

## Partnership on Mitigation Building and Insuring Safer Homes

Hartford, Conn. • December 7, 2009

The Travelers Institute hosted a Partnership on Mitigation Symposium, “Building and Insuring Safer Homes,” as part of an ongoing initiative to promote and raise awareness of catastrophe readiness. The symposium, which was held on December 7, 2009, at Travelers Claim U in Windsor, Connecticut, was the second in a series of symposia focused on addressing life safety, community development and financial threats posed to coastal areas. The panel discussion consisted of experts who addressed mitigating risk through better prediction of storm trends and decreasing damages through smarter building practices.

Connecticut policymakers, community leaders, insurance agents and media members were among the attendees at the panel discussion, which focused on how proactive measures to mitigate losses before a catastrophe can benefit consumers, government and the economy.

Hosted by Joan Woodward, Travelers Executive Vice President, Public Policy, who heads The Travelers Institute, and moderated by Eric Nelson, Vice President, Travelers Personal Insurance, the panel included:

- Julie Rochman, President and CEO – Institute for Business & Home Safety (IBHS)
- Dail Rowe, Ph.D., Senior Scientist, Regional Manager – WeatherPredict Consulting, Inc.
- Manuel Lonfat, Ph.D., Managing Director – Travelers
- Jay Guin, Ph.D., Senior Vice President of Modeling and Research – AIR Worldwide
- Ann Roberson, Manager – SC Safe Home Program, South Carolina Department of Insurance



(L to R) Manuel Lonfat, Travelers; Julie Rochman, IBHS; Jay Guin, AIR Worldwide; Joan Woodward, The Travelers Institute; Dail Rowe, WeatherPredict Consulting; Ann Roberson, SC Department of Insurance; Eric Nelson, Travelers

Mr. Nelson set the context for the discussion by noting that 50 percent of Americans live within 50 miles of a coastline with more people moving there every year. He also suggested that many experts now agree there is an increasing risk of extreme weather events for coastal regions. In addition, Nelson identified a trend of insurance risk shifting to states, regional wind pools and the federal government.

Mr. Nelson told attendees that Travelers would soon be introducing a pilot program to write discounted insurance policies in select coastal states for homes meeting established design standards to resist the impacts of tropical storm and hurricane winds. Qualifying homes will be eligible for up to a 35 percent hurricane premium credit. He explained that building stronger homes is a key principle of the Travelers Coastal Wind Zone Plan, the company’s proposal to improve the availability and affordability of catastrophic wind coverage in communities along the Gulf and Atlantic coasts. Travelers wants to reward those who are mitigating the risk of extreme weather events by building to more stringent codes.

Julie Rochman outlined the efforts of the Institute for Building & Home Safety (IBHS) to enhance building codes and strengthen their enforcement across the country. She noted that while codes vary greatly by region, those areas with stricter codes and enforcement mechanisms face less impact when storms hit.



(L to R) Ann Roberson; Jay Guin; Manuel Lonfat; Dail Rowe; Julie Rochman; Eric Nelson

Ms. Rochman also gave a progress report on the organization's multi-peril research center in Chester County, S.C., which is scheduled for completion in the summer of 2010. The facility will be able to simulate Category 3 hurricane winds to test the strength of residential structures. The research done in this test facility should help insurers, builders and building product manufacturers better understand the impact of hurricane force winds both on the coast and throughout the country where tornados are prevalent.

Dr. Dail Rowe discussed smaller-scale catastrophe simulations that are currently performed by WeatherPredict. Demonstrating that mitigation does not have to be costly to be effective, Dr. Rowe showed a video of a roof exposed to hurricane winds before and after the application of AeroEdge™, aerodynamic devices that enhance resistance to high winds. Inexpensive techniques developed through simulations can have a significant impact on securing a structure and reducing losses. Dr. Rowe pointed out that approximately 90 percent of homes damaged during hurricanes have roof damage. Although roofs may not be expensive to repair, roof damage often leads to other losses, including water intrusion and flooding.

Dr. Manuel Lonfat presented key findings from the Travelers Personal Insurance catastrophe research team on the effectiveness of mitigation techniques. He reported that during Hurricane Ike in 2008, older construction (pre-1995) suffered more than 70 percent of the losses, although houses from this era represented only about half of the buildings. Dr. Lonfat said the research team drilled down deeper into the losses and found that 85 percent of the claims were linked to roof failures. He welcomed the research being done

by WeatherPredict and IBHS and noted that it is very valuable for reducing risk.

Dr. Jay Guin supported the findings from Travelers with broader industry analysis from AIR Worldwide, a catastrophe modeling company. Dr. Guin outlined important engineering techniques that can be implemented to enhance the resistance of roofs and structures overall. Dr. Guin showed photos of two homes in Punta Gorda, Fla., following Hurricane Charley in 2004. One built in compliance with 2001 Florida building code standards did very well, with minimal damage. However, a similar home constructed in 1988 in the same neighborhood suffered thousands of dollars in damage.

While much of the panel discussion focused on new construction, the final panelist, Ann Roberson, talked about the success of the SC Safe Home Program in encouraging mitigation methods for existing structures. Through incentive programs, consumer education and partnerships with other organizations, SC Safe Home has built a model program that addresses how public and private enterprises can help homeowners mitigate their risk. Travelers applauds the efforts of South Carolina and urges other states to adopt similar incentives for homeowners to mitigate their exposure.

Attendees at the summit were receptive to the panelists' recommendations. They supported the need to communicate the importance of implementing and enforcing strong building codes in coastal areas as a way of improving safety and decreasing the economic consequences of storm damage.



Joan Woodward, The Travelers Institute



Ann Roberson, SC Department of Insurance



Dail Rowe, WeatherPredict Consulting and Julie Rochman, IBHS

#### ABOUT THE TRAVELERS INSTITUTE

Travelers established The Travelers Institute as a means of participating in public policy dialogue on matters of interest to the property casualty insurance sector, as well as the financial services industry more broadly. The Institute draws upon the industry expertise of Travelers' senior management and the technical expertise of its risk professionals and other experts to provide information, analysis and recommendations to public policy makers and regulators. Based in Washington, D.C., The Travelers Institute is led by Joan Woodward, Executive Vice President of Public Policy.