



case 1-429-347

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Travelers Insurance: Focusing on Climate Change and Natural Disaster Risk

“It’s true that no single event makes a trend. But the fact is the 12 hottest years on record have all come in the last 15. Heat waves, droughts, wildfires, floods — all are now more frequent and more intense. We can choose to believe that Superstorm Sandy, and the most severe drought in decades, and the worst wildfires some states have ever seen were all just a freak coincidence. Or we can choose to believe in the overwhelming judgment of science — and act before it’s too late.”

— President Barack Obama, State of the Union address, February 12, 2013

It was a cloudy afternoon in February of 2013. Evan Blue,ⁱ vice president in the Enterprise Risk Management and Business Conduct Group at Travelers Insurance, returned to his desk to find a report with a sticky note that read:

“Shareholders want to know what we’re doing about this.”

The note was from Travelers CEO Jay Fishman, and the report, “Stormy Future for US Property and Casualty Insurers: The Growing Costs and Risks of Extreme Weather Events,”¹ was from Ceres, a non-profit organization that sought to accelerate the adoption of sustainable business practices by mobilizing a powerful network of investors, companies, and public interest groups. The report highlighted the need to evaluate climate change risk and develop multi-pronged response strategies.

Some of Travelers’ investors were calling for Travelers to plan for climate change risk, adding urgency to the report’s warning. One of these investors was the California State Teachers’ Retirement System (CalSTRS) — one of the largest pension funds in the country.

i Evan Blue is a fictional character.

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©2015 Andrew Hoffman. This case was developed by dual degree MBA/MS students Jonathan Huynh, David Wang, Jay Wolfram, and Connie Yu under the supervision of Andrew Hoffman, Holcim (US) Professor of Sustainable Enterprise and Director of the Erb Institute at the University of Michigan Ross School of Business and Jenny Dissen, director of outreach and engagement at the Cooperative Institute for Climate and Satellites–North Carolina, an academic research institution of the National Oceanic and Atmospheric Administration at the National Climatic Data Center. The case was written for class discussion rather than to illustrate either the effective or ineffective handling of a situation, and is based on information collected from secondary sources. Evan Blue is a fictional character who has been added to the case for discussion purposes.