

August 2021

Pre-Disaster Mitigation Workstream of the  
Climate and Resiliency (EX) Task Force  
National Association of Insurance Commissioners  
1100 Walnut, Suite 1500  
Kansas City, MO 64106-2197  
Via email to: [jgardner@naic.org](mailto:jgardner@naic.org)

**RE: Wind Mitigation Factors – Request for Comments**

Dear Commissioner Afable and Workstream Members:

On behalf of National Association of Mutual Insurance Companies (NAMIC)<sup>1</sup> members, thank you for your work on crucial pre-disaster mitigation efforts and for the opportunity to share thoughts on the three items set forth in the August 12 email to interested regulators and interested parties. These comments respond to each in turn.

**(1) Additional Mitigation Actions**

In response to the inquiry about whether there may be additional wind-related mitigation actions not identified in the list, before turning to the substance of the response, please note two important caveats. First, in the workstream's efforts kindly consider making it clear that the Mitigation Measures spreadsheet simply catalogues various actions as opposed to serving as a repository of equally proven items. While there may be differences in geography, there may also be differences between structures (and in the data of insurers and/or researchers), etc. Second, the observation below was shared by one member and is passed along to the workstream as input. It is not something on which NAMIC has been able to vet more broadly.

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<sup>1</sup> NAMIC membership includes more than 1,400 insurance companies. The association supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers.



Next, let’s turn to that feedback received from a member company engineer. As an overall matter, the response was positive. Yet, there was a suggestion that some details could be refined (some of the mitigation measures could be expanded to be more general or perils can be added). For example, tree trimming can have benefits for more than one peril. Input taken from this source follows:

PRE-EVENT MITIGATION MEASURES	PERIL	HOME/ BUSINESS	COMMENT
Replace glasses with Tempered, Heat Strengthened, or Laminated Glass	Wind (Hurricane/Tornados/SCS)	Home & Business	Similar to Item 65
Install tie downs, perimeter walls, or bracing systems for manufactured homes.	Wind/Earthquake	Home (Mostly)	Expand Item 59
Remove or retrofit masonry parapets.	Earthquake	Home & Business	This is a life saving measure. Masonry parapets may kill people.
Retrofit buildings with soft story issue (e.g., older multi-story buildings with garage or retail stores on the first floor)	Earthquake	Home & Business	Expand Item 134 to cover the general issue

While a few of the observations extend beyond the current scope of wind, perhaps they could be helpful for the workstream’s future consideration.

Lastly on the question of mitigation actions, consider macro-level government actions that may amplify impact. For example, communities can go a long way to changing the landscape to reduce hazards by taking proactive and thoughtful steps to modify land use approaches. This goes hand in hand with implementing and enforcing stronger building codes to make long term positive change. Might there be an active role for these kinds of policy steps in the spreadsheet and in the additional considerations of this workstream?

## (2) Loss Reduction Due to Mitigation & Impact on Pricing

The inquiry seeks “input regarding loss reduction due to mitigation and the impact on pricing.” Our response disaggregates those issues.

### Loss Reduction Due to Mitigation

As shown by the collection of information in the Mitigation Matters spreadsheet, while some important research on mitigation may be considered completed, information, or the understanding of such information, continues to evolve. For example, the Insurance Institute for Business & Home Safety (IBHS) continually learns about aspects of building safety and communicates those lessons to support resilience. All parties benefit from acknowledging that mitigation efforts evolve as more experience

and new factors may impact the previously understood information; this may better allow for transition of mitigation efforts at minimal transitional costs.

The workstream’s efforts at this time center on wind. When it comes to understanding the value of the reduction in damage (not necessarily dovetailing with “loss” as a defined insurance term), the National Institute of Building Sciences provides helpful information on the returns on investments in mitigation. In their chart below, we see estimated returns on investments in a variety of mitigation measures (including investments in addressing wind).<sup>2</sup>

	ADOPT CODE	ABOVE CODE	BUILDING RETROFIT	LIFELINE RETROFIT	FEDERAL GRANTS
<b>Overall Benefit-Cost Ratio</b>	<b>7:1</b>	<b>7:1</b>	<b>7:1</b>	<b>7:1</b>	<b>7:1</b>
Cost (\$ billion)	\$1/year	\$4/year	\$520	\$0.6	\$27
Benefit (\$ billion)	\$13/year	\$16/year	\$2200	\$2.5	\$160
<b>Riverine Flood</b>	<b>6:1</b>	<b>5:1</b>	<b>6:1</b>	<b>8:1</b>	<b>7:1</b>
<b>Hurricane Surge</b>	not applicable	<b>7:1</b>	not applicable	not applicable	not applicable
<b>Wind</b>	<b>10:1</b>	<b>5:1</b>	<b>6:1</b>	<b>7:1</b>	<b>5:1</b>
<b>Earthquake</b>	<b>12:1</b>	<b>4:1</b>	<b>13:1</b>	<b>3:1</b>	<b>3:1</b>
<b>Wildland-Urban Interface Fire</b>	not applicable	<b>4:1</b>	<b>2:1</b>	not applicable	<b>3:1</b>

Source: The National Institute of Building Services

This reflects not only the importance of adopting (and exceeding) an updated building code, but also steps like retrofitting existing buildings (where 70 percent of the residential built environment is aging and not close to current building standards) and strengthening lifeline infrastructure.

### Impact on Insurance Pricing

Insurers’ books of business vary in many ways including geographic distribution, age/construction of properties, etc. Similarly, the risk of certain perils (including wind) is not uniform for each policyholder. As you know, each insurer is responsible for understanding its business and risks presented. An insurer’s ability to protect policyholders consistent with foundational insurance concepts means that public policy recognizes several long-standing pillars, not limited to: (1) safeguarding solvency and meeting contractual claim-payment obligations to policyholders; (2) using rates that remain inextricably linked to risk-based pricing, accounting appropriately for all losses and expenses, and using catastrophe modeling; (3) having flexibility to decide both whether and how to require customers to take loss mitigation steps and whether and how to address such steps in pricing; and (4) competing (as competition is an essential cornerstone supporting a robust private insurance market).

<sup>2</sup> NIST National Hazard Mitigation Saves Report. 2019. [see page 40]: [http://2021.nibs.org/files/pdfs/NIBS\\_MMC\\_MitigationSaves\\_2019.pdf](http://2021.nibs.org/files/pdfs/NIBS_MMC_MitigationSaves_2019.pdf)

NAMIC would like to underscore the important role of these insurance fundamentals as a framework for underscoring the value of not concluding that specific mitigation measures impact all policyholders, areas/structures, and/or insurers in the same way. With insurers having the ability to review risks, experience, and data in relation to the most up to date information as well as to modify rates over time, and with competition benefitting consumers in a marketplace, an approach grounded in insurer risk-based pricing remains focused on foundational stability while also sending appropriate signals to policymakers, communities, and consumers.

### (3) Benefit-Cost Analysis of Mitigation for Wind Factors

Finally, the inquiry asks about “benefit-cost analysis of mitigation for wind factors.” While this workstream group is likely aware of FEMA’s Benefit-Cost Analysis (BCA) approach generally, perhaps the detailed information available through their webpage – a toolkit as well as a section outlining pre-calculated benefits to streamline processes – may be useful. As you will see, some are specific to perils, including residential hurricane wind retrofits, non-residential hurricane wind retrofits, and individual tornado safe rooms.<sup>3</sup> Obviously, understanding BCA is important because FEMA’s mitigation programs must be risk reducing and cost effective. “A cost-benefit analysis provides a comprehensive understanding of not only the future damage that will be avoided, but also how investments in mitigation and resilience provide benefits for the community, region, and state. This is a wonderful tool that can help you get through your community conversations to identify the best steps and the best projects to draw down disaster hazards in your community.”<sup>4</sup>

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Thank you again for the opportunity to comment. As financial first responders when weather-related disaster strikes, property/casualty insurers provide important financial protection. NAMIC appreciates insurance regulators engaging in discussions of the risks and realities that communities face in order to produce impactful pre-disaster loss-prevention techniques. NAMIC looks forward to continuing to learn from and to share information with the workstream on the essential matter of pre-disaster mitigation.

Respectfully,

Cate Paolino  
Director of Public Policy

<sup>3</sup> FEMA’s BCA materials are found at: <https://www.fema.gov/grants/guidance-tools/benefit-cost-analysis>

<sup>4</sup> BRIC Pocket Guide (August 2021). NAMIC and The BuildStrong Coalition. [https://www.namic.org/pdf/21memberadvisory/210825\\_bric\\_pocket\\_guide\\_v5.pdf](https://www.namic.org/pdf/21memberadvisory/210825_bric_pocket_guide_v5.pdf)