



PREMIUM SAVINGS

HURRICANE MITIGATION CREDITS & SAVINGS

PREMIUM SAVINGS CAN BE DRAMATIC BUT INSURERS ARE CONFIRMING THE DETAILS



PROTECTING YOUR HOME OR BUILDING FROM WIND REDUCES YOUR PREMIUM

Insurers offer significant discounts for homes and buildings that have storm shutters, impact glass, certain roof types and coverings as well as hurricane straps and other protective features. Over the past decade insurers and regulators have concluded, logically, that a structure with modern and robust windstorm protective devices is far less likely to suffer a catastrophic loss than those without. As such, buildings that enjoy acceptable, documented, protection from windstorm losses can often see their hurricane (wind) premiums decrease by between 10% to 50%, or more, year after year compared to what would be paid if mitigation measures were not in place and documented.

In order to realize the discounts, a certified contractor or engineer must perform an on site inspection and complete a detailed form confirming the mitigation features in place. The Uniform Mitigation Verification Inspection Form and the Building Type II and III Mitigation Verification Form are used for residences including single-family homes, apartments and condominiums. The Commercial Windstorm Protective Device Proof of Compliance form is used for all non-residential properties. Morris & Reynolds suggests that every property owner have a mitigation inspection and have arranged discounted inspections from two local inspectors as a service for our clients: Don Meyler Inspections (305.567.1422) and Inspection Results of South Florida (786.234.7774).

Once the inspection has been performed, please forward a copy of the completed form to us so that we can request all applicable discounts. Given the annual savings, we encourage you to have an inspection and to contact us with any questions you might have related to the discounts and what your current insurer offers.

MITIGATION DISCOUNT EXAMPLES

Available discounts focus on the type of construction materials in place, the geometry of the roof, the manner in which a roof is connected to the structure and the type of protection that openings such as doors and windows receive. A substantial discount is offered for those that protect all openings with storm shutters, impact glass or the like.

ROOF COVERING: Common types include shingles, clay tiles, metal, and built-up tar and gravel. This feature must meet or be equivalent to the Florida Building Code.

ROOF DECK ATTACHMENTS: The method used to connect the roof decking (plywood, metal panels, etc.) to the roof trusses or rafters. Also includes cast-in-place or pre-cast concrete and self-supporting roof systems.

SECONDARY WATER RESISTANCE: Material applied to the roof covering to prevent water from intruding into the structure. Does not include roofing felt or similar paper-based products.

OPENING PROTECTION: Wind-borne debris protection devices installed to protect structure openings such as windows, skylights, doors, etc.

ROOF-TO-WALL ATTACHMENT: The method used to connect the roof trusses or rafters to the walls of the structure.

ROOF SHAPE: Common roof shapes include hip, gable or flat.

MARCH 2010 MITIGATION FORM

In order to more accurately assess a building's protection, Florida implemented a new Mitigation Inspection form in March 2010 after reports of past forms being completed erroneously or even fraudulently. The new form is much more detailed than its predecessor and is designed to ensure that the discounts are correct. Millions of dollars are at stake; Citizens alone provides its policy holders about \$1 billion in credits each year.

"If the error rates are anywhere near what we're seeing, we need to make sure credits are given properly."

Christine Ashburn, Citizens' Director of Legislative and External Affairs.

MITIGATION CREDIT CONFIRMATION

Led by the state's two largest home insurers, State Farm and Citizens (Florida's insurer of last resort), insurers are now reviewing prior inspections to determine whether they were correctly completed and are valid. Some experts conclude that as many as 30% to 50% (or more) of all older inspections document mitigation features that do not exist and credits that are not valid.

Citizens currently insures 1.4 million homes, the most in the state. \$462 billion in exposure, Citizens is determined to confirm that policy holders are eligible for the discounts they are receiving and plans to **re-inspect 94,000 policies this year.**

Since the company started re-inspecting, **60% of single-family homes and 53% of commercial properties have lost credits.** Since the re-inspection program was implemented, Citizens has increased premiums by \$15.5 million, or \$476 per policy holder on average. Of the 32,628 policy holders inspected: 60% had discounts removed, 8% had discounts added, and 32% had no change.



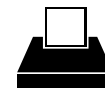
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RE-INSPECTIONS BECOMING COMMON

A lot of companies are having re-inspections made. The inspection forms changed and items which would have provided mitigation under the old system will not now. Our customers for Citizens and other companies are just now receiving their letters. This will hit a lot of people....

Patricia Lynn Cappella,
Four Corners Insurance Company

Insurance officials argue that inspectors that incorrectly or improperly complete these forms can hurt all policyholders. If an insurance company has to pay out claims and it is not bringing in as much money as is needed, everyone's rates will rise or the insurer may not have adequate funds to pay losses in the event of a hurricane or other large-scale natural disaster.

Among the abuses noted by the state Office of Insurance Regulation were **unqualified or unregulated inspectors, vague forms and a lack of documentation** proving homeowners took the measures they said they had taken to protect their homes.

Some inspection companies actually advertised in writing that they "guaranteed" that if they were hired, a policyholder would receive credits.

Christine Ashburn, Citizens' Director of Legislative and External Affairs.

Citizens states that it is not targeting any specific inspectors who seem to have a pattern of inappropriate or perhaps fraudulent inspection reports. But local media reported that the insurer appears to be closely watching trends and could refuse to accept reports from specific inspectors or companies.

Certain homes are more likely to be re-inspected, such as: older homes, homes that received their mitigation inspection more than five years ago, homes receiving significant mitigation discounts and homes claiming types of credits that are commonly misapplied.

To prove a credit is justified, the state also has adopted a new four-page Mitigation Inspection form that is twice as long as the previous version. Inspectors also are required to follow detailed standards that spell out exactly what qualifies for a credit. For example, **a generous inspector might have previously given a shutter credit if a homeowner had them installed on all but two windows. Now, if all the windows aren't all covered, the homeowner gets no credit.**

TILE ROOFING OVERLOOKED

Tile roofs are everywhere in South Florida. Unfortunately, tile roofs are technically not eligible for mitigation discounts because a 2002 State of Florida study did not specifically evaluate them. The Office of Insurance Regulation and Department of Financial Services are being asked by consumers why these common roofs are not eligible for discounts. While some inspectors will work with homeowners to attempt to have insurers provide discounts for tile roofs, the March 2010 Mitigation Inspection form does not technically allow a discount.

In 2002 a study by Florida International University Laboratory for Coastal Research concluded that metal roofs were considered the

strongest in hurricane winds followed by concrete tile. Their study deemed asphalt shingles and clay tile roofs as having the most damage following storms in 2005, but all experts agree that good installation is the key to any roof's ability to survive a storm. New construction codes also make a difference as evidenced by a study of 370 homes' damage following Hurricane Charley in 2004. Roofs installed after changes made in 2000 to Florida Building Code had half the damage of older roofs.

The Office of Insurance Regulation has been holding public hearings to discuss this topic with consumers, insurers and inspectors to 'make the form more comprehensive and to reduce fraud'. For the time being, please contact your Agent or Underwriter here at Morris & Reynolds and we will work with you, the insurers and inspector to obtain the correct and largest discounts possible.

As always, if you have questions or concerns regarding any insurance topic, including mitigation, the TEAM at Morris & Reynolds is more than happy to assist you at any time.

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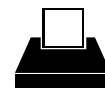
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