

TRAVELERS  **J**

Coastal Hurricane Program – Key Challenges

- For the Consumer:
 - Availability of Coastal Insurance
 - Affordability of Insurance Premiums

- For the Policymakers:
 - Economic Growth
 - Disaster Recovery

- For the Carriers:
 - Stable Regulatory Environment
 - Reasonable Long-Term Profitability

Coastal Hurricane Program Proposal – Key Aspects

- A private market program to provide insurance coverage for similar risk exposures
 - Coastal zone(s) from Texas to Maine
 - Personal Lines homeowners policies
 - Hurricane (named storm) wind coverage – does not cover flood

- Federal oversight of rating & coverage to ensure a stable & uniform environment
 - Risk-based rates – ensures adequate pre-funding of CAT risk
 - Incorporates output from certified stochastic models
 - Premium adjustment mechanism based on actual long-term wind experience
 - Prospective adjustment incorporating occurrence (or not) of major event
 - Proposed timeframe is 10 year rolling
 - Credit or incentive mechanism, based on economic need, to assist transition to risk based rates
 - Incentives for loss mitigation to manage premium levels
 - Federal economic incentives for states tied to adoption & enforcement of federal building standards and other mitigation/loss reduction programs
 - Risk management and capitalization standards for participating carriers

Coastal Hurricane Program Proposal – Key Aspects

- Continued State Regulation for Certain Matters
 - Solvency
 - Residual market regulation
 - Safety net – market of last resort
 - Rating approach is consistent with Federal Program for pre and post event funding
 - Authority on all non-wind coverages now regulated by states

- Accounting Policy
 - Change CAT reserve accounting approach to accrued over time, rather than when incurred
 - No change in tax treatment – continue deductibility when incurred

- Mandatory participation in the National Flood Program in coastal and flood zones

Coastal Zone

Corporate Coastal Definition



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