

# Mitigation Strategies for the Alabama Coastal Region

Mobile, Alabama • October 8, 2010

The Travelers Institute recently hosted the sixth in a series of panel discussions to address life safety, community development and financial threats to coastal areas. “Mitigation Strategies for the Alabama Coastal Region,” conducted October 8, in Mobile, Alabama, explored the importance of fortified construction standards in protecting and insuring the Gulf coast. At the event, Travelers announced a pilot program to write insurance policies for fortified homes in Alabama that meet established standards designed to resist the impacts of tropical storm and hurricane winds. Qualifying homes will also be eligible for a credit on the homeowners insurance premium. Also during the session, Travelers presented a \$15,000 grant to Habitat for Humanity of Baldwin County to build home to the Institute of Business and Home Safety Fortified for Safer Living® standards in coastal Fairhope, Alabama.



Bob Schurke, Travelers; Cliff Barros, Habitat for Humanity of Baldwin County; Joan Woodward, Travelers Institute; and Arden Schell, Habitat for Humanity of Baldwin County Board of Directors



Charles Angell, Alabama Department of Insurance

Moderated by Joan Woodward, Travelers Executive Vice President of Public Policy and head of the Travelers Institute, the panel included:

- Charles M. Angell, Acting Deputy Commissioner & Casualty Actuary, Alabama Department of Insurance;
- Cliff Barros, Executive Director, Habitat for Humanity of Baldwin County;
- Eric M. Nelson, Vice President, Personal Insurance, The Travelers Companies, Inc.; and
- Chad Wilson, Second Vice President, Personal Insurance, The Travelers Companies, Inc.

Setting the context for the panel, Woodward noted that the Travelers Institute was formed to participate in public dialogue with policymakers and to contribute to solutions on matters of importance to the communities that Travelers serves. She told attendees that protecting and insuring the Gulf coast is an important issue for the Travelers Institute. She talked about the Travelers Institute’s ongoing commitment to finding solutions that protect residents and their property before the storm hits in order to minimize damage to property and disruption to lives.

Charles Angell outlined Alabama’s experiences in the residential coastal property insurance crisis. He shared that the availability and affordability of homeowners insurance has become a social problem in Alabama, a state with a working coast. In order to lower coastal homeowners insurance premiums, Alabama now requires insurers to offer discounts to homeowners who build and retrofit their homes to fortified standards. To encourage more residents to build fortified and retrofit their homes, Angell shared his hopes of eventually launching a state-run grant program to assist residents with the costs of fortifying their homes.

Cliff Barros discussed the tendency for low-income homeowners to become underinsured in order to save money. He explained that Habitat for Humanity has turned to mitigation techniques as one solution for their homeowners. The organization recently launched the Fortified Experiment, a project to build three different homes that will test the long-term cost/benefit of building to fortified construction standards. The first home built was a fortified



Cliff Barros, Habitat for Humanity of Baldwin County; Charles Angell, Alabama Department of Insurance; Joan Woodward, Travelers Institute; Eric M. Nelson, Travelers; Chad Wilson, Travelers

concrete home with a concrete roof. The next home, to be built in 2011 with funding from Travelers, will be a fortified concrete home with a shingled roof. The final home in the experiment will be a typical wood construction with a fortified roof and windows. Barros told attendees that they will compare the insurance and energy costs of the three homes to determine the smartest way to build strong, affordable housing in the future.

Eric M. Nelson provided background on the insurance availability and affordability crisis coastal homeowners face. He shared the statistic that 50 percent of the U.S. population is living within 50 miles of the coast. At the same time, many experts now agree there is a greater likelihood of extreme weather events due to the current cycle of warming ocean temperatures. Nelson also identified a trend of insurance risk being shifted to states, regional wind pools, and the federal government. Nelson presented the Travelers Coastal Wind Zone Plan, the company's comprehensive proposal to improve availability and affordability of coastal homeowners insurance.

The Travelers Coastal Wind Zone proposal includes four key principles:

- A stable and consistent regulatory environment, with a uniform set of rules applied to named wind storm coverage for coastal zones from Texas to Maine;
- Transparency in calculating insurance premiums;
- Federal reinsurance at cost for extreme events; and
- Stronger buildings through federal guidelines for appropriate building codes and land use planning.

Newer building codes and mitigation techniques are reducing losses, according to Nelson, who pointed to findings from the Travelers Personal Insurance catastrophe team. The research showed that during Hurricane Ike, older construction (pre-1995) suffered more than 70 percent of the losses, though houses from this era represented only about half of the buildings.

Chad Wilson announced details of the Travelers pilot program in Alabama to write insurance policies for fortified homes that meet established standards designed to resist the impacts of tropical storm and hurricane winds. The company is opening up areas of eligibility for these homes to a broader geographic area, and is now accepting applications for coverage up to \$1 million in insurance limits. Wilson also announced that Travelers is marketing the Alabama insurance premium discount for fortified homes. The company is offering policy holders of qualifying homes a credit of up to 35 percent on their homeowners insurance premium. Wilson told attendees that Travelers recognizes that homeowners should be rewarded for taking steps to mitigate damage to the homes they insure.



Joan Woodward, Travelers Institute; Eric M. Nelson, Travelers; Chad Wilson, Travelers

The audience of insurance agents, government officials and builders supported the panelists' recommendations for broad adoption of fortified construction standards as part of the long-term solution needed to protect Gulf coast property.