

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** PCB INBS 11-02 The Uniform Home Grading Scale

**SPONSOR(S):** Insurance & Banking Subcommittee

**TIED BILLS:** **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Insurance & Banking Subcommittee		Callaway	Cooper

### SUMMARY ANALYSIS

Section 215.55865, F.S., enacted in 2007, requires the Financial Services Commission to adopt a uniform home grading scale consistent with the rating system required by legislation enacted in 2006. The 2006 legislation required the Office of Insurance Regulation (OIR) to develop a program to provide an objective rating system allowing homeowners to evaluate the relative ability of Florida properties to withstand the wind load from a sustained severe tropical storm or hurricane. The OIR developed the home structure rating system on March 30, 2007. In November 2007, the Financial Services Commission adopted the home structure rating system developed by the OIR as the uniform home rating scale required by s. 215.55865, F.S.

The uniform home rating scale adopted scores a homes' ability to withstand wind load from a tropical storm or hurricane on a scale of 1 to 100.

In 2008, the Legislature required use of the home grading scale in sales of homes located in the state's wind borne debris region. The 2008 legislation required sellers of homes located in this region to disclose the home's windstorm mitigation rating based on the home grading scale to buyers. The legislation established a two-part phase in for this disclosure requirement. However, the entire disclosure requirement was subsequently repealed and current law does not require use of the home grading scale in real estate transactions.

The only use of the home grading scale in current law is in s. 627.0629(1)(b), F.S. This statute requires the OIR to develop, by February 1, 2011, a method for correlating the numerical rating of a home issued pursuant to the uniform home rating scale with mitigation discount amounts. This statute also requires the Financial Services Commission to adopt rules by October 1, 2011 requiring property insurers to make a rate filing to correlate mitigation discounts to the home grading scale. The repeal of current law requiring the correlation of mitigation discounts to the home grading scale is proposed in HB 7181 filed this Session.

The bill repeals the statutory authority for the home grading scale.

The bill has no fiscal impact on state or local governments or the private sector.

The bill is effective July 1, 2011.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

Section 215.55865, F.S., enacted in 2007,<sup>1</sup> requires the Financial Services Commission to adopt a uniform home grading scale consistent with the rating system required by legislation enacted in 2006.<sup>2</sup> The 2006 legislation required the Office of Insurance Regulation (OIR) to develop a program to provide an objective rating system allowing homeowners to evaluate the relative ability of Florida properties to withstand the wind load from a sustained severe tropical storm or hurricane. In response to the 2006 legislation, the OIR created a Home Structure Rating System Advisory Board (advisory board) comprised of representatives from the:

- OIR
- Department of Community Affairs Building Codes and Standards Office;
- Department of Financial Services;
- Federal Alliance for Safe Homes;
- Florida Insurance Council;
- Florida Home Builders Association;
- Florida Manufactured Housing Association;
- Florida State University, Risk Management and Insurance, College of Business;
- Institute for Business and Homes Safety; and
- Mercedes Homes.

Faculty from the University of Florida in the following areas provided technical support to the advisory board:

- Rinker School of Building Construction, College of Design, Construction and Planning;
- Institute of Food and Agricultural Science; and
- Department of Civil Engineering, College of Engineering

The advisory board held numerous meetings in 2006 and 2007 and recommended a home structure rating system to the OIR on March 30, 2007.<sup>3</sup> In November 2007, the Financial Services Commission<sup>4</sup> adopted the home structure rating system developed by the OIR based upon recommendations by the advisory board as the uniform home rating scale required by s. 215.55865, F.S.<sup>5</sup>

The uniform home rating scale adopted scores a homes' ability to withstand wind load from a tropical storm or hurricane on a scale of 1 to 100. The primary factors used to calculate the home rating score include roof shape, secondary water resistance, roof cover, roof deck attachment, roof-to-wall connection, opening protection, number of stories, and roof covering type. General geographic features of wind zone location and local terrain are also used to calculate a home's score.

In 2008, the Legislature required use of the home grading scale in sales of homes located in the state's wind borne debris region.<sup>6</sup> The 2008 legislation required sellers of homes located in this region to disclose the home's windstorm mitigation rating based on the home grading scale to buyers.<sup>7</sup> The legislation established a two-part phase in for this disclosure requirement.<sup>8</sup>

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<sup>1</sup> Section 40, Ch. 2007-1, L.O.F.

<sup>2</sup> Section 39, 2006-12, L.O.F.

<sup>3</sup> The report issued by the OIR on the home structure rating system can be found at [http://www.floir.com/pdf/HSRS\\_Report\\_Package\\_March302007.pdf](http://www.floir.com/pdf/HSRS_Report_Package_March302007.pdf) (last viewed March 21, 2011).

<sup>4</sup> The Financial Services Commission is comprised of the Governor and Cabinet (s. 20.121(3), F.S.).

<sup>5</sup> Rule 69O-167.015, F.A.C.

<sup>6</sup> The wind borne debris region applicable in is the one defined in s. 1609.2 of the 2006 International Building Code. A map is available of the region at [http://www.dca.state.fl.us/fbc/maps/Wind\\_borne\\_MAP\\_081208.pdf](http://www.dca.state.fl.us/fbc/maps/Wind_borne_MAP_081208.pdf) (last viewed March 21, 2011).

<sup>7</sup> Section 13, Ch. 2008-66, L.O.F., created the first part of the phase-in of disclosure that was to begin January 2010, and section 15 created s. 689.262 F.S., the second part of the phase-in of disclosure that was to begin January 2011.

<sup>8</sup> s. 627.351(6)(a)5., F.S. (changes made by Ch. 2009-87, L.O.F. now repealed); s. 689.262, F.S. (complete statute now repealed)

- The first part of the phase-in was to begin in January 2010 and would have required sellers of homes insured by Citizens Property Insurance Corporation for \$500,000 or more to disclose the home's windstorm mitigation rating. However, in 2009, before it took effect, this disclosure requirement was repealed.<sup>9</sup>
- The second part of the phase-in,<sup>10</sup> which was to begin on January 1, 2011, would have required sellers of any home in the windborne debris region to disclose the home's rating. However, in 2010, before it took effect, this disclosure requirement was repealed.<sup>11</sup>

Current law does not require use of the home grading scale in real estate transactions.

In 2008, legislation was also enacted<sup>12</sup> requiring the OIR to develop, by February 1, 2011, a method for correlating the numerical rating of a home issued pursuant to the uniform home rating scale with mitigation discount amounts. This legislation also required the Financial Services Commission to adopt rules by October 1, 2011 requiring property insurers to make a rate filing to correlate mitigation discounts to the home grading scale. The repeal of current law requiring the correlation of mitigation discounts to the home grading scale is proposed in HB 7181 filed this Session.

The bill repeals the statutory authority for the home grading scale.

**B. SECTION DIRECTORY:**

**Section 1:** Repeals s. 215.55865, F.S., relating to the uniform home grading scale.

**Section 2:** Provides an effective date of July 1, 2011.

**II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

**A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

None.

2. Expenditures:

None.

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

None.

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

None.

<sup>9</sup> Ch. 2009-87, L.O.F., s.10 removed ("repealed") the first part of the phase-in of disclosure from s. 627.351(6)(a)5., F.S.

<sup>10</sup> s. 689.262, F.S.

<sup>11</sup> Ch. 2010-275, L.O.F.

<sup>12</sup> Section 12, Ch. 2008-66, L.O.F., creating s. 627.0629(1)(b), F.S.

D. FISCAL COMMENTS:

None.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to: require counties or municipalities to spend funds or take an action requiring the expenditure of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The statute repealed requires the Financial Services Commission to adopt the uniform home grading scale by rule.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**