

## Topic: Funding resources to promote disaster resilience and mitigation

Research question: *I'm looking for some info on funding resources to promote resilience and mitigate the effects of climate change. Do we have anything on what insurers are doing (grants, discounts, etc.) and where to promote resilience?*

### Summary:

- States have provided two main types of incentives for increased property owner mitigation: 1) insurance premium discounts; and 2) grants programs for retrofitting property. Tax-incentives offer a third alternative.
- Premium discount reductions tend to be in hurricane-prone states with four states (AL, GA, MS, NC) *mandating* the premium discount levels. Premium discounts need to be tied to a verified inspection, with FORTIFIED construction standards and validation often utilized.
- Seven states have offered mitigation grant funding to property owners with the upper limit on the grant funding being \$10,000. Funding for these grants comes from either federal, state, or private sources.
- The federal government offers a number of pre-disaster mitigation grant funding programs such as FEMA's Hazard Mitigation Grant Program, HUD's community development block program, and FEMA's new Building Resilient Infrastructure and Communities (BRIC) Fund.
- A number of volunteer community-based programs exist to leverage further mitigation action.

## Background

**Key findings from existing literature:** The perceived costs of implementing mitigation projects and/or lack of return on their investment are primary reasons consumers do not fortify their homes (*Journal of Insurance Regulation*, [Public Policy and Regulation to Reduce Underlying Risks](#), 2015, p. 6). To improve the cost-benefits to consumers who take proactive mitigation measures, states have taken a variety of steps, including **insurance incentives, financing assistance, and grant programs** ([Improving Wind Mitigation Incentives](#)).

“Non-insurance policy measures have more potential to create immediate and easily measurable cost savings (via grants, loans, tax deduction-credits, etc.) than do insurance policy

measures (chiefly, premium reduction programs)” (*Journal of Insurance Regulation, State and Local Policy Instruments for the Promotion of Catastrophe Mitigation*, 2017, p. 4). Therefore, immediate cost savings offered by grants, loans, and tax deductions may help motivate consumers to implement preventive measures in their homes.

See also: [Developing Pre-Disaster Resilience Based on Public and Private Incentivization](#). (2015). National Institute of Building Sciences. Multihazard Mitigation Council & Council on Finance, Insurance and Real Estate. In particular,

- Pgs. 38-39 – Stakeholder Incentivization for Offerers/States
- Pgs. 47-48 – Low Potential and Ineffective Approaches

### STATE ACTIONS: INSURANCE DISCOUNTS & CREDITS

<a href="#">Regulatory Incentive Programs (FORTIFIED Home, IBHS)</a>		
<b>Alabama</b>	Insurance co. must give a <b>premium discount</b> to homeowners who retrofit their homes to resist hurricane/wind loss according to IBHS FORTIFIED standards.	<a href="#">Ala. Code §27-31D-1</a>
<b>Georgia</b>	A <b>mitigation credit</b> applies for retrofitting against wind damage; must meet IBHS standards (offered through <a href="#">Georgia Underwriting Association</a> )	
<b>Mississippi</b>	Insurance co. required to provide <b>discounts</b> to homeowners in specific coastal counties whose houses meet <a href="#">IBHS FORTIFIED Home</a> criteria.  Windstorm <b>premium credits</b> also available for FORTIFIED Home houses with policies written by the <a href="#">MS Windstorm Underwriting Association (MWUA)</a> .	<a href="#">HB 1410</a>
<b>North Carolina</b>	Insurance co. required to give <b>premium discounts</b> to homeowners in coastal counties who retrofit homes against hurricanes and wind. Must meet IBHS FORTIFIED Homes criteria. Offered through the <a href="#">NC Rate Bureau</a> .	

<b>States that require mitigation discounts (but do not mandate specific rates)</b> Source: United Policyholders. For further information, click <a href="#">here</a> .	
<b>Florida</b>	Insurance co. must give <b>premium discounts</b> for properties that have installed fixtures or construction that demonstrate hurricane/wind resistance.  <a href="#">Florida Wind Insurance Savings Calculator</a> – This online tool provides homeowners and builders with a general indication of the types of wind insurance savings available from Florida insurance companies for building features that reduce damage during high wind events like hurricanes.
<b>Louisiana</b>	<ul style="list-style-type: none"> <li>• Insurance co. must give <b>discounts</b> to homeowners who have retrofitted their homes to reduce amount of loss.</li> <li>• <b>State sales tax exclusions</b> on items used for mitigation purchases (storm shutters, etc.)</li> <li>• Provide <b>tax deductions</b> for policyholders who voluntarily retrofit existing homes to bring them into compliance with the LA Uniform Construction Code (maximum allowance of \$5,000)</li> </ul>
<b>Maryland</b>	Insurers will offer at least one actuarially justified <b>premium discount</b> on a homeowner’s insurance policy if proof of improvements are submitted and are a means of mitigating loss from a hurricane or other storm.
<b>New York</b>	Insurance co. may provide a <b>reduction in rates</b> for fire insurance, homeowners insurance, or property/liability premiums for residences.
<b>Oklahoma</b>	Insurance co. will provide <b>premium discounts</b> or insurance <b>rate reductions</b> to homeowners who retrofits or builds a property fortified to resist loss due to tornado or other windstorm event.

<b>Rhode Island</b>	Homeowners who mitigate damage may be eligible <b>to waive their hurricane deductibles</b>
<b>South Carolina</b>	Insurance co. offer <b>premium discounts</b> for mitigation measures that strengthen coastal homes and businesses against damage from hurricanes.

See also: [List of Insurance Discounts and Tax Incentives](#). Smart Home America. "Find insurance, tax, and mitigation incentives and discounts in your state."

## State Funding & Grants

### SPECIFIC STATE GRANTS & PROGRAMS

<b>State</b>	<b>Program</b>	<b>Specifics</b>
<b>Alabama</b>	<a href="#">Strengthen Alabama Homes</a>	<ul style="list-style-type: none"> <li>SAH provides grants to residents of Baldwin and Mobile Counties in Alabama for residential wind mitigation on existing, owner occupied, single family homes. Funding for this program comes from the insurance industry in Alabama.</li> <li>SAH has temporarily stopped taking new applications due to overwhelming demand.</li> </ul>
<b>California</b>	<a href="#">Earthquake Brace + Bolt</a>	Provides homeowners living in designated zip codes up to \$3,000 toward an earthquake retrofit of their home.
<b>Florida</b>	<a href="#">My Safe Florida Home</a>	Hurricane mitigation inspections to determine mitigation measures and

	<a href="#">Rebuild Northwest Florida</a>	hurricane premium discounts; up to \$5,000 in hurricane mitigation grants (program no longer active but was run through FL Dept of financial services)  Provides up to \$10,000 in grant money to make property more resistant to hurricane and high-wind damage. FEMA HMGP and private non-profit
<b>Massachusetts</b>	<a href="#">Coastal Resilience Grant Program</a>	Provides financial and technical resources to advance local efforts to increase natural storm damage protection, flood control, and coastal community resilience. Eligible projects can be in the areas of: vulnerability and risk assessment; public education and communication; local bylaws, adaptation plans, and other management measures; redesigns and retrofits; and natural storm-damage protection/green infrastructure.
<b>Mississippi</b>	Coastal Retrofit Program	Homeowners received engineered solution for preventing wind damage via inspection. Mitigation grants – 90% of cost but limit unknown. FEMA HMGP (program no longer active)
<b>North Carolina</b>	NCIUA Retrofit Program	Covers cost of upgrading to Bronze FORTIFIED roof. Up to \$5,000 for retrofitting and \$600 for evaluation. <b>Funding through policy endorsements.</b>
<b>South Carolina</b>	<a href="#">SC Safe Home Mitigation</a>	Provides matching and non-

	<a href="#">Grant Program</a>	<p>matching grant funds to help coastal property owners retrofit their homes to make them more resistant to hurricane and high-wind damage. The funds provided by this program are for the sole purpose of retrofitting owner-occupied, single-family homes. SC Safe Home funds may not be used for remodeling, home repair or new construction.</p> <p>Other related SC initiatives: Tax credits for fortification measures; catastrophe savings accounts; SC market assist</p>
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(Partial source: FLASH retrofit overview)

## FEDERAL GOVERNMENT GRANTS

Federal Government Grants	Limitations/Scope
<a href="#">FEMA's Hazard Mitigation Grant Program (HMGP)</a>	Requires a Presidential Major Disaster Declaration before funds are dispersed.
<a href="#">FEMA's Pre-Disaster Mitigation Program (PDM)</a>	<ul style="list-style-type: none"> <li>• Open to states, U.S. Territories, local governments.</li> </ul>
<a href="#">Flood Mitigation Assistance Grant (FMA)</a>	<ul style="list-style-type: none"> <li>• States sponsor applications on behalf of homeowners.</li> </ul>
<a href="#">Repetitive Flood Claims (RFC)</a>	<ul style="list-style-type: none"> <li>• RFC provides funding to reduce or eliminate the long-term risk of flood damage to structures insured under the National Flood Insurance Program (NFIP) that have had one or more claim payments for flood damages.</li> <li>• RFC funds may only be used to mitigate structures that are located within a state or community that is participating in the NFIP that cannot meet the requirements of the Flood Mitigation</li> </ul>

	Assistance (FMA) program.
HUD <a href="#">Community Development Block Grants</a>	
<a href="#">Small Business Administration (SBA) Disaster Loan Assistance</a>	
<a href="#">FEMA’s Building Resilient Infrastructure and Communities (BRIC) Fund</a>	As part of the Disaster Recovery Reform Act (DRRA), it authorizes the National Public Infrastructure Pre-Disaster Mitigation fund, which will be funded through the Disaster Relief Fund as a six percent set aside from estimated disaster grant expenditures. This allows for a greater investment in mitigation before a disaster. This new program is named Building Resilient Infrastructure and Communities (BRIC).

### OTHER GRANT OPTIONS

- [Grants.gov](#)
- [USA GrantWatch](#) – Currently, there are 194 disaster relief/mitigation grants available for U.S. states.

## Sales Tax Incentives

### SALES TAX HOLIDAYS

States offering a [sales tax holiday](#) around disaster preparedness:

Virginia      Texas      Alabama      Florida      Louisiana

See also: [How Sales Tax Can Encourage Disaster Preparedness and Recovery](#), *CPA Practice Advisor*. June 17, 2019.

## Other Resources

1. [CIPR's Resiliency Map](#): Learn what other states are doing in the area of disaster resilience and how they are communicating disaster preparedness to consumers.
2. [Adaptation Clearinghouse](#): An online database and networking site that services policymakers and others who are working to help communities adapt to climate change.
3. [NFIP Cost of Compliance Coverage](#) - If your home or business is damaged by a flood, you may be required to meet certain building requirements in your community to reduce future flood damage before you repair or rebuild. To help you cover the costs of meeting those requirements, the NFIP offers ICC coverage. Flood insurance policyholders in high-risk flood areas (also known as special flood hazard areas) may receive up to \$30,000 to help offset the costs to bring their home or business into compliance with their local community's floodplain management ordinance or regulations including elevation, relocation, demolition, and floodproofing.

### Voluntary Community Programs:

4. [Building Code Effectiveness Grading Schedule](#) - Through the BCEGS program, information is collected on a community's building code adoption and enforcement practices. Insurers can use the information for underwriting and to grant premium credits for buildings constructed in jurisdictions that rigorously enforce the latest revisions of the code.
5. [NFIP Community Rating System](#) - As a part of the National Flood Insurance Program (NFIP), the Community Rating System is a voluntary incentive program that recognizes and encourages community floodplain management activities that exceed the minimum NFIP requirements. As a result, flood insurance premium rates are discounted to reflect the reduced flood risk resulting from the community actions.
6. [National Fire Protection Association – Firewise USA](#): NFPA's Firewise USA® program teaches people how to adapt to living with wildfire and encourages neighbors to work together and take action now to prevent losses.
  - The Departments of Insurance in seven states (CA, CO, TX, AZ, OR, NM, UT) have [approved filings by USAA](#) to give homeowners insurance



discounts to USAA members living in communities recognized by the Firewise USA® program.

- [Wildfire Partners](#) - a mitigation program to help homeowners prepare for wildfire that is a nationally recognized model for wildfire mitigation that is incorporated into Boulder County's building code. Homeowners receive grant funding from the Colorado State Forest Service and FEMA and these funds help provide financial assistance to eligible homeowners for forestry work through an approved contractor.

## Attached Documents/References

1. *Building Resilient States: A Framework for Agencies*. (2015). Smart Growth America, Governors' Institute on Community Design.
2. *Incentivizing Mitigation* article from the May/June 2015 issue of CATtales. Institute for Catastrophic Loss Reduction.
3. *FLASH Retrofit Program Overview*

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