NATIONAL MEETING
SUMMER / CHICAGO

Draft date: 8/2/24

2024 Summer National Meeting
Chicago, Illinois

CLIMATE AND RESILIENCY (EX) TASK FORCE
Thursday, August 15, 2024
9:30 – 10:45 a.m.
McCormick Place Convention Center—Grand Ballroom—Level 1

ROLL CALL

Lori K. Wing-Heier, Co-Chair	Alaska	Grace Arnold	Minnesota
Ricardo Lara, Co-Chair	California	Mike Chaney	Mississippi
Andrew R. Stolfi, Co-Vice Chair	Oregon	Chlora Lindley-Myers	Missouri
Jeff Rude, Co-Vice Chair	Wyoming	Eric Dunning	Nebraska
Mark Fowler	Alabama	Scott Kipper	Nevada
Peni Itula Sapini Teo	American Samoa	D.J. Bettencourt	New Hampshire
Barbara D. Richardson	Arizona	Justin Zimmerman	New Jersey
Alan McClain	Arkansas	Alice T. Kane	New Mexico
Michael Conway	Colorado	Adrienne A. Harris	New York
Andrew N. Mais	Connecticut	Mike Causey	North Carolina
Trinidad Navarro	Delaware	Jon Godfread	North Dakota
Karima M. Woods	District of Columbia	Judith L. French	Ohio
Michael Yaworsky	Florida	Glen Mulready	Oklahoma
Gordon I. Ito	Hawaii	Michael Humphreys	Pennsylvania
Ann Gillespie	Illinois	Alexander S. Adams Vega	Puerto Rico
Doug Ommen	Iowa	Elizabeth Kelleher Dwyer	Rhode Island
Vicki Schmidt	Kansas	Michael Wise	South Carolina
Sharon P. Clark	Kentucky	Tregenza A. Roach	U.S. Virgin Islands
Timothy J. Temple	Louisiana	Kevin Gaffney	Vermont
Robert L. Carey	Maine	Scott A. White	Virginia
Joy Y. Hachette	Maryland	Mike Kreidler	Washington
Kevin P. Beagan	Massachusetts	Nathan Houdek	Wisconsin
Anita G. Fox	Michigan		

NAIC Support Staff: Aaron Brandenburg/Libby Crews

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AGENDA

1. Consider Adoption of its Spring National Meeting Minutes — Attachment One
   —Director Lori K. Wing-Heier (AK)

2. Hear a Presentation from reThought Flood on its Innovative Flood Insurance Product—*Derek Lynch (reThought Flood)* — Attachment Two

3. Hear a Presentation from Marsh McLennan on the *Global Risk Report 2024—Lorraine Stack (Marsh McLennan)* — Attachment Three

4. Receive an Update on Deliverables from the *NAIC National Climate Resilience Strategy for Insurance* (Climate Resilience Strategy)
   —Commissioner Ricardo Lara (CA)

5. Receive an Update from its Workstreams
   —Director Lori K. Wing-Heier (AK)

6. Receive a Federal Update—*Shana Oppenheim (NAIC)*

7. Discuss Any Other Matters Brought Before the Task Force
   —Commissioner Ricardo Lara (CA)

8. Adjournment

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Draft Pending Adoption

Draft: 4/1/24

Climate and Resiliency (EX) Task Force
Phoenix, Arizona
March 18, 2024

The Climate and Resiliency (EX) Task Force met in Phoenix, AZ, March 18, 2024. The following Task Force members participated: Lori K. Wing-Heier, Co-Chair (AK); Ricardo Lara, Co-Chair (CA) Andrew R. Stolfi, Co-Vice Chair (OR); Jeff Rude, Co-Vice Chair (WY); Mark Fowler (AL); Alan McClain (AR); Barabara D. Richardson (AZ); Michael Conway represented by Kate Harris (CO); Andrew N. Mais represented by Wanchin Chou (CT); Karima M. Woods represented by Sharon Shipp (DC); Trinidad Navarro represented by Susan Jennette (DE); Michael Yaworsky represented by Virginia Christy (FL); Gordon I. Ito (HI); Dana Popish Severinghaus (IL); Sharon P. Clark represented by Shawn Boggs (KY); Timothy J. Temple represented by Chuck Myers (LA); Gary D. Anderson represented by Rachel M. Davison (MA); Kathleen A. Birrane (MD); Robert L. Carey (ME); Anita G. Fox represented by Chad Arnold (MI); Grace Arnold represented by Phil Vigliaturo (MN); Chlora Lindley-Myers (MO); Mike Chaney represented by Andy Case (MS); Mike Causey represented by Jackie Obusek (NC); Jon Godfread (ND); Eric Dunning (NE); D.J. Bettencourt represented by Christian Citarella (NH); Justin Zimmerman (NJ); Alice T. Kane represented by Melissa Robertson (NM); Scott Kipper (NV); Adrienne A. Harris represented by Sumit Sud (NY); Judith L. French (OH); Michael Humphreys represented by Jodi Frantz (PA); Elizabeth Kelleher Dwyer (RI); Michael Wise represented by Melissa Manning (SC); Scott A. White (VA); Tregenza A. Roach (VI); Kevin Gaffney (VT); Mike Kreidler (WA); and Nathan Houdek represented by Sarah Smith (WI). Also participating was: Cassie Brown (TX).

1. Adopted its 2023 Fall National Meeting Minutes

Commissioner Lindley-Myers made a motion, seconded by Commissioner Kreidler, to adopt the Task Force's Dec. 3, 2023, minutes (*see NAIC Proceedings – Fall 2023, Climate and Resiliency (EX) Task Force*). The motion passed unanimously.

2. Heard a Federal Update

Shana Oppenheim (NAIC) said President Joe Biden's proposed budget emphasizes integrating adaptation into policy thinking upfront to reduce climate vulnerabilities and enhance resilience. She said an example is investing $23 million into the U.S. Department of Homeland Security (DHS), the U.S. Department of Agriculture (USDA), the U.S. Army Corps of Engineers (USACE), the U.S. Environmental Protection Agency (EPA), and the U.S. Department of Defense (DoD) to address the increasing severity of extreme weather events, including resources for flood hazard mapping. She said the NAIC is tracking legislation, including the: 1) Providing Resources for Emergency Preparedness And Resilient Enterprises (PREPARE) Act of 2023, which was introduced to boost emergency preparedness for extreme weather events; 2) the Disaster Recovery Reform Act (DRRA), which aims to accelerate delivery of Federal Emergency Management Agency (FEMA) funds to impacted communities; 3) the Wildfire Resilient Communities Act, which aims to bolster community wildfire prevention efforts through the Bureau of Land Management; 4) the Flood Insurance Rate Map Interagency (FORM IT) Act, which would require FEMA to consult with the DoD, the U. S. Geological Survey, and the National Oceanic and Atmospheric Administration (NOAA) when developing flood maps relevant to rate maps; and 5) the Incorporating National Support for Unprecedented Risks and Emergencies Act (INSURE) Act, which would create a federal catastrophic reinsurance program and would phase out the National Flood Insurance Program (NFIP) eventually. Other legislation includes the Wildfire Response Improvement Act, the National Earthquake Hazards Reduction Program (NEHRP) Reauthorization Act of 2024, and the Flood Risk Transparency for Homebuyers Act.

Oppenheim said FEMA's 2023 *National Preparedness Report*, released late last year, found that states largely have not updated building codes to address climate change risks and improve resilience to storms, wildfire, and flooding

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and that failure is one of the most significant factors that compound risk and increases costs from natural hazards. She said FEMA continues to expand its reinsurance program. She said a new proposed rule from FEMA would revise the NFIP by adding a new homeowner flood form that would replace the dwelling form as a source of coverage for homeowners of one-to-four-family residences.

3. Heard a Presentation from Marsh McLennan on Innovating for Climate Risk

Commissioner Lara said the Task Force has been hearing about innovative insurance policies and strategies through its Technology and Innovation Workstream. He said this presentation will highlight the important public and private partnerships that can strengthen resilience. He said the insurance sector is foundational to how communities recover, and this presentation will raise innovative ideas for the role of insurance companies, local governments, and non-government organizations (NGOs) in reducing climate risks. Commissioner Lara said state insurance regulators are very interested in how consumers can prepare and mitigate risks, and this presentation is timely as state regulators consider resilience to wildfires, flooding, and heat waves.

Francis Bouchard (Marsh McLennan) said the main messages of his presentation are that: 1) the industry's traditional risk transfer role is being tested; 2) it is a complex ecosystem, particularly as it relates to climate adaptation; 3) early innovations and partnerships are emerging; and 4) working together, state insurance regulators and insurers can create the enabling environment to advance meaningful adaptation.

Bouchard said the industry's data capabilities are a critical part of the solution and are not just a reflection of increased risk. He said this is in line with state insurance regulators' goal of retaining sustainable private insurance markets that serve customers' needs.

Bouchard said natural indicators of climate risk changes are now reflected in the economic indicators, contributing to a rise in the protection gap. He said a massive shift of liability and exposure from private balance sheets to the public. He said this reflects the challenges traditional insurance mechanisms are having. Bouchard said these challenges include: 1) a temporal mismatch between the 12-month duration of most insurance policies and the long-term nature of climate-related risks; 2) economic development and growth too often being prioritized over long-term climate adaptation and proper risk management; 3) claims inflation rising faster than the Consumer Price Index (CPI); 4) development continuing in high-risk areas; 5) climate modeling lacking the granularity needed to be actionable at a local level; and 6) individual risk signals being effective but still muted when the most meaningful risk mitigation strategies occur at the community level.

Bouchard said the complex ecosystem slows collective action and limits new funding sources. He said two forms of resilience are increasing the amount of insurance available so that people are able to be made whole after an event and reducing risk. He said the adaptation action has to occur at a local level, but enabling action through government entities involves implementing complex projects and policies with limited funding available. Bouchard said that many global leaders see climate risk as a long-term issue, not a short-term priority. He said many business leaders do not see climate adaptation as a part of their business strategy.

Bouchard said they are beginning to see the initial stages of meaningful action being taken in both the private and public sectors. He said the Insurance Institute for Business and Home Safety (IBHS) continues groundbreaking research to expand and improve its life-saving FORTIFIED Commerical standards. He said states like Arizona, Louisiana, and South Carolina are catalyzing home retrofit programs and grants. He said private firms are working with non-profit organizations to identify and address novel risk mitigation approaches. Bouchard said the private flood insurance market grew 24% in 2022, reflecting capital availability, diversification, and customer dissatisfaction with existing options. He said communities are investing in early warning and monitoring tools, as well as developing technical networks to support community disaster resilience. He said work at the state and

federal level on climate risk resilience will also be beneficial, including updates to building codes and increasing federal tax incentives.

Bouchard said his five recommendations for how the insurance sector and state insurance regulators can work closer together to equip communities with the tools and knowledge they need to face their futures are to: 1) ensure no community lacks the risk data and analytics to make risk-informed climate adaptation decisions; 2) develop a science-based approach to documenting the risk reduction benefits of community-wide adaptation projects; 3) create incentives for insurers and other private firms to invest in adaptation projects; 4) apply risk-based expertise to all policy and regulatory decisions and debates that affect the community risk profile; and 5) develop a framework for leveraging the claims process as a unique opportunity to enhance the resilience of the residential and commercial building stock.

Commissioner Lara asked how Bouchard would develop a coordinated approach for federal, state, and local response efforts for wildfire. Bouchard said that after understanding where the insurance problems and risks are, a bespoke policy can be created to attach at a certain economic level, whether that is a deductible buy-down or a finding a funding source for some type of adaptation or risk mitigation technique.

Director Wing-Heier asked how to show new builders that their return on investment for building to hardening future building codes is worth the investment now to be able to get insurance later. Bouchard said the National Association of Home Builders (NAHB) has created an insurance task force, and some members of the homebuilding industry are promoting best-in-class risk reduction approaches. He said it would be a good idea to work in the real estate industry to promote and articulate the true cost of homeownership. Commissioner Stolfi said Oregon has a single statewide set of building codes. He said his department has priced out the cost of hardening homes to this standard and found the cost negligible compared to the lowest cost of complying with the codes.

Commissioner Birrane asked what the regulatory considerations for collaborative insurance strategies are. Bouchard said beyond the need for flexibility with rates and forms, state insurance regulators should look at collective approaches to tools, such as community-based catastrophe insurance or parametric products.

4. Heard a Presentation from Methow Valley on its Resilience Efforts

Commissioner Lara said the Task Force has heard presentations about flooding and fire, wind, and extreme heat. He said the Task Force will hear directly from community leaders trying to mitigate their risks for the entire community, and that type of organizing, at the local level, is critical to reducing future insurance losses. He said the following presentation may be from residents in Washington, but it could be a relevant template for communities in any jurisdiction.

Commissioner Kreidler said a rural community in Washington has faced the ravages of climate change, including wildfire and flooding. He said the community's citizens worked together to create a plan to mitigate their climate change risk, which they have implemented with remarkable success.

Tom Jones (Resilient Methow) said that in 2019, after repeated wildfires, the Methow Valley citizen's council initiated a community planning process to develop a climate action plan published in 2021. He said the climate action plan comprises strategies and actions to improve resilience and reduce emissions.

Dana Golden (Resilient Methow) said the climate action plan involves thinking about all events and risks that happen in the area and what the solutions for those problems could be. She said the experience of being in a climate disaster made it clear that something must be done to impact future generations. She said Resilient Methow started its plan with science. Resilient Methow invited Dr. Amy Snover from the University of Washington to present on the local climate impacts expected in the Methow Valley. Golden said the primary impacts are

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wildfire, runoff, summer drought, and rainfall. She said the secondary impacts include changes in tourism, biodiversity, and infrastructure. She said an emissions study in the area showed the majority of emissions come from transportation.

Golden said Resilient Methow convened a Climate Action Task Force with residents, consultants, and representatives from local governments, tribes, community organizations, public agencies, and businesses. She said subgroups were created to identify priorities and strategies in each area of the plan.

Golden said the plan includes mitigation, such as reducing greenhouse gas emissions, and adaptation for climate impacts that are already happening. She said the vision of the plan was a resilient, carbon-neutral future with equity for all. She said the core values of the plan are: 1) human health and safety; 2) sustainable livelihoods; 3) an affordable and sustainably built environment; 4) healthy natural systems; 5) the well-being of future generations; and 6) equity in all elements of the plan.

Golden said after the completion of the plan, Resilient Methow formed an implementation hub to help coordinate and catalyze action. She said it hosts quarterly forums on specific goals and strategies in the plan. She said it tracks and communicates grant opportunities and supports grant writing to progress projects.

Golden said one goal of the plan is for water to sustain nature and people. She said there was a study done on single-family well water use that has helped Resilient Methow understand how to efficiently use and conserve water. It was also able to retain water rights in the Methow Valley through the creation of a local water bank funded by a grant through the Okanogan Conservation District. She said there is a new drought management plan underway, as well as research on drought-resistant crops.

Golden said another goal of the plan is resilient, healthy, and abundant natural systems. One success related to this goal is public and private forest restoration projects.

Golden said the third goal is a community prepared and safe. She said this includes a Wildfire Protection Plan update and air quality education.

Golden said the fourth goal is a low-carbon, efficient, livable, affordable built environment. She said successes under this goal include solar and battery projects, a partnership with Rewiring America, public building retrofits, and affordable housing expansion.

Golden said the fifth goal is a thriving place-based economy with equity for all. She said success under this goal includes a circular economy project focused on recycling, a small business resiliency fund, and restoration economy development.

Golden said the sixth goal is a vibrant future for agriculture. She said successes here include expanding access to local food beyond farmers' markets and developing conservation agriculture principles.

Golden said the final goal is a carbon-neutral Methow Valley. She said there is a study on the feasibility of electric school buses, and they have looked into the expansion of public transportation to reduce car emissions.

Golden said lessons from the project include: 1) involving local government from the beginning and engaging with it throughout; 2) developing a plan for ongoing implementation and collaboration; 3) dividing work and engagement by sector, which allowed for broad participation and involvement; 4) having a plan, which is a huge asset for accessing additional funding and grants; and 5) mitigation and resilience matter.

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Director Wing-Heier asked about the experience working with tribal nations in relation to this climate action plan. Golden said involving representatives from the tribal nations near Methow Valley was important because they share many of the same issues. She said there was overlap with some of the tribal nations' already ongoing work, particularly in the Clean Air section of the climate action plan. She said ongoing communication with leaders was important in understanding natural solutions to some of the climate risks.

Commissioner Rude asked how communities can start to develop their own climate action plans. Jones said the federal Inflation Reduction Act (IRA) encourages communities to develop similar plans and includes funding to pay for the development of a plan.

Commissioner Kreidler said an explanation of the demographics of Methow Valley would be helpful. Golden said Methow Valley is a community of 6,000 people but has a good number of resources for volunteers compared to other rural communities. She said that regarding economic and environmental impacts, Methow Valley has a very large range of demographics.

5. Received an Update from the Solvency Workstream

Commissioner Birrane said that during the 2023 Fall National Meeting, it was reported that the Solvency Workstream had directed NAIC staff to draft a risk-based capital (RBC) blanks proposal to be submitted by the end of January that would propose changes to property/casualty (P/C) for climate scenario analysis. She said the proposal would require property insurers to utilize the "Climate Conditioned Catalog" versions of catastrophe (CAT) models to reflect adjusted frequency and severity for 2040 and 2050 to disclose the impact of climate change on hurricane and wildfire risks. Commissioner Birrane said that prior to submitting such an RBC proposal, on which the Catastrophe Risk (E) Subgroup received no comments, the Workstream exposed a directional memorandum in December that gave interested parties an opportunity to engage on the topic. She said the proposal was drafted because state insurance regulators need to understand where the markets are going over time and that we needed to gather this type of data to see the next logical steps.

Commissioner Birrane said the joint trades expressed concerns about how the results would be relevant to a company's solvency issues and questioned the benefit. She said they also seemed concerned about the lack of a "trigger" included in the proposal, what the state insurance regulators would be looking for, and the difficulty and cost of the exercise. She said the joint trades even suggested that those companies that do climate scenario analysis do not use what has been proposed for that process. Commissioner Birrane said the Workstream wants to consider legitimate concerns, and she asked for concrete ideas that could be used as an alternative and for constructive feedback to be provided as the proposal moves to the next step.

Having no further business, the Climate and Resiliency (EX) Task Force adjourned.

SharePoint/NAIC Support Staff Hub/Committees/EX CMTE/CRTF/2024_Spring/crtf-minutes-0318

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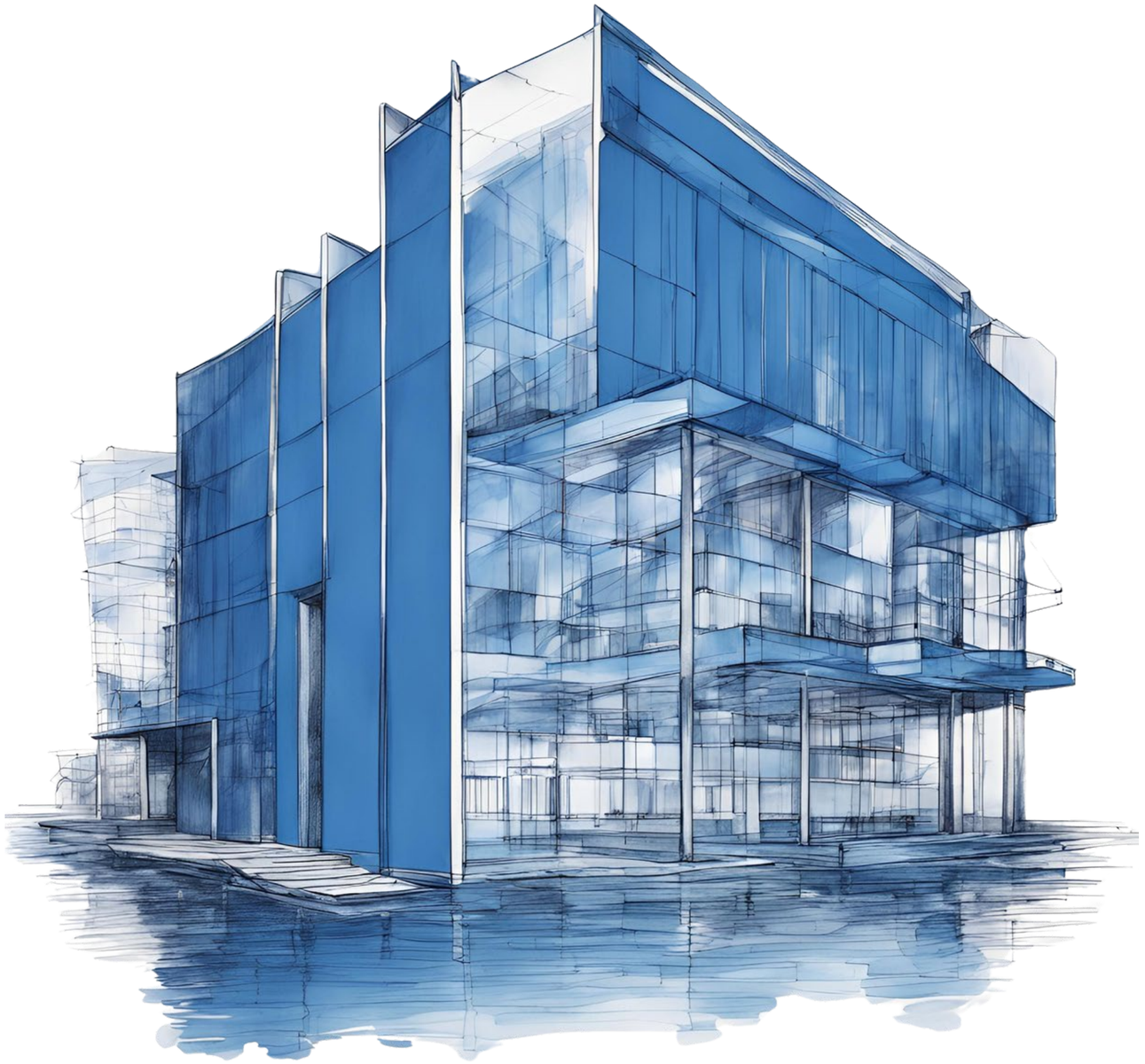
Admitted Flood



PRESENTED BY:
Derek Lynch

08/15/24

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About reThought Flood

- Founded in 2017 by modelers to close the flood protection gap
- Developed with top actuaries at global reinsurers
- Proven statistically and in the real world
- Tested across multiple hurricanes, river events and 1,000 -year rain falls
- Vetted and trusted by global reinsurers and top surplus insurance companies

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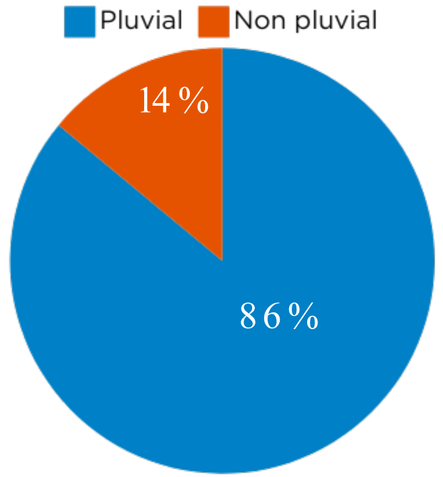
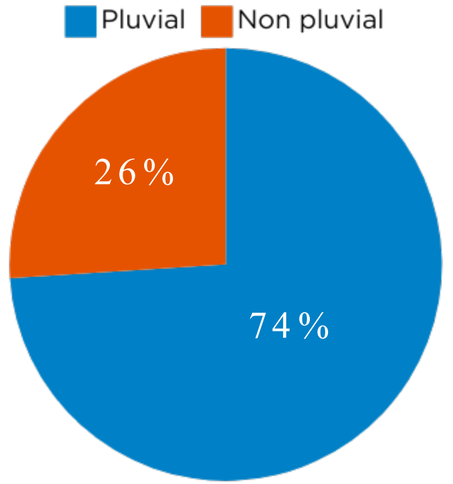
Who lives where it rains?

Where it rains, it can flood.

reThought Claims 2021-Present



US Sources of Flooding



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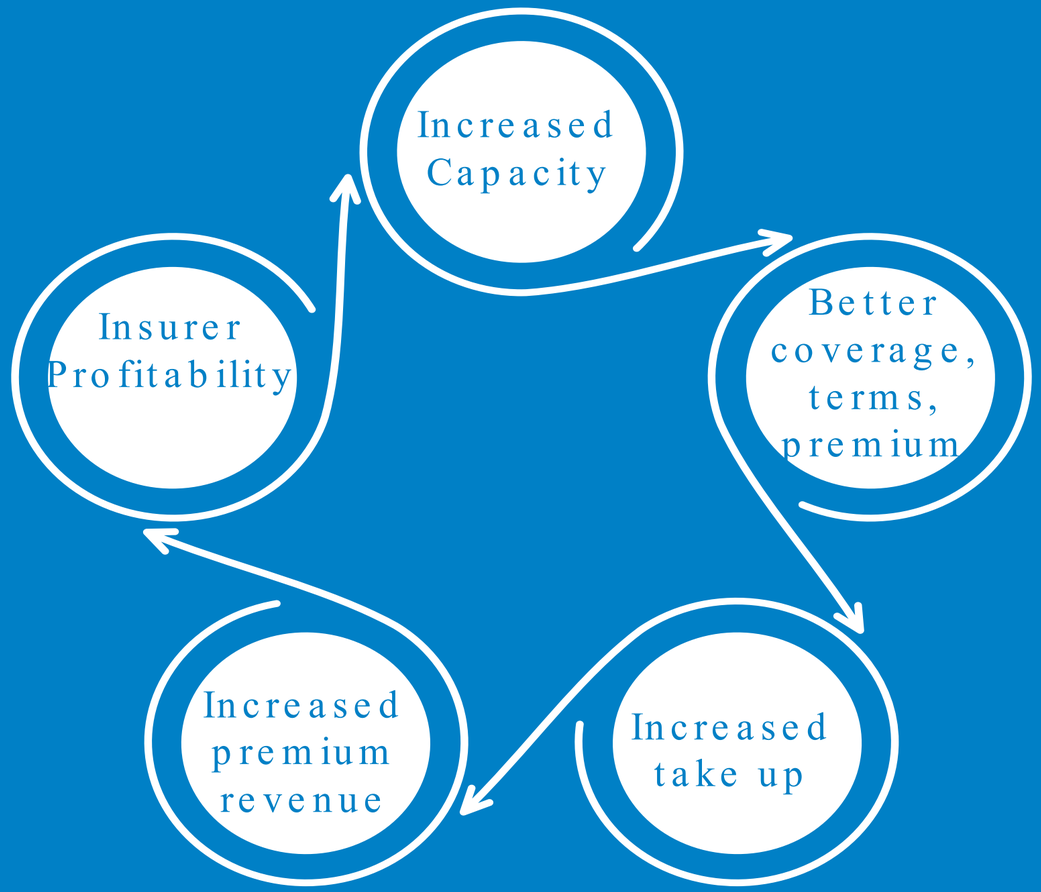
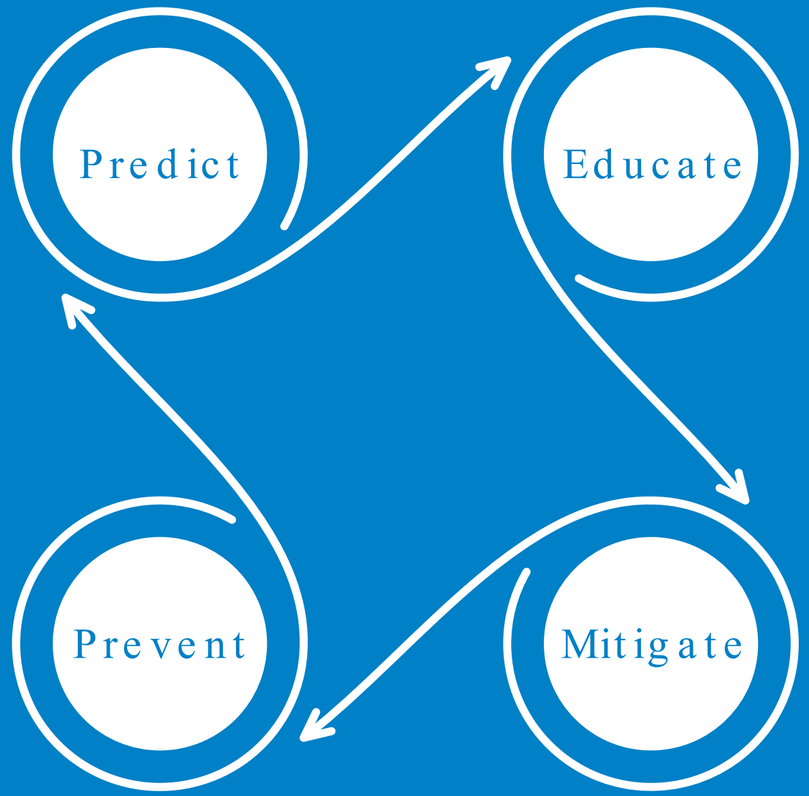
Closing the Protection Gap





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Admitted Product Coverage

- Replacement cost for primary and secondary dwellings
- Replacement cost for contents
- Unrestricted basement coverage
- Additional living & extra expenses, rental income
- More than one dwelling per policy
- More flexible terms/higher limits
- Broader eligibility for other structures
- Broadening the box wherever possible

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Admitted Product Education

- Awareness of the need for coverage
- Risk-appropriate pricing
- Education to consumers on their specific risk
- Timely materials before, during, and after an event
- Education for agents on how to discuss and sell flood
- Direct work with customers on attainable mitigation
- Mitigation incentives

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Claims

Expertise is needed for catastrophe claims

TPAs with experienced adjusters can make sure that claims are fast, seamless, and fair

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Rating in the Market Today

40% to 50% of damage happens outside SFHAs - CBO

Zone-Based

- Based on flood zones
- NFIP/FEMA no longer rates based on flood zones

Territory -Based

- Geographic sizes are much too large

Third -Party Score

- Scores are often a black box or misunderstood
- Qualitative measure

Single Model

- Many are single point
- Bad inputs are used
- Models have holes

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A Complex Simulation

Actuaries use the
past to predict the future

Cat Models
simulate possible futures

How do they do it?

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Is there a **best** model?

No!

All models are different & made by people.

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AI will Help Solve the Model Problem

Models work from the "Top Down" using broad event footprints

AI works from the "Bottom Up" using detailed information about each location or building

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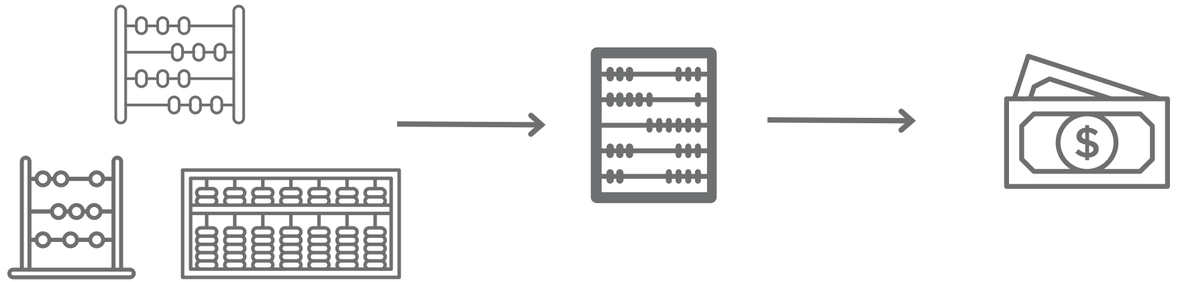
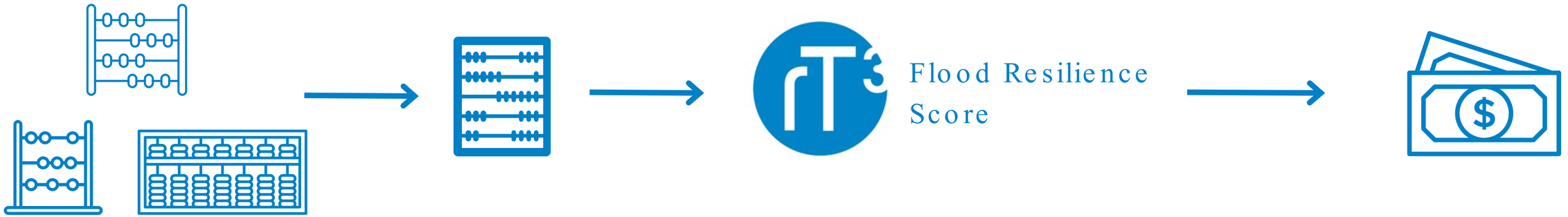
Model Convergence for a Better Understanding of Risk

Single Model

Multi Model



reThought Methodology



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Flood Resilience Score

Every building's score in a 1 sq mile grid

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The Protection Gap

The flood protection gap exists for several reasons.

Insurers and reinsurers are concerned about deploying capacity.

Agents are not confident in selling the value of flood insurance.

Insureds lack the awareness that they need coverage.

Mitigation is seldom employed.

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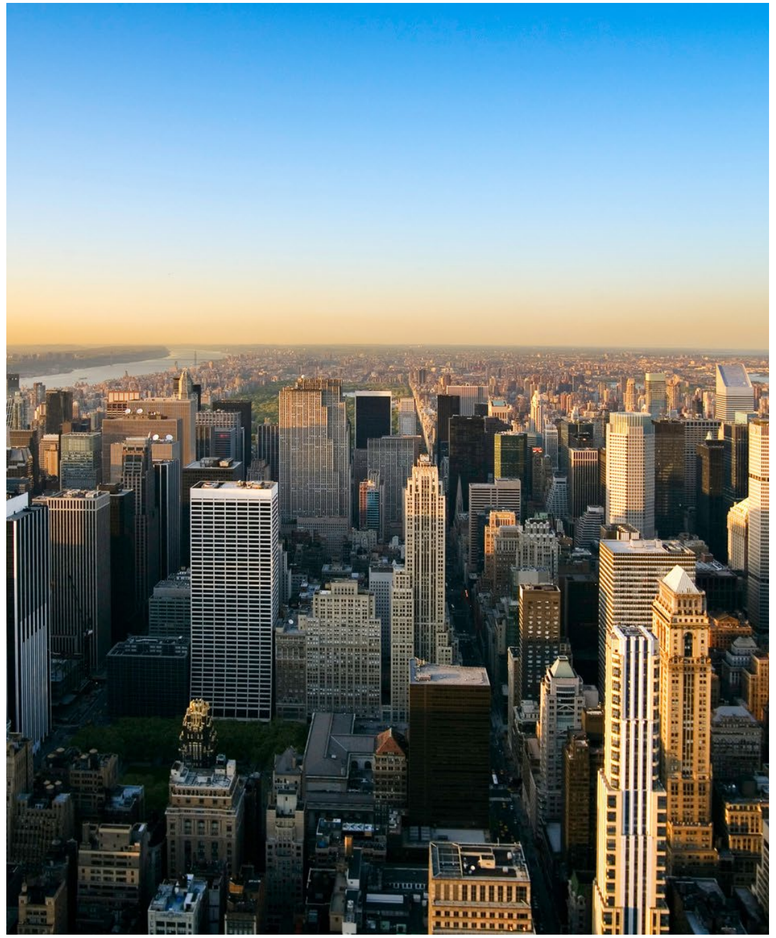
Closing the Gap

- Show insurers flood can be sustainable and profitably written
- Educate brokers to show insureds the value of flood coverage
  - Provide value proposition to back it up
- Offer flood more often with better insights
- Encourage mitigation as good value and incentivize it

We love being financial-first responders,
but we would rather prevent the loss!



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Intelligent Outreach

- Materials provided to communities' insurers
- Assessment of good and new flood sales opportunities in existing policyholder base
- Ability to help agents target good and new opportunities as lead line
  - 2/3 of flood losses are not currently insured
- Help brokers find the right coverage option for insureds

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Thank You

Questions?

Derek Lynch, Chief Underwriting Officer

Derek.Lynch@rethoughtflood.com

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MarshMcLennan
Marsh GuyCarpenter Mercer OliverWyman
Global Risks Report 2024

Evolution of top risk concerns over time

Economic Environmental Geopolitical Societal Technological

Global Risks Landscape (2011-2024)[1]

Top 5 global risks in terms of impact

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1	Fiscal crises	Systematic financial failure	Systematic financial failure	Fiscal crises	Water crises	Weak climate change response	WMDs	WMDs	WMDs	Climate change mitigation and adaption failure	Infectious diseases	Climate action failure	Cost-of-living crisis	Misinformation and disinformation
2	Climate change	Water supply crises	Water supply crises	Climate change	Infectious diseases	WMDs	Extreme weather	Extreme weather	Climate change mitigation and adaption failure	WMDs	Climate action failure	Extreme weather events	Natural disasters and extreme weather events	Extreme weather events
3	Geopolitical conflict	Food crises	Fiscal imbalances	Water crises	WMDs	Water crises	Natural catastrophes	Natural catastrophes	Extreme weather	Biodiversity loss	WMDs	Biodiversity loss and ecosystem collapse	Geoeconomic confrontation	Societal polarization
4	Asset price collapse	Fiscal imbalances	WMDs	Unemployment/ under-employment	Interstate conflict	Involuntary migration	Water crises	Climate change adaption failure	Water crises	Extreme weather	Biodiversity loss	Erosion of social cohesion	Failure to mitigate climate change	Cyber insecurity
5	Extreme energy price volatility	Volatility in energy and agri-cultural prices	Weak climate change response	Critical ICT systems breakdown	Weak climate change response	Energy price shock	Weak climate change response	Water crises	Natural catastrophes	Water crises	Natural resource crises	Employment and livelihood crises	Erosion of social cohesion and societal polarization	Interstate armed conflict

Sources: World Economic Forum, *Global Risks Report 2022, 2023, and 2024*
Note: 1. Over the years, the report has adjusted the list of global risks and moved risks between categories.

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2024 top risk concerns by time period

Economic | Environmental | Geopolitical | Societal | Technological

Near-term (2 years)

1. Misinformation and disinformation
2. Extreme weather events
3. Societal polarization
4. Cyber insecurity
5. Interstate armed conflict
6. Inequality or lack of economic opportunity
7. Inflation
8. Involuntary migration
9. Economic downturn
10. Pollution (air, soil, water)

Longer-term (10 years)

1. Extreme weather events
2. Critical change to Earth systems
3. Biodiversity loss and ecosystem collapse
4. Natural resource shortages
5. Misinformation and disinformation
6. Adverse outcomes of AI technologies
7. Involuntary migration
8. Cyber insecurity
9. Societal polarization
10. Pollution (air, soil, water)

Note: WEF Global Risks Perception Survey 2023
Source: World Economic Forum; Marsh McLennan analysis

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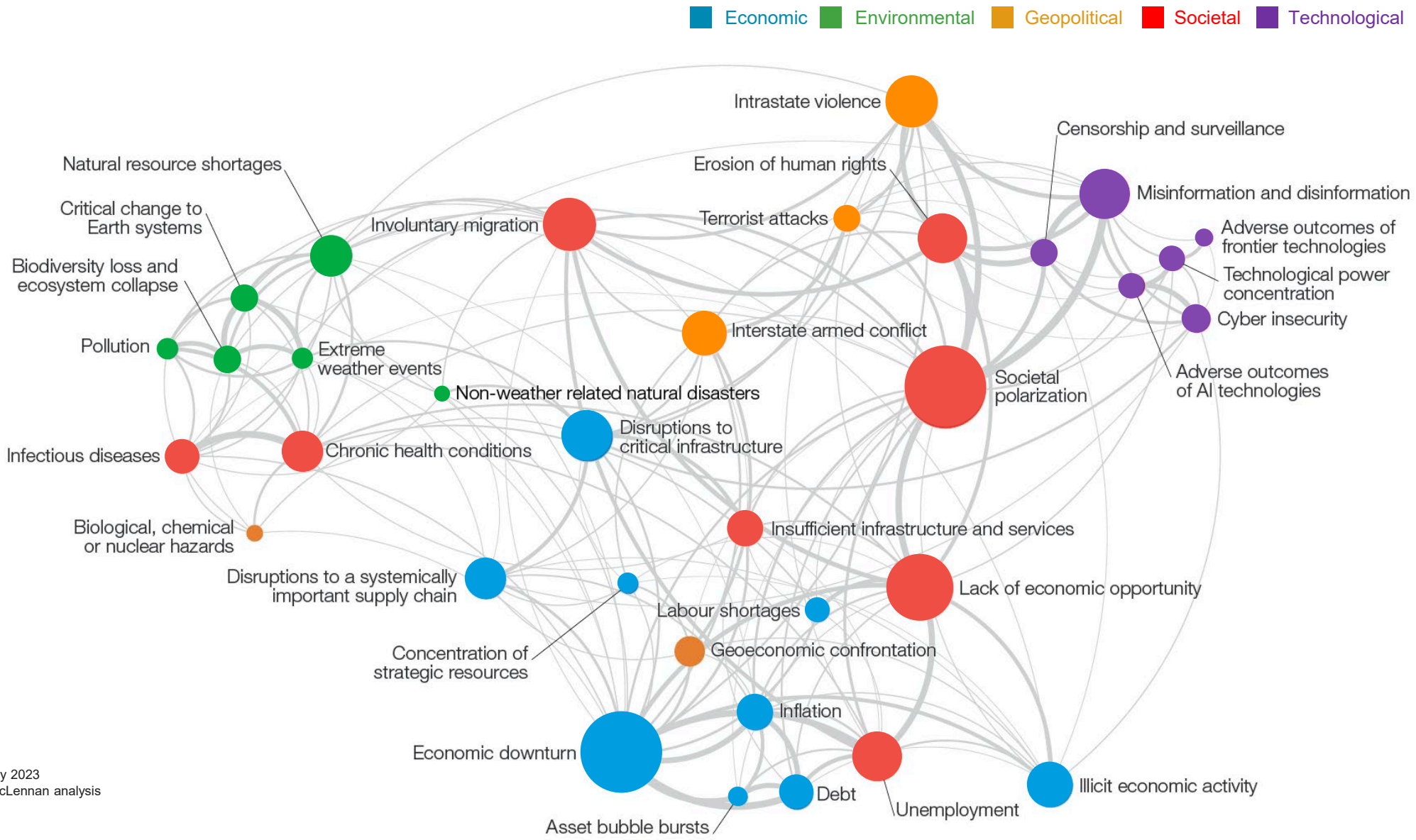
Risk interconnections

Nodes
Risk influence

High
Medium
Low

Edges
Relative influence

High
Medium
Low



Note: WEF Global Risks Perception Survey 2023
Source: World Economic Forum; Marsh McLennan analysis

MarshMcLennan

AI and Cyber Risk

- AI-generated misinformation and disinformation
- Impact on upcoming elections
- AI-fueled cyberattacks
- But AI also holds vast promise

Supply Chains in Distress

- Geopolitical impacts
- Extreme weather events
- Strike the balance between “just-in-time” and “just-in-case”
- Diverting container ships adds time and cost

What is the insurance impact on our clients?

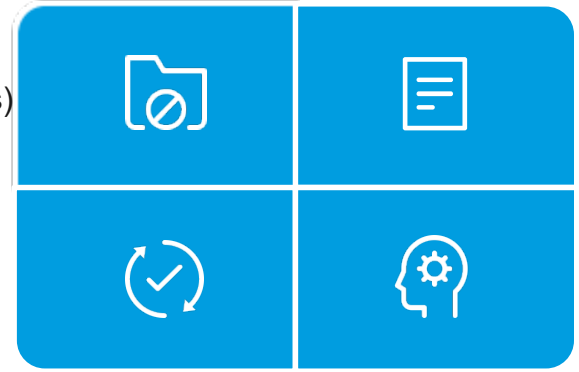
Changes to Anticipate

CAPACITY WITHDRAWALS

- **Certain segments** (e.g., oil sands, artic drilling, coal) **heavily scrutinized,** difficulty placing cover for **specific clients**
- Insurer assessments largely at **entity level** rather than the asset level
- Less cover available for risks with increasing loss profiles (e.g. wildfire, Texas Hail, solar plants)

CHANGES TO POLICY WORDING/ CONDITIONS

- Expected uptick in **exclusion language** for some sectors
- Currently, largely restricted to liability classes
- Examples: **Climate Change Exclusion**, **Modern Slavery Clause** in Marine Cargo Insurance
- Insurers may apply **higher deductibles**. Pay attention to **natural catastrophe sub-limits**.



DIFFERENTIATED SOLUTIONS FOR HIGH PERFORMING CUSTOMERS

- Insurers **incentivizing** ESG related **risk reduction approaches pre-loss.**
- Example: Marsh France **– Biodiversity risk mitigation initiative.**
- Outcomes; increased capacity, broader coverage, improved retentions, premium credits

NEW PRODUCTS

- **Insurance market innovation** to support clients on sustainability journey
- Coverage for **new technologies** e.g. Carbon capture, utilization, and storage insurance.
- Coverage to **support changing business operations** e.g. Late-life asset decommissioning insurance
- Building resilience **- parametric coverage to protect against climate risk Growth in captives and ART.**

Looking to the future…

- Insurance may not be available/cost effective for certain risks in the future.
- We are advising our clients to take a longer-term view on risk, and build resilience.
- We expect to see growth in alternative risk financing structures such as
  - Risk mutualization (such as MIRIS formed recently in Europe for Cyber Risks)
  - Parametric Solutions/ART
  - Captives/Special Purpose Reinsurance Vehicles (SPVs)