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In Concrete Homes

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You Deserve a Break Today
The durability of concrete homes brings solid savings on insurance rates

By Jamie Montague Callister

A hurricane can assail homes with wind speeds over 200 mph, where "even a little 2x4 can become a lethal projectile—piercing through traditional drywall and even hollow concrete blocks," says Robert Wiebel, with Solid Wall Systems in Florida.

Solid concrete, however, proves projectile-resistant in such tempests, which is why Wiebel's company builds cast-in-place concrete homes. The ability to endure storms also explains why Wiebel and his customers have found a new friend: insurance companies.

Insurance companies are slowly beginning to recognize the resilience of concrete, rewarding homeowners with discounts up to 45%. The details of such insurance breaks vary widely, but concrete companies, whether on their own or in partnership with others, are finding ways to reap the benefits.

How Much Less?
Lower insurance rates for solid concrete homes appeared about eight years ago, as the residential concrete industry began to grow. Now several insurers offer discounted rates. Tom Evans, promotion director for the Maryland Ready Mix Concrete Association and Promotion Council, told Realty Times recently that agents from State Farm, Farmers, and Allstate had honored discount requests.

Solid concrete construction generally qualifies homeowners for various fire, flood, earthquake, or hurricane insurance discounts. The exact amount of the discount depends on a variety of factors.

"The insurance industry's focus is on limiting risk related to disasters," says Joseph Lyman, executive director of the Insulating Concrete Forms Association in Chicago. "To assess these risks, the industry builds profiles concerning building systems, and individual products. Roof shingles, roof strapping, windows, and doors are all tested and assessed based on performance. [The reduction] is based on a mathematical formula that tends to be specific to each insurance company."

Discounts also vary from state to state. Building codes were updated in Florida after the widespread destruction of Hurricane Andrew in 1992. Wiebel says that insurance companies usually offer a reduction for new homes meeting the proper criteria.

Building a Better Home A new rating program promises greater home value with lower monthly expenses

By Paul Foresman

American housing faces a number of forces that are changing the typical residence. Rising insurance rates necessitate more attention to stronger, safer homes. Volatile energy costs mean homes have to be more energy efficient. Indoor air quality and mold issues have fueled the demand for healthier homes. Ozone alerts, landfill issues, and limited natural resources have raised public awareness of the need for environmentally responsible housing. And the "digital divide" raises concerns that some families have an unfair technological advantage.

A new home-certification program seeks to address these concerns by outlining a holistic approach to residential design and construction. Called Freedom Seal, the program is designed to ensure that decisions in one area don't compromise performance in another.

The Freedom Seal of Approval was created in 2001 by a group that includes architects, government agencies, building materials manufacturers, and representatives from the insurance and real estate industries. They call themselves the Freedom Alliance, and they have set out to certify two million higher-standard new homes nationwide by 2012. The project seeks to create homes that are more energy efficient, stronger, safer, healthier, more technologically savvy, and more environmentally friendly—while also being less expensive.

In defining "less expensive," the Freedom Alliance focuses on the total monthly housing costs, not just the mortgage payment. This includes mortgage principal, interest, taxes, insurance, and utilities. Freedom-rated homes are more expensive to build but they have shown to have lower total monthly housing costs due to lower insurance rates, energy savings, and mortgage interest-rate savings. Additionally, with Fannie Mae's Energy-Efficient Mortgage, homebuyers can afford more home—up to 17% more—because the anticipated lower energy costs allow them to have a higher level of debt when qualifying for their mortgage. Plus, appraisal guidelines allow appraisers to increase the appraisal for energy-efficient homes $10 to $25 for every $1 of annual energy savings. A home that saves $60 per month in energy costs can appraise $7,200 to $18,000 higher due to its energy efficiency.

Industry studies show that homebuyers want, and are willing to pay more for, high-performance homes. According to the 2002 Homeowner Report commissioned by the Portland Cement Association, 50% of homeowners would spend at least 5% more for a home that was at least 20% more energy efficient; 32% would spend at least 5% more for a home with better indoor air quality; 41% would spend at least 5% more for a disaster-resistant home; and 74% would spend at least 5% more for an environmentally friendly home.

Any home built—or retrofitted—by any builder can qualify for the Freedom Seal of Approval. Each home is rated and certified by third-party experts. Among the building materials that fill the bill, concrete's high durability, good energy efficiency, and long life span make it a natural fit for the program.

To find out more about the program, including the performance and design standards required for approval, visit www.freedomseal.org.

Paul Foresman is director of business development for Design Basics, a Freedom Alliance partner offering Freedom-rated home plans.
Kip Diggs, a spokesperson for State Farm, says the percentage of savings for a Florida home meeting the established criteria is 16–45%. For discounts on the higher end, says Diggs, “We’re talking about a house with steel reinforced concrete walls, a concrete roof, reinforced ties from roof to foundation.”

**Is There a Catch?**
Un fortunately, the insurance industry has been the slowest to adapt to the shift toward concrete building, says Brian Bock, director of marketing at Dukane Precast, and there is room for improvement.

Insurance companies are not advertising these reduced rates, and they are still reluctant to give discounts. Receiving the discount becomes a matter of educating the insurance companies. “The burden of proof may fall on the owners to prove these benefits,” says Jim Niehoff, residential promotion manager at Portland Cement Association.

Another problem is that most insurance companies have not created a new category to accommodate ICFs, removable forms, or other forms of solid-wall construction. Florida is the only state in which State Farm offers a separate category for concrete construction. In most states concrete discounts fall under the masonry category, with savings up to 25%. Bock says the discounts vary from agent to agent: “Usually they give you the discount if they think it means they’ll lose your business.”

Those who champion the advantages of concrete, however, disagree with these classifications. “With due respect, a masonry/concrete category does not address ICF or concrete well,” says Adrian King, residential manager of the Cement and Concrete Promotion Council. King and others are lobbying for a better classification system in Texas. “A concrete exterior wall is not masonry nor brick, and it provides a monolithic structure that is much stronger than either of the two.”

**Teaming Up**
As the concrete-home trend has grown, contractors have sometimes found the insurance industry to be a willing partner in promoting the benefits of concrete.

“Fortified . . . for safer living” is a national new-home construction-designation program sponsored by the Institute for Business and Home Safety (IBHS), an insurance industry association. The inspection-based program promotes affordable disaster-resistant construction options. In August 2003 First Floridian Auto and Home Insurance began offering a discount of up to 10% on new homes built to “Fortified” standards.

Dukane Precast has recently partnered with IBHS to build the first “Fortified” concrete subdivision in Bolingbrook, IL, sponsored by AAA Chicago Motor Club, an eager advocate since this type of construction reduces insurance losses.

In May 2003 Senate Bill 581 was passed by the Texas state legislature, providing insurance discounts to ICF homeowners. The Texas Department of Insurance is working to determine the exact amount of the discount, but the reduction may be as high as 50%. “More than anything, this bill is recognition of a new system that deserves credibility,” says Jim Niehoff, of the Portland Cement Association.