



The Importance of Wind and Water Mitigation

Florida's property-owning workforce spends on average \$2000 annually on property insurance. Did you know that approximately \$900 of that amount is earmarked for reinsurance costs *alone*? Mitigation initiatives can significantly lower insurance risk by decreasing the loss severity of insured structures that suffer wind and water damage. Lowering property insurance costs for Florida's property-owners results in improved consumer cash flows, which increases demand for local goods and services. Additionally, lowering the cost of homeownership incentivizes top-tier labor talent to settle their families in Florida and reduces the need for continual wage inflation. FAIR's aspirational goal is to cut the \$900 in reinsurance costs by half.

The advantages of mitigation are not restricted to a pre-catastrophe ideal. Proper mitigation can make disaster events more tolerable.

Direct market benefits of mitigation during disaster events include:

- Reduced societal losses, deaths, injuries, and homelessness; and
- Reduced time spent on emergency response e.g., ambulance service, police and fire protection.

Post-catastrophe, the benefits of mitigation are clear and manifold. To start, your area will see reduced property damage to buildings, contents, bridges, supply/distribution channels and more. Accordingly, with lessened risk of factory and warehouse shutdowns or lifeline interruption, losses from direct business interruption are reduced. In a community with mitigation projects, those inevitable economic "ripple" effects are less devastating and indirect business interruptions are alleviated.

Non-market benefits include:

- Reduced nonmarket environmental damage e.g., wetlands, parks, wildlife;
- Reduced other nonmarket damage e.g., historic sites

Major companies should support these efforts, which will ultimately yield financial and market benefits. Taking a top-down perspective, mitigation efforts will attract—and retain—talent for your Florida workforce.

Evidence that mitigation works:

A study of approximately 4,000 FEMA mitigation grants from 1993 through 2003 determined that the overall benefit-cost ratio (BCR) for FEMA mitigation grants is about 4:1, though the ratio varies from 1:1 for earthquake mitigation to 5:1 for flood mitigation. Sensitivity analysis was conducted and shows these estimates to be quite robust.¹ Other studies have found that the BCR for wind mitigation can be as high as 6.7:1.²

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1. Rose, Adam, et al. "Benefit-cost analysis of FEMA hazard mitigation grants." *Natural hazards review* 8.4 (2007): 97-111.
2. Kunreuther, Howard, Erwann Michel-Kerjan. "Policy Options for Reducing Losses from Natural Disasters: Allocating \$75 billion." *Challenge Paper: Natural Disasters*. Revised version for Copenhagen Consensus. Center for Risk Management and Decision Processes, The Wharton School, University of Pennsylvania Benefit. Philadelphia, Pennsylvania, U.S.A. 2013.