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Miss. legislators enact first statewide building codes to withstand greater hurricane force wind

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Occasionally I get asked about the challenge of maintaining the momentum for positive change within the property insurance market in a year when hurricane season is relatively mild or catastrophic losses are not extreme. It is true that over time the sense of urgency from policymakers and the public can dissipate as the memories of the last major storm or crisis fade. However, at the same time the biggest benefit from a fairly normal year like 2014 is time.

The insurance industry use these periods to stress to policyholders the importance of preparing their homes for natural disasters

and becoming both physically and financially ready for whatever Mother Nature has in store. Additionally, insurers can use the years when hurricanes do not hit or cat losses are moderate to build up capital reserves so they can afford to pay claims when events do occur. The quiet years also allow policymakers time to develop longer-term solutions that can ultimately strengthen homeowner insurance markets.

The enactment and enforcement of tough standards for building codes, property development and other loss prevention and mitigation requirements are key components to long-term natural catastrophe preparation and are issues we always like to see advanced. As an example, following devastating tornadoes in 2013 that ravaged central Oklahoma, this March the City of Moore took action and became the first in the nation to adopt building codes that are specifically designed to address the impact of tornadoes. According to the city, Moore's new residential building codes include requiring roof sheathing, hurricane clips or framing anchors, continuous plywood bracing and wind-resistant garage doors. The homes will be built to withstand winds up to 135 miles per hour rather than the accepted standard building requirements of 90 miles per hour.

However, it can take several years to achieve significant reforms and the enactment of statewide building codes is often an issue that requires a sustained, multi-year effort to achieve the goal.

Mississippi is a case in point. Just this November, the state implemented its first statewide building code after several years of work. These new standards, which became effective Nov. 28, could potentially save lives, reduce damage after a major weather event, and reduce insurance costs. The stronger building code will help protect people and their properties by ensuring that residential and commercial buildings are now built to withstand greater hurricane force wind and impact from flying debris.

For many years, the risk of loss from natural catastrophes was fairly predictable and relatively manageable. But more recently, stronger and more frequent windstorms have elevated this risk, affecting all coastal regions and other parts of the country.

According to data from the National Oceanic and Atmospheric Administration, the Southeast has experienced more billion-dollar disasters in the past 30 years than the rest of the country combined. Over this time the region and coastal states such as Florida have experienced record-setting hurricanes, while interior and northern states in the region also weathered sizeable numbers of tornadoes and winter storms.

This is why it was so important this year for states like Alabama, Mississippi and Texas to explore ways to strengthen building codes that can protect residents from excessive damage in the event of severe weather.

As mentioned previously, the biggest victory for consumers this year came in Mississippi where Insurance Commissioner Mike Chaney, Governor Phil Bryant, the legislature and the insurance industry worked diligently to enact S.B. 2378 and put in place a statewide building code. The Property Casualty Insurers Association of America (PCI) and its members have been working to push for stronger building codes since 2005, when the state was hit by Hurricanes Katrina, Dennis, and Rita. According to the August 2013 report issued by the Insurance Institute for Business and Home Safety, Mississippi had the weakest building standards of all hurricane prone states.

Meanwhile in Texas, the House Insurance Committee and the Land and Resource Management Committee held hearings to examine coastal resiliency, hazard mitigation, building codes and the role of insurance in protecting the coast. Although Texas has good code enforcement in some coastal areas, it can be less stringent in other areas. For greater consumer protection, PCI is urging that the code be made mandatory for the entire area and that the statewide building code be updated.

While building code legislation did not pass in Alabama, lawmakers seriously considered adopting H.B. 614, which was very similar to the law enacted in Mississippi. Although the bill was introduced late in the regular session, there was healthy discussion regarding the importance of adopting minimum statewide building code

standards. It is anticipated that building code legislation will be reintroduced during the 2015 Session and PCI will be strongly supporting its passage.

Alabama is no stranger to extreme weather conditions and with a long history of devastating catastrophes, it has had its share of hurricanes, tornadoes, flooding and severe storms. The April 27, 2011, tornado outbreak, which was part of a series of destructive tornadic activity from April 25-28 across the eastern third of the country, was unimaginable. Among the various states ravaged, the central and northern Alabama regions were the hardest hit with 235 fatalities. Alabama's outbreak alone—its deadliest since 1932—is now ranked among the top 10 worst natural disasters in U.S. history, resulting in more than \$4 billion in insured losses primarily in the Tuscaloosa, Birmingham and Huntsville metropolitan areas. Additionally, Alabama experienced damage from other record-setting storms such as hurricanes Gustav in 2008, Katrina and Rita in 2005 and Ivan in 2004.

While the frequency and severity of weather events cannot be controlled, something can be done to help control the cost impact on consumers. As was done in other states, it is now Alabama's time to address its vulnerability to catastrophic losses and take proactive steps towards ensuring a healthy and competitive private homeowners market. In turn, homeowners insurance will become more available and affordable for Alabama's residents.

Loss mitigation (i.e., actions to reduce disaster losses) should be at the forefront of any property insurance solution as the state promotes public safety, minimizes property damage, and preserves communities hit by natural disasters. According to a study by the University of Pennsylvania's Wharton School of Business, future hurricane losses could be reduced by as much as one-third if appropriate mitigation steps are taken.

With 2014's legislation, it is important to build upon the momentum and push for stronger building codes and encourage the hardening of residences. More property carriers will be persuaded to operate in Alabama and invest capital in the state. Increasing construction standards to make buildings more resistant to damage will decrease the frequency and severity of property claims over time and provide a positive stabilizing effect on costs. Lesser amounts of property damage from a natural disaster speeds up the recovery process, causes less disruption for property owners and puts less pressure on the insurance marketplace.

Clearly, a uniform statewide building code would minimize the impact a natural disaster has on overall losses and premiums and the availability of insurance, and be a positive contribution to Alabama's long-term economic growth.

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