

Risk Management -

in a Time of Volatile Insurance Markets and Ever Increasing Natural Disasters

Mike Kessler ARM, AIC

Gallagher

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Pick a card, any card?



COVID

All of your files are encrypted with RSA-2048 and AES-128 ciphers. More information about the RSA and AES can be found here:
[http://en.wikipedia.org/wiki/RSA_\(cryptosystem\)](http://en.wikipedia.org/wiki/RSA_(cryptosystem))
http://en.wikipedia.org/wiki/Advanced_Encryption_Standard

Decrypting of your files is only possible with the private key and decryption. To receive your private key follow one of the links:

1. <http://6dtxgqam4crv6rr6.tor2web.org/ECCEADDE847A1F1A>
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If all of this addresses are not available, follow these steps:

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4. Follow the instructions on the site.

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Preparation is a good thing.



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Continuity is Risk Management.

- Hurricane Ian should serve as a **wake-up call for organizations** as they plan for their continuity in the face of growing and inescapable climate risks. Dale Buckner, CEO of Global Guardian.
- Global Guardian regularly responds to hurricanes in the US, helping affected businesses with medical and security services. Buckner led teams that carried out an emergency response in Florida after Hurricane Ian.

Disaster

a sudden event, such as an accident or a natural catastrophe, that causes great damage or loss.

2022 – 51 FEMA - WA, IL, NC, VA, FL, SC, AK, PR, OK, OR, CA, ID, AZ, LA, SD, GA, MS

Alaska Severe Storm

Hurricane Ian

Missouri Severe Storms

New Mexico Wildfires

Hurricane Fiona

Arizona Severe Storms

Cyber attack (un-natural catastrophe)

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- 1. Look for exposure. Don't assume someone else has.**
- 2. Research what you think you see.**
- 3. Tell your manager.**
(2 parties to protect.)

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Chaos Theory – Life finds a way.



Jeff Goldblum as Dr. Ian Malcolm
in *Jurassic Park* (1993)

Chaos: When the present determines the future, but the approximate present does not approximately determine the future.

Chaos theory has applications in a variety of disciplines, including meteorology, anthropology, sociology, environmental science, computer science, engineering, economics and pandemic crisis management.

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Latest articles in have seen -

- Earthquake
- Radioactive School
- Active Shooter, library
- More Covid
- Social Media
- Water – boil notices
- Water – fluoride changed.

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Flood – FEMA definition

A general and temporary condition of partial or complete inundation of 2 or more acres of normally dry land area **or** of 2 or more properties (at least 1 of which is the policyholder's property) from:

1. Overflow of inland or tidal waters; or
2. Unusual and rapid accumulation or runoff of surface waters from any source; or
3. Mudslides (i.e., mudflows); or
4. Collapse or subsidence of land along the shore of a lake or similar body

Always start with flood. My definition is – ‘water on the ground, rising from the bottom up, 2 properties’.

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Requiring Citizens' Policyholders to Also Buy Flood Insurance Could Address Problems

Zone X or A, AE, AH, V, VE, shaded or not shaded?

Problem: Less than 20% of Floridians in vulnerable areas carry flood insurance. Uninsured flood losses from Hurricane Ian are projected to be as high as \$16 billion – almost half as much as insured wind damages, according to CoreLogic, the data analytics firm.

Another problem: Many policyholders with Citizens Property Insurance Corp. who did not carry flood insurance will likely end up in hard-fought claims disputes with the insurer over whether the Ian damage was from wind or water.

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Flood zone.



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FEMA comments of FEMA Maps being Outdated

The maps don't take into account intense rainfall events, like this summer.

- The organization's director, Deanne Criswell, during an interview on CNN's *State of the Union* on Sunday 9/9/2022.
- "FEMA's maps right now are really focused on riverine flooding and coastal flooding," she told CNN's Dana Bash on the program. "When we're seeing these record rainfalls that are happening... that's what our flood maps don't necessarily take into consideration."

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World crises driving “virtually unprecedented” complexity for insurers.

- The combined effects of economic and geopolitical crises are driving “virtually unprecedented levels of complexity” in the business environment for insurers and reinsurers, according to [Munich Re](#). High inflation. Also driving the issue are the changing landscapes for risks like cyber and climate change, and the fallout from the COVID-19 pandemic.
- central banks have hiked interest rates, which in turn can impact the balance sheets of insurers and reinsurers as a result of fixed-interest securities losing value.

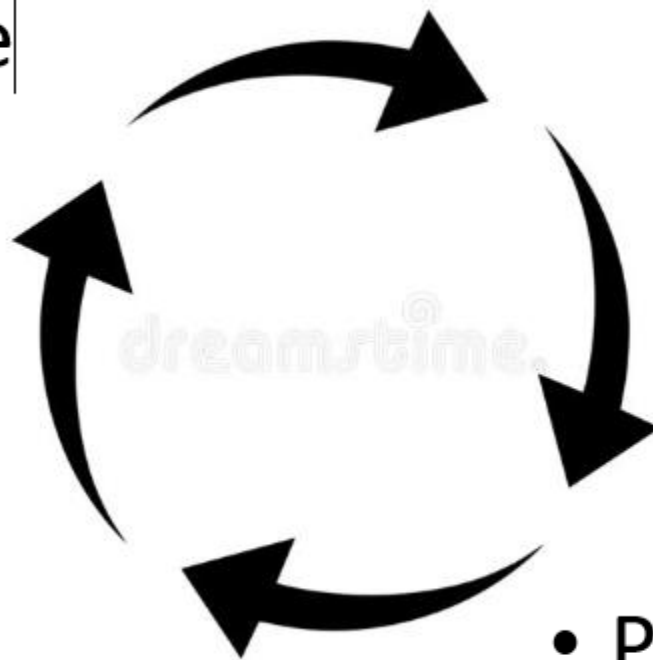
Reinsurers affect all.

- European reinsurers will miss their earnings targets in 2022 – for the sixth year in a row –report published by the Bank of America. 1, 2, 3, 5, 7.
- The result is that the industry is finally entering a “true ‘hard’ market,”. (Mike says - .)
- “In our view, reinsurers enter next year with significant bargaining power to push for higher prices and further restructuring,” said the report titled “Reinsurance & London Market Insurance – Pressures build into 2023 renewals.”
- By “restructuring,” BofA was referring to dislocation in the property catastrophe market. The report noted that Hurricane Ian is likely to blow through reinsurers’ Q3 and full-year, large-loss budgets, which means the reinsurance industry “is now staring down six consecutive years of outsized large losses.”

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(WAFB) - The Louisiana Department of Insurance (LDI) has approved Louisiana Citizens' request for a **63% rate increase on its residential property insurance policies beginning January 1, 2023**. The rate increase will not affect Citizens' current policyholders until they renew their policy after that date. Oct 11, 2022

- Reinsurance



- Disaster

Repeat

- Price Increases

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Policies requiring reinsurance

- Airport - Aviation Insurance
- Boiler and Machinery/Eq. Break
- Crime Insurance
- Directors and Officers
- Employment Practices Liability
- Fiduciary Insurance
- General Liability
- Law Enforcement Liability
- Medical Malpractice
- Property
- Storage Tanks Student Accident
- Umbrella Excess Insurance
- Auto Physical Damage and Auto Liability
- Bonds
- Cyber Insurance
- Employed Lawyers
- Event Cancellation** – Special Event GL
- Flood Insurance**
- Kidnap and Ransom
- Livestock
- Pollution
- Railroad Protective
- Student Accident / **Active Shooter**
- Workers' Compensation or Excess WC

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Cyber attacks - while you are not looking.

Hurricane Fiona is classified as the first major storm of the season, meaning it is a category three storm or above. With the NOAA forecasting three to six major hurricanes, experts are advising individuals, businesses and their insurers not to let their guards down, even when it comes to disaster-related ransomware attacks.

“The reason for this is many companies are sitting ducks,” said Dean Mechlowitz, co-founder of cybersecurity firm TEKRIHQ, [on this episode of The Insuring Cyber Podcast](#). “They’re just easy to breach. They’re low hanging fruit.”

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One day at a time. What to do on the first day of a disaster.

My top questions to be answered for a Cyber attack.

1. How would you School communicate to Top Executives disabled website, internet access, and Outlook?
2. How would City Executives communicate to the Managers of the departments? Do they have cell phone numbers or private emails?
3. How would the Managers communicate with their Staff of up to 100 persons? Again, cell phone numbers and personal emails?
4. Some employee will call the Press within a matter of minutes. Does Communications have a statement to release for the County Judge?
5. Employees will call the IT Call Center. Do the individuals at the Call Center have a statement prepared to convey to the employees?
6. Would you pay a ransom, most seem to.

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Capacity?

Insurance Company Capacity. Why you should care?

- Assume you manage an insurance company. You have 4 clients.
- Client A Premium \$1,000,000
- Client B Premium \$1,000,000
- Client C Premium \$1,000,000
- Client D Premium \$1,000,000 = \$4,000,000
- If Insurance Company surplus must be a 2 to 1 ratio of premium to surplus.
- And you have \$2 Million in Surplus.
- Now your Actuary requests a 33% price increase **due to losses**.
- Client A Premium \$1,330,000
- Client B Premium \$1,330,000
- Client C Premium \$1,330,000
- Client D Premium \$1,330,000
- Surplus is still \$2 Million.
- **See the problem. Client D ————— Premium \$1,330,000**

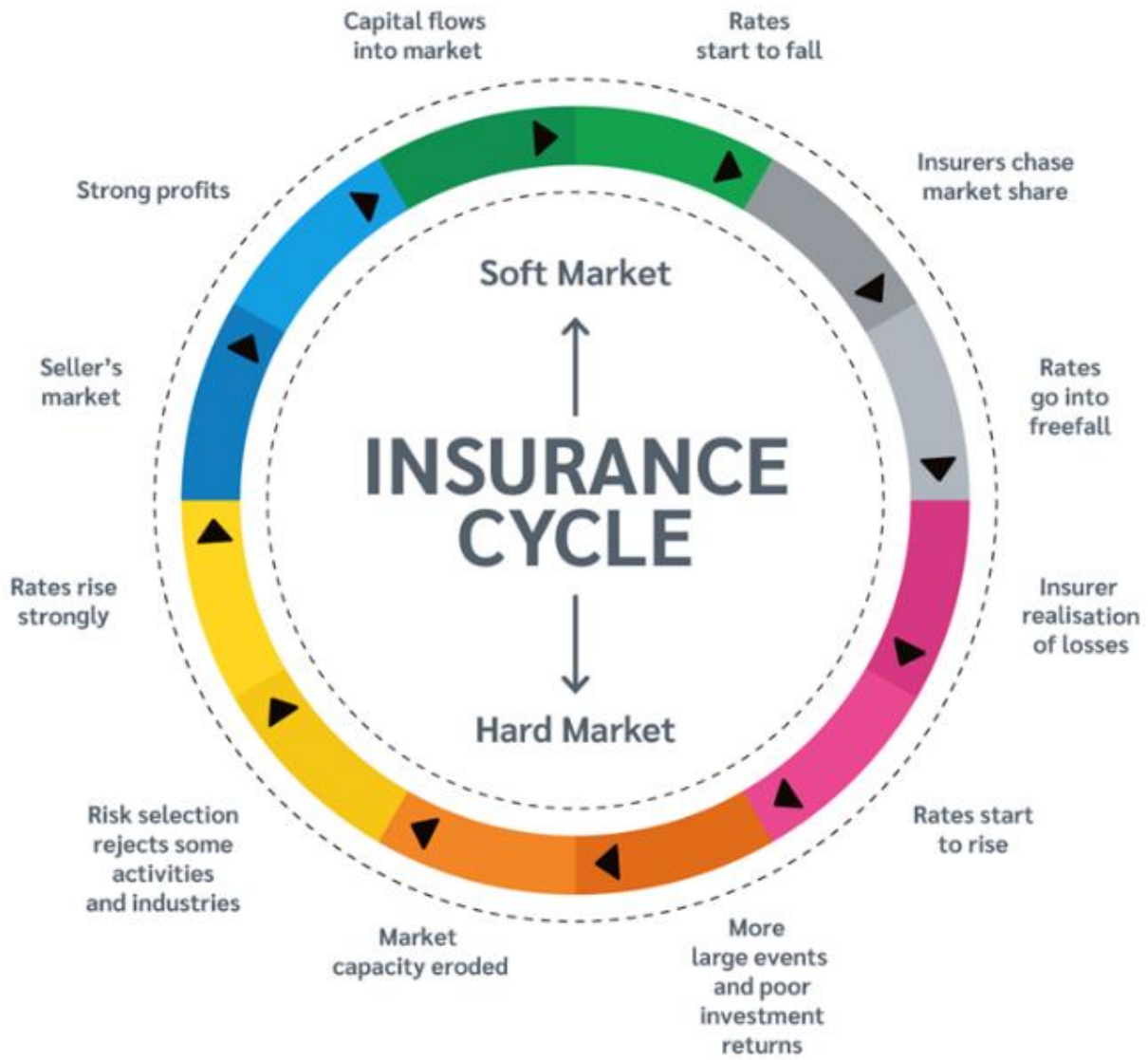
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Your renewal date.

Your renewal date matters – **how do you feel about April?** An examination of renewal dates, reinsurance treaties and market capacity.



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EPA United States Environmental Protection Agency – epa.gov/superfund

- **Population Surrounding 1,877 Superfund Sites**
- Superfund sites exist in thousands of communities across the United States ranging from remote to large urban settings. Many of them are located in economically distressed communities.
- To help describe who benefits from our Superfund Program cleanup work, EPA collected data on the population living within three and one mile(s) of a Superfund site. These sites include Superfund and Federal Facility final and proposed National Priorities List (NPL) sites, as well as non-NPL Superfund Alternative Agreement sites.

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Questions?

Thank you.