RESIDENTIAL MITIGATION GRANT PROGRAM MODEL ACT
DIFS Comments

Section 2 (Legislative Findings and Purpose)

The Legislature finds that:
(5) Coordination among state agencies, insurers, mitigation professionals, and homeowners strengthens market confidence and supports insurance availability and affordability;

- Recommend replacing "affordability" with "cost" given discussion regarding the subjective nature of the word "affordability"

Section 5 (Use of Recognized Mitigation Standards)

A. *The Commissioner shall, by rule, designate Designated Perils and approve one or more Recognized Mitigation Standards for compliance with Program requirements for each Designated Peril. The Commissioner shall periodically review approved standards and may add, modify, or remove standards as the science of mitigation, available consensus standards, or market conditions evolve.*

   - Recommend striking the term "by rule" so that states can determine the most appropriate method to determine designated perils.

   - If this is done by rule, the term "approve" may not be correct. Recommend using "determine" or "adopt", or a similar term. Additionally, we would recommend saying "The Commissioner *may* periodically review ..." to provide states appropriate flexibility.

Section 7 (Contractor and Verifier Eligibility Requirements) & Section 14 (Audit, Anti-Fraud, and Penalties)

- To include specific penalty provisions tied to the DOI's authority to audit the grant program sounds like the DOI would be regulating the grant process and construction trades, which is outside of the scope of insurance regulation. Michigan would have authority under its Insurance Code to take action against someone for violations of this act, and the language is unnecessary in these sections.

Section 9 (Insurance Premium Discounts and Optional Endorsements)

A. *Any insurer authorized to write homeowners insurance in this State shall provide an actuarially justified premium discount or rate reduction to a policyholder who completes [or maintains?] Qualified Mitigation Measures and maintains documentation of such completion.*

   - Should this be "and provides document to the insurer..."?
   - The clarification in the drafting note that "The discount is intended to be available to any policyholder who completes Qualified Mitigation Measures and maintains

documentation, regardless of whether the work was grant-funded." is important enough clarification to be included in text, not just a drafting note.

C. The Department shall develop and publish a Premium Benchmark Table that establishes minimum discount levels associated with the completion [or maintenance?] of Qualified Mitigation Measures or attainment of a Recognized Mitigation Standard.

- A Premium Benchmark Table is burdensome to create and every time the table is amended, it appears as if there would be a wave of new rate filings to ensure compliance with the required discount. There might also be a lack of experience data necessary to implement this. Drafting group should consider removing this from the model.

- The distinction between "qualified mitigation measures" and "recognized mitigation standards" may need to be clarified in this part. The inclusion of the reference here makes it seem that "attainment" of the standard should be referenced in subsections A and B above as well.

G. An insurer authorized to write homeowners insurance in this State shall make available an optional coverage endorsement for Eligible Residences that have not completed Qualified Mitigation Measures.

- It is not clear whether the endorsement is available to insureds who have completed one type of measure but not another. Recommend clarifying this part.

H. The coverage endorsement under Section 9G shall:

(1)Provide coverage, for a fee, which pays following a specific covered loss, the additional cost of replacing a damaged, unmitigated feature of an Eligible Residence with a feature that meets a Recognized Mitigation Standard or Qualified Mitigation Measure, as approved by the Department, above the cost of like-kind-and-quality replacement of the damaged feature;
(2) Remain in effect for the useful life of the Eligible Residence and policy period, subject to reasonable maintenance and inspection requirements; and

- It is unclear what "for a fee" references in this sentence. Recommend clarifying this part.
- Subsection 2 is unclear; it seems like the insured would have the option at every renewal to purchase this endorsement, which necessarily would apply for the policy term.

Drafting Note: This subsection contemplates that, before an optional endorsement is issued and premium is collected, the insurer or its designee may inspect the Eligible Residence to confirm that its features are suitable to be mitigated to the applicable standard, so that the endorsement is underwritten and priced based on the residence's actual mitigation potential.

- This point would be clearer if G were amended or at least edited to include something like, "subject to eligibility criteria described in paragraph I, an insurer shall…"

Section 12 (Program Evaluation and Reporting; Market Condition)

- Recommend striking Section 12 entirely. A mandated reporting requirement does not appear necessary.