

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Banking and Insurance Committee

BILL: CS/SB 644

INTRODUCER: Banking and Insurance Committee and Senator Justice and others

SUBJECT: My Safe Florida Home Program

DATE: March 4, 2008                      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Emrich	Deffenbaugh	BI	Fav/CS
2.			GA	
3.				
4.				
5.				
6.				

**Please see Section VIII. for Additional Information:**

- |                              |                                     |   |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input type="checkbox"/>            | Significant amendments were recommended |

**I. Summary:**

Committee Substitute for Senate Bill 644 makes several changes to the My Safe Florida Home (MSFH) program administered by the Department of Financial Services (DFS) that provides hurricane mitigation inspections and grants for specified improvements. The bill requires that to qualify for selection by the DFS as a wind certification entity to provide hurricane mitigation inspections, an entity must use mitigation inspectors who are certified or licensed building inspectors, general or residential contractors, professional engineers or architects, or individuals who have at least two years prior experience in residential building inspection or residential construction and have received specialized training in hurricane mitigation procedures.

The legislation requires DFS to adopt a quality assurance program that includes a statistically valid number of reinspections. It also allows DFS to verify that mitigation improvements have been made to all openings, including exterior doors and garage doors, prior to issuing a reimbursement grant check to the homeowner. The bill further allows DFS to contract with third parties for the provision of information technology and contractor services for low-income homeowners, which shall be considered direct program costs, rather than administrative costs for purposes of administrative cost limitations.

Finally, the bill mandates that insurers accept as valid a uniform mitigation verification form signed by an approved MSFH inspector or certified by the DFS so that homeowners can access insurance discounts or credits for which they are eligible.

This bill substantially amends the following sections of the Florida Statutes: 215.5586 and 627.711.

## II. Present Situation:

### **The Florida My Safe Florida Home Program**

In 2006, the Legislature created the Florida Comprehensive Hurricane Damage Mitigation Program and appropriated \$250 million to provide financial incentives to encourage residential property owners in Florida to retrofit their properties, making them less vulnerable to hurricane damage and helping decrease the cost of residential property and casualty insurance.<sup>1</sup> The program is now called “My Safe Florida Home (“MSFH program”)”<sup>2</sup> and is administered by the Department of Financial Services (DFS). The intent of the program is to:

- Provide free home inspections for a least 400,000 site-built, single-family, residential properties; and
- Provide grants to as least 35,000 applicants before June 30, 2009.<sup>3</sup>

To accomplish these goals, the MSFH program processes applications for free home inspections and awards grants to interested homeowners who have received an inspection. The program also helps train and develops a mitigation workforce (inspectors and contractors) and provides education and consumer awareness programs.

### **Inspections**

The MSFH program provides free home-retrofit inspections of site-built, single family, residential properties which are offered throughout the state. These inspections determine what mitigation measures are needed, what insurance premium discounts may be available and what improvements to existing properties are needed to reduce the property’s vulnerability to hurricane damage. The DFS must contract with wind certification entities to provide the hurricane mitigation inspections.

After a home is inspected, inspectors generate a report that summarizes the results and identifies recommended improvements a homeowner may take to mitigate hurricane damage. The report also provides a range of cost estimates regarding recommended mitigation improvements; insurer-specific information regarding premium discounts correlated to the current mitigation features and recommended improvements; and a hurricane-resistance rating scale specifying the home’s current and projected wind resistance.<sup>4</sup>

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<sup>1</sup>Chapter 2006-12, L.O.F. (CS/CS/SB 1980; s. 215.5586, F.S.) The unused funds appropriated to the program revert back to the state on June 30, 2009.

<sup>2</sup> The Program began operation on August 15, 2006.

<sup>3</sup> These goals were established in legislation enacted in 2007. (Chapter 2007-126, L.O.F.)

<sup>4</sup> Chapter 2007-1, L.O.F., directed the Financial Services Commission to adopt a uniform home grading scale to grade the ability of a home to withstand the wind load from a sustained severe tropical storm or hurricane. The FSC adopted the home

To qualify for selection by DFS as a wind certification entity that provides hurricane mitigation inspections, the entity must use hurricane mitigation inspectors who have prior experience in residential construction or inspection and have received training in mitigation procedures. These inspectors must have undergone drug testing, criminal background checks and be certified to conduct inspections. As required by rules adopted by DFS, the inspectors must also complete a 6-hour course and pass a 1-hour exam.

As of February 28, 2008, the MSFH program has processed over 202,938 inspection applications; completed over 167,051 free home inspections in 67 counties; and trained, background checked, and drug tested, as of January 31, 2008, approximately 2,116 hurricane mitigation inspectors.

The MSFH program estimates it will complete 187,000 inspections in Fiscal Year 2007-2008 at a cost of \$28 million and it anticipates completing another 179,000 inspections in Fiscal Year 2008-2009 at a cost of \$25 million. Over the life of the program, this will result in 400,000 inspections being completed at a cost of \$61.3 million, with an average cost of \$145 per inspection.

### **Mitigation Grants**

Financial mitigation grants are used to encourage single-family, site-built, owner-occupied, residential property owners to retrofit their properties to make them less vulnerable to hurricane damage. To be eligible for a matching grant of up to \$5,000 for persons who have obtained a completed inspection after May 1, 2007, a residential property must:

- Have a homestead exemption under chapter 196, F.S.;
- Be a dwelling with an insured value of \$300,000 or less; homeowners who are low-income persons, as defined in s. 420.0004(10), F.S., are exempt from this requirement;
- Have undergone a hurricane mitigation inspection;
- Be located in the wind-borne debris region as defined in s. 1609.2, International Building Code (2006);<sup>5</sup> and
- Be a home for which the building permit application for initial construction was made before March 1, 2002.

Grant applications must contain a signed statement made under penalty of perjury that the applicant has submitted only a single application. Documents which demonstrate compliance with the above criteria must be attached. The MSFH program allows homeowners to select licensed contactors from a list of participating contractors. Mitigation must be based on securing required permits and inspections and must be performed by properly licensed contractors. Hurricane mitigation inspectors qualifying for the MSFH program may also participate as mitigation contractors. Matching fund grants must also be available to local governments and nonprofit entities for mitigation projects.

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grading scale and worked in collaboration with the Office of Insurance Regulation, Department of Financial Services and Department of Community Affairs. It was effective on November 1, 2007. (Rule 69O-167.015, Fla. Administrative Code).

<sup>5</sup> The "wind-borne debris" region is where the Florida Building Code requires new homes to have opening protections (shutters, etc.) and is where sustained winds of 120 mph or greater are likely to occur.

When recommended by a hurricane mitigation inspection, grants may only be used for opening protections; exterior doors, including garage doors and brace gable ends. The DFS may require that improvements be made to all openings, including exterior doors and garage doors, as a condition of approving a grant application if DFS determines that improvements to less than all openings would not improve the structure's ability to withstand hurricane damage. Grants may also be used on previously inspected existing structures or a rebuild home, however, the homeowner must be a low-income homeowner, must have a homestead exemption for that home prior to the hurricane, and must intend to rebuild the home as that homeowner's homestead. Further, low-income homeowners, as defined in s. 420.0004(10), F.S., are eligible for a grant of up to \$5,000 and are not required to provide a matching amount to receive the grant.

The DFS must establish objective, reasonable criteria for prioritizing grant applications and may have hurricane mitigation inspectors collect and verify grant application information to determine grant eligibility. The DFS is also authorized to undertake public outreach and advertising to inform consumers of the benefits of hurricane inspections. Further, the DFS is allowed to contract with third parties for such things as grant management, inspection services, educational outreach and auditing services.

As of February 28, 2008, the MSFH program has received 28,038 completed grant applications and awarded 26,233 grants for hurricane mitigation. In addition, it has signed up 3,321 contractors to perform mitigation under the program. Over the life of the program, MSFH program anticipates it will award a total of 35,000 grants. The total amount of grants awarded is estimated to be \$146 million. It is projected that the total 35,000 grants will be approved by May of 2008, after which no further grant money will be available except for funds approved for grant recipients who do not complete their mitigation construction within the required one-year time limit.

### III. Effect of Proposed Changes:

**Section 1.** Amends s. 215.5586, F.S., relating to hurricane mitigation inspections under the MSFH program. The bill provides that to qualify for selection by the DFS as a wind certification entity to provide hurricane mitigation inspections, an entity must use hurricane mitigation inspectors who are:

- Certified as building inspectors under s. 468.607, F.S.<sup>6</sup>;
- Licensed as a general or residential contractor under s. 489.111, F.S.<sup>7</sup>;
- Licensed as a professional engineer under s. 471.015, F.S.<sup>8</sup> and who have passed the appropriate equivalency test of the Building Code Training Program required by s. 553.841, F.S.,
- Licensed as a professional architect under s. 481.213, F.S.<sup>9</sup> or,

<sup>6</sup> The Florida Building Code Administrators and Inspectors Board certifies building inspectors after such individuals have completed requisite classroom work and met other eligibility requirements under Part XII of ch. 468, F.S.

<sup>7</sup> General and residential contractors are required to have extensive experience and meet specified education and other requirements prior to licensure by the Department of Business and Professional Regulation.

<sup>8</sup> The Florida Engineers Management Corp. issues licenses to individuals who the Board of Professional Engineers certifies as qualified to practice engineering and who have passed fundamentals examination and the principles and practice examination. The Board certifies for licensure individuals who satisfy examination and education requirements or hold valid engineering licenses issued by other states, subject to specified criteria.

- Persons who have at least two years of prior experience in either residential construction or residential building inspection and have received specialized training in hurricane mitigation procedures.

According to DFS officials, establishing minimum standards for inspectors who perform hurricane mitigation inspections will help improve the quality and accuracy of the inspections performed. Additionally, a recent quality assurance review completed by DFS confirmed that licensed professionals with residential construction or inspection experience had fewer reporting errors.

The bill also requires the DFS to implement a quality assurance program that includes a statistically valid number of reinspections. The DFS has already implemented such a program. The bill will make it clear that DFS may conduct reinspections to allow DFS to properly oversee and monitor the quality of inspections and identify additional training needs for inspectors. According to DFS officials, properly completed inspections are the key to the MSFH program and that function can not be compromised. A statistically valid number of reinspections will be determined by DFS based on the volume of inspections conducted and the performance rate of inspectors.

The bill provides that DFS, as a condition of ‘reimbursing a homeowner,’ may require that improvements be made to all openings, including exterior doors and garage doors. The effect of this provision allows DFS officials to verify that improvements were made to all openings prior to issuing a reimbursement check to the homeowner. This provision reflects the current practice by the agency to not reimburse a homeowner until improvements are made to all openings.

The legislation expands the areas that allow DFS to contract with third parties, by allowing the agency to contract for “contractor services for low-income homeowners and information technology.” These services would be added to the services for which costs are considered direct costs of the program and are not subject to administrative costs limit, which are one percent (\$2.5 million) of the amount originally appropriated (\$250 million) for the program in 2006.<sup>10</sup> Currently, According to DFS representatives, many low-income homeowners who have been approved for a grant are unable to pay a deposit up front to contractors to do mitigation improvements. The DFS would like to competitively bid for contractor services to assist low-income homeowners in strengthening their homes by paying contractors directly to do mitigation work. This provision will allow the MSFH program to accomplish this service. Regarding information technology, due to the limited number of full-time positions funded for the MSFH program (10 FTE), the DFS has had to hire Information Technology (IT) services to meet customer demands, improve service delivery and properly collect data for all program areas. See Government Sector Impact, below, for further detail.

**Section 2.** Amends s. 627.711, F.S., pertaining to uniform mitigation verification inspection forms. Language is added which mandates an insurer to accept as valid a uniform mitigation verification form signed by an approved MSFH wind inspector or certified by the DFS. This

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<sup>9</sup> The Department of Business and Professional Regulation issues licenses to individuals who have been certified as qualified by the Board of Architecture and Interior Design and who have completed educational and other specified requirements.

<sup>10</sup> Ch. 2006-12, L.O.F.

language is necessary because it aids homeowners in obtaining insurance premium discounts or credits for which they are entitled based on the inspection performed by trained and certified wind inspectors with the MSFH program. This provision also codifies the current practice of the MSFH program in coordination with insurance companies.

**Section 3.** This act shall take effect July 1, 2008.

**IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

**V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The provisions of the bill will benefit low-income homeowners who have been approved for grants by allowing the MSFH program to pay contractors directly to do mitigation work. Homeowners will benefit by having their insurers accept uniform mitigation verification inspection forms so that they can access insurance premium discounts or credits on their homeowner's policies.

Licensed contractors, architects, engineers, certified building inspectors or persons who have had at least two years experience in residential construction or residential building inspections may benefit by the revised criteria for program inspectors. Conversely, certified inspectors who do not meet these criteria will no longer be eligible for payment from the program. Homeowners and insurers are expected to benefit by providing greater assurance that the inspection accurately reflects the current mitigation features in order to obtain the correct premium discount and provides the appropriate recommendations for improvements.

C. Government Sector Impact:

The amount of \$250 million was appropriated for the MSFH program in 2006 with a cap on administrative expenses of one percent (\$2.5 million). As of February 28, 2008, the administrative expenses for the program totaled \$1,410,618. The large expenses for the

program include the following: \$428,430 for information technology services; \$698,301 for temporary personnel; \$110,213 for data entry and document scanning; and \$173,674 for postage and shipping. DFS is concerned that anticipated IT costs may exceed the one percent cap for administrative expenses. By specifying that IT services are considered direct program costs, they would not be considered administrative costs under the one percent cap.

The bill's provisions will improve the overall function of the MSFH program by setting minimum standards for hurricane mitigation inspectors, establishing a quality assurance program, ensuring that improvements have been made prior to issuing reimbursement payments to homeowners and allowing the program to contract with specified third-parties.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:**

- A. **Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Banking and Insurance on March 4, 2008:**

- Revises requirements for mitigation inspectors to require that they be a licensed general or residential contractor, engineer, architect, a certified building inspector or an individual who has at least two years prior experience in residential building inspection or residential construction.
- Requires that insurers accept as valid a uniform mitigation verification form signed by an approved My Safe Florida Home inspector or certified by the DFS.
- Requires DFS to adopt a quality assurance program that includes a statistically valid number of reinspections.
- Allows DFS to verify that mitigation improvements have been made to all openings prior to issuing a reimbursement grant check to the homeowner.
- Allows DFS to contract with third parties for information technology and contractor services for low-income homeowners, which shall be considered direct program costs, rather than administrative costs for purposes of administrative cost limitations.
- Removes provision changing grant eligibility criteria for persons who applied for mitigation inspections prior to May 1, 2007.

B. Amendments:

None.

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This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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