

Statement
of
Mark Berven
President/COO, Property & Casualty Operations
Nationwide Mutual Insurance Company
on behalf
of the
BuildStrong Coalition
to the
United States House of Representatives
Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings and
Emergency Management
Hearing on
**Building a 21st Century Infrastructure for America: Mitigating
Damage and Recovering Quickly from Disasters**

April 27, 2017

Building a 21st Century Infrastructure for America: Mitigating Damage and Recovering Quickly from Disasters

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Introduction

Chairman Barletta, Ranking Member Johnson, and members of the Subcommittee, thank you for inviting me to testify at today's important hearing. My name is Mark Berven, and I am the President and Chief Operating Officer of Nationwide Property and Casualty Operations. Nationwide is a founding and executive committee member of the BuildStrong Coalition, on whose behalf I am testifying today.

The Coalition, created in 2011 to respond to an increasing number of severe disasters, is made up of firefighters, emergency responders, insurers, engineers, architects, contractors and manufacturers, as well as consumer organizations, code specialists, and many others committed to building the nation's homes and businesses more resiliently.

Over the last 85 years, Nationwide Mutual Insurance Company has grown from a small mutual auto insurer owned by our members to one of the largest insurance and financial services companies in the world. While we are still owned by our members, we protect more than just cars. We offer our members a full range of insurance products and financial services across the country, and are the nation's 7th largest writer of homeowners insurance, 7th largest commercial insurer, and 8th largest auto insurer. Nationwide is also the nation's leading insurer of farms and ranches. At Nationwide, part of our commitment to our members is to find ways to prevent losses.

Nationwide has been a member of the National Association of Mutual Insurance Companies (NAMIC) since its inception, and I currently serve on the Board of Directors of NAMIC. NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies representing 39 percent of the total insurance market. NAMIC member companies, which serve more than 170 million policyholders and write more than \$230 billion in annual premiums, range in size from one person operating a farm mutual in a single county to national and globally active insurers providing a wide array of comprehensive commercial and personal lines coverages.

The insurance industry plays a unique and critical role in the disaster mitigation and recovery process, serving as a leader in promoting pre-disaster loss-prevention techniques, and standing shoulder to shoulder with the federal government and emergency responders to make victims whole after a catastrophe. In 2016 alone, Nationwide paid \$17.2 billion in claims and other benefits to its members.

Both Nationwide and the BuildStrong Coalition are very appreciative of this subcommittee's focus on disaster preparedness and salute the leadership of Chairman Barletta in seeking ways to reduce federal disaster losses. As part of this effort, the Chairman conducted an important series of roundtables during the last Congress that helped identify how a national strategy for investing in disaster mitigation can help address our nation's increasing number of severe and costly weather events.

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But while progress has been made, serious concerns remain surrounding the federal government's current approach to pre-disaster mitigation, which has left communities across the nation vulnerable ahead of the next storm. In the face of an unsustainable, and fast-rising post-disaster federal cost share, the Coalition is calling for President Trump and Congress to use the opportunity of improving infrastructure to make America's homes and businesses more resilient by creating a National Mitigation Investment Strategy designed to lessen the impact of catastrophes. I look forward to discussing the policies that make up these important reforms in further detail today.

Natural Disasters: A Growing Problem

Natural catastrophes are increasing in frequency and severity at an alarming rate. For instance, between 1976 and 1995, there were an average number of 39 yearly federal disaster declarations.¹ This number skyrocketed to 121 between 1996 and 2015, during which we experienced Hurricane Katrina and Superstorm Sandy, the two most destructive weather events in U.S. history, which killed over 2,000 people and caused a combined \$225 billion in property damage.² And just last year, the U.S. experienced the second-highest number of billion-dollar weather events since data began being recorded, including massive flooding in Louisiana and in the Southeast following Hurricane Matthew.³ Ultimately, the 4 billion-dollar inland flood events during 2016 doubled the previous record.⁴

As the U.S. endures a higher number of costly disasters, taxpayers are left picking up an increasing share of the tab. Already the largest payer of post disaster costs, having spent nearly \$1 trillion on disaster recovery since 1983, taxpayers in recent years have been tasked with covering almost all of the federal government's post-disaster costs.⁵ To illustrate just how much the disaster landscape in the U.S. has changed over the years, in 1955, after Hurricane Diane caused significant damage to the coast of South Carolina, the federal government paid 5 percent of the recovery efforts. By 2005, following Hurricane Katrina, that number had risen to 50 percent, and in 2012, taxpayers were left to pay for a massive 77 percent of the recovery efforts following Superstorm Sandy.⁶ The dangerous trajectory of our nation's post-disaster cost curve lends itself to an unsustainable model that ultimately puts Americans at risk.

The Power of Resilient Construction

Research has shown time and again that uniform statewide adoption and enforcement of model building codes helps eliminate long-term risks affecting people, property, the environment, and ultimately the economy. A 2016 study from The Wharton School at

¹ <https://www.fema.gov/disasters/grid/year>.

² <https://www.ncdc.noaa.gov/billions/events/US/1980-2017>.

³ <https://www.ncdc.noaa.gov/billions/>.

⁴ *Id.*

⁵ *Id.*

⁶ E. MICHEL-KERJAN, RETHINKING GOVERNMENT DISASTER RELIEF IN THE U.S.: EVIDENCE AND A WAY FORWARD, THE WHARTON SCHOOL, UNIVERSITY OF PENNSYLVANIA (Oct. 2015).

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the University of Pennsylvania shows that homes built using the Florida Building Code after it was updated in 2000 suffer 38 percent lower losses than homes built prior to 2000, equating to a reduction of \$8.4 billion from a projected \$22 billion in future losses.⁷ And the Louisiana State University Hurricane Center estimated that stronger building codes would have reduced wind damage in the state from Hurricane Katrina by 80 percent, saving \$8 billion and preserving homeowner's property.⁸

Through the cutting edge scientific research of the Insurance Institute for Business & Home Safety (IBHS), we know that the IBHS FORTIFIED Home™ program, which applies to both new and existing structures, is proven to help strengthen homes from hurricanes, high winds, and hail, resulting in significantly less damage from natural disasters. The IBHS FORTIFIED standard is based upon the latest science and engineering research conducted by IBHS, and the program also requires on-site inspections to assure that FORTIFIED technical requirements are correctly incorporated into new and existing homes. At its world-class Research Center, IBHS conducts research on building performance under realistic severe weather conditions (simulating wind, driving rain, hail, and wildfire) in controlled environments, and their findings have repeatedly demonstrated that cost-effective mitigation can help diminish long-term risks affecting people, property, the environment, and, ultimately, the economy.

Beyond the science, however, is the real-life evidence to support the benefits of mitigation. Prior to Hurricane Ike in 2008, there were 13 homes built to the IBHS FORTIFIED standard on the Bolivar Peninsula, just north of Galveston, Texas.⁹ After the storm, there were ten FORTIFIED homes still standing, which were virtually the only homes on the Peninsula that survived and could be repaired (three were knocked down by wind-borne debris from other houses, not by storm surge or high winds).

A Backwards Approach to Disaster Preparedness

Even knowing the power of resilient building and despite multiple studies that show that every \$1 spent on preventative mitigation saves taxpayers \$4 in disaster relief, in recent years FEMA has taken a reactive posture to disasters.¹⁰ The agency spends far more on rebuilding after the catastrophe instead of proactively preparing communities before the next storm.¹¹ From 2011 to 2014, FEMA spent 14 times more on post-disaster

⁷ KEVIN SIMMONS, JEFFREY CZAJKOWSKI, JAMES M. DONE, ECONOMIC EFFECTIVENESS OF IMPLEMENTING A STATEWIDE BUILDING CODE: THE CASE OF FLORIDA, RISK MANAGEMENT AND DECISION PROCESSES CENTER, THE WHARTON SCHOOL, UNIVERSITY OF PENNSYLVANIA (May 2016).

⁸ MARC C. LEVITAN, CAROL HILL FRIEDLAND, AND T. ERIC STAFFORD, RESIDENTIAL WIND DAMAGE IN MISSISSIPPI: POTENTIAL HURRICANE DAMAGE REDUCTION THROUGH IMPROVED BUILDING CODES AND BUILDING PRACTICES, LOUISIANA STATE UNIVERSITY HURRICANE CENTER (2006).

⁹ Information provided by the Insurance Institute for Business and Home Safety.

¹⁰ NATIONAL INSTITUTE OF BUILDING SCIENCES (2005) NATURAL HAZARD MITIGATION SAVES: AN INDEPENDENT STUDY TO ASSESS THE FUTURE SAVINGS FROM MITIGATION ACTIVITIES. VOL.

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rebuilding measures, rather than those centered on increasing resiliency before disasters, allocating just \$222 million to the Pre-Disaster Mitigation Program compared to \$3.2 billion to the post-disaster, Hazard Mitigation Grant Program.¹²

But it isn't just the agency's misallocation of dollars within its mitigation that leaves communities vulnerable to the next storm. Rather, a larger issue is at play. From 2004 to 2013, FEMA spent a massive 89 times more on post-disaster assistance than pre-disaster mitigation.¹³ Victims of catastrophes should always be put back on their feet in the aftermath of a disaster. But the fact that FEMA would invest such a small amount to prepare communities before the next storm while doling out billions in post-disaster assistance because of the fact communities are left unprepared, only adds further evidence the agency needs a wholesale change in approach. Why do we spend billions of dollars to rebuild communities back the same way just to be destroyed again at the next storm, when we know how to build them so they can survive the next catastrophe?

Creating a Moral Hazard for States and Individuals

The increasing reliance on taxpayers to cover post-disaster losses has created a moral hazard. Because they have every reason to assume the post-disaster bill will be covered by the federal government, just 13 states have currently adopted and are enforcing model building codes.¹⁴ This means that the vast majority of the nation is stuck in an "endless cycle of destruction" where homes and businesses are built back after a disaster to the same subpar standards that led to their destruction.

The growing role of the federal government in financing post-disaster costs isn't just creating a moral hazard for states and local governments. The dangerous, but ever-pervasive, false assumption that FEMA has a never-ending supply of cash to cover the cost of post-disaster recovery is discouraging individuals from adequately protecting themselves from loss or liability that could be suffered during a catastrophe. This will ultimately create a larger pool of victims that are uninsured and dangerously exposed to financial loss during the next disaster. As two of the largest stakeholders in the aftermath of a catastrophe, both the insurance industry and federal government have a shared interest in reducing damage and losses from disasters, and this starts with ensuring members and policyholders are protected. We have the science and ability to do better, but we need smarter policy that creates the right incentives and behaviors.

¹² UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE (2015) HURRICANE SANDY: AN INVESTMENT STRATEGY COULD HELP THE FEDERAL GOVERNMENT ENHANCE RESILIENCE FOR FUTURE DISASTERS. Rep. GAO-15-515. Available online: <http://www.gao.gov/products/GAO-15-515>.

¹³ United States. Cong. Senate. Committee on Appropriations Subcommittee on Commerce, Justice, and Science. Hearing on National Water Hazards & Vulnerabilities: Improved Forecasting for Response & Mitigation Apr. 4, 2017. 115th Cong. 1st sess. (statement of Bryan Koon, Director, Florida Division of Emergency Management, Former President, National Emergency Managers Association), available here <https://www.appropriations.senate.gov/download/040417-koon-testimony>.

¹⁴ According to the latest available data, 13 states have adopted and are enforcing model codes in line with the 2009 or later version of the International Code Council's model codes.

Correcting Course Through a National Mitigation Investment Strategy

Preventative reforms will help save lives, dramatically reduce damage, and reduce the cost of recovery for taxpayers. Unfortunately, the federal disaster system is fragmented and heavily skewed towards reactive post-disaster mitigation spending rather than thoughtful long-term investing. Congress must reexamine the balance between pre-and post-disaster spending, and incentivize states to exit the “cycle of destruction,” by adopting a National Mitigation Investment Strategy.

The BuildStrong Coalition is calling on the Trump Administration to include the reforms that constitute the National Mitigation Investment Strategy in the President’s proposed infrastructure package, and will be working closely with members of Congress to build support for a such a plan. The Strategy is made up of a package of reforms designed to decrease the reliance on the federal government to cover the cost of disasters, which will ultimately make America’s homes and businesses more resilient.

1. *Incentivizing States to Build Resiliently*

First, since the federal government is failing to incentivize states, communities, and individuals to invest in pre-disaster mitigation, leaving so many communities stuck in the endless cycle of destruction, we are calling on Congress to reverse this trend by giving states a reason to do the right thing before the storm. This policy would incentivize states to adopt and enforce nationally recognized model building codes for residential and commercial structures by making available an additional 4 percent of funding in FEMA post-disaster grants for states that do so.¹⁵

2. *Equipping Communities with New Tools for Mitigation*

Since the vast majority of U.S. disaster dollars are spent reactively post-disaster instead of proactively to reduce overall disaster impact, we must leverage the cost saving power of pre-disaster mitigation by shifting significant federal resources from being employed in a reactive, post-disaster setting, to being invested ahead of the disaster. This can be accomplished by first clarifying that the development and enforcement of state building codes are eligible uses under the existing Pre-Disaster Mitigation Program, and then creating a new National Hazard Mitigation Grant Program (NHMG). The NHMG will allocate funds for the development, implementation, or enforcement of approved building codes and other cost-effective mitigation purposes. As part of this important reform, 10 percent of all funds appropriated for the existing, post-disaster Hazard Mitigation Grant Program would be allocated to the new NHMG, where funds will be available without regard to whether a disaster occurred, and can be used towards strengthening the nation’s homes and businesses.

¹⁵ The additional 4 percent in funding would be allocated to states through FEMA’s Hazard Mitigation Grant Program.

3. *Equipping States with New Tools to Enforce Resiliency*

Since many states that have adopted model building codes don't have an adequate amount of resources to operate a robust inspection regime, we are calling for Congress to give communities new tools for enforcement by clarifying that "essential assistance" available to communities after disasters includes funds for the development and enactment of enforceable statewide building codes.

4. *Reforming the Federal Cost-Share*

Given the unsustainable, and fast-rising post-disaster federal cost share, action must be taken to protect our states and communities, thereby reducing the dependence on taxpayers. We can achieve this measurable reform by adjusting the federal minimum cost share following a major disaster based upon adoption of FEMA-approved resilient mitigation plans and adoption and enforcement of statewide building codes. Specifically, we are calling for the current 75 percent federal minimum cost share to decrease to 60 percent for states that fail to take resilient mitigation actions and do not adopt a statewide building code, and to increase to 80 percent for states that have taken resilient mitigation actions and have adopted a statewide building code.

5. *Streamlining FEMA Assistance Programs*

Increasingly, victims of disasters are going without assistance after a storm since assistance is distributed by 19 federal agencies, which frequently tie the funds to projects around the nation. We are calling for the federal government to more efficiently respond to victims after a disaster by consolidating ad-hoc federal disaster assistance programs under FEMA and requiring projects to meet cost-benefit standards.

Conclusion

Chairman Barletta, Ranking Member Johnson, and members of the subcommittee, thank you again for holding today's hearing on this important topic. Unfortunately, we see the impact of catastrophes on our members through the loss of their loved ones, the emotional distress of seeing everything they have worked for gone in minutes, and the loss of being able to provide security and protection for their families. On top of this, some communities never recover from a disaster. They lose jobs, their tax base, and their ability to provide services to the community. It doesn't have to be this way.

In the face of an increasing number of severe catastrophes, it is critical that we ensure our nation's homes and businesses are built resiliently to withstand the devastating impacts of Mother Nature. As Congress and the President work together to improve our nation's infrastructure, we urge lawmakers and the Administration to adopt a national strategy for investing in disaster mitigation, which will save lives, property, and billions in taxpayer dollars. I look forward to answering any questions you may have.