



FEMA

W-05085

December 21, 2005

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators and
NFIP Servicing Agent

FROM: WYO Clearinghouse

SUBJECT: Release of Mitigation Savings Report

On December 19, the Multihazard Mitigation Council (MMC) of the National Institute of Building Sciences released a report providing “quantifiable evidence” that each dollar spent on disaster mitigation saves society an average of four dollars.

MMC examined the results of Federal Emergency Management Agency (FEMA) disaster mitigation grants awarded over a 10-year period (1993-2003) to reduce future damages from earthquake, wind, and flood. The MMC study—*Natural Hazard Mitigation Saves: An Independent Study to Assess the Future Savings from Mitigation Activities*—found that FEMA mitigation efforts reduce future losses and are cost effective.

“For the first time ever, there is now quantifiable evidence that disaster mitigation works,” said Brent Woodworth, MMC chair and worldwide manager of IBM’s Crisis Response Team. “For years, there have been anecdotal reports, but this information gives policymakers the evidence that proves that mitigation is a worthy investment in our nation’s safer future.”

The MMC study was commissioned and funded by FEMA at the direction of Congress. According to the study, mitigation results “in significant net benefits to society as a whole—to individuals, to states and to communities—in terms of future reduced resource losses and significant savings to the Federal treasury in terms of future increased tax revenues and future reduced hazard-related expenditures.”

Key findings of the report include the following:

- A dollar spent on mitigation saves society an average of \$4, with positive benefit-cost ratios for all hazard types studied.
- In addition to savings to society, the Federal treasury can redirect an average of \$3.65 for each dollar spent on mitigation as a result of disaster relief costs and tax losses avoided.
- In each of the eight communities studied in depth, FEMA mitigation grants were a significant part of the community’s mitigation history and often led to additional loss reduction activities.

- Mitigation is sufficiently cost-effective to warrant Federal funding on an ongoing basis both before disasters and during post-disaster recovery.

“We’ve all seen that mitigation helps to save lives and reduce property damage,” said David I. Maurstad, FEMA’s Acting Director of Mitigation. “But until the MMC study we haven’t had independent, objective, quantitative data analysis to show that building stronger and safer is also a sound investment.”

The study involved two interrelated components: (1) a benefit-cost analysis of a broad sample of FEMA mitigation grants; and (2) additional empirical research on FEMA-funded mitigation activities carried out in eight selected communities.

MMC’s report on the study’s findings, conclusions, and recommendations is available at <http://www.nibs.org/MMC/mmcactiv5.html>; click on the link “HAZARD MITIGATION SAVES.” The link also provides access to complete documentation for the study.

Please share this information with others in your organization as appropriate.

cc: Vendors, IBHS, FIPNC, WYO Marketing Committee, Government Technical Representative

Suggested Routing: Claims, Marketing, Underwriting