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Insurance Trade Associations Back Storm Proofing Bill

WASHINGTON, D.C., July 1, 2008 -- Major property and casualty insurance trade groups have given their support for new federal natural disaster legislation introduced by House Homeland Security Committee Chair Rep. Bennie Thompson, noting that hazard mitigation should be a national priority because it is the best way to help protect lives and property from the damages caused by natural catastrophes.

“We commend Rep. Thompson for his forward-thinking legislation, which makes natural disaster mitigation a priority. By focusing on ‘storm proofing’ homes and buildings, government resources can be used for an absolute priority – saving lives, and protecting families and their homes,” according to a statement by the Reinsurance Association of America, American Insurance Association, Property Casualty Insurers Association of America, National Association of Mutual Insurance Companies, and the Association of Bermuda Insurers and Reinsurers.

Rep. Thompson’s legislation (HR 6424) is an important companion bill to a measure introduced by Senate Banking Committee Chair Chris Dodd (S. 2328). Both proposals would create loan and grant programs to assist homeowners in paying for hazard mitigation retrofits.

The insurance trade associations point to some hazard mitigation statistics that document the benefits of “storm proofing:”

1. As a result of a stronger building code passed by Florida after Hurricane Andrew (1992), the number of claims for property damage was reduced by 60%, and losses were reduced by 42%, when another major hurricane struck the state in 2004 (Hurricane Charley closed claim study, Institute for Business and Home Safety, 2004).
2. If every home in Florida were built to the stronger building code, there would be further decreases in hurricane damage. According to a study which estimated future losses based on a computer model, average annual expected residential hurricane losses in Florida would be reduced from \$5.5 billion to \$1 billion if the stronger building code

were universally applied (Risk Management Solutions, analysis of the effect of Florida building codes, February 2008).

3. Similar improvements would occur in other coastal states. It is estimated that adoption of hazard mitigation measures by every homeowner would reduce hurricane property losses caused by a 1/100 year storm by 61% in Florida, 44% in South Carolina, 39% in New York, and 34% in Texas (Wharton University, Managing Large Scale Risks, March 2008).

“Storm proofing homes and buildings helps protect lives, reduce property damage, and generally lessen the amount of disruption in the wake of a natural catastrophe. Government assistance to promote storm proofing is a win-win for everyone,” said the joint statement from the trade associations.

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