A Catastrophic Risk Management Symposium

The 3M’s of Catastrophic Risk Management...
Mitigation, Money and Markets

Bringing together Thought Leaders from Academia, Government and Industry

Hosted by:
The Griffith Insurance Education Foundation

In Partnership with:
The American Risk and Insurance Association
The National Association of Insurance Commissioners
Welcome to the 3 M’s of Catastrophe Risk Management: Mitigation, Money, and Markets Symposium

Given the depth and breadth of talent we have assembled here – the true innovators and thought-leaders on our topic “The 3 M’s of Catastrophe Risk Management: Mitigation, Money, and Markets” – we are anxiously anticipating an informative and stimulating exchange of ideas, insights, and perspectives.

Over the next few days, through in-depth discussion and analysis of the challenges of residual markets, of attracting capital to catastrophic event management, and approaches to mitigating catastrophic risks, we hope to generate some meaningful recommendations worthy of sharing with the industry. These issues continue to evolve, so our efforts must be forward thinking yet actionable if they are to be of any value to the industry and our communities at large.

Your symposium sponsors—the American Risk and Insurance Association (ARIA), Griffith Insurance Education Foundation, and the National Association of Insurance Commissioners Center for Insurance Policy & Research—truly appreciate your participation. Please let us know if there is anything we can do to help make your participation more meaningful, and you stay more enjoyable, during your time in Columbus.

Here’s to a robust and enlightening experience!

Sincerely,

Vickie Bajtelsmit
Chair, ARIA Regulation Symposium Committee
Professor and Chair of the Department of Finance and Real Estate
Colorado State University

Donald J. Rebele
President and CEO
Griffith Insurance Education Foundation

Therese M. Vaughan, Ph.D
Chief Executive Officer
National Association of Insurance Commissioners
PROGRAM SCHEDULE

DECEMBER 9, 2010

The Ohio State University, Pfahl Hall, Fisher College of Business

Welcome
1:00 pm-1:15pm Introductory Remarks

The Role of Residual Markets
1:15pm-1:45pm Panel Discussion
  Jack Nicholson - Chief Operating Officer - Florida Hurricane Catastrophe Fund
  Scott Richardson - Commissioner - South Carolina Department of Insurance

Issues and Questions
1:45pm-3:00pm Break-out Sessions
3:00pm-3:30pm Break

Ways to Attract Capital
3:30pm-4:00pm Panel Discussion
  David Cummins - Professor of Risk, Insurance, and Healthcare Management - The Fox School of Business at Temple University
  Rawle O. King - Analyst in Financial Economics and Risk Assessment - Congressional Research Service

Issues and Questions
4:00pm-5:15pm Break-out Sessions

Dinner & Keynote Speaker (Blackwell Inn)
6:00pm-8:00pm Reception, Dinner, and Keynote Speaker
  Lawrence A. Hilsheimer - President and Chief Operating Officer, Nationwide Direct & Customer Solutions
PROGRAM SCHEDULE

DECEMBER 10, 2010

The Ohio State University, Pfahl Hall, Fisher College of Business

Morning

8:00am-8:30am Breakfast

Ways to Incentivize Disaster Mitigation Measures

8:30am-9:00am Panel Discussion

Lorilee A. Medders - Associate Director - The Florida Catastrophic Storm Risk Management Center

Stephen H. Weinstein - Senior Vice President, Chief Compliance Officer and General Counsel & Secretary - RenaissanceRe Holdings Ltd.

Issues and Questions

9:00am-10:15am Break-out Sessions

10:15am-10:30am Break

Debriefing/Summary/Wrap-Up

10:30am-12:00pm Presentations and Discussion

- How to Attract Capital
- Role of Residual Markets
- How to Incentivize Mitigation

12:00pm Shuttle to Airport
Session #1 | The Role of Residual Markets

Summary
Residual property insurance markets have traditionally focused on providing insurance coverage to property owners who were unable to obtain coverage in the private market. Residual market mechanisms include FAIR plans, beach and windstorm plans and the CEA. Some states with substantial catastrophic exposure have seen significant increases in the both the number of policyholders obtaining coverage in residual market mechanisms and the overall value of property insured in these plans. This growth has not been uniform however; as some state residual markets have seen substantial growth while others remain relatively small.

Questions
- What factors have impacted the size of a state’s residual market?
- Can residual markets adequately address both affordability and availability of property insurance?
- How should residual market rates be determined?
- How should residual markets fund any deficit incurred?
- How should future roles of residual markets be formulated?

Readings

Session #2 | How to Attract Capital

Summary
Capital is needed to support both the private and public markets for property insurance in hazard prone areas. The sources of capital include policyholders, insurers, reinsurers, government insurance entities, capital market sources and ultimately taxpayers. At the state level, some of that capital is from internal sources such as policyholders, taxpayers, or small, local insurers. The remainder of that capital is from external sources such as large national insurers, reinsurers or capital market sources. While capital market solutions have long been lauded as the ultimate source of capital for catastrophes, the markets seem to be developing slowly.

Questions
- How much capital is needed to support catastrophic risk?
- What sources should provide that capital?
- What should the return on capital invested in catastrophes be?
- Is the property-casualty industry overcapitalized?
Questions (continued)

▪ How do states cultivate external capital sources?
▪ Is there enough investor interest in capital market instruments involving catastrophic risk?
▪ How much catastrophic risk should insurers (reinsurers) retain?

Readings


Session #3 | How to Incentivize Mitigation

Summary
In the short run, little can be done to alter the frequency of catastrophic events. However, steps can be taken to alter the severity of events through new building codes and mitigation. Structures built to new building codes have proven to be more resilient to damage in the event of catastrophes. However, since property improvements have such a long life cycle, it takes a very long time for new building codes to permeate the existing building stock. The result is that the best method to reduce damage in the short run is through mitigating current building stock. The problem is how to incentivize property owners to undertake mitigation which often involves large out of pocket expenses.

Questions

▪ What role can insurance and the regulation of insurance play in incentivizing mitigation?
▪ Are insurance premium credits effective at incentivizing mitigation?
▪ What are the most cost effective mitigation techniques to promote?
▪ How can the upfront costs of mitigation be reduced?
▪ Who gains from mitigation efforts? Who pays?

Readings

The American Risk and Insurance Association (ARIA), the premier association of scholars in risk and insurance, with membership drawn from the majority of insurance academics in the U.S. and Canada.

The Griffith Foundation, which offers risk management and insurance education programs and resources for students, teachers, academic institutions, and public policymakers.

The National Association of Insurance Commissioners (NAIC) comprised of elected or appointed state government officials who, along with their departments and staff, regulate the conduct of insurance companies and agents in their respective state or territory.

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