



CATASTROPHE MANAGEMENT RESILIENCY

AMS Washington Forum 2018

Kevin Cei, Director

April 25, 2018

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CATASTROPHE INSURANCE RISK MANAGEMENT



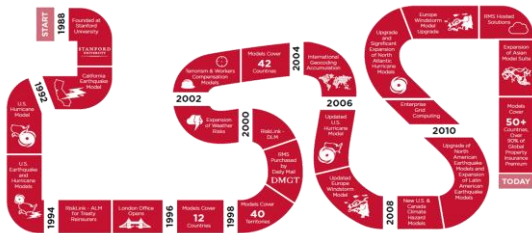
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RISK MANAGEMENT SOLUTIONS JOURNEY OVER TIME



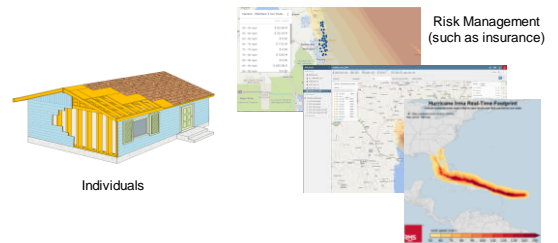
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WHAT DO WE MEAN BY RESILIENCY?



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QUICK CASE STUDY: 2011 THAILAND FLOODS



- 800+ dead
- ~\$12 billion insured loss
- ~\$46 billion economic loss
- 1,300 factories affected
- 14,000 businesses closed nationwide

Photo credits: 2011 Thailand Floods, New Government, Bangkok, Thailand, in Flood, July 2011, CNN "Thailand floods could create tighter shortages" November 2011, Reuters, Gao County, Thailand Flood 2011, New Year International, October 2011

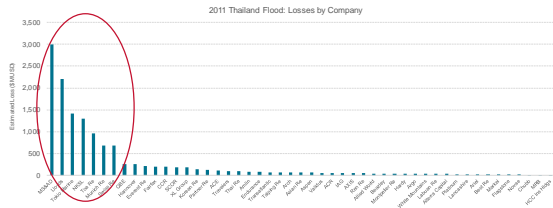
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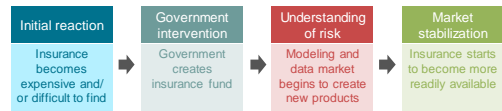
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LOSS DISTRIBUTION SHOWS A POTENTIAL LACK OF UNDERSTANDING OF THE RISK



Statistics: Guy Carpenter "Thailand Flood 2011: One Year Retrospective" October 2012; numbers were initial estimates from Q4 2011
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HOW DID THE INSURANCE MARKET RESPOND IN THAILAND?



Source: The Insurance Insider "Thailand: after the flood" Spring 2014
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WHAT ABOUT HERE IN THE US?

INSURANCE TAKE UP RATES



California earthquake insurance take-up rate is ~10%

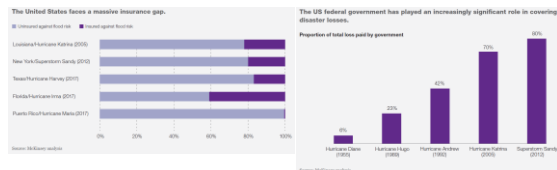


US flood take-up rate is ~50% in NFIP Flood Zones; much less outside of those zones

- Reasons why:
 - Price
 - Misunderstanding of homeowners insurance
 - "It will never happen to me"
 - Recency bias
 - Government aid

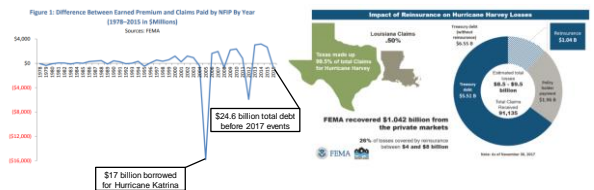
Source: 1. CEA "History of the California Earthquake Authority" <http://www.ceaa.org/history> (updated) Statistics: Daniel Marshall "The California Earthquake Authority", February 2007
Source: 2. NAC & The Center for Insurance Policy and Research, "Flood Risk and Insurance" April 2017
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LACK OF INSURANCE COVERAGE IS CAUSING INCREASED GOVERNMENT SPENDING



Source: McKinsey & Company "Hurricane: Perspectives, gaps, opportunities after 2017", Evonne Michel-Heygen, Grantlinton Tagliani, December 2017
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THE NFIP IS STARTING TO GO INTO PRIVATE MARKETS FOR COVERAGE TO HELP RECOVERING FROM LARGE EVENTS



Source: 1. NAC & The Center for Insurance Policy and Research, "Flood Risk and Insurance" April 2017
Source: 2. NAC & The Center for Insurance Policy and Research, "Flood Risk and Insurance" April 2017
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- 1) Significant amount of work to be done to become resilient
- 2) Broader dissemination of risk information will lead to increased awareness
- 3) How do I make sure I'm prepared for the *next* Thailand flood?



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