the triangular (or “A”) end of a gable roof. Another reinforcement that reduces loss from hurricanes is to install horizontal trusses across the existing roof trusses.

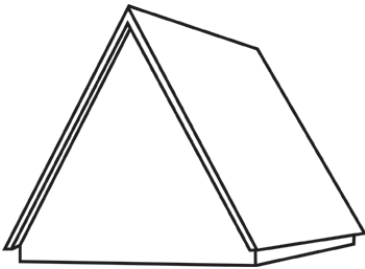
### Hip

This type of roof slopes down to the eaves on all four sides. Hip roofs provide greater stability during high winds by forming either a perfect pyramid with a single point at the top or sloping down from a ridge to the roof eaves line. Such roofs are found on a variety of homes, such as the American Foursquare, Colonial and Victorian. Because hip roofs are more resistant to wind damage than are gable roofs they should always be considered if building a new home. Also, installing horizontal wood trusses across the roof frame will strengthen it against wind damage.



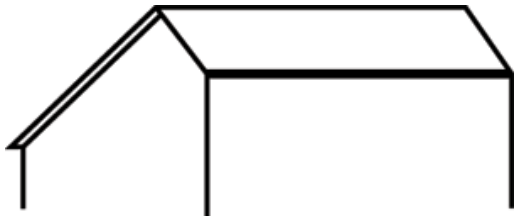
### A-Frame

In the 1950s an architect named Andrew Geller introduced the A-frame type of roof. An A-frame home is easily recognizable because it is all roof with no perpendicular walls. Homes with the distinctive “A” shape are more commonly built as vacation homes.



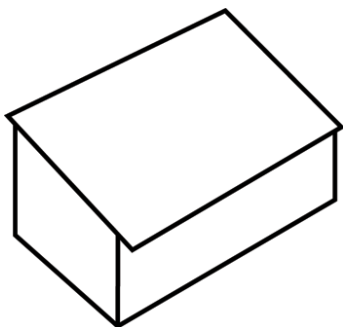
### Saltbox

The saltbox roof originated during Colonial times and was used mostly on buildings that stored salt. These types of roofs formed a “lopsided triangle.” The roof became popular during Colonial times when homeowners added one-story rooms to the rear of taller houses. Today, “split-level” homes may also have a “saltbox roofline” that faces the front.



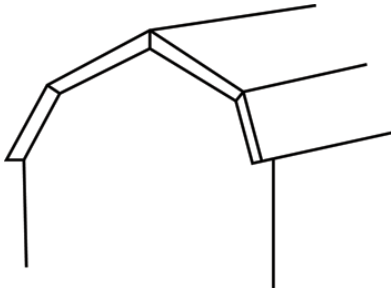
### Shed

The “shed” roof is a very simple, streamlined shape that is popular among contemporary homes. It is essentially half a gable.



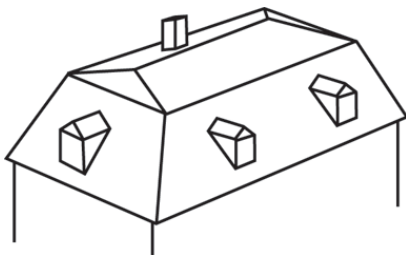
## Gambrel

This type of roof was used primarily for barns, and is essentially a gable with a slight bend on each side. It's most widely known as Dutch Colonial style.



## Mansard

Mansard roofs have two slopes on each of the four sides. The lower slope is typically steeper than the upper slope, with dormer windows often seen in the lower slope. Also, the upper slope usually isn't visible from the ground. The Mansard roof was popular in 17th-century France because of the extra space created in the attic. Mansard roofs can sometimes be found in the United States on second-empire style homes, as well as on some contemporary homes.



### QUIZ QUESTION 2

Which two roof types are most commonly used for residential home construction?

- a. Mansard and Saltbox
- b. Hip and Gable
- c. A-Frame and Shed
- d. Gable and Saltbox

## ROOF DECK

When discussing the roof deck the primary concern is how the roof deck, or sheathing, is attached to the roof rafters. Roof deck attachment varies depending on the size of nails used, the spacing between nails, and the roof deck material.

The loss of roof deck panels during a hurricane can quickly lead to extensive damage to the interior of a home, as well as its contents. Once a roof deck fails, a house becomes a major loss. In March 2007, the Department of Housing and Urban Development published a paper on hurricane mitigation. That study revealed the best methods for securing a roof deck to the frame:

1. Plywood with 8d nails at 6/6 (the roof deck is attached to the rafters with 8d (8 “penny”) nails every six inches, both along the edges of the roof and inside the perimeter)
2. Plywood with screws/bolts
3. Plywood with structural connection
4. Plywood with 8d nails at 6/12 (the roof deck is attached to the rafters 8d nails every six inches along the edges of the roof and every 12 inches inside the perimeter)
5. Plywood with 6d nails at 6/12 (roof deck is attached to the rafters with 6d nails every 12 inches)
6. Plywood with adhesive (glue), attaching the roof deck with only adhesive

Besides the use of proper nails and nailing techniques, adhesives are highly recommended to increase the uplift resistance of roof deck panels. Adhesives make it more difficult for wind to pick up the roof deck. Clemson University conducted tests and found that adhesive strengthens a roof two to four times over nails alone, and can reduce water intrusion by up to 99 percent, preventing water damage if shingles are blown off.

### **ROOF COVERING**

Roof covering refers to the material used to cover the internal rafters of the roof assembly. The most common roof covering is asphalt shingle. Other common types of coverings include ceramic tile, tin and metal. The survival of a roof’s covering in a hurricane or high wind event is also key to the survival of the house. This means making sure the shingles stay attached to the roof is crucial. Shingles should not extend beyond the drip edge of the roof by more than one-quarter inch. Shingles extending beyond one quarter inch can be easily lifted by high winds. This event creates a process where the other shingles are “peeled away,” often referred to as a “domino effect.” Further compounding the problem is that as shingles age, they become brittle and susceptible to cracking when they bend — as for example when hit with hurricane-force winds. Edge shingles should be secured with small amounts of roofing cement under each tab.

Additional recommendations including upgrading to thicker and stronger hurricane-resistant roof shingles. Properly attached with appropriate nails greatly reduces the likelihood that roof shingles will blow off in a hurricane.

### **REINFORCING ROOF-TO-WALL CONNECTION AND ROOF-TO-WALL CONNECTORS**

Roof-to-wall connectors refer to how a roof is connected to the walls of a structure. Obviously it’s not enough to simply lay the roof structure onto the tops of the walls of the house. They must be secured using high quality materials. The primary concern is the strength of the connection used to attach roof rafters to wall studs.

It’s important to remember that a house is really a system of connected parts. If the house is to be hurricane-resistant, all of the parts must be properly secured to each other. The roof must be properly anchored to the second floor; the second floor to the first; and the walls to the foundation.

Hurricane straps, wraps, and clips that attach the walls to the roof provide greater resistance than connections secured with nails only. Hurricane straps, for example, can be used to attach the vertical studs to roof joists or rafters at the top of the structure (see photo below) and to sills at the base of the structure. Wind clips can be used to interlock sloped roof sheathing joints across the roofing assembly.



### **Benefits of Upgrading a Roof**

In 2003, the Federal Emergency Management Agency (FEMA) conducted a study in South Florida to quantify the benefits of implementing certain hurricane mitigation measures. The results of the study revealed that upgrading a home's roof resulted in a 3 percent to 49 percent reduction in annualized hurricane losses.

### **QUIZ QUESTION 3**

Which of the following is considered the best method for attaching a roof deck to the frame?

- a. Plywood with structural connection
- b. Plywood with 8d nails at 6/12
- c. Plywood with 8d nails at 6/6
- d. Plywood with adhesive (glue), attaching the roof deck with only adhesive

### **OPENING PROTECTION**

This section of the course deals methods and materials used to protect doors and windows, along with protection for other openings, such as vents.

#### **Door and Window Shutters**

Since doors and windows are the "weak points" in the walls of a home, reinforcing them — making them less susceptible to wind damage — will go a long way toward protecting the home from hurricane damage. When doors and windows are damaged by debris, they become less capable of keeping wind and rain out of the home.

According to the Institute for Business and Home Safety (IBHS), protecting doors and windows is "the most important action" a homeowner can take to improve a home's chances of surviving a hurricane.

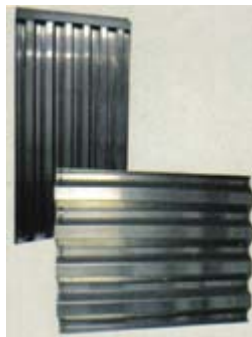
Doors and windows may be made out of material that is debris-impact resistive. An impact-resistant window is formed by sandwiching two panes of laminated glass together with a transparent polymer interlayer. Once it's reinforced, the glass is then put into a stronger and heavier frame. The whole window is then installed as an integrated system, made up of the window, frame and building wall. Such windows and doors can be installed in existing houses.

Windows may also be covered with protective coverings, i.e., hurricane shutters. There are three different types of hurricane shutters — electric roll-down shutters, accordion folding shutters, and removable aluminum panel shutters, as shown below.

#### **Electric Roll-Down Shutters**



#### **Accordion Folding Shutters**



#### **Removable Aluminum Panel Shutters**

Whatever type of shutter is chosen, care should be taken to be certain it has the proper approvals for wind pressure and debris (or as the IBHS calls it “large-missile”) impact. Some shutters are permanently installed. Others are designed to be assembled and attached to the structure when a hurricane threatens. In the case of removable shutters, the homeowner should install permanent fasteners so that the installation may be completed quickly when needed.

Some homeowners may attempt to protect their windows by merely placing masking tape over them. While taping can prevent some amount of glass shattering, it is no substitute for impact-resistant glass or shutters.

Gable vents should also be shuttered like windows. In order to protect garage doors, most garage door companies have bracing systems available for a reasonable price.

The FEMA study referred to earlier found that the installation of hurricane shutters reduced annual hurricane losses by anywhere from 17 percent to 46 percent.

#### **Other Openings**

Remember that “openings” in a home are not only the doors and windows. Water can get into a home any number of ways — especially when strong winds are blowing it horizontally. Problems can worsen if electrical power is lost and air conditioners or dehumidifiers are unable to dry things out. In order to prevent water from blowing into a home, homeowners are encouraged to do the following:

1. Fill holes where wires, cables, and pipes enter and leave the house.
2. Seal around electrical boxes and circuit breaker panels.
3. Seal cracks around wall outlets, dryer vents, bathroom and kitchen vents, and wall lights.

Soffits are the materials that cover the underside of a roof overhang or eave. Assuring that soffits stay in place during a hurricane can help keep water out of the house. Often the soffit material is not properly fastened to the wood. Other homes have no wood backing — in these instances the vinyl or aluminum soffit channels are simply stapled or nailed to the wall. If the home has wood supports, the soffit material may be secured with sharp-pointed stainless steel screws. If the channels are just nailed to the wall, the channels may be sealed to the wall with polyurethane caulk. Any of these additional measures can help keep soffits in place, and therefore help keep water out.

### **UPGRADING EXTERIOR GARAGE DOORS**

Replacing standard garage doors with hurricane-resistant doors is one way to lessen hurricane damage to homes. However, that can be an expensive exercise. The good news is there are ways to make existing garage doors more hurricane resistant. Horizontal and vertical door braces can be installed on most existing garage doors at substantially less cost than a full door replacement.



A newer feature is the development of hurricane fabric screens. These screens are made out of a very strong woven fabric, fully cover and protect garage doors, and are an easier and cheaper alternative to replacing the door. The picture below shows one of these screens installed on a garage door.

### **UPGRADING EXTERIOR WALLS**

Exterior walls that stand up fairly well to hurricanes have been constructed using wood studs and roof trusses. As long as the wood framing is generously reinforced with metal hurricane straps and firmly bolted to the foundation the solution can work pretty well. Studs are the vertical supports (usually two-by-fours or two-by-sixes) to which the exterior walls are attached. They typically are spaced every 12 to 18 inches apart. Trusses then make up the roof frame.

However, the best type of exterior wall in hurricane-prone areas is not wood, but reinforced concrete block. Such a wall has the added advantage of being termite proof. The concrete blocks are reinforced with vertical steel and concrete at regular intervals (usually every four feet). Extra reinforcements are added on each side of all door and window openings. A horizontal reinforced concrete tie beam also runs around the top of the wall.

## **SECONDARY WATER RESISTANCE**

Secondary water resistance serves to prevent the entry of water following a roof covering failure. To best effect this protection, all roof panel joints should be covered with a self-adhering polymer modified bitumen



tape that is at least four inches wide, in order to provide secondary water resistance. Note the photo, below, of secondary water resistance being applied.

FEMA found that adding secondary water resistance to a home reduced annualized hurricane claims between 3 percent and 35 percent.

## **OTHER SUGGESTIONS TO HELP PROTECT THE HOME**

Protecting the home as discussed above is important. But there are other strategies, discussed below, that can further limit potential damage.

### **Limit Damage from Flying Debris**

One thing that a homeowner might not consider is how his or her home can be damaged by items picked up by the wind and blown against the house. Limiting the source of such items before a storm will protect the home, as well as the neighbors. Yard objects, such as bird baths and statues, should be limited.

### **Landscaping**

Trees and shrubs should be trimmed and weak branches cut. Branches should be cut so that they are at least seven (7) feet from the house. Vines should be removed from exterior walls, because they can help to open cracks in the siding. Such cracks allow moisture and insects to enter the house. If the homeowner has used rocks or gravel as landscaping material, those should be replaced with shredded bark.

### **Moving and Storing Items**

One quick and easy way to protect the house from flying debris is to move items into the house at the time of a storm. Such items might include statues, bird baths, lawn or patio furniture, bicycles and toys in the yard, and grills.

## **UNAUTHORIZED ENTITIES**

Unauthorized entities engaging in insurance are a serious and growing problem in Florida for consumers and agents. Consumers are substantially harmed with these entities failing to pay claims and defrauding through deception. Agents are unwittingly (sometimes knowingly) representing these entities and placing clients and themselves at risk. Florida law is violated under the guise of these unauthorized entities claiming to be ERISA exempt or some type of association plan that claims to not be insurance or to be exempt from Florida regulation. All of this is simply not true! This is a problem in the state of Florida and other states.

The problem of unauthorized entities selling unauthorized products originated in the health insurance arena, although the problem now seems to be spreading into property-casualty arena as well. These unauthorized entities promised low health insurance premiums, a promise fueled by skyrocketing health insurance premiums with legitimate health insurance carriers. In the current market, low health insurance rates just do not exist. The public and certain agents, apparently, were ripe for the picking by these scam artists. Remember, these are scams and the intent is to collect as much premium as possible without having to pay claims, or very few claims.

Unsuspecting licensed insurance agents are also vulnerable to this type of scam because representatives of the unauthorized entity will contact the licensed agents and send them (or give them in person) printed marketing materials touting the unauthorized entity and their bogus products which, again, gives the impression of legitimacy and credibility.

Maybe the agent is asking too many questions of the representative – is just a little too inquisitive – about who they are, where they're located, how long they've been in business, etc. The agent may even question the legitimacy of the product. Some of the scam artists are telling agents that their products do not have to be authorized by the Department because the plan is an ERISA plan, or that the plan is part of a MEWA (multiple employer welfare arrangement) or it's to be sold to labor unions – all the while stating that under any of these previously-mention circumstances, the products do not have to be approved or authorized by the Department. The representative of the unauthorized entity might say, "It doesn't require approval, because this is an ERISA plan." Or, "It doesn't require approval because this is plan is part of a MEWA plan." Or "This plan doesn't require approval because it's for labor unions." None of this is correct! Any product which contains an insurance component is required, by law, to receive authorization of that component by the Department before it can be sold in Florida. Any legitimate company representative who approaches you about selling and representing their products should not mind the scrutiny you put them under by verifying their status with the Department.

**626.902 Penalty for representing unauthorized insurer.—**

- (1) In addition to any other penalties provided in the insurance code:
- (a) Any insurance agent licensed in this state who in this state represents or aids an unauthorized insurer in violation of s. 626.901 commits a felony of the third degree, punishable as provided in s. 775.082 or s. 775.083.
  - (b) Any person other than an insurance agent licensed in this state who in this state represents or aids an unauthorized insurer in violation of s. 626.901 commits a felony of the third degree, punishable as provided in s. 775.082, s. 775.083, or s. 775.084.
- (2) In addition to the penalties provided for in subsection (1), such violator shall be liable, personally, jointly and severally with any other person or persons liable therefore, for payment of taxes payable on account of such insurance under s. 626.938.

Agents or any other persons are prohibited from representing or aiding an unauthorized insurer. If an agent or any other person represents an unauthorized insurer, they are subject to severe penalties, including possible civil and criminal action. Agents are subject to suspension or revocation of their licenses and/or monetary penalties for violation of the unauthorized insurer law. Agents can be held liable for claims and losses not paid by unauthorized insurers. Agents who represent or aid an unauthorized insurer commit a felony of the third degree.

Don't be fooled by phony products that sound too good to be true! Investigate before you sell or buy these plans. Check to see if an entity or plan is an authorized insurer by calling the Department of Financial Services at 877-693-5236 or 850-413-3089.

#### **QUIZ QUESTION 4**

The problem of unauthorized entities selling unauthorized products originated in which product area?

- a. Workers Compensation insurance
- b. Life insurance
- c. Personal and business insurance
- d. Health insurance