

The South Carolina Coastal Risk Symposium

Charleston, S.C. • October 30, 2009

The Travelers Institute launched its first in a series of regional symposia on October 30, 2009, in Charleston, S.C., focused on addressing the financial threats posed to coastal areas, such as the availability and affordability of catastrophic wind coverage, intensified by potential changing climate trends. The South Carolina Coastal Risk Symposium brought together local business and government and community leaders to identify strategies and solutions to protect and insure the coastal region. The panel discussion was hosted in partnership with the City of Charleston; the South Carolina Department of Insurance; The H. John Heinz III Center for Science, Economics and the Environment; Ceres and the Independent Insurance Agents & Brokers of South Carolina.

The Travelers Institute chose South Carolina for its first symposium because of the state's strong commitment to public-private partnerships to protect its coast as well as its dedication to coastal mitigation and a stable insurance regulatory environment. Moderated by Joan Woodward, Travelers Executive Vice President, Public Policy, and head of The Travelers Institute, the panel included:

- The Honorable Mayor Joseph P. Riley – Mayor, City of Charleston, South Carolina;
- Leslie Jones – Deputy Director for Actuarial Market and Alternative Risk Transfer Services, South Carolina Department of Insurance;
- Deb Callahan – President, The Heinz Center;
- Sharlene Leurig – Senior Manager of Insurance Program, Ceres;
- Eric Nelson – Vice President of Risk Management, Personal Insurance, Travelers.

Mayor Riley, serving in his ninth term as mayor of Charleston, spoke of the initiatives the city has implemented to foster coastal resiliency, which include enforcing stringent building codes and prudently analyzing the impact of development. He emphasized the need for a stable insurance market so that the average person can be adequately insured at an affordable price.



Joan Woodward, The Travelers Institute; Deb Callahan, The Heinz Center; and Charleston Mayor Joseph P. Riley

Representing the South Carolina Department of Insurance, Leslie Jones spoke about the importance of mitigation to help manage insurance costs. Established in 2007, the SC Safe Home Program offers grants for South Carolinians to make their property more resistant to hurricane wind damage. To date, 909 grants have been awarded totaling nearly \$4.5 million. She also said that equally important is the need for market-based regulatory reforms to create a consistent insurance market for coastal properties. According to Ms. Jones, South Carolina has been “laser focused” on coastal insurance since 1989, when Hurricane Hugo ravaged much of its coastline, causing \$4.2 billion in insured losses. She acknowledged the only way to truly solve the coastal property insurance crisis is through collaboration and dialogue among key stakeholders.

Deb Callahan, President of The Heinz Center, a nonprofit, nonpartisan think tank dedicated to improving the scientific and economic foundation for environmental policy, highlighted recommendations from the recently completed Resilient Coasts Blueprint. Developed by The Heinz Center and Ceres, the Blueprint recommends action steps to adapt to changing climate trends to protect America's coastlines. According to Ms. Callahan,



Sharlene Leurig, Ceres; Eric Nelson, Travelers; and Leslie Jones, South Carolina Department of Insurance

The Heinz Center believes that property losses can be cut more than 50 percent by implementing and enforcing strong building codes, steering development away from land considered hazardous, constructing coastal infrastructure with an eye to climate change resilience and protecting and restoring coastal wetlands. The Blueprint is endorsed by The Travelers Institute, Mayor Riley and other leaders in insurance, government, non-governmental organizations and academia.

Representing Ceres, a coalition of institutional investors and environmental groups that runs the Investor Network on Climate Risk, Sharlene Leurig spoke about the increased risks that extreme weather events pose to insurability and the economic interests of the coalition's members. Ms. Leurig cited Hurricane Katrina as a stimulus for the insurance industry to work with others to address practices that make society vulnerable to extreme events. Insurers have joined the environmental community and taxpayer advocacy groups to lobby for insurance rates that adequately reflect real risk and federal programs to assist property owners in reducing their risk. For example, the National Flood Insurance Program must be reformed to achieve financial stability in order to pay claims. Further, Ms. Leurig believes innovative financial mechanisms should be explored in order to maintain a viable insurance market and create affordability for consumers while allowing insurers to remain solvent and serving customers, even after catastrophic storms.

Citing the dramatic increase in coastal development, increased frequency and severity of weather events, along with underfunded government insurance programs, Eric Nelson of The Travelers Companies, Inc. called for prompt action to address the coastal insurance crisis. He presented the Travelers Coastal Wind Zone Plan as a comprehensive, private market approach to help improve the affordability and availability of coastal wind storm insurance for homeowners. The four principles of the plan are:

- A stable and consistent regulatory environment, with a uniform set of rules applied to named wind coverage for coastal zones from Texas to Maine;
- Transparency in calculating insurance premiums;
- Federal reinsurance mechanism for extreme events (such as hurricanes causing losses several times greater than those arising out of Hurricane Katrina);
- Stronger buildings through federal guidelines for appropriate building codes and land use planning.

The symposium's audience of community leaders, legislators and insurance agents was generally supportive of the panelists' recommendations and discussed next steps and a desire for continued local forums. The policy discussion reinforced that long-term solutions for protecting the Gulf and Atlantic coasts will come from a broad base of leaders collaborating and urging federal and state legislators to action. The lessons learned at the South Carolina Coastal Risk Symposium will serve as the foundation for future symposia in other coastal states that will lead to action to improve the affordability and accessibility of catastrophic wind insurance for coastal homeowners.



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