NIBS – 2016 Symposium
Resilience through Incentives – Insurance Perspective

Carl G. Hedde, CPCU – Head of Risk Accumulation
Munich Reinsurance America, Inc.
Loss events worldwide 2015
Percentage distribution

Number of events: 1,060
- Meteorological events: 6%
- Hydrological events: 43%
- Climatological events: 40%
- Geophysical events: 11%

Overall losses: US$ 90bn
- Meteorological events: 8%
- Hydrological events: 48%
- Climatological events: 26%
- Geophysical events: 18%

Fatalities: 23,000
- Meteorological events: 43%
- Hydrological events: 10%
- Climatological events: 23%
- Geophysical events: 24%

Insured losses: US$ 27bn
- Meteorological events: 2%
- Hydrological events: 73%
- Climatological events: 13%
- Geophysical events: 12%

Losses in 2015 values, adjusted to inflation based on country CPI
Weather-related loss events worldwide 2015

Percentage distribution

Number of events: 990
- Meteorological events: 45%
- Hydrological events: 43%
- Climatological events: 12%

Fatalities: 12,800
- Meteorological events: 17%
- Hydrological events: 41%
- Climatological events: 42%

Overall losses: US$ 81bn
- Meteorological events: 53%
- Hydrological events: 28%
- Climatological events: 19%

Insured losses: US$ 25bn
- Meteorological events: 74%
- Hydrological events: 14%
- Climatological events: 12%

Losses in 2015 values, adjusted to inflation based on country CPI
Weather-related loss events worldwide 2015
Percentage distribution by continent

Number of events: 990
- North America, incl. Central America and Caribbean: 35%
- South America: 3%
- Europe: 12%
- Africa: 4%
- Asia: 41%
- Australia/Oceania: 5%

Fatalities: 12,800
- North America, incl. Central America and Caribbean: 6%
- South America: 3%
- Europe: 11%
- Africa: 12%
- Asia: 68%
- Australia/Oceania: <1%

Overall losses: US$ 81bn
- North America, incl. Central America and Caribbean: 35%
- South America: 3%
- Europe: 12%
- Africa: 4%
- Asia: 41%
- Australia/Oceania: 5%

Insured losses: US$ 25bn
- North America, incl. Central America and Caribbean: 65%
- South America: 2%
- Europe: 16%
- Africa: <1%
- Asia: 9%
- Australia/Oceania: 8%

Losses in 2015 values, adjusted to inflation based on country CPI
IBHS – Two similar homes, two different outcomes
How does an insurer differentiate these risks?
Incenting Resilient Actions – Insurance Perspective
Non-financial Incentives

- Life Safety benefits
- Community Benefits – viable post event local economy
- Loss Avoidance – Economic and Insured loss avoidance
- Real Estate – value enhancement
- Environmental Benefits
Incenting Resilient Actions – Insurance Perspective

Financial Incentives that will change behavior

- Tax incentives – Federal, State, Local
- Rebate Incentives – “Resilience Star”
- Insurance deductible incentives
- Insurance premium incentives
Incenting Resilient Actions – Insurance Implications

- Primary Insurance Market – Highly Regulated / Highly Competitive
- Insurance only covers a portion of the risk
- Impact of varying Building Codes and Building Code enforcement
- Risk Adequate Pricing
  - Insurance premium rates are generally not risk adequate
  - Risk adequate pricing creates the opportunity to distinguish risks
- Insurance Contracts – Innovation Opportunity
  - Innovative coverage options for resilient structures
  - Innovative pricing approaches for resilient structures
  - “Certification” will be required to enable wide spread implementation