

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 545 Residential Property Sales

SPONSOR(S): Patterson

TIED BILLS: IDEN./SIM. BILLS:

	REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1)	Insurance, Business & Financial Affairs Policy Committee		Callaway	Cooper
2)	Policy Council			
3)	General Government Policy Council			
4)				
5)				

SUMMARY ANALYSIS

Pursuant to current law, in November 2007 the Financial Services Commission adopted a uniform home grading scale to grade the ability of a home to withstand the wind load from a tropical storm or hurricane. The rating system scores homes on a scale of 1 to 100.

Starting January 1, 2011, s. 689.262, F.S., requires sellers of homes located in the state's wind borne debris region to disclose the home's windstorm mitigation rating based on the home grading scale to purchasers of the home. No laws currently exist requiring home sellers in other locations in Florida to disclose a home's mitigation rating upon sale. However, a law enacted in 2008 requiring sellers of homes insured by Citizens Property Insurance Corporation located in the wind-borne debris region with an insured value of \$500,000 or more to disclose the home's mitigation rating calculated by the home grading scale to home purchasers was repealed in the 2009 legislative session before it became effective. This bill repeals s. 689.262, F.S. producing a similar result.

The bill has no fiscal impact on state or local governments. The bill will save sellers of homes located in the state's wind borne debris region the cost of a windstorm mitigation inspection.

The bill is effective upon becoming a law.

## HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

Pursuant to current law, in November 2007 the Financial Services Commission adopted a uniform home grading scale to grade the ability of a home to withstand the wind load from a tropical storm or hurricane.<sup>1</sup> The rating system scores homes 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.

Although a home grading scale is in place, Florida homes are not presently required by law to be graded. The grading scale is also not currently used to calculate mitigation discounts<sup>2</sup> though will be used for discount calculations in the future.<sup>3</sup> Today's mitigation discount amounts are based on wind loss relativities developed in a study adopted by the Office of Insurance Regulation (OIR) in 2002 and are not linked to a home's mitigation rating given by the grading scale.

Starting January 1, 2011, s. 689.262, F.S., requires sellers of homes located in the state's wind borne debris region<sup>4</sup> to disclose the home's windstorm mitigation rating based on the home grading scale to purchasers of the home. No laws currently exist requiring home sellers in other locations in Florida to disclose a home's mitigation rating upon sale. However, a law enacted in 2008 requiring sellers of homes insured by Citizens Property Insurance Corporation located in the wind-borne debris region with an insured value of \$500,000 or more to disclose the home's mitigation rating calculated by the home grading scale to home purchasers was repealed in the 2009 legislative session before it became effective.<sup>5</sup> This bill repeals s. 689.262, F.S. producing a similar result.

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<sup>1</sup> Rule 69O-167.015, F.A.C.

<sup>2</sup> Current law requires insurance companies to give homeowners mitigation discounts for mitigation features installed in their home. Mitigation discounts are advantageous for homeowners as they reduce the home's wind premium.

<sup>3</sup> Section 627.0629(1)(b), F.S., requires the OIR to develop a method by February 1, 2011 for insurance companies to establish mitigation discounts that correlate to the home's rating calculated by the home grading scale. Insurance companies then have until October 1, 2011 to make rate filings to revise their mitigation discounts to new ones that correlate to the home's rating. Homeowners then have two years to obtain their home's rating in order to continue to receive mitigation discounts. Thus, by October 1, 2013, all Florida homeowners will have to have their home rated pursuant to the home grading scale or forfeit receipt of mitigation discounts. The most likely way a homeowner will have their home rated is by having a windstorm mitigation inspection that will delineate the home's mitigation features and provide a mitigation rating based on the grading scale.

<sup>4</sup> The wind borne debris region applicable in s. 689.262, F.S., 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).

<sup>5</sup> Section 10, Ch. 2009-87, L.O.F.

**B. SECTION DIRECTORY:**

**Section 1:** Repeals s. 689.262, F.S., relating to the disclosure of a home's windstorm mitigation rating upon sale.

**Section 2:** Provides an effective date of "upon becoming a law."

**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:**

Sellers of homes located in the specified wind-borne debris region will no longer have to obtain a wind inspection for their home in order to obtain the home's windstorm mitigation rating. Thus, these homeowners will save the cost of the inspection which typically costs \$150 - \$250 per inspection.

**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:**

None provided in the bill.

**C. DRAFTING ISSUES OR OTHER COMMENTS:**

Current law does not outline a framework for a home to be inspected and rated under the grading scale. Consequently, if s. 689.262, F.S., is not repealed, to ensure an accurate and reliable inspection and rating, it may be necessary to consider the following issues: eligibility and qualifications for who performs mitigation inspections resulting in a home's mitigation rating, quality control to make certain inspections are accurate and reliable, and punishment and enforcement for errant inspectors and/or inspections.

#### **IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES**

None.