

Travelers to Begin Writing Fortified Homes on US Coasts

HARTFORD, Conn. December 07 (BestWire) — Eric Nelson, Travelers vice president of personal insurance, said the insurer would like to "put its money where its mouth is" and offer insurance policies to homes in certain states along the Atlantic and Gulf coasts that meet standards to resist tropical storm and hurricane winds, and begin to offer up to a 35% premium credit.

"The last couple of years Travelers has looked into mitigation and coastal insurance reform and recognized a void even for mitigated homes," Nelson told BestWire.

The pilot program will be launched in two states that have yet to be announced, Nelson said. The construction of stronger homes "is a key principle" of the company's Coastal Wind Zone Plan. Unveiled in July, the plan calls for an independent federal commission to come up with standards and rules for rates and underwriting for 18 coastal states from Texas to Maine. In addition, Travelers endorses the creation of a rating calculation mechanism to generate premium credits for customers and it calls for loss mitigation and building codes, a more stable and consistent regulatory environment, and reinsurance made available to insurers at cost by the federal government (BestWire, July 20, 2009).

There is no limit to the number of homes Travelers could write as part of the pilot program but currently there are only about 5,000 homes in existence that would meet Travelers' standards, Nelson said. Travelers is not looking to write in every state along the coast because it isn't comfortable with the regulation in some of them, he said. Still, if the movement catches on like the "relatively quick eco-awakening" in home-building, there is potential.

"We want to create a business opportunity over the long haul," Nelson said. "We want to get in on the start of this trend."

The issue is a larger public policy one, said Joan Woodward, executive vice president of public policy for the Travelers Institute, which hosted a panel discussion Dec. 7 on mitigation with Julie Rochman, president and chief executive officer of the Institute for Business and Home Safety; Jay Guin, senior vice president with AIR Worldwide; Ann Roberson, manager of the South Carolina Safe Home Program; and others. The IBHS "Fortified....for safer living" program would be one example of a designation that would qualify a home for Travelers' premium credit.

"There is a broader goal here. Mitigation really can pay off, and we need to encourage homeowners," Woodward said.

Nelson said Travelers has the claims data to support the discount. Homes built after 1995, when more stringent building codes were implemented, perform at least 50% better during a hurricane, the insurer found. Furthermore, for every \$1 spent on mitigation, society saves \$4 in potential losses and construction costs, according to the Federal Emergency Management Agency.

Currently the Travelers Group has a Best's Financial Strength Rating of A+ (Superior).

In afternoon trading on Dec. 7, shares of Travelers Co. (NYSE: TRV) stock were selling at \$50.57, down 0.92% from the previous close.

(By Chad Hemenway, associate editor, BestWeek: Chad.Hemenway@ambest.com) BN-NJ-12-07-2009 1632 ET #