Managing Risk and Surplus

A perspective on the financial risk for insurers

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Insurance Commissioner
Recent Headlines

• Weather variations could cost U.S. economy $534 B per year: Analysis
  Business Insurance 11/26/2013

• Storm Losses Put Pressure on German Property Rates
  Business Insurance 11/18/2013

• November Midwest storms flood insurers with claims
  The Des Moines Register 11/23/2013
Financial Impact

2010 – 2013 Insurers paid $70 billion on average annually around the globe

2012 Global economic losses $150 billion according to Munich Re

2012 U.S. suffered 11 weather catastrophes over $1 billion

U.S. Department of Commerce estimates 70% U.S. businesses affected by climate disruption events
U.S. Impact

2012 9 of 10 most insured loss events were in U.S.
$65 billion total insured loss

Sandy $35 billion insured losses

Insured losses for first half of 2013 are down from 2012 and 2011 levels

Moore, OK $2 - 3.5 billion estimated damage
Iowa Impact

Cedar Rapids / Iowa City
Flood of 2008 $6 billion
Iowa Impact

Overall Iowa is a “good” risk with flooding and crop losses causing most catastrophic claims.

Very few companies have left Iowa.
Insurance Premiums

2012

Auto, property, private passenger, homeowner

= $316.8 billion
Insurance Issues, Response and Strategies

Insurance sector is positioned uniquely between causes and impacts.

Insurers look to avoid risk, spread risk and mitigate risk.
Mitigation Tools

Pricing
Diversification
Reinsurance
Climate Modeling
CAT Bonds
Other Mitigation Tools

Weather being defined so that it describes business risk

Weather risk management tools and market
What is weather risk management?

Awareness of the market
Availability of accurate data

Unlike traditional insurance physical damage irrelevant

Policy issues to consider
NAIC Action

2008 White Paper
Climate Disclosure Survey and findings

ORKA
Where do we go from here?

Insurance carriers manage weather risk daily
- Surplus
- Underwriting
- Risk Hedging strategies

Iowa’s biggest risks:
- Flood and Crop primarily at federal level
- Hail
- Tornadoes
Where do we go from here?

Increasing use of third party models to justify rate changes

- Attempt to reflect risks vs. looking at past results
- Used at multi-state level

Some carriers are stating that climate change must be reflected in rates

- Used to price the insurance product prospectively
Questions and Thank You