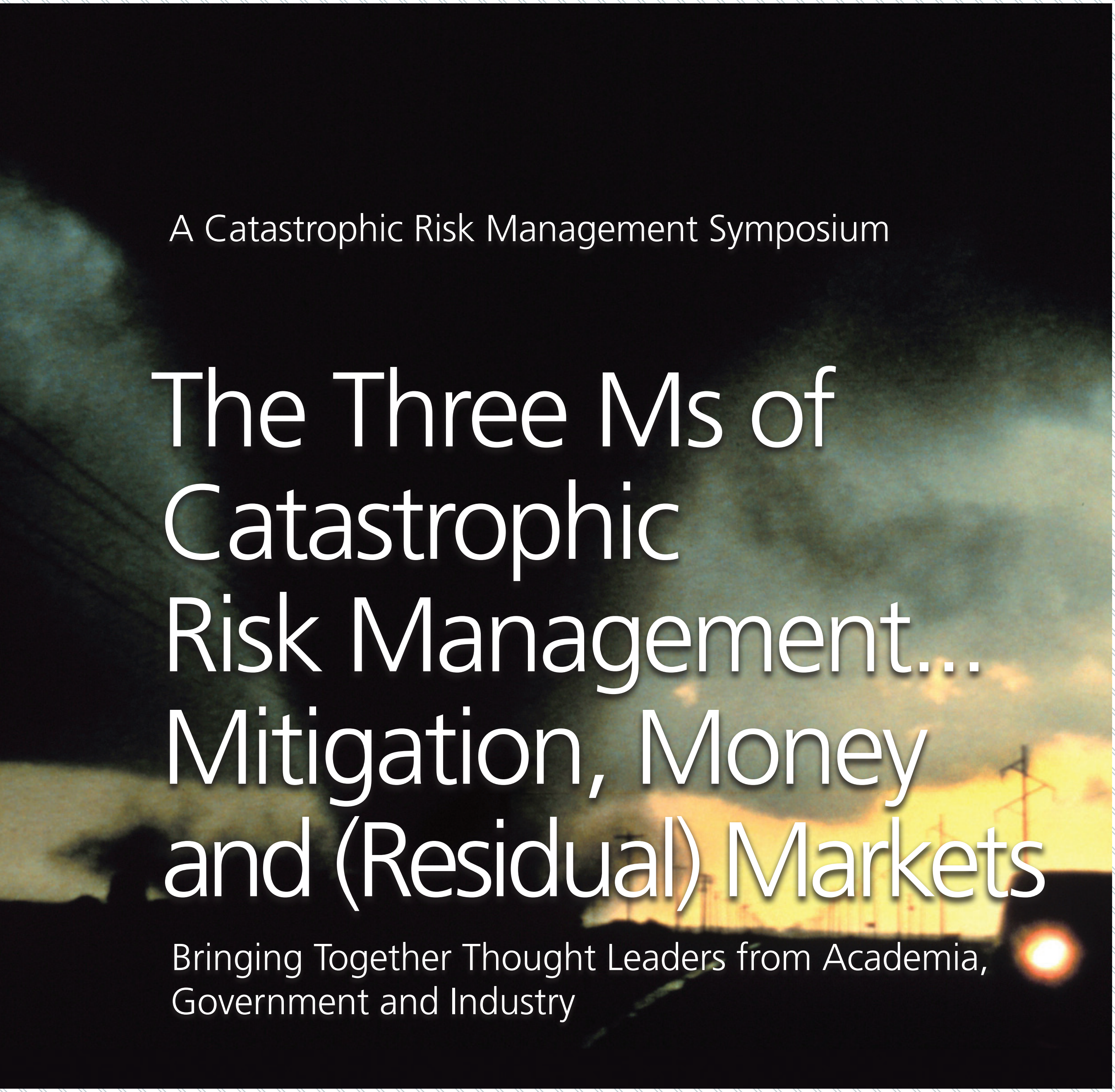

A Catastrophic Risk Management Symposium

The Three Ms of Catastrophic Risk Management… Mitigation, Money and (Residual) 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

Welcome to the Three Ms 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, 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, attracting capital to catastrophic event management, and 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 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 your stay more enjoyable during your time in Columbus. Here's to a robust and enlightening experience!

Sincerely,

Vickie L Bajtelsmit

Vickie Bajtelsmit

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

Donald J Rebele

Donald J. Rebele
President and CEO
Griffith Insurance Education Foundation

Therese M. Vaughan

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 and 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 and 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

PROGRAM OVERVIEW

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

1. Sutter, Daniel, 2007. "Ensuring Disaster: State Insurance Regulation, Coastal Development, and Hurricanes," *Mercatus Policy Series*, Policy Comment No. 14.
2. Hartwig, Robert, and Claire Wilkinson, 2007, "Residual Market Property Plans: From Markets of Last Resort to Markets of First Choice," *Insurance Information Institute*.
1. Cole, Cassandra, Patrick Maroney, Kathleen McCullough, and Charles Nyce "The Role Of State-Run Insurers in Providing Property Coverage in Coastal States With High Hurricane Exposure," *CPCU eJournal*, Vol. 62 December 2009: 1-11.
2. Government Accountability Office, "Natural Catastrophe Insurance Coverage Remains a Challenge for State Programs," *GAO-10-568R*, May 17, 2010.

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

1. Grace, Martin F. and Robert W. Klein, 2009. “The Perfect Storm: Hurricanes, Insurance, and Regulation,” *Risk Management and Insurance Review*, vol. 12, no. 1, 81-124.
2. Mutenga, Stanley and Sotiris K. Stailkouras, 2007. “The Theory of Catastrophe Risk Financing: A Look at Instruments that Might Transform the Insurance Industry,” *The Geneva Papers on Risk and Insurance – Issues and Practice*, 32, 222-245.
1. Cummins, J. David and Mary Weiss, “Convergence of Insurance and Financial Markets: Hybrid and Securitized Risk-Transfer Solutions,” *Journal of Risk and Insurance*, 2009, vol. 76. no. 3, pp. 493-545.
2. Klein, Robert W., and Shaun Wang, 2009, “Catastrophe Risk Financing in the United States and the European Union: A Comparative Analysis of Alternative Regulatory Approaches,” *Journal of Risk and Insurance*, vol. 76, No. 3, 607-637.
3. King, Rawle O., 2008. *“CRS Report for Congress: Financing Recovery from Large-Scale Natural Disasters.”*

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

1. Kunreuther, Howard and Erwann Michel-Kerjan, 2009. “Enhancing the Implementation of Risk Reduction Measures,” *At War With The Weather: Managing Large-Scale Risks in a New Era of Catastrophes*, MIT Press.
2. Implementation of Mitigation Credits in Florida *http://www.stormrisk.org/admin/downloads/Mitigation%20Credit%20Study%20Final%20Report.pdf*
3. Schneider, Lori, 2010. “Home Hardening Incentives Programs: Innovative Finance Concepts for Wind Mitigation and Home Hardening,” *Final Report to the Residential Construction Mitigation Program*, June 30, 2010.

The American Risk and Insurance Association (ARIA), is 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, offers risk management and insurance education programs and resources for students, teachers, academic institutions, and public policymakers.

The National Association of Insurance Commissioners (NAIC) is 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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