

Pilot Insurance Program Rewards Fortified Homes

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Hurricanes and tropical storms come and go, but some of their after-effects can linger for years, as Gulf Coast residents have recently experienced. With more than 50 percent of Americans living within 50 miles of a coastline—a percentage that is expected to increase dramatically in coming years—the risk to homes from hurricane and tropical storm winds is substantial and is compounded by a lack of affordable wind insurance for homeowners. That could be about to change, however.

Home insurance provider [The Travelers Companies](#) and its public policy arm, The Travelers Institute, recently launched a pilot program to underwrite insurance policies for "fortified" homes—those designed to resist tropical storm and hurricane winds and impacts and that meet guidelines such as the Institute for Business & Home Safety's (IBHS) "Fortified ... for safer living" program. The pilot will be tested in two unidentified states in the southern United States. Homes that qualify for the pilot program will be eligible for a 35 percent hurricane credit on insurance premiums.

Set for launch early in 2010, the pilot is part of a public policy initiative proposed by Travelers that seeks to generate a coordinated effort among all stakeholders to improve both the availability and the affordability of catastrophic wind coverage along the Atlantic and Gulf coasts.

"We believe that there is an availability and an affordability crisis facing many communities," says Eric Nelson, vice president of personal insurance for Travelers. "It's been almost five years since Hurricane Katrina, and there's still this sense that we haven't solved the issue."

Travelers sees a growing need for a comprehensive insurance plan to assist Americans living along the country's coasts with rebuilding, repairing, and recovering from severe tropical storms and hurricanes. According to meteorological experts, the Atlantic and Gulf Coasts have been experiencing a period of high hurricane activity since 1995 that could span multiple decades. Three of the four most expensive hurricane seasons in recent United States history occurred in the past five years. Experts also predict that current ocean-warming trends could influence the frequency and severity of catastrophic storms for several years.

Launched to address these issues, the [Travelers Coastal Hurricane Wind Zone Plan](#) was developed with input from federal, state, and local government officials as well as consumer groups and insurance industry players. Travelers' plan proposes "a solution to an urgent issue that's facing many of our coastal communities today," according to Nelson—a private, market-based coastal wind insurance system that doesn't depend on federal subsidies.

According to the Coastal Hurricane Wind Zone Plan, four key legislative principles must be adopted to create a stable, market-based system: regulatory stability, rating transparency, a federal reinsurance mechanism for extreme events (those more severe than Hurricane Katrina), and mitigation in the form of stronger homes to withstand severe wind.

"We're advocating more federal involvement in developing building codes and more consistent enforcement of building codes," Nelson says. "And we think the insurance industry should provide more credits to encourage homeowners to build more resistant homes."

On December 7 Travelers hosted a meeting of disaster mitigation, meteorological, and insurance industry experts to discuss ways to make homes in coastal regions less vulnerable to natural disasters, which would provide the combined benefit of protecting homeowners and their property and reducing costs to consumers and insurers. The insurance provider will take the Coastal Hurricane Wind Zone Plan to the states to raise awareness of the issues and generate stakeholder feedback by hosting five symposia around the country in 2010.

For more details on Travelers' Coastal Hurricane Wind Zone Plan, visit www.coastalplan.com.