



Testimony

of the

**BuildStrong Coalition**

Delivered by Michael Merwarth, Senior Vice President, USAA

Submitted to the

United States Senate

Homeland Security and Government Affairs Subcommittee on Emergency Management,

Intergovernmental Relations, and the District of Columbia,

Hearing on

**“The Private Sector Role in Emergency Response and Preparedness”**

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## **Introduction**

Chairman Begich, Ranking Member Paul and Members of the Subcommittee, thank you for holding this important hearing to examine the private sector's role in emergency preparedness and response.

My name is Michael Merwarth, and I am the Senior Vice President and Chief Property & Casualty Underwriter for USAA headquartered in San Antonio, Texas. USAA is a membership-based association, open to all who have honorably served in the U.S military and their family members. We were founded in 1922 by a group of Army officers who decided to band together and insure each other after they were considered too risky by other insurance companies.

Our mission is to facilitate the financial security of our membership through a full range of financial products and services, including personal lines of insurance. Military service members and their families face unique challenges associated with their highly mobile lifestyle. USAA recognizes this and tailors our products and services to meet their needs.

USAA is also proud to be a founding member of the BuildStrong Coalition, and that is who I am representing today. The BuildStrong Coalition is a group of national business and consumer organizations, insurance companies, firefighters, emergency managers and building professionals dedicated to promoting stronger building codes. It is the business of BuildStrong members to help families, communities and businesses mitigate and recover from the devastating effects of natural disasters.

At USAA, we're focused on fulfilling our commitment to serve our military membership by providing useful tools and advice to help our members protect their lives, their loved ones and their property. For example, we have developed an online tool that enables our members to research a property's general exposure to various natural disasters, and provides practical guidance on how to prevent or reduce the likelihood of loss.

All of our 66,000+ members in Alaska, can input their home address and learn more about their exposure to wildfires. Or, an active duty soldier getting ready to PCS to Fort Polk, Louisiana can use the tool to evaluate properties and find tips to mitigate the flood risk at his/her future home. Our tool also provides links to important advice from our disaster mitigation partners and fellow BuildStrong Coalition members, the Insurance Institute for Business and Home Safety (IBHS) and the Federal Alliance for Safe Homes (FLASH).

Throughout the year, USAA regularly provides our members with catastrophe related education and advice and helps our members understand how to rebuild resiliently post catastrophe. Something as simple as using ring-shank nails, instead of traditional nails, in roof repairs or sealing your roof deck can make a huge difference in strengthening your home and preparing for natural disasters.



We provide our members with disaster mitigation tips to help them make smarter and safer home building and repair decisions, but we're also there for them after disasters strike. USAA isn't fulfilling our mission if we aren't there for our members when they need us most.

Whenever possible, we stage our claims experts in nearby areas when a catastrophic event is imminent. Our state-of-the-art catastrophe response vehicles, which include satellite, Internet, mobile and WI-FI capabilities, enter impacted areas as soon as possible.

To communicate with members before and after events, we utilize traditional and social media tools, including Facebook, Twitter, text messages, and emails. We centralize the information in a comprehensive Disaster & Recovery Center, available online and through our USAA Mobile App. Members can also use our App to connect with the American Red Cross, the Federal Emergency Management Agency (FEMA), or to find one of our on-site claims locations.

We recognize that our disaster mitigation and recovery efforts, and those of our BuildStrong Coalition partners, are more important now than ever, as according to the National Oceanic and Atmospheric Administration, there have been 25 major disasters over the past two years that have surpassed \$1 billion in economic losses. The economic toll from these events, once the final costs from Sandy are tabulated, could rise to nearly \$200 billion, but the greatest cost, of course, has been the tragic loss of hundreds of lives.

The BuildStrong Coalition shares the subcommittee's goal of working toward solutions that would help communities prepare for, and recover from, natural disasters while saving taxpayer money in the process. Our first consideration, however, must always be the safety of our communities and the American people. As such, these wake-up calls compel us to advance legislation to help fortify the nation's defenses against similar events in the future.

### **Building Codes Save Lives, Property and Taxpayer Money**

There is overwhelming scientific evidence to support the conclusion that enforcing model statewide building codes saves lives and greatly reduces property damage and the subsequent need for federal disaster aid. Model building codes govern all aspects of construction and help to protect people, homes and buildings from the devastating effects of natural catastrophes.

Uniform statewide adoption and enforcement of model building codes by states helps to reduce long-term risks affecting people, property, the environment, and ultimately, the economy. The model codes are developed nationally in the U.S. by a consensus process involving researchers, construction experts, and local building officials. They are adopted and enforced at the state level to mitigate effects of natural disaster perils inherent to each state.

In a landmark study conducted in the aftermath of Hurricane Katrina, researchers at the Louisiana State University Hurricane Center estimated that stronger building codes would have



reduced wind damage from Katrina by 80 percent, saving taxpayers and the local economy \$8 billion. Louisiana has since adopted and enforced model building codes.

In 2005, FEMA commissioned a study by the National Institute of Building Sciences' Multihazard Mitigation Council. The goal of the study, based on the work of more than 50 national experts, was to assess the future savings from hazard mitigation activities. According to the study, every \$1 dollar spent on hazard mitigation (actions to reduce disaster losses) provides the nation with about \$4 in future benefits.<sup>1</sup>

In response to the devastating tornadoes in the spring of 2011, the FEMA Building Science Branch of the Federal Insurance and Mitigation Administration (FIMA) deployed a Mitigation Assessment Team (MAT) to Alabama, Georgia, Mississippi, Tennessee and Missouri to assess the damage caused by these storms. This report presented 49 recommendations directed at improving public safety and building performance during tornado events. The adoption and enforcement of model building codes was the key recommendation presented more often than any other measure in the MAT report.

Another study conducted for IBHS found that losses from Hurricane Andrew, which struck south Florida in 1992 and caused more than \$20 billion (in today's dollars) in insured damage, would have been reduced by 50 percent for residential property and by 40 percent for commercial property if those structures were built in accordance with Florida's 2004 statewide building code. An IBHS study following Hurricane Charley in 2004 found that modern building codes reduced the severity of property losses by 42 percent and the frequency of losses by 60 percent. Florida has also adopted stringent building codes after suffering millions in economic losses as a result of these storms.

More valuable research is currently being conducted by IBHS at its recently opened research center in Richburg, South Carolina. This research has already demonstrated how the human and financial toll of natural disasters can be greatly reduced by building stronger homes and business structures. With relatively simple upgrades in construction, such as strapping, to create a continuous load path from the roof, through the walls, and into the foundation; thicker roof decking; and textured, rather than smooth, nails, test homes were built to withstand 110 mile-per-hour winds with little damage. Taking steps to prepare in these ways before a disaster hits can make a major difference.

### **The Safe Building Code Incentive Act**

This is where the efforts of this subcommittee can be so important to the American people. If Congress can establish the proper incentives and focus the attention of the states on the undeniable value of strong building codes, the nation will be safer and much more resilient to natural disasters.

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<sup>1</sup> Multihazard Mitigation Council, December 19, 2005;  
<http://www.nibs.org/index.php/mmc/news/Entry/newstudydisastermitigationiscosteffectiveandreducesfuturelosses>



The insurance and emergency management community concluded long ago that strong building codes are the best first line of defense against natural disasters. One effective step Congress should immediately take to alleviate the financial pressures associated with natural disasters is to encourage mitigation measures, specifically in the form of building stronger, safer homes and businesses. To that end, the BuildStrong Coalition strongly endorses *the Safe Building Code Incentive Act*, as a forward-thinking investment in a stronger and safer America.

Under the proposed law, states that adopt and enforce nationally recognized model building codes for residential and commercial structures would qualify for an additional 4 percent of funding available for post-disaster grants. This legislation will not require any additional appropriation to FEMA because it draws funds from the existing Disaster Relief Fund. Furthermore, the nature of the incentive does not mandate the adoption of statewide building codes on any states that wish to maintain their current system.

With a disproportionate level of new development now being on coasts and waterways, it is critically important that we encourage the widespread adoption of the model building codes in these areas in order to protect property, save lives and ultimately reduce taxpayer exposure to natural disasters.

A 2012 Milliman study found that *the Safe Building Code Incentive Act* would have saved U.S. taxpayers \$11 billion in hurricane relief payments alone from 1988 to present, had it been in place. This subcommittee can ignite this debate by moving forward with consideration of *the Safe Building Code Incentive Act*.

### **Conclusion**

I want to thank the subcommittee again for holding this important hearing, for the opportunity to share USAA's disaster mitigation and recovery stories and to discuss the crucial role strong building codes can play in making the nation safer and more secure in the face of natural disasters.

USAA and the BuildStrong Coalition are dedicated to improving the resiliency of American communities. The overwhelming evidence supporting the widespread adoption of statewide building codes proves that *the Safe Building Code Incentive Act* is a fiscally responsible way to empower FEMA to assist in natural disaster recovery while working to prevent future damage. The incentives associated with this legislation will cost a modest amount of money in the near-term, but significant savings will be realized in the long-term.

### **Coalition Members**

The American Institute of Architects



AllState Insurance Company  
American Insurance Association  
Congressional Fire Services Institute  
Council of Insurance Agents and Brokers  
Farmers Insurance Group of Companies  
Federal Alliance for Safe Homes  
Financial Services Roundtable  
Fireman's Association of the State of New York (FASNY)  
Florida Association of Counties  
Florida Emergency Preparedness Association  
Institute for Business and Home Safety  
Independent Insurance Agents and Brokers of America  
International Code Council  
Liberty Mutual Insurance  
MetLife  
National Association of Mutual Insurance Companies  
National Association of State Fire Marshals  
National Council of Structural Engineers Associations  
National Fire Protection Association  
National Institute for Building Sciences  
National Ready Mixed Concrete Association  
Nationwide Insurance  
NeighborWorksAmerica  
Professional Insurance Agents  
Property Casualty Insurers Association of America  
Reinsurance Association of America  
Simpson Strong-Tie Co.  
Solutia  
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State Farm Insurance Companies  
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