



Lloyd's and the Flood Market

Using Private Insurance to Build Resiliency in the United States

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Flood Facts



As of December 2014, the NFIP owed the Treasury \$23 billion

A 2014 report showed that Lloyd's rates in certain Florida cities were more affordable than NFIP rates

Lenders are now required to accept private coverage to fulfil the insurance requirement in most mortgages

It is unlikely to ever recover from this debt

Private insurance is often less expensive

Coverage is available through Lloyd's coverholders



Benefits of Private Flood Insurance

Private Insurers are in the Business of Assessing and Accepting Risk

- ▶ Lloyd's and other international (re)insurers facilitate the spread of risk among domestic insurers
- ▶ Rates are based on actuarially-supported underwriting, modelling and individual risk assessment
- ▶ Flood maps are up-to-date
- ▶ Private insurance is sustainable
 - Risk based pricing creates the incentive among consumers to mitigate risk
 - Insurers respond quickly to changes in frequency and severity of claims
 - Global reinsurance capacity exceeds \$500 billion



The Role of the Private Sector

The insurance industry can help by:

- ▶ Raising risk awareness
 - Defining the key threats to the stability of societies
- ▶ Encouraging risk management action
 - awareness alone is not enough
- ▶ Engaging in risk partnerships
 - with business, government and other stakeholders
- ▶ Investing in risk research
 - most insurance professionals are not scientists but they need to understand the impact of geophysical change on the magnitude of weather events



The Role of the Public Sector

Roles for Government in Planning for and Delivering Resiliency:

- ▶ Improving building and other resiliency standards
- ▶ Raising risk awareness among consumers
- ▶ Investing in risk mitigation
 - Coastal defenses, flood barriers
- ▶ Acting as the insurer of last resort
 - When private insurance is unaffordable for certain properties
 - When private insurance is unavailable for certain properties



