Insurance Institute for Business & Home Safety®

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"Examining Insurance Markets and the Role of Mitigation Policies"

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Members of the Committee, thank you for the opportunity to speak with you today about disaster mitigation, insurance, the role of the private sector, and the steps we can take across every level of government to address these issues. My name is Michael Newman, and I am General Counsel of the Insurance Institute for Business & Home Safety (IBHS). IBHS is a 501(c)(3) organization, based in Richburg, South Carolina, and enabled by the property insurance industry's investment to conduct building safety research that leads to real-world solutions for home and business owners, helping to create more resilient communities.

Severe weather disrupts lives, displaces families, and drives financial loss. IBHS delivers top-tier research and translates it into action so we can prevent avoidable suffering, strengthen our homes and businesses, inform the insurance industry, and support thriving communities. The perils we study at IBHS are part of the natural world in which we live, but social and economic disasters occur when these perils meet human populations that live or work in harm's way.

To break the cycle of destruction, it is essential to address all aspects of the building performance chain: where you build, how you design and construct, and how well you maintain and repair. As a building science institute, IBHS focuses on the ways severe weather behaves, what makes homes and businesses vulnerable, and how our buildings can be more resilient. We exist to help ensure the places where people live, learn, work, worship, and gather are safe, stable, and as strong as the best research can equip them to be.

We put building science to practical use, providing homeowners, businesses, communities, and policymakers with disaster mitigation solutions that are achievable, affordable, and effective.

In doing so, we have a primary goal in mind: **make American homes and communities more survivable and insurable.**

- Survivable means homes and communities that can withstand the severe weather we know they will face, so that homeowners can return home after an evacuation and get on with their lives. It provides families with physical safety and economic security and supports strong communities, stable tax bases, and healthy insurance markets.
- Insurable means homes and communities that carriers want to insure because they have undertaken meaningful, verified risk reduction. It is not a guarantee of insurance from a particular carrier—but rather a risk that is more attractive to insurers.

The core perils IBHS studies at our Research Center and in the field are wind, wind-driven rain, hail, and wildfire. Today, I would like to speak with you about disaster mitigation across these perils: the difficulties across our Nation caused by severe weather; science-based, verifiable risk reduction through IBHS-developed solutions;

and opportunities to advance the survivability and insurability of homes and communities through public and private sector investments and engagement.

I will begin with two core assertions that thread through my comments:

- First, we must use public policies and investments related to disaster mitigation to **catalyze the private sector**. This includes consumer loan products, commercial real estate development and investment, volume and custom builders, contractors and roofers, and product manufacturers.
- Second, the separation of housing investments from disaster mitigation investments must end. Put another way, housing policy *is* disaster mitigation policy **when we build housing to withstand knowable risks from severe weather.** Taxpayers should only pay for a publicly funded building once. Failure to abide by this principle is a missed opportunity that results in avoidable suffering and higher disaster relief costs for generations to come.

Severe Weather, Vulnerable Communities, and Hard Insurance Markets

Recent years have seen a marked increase in the frequency and severity of damaging severe weather. In 2024 alone, the United States experienced 27 separate disasters causing at least one billion dollars of damage, including seventeen severe storms, five tropical cyclones, and one wildfire. More billion-dollar weather events have occurred in the last fifteen years (246) than in the 30-year period previous to that (157).

This year, the Eaton and Palisades Fires—the second and third most destructive wildfires in California history—quickly reminded us of the devastating impact of wildfires when they reach into our communities and become urban conflagrations. In recent weeks, repeated lines of severe storms have battered states, including Indiana, Tennessee, Missouri, and Mississippi.

Too many Americans are unprepared for this kind of severe weather. Many states lack uniformly enforced, modern building codes that include design and construction practices that are sufficient to withstand today's severe weather. And the problem is getting worse: severe weather occurs nearly everywhere in one way or another, and people continue to move to states with the highest risk, resulting in additional construction in disaster-prone regions.

Alone, these trends would put pressure on the price of insurance. Unfortunately for consumers, this challenge has been compounded by a hard property market impacted by other factors too, including inflation-related increases in the cost of materials and labor, social inflation (i.e., legal system abuse), and the cost of reinsurance. For some property owners, this has resulted in an increased cost of insurance. Others, particularly in states where the price of insurance is not risk adequate due to regulatory caps on pricing, have experienced reduced access to

property insurance in the admitted markets. This has resulted in policyholder growth for insurers of last resort, such as the California FAIR Plan.

Science-Based Solutions: FORTIFIED and Wildfire Prepared

Although American homeowners and communities remain vulnerable, they are not powerless. Solutions to make homes better able to withstand hurricanes, severe convective storms, and wildfires are known and available. IBHS has translated years of research into its FORTIFIED and Wildfire Prepared programs to provide homeowners, businesses, and communities **clear, achievable pathways to strengthen their survivability and insurability.**

- Grounded in science, these programs allow property owners and communities to effectively and affordably reduce risk. Structures built or retrofitted to FORTIFIED or Wildfire Prepared are more likely to survive the severe weather they face without significant damage.
- Featuring independent verification processes that ensure IBHS's science-based disaster mitigation solutions have been correctly applied, FORTIFIED and Wildfire Prepared provide a bridge to the property insurance industry. This helps property owners differentiate themselves from others, enhance their insurability, and in some cases, obtain insurance price considerations.

FORTIFIED: Reducing the Risk of Hurricanes, Tornadoes, High Wind, and Hail

IBHS's FORTIFIED™ program is a set of voluntary, beyond-code construction upgrades that improve a building's resistance to the effects of hurricanes and severe convective storms, including tornadoes and hail. The FORTIFIED program is available for single-family houses, multifamily properties, and commercial structures. The program features a technical standard and an independent verification process that ensures buildings obtaining a FORTIFIED designation from IBHS have, in fact, reduced their risk. To date, more than 76,000 structures have been designated by the FORTIFIED program across the country.

FORTIFIED provides property owners with the ability to achieve three increasing levels of resilience:

- **FORTIFIED Roof** is the foundation of FORTIFIED because an estimated 70 to 90 percent of catastrophic homeowners' insurance claims include roof damage, and damaged roofs can lead to water intrusion that significantly amplifies damage. FORTIFIED Roof provides a system that strengthens the roof through (i) more and stronger nails, (ii) locked-down edges, and (iii) a sealed roof deck, which work in concert to keep the wind and rain out.

- **FORTIFIED Silver** adds increased levels of resilience through additional requirements such as stronger garage doors, windows, and doors.
- **FORTIFIED Gold** adds requirements related to a continuous load path from the roof to the foundation.

FORTIFIED includes a hail supplement that requires impact resistant shingles rated by IBHS as demonstrating that they can withstand hail up to 2 inches in diameter.

The effectiveness and value of FORTIFIED has been proven time and again.

- The independent verification process of FORTIFIED ensures buildings obtaining a designation from IBHS have, in fact, reduced their risk. In a forthcoming analysis of the loss experience of approximately 40,000 houses in coastal Alabama, researchers found that FORTIFIED-designated homes perform twice as well as homes built to FORTIFIED-like code but not designated.
- A 2022 study concluded that building or retrofitting to FORTIFIED Multifamily has relatively minimal costs and a strong rate of return.
- An IBHS study determined that retrofitting Section 8 multifamily and single-family housing in the Atlantic and Gulf coast regions to FORTIFIED Roof could decrease losses by 30-50 percent.
- A recent state evaluation of Louisiana's FORTIFIED grant program found that grantees saved $1,250 on their insurance bill and a FORTIFIED Roof pays for itself in under five years.

Wildfire Prepared: A Solution for Homeowners and Communities

Wildfire Prepared is a voluntary designation program designed to reduce the risk of home ignitions and the uncontrollable building-to-building fire spread associated with urban and suburban conflagration.

- **Wildfire Prepared Home** provides a system of mitigation actions that collectively reduce the risk of ignition from embers. It includes a Class A roof, flame- and ember-resistant vents, and—critically—a noncombustible five-foot area (Zone 0) around the structure.
- **Wildfire Prepared Home Plus** provides an additional set of mitigation actions, including building material choices, such as ignition resistant siding and dual-paned, tempered glass windows, to reduce the risk of ignition from radiant heat and direct flames.
- **Wildfire Prepared Neighborhood** provides a community scale approach to reduce the risk of urban conflagration by eliminating pathways of connective fuels, maintaining appropriate minimum separation between structures, and requiring individual accountability for risk reduction at the parcel level.

Currently available in California and Oregon, we expect that *Wildfire Prepared* will soon be available in other wildfire-prone states.

Constructing Survivable and Insurable Homes and Communities

The most effective and affordable time to address the survivability and insurability of homes and communities is at the design and construction stage. Both the private sector and the public sector have key roles to play in advancing survivable and insurable homes and communities at this key stage.

Private Sector – The Business Case for Leaning In

Large scale change requires the private sector to invest in survivable and insurable homes and communities based on a clear value proposition. Key players include the building industry, the financial services sector, and the insurance industry.

Voluntary take-up of IBHS standards by major builders would have a market-moving effect on the construction of new homes across the United States. Initial movement in this direction is starting to occur. Last month, IBHS and KB Home celebrated the opening of Dixon Trail, a new community outside of San Diego that is being built to IBHS's Wildfire Prepared Neighborhood standard. Every home in the 64-house neighborhood will obtain a Wildfire Prepared Home Plus designation.

Executives at KB Home decided to apply Wildfire Prepared to building Dixon Trail after viewing a 2024 demonstration IBHS conducted in California that showed the effectiveness of wildfire mitigation actions. The demonstration sparked their interest, but it was the business case that drove the decision.

> Making new homes more survivable and insurable required relatively inexpensive changes and choices in building materials. Given the wildfire risk outside of San Diego, homes with verifiable risk reduction are easier to insure and, therefore, easier to sell.

Building a Wildfire Prepared Neighborhood was better for the safety of the community. Better for their customers. And better for business.

The financial services sector also has a role to play by providing financing options that incentivize the construction and purchase of survivable and insurable buildings. A 2022 study from IBHS and CoreLogic (now Cotality) concluded that homes built to modern building codes were less likely to go into delinquency following hurricanes, demonstrating the linkage between the physical risk to structures and the credit risk of borrowers. Further analysis and application could create financial products that incentivize risk reduction through solutions like FORTIFIED and Wildfire Prepared.

A leader in this space is the Federal Home Loan Bank of Dallas, which has made a significant investment in FORTIFIED. With a footprint comprised of Arkansas, Louisiana, Mississippi, New Mexico and Texas, the Bank serves a region of the country that frequently experiences severe weather. In response, the Bank invests in IBHS's FORTIFIED standard in two ways: as a part of its scoring criteria for its competitive Affordable Housing Program for the development of multifamily housing, and also through a separate FORTIFIED Fund to put FORTIFIED roofs onto single-family homes. We encourage more financial institutions to identify ways to incentivize resilient construction practices that reduce physical risk and credit risk.

The insurance industry also has a role—one it has played for many years through its significant financial support for IBHS and championing of IBHS programs like FORTIFIED and Wildfire Prepared. Many insurers offer price considerations for homes that have verified risk reduction, as demonstrated by FORTIFIED or Wildfire Prepared designations. While insurers alone should not be expected to provide a one-to-one return on investment for the cost of disaster mitigation, insurance incentives can be part of the broader solution.

Public Sector – A Role for Every Level of Government

Federal, state, and local government each plays a critical role in advancing policies and investments that result in new construction that is survivable and insurable. Two principles are central to decision-making here:

1. *Where* we build should dictate *how* we build.
2. Public dollars should only be invested in buildings that can withstand the severe weather we know they will face.

At the federal level, all federal dollars invested in the built environment should use "survivable and insurable" as a core criterion so that each taxpayer dollar is only invested once—in buildings that can withstand severe weather. This includes housing programs, disaster recovery programs, and other investment vehicles. This does not require new programs or increased spending—it requires smarter spending in existing programs.

At the state level, two areas for progress are building codes and housing programs. Building codes set minimum requirements for how buildings are designed and constructed; they address a wide range of issues from plumbing to energy efficiency to the ability of the structure to withstand severe weather. When building codes have strong protections, they are very effective. In an IBHS analysis of the performance of more than 4,000 buildings following Hurricane Ian (a Category 5 storm), no structures built to the modern Florida Building Code had wind-driven structural damage. The FBC had estimated savings of $1-3 billion in this one storm alone.

Some have raised concerns about the cost of building code advances, suggesting multiyear pauses on all building code advancement, removing key building features, or adopting older codes in response. These costs—for instance, mandatory EV chargers in California—are generally not associated with the building safety features advanced by IBHS. When addressing these concerns, states should prioritize the provisions of building codes that address the survivability and safety of homes and buildings.

Affordable housing development is the other area where states must lean in. States have significant power to decide how affordable housing is built in their communities through the construction standards associated with low-income housing tax credits and Community Development Block Grant Disaster Recovery grants. Louisiana has been a leader here, investing hundreds of millions of dollars in multifamily housing built to FORTIFIED through its LIHTC and CDBG-DR funding. Unfortunately, the Louisiana Housing Corporation has backslid, removing FORTIFIED requirements from next year's LIHTC program. Given the significant hurricane risk in Louisiana, this decision will make affordable housing less survivable and less insurable—a compound problem in a high-risk state. The state should reverse course.

At the local level, policymakers are closest to the deep impacts severe weather can have on families and communities. Following natural disasters, local authorities must contend with expensive recovery, displaced families, and tax base instability. As such, local government must contribute to disaster mitigation before severe weather hits. Municipal bonds can help pay for infrastructure projects that reduce risk, and ordinances can take the place of absent or insufficient building codes at the state level.

For example, the County of San Diego enacted a defensible space ordinance prohibiting combustible material in Zone 0, even as the State of California fell behind a statutory timeline to create a Zone 0 regulation. The City of Berkeley has recently joined in. On the other side of the country, Baldwin and Mobile counties in Alabama have adopted building code ordinances on par with the requirements of FORTIFIED in the absence of a statewide building code.

Strengthening Existing Homes and Communities via Resilient Retrofits

Even if all new construction employed the very best standards to strengthen survivability and insurability, the United States would still face considerable risk from severe weather because of the existing building stock. In fact, one study from the University of Colorado, Boulder estimates that severe weather destroys the equivalent of a full month of new construction every year.

To address this challenge, we must scale our ability to retrofit our existing homes and communities. This requires investment by the public sector and increased engagement and investment by the private sector. When public investment catalyzes private investment and involvement, we can begin to reach retrofits at a scale commensurate to the challenge.

The Alabama Story

Alabama is a great success story about using resilient retrofits to strengthen the survivability and insurability of homes and communities. The Alabama Department of Insurance provides $10,000 mitigation grants through the Strengthen Alabama Homes program to help homeowners put FORTIFIED Roofs on their homes. Combined with strong building codes in Alabama's two coastal counties, insurance incentives, and private market engagement, Alabama has realized several critical benefits.

- **Homeowners are safer and better protected from hurricanes.** A forthcoming study from the Alabama Department of Insurance, which analyzes 40,000 claims from coastal Alabama arising from Hurricane Sally, concludes that FORTIFIED works.
- **The Alabama insurance market is healthy.** Homeowners have choices among insurers and are provided with price considerations if they have FORTIFIED designations, which makes insurance more affordable.
- **The private market for FORTIFIED has taken off.** The grant program only accounts for 17% of the more than 50,000 designations in the state, as consumer demand and roofer supply—supported by a strong building code in the coastal counties—has resulted in FORTIFIED designations surging beyond the grant program. Roofing consumers have better choices and, often, make the survivable and insurable one.

Alabama demonstrates that public investment in resilient retrofits can catalyze the private sector to offer enhanced products and services, educate consumers, and result in advances that extend far beyond the fortunate recipients of state grants. As other states enact and operationalize similar grant programs, including Arkansas, Kentucky, Louisiana, Minnesota, Mississippi, New Mexico, North Carolina, and Oklahoma, they should keep the full Alabama story in mind.

Expanding Resilient Retrofits

To help more homeowners invest in appropriate resilient retrofits—be that a FORTIFIED Roof, a Wildfire Prepared Home, a hail-resistant roof cover, or a home elevation—additional support from the public and private sector is needed.

At the federal level, legislation can help reduce the tax burden of state mitigation grants and encourage homeowners to save for retrofit projects. The bipartisan

Disaster Mitigation and Tax Parity Act of 2025, introduced by Senator Tillis and supported by many on this Committee, would address a longtime quirk of the tax code that treats state mitigation grants as federal income. This would give homeowners the full benefit of state mitigation grants, rather than transferring funds from state to federal coffers, using at-risk homeowners as a go-between.

The READY Accounts Act would create a federal catastrophe savings account, allowing homeowners to open a tax advantaged savings account to help prepare for disasters by saving for approved disaster mitigation actions. Such accounts already exist under the state laws of Alabama, South Carolina, and Mississippi, and they are under consideration in other states.

At the state level, states should continue to innovate with public investments that incentivize and encourage resilient retrofits. This includes the Strengthen Alabama Homes grant program model; state-level catastrophe savings accounts to encourage homeowner savings and investment in disaster mitigation; and tax credits to encourage consumer spending on resilient retrofits.

In addition to Alabama, Louisiana and North Carolina have grant programs of note. In Louisiana, the state has invested tens of millions of dollars in the early years of the Fortify Louisiana Homes program, sparking growth in the private market. In North Carolina, the investment of the North Carolina Insurance Underwriting Association (NCIUA)—along with financial support by the state—has resulted in thousands of families putting a FORTIFIED Roof on their home. For NCIUA, this investment lowers the risk on its books and is a sound business investment.

At the local level, local governments should explore options to use municipal bonds in innovative ways to help property owners access the capital necessary to pay for resilient retrofits. For example, a bond-funded revolving loan fund could provide homeowners with an additional option to borrow money for FORTIFIED roofs or Wildfire Prepared Homes. The local government would benefit by improving the stability of its tax base through more survivable homes.

However, the deep need for resilient retrofits that strengthen the survivability and insurability of homes cannot be met solely through public investment. For instance, a recent report from the catastrophe modeling company Zesty.AI disclosed that over 12.6 million U.S. properties are at high risk of hail-related roof damage, costing about $189.5 billion in potential replacement costs. We simply do not have enough taxpayer money to meet this need, let alone address the retrofits necessary to respond to wind, wind-driven rain, and wildfire.

The private sector must engage. In the financial lane, we need affordable consumer loan products families can access to obtain a FORTIFIED Roof or a noncombustible Zone 0. This is an area where GSEs, CDFIs, green banks, credit unions, and banks from Wall Street to Main Street all have a role to play.

Manufacturers and contractors must also answer the bell by bringing better products and enhanced services to consumers. A good example is GAF, a leading manufacturer of asphalt shingle roofing products. In 2024, IBHS and GAF entered into an alliance to expand access to IBHS's FORTIFIED program. The alliance will create a pipeline of GAF-associated roofers to provide FORTIFIED roofs to homeowners, expanding the services GAF can provide to its customers and the reach of IBHS's FORTIFIED program. It is good for homeowners and good for GAF's business.

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In closing, I will bring this back to families. A house represents the single largest investment for most American families. They deserve to live in homes that can withstand the severe weather we know they will face. This allows parents to stay in their jobs. Kids to stay in their schools. It allows local tax bases to remain stable, communities to remain intact, and insurance markets to become healthy.

These outcomes are not out of reach. We know how to make our homes and communities more survivable and insurable. Translating this knowledge into action requires policy levers that drive consumer behavior, incentivize resilient investments, and catalyze the innovation and might of the private sector. It may not always be easy, but we can do hard things.

I thank you for recognizing the importance of disaster mitigation as Americans continue to contend with devastating severe weather and wildfire across our country. We appreciate the opportunity to share some of our ideas with you today.