



# Reinsurers and Climate Thoughts from the RAA



RAA



# What is the RAA?

The Reinsurance Association of America (RAA) is the leading trade association of property and casualty reinsurers doing business in the United States.

The RAA promotes a regulatory environment that ensures the industry remains:

- globally competitive and
- financially robust





# What is Reinsurance?

Reinsurance is often called “insurance for insurance companies.”

Insurers purchase reinsurance to help pay losses, protect solvency from large catastrophic losses, as well as to increase the capacity of the insurer to write more policies.



# Is Insurance Compatible with the Bible?

We certainly hope it is!

The United Methodist Insurance Program

**RAA**

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# Is Insurance Compatible with the Bible?

Proverbs 27:12 “A prudent person foresees danger and takes precautions. The simpleton goes blindly on and suffers the consequences.” (NLT)

**If buying insurance is prudent, we need a robust marketplace to sell us the product.**

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# The Environment Reinsurers See



# A Climate Needing More Stewardship

“The world’s climate is changing.....The scientific evidence also strongly indicates that human behavior is having an impact on the climate, primarily through carbon emissions.”





# A Climate Needing More Property Mitigation

- FEMA: “A recent study by the Multihazard Mitigation Council shows that each dollar spent on mitigation saves an average of four dollars.”
- FEMA: “Natural hazard mitigation saves \$6 on average for every \$1 spent on federal mitigation grants, according to an analysis by the National Institute of Building Sciences.”



# A Climate Becoming More Expensive to Insure

Munich Re: 2021 estimate of global losses from natural disasters is \$280B.

- \$120B covered by insurers
- behind only the 2017 figure of \$146B.


Hurricane Ida: \$65B in losses

Winter Storm Uri: \$10.3B in estimate losses



# What can we take from this?

- The insurance industry continues to be directly impacted by natural disaster losses, which are compounded due to climate change.
- Regulators are becoming more interested in how insurers are assessing and preparing for climate change risks.



The big question:  
What should insurers do about climate  
change?



# The Big Question

Insurers have been out front on this for decades.

Insurers need to continue doing three things on the issue of climate change.



# Three Things

## Provide financial resources to cover losses from natural disasters.

- helps rebuild communities, protects the tax base, helps ensure infrastructure remains functional, improves public safety and health.
- requires solvency – which requires insurers to be able to charge an actuarially sound rate to provide coverage for the risk.



# Three Things

**Research and encourage risk reduction strategies on the individual level as well as the community level**

- IBHS: resilient home building
- Floodplain management/Building code enforcement



# Three Things

## Set insurance prices to reflect the true cost of the risk

- How likely is the peril? How much damage will it cause? And how much money will it cost to fix it?
- This requires insurers to charge an actuarially sound rate.





“But What About?”



# But What About?

Shouldn't insurers stop providing insurance coverage for activities that aren't "climate friendly?"



# But What About?

This is a “transition risk” problem.

How do we fulfill obligations of:

- prudence (providing needed energy producers with insurance coverage)
- while simultaneously moving to better environmental stewardship?



# How are reinsurers helping here?

- Community Based Catastrophe Insurance
- Continued investment in IBHS and similar mitigation technology and advocacy organizations
- Bearing risk and helping insurers keep their promises



Let's Talk About Texas!

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# Insurance Challenges in Texas

- Flood
- Hurricanes
- Wind and Hail
- Wildfire
- Winter Storms

Insurers must be financially ready for all of these.





# Insurance Challenges in Texas

Hail claims by number – 1<sup>st</sup> Place (201 storms in 2019)

Insured Coastal Property Values At Hurricane Risk – 3<sup>rd</sup> Place (2018)

Total Severe Weather Reports – 1<sup>st</sup> Place (2019)

Paid \$36.6B in insurance claims (2019)





# Insurers as Stewards of Texas

- Insurance taxes are the 6<sup>th</sup> largest revenue source for state of Texas
- Large purchaser of Texas municipal bonds
- Employs 347,820 Texans (2019)





# Top 5 Asks of Policy Advocates



# Encourage Investment in Insurance Market

- Encourage policy makers to continue to create a good place for insurance companies to invest capital in the Texas insurance market.
- As climate increases frequency and severity of claims, Texans need access to affordable and reliable insurance policies.



# Encourage Investments in Infrastructure

- Protecting what we have: We need investments in physical infrastructure designed to protect our communities from natural disasters.
- Protecting the future – how and where we (re)build: Coastal barrier walls, floodplain management, implementing IBHS standards



# Encourage Following the Science

- Natural science is important. So is actuarial science. We need both.
- We need public policy that reflects the realities of climate change, as well as the realities of solvency and price signaling.



# Encourage Better Building Codes/Enforcement

- Disaster Recovery Reform Act
- Better building codes keep my house:
  - Out of your living room
  - Out of your streets
  - Out of your landfill
  - On your tax rolls

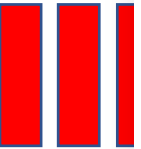


# Encourage Disaster Preparedness

- Set the example: Become more resilient and disaster ready in your personal life, so you can be an asset to your community in times of disaster.
- Implement the needed programming in your churches now to be ready to provide for others in times of crisis.



# Back to The Story of My Youth



Questions?