



Risk Policy and Decision Making Seminar Series

Co-sponsored by the International Hurricane Center, Florida International University,
The School of Business Administration and the Abess Center for Ecosystem Science and
Policy
University of Miami

**Friday, February 20, 2009
4:00-5:30 PM**

Howard Kunreuther
University of Pennsylvania

**“At War with the Weather: Managing Large-Scale Risks
In a New Era of Catastrophes”**

**Room 208 Kosar-Epstein Building
School of Business Administration
The University of Miami**

Reception Follows

Howard Kunreuther is the Cecilia Yen Koo Professor of Decision Sciences and Public Policy at the Wharton School, University of Pennsylvania as well as serving as Co-Director of the Wharton Risk Management and Decision Processes Center. He has a long-standing interest in ways that society can better manage low probability-high consequence events as it relates to technological and natural hazards and has published extensively on the topic. He is a Fellow of the American Association for the Advancement of Science (AAAS) and Distinguished Fellow of the Society for Risk Analysis, receiving the Society’s Distinguished Achievement Award in 2001. He is a recipient of the Elizur Wright Award for the publication that makes the most significant contribution to the literature of insurance.

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Abstract

Data on losses from natural disasters and other extreme events reveal that losses from natural disasters have increased significantly in recent years. The four hurricanes in Florida in 2004 (Charley, Frances, Ivan, and Jeanne) collectively totaled almost \$33 billion in insured losses. Hurricane Katrina alone cost insurers and reinsurers an estimated \$46 billion, the most costly disaster in the insurance industry's history. We have entered a new era of catastrophic losses due to the increasing concentration of population and activities in high-risk coastal regions of the country

This talk describes the principal findings of a major study undertaken by the Wharton Risk Center, in conjunction with Georgia State University on the role of the private and public sectors in insuring, mitigating and financing recovery from natural disasters in the United States. Based on a series of in-depth economic analyses focusing on four states (Florida, Texas, South Carolina and New York), the study contrasts the current program where insurance is highly regulated with a private market solution where insurers are free to set premiums reflecting risk. We propose long-term sustainable strategies for reducing disaster losses and providing financial support to victims of these events such as long-term flood insurance and mitigation loans, and vouchers (i.e. insurance stamps) for low-income residents in hazard-prone areas who may not be able to afford risk-based insurance premiums.