The Mitigation Imperative

NAIC Climate and Resiliency Task Force
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Dave Snyder  |  Karen Collins
Increasing Natural Catastrophe Losses

- Increasing frequency and severity of natural catastrophes
  - Flooding
  - Hurricanes
  - Severe Storms
  - Wildfires

- Additional long-term effects predicted by some climate change scientists
  - Global warming
  - Sea level rise
  - Loss of biodiversity
Increasing Natural Catastrophe Losses

- Rising loss trends are seen in recent data, including number of events and total costs.

Billion-Dollar Disaster Events 1980-2021 (CPI Adjusted)

Source: NOAA (*data as of October 8, 2021)
Insurance market contractions are typically the result of competing forces:

**Increased Losses**
- claim payments, higher reinsurance costs, inflation, etc

**Growth in Exposure**
- laws expanded policy coverage, new development in high-risk regions

**Changing Environmental Conditions**
- climate change, drought, etc

**AFFORDABILITY**
- Rising Costs

**AVAILABILITY**
- Ability to Manage Exposure

**Rate Adequacy**
- Timely approvals

**Underwriting Constraints**
- Moratoriums on non-renewals & cancellations

**Access to Tools**
- Cat models to help identify & price individual risk and aggregate losses
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Increasing Natural Catastrophe Losses Are a Key Factor in Insurance Market Issues

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Deteriorating market conditions are a lose/lose/lose--for regulators, the public and insurers

However, MITIGATION helps restore balance and stability in markets
Mitigation is Critical to Reducing Losses and Supporting Insurance Markets

- **Risk identification**
  - Updated hazard maps and modeling
  - Public communication and awareness

- **Preparedness and Response**
  - Physical Adaptation
    - Adopt/enforce building codes
    - Better land use policies
    - More resilient infrastructure
  - Financial Incentives
    - Pre-disaster mitigation funding
    - Risk-Based Pricing
Mitigation More Important than Ever

- **Recovery**
  - Financial Incentives
    - Catastrophe Savings Accounts
    - Post-disaster mitigation in rebuilding
  - Insurance regulation
    - Streamline and make uniform and predictable insurance recovery regulations
    - Support efforts to prevent fraud and price gouging
Conclusion

- Climate change will intensify natural catastrophe trends and losses, and mitigation actions are critical now - for the benefit of all.
- Mitigation and resiliency can also play a vital role in minimizing market issues in regions where insurers’ ability to manage exposure is constrained, such as limits on risk-based pricing or other regulatory responses.