MITIGATION

CREATING RESILIENT COMMUNITIES
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Hurricane Arthur struck the Outer Banks of North Carolina as a CAT 2 Hurricane in July 2014
100,000 Claims and Losses Exceeding $1.7 Billion
90% of Claims Settled Within 60 Days
### TOP 10 HURRICANES

<table>
<thead>
<tr>
<th>HURRICANE</th>
<th>AMOUNT OF LOSS</th>
<th>CATEGORY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Katrina, 2005</td>
<td>$160.2 Billion</td>
<td>CAT 3</td>
</tr>
<tr>
<td>Harvey, 2017</td>
<td>$128.2 Billion</td>
<td>CAT 4</td>
</tr>
<tr>
<td>Maria, 2017</td>
<td>$  91.8 Billion</td>
<td>CAT 4</td>
</tr>
<tr>
<td>Sandy, 2012</td>
<td>$  70.7 Billion</td>
<td>CAT 3</td>
</tr>
<tr>
<td>Irma, 2017</td>
<td>$  51.0 Billion</td>
<td>CAT 4</td>
</tr>
<tr>
<td>Andrew, 1992</td>
<td>$  48.2 Billion</td>
<td>CAT 4</td>
</tr>
<tr>
<td>Ike, 2008</td>
<td>$  34.5 Billion</td>
<td>CAT 2</td>
</tr>
<tr>
<td>Ivan, 2004</td>
<td>$  27.2 Billion</td>
<td>CAT 3</td>
</tr>
<tr>
<td>Michael, 2018</td>
<td>$  25.0 Billion</td>
<td>CAT 4</td>
</tr>
<tr>
<td>Florence, 2018</td>
<td>$  24.0 Billion</td>
<td>CAT 1</td>
</tr>
</tbody>
</table>

Source: NOAA
NATURAL DISASTERS

Wildfires

Earthquakes

Floods

Tornados

Ice/Snow

Hail

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North Carolina Joint Underwriting Association | FAIR Plan
North Carolina Insurance Underwriting Association | Coastal Property Insurance Pool
INSURANCE INSTITUTE FOR BUSINESS & HOME SAFETY (IBHS)
RESEARCH SHOWS:

$6 SAVED

$1 invested in pre-disaster mitigation = $6 saved in future disaster cost

$11 SAVED

For those with the most updated building codes:

$1 in pre-disaster mitigation = $11 saved in future disaster cost

RESILIENCY WEEK 2019 | #RESILIENCYWEEK

NAMIC® ADVOCACY

THE ROAD TO RESILIENCY STARTS NOW
IMPACT OF RESILIENT CONSTRUCTION

- Less Community Damage
- Reduced Costs of Emergency Management and Disaster Recovery Resources
- Maintaining Tourism and Tax Base
- Lower Insurance Losses
- Increased Availability of Insurance
- Improved Affordability of Insurance
IMPACT OF RESILIENT CONSTRUCTION

- Minimizing Disruption to the Homeowner’s Lives
- Increased Protection for What Cannot be Replaced by Insurance Dollars
MITIGATION CREDITS
NCIUA RESULTS - DECEMBER 2016
NCIUA CERTIFIED IBHS FORTIFIED ROOFS
DECEMBER 2016
HOW DO WE INCENTIVIZE CONSUMERS?
DESIRING A FORTIFIED HOME
How can we get consumers to desire a Fortified Home or Roof as much as they desire Granite or Quartz Countertops?
CHANGING OUR APPROACH
BUILDING INFRASTRUCTURE
MULTIPLE IBHS EVALUATOR/CONTRACTOR/ROOFING TRAINING
NCIUA ENHANCEMENT ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SPECIAL ROOF COVERAGE, IBHS FORTIFIED HOME™ BRONZE LEVEL ROOF REPLACEMENT (OPTION TWO), TERRITORIES 110 & 120 ONLY

INTRODUCTION
FORTIFIED Home™ is an engineering and building standard developed by the Insurance Institute for Business & Home Safety (IBHS) to mitigate wind-related hurricane damage. The program also includes evaluation and inspection requirements to ensure the technical standards are properly implemented, resulting in the designation of a home meeting the FORTIFIED Home requirements.

COVERAGE
If the amount of a “covered loss” to the roof covering of the dwelling on the “residence premises” shown on the declarations is greater than 50% of the replacement cost value of the entire roof covering and the roof sheathing on the dwelling is (or was immediately prior to the loss) a minimum of 7/16-inch OSB or plywood, then this endorsement may apply at the option of the insured.

When the coverage provided by this endorsement applies and the insured opts to invoke the coverage provided by this endorsement, the Association will pay the costs of the materials and labor, the costs of the initial inspection and assessment, and the costs of the verification inspection(s) necessary to obtain the IBHS designation “FORTIFIED Home™ Hurricane Bronze with new roof cover.” The insured will be responsible for arranging and coordinating the roof replacement work, as well as the inspections, assessments and verifications required by IBHS.

DEFINITIONS
With respect to the coverage provided by this endorsement, “covered loss” means a loss occurring between January 1, 2017 and June 30, 2017 that is caused by a Peril Insured Against named under SECTION I – PERILS INSURED AGAINST, A. Coverage A – Dwelling And Coverage B – Other Structures” that is not excluded by “SECTION I – EXCLUSIONS” or otherwise excluded by any other provision or condition of this policy.

SPECIAL CONDITIONS
A. In addition to the requirements of the Loss Settlement and insured Cost provisions of this policy, the insured must submit proof of the IBHS designation “FORTIFIED Home™ Hurricane Bronze with new roof cover” to the Association upon completion of the designation process.

All other provisions and conditions of the policy shall apply.

Territories 110 & 120 represents the Outer Banks and Barrier Islands of North Carolina

Approved by NCDOI on December 28, 2016
EXTERIOR ROOF

- Existing Roof Removed to the Decking
- Sealed Roof Deck
- Nail Spacing
- Ring Shank Nails
- Roof Mounted Vents
FIRST PILOT PROGRAM IBHS CUSTOMER

“Just wanted to say thanks again for your quick response and coordination on the roof damage and upgrade. You and your team handled every aspect with true professionalism and made the whole process totally stress free.”
PILOT PROGRAM RESULTS
NCIUA CERTIFIED IBHS FORTIFIED ROOFS
APRIL 2019

Number of Roofs

Fortified Roofs

Dec-16  Dec-17  Dec-18  Apr-19

4  18  100  274
During Florence, some policyholders did not take the FORTIFIED Roof upgrade, because they did not want to wait for the evaluator and roofer to coordinate installation.

During Florence, some roofers discouraged policyholders from accepting the FORTIFIED Roof upgrade as they desired to complete as many roofs as possible. The FORTIFIED Roof would have required more time to complete.
2019 - CONTINUING TO INNOVATE
FIRST HOME TO RECEIVE GRANT APPROVAL

Emerald Isle

1,900 Square Feet; Built 1984; $193,000 Value
COMMENTS REGARDING THE “GRANT” PROGRAM

▪ “The one thing I wasn’t worried about was the roof! This was an awesome program!”

▪ “We are happy as we can be that we got the roof on before the hurricane.”

▪ “Everything was great from what our son told us. I'm very pleased with the whole operation and how quickly I got refunded. I would be glad to be a recommendation for others, just call me!”

▪ “Everything is fine: my peace of mind was out of the world with my new roof”
NCIUA CERTIFIED FORTIFIED IBHS ROOFS

<table>
<thead>
<tr>
<th>Year</th>
<th>Endorsement and Consumer Funded</th>
<th>Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-16</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Dec-17</td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td>Dec-18</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Apr-19</td>
<td>274</td>
<td>0</td>
</tr>
<tr>
<td>Present</td>
<td>407</td>
<td>316</td>
</tr>
<tr>
<td>Expected Incl. Approved Grants</td>
<td>407</td>
<td>1,056</td>
</tr>
</tbody>
</table>

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HOW DID FORTIFIED ROOFS PERFORM
COUNTIES WITH MOST FLORENCE CLAIMS

<table>
<thead>
<tr>
<th>COUNTY</th>
<th>Median Loss Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunswick</td>
<td>$0</td>
</tr>
<tr>
<td>Carteret</td>
<td>$32,596</td>
</tr>
<tr>
<td>New Hanover</td>
<td>$14,508</td>
</tr>
<tr>
<td>Onslow</td>
<td>$30,964</td>
</tr>
<tr>
<td>Pender</td>
<td>$29,996</td>
</tr>
</tbody>
</table>

- NCIUA IBHS Certified Fortified Roof
- Other NCIUA Properties Within 1 Mile Radius

Brunswick, Carteret, New Hanover, Onslow, Pender
• Of all NCIUA properties (400+) with FORTIFIED Roofs in place when Hurricane Dorian struck North Carolina, only 7 losses reported roof damage. Of those, 3 reported minor interior water damage and only 1 suffered significant water intrusion.
COMMENTS

REGARDING NCIUA FORTIFIED ROOFS AFTER HURRICANE DORIAN
“My roof was excellent. The yard had lots of shingles in it, but they weren't mine! Thanks for the grant.”

“I had incredible piece of mind! The winds and debris from trees didn't sound as strong with the new roof; no shingles were found when raking this time!”

“The one thing I wasn't worried about was the roof! This was an awesome program!”

“The roof stayed intact and did its job. I'm very pleased.”
• “This was a good grant program, even though others thought it was a scam. Please offer it again so the non-believers can take advantage of it!”

• “I have said good things about the roof to the neighbors. We were very skeptical at first of the grant being too good to be true. I had a very positive experience in every way. I'm grateful. They don't understand it's not the wind but water leaks that cause so much damage from storms.”
OTHER MITIGATION PROGRAMS
CALIFORNIA EARTHQUAKE AUTHORITY

CEA is a not-for-profit residential earthquake insurer
WHEN NORTHRIDGE EARTHQUAKE STRUCK IN 1994

- Caused $20 billion in residential damage
- Destroyed or severely damaged thousands of single-family homes
- Left about 22,000 people homeless
California is home to two-thirds of our nation’s earthquake risk

Most Californians live within 30 miles of an active fault
Grants of $3,000
A GROWING PROGRAM

2014: 9 homes 2017: 2,182 homes
2015: 528 homes 2018: 3,349 homes
2016: 1,639 homes 2019: FEMA funding $23M

10,000 homes retrofitted since 2014 launch
STRENGTHEN ALABAMA HOMES
The Strengthen Alabama Homes program provides grants, up to $10,000 per application, to Alabama residences for mitigating their home against wind damage by achieving the FORTIFIED™ standard developed by the Insurance Institute for Business and Home Safety.
SOUTH CAROLINA SAFE HOMES
The South Carolina Safe Home program, administered by the South Carolina Department of Insurance, solely funded through the General Assembly and provides $5,000 matching and non-matching grant funds to help coastal property owners retrofit their homes to make them more resistant to hurricane and high-wind damage.
OUR JOURNEY CONTINUES: WHAT’S NEXT
2020

$10 Million – NCIUA Grant (Strengthen Your Roof)
PROGRAM EXPANSION: 2020 CHALLENGE GRANT
Can NCIUA Secure Matching Funding?

NCIUA Board has authorized an additional $10 million dollars to expand program if NCIUA can obtain matching funding from Federal, State, Local or Private Sources.
2020

- Complete at least 2,600 grants
- Applied for four additional FEMA Grants
2020

Current amount of funding available for 2020: $10,000,000
FORTIFIED™ jobs projected to be completed with current 2020 funding: 1,000
$1.1 Million of Funding from General Assembly of South Carolina
WORKING TOGETHER TO EXEMPT GRANTS FROM FEDERAL TAX
H.R. 5494: Catastrophe Loss Mitigation and Tax Parity Act

Representative Mike Thompson introduced H.R. 5494 on December 19, 2019 which establishes tax exempt status for state-funded residential mitigation programs for earthquake, windstorm and wildfire.

H.R. 5494
Sponsor: Rep. Mike Thompson (D, CA)

Co-Sponsors:

**California**
- Rep. Aguilar (D)
- Rep. Bera (D)
- Rep. Brownley (D)
- Rep. Calvert (R)
- Rep. Chu (D)
- Rep. Cook (R)
- Rep. Garamendi (D)
- Rep. Gomez (D)
- Rep. Panetta (D)
- Rep. Sanchez (D)
- Rep. Speier (D)
- Rep. Swalwell (D)

**Alabama**
- Rep. Bradley (R)
- Rep. Rogers (R)
- Rep. Sewell (D)

**South Carolina**
- Rep. Rice (D)

**North Carolina**
- Rep. Rouzer (R)

**Wisconsin**
- Rep. Moore (D)
"While promoting mitigation planning is a shared state and federal goal, there is inconsistent tax treatment of state and federal disaster mitigation grants … This legislation would fix the inconsistency and provide parity for residential mitigation grants provided by state public entities."
H.R. 5494: Catastrophe Loss Mitigation and Tax Parity Act

Chamber of Commerce of the United States of America

“H.R. 5494 would empower homeowners to protect their homes against natural disasters by updating federal tax treatment of certain state-based grant programs.”
H.R. 5494: Catastrophe Loss Mitigation and Tax Parity Act

A Growing List of Supporters

- Alabama Association of REALTORS®
- Alabama Center for Insurance Information and Research
- Alabama Independent Insurance Agents
- Alabama Insurance Coalition
- American Family Insurance
- American Property Casualty Insurance Association
- BuildStrong Coalition
- Earthquake Engineering Research Institute
- Enterprise Community Partners, Inc.
- Federal Alliance for Safe Homes
- Independent Insurance Agents and Brokers of America
- Independent Insurance Agents of North Carolina
- Independent Insurance Agents of Wisconsin
- Institute for Business and Home Safety
- International Code Council
- National Association of Mutual Insurance Companies
- National Council of Structural Engineers Associations
- Property Insurance Plans Services Office
- R Street Institute
- Reinsurance Association of America
- Structural Engineers Association of California
- United Policyholders
- US Resiliency Council
- Wisconsin Insurance Alliance

“This bipartisan, common-sense legislation ensures consistent federal tax treatment for grants received by homeowners for mitigation work and encourages state-based mitigation and resiliency programs in direct furtherance of a federal responsibility.”
JOIN US ON THE JOURNEY
1) Assist with Securing State and Federal Funding
2) Encourage more legislators to co-sponsor federal legislation H.R. 5494 exempting grants from Federal Taxation
3) Encourage other residual plans and private market insurers to educate policyholders and provide enhancement coverage
4) Engage with the Building Community
TOGETHER WE CAN BUILD RESILIENT COMMUNITIES