

Improving Natural Catastrophe Resiliency: Insurance vs. Intervention

Unintended Consequences: When Intervention Makes Things Worse

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- ➔ Introduction
- ➔ Role of Public & Private Sectors
- ➔ Opportunities in U.S. Flood
- ➔ Opportunities in U.S. Quake
- ➔ Leveraging industry expertise for consumer benefit

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Introduction:

Recovering regulator

What's best for the consumer

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Proper Roles of:
Public Sector
Private Sector

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Opportunities in U.S. Flood

National Flood Insurance Program (NFIP): Reauthorization and Reform

- 21st Century Flood Reform Act – passed U.S. House
- Reforms the 1968 created NFIP: Challenges=Opportunities
- NFIP has \$30B debt; only 12% U.S. homes covered (III)
- Dec 8th expiration; proposed renewal is 5 year
- Expands private flood options
- Supported by National Association of Insurance Commissioners
- Will U.S. Senate take action in time for expiration?

Could private sector flood be competitive?

- July 2017 Milliman Market Feasibility Study
- Florida, Texas & Louisiana – 56% of NFIP

State	NFIP Homes	Est. Homes	% Risks Proj <NFIP Prem
Florida	958,764	4,300,000	77%
Louisiana	410,216	1,200,000	69%
Texas	527,249	6,100,000	92%

NFIP Reinsurance

NFIP Reinsurance Program will:

- Diversify the tools the U.S. FEMA (Federal Emergency Management Agency) uses to manage the financial consequences of major flood risk by obtaining reinsurance;
- Lay the cornerstone for a multi-year program;
- Extend the NFIP's claims-paying ability to avoid adverse outcomes by securing reinsurance at a fair and reasonable cost; and
- Promote private sector participation in flood-risk management.

NFIP Reinsurance

- FEMA began using reinsurance in 2016, when it tested the reinsurance market with just \$1 million of flood reinsurance for the NFIP from September 19, 2016 through until March 19, 2017
- Followed up with a January 2017 reinsurance placement of \$1.024 billion of coverage, supplied by a panel of 25 reinsurers. ~26% of NFIP losses on layer between \$4B and \$8B; Harvey ~\$10B
- The next step is to transition to multi-year coverage. The 2017 reinsurance program assumed to have paid out fully for losses from flooding due to hurricane Harvey. The need for renewal is clear
- Hoped NFIP may upsize on the program, transferring more risk & make multi-year in nature.
- FEMA procurement process for 2018 reinsurance program started.

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Opportunities in U.S. Quake:

California Earthquake Authority and beyond

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Leveraging industry expertise for consumer benefit

Thank you

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