

OKLAHOMA INSURANCE DEPARTMENT

Insurance Commissioner John D. Doak





Building Resilient Homes A Better Way Forward



May 19, 2013 – Shawnee, Oklahoma



May 20, 2013 – Moore, Oklahoma



May 30, 2013 – Broken Arrow, Oklahoma



May 31, 2013 – El Reno, Oklahoma

2013 Aftermath

Gaylord Family Oklahoma
Memorial Stadium

Capacity is only 84,389

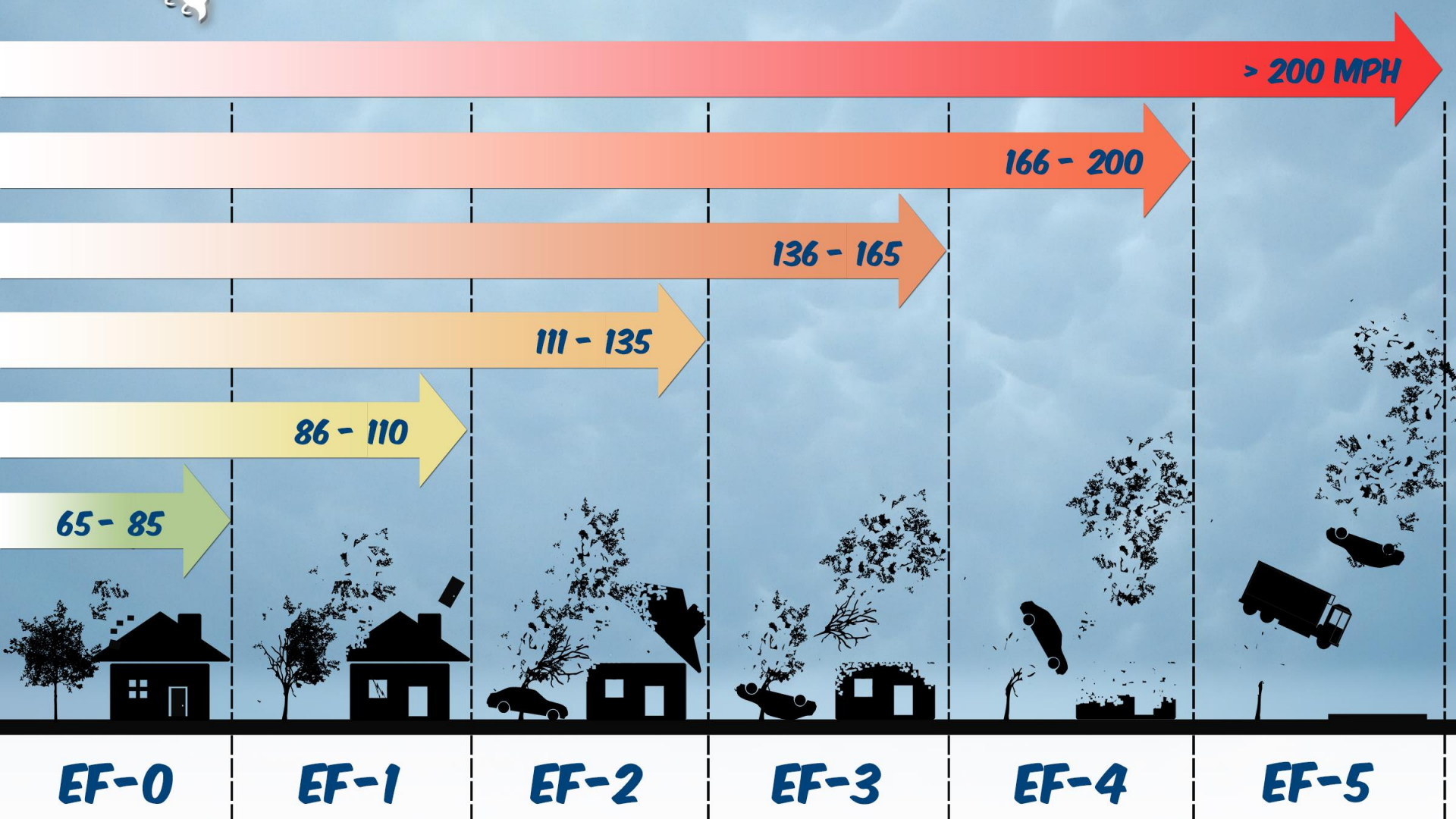


- Insurance claims filed in response to the major tornado outbreak reached nearly:

100,000 Total

- With insurance payments totaling more than:

\$1.1 Billion



65 - 85

86 - 110

111 - 135

136 - 165

166 - 200

> 200 MPH

EF-0

EF-1

EF-2

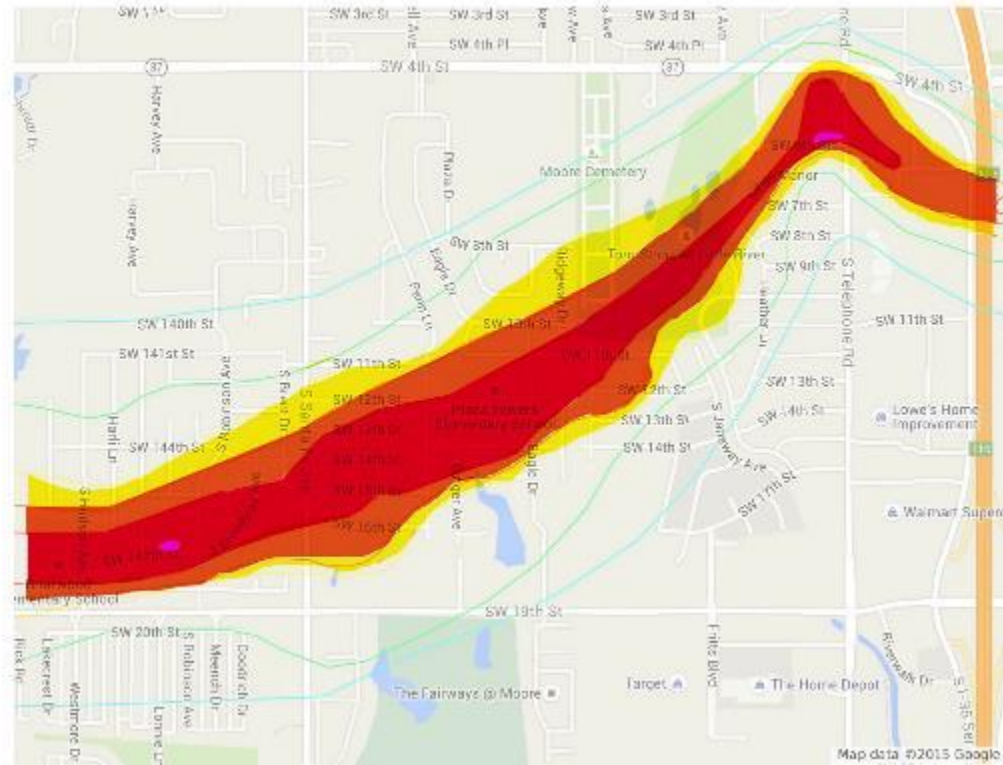
EF-3

EF-4

EF-5

Narrowing the Path, Reducing Damage

May 20, 2013 Newcastle-South OKC-Moore EF-5 Tornado



- In 2016, the U.S. had 1,059 tornadoes.
- 43 states had **one or more** tornadoes in 2016.
- Only 6 states saw zero tornadoes in 2016.

Tornadoes And Related Deaths By State, 2016 (1)

State	Tornadoes	Fatalities	Rank (2)	State	Tornadoes	Fatalities	Rank (2)
Alabama	87	4	3	Montana	4	0	30
Alaska	0	0	(3)	Nebraska	47	0	8
Arizona	3	0	32	Nevada	0	0	(3)
Arkansas	23	0	18	New Hampshire	2	0	36
California	7	0	27	New Jersey	2	0	36
Colorado	45	0	10	New Mexico	3	0	32
Connecticut	0	0	(3)	New York	1	0	41
D.C.	0	0	(3)	North Carolina	16	0	20
Delaware	0	0	(3)	North Dakota	32	0	13
Florida	48	2	7	Ohio	31	0	15
Georgia	27	0	17	Oklahoma	55	2	5
Hawaii	0	0	(3)	Oregon	4	0	30
Idaho	1	0	41	Pennsylvania	9	0	26
Illinois	50	0	6	Rhode Island	0	0	(3)
Indiana	40	0	12	South Carolina	3	0	32
Iowa	46	0	9	South Dakota	16	0	20
Kansas	99	0	1	Tennessee	11	2	24
Kentucky	32	0	13	Texas	90	1	2
Louisiana	31	2	15	Utah	3	0	32
Maine	2	0	36	Vermont	0	0	(3)
Maryland	2	0	36	Virginia	12	4	23
Massachusetts	2	0	36	Washington	6	0	28
Michigan	15	0	22	West Virginia	6	0	28
Minnesota	44	0	11	Wisconsin	11	0	24
Mississippi	67	1	4	Wyoming	1	0	41
Missouri	23	0	18	United States	1,059	18	

(1) Ranked by total number of tornadoes.

(2) States with the same number receive the same ranking.

(3) State had no tornadoes in 2016.

(4) The U.S. total will not match data used in other charts because it counts tornadoes that cross state lines.

IBHS Fortified Home™ Program



The Mission at the Insurance Institute for Business & Home Safety is to conduct objective, scientific research to identify and promote the most effective ways to strengthen homes, businesses, and communities against natural disasters and other causes of loss.



IBHS FORTIFIED Gold designed for resilience against winds up to 135 mph (EF2 or lower)

Systems Evaluated Under FORTIFIED



High Wind/High Wind & Hail



Strengthen Roof System + (Class 3 or 4 Impact-Rated Roof Cover for Hail)



Brace Gables, Anchor Porches & Carports, Strengthen Chimneys



Continuous Load Path (Structural) + Stronger Garage Doors

Location and Design Wind Speed are key determining factors in deciding which standard(s) apply.

Estimating the Effect of
FORTIFIED Home™ Construction
on Home Resale Value¹

Sebastain Awondo, PhD – University of Alabama

Marris Hollans, PhD – Auburn University

Lawrence Powell, PhD – University of Alabama

Chip Wade, PhD – University of Mississippi

THE UNIVERSITY OF
ALABAMA | Culverhouse
College of Commerce
Alabama Center for Insurance
Administration and Research

¹ This research is sponsored by the Alabama Center for Information & Insurance Research (ACIIR), Culverhouse College of Commerce, University of Alabama, Tuscaloosa, AL 35487. Please address correspondence to Lars.Powell@culverhouse.ua.edu. Awondo and Powell are with ACIIR, Hollans is Associate Professor of Real Estate, Auburn University, Wade is Assistant Professor of Finance, University of Mississippi. We thank the Insurance Institute for Business and Home Safety for data and guidance. Any remaining errors are our own.

“Results show that switching from a conventional construction standard to a Fortified designation increases the value of a home by nearly 7%, holding all other variables constant.”



**Sealed roof deck
damage estimate**

\$5,408^{.59}

**Unsealed roof deck
damage estimate**

\$16,935^{.23}

It's Time for a Change

The Demotech Difference



Fall 2017 Issue

Enough is Enough: It's Time for a Change

By Oklahoma Insurance Commissioner John D. Doak

When most people think of Oklahoma, they think of destruction. While I see beautiful blue skies, lush green prairies and breathtaking canyons, outsiders may envision mangled homes, twisted metal and piles of rubble. These are the images they see every time a significant tornado hits one of our beloved communities. The Sooner State, located right in the middle of Tornado Alley, averages 60 twisters a year. Of those, approximately three will be rated EF3 or above, putting them in the strong to violent category.

Responding to major tornadoes across the state has strengthened my resolve to improve disaster mitigation, response and recovery in any way possible. This past May, I went door-to-door in Elk City, Oklahoma to speak with tornado survivors. The high-end EF2 twister tore through the town of 11,000 on a Tuesday night,



John D. Doak
Oklahoma Insurance Commissioner

Since these storms aren't going to stop coming, we have to do a better job of preparing for them.

Damaging or destroying more than 100 homes and businesses, I saw massive trees ripped out of the ground, homes without roofs, pieces of wood piercing walls and mountains of debris filled with insulation, branches, shingles and various household items.



Oklahoma Insurance Commissioner John D. Doak and Oklahoma Governor Mary Fallin inspect tornado damage in Elk City in May of 2017.

Commissioner Doak has headed the Oklahoma Insurance Department (OID) since 2011. OID employees respond to tornadoes, earthquakes, wildfires and ice storms to help victims quickly recover from catastrophe.

Doak's voluntary efforts include hosting the National Tornado Summit, an annual disaster preparedness conference for insurance professionals, emergency managers and meteorologists.

Doak is a member of the National Association of Insurance Commissioners as chair of the Property and Casualty Insurance Committee, the Hartford Task Force, and as vice chair of the Surplus Lines Task Force and the Midwest Zone.

Doak graduated from the University of Oklahoma with a BA in Political Science. After college he launched a successful insurance business in Tulsa, and later served as an executive for several risk and insurance service companies including Marsh, Aon, HNI and Ascension.

Doak and his wife Debby live in Tulsa with their children, Zack and Kacey. They are members of the South Tulsa Baptist Church.



It's Time for a Change

The Demotech Difference

Fall 2017 Issue

Since these storms aren't going to stop coming, we have to do a better job of preparing for them. That's why I pushed for landmark legislation that takes the first steps toward making that happen. Oklahoma just passed a bill that incentivizes homeowners to fortify their homes against severe storms. I hope the rest of the country follows suit. We have learned a great deal from natural catastrophes across the United States, now we need to take that knowledge and use it to keep families safe, both physically and financially.

HB212, signed by Oklahoma Governor Mary Fallin in May, requires insurance companies to factor tornado-resistant construction into the home's insurance premium based on the insurer's own actuarial analysis. It applies to homes built to FORTIFIED Home® — High Wind S/H building standards created by the Insurance Institute for Business and Home Safety (IBHS).

The standards help homeowners strengthen their homes against low-level tornadoes and high winds at the edges of strong tornadoes, straight-line wind events, severe thunderstorms and hail storms. The superior construction standards help improve a home's resilience by adding system-specific upgrades to minimum code requirements. The standards can be used on new construction or the retrofit of an existing home.

The **GOLD FORTIFIED Home®** construction standard employs building techniques and materials that allow a home to withstand winds up to 135 miles per hour rather than the all-building standard requirement of 90 miles per hour. The **GOLD FORTIFIED Home®** standard requires roof sheathing, hurricane clips or framing anchors, continuous plywood bracing and wind-resistant garage doors.

Using the **IBHS FORTIFIED** standards, property damage from EF5, EF3 and EF2 tornadoes can

be virtually eliminated. That's significant because 95 percent of the tornadoes in the U.S. are rated EF0-EF2. As an added benefit, construction science has shown that FORTIFIED homes have an added benefit of improving the home's performance in an earthquake.

The May 20, 2013 tornado in Moore is known as being an EF5, but the EF5 portion of the storm was less than one percent of the tornado's footprint. Eighty-eight percent of the damage was caused by EF2 or lower winds. 1,150 homes were destroyed that day. If all the homes had been built to FORTIFIED standards, 1,152 would still be standing today.

Current codes provide minimum life safety protection designed to ensure people can get out of a building safely. They are not intended to ensure

We simply cannot keep rebuilding communities in the same places in the same ways and expect a different result.

families can live in their homes after a catastrophic event or to protect the contents inside a home. I believe we can do better.

As Insurance Commissioner, I get a lot of questions about "homeowners' insurance premiums." People want to know why they keep going up. I tell them the reason is simple. The weather isn't going to change so we have to change the way we build our homes. If homes sustain less damage from storms, the insurance companies pay out



Commissioner Doak inspects damage done by a tornado in Tulsa last August 2017 with a local businessman.

less in claims and premiums go down. It's a win-win for everyone. In Oklahoma, building a FORTIFIED home will add about two percent to the cost of the new home. There's a chance for homeowners to make that money back when they sell the home. A study by the University of Alabama shows the resale value of a FORTIFIED home increased by nearly seven percent.

These enhanced building codes could be beneficial all over the country. Because a tornado is part of a severe weather system, and these storms occur all over the Earth, tornadoes are not bound to any specific geographic location. In fact, tornadoes have been documented in every state of the United States.

We simply cannot keep rebuilding communities in the same places in the same ways and expect a different result. We've got to do better for the citizens, and building stronger homes and businesses will help us do that. I hope every state follows our lead in

The Demotech Difference Fall 2017

taking the first steps toward creating tornado resilient communities.

The Fight Against Fraud

I am also passionate about another issue we see after severe storms — fraud. As Chair of the National Association of Insurance Commissioners (NAIC), Antifraud Task Force, I recently spoke to a U.S. Senate subcommittee about insurance-related crimes. I explained to them how unscrupulous individuals prey on Oklahoma disaster victims at a time when they are emotionally devastated and vulnerable. We've seen dishonest

I am also passionate about another issue we see after severe storms — fraud.

file false insurance claims and for other dishonest purposes, including identity theft.

These trends are deeply troubling, which is why fighting insurance fraud is one of the highest priorities for state insurance regulators. We initiate inquiries and conduct investigations of suspected fraudulent insurance acts. Many state fraud bureaus possess law enforcement powers and may also have civil authority to impose fines. State insurance regulators also work with insurers and their special investigation units to address suspected fraud and to ensure that they are complying with state fraud prevention statutes.

As insurance fraud continues to evolve, state insurance regulators will remain vigilant. We will continue to adopt our strategies to prevent, detect and investigate these criminals to protect consumers and maintain insurer financial health.

NAIC Activities

My work with the NAIC keeps me extremely busy. I'm also chair of the Property and Casualty Insurance Committee, vice chair of the Surplus Lines Task Force and vice chair of the Malware Zone. I'm also a member of the Innovation and Technology



Commissioner Doak inspecting damage in midtown Tulsa after a tornado in August 2017.

file false insurance claims and for other dishonest purposes, including identity theft.

Innovation is something I am truly passionate about. This past April, I hosted a Healthcare Innovation Summit at the Oklahoma State University Health Science Center in Tulsa. Our speakers introduced creative solutions to some of the biggest problems in the health insurance marketplace. Their cutting-edge ideas included the use of mobile apps, wearable heart monitors and high-tech shoe soles. Unfortunately, they're hitting roadblocks because their ideas are outside the box. If we want to see true progress, that attitude must change.

I've encouraged federal lawmakers to explore options like these, and to help return power to the states so these big ideas can become reality. If we want to fix healthcare in this country, we have to embrace these new ideas and work together to improve patient care, reduce costs and increase access to lifesaving services. I look forward to working with legislators to make that happen. If you'd like to see the presentations from the Summit, check out our YouTube channel, OKInsuranceTV. 🇺🇸

The Demotech Difference Fall 2017



Oklahoma's Proposal

- Require property insurers to provide a discount or rate reduction for building a home to the IBHS Fortified High Wind & Hail standards
- Only applicable if the insurer determines it is actuarially justified based on sufficient and credible evidence of cost savings
- Must be certified by an IBHS evaluator
- Homeowner must maintain proper documentation
- Insurers submit rating plans to the Commissioner

Oklahoma's Proposal

- If an insurer already offers a hail resistance discount, it would meet the requirement for the hail portion
- If an insurer already offers a discount for IBHS standards, it would meet the requirement for the wind portion
- Oklahoma law not effective until April 1, 2018
- Companies already filing discounts

OKLAHOMA
INSURANCE
DEPARTMENT

THANK YOU

Insurance Commissioner John D. Doak

1-800-522-0071

Graphs and animations provided by IBHS