

# Kicking off Hurricane Preparedness Season 2012

WASHINGTON, D.C. • THURSDAY, MAY 31, 2012



Attendees listen to the “Kicking off Hurricane Preparedness Season 2012” symposium in the Dirksen Senate Office Building

On May 31, 2012, the Travelers Institute®, in partnership with the Insurance Institute for Business and Home Safety (IBHS) and Ceres, hosted “Kicking off Hurricane Preparedness Season 2012,” a national hurricane preparedness symposium in Washington, D.C. The event convened business, government, and community leaders at the Dirksen Senate Office Building to identify solutions for protecting and insuring the increasingly densely populated regions along the Atlantic and Gulf coasts. The event’s keynote speaker was Jim McConnell, Assistant Commissioner for Strategic Data in the New York City Office of Emergency Management, who discussed the best practices employed by the city in preparing for Hurricane Irene. The event also featured two expert panels that addressed the current challenges regarding the availability and affordability of coastal wind insurance for homeowners, as well as disaster preparedness, response, and recovery.

Debra Ballen of IBHS moderated the first panel, which included:

- Ken Katz, Travelers Risk Control
- Nancy Rodrigues, Build Smart Virginia
- Giovanni Taylor-Peace, Habitat for Humanity International’s Global Disaster Response Team
- Dave Treutel, Smart Home America

Cynthia McHale of Ceres moderated the second panel, which included:

- Robert Hartwig, Insurance Information Institute
- Eleanor Kitman, Commissioner of the Texas Department of Insurance
- Eric M. Nelson, Travelers Catastrophe Management
- Stephen Weinstein, RenaissanceRe



Jim McConnell, Assistant Commissioner for Strategic Data, the New York City Office of Emergency Management

Jim McConnell initiated the symposium with a discussion of New York City’s preparedness for Hurricane Irene and some of the issues that arose in the implementation of the disaster response. Mr. McConnell began by noting that, although New York City is not typically thought of as a city susceptible to hurricanes, its close proximity to water puts it at risk.

In preparation for an event such as Hurricane Irene, the Office of Emergency Management released a 900-page Coastal Storm Plan in 2007, in order to facilitate communications and normalize coastal storm response

between New York City’s numerous agencies. The comprehensive plan details an ideal response, which calls for evacuation in advance of a storm surge and the staffing of evacuation centers and shelters with city employees. “The decision to evacuate should be made 51 hours prior to the arrival of a storm in order to provide enough time for individuals to evacuate to specified zones, which are determined by the type and location of the storm,” Mr. McConnell said. In the case of Hurricane Irene, Mr. McConnell was proud to report that New York City implemented their coastal storm plan with great success, evacuating 350,000 New Yorkers (the first storm evacuation ever called in the city), as well as shutting down public transportation for eleven hours, thus minimizing the damage cost to only \$150 million. Mr. McConnell concluded by saying that, “New York City would not have been able to respond with efficiency and success without the extensive planning prior to the storm.”



L to R: Debra Ballen, IBHS; Giovanni Taylor-Peace, Habitat for Humanity; Nancy Rodrigues, Build Smart Virginia; Dave Treutel, Smart Home America; and Ken Katz, Travelers Risk Control

Debra Ballen kicked off the first panel by discussing how to translate mitigation awareness into tangible actions. She spoke about the research being conducted in the IBHS lab in South Carolina, noting the importance of adapting data from lab testing into practical and functional information that can be used to increase the level of safety and structural soundness of homes. She also highlighted the recent IBHS report that rated coastal states' building codes in terms of coastal storm safety. Ms. Ballen hoped that this report would both recognize states with impressive rankings and serve as encouragement to states who could improve on their rating.

Giovanni Taylor-Peace, who is a member of Habitat for Humanity International's Disaster Response team, detailed how Habitat works with families to help them understand the risks they face when coastal storms strike. Mr. Taylor-Peace also spoke about the invaluable opportunity that Habitat has to educate its volunteers on the importance of building fortified homes along the coast. He went on to say that taking action to build stronger communities is the responsibility of the whole population and requested the help of public forums to improve insufficient and outdated building codes.

Nancy Rodrigues, of Build Smart Virginia, spoke about the devastation caused by recent weather and the media's coverage of the aftermath, which has helped drive people to action by demonstrating the potential property damage to unprepared homeowners. She favorably highlighted the steps taken by Norfolk, Virginia, such as putting flood zone pictures and maps on its website. Ms. Rodrigues also shared her belief that penalties, such as a special tax imposed on those who build homes in a flood plain, are far more motivating to individuals than providing incentives to build safer homes.

Dave Treutel, of Smart Home America, spoke to the importance of local communications and directions regarding coastal storms, noting that national messages are often disregarded. He said that the most efficient way to communicate locally is through community leaders, who are able to communicate a unified message. Treutel also mentioned the importance of grassroots efforts when getting out the message of mitigation and fortified building. He emphasized the

importance of engaging all stakeholders – not only the consumer, but elected officials, insurance agents, realtors, builders, code officials, local media, architects, engineers, lenders, and business and community leaders – and that solutions need to concentrate and stress long-term solutions to achieving a resilient, sustainable community. He further recommended incentives to encourage homebuilders to increase preparedness for coastal storms, which could come in the form of insurance deductions for cities and communities that enact stricter building codes.

Ken Katz, of Travelers Risk Control, emphasized that disasters and other business interruptions will occur and that preparation is crucial. He encouraged businesses not only to have their own disaster response plan, but to encourage their employees to implement similar plans for their individual families. "Steps like these will enable employees to return to work in the most efficient way possible following a disaster," he said. In talking about the importance of disaster preparedness and mitigation, Mr. Katz implored the audience that the focus should be on long-term cost and the bigger picture, because it is less expensive to build something correctly initially than it is to rebuild after a disaster.



L to R: Cynthia McHale, Ceres; Eleanor Kitzman, Texas Department of Insurance; Eric M. Nelson, Travelers; Stephen Weinstein, RenaissanceRe; and Robert Hartwig, Insurance Information Institute

In the second panel, Cynthia McHale of Ceres led a conversation around the insurance industry and its role in helping consumers better prepare for coastal storms. She noted that according to the U.S. Department of Commerce and NOAA, 53 percent of the nation's population lived in coastal counties in 2011, and their populations are expected to grow by more than 13.6 million by 2020. She discussed how the increasing coastal population, combined with a possible increase in the frequency and severity of extreme weather events, could lead to the redefinition of "coastal" property to include any properties vulnerable to hurricanes. She also mentioned how the increase in the coastal population has also highlighted the financial challenges of state residual markets, the insurer of last resort for coastal properties. She pointed out that total exposure to loss in the residual market was \$758 billion in the U.S. in 2010, up from \$55 billion in 1990.



Eleanor Kitzman, Texas Department of Insurance; and Eric M. Nelson, Travelers

Texas Insurance Commissioner Eleanor Kitzman began her remarks by stating that private companies must charge a risk-based premium, whether it is for hurricanes on the coast, hail and tornados in the Panhandle, or wildfires in West Texas. She commented that Texas' persistently higher-than-average homeowners insurance rates are a reflection of the fact Texas is a big state and has lots of weather. "It's not just about the coast," said Ms. Kitzman. She also noted that Texas does not have a mandatory statewide building code, but she encouraged the insurance industry to incentivize building structurally sound homes by requiring proof of compliance with strong construction standards and refusing to insure structures that are not built to withstand disasters.

Eric M. Nelson, of Travelers' Catastrophe Management division, emphasized that collaboration between the government, nonprofits, and the private insurance market is crucial to helping ensure that all coastal homeowners are properly prepared and protected from coastal storms. Mr. Nelson shared that consumer awareness of mitigation is the first step. He took the opportunity to announce Travelers' new wind credit for fortified homes in Texas, which provides a premium savings to homeowners that have taken steps to strengthen their homes against hurricane force winds. Mr. Nelson also highlighted Travelers' efforts to increase the number of fortified homes along the coast by partnering with Habitat for Humanity in several builds in Alabama and Mississippi.

Stephen Weinstein, of RenaissanceRe, highlighted the benefits of reinsurance in hedging the risks of the insurance companies who insure coastal properties by spreading severe or volatile risks, increasing the affordability of financing those risks, and supporting the financial security of disaster-exposed communities and private insurers. Mr. Weinstein noted the support of reinsurers and insurers for mitigation and adaptation measures and their encouragement of implementation investments by businesses, governments, and consumers. He mentioned that one challenge in respect of consumer adoption of

better-mitigated homes is the period of time before a homeowner sees a return on investment from better construction or retrofits; on the other hand, many consumers are motivated by a desire to ensure the physical safety of their families. Mr. Weinstein spoke of the efforts that RenaissanceRe has undertaken to raise consumer awareness for coastal storm and broader natural disaster mitigation, including their "Storm Struck" exhibit at Walt Disney World.<sup>®</sup>

Robert Hartwig, of the Insurance Information Institute, argued that states must utilize zoning regulations in order to mitigate the risk of coastal properties. He observes that many communities ignore the potential risks of developing coastal properties, instead choosing to recognize the potential economic benefit of this development. He went on to explain that as states are frequently one of the largest insurers, the economic incentives for rezoning should be very attractive. He highlighted Florida as an example. Mr. Hartwig shared that, as the largest insurer and reinsurer in the state, Florida risks potential bankruptcy if hit with a catastrophic hurricane season. He urged that incentives be put in place to make sure that communities are incorporating mitigation building techniques as they are developed.

All panelists agreed that coastal storm insurance is becoming a larger issue as the coastal population increases amid the potential for increased storm activity. In order to prevent devastating damage to communities, homes must be built with storm mitigation in mind. The incentive to building a fortified home comes in the form of long-term insurance savings, as well as decreased repairs in the event of a storm. The diverse and knowledgeable group of panelists suggested a variety of solutions to this problem, and attendees were urged to keep the conversation going and continue to identify solutions to the issue of coastal storm preparedness.



L to R: Cynthia McHale, Ceres; Eric M. Nelson, Travelers; Jim McConnell, New York City Office of Emergency Management; Debra Ballen, IBHS; Ken Katz, Travelers; Eleanor Kitzman, Texas Department of Insurance; Joan Woodward, the Travelers Institute; Dave Treutel, Smart Home America; Giovanni Taylor-Peace, Habitat for Humanity; Robert Hartwig, Insurance Information Institute; Stephen Weinstein, RenaissanceRe; and Nancy Rodrigues, Build Smart Virginia



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