

Resilience and Recovery:
A Reinsurance Perspective

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Reinsurance: “Insurance for Insurance Companies”

Why do you buy insurance?

Protection for catastrophic loss to your family:



Share your risk with others insured by a primary insurance company – good diversification

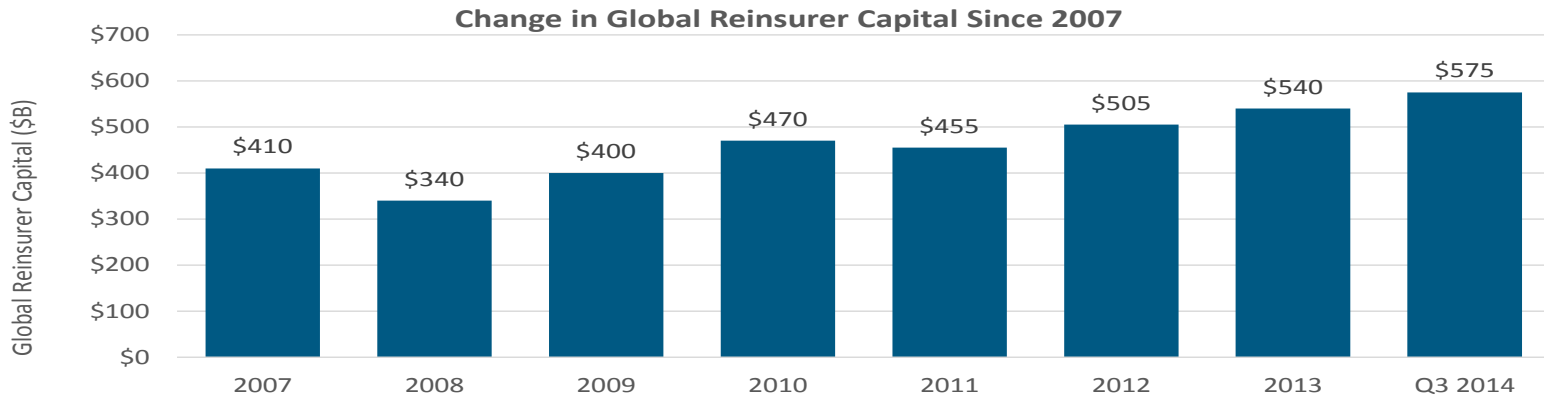
Why does your insurer buy reinsurance?

Protection for catastrophic losses to an insurer:



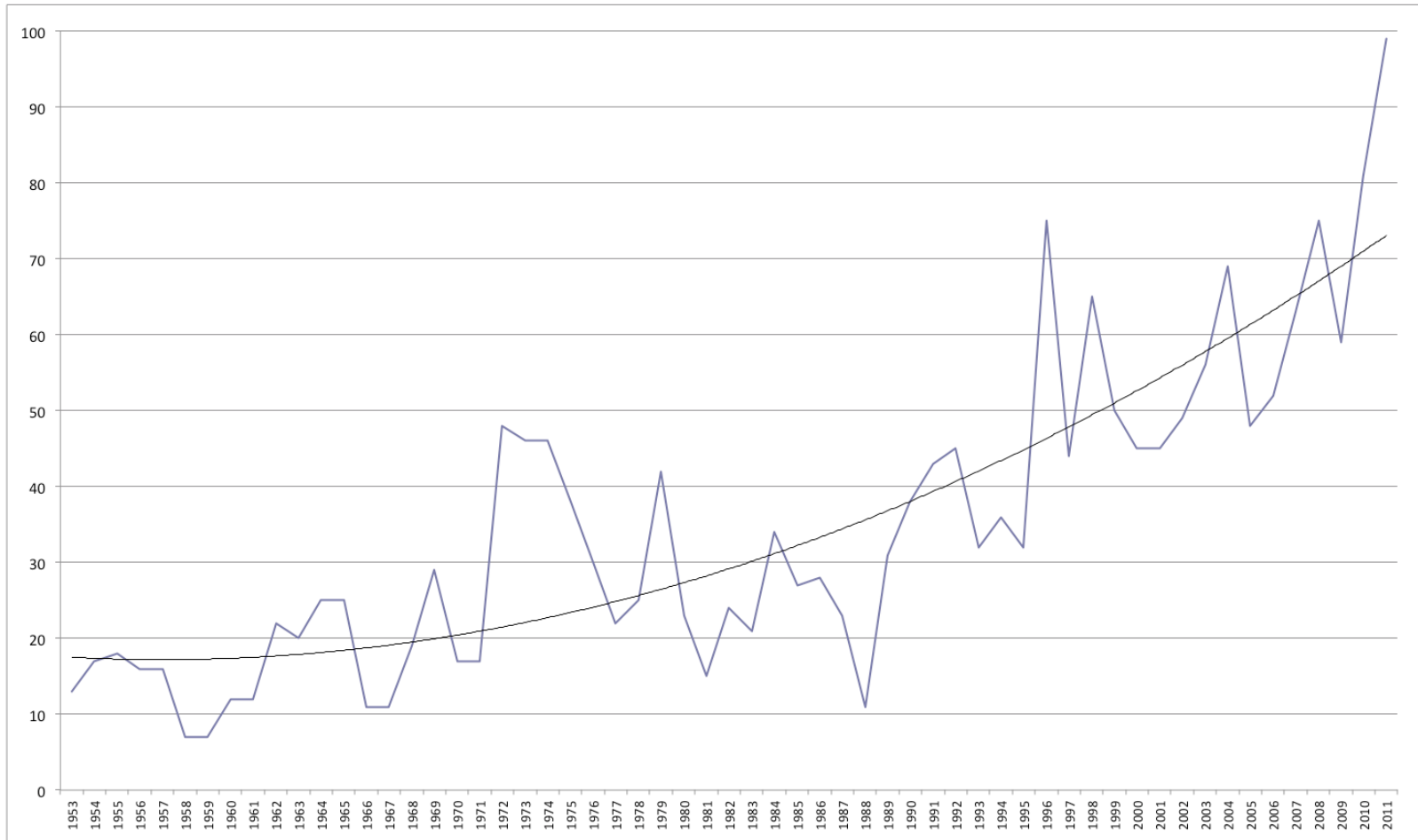
Spread catastrophic risks with others around the world – very significant diversification

The reinsurance market is large, robust, global, and competitive

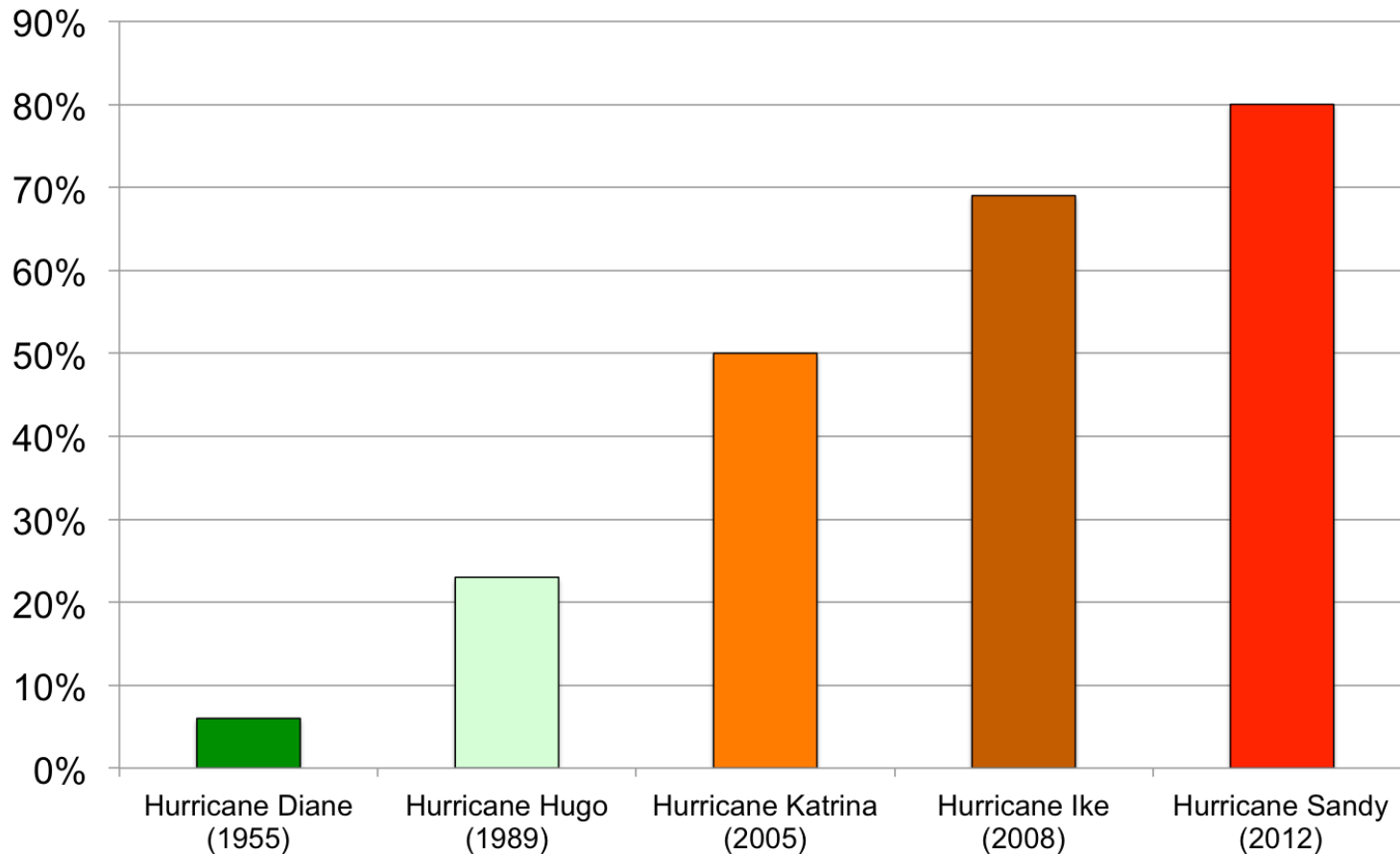


U.S. Federal Disasters, Including Climate-Related Catastrophes, Have Been Increasing Dramatically

Number of U.S. Presidential Disaster Declarations – 1953-2011

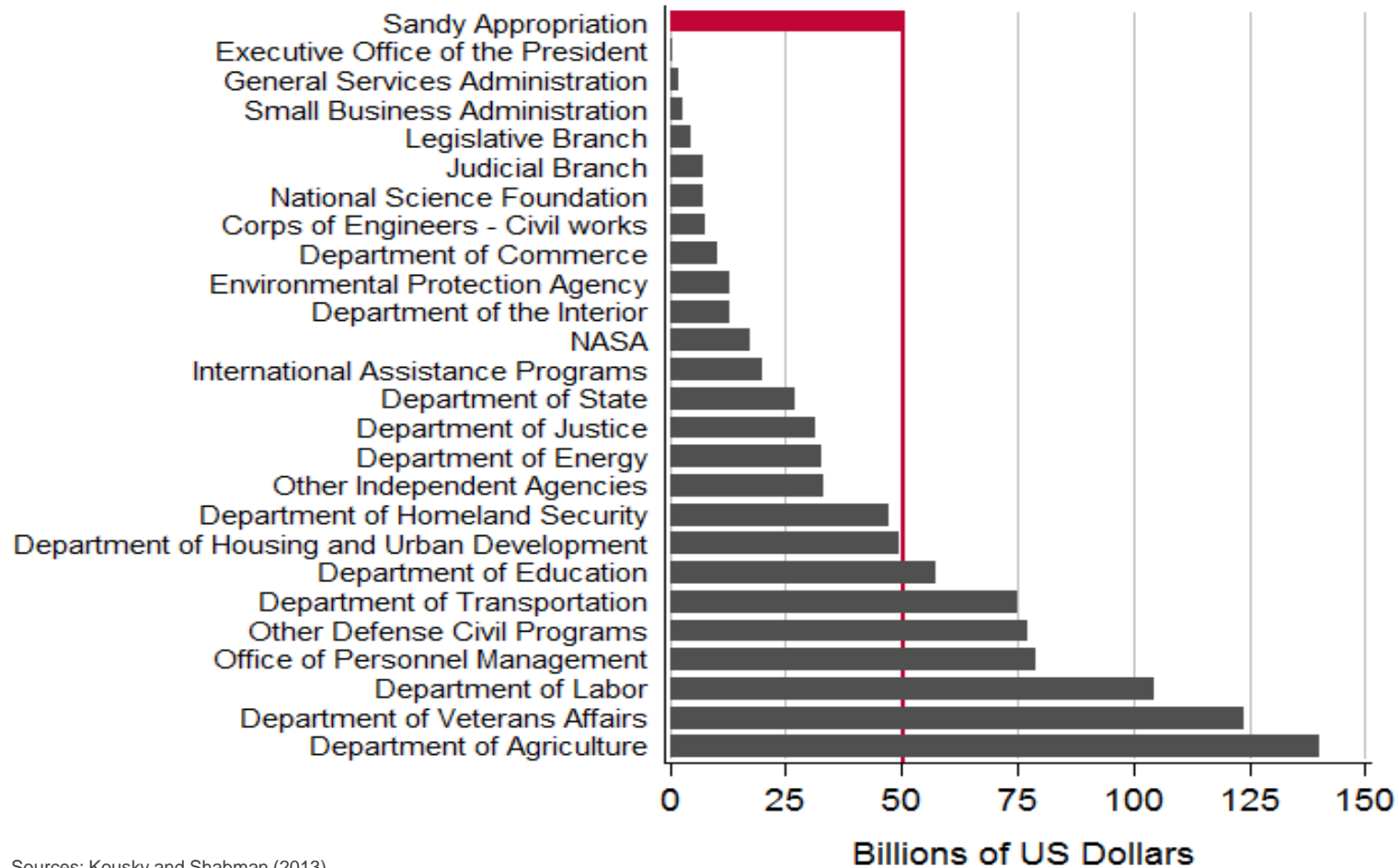


Role of Federal Government in Covering Disaster Losses (proportion of total loss paid by government)



Source: E. Michel-Kerjan. [Have We Entered an Ever-Growing Cycle on Government Disaster Relief?](#) - Testimony before the U.S. Senate (2013).

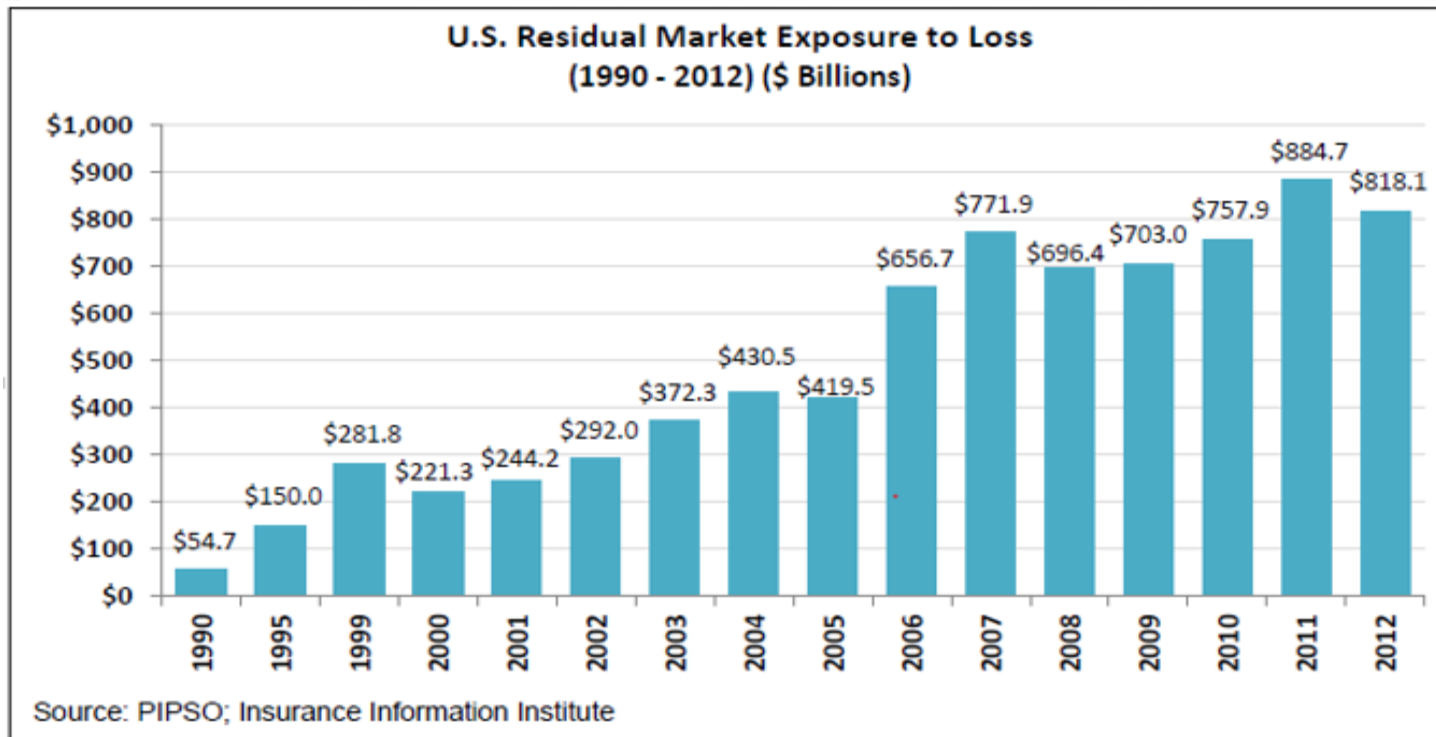
To Put Things in Perspective



Sources: Kousky and Shabman (2013)

Barriers to Adaptation – Growing State Incentives For Mal-Adaptation

Figure 68: US Residual Market Total Policies In-Force – 1990-2012



Can We Mitigate These Barriers with More Scientifically and Fiscally Sound Risk Signals?

“In terms of **incentive to mitigate**, the main determinant of this dimension is the decision of whether to implement subsidized or risk-based pricing. The best means of sending a signal to individual policyholders and to incentivize mitigation actions is to reflect the true risk of their individual exposure with accurate premium pricing and to provide discounts on these premiums when certain mitigation actions have been completed.”



National Flood Insurance Program

Report to Congress on Reinsuring NFIP Insurance Risk and Options for Privatizing the NFIP

August 13, 2015



Homeland
Security

Special Challenges for Americans of Lesser Means

