

Insurance company pushes for stronger construction, coastal market changes

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Jeff Amy, Press-Register



The Travelers Cos. wants to sell more insurance to coastal Alabama residents who meet strong-home standards.

Here's the catch. Only two new houses so far have been certified as meeting the standards put forth by the **Institute for Business and Home Safety**, the institute said Friday. Three existing houses have been retrofitted enough to receive discounts.

That's OK, said Eric Nelson, vice president of personal insurance for Travelers, because one big goal is to encourage more people to build to the "fortified" standards put out by IBHS, a Tampa, Fla., insurance industry group.

"You have to start somewhere," Nelson said Friday after meeting in Mobile with insurance agents and public officials. "Builders aren't willing to build homes to mitigated standards unless the insurance industry is willing to step up and provide premium discounts."

Beginning May 1, the state has ordered minimum premium discounts of 10 percent to 25 percent under a 2009 law that requires insurers to charge less when homes are stronger.

Travelers said it is offering discounts of up to 35 percent to new homes built under the IBHS rules, which call for going beyond the existing building code in an effort to make houses less prone to hurricane damage. It will also increase its policy limit from \$500,000 to \$1 million.

The Hartford, Conn. Insurance giant also used the Mobile meeting to push again for its proposal to reform the coastal insurance market.

Travelers **proposes a system** where either the federal government or groups of states will set rules that apply to long stretches of coast, instead of the current state-by-state regulation. For example, Travelers proposes that Alabama, Mississippi, Louisiana and Texas should link up.

Then, Travelers wants a commission that will examine wind models that are used in rate-setting, and federal reinsurance of "extreme" events — catastrophes several times more damaging than 2005's Hurricane Katrina.

Right now, insurers have to buy private reinsurance to cover the relatively small chance of such an event, paying others to share that risk. Tying up all the money needed to cover such a large potential loss, combined with reinsurer profits, is an expense passed along to consumers.

Finally, Travelers wants increased focus on stronger construction, including possible federal involvement in developing building codes.

That combination should lead to lower rates and more companies willing to write policies, Travelers officials believe.

The company has 5.8 percent of the Alabama homeowners market, the fifth largest share, but far behind No. 1 **State Farm Fire and Casualty Co.'s** 26.9 percent. Nelson said Travelers is "not a major presence" in Mobile and Baldwin counties, but has not shed existing customers and has continued to sell a few new policies.

Overall, since 2004's Hurricane Ivan, companies have non-renewed wind coverage for more than 50,000 Mobile and Baldwin customers.

Travelers gave \$15,000 to **Habitat for Humanity of Baldwin County** to help pay for a second home built to fortified standards. The group completed a mostly concrete home in Fairhope earlier this year, and now plans to build a home with concrete walls and a conventional roof. Habitat Executive Director Cliff Barros said the money would cover the increased cost of the house.

Later, the nonprofit hopes to build a third home meeting fortified standards using conventional wood construction. Barros said the group wants to monitor energy and insurance costs for all three fortified homes for a period to see which is the most cost-effective.