

## **Recommendations from Committee Member Deidre Finn**

Recommendation: Streamline the process for applying for an inspection and grant to improve customer service, reduce the administrative burden on government and maintain accountability.

Background: To apply for an inspection, a homeowner must first fill out an application and submit proof of homestead and insured value to the Department of Financial Service. The Department processes applications, verifies information and forwards them, thousands at one time, to the inspection company, who then calls the individual applicants to schedule an appointment. The Department also submits insurance information from the applicants to the modeling company. After the home is inspected, the forms are submitted to the modeling company who uses a state-owned computer model to prepare a report with three recommended mitigation plans, along with estimated cost of improvements and estimated discounts on insurance using information received from the state. The inspection report is mailed, along with a grant application, to the homeowner within 30 to 45 days. The homeowner must then submit a completed grant application to the Department telling them what plan they are pursuing, so the Department can set aside adequate grant money for one year to allow the work to be completed. The Department then sends a grant award letter to the homeowner. The homeowner requests estimates from contractors on the approved registry at the Department of Financial Services. When the work is complete, the homeowner submits reimbursement forms and receipts to the Department. The Department processes the forms and sends a reimbursement check to the homeowner.

Specific improvements to the process:

- Eliminate the need for the Department of Financial Services to verify homestead and insured value before an inspection.
- Allow homeowners to contact approved inspection companies directly to schedule an appointment, at which time they would be required to self-certify that they meet eligibility requirements (homestead and insured value).
- Require inspectors to verify homestead and insured value at the time of the inspection and capture all necessary insurance information on the forms that are submitted to the inspection firm.
- Require the inspection firm to process and mail the report within 10 days of the inspection.

- Send a grant award letter and simple return notification form, rather than a grant application, with the inspection report.
- Allow the homeowner to choose any licensed contractor.
- Require homeowners to return the notification form to the Department within 60 days to notify the state what improvement plan they are pursuing, what contractor they have chosen and what the actual estimate is for the work.
- Require the Department to send a communication (email, postcard, etc.) confirming receipt of the form and expiration date of the grant (still one year).
- Continue to require homeowners to submit reimbursement forms and receipts to the Department when the work is complete.
- Require the Department to process reimbursements and send checks to the homeowner within 10 days.

Recommendations above are made based on assumptions which may need discussion and/or edits:

- Timeframes – Timeframes may need to be lengthened or shortened based on feedback.
- Identifying the contractor in the grant notification -- Whether there is a registry or not, I think it is important for the homeowner to identify the contractor and actual estimate amount on their grant notification. If a homeowner applies for a grant, the money is allocated for a year to allow time for the work to be completed. While this is appropriate, I believe requiring identification of the contractor and actual estimate will encourage homeowners to make a firm commitment sooner, have an actual estimate to allocate and dissuade those who may apply for the grant “just in case” they decide to mitigate in the coming year (and thereby tie up money that may never be used on their home).

Other items and ideas for discussion:

Allow contractors who have the capacity and make the commitment to perform a certain number of mitigation jobs (100+) to apply for the grant on behalf of the homeowner.

- Contractors could advance the grant at the point of sale - a major convenience for consumers that could also reduce financing charges. Contractors would have to float the funding but I believe this could be a potentially significant marketing tool for them. To further reduce paperwork, the state could adopt a more streamlined process to process multiple grants from these larger entities. (Additional accountability measures and potential tax implications may need to be considered.)

Require the state to fund 350,000 inspections.

- Inspections cost an average of \$150 each. 14,000 inspections have been completed. 53,000 others are in the queue. There are approximately 2.5 million owner-occupied homes in Florida. Inspecting 10 percent of all owner-occupied homes (about 250,000) would cost approximately \$37.5 million, which would leave approximate funding of \$180 million for grants which would cover about 36,000 homes at \$5000.
- While reducing the amount of money available for actual mitigation, inspections will identify insurance premium credits and discounts for many homeowners without them having to spend any money at all.

Require inspections for all homes currently in the High Risk Account at Citizens Insurance.

- Approximately 340,000 homeowners may be eligible. If the state pays for these inspections, it would reduce the amount available for inspections and grants. We may want to require inspections but set aside funding for Citizens policyholders to mitigate.

Allow inspections in all counties.

- I believe we should expand inspections to more counties but not necessarily all. I recommend all coastal counties and inland counties that experienced significant damage from a hurricane in 2004 and 2005. (Several inland counties got hit hard in 2004 and I believe we would be remiss in not including them.)

- While I appreciate the policy of limiting to 120 mph areas, this may be more cumbersome to implement than a county-wide strategy, particularly for inspections.

Allow all homestead homes to get inspections regardless of the year they were built.

Allow grants in coastal counties plus those that experienced significant damage from a hurricane in 2004 and 2005.

- If grants are limited to certain counties: Create second tier smaller grants within the existing program using existing funding for certain mitigation projects in counties that are not eligible for the full matching grant.
- Provide smaller incentives for certain projects, such as \$200 for secondary water barrier, \$100 for ring-shank nails or equivalent and \$100 for joint fastening.

Allow grants for only pre-2002 code homestead homes.

Allocate 25 percent of the funding for grants to low income (no match required).

- Total funding for the residential program (not including manufactured homes) is \$242.5 million. 1% is allocated for administration. About \$15 million has been allocated to Volunteer Florida for low-income homes. \$8 million has been allocated to local governments who are also serving low-income homeowners. If the state allocates \$37.5 million for inspections, that leaves approximately \$180 million for grants. 25% for no-match is \$45 million and \$135 million for matching grants.
- Of all the available programs, this funding is leveraged the best, with volunteer labor and donated materials. We can help more people with less money. Of all the people that we help, these folks are likely to need it most. They are also the most vulnerable and most costly to help if they lose their home in a disaster.

Allocate a specific amount of funding for eligible homeowners in the High Risk Account who have Citizens Insurance.

- Reducing the total risk currently underwritten by Florida's taxpayers through Citizens is a good use of taxpayer funds.

Create a revolving loan fund to provide no-interest or low interest loans to homeowners for mitigation.

- Consider the disaster “bridge loan” program, which uses the private sector banking infrastructure and community resources, and DEP/EPA revolving loan fund for water treatment plants as models.
- Consider using one-time federal funds, potentially FEMA mitigation funds.

Identify private funding for mitigation to leverage public funds.

- This is critical. Taxpayers alone cannot fund this effort alone. We need to identify private funds.

Encourage insurance companies to create incentives for insurance agents to promote mitigation.

- Right now, the financial interests of insurance agents are not aligned with the goal of mitigation. While some earn a flat fee, many insurance agents earn a commission or a percent of the total cost of the policy. The higher the amount of the policy, the more they can earn, which creates a disincentive for promoting mitigation discounts and credits to lower the cost of the premium. Changing that dynamic is important to achieving the goal of mitigation.

Require property appraisers to identify specific mitigation features on all property – homestead, non-homestead and commercial.

- This information would be useful in determining if a county or community is hurricane hardened. Data will also allow policymakers to make informed decisions about future residential and commercial mitigation. It could be an interim step to providing a home rating number for all structures. Or it may be redundant and bureaucratic.

Provide greater than 50 percent reimbursement for the cost of disasters for counties and communities that invest in residential mitigation.

- Currently, local and county governments must pay 50 percent of the “local” match for FEMA reimbursements for response and repair after a disaster. For example, FEMA pays a minimum of 75% and the state and local governments split the remainder, 12.5% each. Low income communities can apply for a waiver of this match. Lawmakers should

consider a match greater than 50% for communities and counties that harden a percentage of their structures.

Proposed Recommendations:

Recommend the Department of Financial Services streamline the process for applying for an inspection and grant to improve customer service, reduce the administrative burden on government and maintain accountability.

Recommend the Department of Financial Services expand inspections to all homestead homes in all counties.

Recommend the Legislature require inspections for all homes currently in the High Risk Account at Citizens Insurance as part of their policy renewal.

Recommend the Department of Financial Services expand grants to all coastal counties plus those inland counties that experienced significant damage from a hurricane in 2004 and 2005, but limit grants to pre-2002 code homestead homes.

Recommend the Legislature create a revolving loan fund to provide no-interest or low interest loans to homeowners for mitigation using existing programs as a model.

Recommend efforts be made to identify private funding for mitigation to leverage public funds.

Recommend insurance companies create incentives for insurance agents to promote mitigation.

Require property appraisers identify specific mitigation features on all property - homestead, non-homestead and commercial.

Provide greater than 50 percent reimbursement for the cost of disasters for counties and communities that invest in residential mitigation.