

## SUMMERTIME SUPPLY AND DEMAND

### Foreign Students Fill Beach Jobs During the High Season

This is the second summer in a row that Agata Korzeniewska has worked at Food Lion Store No. 2503, located at milepost 14.5 in Nags Head, N.C. Korzeniewska, 22, is from Warsaw, Poland, an economics major with three years left until graduation.

Her countrymen abound in this Outer Banks beach town, where the high season unemployment rate is about 2.5 percent and able bodies like hers are crucial to satisfying the consumption habits of tourists. Not only are the Polish students abundant, but also Russians, Thais, Bulgarians, and Turkmen, among other nationalities, pedaling their cruiser bicycles up and down the Croatan Highway.

"I want to learn English," says Korzeniewska, whose English is already near perfect. "It's a good program for students."

Korzeniewska is referring to the J-1 visa program and the international firms that pair students with U.S. jobs, plus collect a fee for the service. In general, firms that recruit, interview, and place international students don't assist in many other logistics, such as housing and transportation, nor does Food Lion. In 2006, the State Department issued about 128,000 visas for summer travel nationwide, with 2,488 for work in North Carolina. This summer Food Lion employed about 500 international students in 32 stores along the East Coast, from Ocean City, Md., to Myrtle Beach, S.C. Without them, it's easy to imagine tourist season business grinding to a halt — or at least, firms having to dramatically raise both wages and prices in order to attract qualified laborers.



*Agata Korzeniewska pauses while at work in a Nags Head Food Lion, a summer job she obtained through the J-1 visa program.*

Rick Chance is manager of the Food Lion in South Nags Head. The store has an easy-to-use, online application system that it once hoped would solve its summertime problem of filling jobs, but it hasn't lived up to expectations. The system collects no more than two applications a month, Chance says. Most U.S. college students like to work in bars or clubs, he says, making it difficult to find capable workers to stock groceries, retrieve carts, and cash out shoppers. About half the store's summertime staff consists of foreign students. "With the huge business in the summer, we have to go outside," Chance says. "These kids are really great. They're eager to do a good job."

As an economics major, Korzeniewska understands the basic need for foreign workers like herself, and she is glad for the opportunity. Here, she earns \$8.75 an hour, at least \$3 more than she would likely earn in Poland, she says. After her 8 a.m. to 4 p.m. shift concludes, she bikes across the street to the Sonic drive-in for her second job.

Korzeniewska lives with 16 other students in a five-bedroom house in Kill Devil Hills. But it's not so bad, she says. And she gets two days off a week to hang out on the beach. With her savings, she expects to head to Florida at the end of the summer. By the end of September, her visa expires and she heads home to Warsaw. — DOUG CAMPBELL

## STORM SEASON

### South Carolina Law Expands Coastal Coverage

Insuring the coast is risky business and growing riskier. Coastal insurance has been either hard to come by or expensive since the storm season of 2005. The demand for payouts post-Hurricane Katrina stretched insurance firms to the limit, and that's created more demand for reinsurance, leading to price increases all the way around. According to the National Association of Insurance Commissioners, firms lost 4 cents for every \$1 in premium collected between 1985 and 2005 in South Carolina. That includes just over \$3.7 billion in losses (in 2005 dollars) from Hurricane Hugo, which clobbered the coast in 1989.

Two weeks into the 2007 hurricane season, with forecasts calling for a 50 percent chance of a big storm on the East Coast, the state Legislature passed a coastal insurance bill. Among other provisions, the law expanded the territory covered by the S.C. Wind and Hail Underwriting Association, a state pool backed by insurance firms. The pool sells wind insurance when homeowners can't get it anywhere else, at above-market rates. (The National Flood Insurance Program insures properties in flood-prone areas.) The new law also allows tax-free catastrophe savings accounts for policyholders to pay deductibles, and provides

tax credits for homeowners who make storm-resistant improvements, such as hurricane-proof siding.

Property insurance rates there have risen between 20 percent and 100 percent since 2005. Even though South Carolina did not take a storm hit in 2005, carriers revisit risk models and update rate structures after blockbuster storms like Katrina. Reports of condominium insurance hikes as high as 700 percent grabbed everybody's attention. The nearly one-quarter of South Carolinians who live in the seven counties that lie along the state's 187 miles of coastline have reason for concern. Residential and commercial property there is insured to the tune of about \$150 billion and it's growing.

The major piece of the law includes the tax incentives the state is offering to insurance firms to encourage them to write policies along the coast. The details are still being worked out, but one provision credits firms for policies on properties previously eligible for coverage only through the state wind pool.

Economist Don Schunk of Coastal Carolina University says that tweaking market incentives works better than heavy-handed regulation. "What we're seeing in South Carolina has been a fairly good model," he says. "We don't know how everything is going to play out over the next few years, but to offer incentives to encourage companies to write policies, to get the homeowner to hurricane-proof their homes, we [economists] tend to like that kind of activity." He noted that premiums began to stabilize and new carriers entered the market even before the legislation passed because the industry had observed the bill's progress.

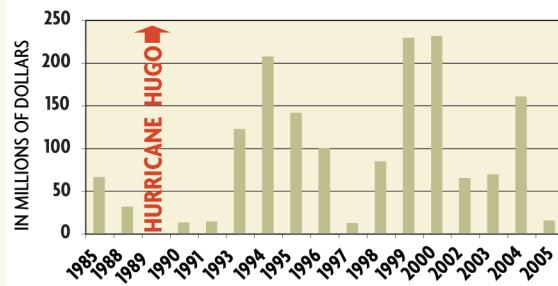
While the South Carolina legislation may mitigate availability and affordability of insurance in risky areas, the fundamental problem remains: Rates have been underpriced, and that's contributed to overdevelopment on the coastlines. Between changing weather patterns and the population shift toward the U.S. coasts, catastrophes seem unavoidable. Paying for them is likely to become even more of a problem.

A catastrophe by its nature is unexpected and expensive, and is defined by the industry as an event that reaches \$25 million or more in claims. Economists Kip Viscusi of Vanderbilt University and Patricia Born of California State University at Northridge used a large data set on homeowner's insurance coverage between 1984 to 2004 that documented the effect of blockbuster catastrophes on firms. The results were published in a National Bureau of Economic Research working paper in 2006.

In short, they found that a catastrophe reduces total premiums earned and the number of firms providing coverage. Because losses stem from a small number of huge events, the insurer may have trouble covering the costs. Insurers typically compensate by raising rates after events, but that may not be enough.

"In the absence of adequate reinsurance, the firm may go bankrupt or may choose to exit a state where there is a

## S.C. Insured Catastrophe Losses 1985-2005



NOTE: In 1989 Hurricane Hugo brought just over \$3.7 billion in losses.  
SOURCE: Insurance Information Institute; adjusted to 2005 dollars

substantial exposure to such catastrophic risks," according to the authors. After Katrina, for example, several major insurers either left coastal states altogether or chose not to renew certain policies.

In South Carolina, according to Allison Love of the S.C. Insurance News Service, Allstate declined to renew 10,000 policies; State Farm, 1,000; and the S.C. Farm Bureau, just under 3,000.

— BETTY JOYCE NASH

### UPDATE

## Progress of Southeast Rail Corridor

An 850-mile high-speed rail corridor stretching from Washington, D.C., to Florida continues to exist on paper only. But in the 18 months since *Region Focus* last reported on the Southeast High Speed Rail Corridor, some progress has been made.

The U.S. Department of Transportation designated 10 regional high-speed rail systems in 1992, including the Southeast Corridor. The overarching idea is to provide an alternative intercity means of transport beyond airplanes and automobiles, perhaps helping to contain traffic congestion on roads and at airports.

Earlier this year, the N.C. Department of Transportation's Rail Division collected a \$1.5 million grant from the Virginia Rail Enhancement Fund for completion of an environmental impact statement for the Richmond-to-Raleigh stretch of rail. Meanwhile, fieldwork has been conducted for several other portions of the corridor.

Kevin Page, chief of rail transportation with the Virginia Department of Rail and Public Transportation, says this methodical approach is necessary. All parties want to be confident about the costs, benefits, and feasibility of the project before trying to secure federal funding for construction. On the current schedule, hearings on the latest environmental studies will conclude in 2010.

"Without the plans we will continue to be unsure about the level of funding required, and ... that is why the environmental studies continue," Page says.

— DOUG CAMPBELL