

# Climate Risk and Insurance\_ Im...g Markets “ Conference Podcast

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## SUMMARY KEYWORDS

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## SPEAKERS

Theodora Makris, Kate Stillwell, Janelle Kelman, Doug Parsons, Doug Heller, Francis Bouchard, Dr. Carolyn Kousky, Rob Moore, Helen Wiley



Doug Parsons 00:00

Hi everyone this is America adapts the climate change podcast Hey Adapters, welcome back in this exciting episode we take a deep dive on climate risk in the insurance sector. Early in the fall I attended a two day conference hosted at American University in Washington DC the conference was organized by the Environmental Defense Fund, SBP and American University. The event brought together experts focusing on the role of insurance in building equity and disaster recovery, reducing future losses, new innovations and expanding coverage and the role of insurance in managing increasing climate related disasters. It was a fantastic event and I got to interview experts representing both the public and private sector, you'll hear the need for insurance companies to conduct climate risk analysis and the role of government in addressing these issues. The insurance sector is increasingly turning its attention to the huge impact climate change is having and will have on its ability to provide coverage. Attendees at this conference are laying the intellectual groundwork on where the insurance industry will need to go. I'd like to thank Dr. Carolyn Kousky, and the Environmental Defense Fund for sponsoring this episode. And thanks to SBP and American University, again for organizing the conference with EDF. Before we get started, I want to give a heads up on the next Patel innovations and climate resilience conference or ICR 24. Battelle presenting their third annual innovations and climate resilience conference with the theme solutions for scaling change that captures the urgency and the growing need for innovations at scale to meet the monumental task of addressing climate change. The conference will take place on April 22 to April 24 2024. In Washington, DC ICR 24 will gather innovators across industry, academia and government to share and inspire science and technology to move solutions forward. This is the second ICR that I'll be covering for Battelle, we partnered on an episode for ICR 23, in Columbus, Ohio, and I'm excited to announce a continuation of that partnership. Okay, so the call for abstracts is now open. You won't want to miss this and you need to act soon. The themes of the conference are mitigation, sustainability, and yes, adaptation I see are 24 is your opportunity to join scientists and researchers from academia, industry and government working at the forefront of climate innovation goals to build a better more sustainable society for future generations. So here's

your chance to share your important work. Submit your abstract today and present with leading experts from around the world in responding to climate change, visit [battelle.org](http://battelle.org) forward slash adapt to submit an abstract and learn more. That's [patel.org](http://patel.org) forward slash adapt. There are links in my show notes. Support for American apps comes from Battelle, where science and technology are applied to help create a safer, healthier and more resilient world. Okay, let's get this episode started talking climate risk and the insurance sector. Joining me is Dr. Carolyn Kousky. Carolyn is the Associate Vice President for Economics and Policy at the Environmental Defense Fund. Hi, Carolyn, welcome back to the podcast.

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Dr. Carolyn Kousky 02:56

Hi, thanks so much for having me. It's great to be here chatting with you.

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Doug Parsons 02:59

We've done quite a few episodes together. I'm very excited about this one because we're gonna go somewhere on location a conference that you're organizing. For those who haven't heard you. Can you tell us what you do there at EDF?

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Dr. Carolyn Kousky 03:10

Yeah, I'm in our economic research team. And a lot of my work focuses broadly on the economic impacts of climate and how we can adapt and build resilience in the face of those risks. But more specifically, I think a lot about the role of insurance in helping us manage increasing climate related disasters.

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Doug Parsons 03:30

So let's talk about that. What is this conference?

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Dr. Carolyn Kousky 03:33

Yeah, this conference, we're calling it the Climate Risk and Insurance conference. It's jointly hosted by EDF and our partners SPP, and American University. And we have three big themes we're hoping to explore at this event, all at that intersection of climate and insurance. So the first is how can insurance do a better job of improving equity and recovery from climate related disasters? The second one is how can insurance do a better job, and not just helping with recovery, but helping actually build resilience for both households and communities? And the third is what we're seeing in the news all the time, that kind of crisis in certain parts of the country as insurers are exiting markets, because the risk is going up. So how can we stabilize those markets? So those are our themes, equity, resilience, and stabilizing the markets.

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Doug Parsons 04:24

Those are some great themes. I'm looking forward to attending and learning about all this. But let's talk a little bit about the experts. You don't have to give all the names because there's a ton of speakers. But I guess more broadly, the different sectors that you're planning to have there.

**D** Dr. Carolyn Kousky 04:36

Yeah, we're trying to bring together not only groups that are in constant conversation with each other about these topics, but groups that might not always be talking to each other. So we of course, have representatives from the insurance sector, the private sector, we also have a lot of public sector folks and that ranges from people at federal agencies down to local governments that are struggling laying with what this means on the ground every day for the people who live in their communities. We have people from different NGOs and nonprofits, we have several researchers coming. So we're really trying to bring a diverse group of people together. Because some of these challenges, as you know, thinking about climate adaptation really requires people from different sectors and scales all starting to work better together.

**D** Doug Parsons 05:23

Helen Wiley was your partner for this. She's with SPP, why did you partner with her in the design of this conference?

**D** Dr. Carolyn Kousky 05:30

Yeah, so actually, the origins of this conference, go back a few years to a grant we got from the National Science Foundation through their really neat program called Civic innovations, which is designed to bring researchers and communities together to solve problems jointly, and to be led by the community. And we were part of the original cohort working together with the Mayor's Office of climate and environmental justice and the Center for New York city neighborhoods to help think about how to build resilience to escalating flood events for low and moderate income households in that region. And the conference is partially funded by that NSF grant, as well as some very generous corporate sponsors as well who we should acknowledge. And so in some sense, this is the culmination of that work, where we were really thinking about how to innovate on insurance to help achieve social goals. So we've been working together for a couple years on that effort.

**D** Doug Parsons 06:26

All right, Carolyn, I'm gonna see you in DC very excited to get there. I love the city and I will see you at the conference. Okay. See you there. I'm excited. Hey, adapters. Joining me is Francis Bouchard. Francis is the managing director of climate at Marsh McLennan. I Francis, welcome to the podcast.

**F** Francis Bouchard 06:46

Hey, Doug. It's great to be here. I love your show. And it's an honor to be on here.

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Doug Parsons 06:50

Well, thank you so much. I appreciate that. Well, first off, let's ground some people here. What's Marsh McLennan?

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Francis Bouchard 06:55

Marsh McLennan is a company that has four primary businesses. One is called Marsh, which is the world's largest commercial broker. One is called Guy Carpenter, which is the world's largest reinsurance broker. And then you have Oliver Wyman, which is one of the leading C suite strategy companies in the country and the world actually. And then Mercer, which really is an advisor on finance and health issues.

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Doug Parsons 07:17

Yeah, and just looking over your LinkedIn, and even our own conversations, when we've chatted before, you've been involved with so many groups and companies over the years. So it's really amazing, but it's kind of hard to introduce your bio. But so we're gonna just skip all of that. And I want to jump into we're talking about this conference, we're talking about insurance and you've been insurance a long time. When did climate risk get on your radar?

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Francis Bouchard 07:37

Actually, quite early in my career in insurance, it was in the mid 90s, that I was working for the Reinsurance Association of America. And I was their chief federal lobbyist at the time, and during the 1996 presidential election, and I doubt you got to vote in that one, Doug, but

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Doug Parsons 07:54

9292 was my first

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Francis Bouchard 07:57

go on in the '96 reelection campaign, Vice President Al Gore actually started quoting a my boss at the time, Frank Nutter, the outgoing president of the Reinsurance Association, about the need for the insurance sector to work more closely with the science world to get a grasp and understanding of what we were then calling global warming. So it's not a new issue, I'd say. It's certainly has a new urgency. And it's certainly much more of a prevalent issue today. But this goes back at least 30 years, from my perspective.

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Doug Parsons 08:31

Alright, so we brought you on to give us that sort of 30,000 foot perspective. And so there's been a lot of turmoil insurance market these days. And we keep seeing headlines of insurers leaving and concerns about people finding affordable insurance. Can you give us that big picture of what's going on?

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Francis Bouchard 08:46

Well, I mean, there are a lot of things going on. And that's what makes it really complex. I mean, clearly, there's increased exposure to extreme weather, that climate change has some element to for sure. But there's also other dynamics, you have claims inflation, you have regulatory challenges. On the pricing side, you have more people continuing to move into high danger areas, exposing higher and higher economic values to extreme weather. So it's really a confluence of a number of factors. And you look at the insurance company's CFD filings. For those who don't know the task force for climate financial disclosures. And most insurance companies are quite direct and open about the fact that after their 12 month policies expire, they continuously renew. And if climate begins to put pressure on the profitability of their policies, they will start to increase prices or withdraw capacity. So it's exactly the storyline we've seen the insurance companies predict would be too strong, but suggests maybe the future and I think what you're now starting to see is a capital that is moving to other forms of risks. So, California wildfire isn't the only risk in the United States, there's not only other geographic risk, but there are other industry risks. There's commercial risks, there's cyber risk, which is becoming a bigger and bigger component of the insurance sector. So the capital tends to go where the profits are. And with all these things happening at the same time, that's what you're seeing. So I would actually call this as a little bit more of a, certainly a risk crisis than an insurance one, because the insurance sector is simply holding a mirror up to society and showing that, hey, these risks are becoming more and more acute.

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Doug Parsons 10:30

Okay, it's bigger than pulling that mirror up. You have said in the past, that for insurance to stay relevant insurance need to engage more in climate risk issues. Can you tell us a bit more about how you think insurance could play a larger role in solving climate challenges?

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Francis Bouchard 10:43

Yeah, I think we have a tendency to limit ourselves to one aspect of our role. And that's risk transfer. And I think that is going to become much more difficult in the future, as the risks if the risk continued to go unabated. And then that's, candidly, it's why I've been listening to your show for a couple of years, because the ideas that people have about different ways to reduce the risk is really needs to be kind of the primary, I think, defensive strategy, and maybe it's the right word, meaning we saw in COVID, that remarkable steps needed to be taken to flatten the risk curve. And I would argue that we need to do the same thing, not just the insurance sector, but all society, in climate. But for the insurance sector, in particular, our ability to continue to send risk signals through 12 month insurance contracts is being challenged for a number of reasons. And we need to find other ways to apply our knowledge and our expertise on this topic that would help reduce the risk, thereby allow us to continue to insure and I, I can assure you having been part of the sector for 2530 years, nobody wants to ban and clients, nobody wants

to pull out of markets, they companies want to do what they do, and that is to provide insurance. And I think the next step is the insurance sector needs to find ways to work directly with community and community leaders, community decision makers, who are the ones who are going to somehow pay the police, keep the teachers happy, build the schools, keep the roads plowed, and find ways to finance either nature based or traditional gray infrastructure to protect their citizens to protect their economy. So it's really a dialogue, Doug, that I think I hear referenced a lot on your show, and and a lot of conferences I attended, I attend about the need for new partnerships, and new ways to find value in different sectors. And for the insurance sector. I think it's an urgent situation, and we should be working more and more closely with communities.

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Doug Parsons 12:45

Alright, so bear with me on this question. And so it's my sense that the insurance sector at large is not waiting around. And when we see this, and you just sort of explain what's kind of happening out there. And they are thinking about climate change and these risks more deeply. So do you think on the other side of that local and state governments will be able to keep up in these areas? And so you always hear about these insurance companies pulling out, but these states regulate the insurance industry? Will they be able to regulate competently as these new climate risks come online? It's my sense that they just can't keep up?

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Francis Bouchard 13:18

Well, Doug, I'm not going to say that the regulators are incompetent. Okay, but it does reflect a challenge. Right. And I think that what the insurance insurer actions are illustrating is that there are a growing challenges when it comes to adequately providing risk cover for a risk that is on a clear path to increasing, right, and that there's complexity. We used to be able to work with individual policyholders and really incentivize through our contracts through terms and conditions, including price behavior, that would reduce the risk of that individual policyholder, the challenge is that with climate change, these risks are more systemic. So the ability of the insurance sector to influence the type of behaviors that are needed at a system level, it's very difficult to do that through individual insurance policy. So we're going to have to kind of come together here and recognize that brute regulatory force might feel good in the short term because it might slow down some type of market disruptions. But as I think the Florida market can show that can only go so far and will only work for so long. So I'm more encouraged by some of the type of partnerships and research that regulators in the US and around the world are undertaking to see what their role should be in helping to reduce the protection gap. So I've seen supervisors moving beyond their traditional mandate of solvency supervision and then access and affordability for citizens. That's been kind of a dual regulatory mandate that is evolved to be much more about a solutions oriented mindset. I think that's where the dialogue with regulators need to go. And currently, I see more and more regulators seeing that as well. So, so, Doug, I think this is going to be one of those, you know, cataclysmic national battles. I think this is too big of an issue for us not to all take a quarter step back and really figure out a different way to tackle it this time,

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Doug Parsons 15:28

staying with that idea being encouraged what innovations or changes are you seeing in

insurance that make you optimistic,

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Francis Bouchard 15:35

there's a lot of it going on. I mean, some of the tech developments that I see on warning and monitoring of wildfires, pretty wild, some of the the new approaches to tracking and understanding sea level rise and the impact and visualizing that is really compelling. Us. But I think there's even some deeper forms of innovation that are even more encouraging. So one that we are certainly working on. And guy Carpenter, I think has helped kind of lead the path on this along with, well, Carolyn Kooskia, when she was at the ward and Helen Wiley and others who are part of the conference called Community Based catastrophe insurance. And I think it was referenced a few times at the conference itself. But this is where you really draw out the value and the benefits of a highly efficient risk transfer tool like parametric, and find a way to insure people who today are not insured for apparel and do that, and that tends to be lower income population. So there's a way for us to innovate on the models we've in use, not necessarily the exact terms and conditions of policies, but those two are being innovated. But the entire model of actually using group wide risk bearing and risk sharing mechanisms to bring to natural catastrophe or extreme weather. That's a new thing, right. And we've only done it once admit, we did in New York last year, but we are having conversations with many organizations, many communities, about their risk profiles, and their needs for new approaches. And hopefully, this community based catastrophe insurance will be one of those. There's other dialogues that were part of that are quite exciting as well, in terms of trying to find a better way to understand and then translate the risk reduction benefits of nature based solutions translate those benefits into direct insurance benefits for downstream communities that benefit from it. That's not something we're good at as an industry, we struggle in taking system wide or system level of risk reduction approaches, and reflect those in individual policyholder rates. We're working right now with a conservation group and a water authority to explore how to do that. And I think if we could monetize the benefit of nature based solutions, you then have a strengthened investment argument for those same type of instruments. So there's a lot of really smart people thinking a lot of creative things out there, Doug. And that's why I think that somewhere in there and the 100, other things that are going on, that's where the solution is going to be not in a regulatory tussle, where we're forcing people to take or not take risks that they're simply not prepared to do.

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Doug Parsons 18:16

Okay, just this interview is being done after the conference, any highlights for you, you've talked a bit about some of those examples of innovations in insurance, but some conversations that you had what stood out for you at the conference.

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Francis Bouchard 18:28

I think what stood out for me at the conference is how Carolyn Helen and others could pull together not just an agenda that was extremely compelling to an insurance professionals committed to these topics, but could draw in people from a whole slew of other community. So I like you, Doug, probably, and other listeners, I go to a fair amount of my conferences, and you start to see the same people. And sometimes it feels like you're talking to each other, right?

You're just having the same conversation in a different setting. What VDF conference for me, what it really did was expose me to some people, I'd never met some sectors I'd never even talked to before. And I'm out there, Doug, I'm talking to anybody who will talk to me, right? So for me to still be stumbling across new people and new sectors and new companies and new entities. I found that to be really rewarding and exciting. And it shows you that I think we're at the early stages of some type of coming together, where I think you're gonna start to see some really creative and impactful partnerships emerge. And really, it's the type of events like the ADF conference, that bring those parties together and start to show them just how close we are to the same common goals, the same common approaches and the same common objectives. I mean, everybody wants to retain sustainable insurance markets, the insurance industry regulators, community activists, health care officials, you name it, and these types of conferences, kind of, I think, reinforced that, but if I have one, not criticism, but the observation I would make is We need to stop the just talking and actually start the acting right. We need to have more partnerships announced we need to have more pilots done. We need to be scaling quickly the best ideas out there and and we'll get there and the conferences like the EDF will get us there quicker. But it's time for us to start to focus on impact. Because as we're running out of time, otherwise.

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Doug Parsons 20:19

Fantastic. final message. Thank you, Francis, for coming on the podcast. Thanks, Doug. Appreciate it. Hey, adapters Joining me is Helen Wiley. Helen is the Disaster Preparedness Program Director at SBP. Hi, Helen. Welcome to the podcast. Hi, Doug. Thanks so much for having me. First off what is SPP and you? Can you briefly describe your role there?

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Helen Wiley 20:41

Yeah. So SBP is a national nonprofit organization that was founded almost two decades ago by Liz McCartney and Zach Rosenberg, down in St. Bernard Parish, Louisiana after Hurricane Katrina, hence the name of SBP. Because it started out as the St. Bernard project. And the organization really started out as a home rebuild organization, our founders just saw the complete devastation and how little recovery rebuilding had started for really left behind families in that area. And so they really saw how can we transform home rebuilding after disasters do this much more quickly for disaster for survivors, because getting home quickly matters so much as we'll discuss in the insurance context. And so as they scaled and built more and more homes, they really found that there are so many lessons in the disaster space all across the cycle. And so wanting to share the lessons of how to do home rebuilds quickly and build homes more resiliently for other communities was really important. And so the organization today almost two decades later, works all across the US, particularly in flood and tornado contexts. But we've worked on all different natural hazard types, and work all across the disaster cycle to you know, help survivors build their homes to higher resiliency standards, prevent as much suffering as possible by preparing and advising communities, and really advocating for more effective federally funded programs and services, both before and after disasters. And my role is leading our preparedness program. And I really think it's, you know, the most critical piece of the whole thing is how do we do more pre disaster rather than post? How do we be less reactive. And pairing disaster preparedness with larger climate resilience

efforts is really critical. And so I lead a preparedness program at SPP, and a lot of what I try to do in my work is build in more financial preparedness into how not only households, but community leaders are thinking about what types of actions they can take pre disaster.

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Doug Parsons 22:45

So you helped organize this conference? Could you provide some of the background on the history and the objectives of the event? You work closely with Carolyn, can you tell us a bit about that?

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Helen Wiley 22:54

Yeah, so Carolyn Kousky and I used to work at the University of Pennsylvania together. And we were doing research really looking at how can we make financial resources more accessible for low income families more quickly, after disaster events, and flood insurance really being a major focus of that, you know, we're looking at what have been happening in the global south with all different types of micro insurance programs, as well as more mezzo level programs in the world of you know, really in those senses for smallholder farmers and and folks of, you know, linking microcredit, and loan programs with micro insurance. But you know, what would it look like to bring some of these types of concepts into the US. And so in a number of different grant projects, and really great partnerships with different cities and states and around the US, we started iterating on okay, you know, if we were to move into different types of insurance models or complementary financial products, what are some of the ways we could get resources to low income households more quickly, also some great complementary work looking at, you know, how to link insurance and nature restoration, and a number of other things. But we started seeing all these really interesting ideas that, you know, hadn't yet been launched into the public arena, but were being thought about by both private and public stakeholders around the US. And it was really exciting, particularly as we got into some projects like this New York City pilot that I'm sure you'll be covering in the podcast, what came together in this big grant project we'd had through the National Science Foundation civic innovations program was doing a workshop eventually at the end of that project. And so what we really wanted to do after hearing all these great ideas to try to do things differently in this disaster insurance space was have a convening where we put bring together all these great minds and ideas and really start to build this larger community of practice for transit. bring ideas and knowledge across different stakeholders that aren't necessarily already talking with one another. And that just being so important for, you know, all the folks that are in private insurance who are trying to do things differently and have new types of products come to market to really hear, you know, what those in the public sector are trying to do and innovate on, you know, what doesn't doesn't work with this new types of products, and then vice versa, those in the public sector and nonprofits who are trying to get money more quickly to low income families, them understand, you know, what are some of the opportunities, but also limitations in the private sphere. And so that was really the impetus for having this convening that we had in the fall.

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Doug Parsons 25:43

One of the central themes of the conference is improving equity and disaster recovery. So given SPPs work with vulnerable communities, could you share some insights into the

challenges you've seen in the current recovery system?

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Helen Wiley 25:54

Yeah, disaster recovery, you know, it's a really broken system in the US and around the world. And one of the major things that we focus on SBP. And it's our mission is how do we shrink the time between disasters and recovery, when you think about equity, delay is one of the biggest issues for low income families in the US, if you have little to no savings, you know, extremely limited access to credit and loans, and don't have insurance. folks try to rely on aid in the US. Well, one, there's the misconception, because federal disaster assistance is limited and is not intended to be for full recovery. But it often takes a very long time before it reaches the low income households that are actually able to qualify for it. And folks think that they'll get much more through disaster aid than they do, in fact. And so that's something that we really focused on SBP. We, for instance, have a FEMA appeals program where we help low income families appeal their word amounts or appeal if you know, they're denied assistance, and absolutely want families to maximize the amount they receive from assistance. But it really is a one time thing for most households. In any case, though, that delay issue is is immense. And so what if families do when they don't have access to money, immediately post disaster? Well, you have all kinds of, you know, cascading larger challenges that compound for for low income families, if you're already, you know, barely able to afford health insurance or don't have health insurance and have major other financial burdens, having a disaster event can really be a tipping point. And so this delay issue and when you receive money matters so much. And so when you think about insurance, it really is the best way to get money quickly to households. And so improving that ability and the equity, for those that are more vulnerable and low income to access insurance is really critical. A couple other things I'd say that are important to think about equity and disaster recovery challenges is there's a lot of fraud in in the disaster recovery space. There are a lot of unlicensed contractors out there. And just a lot of folks looking to take advantage unfortunately of people and a very hard time. So for instance, we think about insurance for those that are fortunate to have homeowners or flood insurance. There's unfortunately folks that will go into really devastated communities after a disaster and go door to door, you know, offering their services to folks that were impacted and had home damage. And they might if they're particularly an unlicensed contractor, obviously not everyone is out to take advantage of folks. But there's way too often folks making off with people's money without you know, from contract and play. And so there's a lot of challenges of particularly vulnerable households, older adults being taken advantage of by people in this system. So you know, this is a little bit more detailed. But for instance, with insurance, there's a reason why when damage amounts go over x threshold that an insurance company has, they often will the mortgage holder. So the mortgage company will hold back a portion of the insurance payout to that household if they have homeowners insurance, because they want to prevent a fraud situation where someone could make off with a homeowner's complete insurance payout all at once. And so they might disperse it and two or three amounts so that you know if anything were to happen, the homeowner but also the mortgage holder, ie the is not you know, out from that amount of money that was going to be covered.

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Doug Parsons 29:43

FEMA grants are often relied upon by the uninsured, but that can be a challenge to obtain and may not provide enough financial support and you've talked about this a little bit but can you elaborate on the difficulties SPP has seen in this regard.

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Helen Wiley 29:55

FEMA grants are eliminated as I was saying and so With the average amount from FEMA, its own data is that recipients will typically get about \$7,000 in federal assistance. Versus when you look at the federal flood insurance program, payouts are on average rounds like 69,000. So by no means the same amount. And what happens often with disaster assistance is it's obviously complicated for folks to apply. They're pointed over first, usually to the Small Business Administration to see if they qualify for a loan before they're brought back again, to FEMA to you know, potentially get the aid amount. And it's all very confusing as a household member post disaster to understand, you know, what application is where and where information is currently at. There's also complicated things involved with, you know, when your house needs to be evaluated for damage, and just huge disparity in often the award amounts you might have based on who is the assessor looking at a house, so folks can get very frustrated in the community, because you might have two homes with what looks like equivalent damage. But because a different person assessed one house versus another, they are awarded different amounts. And part because one family might have done much better documentation of the damage to their homes than the other one. And so what we work on in our female appeals program is to help those that are under awarded their amount for aid to appeal that and add in the amount of information that's needed to maximize the award, which our program has seen great success with. And why that's so important is that for most folks that received disaster assistance through the federal government, unless you then maintain insurance for a life event, after having received the aid, you're not going to be able to ever qualify for aid again in the future. So it's really important for folks that are applying for aid to maximize that award amount that first time.

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Doug Parsons 32:03

So we're at this insurance conference, and why does SPP believe that disaster insurance is a crucial area of focus. And I think you've covered a lot of those bases. But how can it bring benefits to disaster affected communities? I mean, can they be that proactive and helping out?

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Helen Wiley 32:17

Yeah, so disaster insurance is such a critical piece of the picture, because it means that you take an action pre event to have coverage if something happens. So just like with your health insurance, or car insurance, you know, paying at least if we're thinking about a traditional insurance premium and policy, you know, you're paying a small premium pre disaster. And that gives you x amount of coverage, if you know an event happens, and it's then much more automatic. Now, of course, you do have claims adjustments and things that can really get complicated, particularly if she's on what if damage caused by wind versus water through dealing with homeowners versus flood, which is really confusing for folks. But insurance, you know, when we look at the different financial tools available, is on average much faster and getting money to families than other resources like aid as we were discussing, Oregon, you know, depends on if people even have access to credit, often low income families don't and have very little to no savings. So we need to make insurance more accessible for more folks, if we know it is one of the best tools for recovery. And so at SBP, what we really focus on in the

preparedness program is for instance, doing recovery planning in advance. And so that means really extending for families and community leaders what they can think about as being parts preparedness planning. So, you know, yes, you need to put together your emergency kit in the home and make an evacuation plan. But preparedness is so much more than that. And so we for instance, think about recovery planning being a central piece there. And that should really be where you begin your thinking. And so, you know, learning about okay, well what my home qualify for disaster aid if a disaster event occur that had a federally declared disaster declaration. So finding out if someone in that home had received disaster aid in the past, which would then prevent you from getting aid again, if if you don't have insurance for life event, you know, understanding better what types of loans and and credit you could access in different types of scenarios. But thinking through budgeting, you know, just more broadly for emergency events. It's just so important, but of course really hard for low income families. So for those that do have more financial tools, we really go through understanding these different financial tools and how to better plan but then you really think about this most vulnerable population who have really no ability to pay an insurance premium Then, what's really important to think about what are some alternatives we could use in the insurance space to get more folks financial protection, and that was really essential aim at this conference is unpacking some of these new types of insurance tools and financial mechanisms that can fill in some of these gaps right now left by the disaster insurance space and other financial products out there.

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Doug Parsons 35:22

So the conference is over. Any thoughts? Any, you know, highlights for you? What do you think?

H

Helen Wiley 35:28

Yeah, I think for me, what was just so exciting was seeing, particularly in breaks the interaction between different folks at the conference and all these people that Carolyn and I had been talking to, for the last, you know, five years or so all interacting with one another. And being excited about a lot of these pilots going on around the country. I moderated a panel that was focused on solutions coming out of the public sector. And what was exciting for me is in conversations between different local government leaders who are trying really hard to bring new types of programs to progression, which don't necessarily have to be in partnership with, you know, the private sector, there's some good ways you could think about, you know, adding on different types of things to the National Flood Insurance Program through local grants, etc. But hearing them talk with one another, and trade lessons learned from some of their initial scoping work was just really exciting for me. I also think that, you know, we haven't talked about micro insurance, but there's some great lessons, again, from the global south and some of these micro products that can be brought to the US and so having a few of those ideas highlighted at the conference was exciting for others to hear, I think.

D

Doug Parsons 36:47

All right, Helen, it's a pleasure meeting you I get to meet you there in person and thank you for coming on the podcast.



H

Helen Wiley 36:52

Thanks so much, Doug for having me.

D

Doug Parsons 36:57

Hey, adapters joining me is Janelle Kelman. Janelle is a current councilmember and former mayor of Sausalito and candidate for lieutenant governor in California. Janelle also runs the Center for C rise solutions. Hi, Janelle. Welcome to the podcast.

J

Janelle Kelman 37:10

Hi, Doug. Thank you. I am so excited to be on one of my favorite climate podcast America. daps. Thank you for having me.

D

Doug Parsons 37:17

I am very humbled that you are listener. Thank you. I appreciate it. And we got a chance to meet in person in Washington.

J

Janelle Kelman 37:22

Right. So we were back in DC at a really great event hosted by Carolyn Kousky and her colleagues at EDF.

D

Doug Parsons 37:30

Yeah, that was great. And it we got a chance to chat. Obviously, we didn't get enough time to chat. But here I have you. You're coming on after the conference. This will be a conference episode. But I'm doing interviews with folks after the conference and just learning a bit more about what you do. So I want to start this off by just focusing on the work that you're doing for the Center for sea that rise solutions. You have started this nonprofit to help identify solutions around sea level rise and flood risk. So what led you to start this group?

J

Janelle Kelman 37:55

So yeah, great question. And I'm really, really excited to have the opportunity to talk about it. So I live in Sausalito, California. As you mentioned, I serve on the city council. I was the mayor last year. But my background is I'm an environmental lawyer turned entrepreneur turned local elected official. And I've lived in Sausalito since 2001. And I served about 10 years on the planning commission kind of off and on and got engaged about four or five years ago on what's called our general plan. It's a 25 year planning document for communities in the state of California. And as we were digging it, we realized that this plan, which hadn't been updated in 25 years, didn't have very much in the way of sustainability, disaster preparedness, resilience,

and almost nothing on sea level rise. We're a bay frog community, we sit on the water, I'm looking out on the water right now as I talk to you. And we experience flooding frequently with greater intensity. And I thought, well, what's going on who's who's addressing this, who's in charge here of these rising waters, and I asked around and in the county was doing a lot of good preliminary work, but we really hadn't dug in as a community. And so as I was running for public office, and I had the opportunity, it was actually during COVID, to talk with people and really get to hear their stories. I talked to them about the risk of flooding and disaster preparedness and disaster preparedness in terms of you could have a wildfire on one side and flooding on the other. What do we do, and I realized that it was a real need to tackle this issue in our community. So I also realized it wasn't just an issue for Sausalito. It's an issue around the world. And so I wanted to develop a platform to be able to communicate with other leaders in the United States. And so I launched the Center for sea resolutions. And we began to travel around the United States talking with other elected officials and other key decision makers about what actions they were able to take. We very quickly scaled that we've done a significant amount of work globally as well. We were at the UN ocean conference in Lisbon. So we've done work in Portugal in Italy, as well a significant amount of work in France, both in Paris and theory it's and it turns out we're all struggling with very sick Are issues and really can learn from one another.

**D** Doug Parsons 40:02

That sounds really ambitious, what are some of the specific big things you want to accomplish with the group?

**J** Janelle Kelman 40:07

What we really want to do is break down silos. So if something is is happening or being learned in a particular community, it shouldn't get lost or kept within that community. How do we make sure that even some of them are more basic items, which, unfortunately, are kind of hard to draft, sometimes like a, an update to a planning code, or a zoning ordinance, or drafting a request for proposal for an expert consultant to help develop some type of vulnerability assessment, we want to make sure that if a community has taken the time to draft and develop that type of material that can get shared beyond their jurisdictional boundaries. And so that's a big part of this is to develop a clearinghouse of information, connect key individuals working on these issues around the country around the world, and make sure we're all learning from one another. The other aspect of this is we're very oriented towards action. There are a lot of important commitments being made. There's a lot of great planning that's happening. But we want to make sure we go that extra mile we help people actually take action towards some types of coastal adaptation or measure that improve the resilience of their community.

**D** Doug Parsons 41:11

But you were the former mayor of Sausalito. Now you're a current council member. Tell us a bit more about Sasa, you'd mentioned it's a coastal town, but can give us a bit more detail about and maybe it gets population and then maybe dig into some of the climate risks.



J

Janelle Kelman 41:24

Absolutely. Well, I would just say I absolutely love Sausalito, California is an incredible place to live and breathe and enjoy. And Sausalito is the first town immediately over the Golden Gate Bridge. If you're in San Francisco, you've crossed the bridge, and then you enter really quite a paradise or a hillside community. And so you'll see homes cascading down a very steep hillside and then flatland that then abuts the bay. This is called Richardson Bay, which is of course distinct from the coastline. So we're not actually on the Pacific Ocean, which is important when it comes to a different regulatory environment. But it's about 7000 permanent residents on the weekends, we can have as many as 30 to 40,000 visitors, because it's such a beautiful place, lots of cycling and running and watersports, beautiful views of the city and Oakland. From here. It's just a tremendous place to participate in as a resident in terms of the natural beauty. But there's also a real vibe and commitment around climate work and making sure that we are Climate Leaders. And so being an elected official is a real honor, because I get to help lead the community to become more climate resilient.

D

Doug Parsons 42:32

Well, I imagine it's north of San Francisco, and it's right there on the water. So I'm sure real estate is very reasonable, right?

J

Janelle Kelman 42:38

Well, it's interesting. We've had people who've lived here for a very long time. And so while their their home value has gone up, they've actually enjoyed being here at a time when it was a sort of a small suburban outpost, if you will. So it's really developed. But everybody I know is so proud to be a member of the Sausalito community and the Marion County community because it is a motivated, smart forward thinking community.

D

Doug Parsons 43:03

Okay, so I've talked to a lot of local government, people that do adaptation, planning nonprofits that do it. And even when a community's really being proactive around it, a lot of it's insider stuff, you know, that this planner knows it, they go to the conferences, and they want to do these things. But the public has no clue that they're doing it and the public isn't necessarily demanding it. What are the people of Sausalito? Think about all that?

J

Janelle Kelman 43:24

I think you're spot on. I think community engagement is the hardest lift. And the the most difficult aspect of climate resilience to do effectively. Because you want transparency, you want to make sure that you're hearing from all stakeholders, and that you're getting feedback and buy in from your community. And it can be really difficult to make sure that there's full participation. One of the things I tried to do, I try to put out a newsletter before every council meeting, I try to interact as much as possible with members of the community to explain to them, here's what I know, I want you to know exactly what I know, I don't want to have any special information if I know what you should know it. And then we can make decisions

together because it's really my job to represent the interests of the community. And so you need to make sure you're on the same page. It's a big part of climate resilience for us something like flooding can be a little bit difficult in a hillside community. Because I think there are the original or initial inclination can be that, oh, I'm not going to flood because I live on a hill. And that's, that's quite true, right, you won't actually flood. But if you like running water, if you like electricity, you have to acknowledge that many of those key components, those key pieces of infrastructure, are in the flat areas that will be prone to flooding. And so it's a way to connect it and make it more meaningful so people understand that full ecosystem of how it can impact them. The other piece of it for Sausalito is while we have the Golden Gate National Recreation Area to the west of us and the bay to the right, there's really only one road in and out of Sausalito. There's some smaller roads that come up off the highway, but the main road in and out is in that flat area. And if that you know started to They experienced flooding from storm surge, high tide, science, sea level rise, a confluence of factors, it can be really, really dangerous for us in the long run. So we wanted to be proactive and take the opportunity. And I did it by developing a sea level rise taskforce bringing that information to the public. We have a website on the city website all about sea level rise, what we've done, other communities have done, does it share as much information as you possibly can?

**D** Doug Parsons 45:24

We were both at this insurance conference, you've been doing some work with the insurance sector. Give us some background on that. Yeah.

**J** Janelle Kelman 45:31

So as I keep mentioning your we're a hillside community. And so we have flooding into flooded areas, but we also have landslides. And in 2019, the community experienced very serious landslide, that was primarily the result of oversaturation of soils, through frequent rain events. And through again, this confluence of factors, a massive portion of the hillside came down, it took out many homes to get a whole valley and in the community. And it was really very, very dangerous and very expensive. And I thought, you know, the traditional insurance market isn't going to be able to keep pace with climate risk. And I didn't make that up. That's what we're hearing from the insurance industry we're seeing in the state of California, insurers are pulling out because of wildfires and other reasons. And so I started to really drill in and think about what are some new products that might apply to our community things that we might be able to use to help enhance our coverage that pulls the community and but is really specific to this idea of climate risk. And so I began to dig into what we talked about at the conference, that parametric insurance concept, the idea that you could have a data driven trigger. So let's say like a rainfall amount that if that rainfall amount, were to be hit according to the agreed upon sensors and data collectors, that there will be a payout for the community. And so that's something that we're digging into here in Sausalito. It's also called community based, catastrophic insurance. It's being piloted right now in New York. And I'm hoping that salido is the next pilot.

**D** Doug Parsons 47:08

Alright, let's continue on that with the conference. Did anything stand out? Because that New York one I know about that part of what's happening in the insurance industry is that they're

trying to be innovative because of the emerging risks with climate change. What are some things that stood out the conference for you? What did you learn?

J

Janelle Kelman 47:21

What are the things I learned? And you may remember this, I looked out to the crowd, I was on a panel. And we were talking about these pilots, we're talking about parametric insurance. And I said, Okay, we have everybody in this room to take action. Why don't we all gather after this panel, and let's sign up 1015 20 communities. I didn't get that 1510 20 communities to sign up. Because even though there's a lot of great ideation around this, there's still a little bit of uncertainty about how you actually move it forward. Who would administer this type of parametric insurance? Is it held by residents? Is it held by the jurisdiction? Where's the source of data? How do you agree on that data? Is the payout high enough to really help companies. And so you know, that was one big aspect of of my learnings there is that there's a lot of momentum and motivation, but still a little bit trepidation about how we take action. The other thing that I learned, and this was a I was really happy to feel this camaraderie in the room, is that there seemed to be a real agreement and consensus that we need to consider the massive impact that climate change is having on increasing the frequency and severity of extreme weather events. And the conversation, as you may recall, is that this, you know, intensity and severity coupled with non existent or outdated building codes, or outdated flood maps, and lack of data is, is creating a growing insurance protection gap. And that means our communities are left with massive bills to pay when disaster strikes. And so the outcome of that consensus is that there was an agreement in the room that we need to consider new insurance products, and we need to implement pilots now.

D

Doug Parsons 49:05

I'm still learning a lot about the insurance industry. And the conference was fantastic that way, and being from Florida, if there's such a dysfunctional situation with insurance, and I'm always like, oh, of the insurance companies just pull out, you know, it's gonna be the free markets that have determined that we're no longer gonna insure these high risk places. But then when state governments come in and how they regulate insurance companies, they can't be as nimble as and maybe as innovative as they want to be. So it just gets so complicated quickly. Right?

J

Janelle Kelman 49:31

That's true. And it gets complicated. But it's also complicated because what we're trying to do with these new insurance products like cbc, is we want to link mitigation and risk transfer so that we can help residents we can help municipal budgets, and we can really help the trend of insurers were pulling away from certain perils or areas of the country. And that linking of mitigation was transfer requires a lot of deep diving and data analysis.

D

Doug Parsons 49:58

I mean, it can be very tangible. So in there are these attempts to help low income people get access to flood insurance and products like that. But in certain areas and being a council member, these must be the tough decisions for is that high income, low income, these are

member, these must be the tough decisions for is that high income, low income, there are areas that people shouldn't live in, what's the responsible government entities? What role should they play in there? And it comes off as that they're just pricing out low income people. But at the end of the day, some of these areas no one should live. And there, it seems like there's efforts to just Okay, let's get them insurance products that allow them to stay where they are at, which can be dangerous areas.

**J** Janelle Kelman 50:34

Yeah, it is a tough decision making process. And they're not all the same, right? If you were in a low lying area that is significantly below sea level rise, and there's really very few adaptation measures you can take. You have to consider what are my long term, the long term viability of living here, which I think is different than what we often look at here in Sausalito of landslide risk, what is the risk of landslides? What is the risk of an earthquake, we have a number of different perils that Californians have to familiarize themselves with, unfortunately, it is that that opportunity to say, Okay, can I mitigate this risk? What does it mean to mitigate the risk? And how long can I adapt? I like to think about it as like a systems approach to resiliency. You know, can we use adaptive nature based solutions, which may also have biodiversity benefits? Can we include insurers in infrastructure planning from the start? And then can we also have some type of financial incentive for homeowners or cities who invest in this type of risk reduction,

**D** Doug Parsons 51:29

and you're in a unique area? I'm from the East originally, and just you know, one flooding areas when in 100 year floods, it's different than being sort of a mountainous right next to coastal. And so it's just so much more expansive of the areas that are at risk. So it's complicated. Alright. So C is a unique place with these unique risks. But what advice would you give other local governments to be proactive in managing general climate risk?

**J** Janelle Kelman 51:56

I think engaging your community understanding what your community is concerned about, and talking with your with your other elected leaders or other doesn't have to be elected leaders, other leaders in your region. I think one of the biggest opportunities for the state of California is more regional planning. And even though we see that often mentioned in the news, across different types of climate risk, it we're still getting a little bit held up of what it means to be regional, because multi jurisdictional or integers, jurisdictional type of planning can be very complicated. I can tell you what we might do in Sausalito, but I can't tell what my neighboring jurisdiction might or can or should do. And so developing those types of relationships and consensus building on regional basis, backed up by the best available science that the community understands, and is educated on, I think is the best path forward. Because I often tell this anecdote I read this article a couple years ago now in Scientific America, and it was a study from some Stanford researchers. And they showed that if you put a seawall up in San Jose, it could cause flooding in the Napa River. Those two cities are like 300 miles apart, 200 miles apart. So the Think about the hydrologic connections, and then start planning is is really where the opportunity is.

**D** Doug Parsons 53:16

You had mentioned you're an ultra marathoner runner. What's the longest distance you've ever run?

**J** Janelle Kelman 53:21

Oh, I love this question. The longest I've ever run is 66 miles. No, I have not done 100 miler, mostly because I really liked to sleep. I don't think it would be that effective. But I have done a couple of 50 milers, the Grand Canyon, rim to rim to rim is a 50 miler, I did it a couple years ago. And then we just did it again in May. But for those of you who want to go run the Grand Canyon, the portion from cottonwood campground up to the North Rim was close. So we only got to do only got to do a 50k which is 30 miles. I love being an ultra runner. I'm a I'm a lifelong athlete, I played two sports in college. I was competitive cyclists for a long time i My connection with being outdoors and the environment is deep and Trump Chanel,

**D** Doug Parsons 54:06

it's been a treat hosting you any final words before we sign off.

**J** Janelle Kelman 54:11

I'm gonna take the opportunity to give you one word, it's ikigai. I'd love to mention ikigai the Japanese philosophy of finding your sense of purpose. And I mentioned it because I know that when we talk about climate crisis and the climate emergency, there can be a lot of anxiety. And for those of you listening, I just wanted to I take a lot of comfort in finding my EQI my sense of purpose in doing this type of work. And I would just urge you to also find that shared sense of purpose and to deliver curiosity instead of anxiety and see the things we can do and accomplish together.

**D** Doug Parsons 54:45

Well, thanks again for coming on.

**J** Janelle Kelman 54:46

My pleasure, my honor.

**D** Doug Parsons 54:51

Hey, adapters, I'm



you're part of the panel and you're giving a presentation, give us a preview, we're going to be talking about me talking

R

**Rob Moore 57:05**

about some some ideas NRDC has for directly financing buyouts of flood prone homes through the National Flood Insurance Program, or some other source of revenue, basically, pre approving people for a buyout, because they know, this is not a safe place to live. Maybe they've been flooded multiple times, maybe they're simply very aware of how flood risks are increasing. And they are either ready to leave now. Or they know they'll be ready to leave in the future. So how do we make those transactions much easier, more widely available? Yeah, just easier for people to get because we've got millions of people just in the coastal areas, who are going to see their homes inundated by sea level rise between now and the end of the century. We have no mechanisms in place for assisting that relocation effort and that migration, and we have even fewer mechanisms in place that can do that in an equitable or timely fashion.

D

**Doug Parsons 58:02**

We recently partnered on a buyout episode and part of the examples were some of the local governments working on these buyout programs. Do you see a role for large insurance companies in that conversation?

R

**Rob Moore 58:13**

Quite possibly, but I think buyouts are going to be largely government led, not private sector led, there's simply for government agencies, whether it's FEMA, because of their interest in the National Flood Insurance Program, or local or state governments, who see the value of helping people relocate both for the good of their citizenry, but also for their own financial interest. You know, the fewer people that live in disaster prone areas, the less damage that occurs, the less hardship and suffering that's inflicted on their own residents. Those are all net benefits for government entities for private insurers. Unfortunately, they have the luxury of simply dropping coverage, they can just drop coverage and walk away. So buying out a home of a policyholder, there's no profit margin in there for them.

D

**Doug Parsons 59:04**

So you've met a lot of people here, what are you taking back? Are you gonna be doing any follow up? Are these the kind of people that you want to potentially partner with?

D

**Doug Heller 59:11**

I'm really interested in seeing if there's way to partner with some of the private insurance sector folks on these issues around improving building standards and the criteria for siting infrastructure for siting homes, making sure that we're making climate informed decisions. You

know, it's very frustrating to see the efforts that are going forward on climate resilience and climate adaptation around the country, on the one hand, and then in the other hand, you see, government's continuing to dig a deeper and deeper hole. We're continuing to kind of fall behind the curve despite our best efforts. Alright, thanks for coming on. Rob. Yeah, thanks a lot, Doug. I'm glad you're here.

**D** Doug Parsons 59:56  
Hey, adapters,

**T** Theodora Makris 59:57  
I'm with Theodora Makris, Program Manager at the Senator from New York city neighborhoods.

**D** Doug Parsons 1:00:01  
Okay, so what do you do there?

**T** Theodora Makris 1:00:02  
I am a program manager. The organization itself focuses on protecting affordable homeownership in the city of New York, we also have partners in all of New York State, my job is to develop the flood recovery fund, which is an emergency grants program that provides aid to eligible homeowners whose houses were affected by severe rainfall flooding. So I'm working in house with our programs team and our digital products team to get this program up and running.

**D** Doug Parsons 1:00:33  
So what brings you to this Risk and Insurance conference?

**T** Theodora Makris 1:00:36  
Yeah, our partners, EDF SPP, have put on this conference to really bring together all the experts on insurance and risk transfer, to talk about the sort of situation we find ourselves in with respect to a changing climate and the changing insurance industry as a result. And I was fortunate enough to be invited here to speak on the flood recovery fund, and get to meet experts in the field of disaster recovery, to see how we can knowledge share and bring some of these ideas to fruition.

**D** Doug Parsons 1:01:09  
So you gave this presentation and you're doing some innovative work with this pilot program.

Let's talk a little bit about that. What is that and kind of the 30,000 foot level? What is that pilot program?

T

Theodora Makris 1:01:18

Sure. So it's really kind of based on this parametric flood policy, which is different than traditional indemnity insurance. Parametric says that your compensation is based on an observable measure of the hazard, not your individual loss. So in practice, this would mean we are focusing on rainfall flooding, if a certain amount of rain falls in New York City over a course of time, that may trigger a payout depending on if it's a qualified event, our organization, the Center is acting as an aggregator in this model. And we are in fact to the insured. So if a qualified event happens during our coverage period, we'll receive money from our insurance company, which we will then disperse to eligible homeowners in the form of a an emergency grant quickly and without restriction so that these homeowners can, you know, start to recover more quickly than they might if they were waiting for federal aid or other types of sort of disaster financing that take months, sometimes years to arrive at the home. So we're really trying to shrink that recovery gap, particularly in low income communities where climate events really act as these economic shocks that affect the household in both the short and the long term.

D

Doug Parsons 1:02:32

Okay,so I think one of the most important things here is the timing of that. But let's go down to that home level, there is a rain event and someone has I'm trying to visualize this flooding of their basement, there's flooding of their home, how do they even know you're out there? How does that process work, where they can even apply for these funds.

T

Theodora Makris 1:02:50

So the center really relies on our partnership with housing counselors and legal service providers who work directly with clients in the city of New York on all things sort of housing related. And so we are holding a series of trainings for these counselors to be trained up on the program, what the eligibility criteria are the limited documentation requirements that we're asking for, so that inevitably, when disaster strikes, they are already on the front lines working in their own sort of emergency response way. And the flood recovery fund is essentially sort of baked into their existing emergency response plans. And so we're really relying on these relationships to act as referral services. The center also has what's called our homeowner hub, which is essentially a call center for folks to call and get information about all things homeowner related. And so an applicant can also come to the application through calling our organization and asking what services are available.

D

Doug Parsons 1:03:48

So the moment they apply for these funds, what's the quickest they could actually receive a check from you, you know,

**T** Theodora Makris 1:03:53

we're still trying to fine tune the timing of it, we say a couple of weeks, we haven't necessarily been able to test that theory, because there hasn't been a qualified event. But we're really, really trying to shorten this gap that we see happening, you know, with FEMA and the Red Cross aid, and even through your own, you know, flood insurance policies. So, you know, we say a matter of weeks, and we're really hoping that we stick to that goal for ourselves, and, of course, to help homeowners.

**D** Doug Parsons 1:04:19

So you mentioned that you're actually applying for the funds front, someone gives you the funding when these events happen. How long does that take for you to get the funds from the people that are funding you?

**T** Theodora Makris 1:04:29

So you know, we still go through a claims process. And so we have to submit a claim to the insurance company. They look at the satellite data to tell us whether or not this qualified event has occurred. If it does, those funds are delivered to the center in a matter of days, so much quicker than you know, your own indemnity insurance policy would provide the Senator is up to 30 days to request that data, essentially submit that claim. So that's sort of like the timeline that we're thinking about him that we're looking at.

**D** Doug Parsons 1:04:59

Okay, so So what's the amount that you have access to? Because you obviously don't have unlimited funds?

**T** Theodora Makris 1:05:04

That's right. So the payout from the insurance company is proportional to the severity of the flood event, in the most catastrophic scenario, we could receive up to \$1.1 million and payout, the kind of lower end, the least severe scenario would yield a \$100,000 payout from our insurance company.

**D** Doug Parsons 1:05:23

That's great, you have access to that money, it's probably not enough. If it's a big enough event, you're actually looking for other potential funders for this pilot program. Right? That's

**T** Theodora Makris 1:05:32

right. So we were able to purchase this policy through a grant from the National Science

right. So we were able to purchase this policy through a grant from the National Science Foundation focused on innovative solutions. And so we had capital for the first year. And yes, we are starting to fundraise now for year to premium. So we can keep this program going.

**D** Doug Parsons 1:05:48

That's great. It seems like a really interesting, innovative program in that window of getting money out to people so important. I've been doing some episodes on buyouts and such, and that gap can just destroy people. So that's exciting that you're even exploring that. Okay, I'm gonna pivot here a little bit, we're at this conference, what stood out for you.

**T** Theodora Makris 1:06:05

I mean, for me, personally, working in program development at my nonprofit, I tend to sort of feel really pigeon holed, and in my day to day, and so it's wonderful to come to a conference like this, where there are people from the federal government, the private industry, other sort of philanthropic organizations. And so it's really inspiring to be able to kind of take a step back and see all of the players who are working in this space, you know, I find it interesting that we're all coming at it from different angles. And it kind of, you know, for me puts a lot of pieces into perspective, because I'm still getting into this work myself. And so I'm still learning who the key players are and what their role is, and how, you know, certain fields and industries complement each other. And so that's kind of been my biggest takeaway is just taking a step back, and really kind of appreciating the scope and the magnitude of what we're all here to do.

**D** Doug Parsons 1:06:52

Do you think you've actually developed some potential partnerships from some of the people you've met here?

**T** Theodora Makris 1:06:55

I think so. Yeah, you know, there's an interesting organization raincoat there, you know, a provider of these types of sort of parametric products in Puerto Rico, I was fortunate enough to sit on a panel discuss that, along with the flood recovery fund. And so I mean, hopefully, there's a partnership there. And, you know, just strengthening the existing relationships that we have with EDF and SBP. Yeah, I see a lot of opportunity here.

**D** Doug Parsons 1:07:19

Okay. So people want to learn more about what you guys are doing, what should they do, you should

**T** Theodora Makris 1:07:24

look up the Center for New York city neighborhoods and see the work that we're doing in the

sort of homeowner space. In New York In New York State, you could also head to flood help and y.org, which is a website that we've run in conjunction with the city of New York, that brings real time flood risk information directly to consumers, you can type in your address, look up your flood risk, and learn about ways to potentially lower your flood insurance premium and do other, you know, retrofits to your home as well. And so I would start there. And you could always look me up to I'm always interested to connect with people in this field and see what other work can be done.

**D** Doug Parsons 1:08:01

I've links to your website on the show notes for this webpage so people can find it there. Last question. What recommendation if someone's traveling to New York for restaurant would you give them think I'm gonna give you a moment here to think about?

**T** Theodora Makris 1:08:14

Oh, yeah, okay. This is an excellent question. I feel like I could spend an hour talking about this. There isn't a delicious session on restaurant in my neighborhood called Kings County Imperial, delicious food, very affordable, beautiful interiors. And the weights now usually not too bad. So I would say if you're going to come to Brooklyn, you can go to Kings County Imperial, they have a delicious menu for you to check out.

**D** Doug Parsons 1:08:37

Okay, I'm intrigued out give me one dish now that I'm thinking about it.

**T** Theodora Makris 1:08:41

They have this like appetizer. It's like a massive plate of oyster mushrooms that are like fried and battered. And it has this like delicious sauce that comes with it on the side. They also it's not on their menu, but they always have soup dumplings as an advertiser. So I would always say those are you know, you can't go wrong with those two options.

**D** Doug Parsons 1:08:59

Alright, if I come up to New York for podcasts, I'm visiting that. Excellent. Thanks for coming on the podcast.

**T** Theodora Makris 1:09:04

Thank you so much. Great to be here.



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Doug Parsons 1:09:08

Hey, adapters joining me is Kate Stillwell. Kate is the president of parametric insurance at Neptune flood. Hi, Kate. Welcome to the podcast.

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Kate Stillwell 1:09:15

Hi, Doug. Pleasure to be on. Thanks for having me.

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Doug Parsons 1:09:17

And let's get started with the company founded that provides parametric earthquake insurance. First off, what is that

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Kate Stillwell 1:09:23

parametric insurance is re imagining what insurance can be for the experience of the consumer. It balances the playing field between the insurance company and the insured person and this is how it works in advance. You agree on what the lump sum of money is, and the circumstances under which it's going to be dispersed from the insurance company to the person. So there's no claims adjusters no arbitration. It's just very clean transaction this lump sum of money in these circumstances. So the way jumpstart works jumpstart as the company I founded is a pre agreed lump sum of 10 or \$20,000. Upon occurrence of Have a major earthquake at your location for you to use however you want, whether you have damage or not, there's going to be disruption. And you're going to have extra expenses as a result of a major earthquake, whether that's a disruptive commute, whether that's close workspaces, whether that's damage to your home, but it wouldn't necessarily have to be damaged to your home. There's nobody looking over your shoulder, you just get this money and use it for anything you need.

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Doug Parsons 1:10:23

I didn't realize how diverse insurance could be what got you started on this journey, I guess getting you to jumpstart and doing what you're doing now.

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Kate Stillwell 1:10:31

Oh, thanks for asking. So my first career is as a structural engineer, working with architects to design the skeletons of buildings and help keep them safe in earthquakes. So I ended up learning a lot about the mechanics of earthquakes, how they affect our built environment. And then when Hurricane Katrina struck in 2005, I had this pit in my stomach realizing oh, my gosh, safe infrastructure is so important. But it's not enough when there are other missing pieces of disaster recovery, because that's the overarching theme of making people safe and disasters, right? Disaster recovery. Some of those missing pieces are good governance, social connectedness, getting to know your neighbors, but a big missing piece, particularly for floods, earthquakes, and the really big disasters is getting enough money flowing in. So that's the next

theme of the next stage of my career. How do we open the tap, so to speak, on getting more private money flowing as economic stimulus at the time when everybody needs money for something related to the disaster?

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Doug Parsons 1:11:34

And if it isn't obvious, you're based in California, you're doing earthquake insurance, right? Correct. So let's talk about your experience here at jumpstart, and why is it getting you thinking about climate risk? And earthquake risk seems much different than climate risk. But obviously, you're getting involved with both.

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Kate Stillwell 1:11:49

Yeah, fair question. When we launched jumpstart, first round the customers, they were like, wow, this is a cool idea. I've never realized that insurance can be as simple as this and as transparent and without as much arbitration. But why are you doing it only for earthquakes? Why aren't you doing it for wildfires? Why aren't you doing it for floods, and I would laugh and say, one step at a time. First, we have to transform insurance, then we can get to the other perils as a person with domain knowledge. I had to start where my knowledge was, and I couldn't walk into Lloyds of London or the California Department of Insurance, and say, Let's do parametric insurance for consumers. Because I stood in by many accounts, jumpstart was the first to do so in the developed world. If I said it for flood or for wildfire, which I didn't, at that time, have any domain knowledge, I would have been laughed out the door. But I'd walk in and say talk about earthquakes. And they say, Okay, let's think about this. Because you actually know something about earthquakes, you have the experience and the chops to demonstrate it.

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Doug Parsons 1:12:44

I want to go on just a little tangent really quickly, because I'm fascinated. I've never lived anywhere where earthquakes were a major issue. And you think about climate risks and sea level rise. And we've always dealt with flooding, and we've dealt with wildfire. But when people are thinking about earthquakes, there's this sort of notion of like you live in Florida, you there's a good chance you might get hit by a hurricane at some point. Do people get earthquake insurance in their head, even though I know they're being responsible by getting that insurance? is there's this thinking that of course you're gonna get hit by an earthquake, or is it more rare? Is it just something people don't think necessarily, it's going to happen if that makes sense.

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Kate Stillwell 1:13:19

Earthquakes, as a peril have been excluded from regular homeowners insurance since 1994. Ish. And there was a crisis of insurability for homeowners insurance in from 1994 to 1996. After the 1994 Northridge earthquake, just like there is now crisis of affordability of regular homeowners insurance related to wildfire. It was at that point that earthquake insurance got siphoned off and in California, got organized into the California Earthquake Authority, which is not the only provider of earthquake insurance, but one of the providers of earthquake

insurance. So this context of earthquakes being excluded. So floods, like earthquakes have been excluded since before any of us on listening can remember maybe in the 1950s or 1960s. Sometimes the commonality in terms of Insurability is that insurers have a hard time putting these major catastrophes into the same actuarial bucket as the regular theft, liability, onesie twosie fires that the homeowners insurance is meant to cover. Wildfires is an interesting question and problem because insurance companies have been lobbying let's say that word lightly for wildfires to be excluded from coverage in the same way that earthquakes and floods are because it's just so it breaks their models of being able to account for them in inappropriate pricing. So far, those efforts have gone unheeded by regulators and for good reason. Because wildfires are really top of mind. You know, you asked are earthquakes really top of mind for somebody in Florida? No, not at all. And so it makes sense that earthquakes are excluded from their regular coverage because they're just so rare. But wildfires are just not that rare because every season, people across the country, not just the Californians in Oregon Oregonians and Coloradans are smelling the fires that are in their backyard. But people in Minnesota and Washington DC and New York, they're seeing smoke filled skies. And so it's really top of mind. And so it's from the perception of frequency and consumer protection. It's in the insurance regulators interest to work with the insurance companies and figure out a way to keep fire of any kind, including wildfire in as a covered peril in the policy.

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Doug Parsons 1:15:32

All right, great. That was fascinating. All right, we're gonna pivot a little bit here. And so you've been thinking about other types of models. And one of those is community embedded insurance. Can you tell us how those work?

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Kate Stillwell 1:15:43

Oh, yeah, thanks for asking. This is really my pet project right now. Within Neptune flood you know, you introduced me as being president parametric insurance at Neptune flood, Neptune acquired jumpstart, and we still operate jumpstart within Neptune as the company. And so within Neptune, we are finding ways to apply parametric insurance both for earthquakes, but also for floods in ways that are meaningful, and that are a win win win for the insurance industry, for the recipient beneficiaries of the money. And for the climate. One of the sort of front runners for these solutions is community based insurance. And the idea is that there is an organizing entity, maybe it's a municipality, maybe it's a nonprofit, maybe it's a house of worship, who has stakeholders or beneficiaries or constituents that they serve. And they want those beneficiaries to be able to be resilient in the face of a natural disaster. And one of the spokes one of the dimensions of resilience is having enough economic stimulus, having enough liquidity, having enough money in your bank card to be able to tide you over and make it to the next thing and in a disruptive society. So it's in the interest of society, it's in the interest of these organizations, to be able to have some liquid funds, some contingent capital, let's call it to be able to disperse to their beneficiaries. And so how do we set up a parametric insurance product that is organized or administered by these organizing entities for the benefit of their constituents or their beneficiaries. And so there's a fascinating example of this, that maybe you've already spoken to the Center for New York city neighborhoods that have set up a community based insurance product for flood risk. And we're exploring how to bring community based insurance to communities for a combination of risks, not just earthquake, but floods and wildfires, so that the insurance money is tapped, the deep pockets of insurance can be tapped

into at a low per yearly cost to be able to leverage those funds to then be deploy them. So for example, a food bank might say, Okay, we want to be able to disperse \$4 per person, to each of the people who comes to our food bank. So we're gonna set up a and we have 1000 people who come to our food bank, so 400 times 1000 \$400,000, we need \$400,000 At the time of the next major atmospheric river, for example. And so we're going to set up this policy with insurance insurance company that we might afford \$1,000, we might pay \$20,000 per year, but actually, it's in society's interest. And you know, the Community Foundation is going to pitch in 10,000 of that \$20,000. And so we're only on the hook for \$10,000 a year to be able to bring \$400,000 to our beneficiaries at the time of the next big disaster.

**D** Doug Parsons 1:18:28

Wow. That's great. And so you were able to lead a panel that was talking about this issue, right? I know, you can't go into too much detail, but can you give us some highlights of that panel? Anything that sort of stood out for you?

**K** Kate Stillwell 1:18:40

Yeah, I think that one of the behest of the panelists at this event last week was get more projects out there, you know, Done is better than perfect. And the more projects that we have, that demonstrate the utility of community based insurance, and of these solutions, the more standardized they can become, and the more people we can help and the more adaptable our whole society can be in the face of these disasters.

**D** Doug Parsons 1:19:09

Alright, so I understand you are involved in another startup around wildfire data to help with the ongoing challenge in California with insurers leaving because of the growing risk of wildfires. Could you tell us about that effort?

**K** Kate Stillwell 1:19:19

Yeah, thanks for asking. One of the things that we've learned as more and more wildfires have happened is that a fully mitigated home has a 40% more likely chance of surviving a wildfire even if the wildfire comes through the community. What the full mitigation means is things like is the firewood out from under your deck is the five foot zone of around the perimeter your house cleared of dead vegetation are the vents up into your attic space covered with mesh, very simple things that a lot of people can do in themselves or at a very low cost. And the premise is if the home mitigation makes such a difference in preserving the homes, then that should be reflected in the insurance rates. And so the California Department of Insurance following the lead of the Nevada Department of Insurance, established criteria, mitigation standards upon which then the admitted insurance carriers need to offer mitigation discounts. Well, this caused, as you probably have seen in the news, this caused a massive crisis in insurability. A lot of the brand name insurers stopped writing new coverage that making new coverage available to new customers only servicing their current customers and rates have skyrocketed, leaving hundreds of 1000s of people per year with the insurer of last resort, which

is the California FAIR Plan. In principle, this works but in practice, the insurance carriers don't have the on the ground details of whether or not the people have done and continue to do these mitigating efforts, these simple efforts. And so the new startup, which is called firebreak, because the idea is, you know, get yourself build yourself a fire break around your house is filling that gap by providing an inspection app for individual residents to self inspect the conditions, get advice on mitigation, tap into insurance, should they wish or just stop with mitigation, and have an ongoing basis of providing that data stream to be able to identify and verify who has mitigated and who is not. Even before insurance companies use this data stream for mitigation discounts. It's still useful for residents to be able to do the actions that it takes to make their home more survivable for the fire.

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Doug Parsons 1:21:35

Let's talk about the conference again, though, what were your thoughts? What were some highlights? What did you get out of the conference?

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Kate Stillwell 1:21:41

Here are some of my favorite comments, Marian McFadden from HUD, one of the higher ups and HUD, almost a direct quote here, the insurance industry is rent seeking. But this is a good thing, because it means that we'll have willing partners for community based solutions. And that just made my day because it acknowledge the reality of the private market and some of the incentives and motivations of the private market, but also recognize that that actually opens the door to be able to meet the needs of the people who need it most. Here's one of my favorite quotes that I heard at the conference. So this is Zach Rosenberg, the executive director of SPP, the best policy for equitable housing is to keep low income people in the homes they already own and prevent them from losing those homes to investors immediately after a disaster. That's so smart, of course. And so begs the question, do we believe as a guiding principle for disaster recovery, that having safe homes and keeping safe homes is a basic human right? And could that be a rallying cry for all of us involved in this industry?

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Doug Parsons 1:22:51

Yeah, great quote, I want to thank you for coming on the podcast and sharing your expertise. Thanks again.

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Kate Stillwell 1:22:57

Really appreciate it. Thanks.

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Doug Parsons 1:23:01

Hey, adaptors. Joining me is Doug Heller. Doug is the director of insurance at the Consumer Federation of America. Hi, Doug. Welcome to the podcast.

D Doug Heller 1:23:09  
Thanks for having me.

D Doug Parsons 1:23:10  
All right, I'm not gonna make any lame jokes about us having the same name. So we're going to just jump in, we want to jump on, I just didn't have anything. So what is the Consumer Federation of America?

D Doug Heller 1:23:19  
Well, we're a nonprofit organization based in DC. I'm based in California, but the organization is based in DC. And we've been around since 1968. We do research, advocacy and education on consumer protection and consumer rights issues, a range of issues from financial services that consumers have to buy, to product safety and food safety. I focus on the insurance market, and particularly home and auto insurance. But we also look at other parts of the insurance market, including life insurance, and even some some of the insurance that businesses have to buy for

D Doug Parsons 1:23:51  
you. I went to your website, and you guys do cover a lot of ground. It's great resources there. But let's just jump into the some of the things that we've learned at the conference, we heard at the conference that insurance can be really essential to people's recovery from climate disasters. And yet so many consumers are struggling right now with finding a policy. Why is that?

D Doug Heller 1:24:07  
It's true insurance is really important. I mean, I think of it is really unique. And the reason I've spent 25 years working on insurance issues, affordability and availability, is because it's such a critical piece of both financial stability, but also economic security and resilience. You know, for most people, when it comes to their homes, if they own their home, it's the most significant asset they have. It's the source of any, you know, most of the wealth that most of us have. And so if a catastrophe comes and destroys that, and we don't have any backstop to pick up the pieces, you know, we're really lost financially and it can really changed people's lives. So having that protection is so important. And that's why insurance really is much as we all are frustrated paying our premiums every month why it is such an important part of our lives. And what's happening And this is a combination of things that are going on. But the one that's so critically important, I think that brings you to the conference, is the fact that climate change is increasing our global exposure to risk that there will be a loss of property. And what's happening is we have this private insurance sector that serves consumers with this protection, and they're making corporate choices that make insurance less available, certainly less

affordable. And that's really not just hitting the pocketbooks of people, but really making this critical tool less available. And that changes the dynamics of homeownership. And also, I think it leaves people really worrying about their future.

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Doug Parsons 1:25:42

We've also been hearing how difficult it can be for insurance to profitably provide disaster insurance, given these growing climate risks. So what solutions have you been exploring?

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Doug Heller 1:25:51

Yeah, so I think that that's a I mean, it's important point, I fundamentally, I don't disagree with the insurance companies I've battled with insurance companies for all my career, but I don't disagree with some of the claims that we're hearing from the insurance industry, belatedly, because we've been asking them to think about climate change for much longer than they've actually started doing it. But the reality is, we are seeing risk exposure, you know, because of climate related disasters, growing quite dramatically. And by the way, not just on the coasts, which was how the conversation has been going, you know, where the conversations been going around insurance that it's, you know, this is about the Gulf Coast, and then the wildfire regions in the West. In fact, we are seeing dramatic increase in climate risk that impacts property insurance across the country, whether it's, you know, the flooding in Vermont, or the direct shows that hit the Midwest plains states with these terrible winds that go for hundreds of miles. In fact, the billion dollar storms and disasters that we've had in 2023, were mostly convective wind storms in the kind of Southwest and central United States, Texas has had the most billion dollar insurance losses this year of any place in the country. And so we're seeing this as a national problem. And we have to be thinking about that in a national way. But we also have to be thinking about it kind of in a multidisciplinary way. So this is not just a climate change issue. It's also a land use and a housing policy issue. And then, of course, the thing that I'm focused on, it's an insurance and insurance regulation issue. But then there's another piece of it related to insurance, which is reinsurance. And this is a critically important part of it that I think a lot of people just don't know about for because who would care to know about reinsurance. This is the this is the insurance product that insurance companies buy to protect themselves. But unlike the home insurance that people around the country go to which is sold by, you know, typically by domestic companies that are regulated to a greater or lesser degree, depending on the state, but they're, they're regulated by each state. These reinsurance companies are global, unregulated firms, a lot of them based in Bermuda, others in Switzerland, in Germany that aren't particularly interested in the United States, they're interested in finding a return on capital, and they'll cheat they'll go around the world for that. And the problem is that reinsurance that that backstop for insurance companies, when that becomes so expensive, it has this kind of domino effect that's really damaging our insurance markets. There are a couple of sort of go back to your question, there are a couple of solutions that we're talking about. The first and foremost, has got to be working to continue our work to diminish the impact of climate change. I mean, obviously, a starting point has to be how are we? How are we changing the direction of our economy? So it's not producing worse and worse storms? That's number one, right there with it is how are we investing in protection upfront? How are we mitigating the losses and developing better resiliency in the wake of these climate disasters? Because either we're going to put public money and private money into protecting homes and businesses from the damage of climate change, or we're going to have to come up

with money to pay for those disasters afterwards with the you know, the FEMA emergency relief. So I would much rather I think most people would rather spend money on protection and prevention, rather than be picking up the pieces and dealing with lost lives because we didn't do the front end investments. So that's the other. That's the second piece. And then the third piece of that, that we're really talking about, and we're seeing a growing attention on is fixing that reinsurance market that I just was talking about. We need to address the fact that unregulated global reinsurance companies are not going to save our insurance markets or and and they're not going to look out for them. We need to do something better ourselves. And when 911 happened and, and terrorism screwed up property insurance markets for big buildings, the federal government came in and said, Hey, we're going to offer a public reinsurance program as a backstop to make sure that Wall Street I mean, literally Wall Street, those buildings and Wall Street could get insurance. But we have a crisis of, of epic proportions with climate change, and Congress should get involved and backup Mainstreet just like it backed up Wall Street 20 years ago. So those are some of the kinds of solutions, addressing climate change, strengthening our resilience and mitigation to protect against damage when the storms hit. And third, building a public reinsurance system that will help sustain, stabilize and protect the insurance market that we all rely on in order to make sure that coverage can be available at quality coverage at that, and that's really important to kind of piece.

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Doug Parsons 1:30:36

So you shared some Senate testimony that you gave, and I thought it was fascinating that you had a long version and a short version. And in that testimony, you talked about insurance companies providing insurance in at risk areas and been doing it for years, and now they're pulling back. But then you know that they resisted calls for doing climate risk analysis for a long time, when should they have done that risk analysis? And I mean, I find myself sometimes defending insurance governments, it's like, okay, well, they're doing it now. Because they're making that point that they were being irresponsible for a while. How did that history kind of unfold?

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Doug Heller 1:31:06

Yeah, well, I mean, I might call again, I'm gonna call about because it really deserves credit. My colleague, Bernie Birnbaum, who runs the Center for Economic Justice, wrote to the National Association of Insurance Commissioners back in 2005, this very clear, short email to all the insurance commissioners who kind of gathered together several times a year with insurance industry and consumer groups to talk about what's needed in the market and regulation. And he said, In 2005, we need to start working on the impact of climate change on property insurance, or else we're going to be paying for it in terrible ways in some years to come. And that just was in the regulators at the behest of insurance companies who didn't want to do this. They just ignored that. And they ignored it for years. And there were some states that were doing more early on. And there were a few insurers, mostly a European insurers, who were kind of developing some thinking around climate change. But most of the homeowners insurance companies in America just ignored that call, you know, going on almost 20 years ago. And in the meantime, what did they do, they went to neighborhoods all around the country, and said, by our insurance, we've got ads on TV, we're spending, you know, probably between us \$5 billion a year trying to convince you to buy insurance from us and bundle your product. And we're writing policy saying it is okay to live in this community or that community on that

hillside, or in this floodplain or this low lying area. So the insurance companies who we trust and expect to have the most significant and clear headed understanding of risk, they said, It's fine to live there. And we'll take your premiums, thank you very much. And then suddenly, this year, really, the insurance industry decided that climate change is real. And the risk is too much for us. We're taking our chips off the table and going home. And that's just not that's not a fair deal. Because they were the experts who said it was okay. I understand that it's and I'm glad that insurance companies are using all of that base of knowledge to help make decisions. But right now, but you can't just let me say definitely, you can't just turn on a dime for people and communities who have been relying on you and paying you for decades and say, sorry, we're done. We want to keep our profits here. It's actually it brings me I'm sorry, if I'm sort of jumping a thought here. But it's a really important point to me, I think anyway, because you know, these insurance companies are starting or being allowed to suddenly just walk away from communities or jack up prices so high that they're effectively ignore walking away from communities that they can be allowed to do that so quickly means that essentially, they are stepping in the role of making land use and housing policy for the country. Because we haven't done a good job of coordinating land use building code, you know, policy, building codes, or housing policy, generally, the insurance companies through their underwriting decisions and their rating practices. They're the ones who are making it for us. And I just think that we have to do a better job as public policymakers at it sort of addressing the intersection of climate change, land use and insurance, rather than just helpful to private insurance sector and letting them make all those decisions for us.

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Doug Parsons 1:34:19

Okay, so you totally jumped the gun on my next question. And I was going to quote you on that whole notion of like insurance companies making land use decisions. And I thought that was very provocative and it was a great quote, and obviously very true. But then the kind of thing that came to my mind, and I'm from Florida originally, I live in Tucson right now, but I'm from Florida, and Florida has, you know, just ground zero for I guess California is two, but local and state government officials are not making these tough decisions. And you'd mentioned that the insurance companies obviously they lobby and they were they're not helping that process, but Florida sort of had this knowledge anyway. And they're still encouraging growth really close to coastal areas, even though insurance companies for years now now Just this year for years have tried to get out of those markets and the state regulators make it hard from, I guess, a free market perspective, the insurance companies are trying to get out of these at risk markets, and yet new growth is coming in. I mean, it shouldn't be these local officials that are the ones that have to be the most responsible here.

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Doug Heller 1:35:17

So the answer, I think the answer, of course, is that every level of government and communities do have to take responsibility for making these land use decisions. But before I get into that, let me just kind of rewind for a second because there's some interesting dynamics going on in the insurance marketplace, which make the debate I think, a little more nuanced than the insurance industry wants to be. And then and then I think a lot of the politicians have allowed it to be and you know, your point you talked about, you just mentioned, Florida and California. And there's two very different states, even though they're both experiencing similar things, you know, and in California, there's been a lot of news about big companies like State

Farm and Allstate, and farmers reducing the amount of policies they're selling, in various ways. And there's been an announcement after announcement of Florida of companies pulling out of that market. But one of the things, you know, California has had some of the best regulatory consumer protections in America for decades. And what's interesting about California, and it's really important, because California has been so central in this discussion. And of course, we all know, there's the wildfire risk, we had a terrible and I'm based in California, we had a terrible series of wildfire years in 2017, and 2018. Now a lot of the cost of that was picked up by our state utilities, because they were deemed liable for causing the fires. But the insurance, they did have a tough year, those years, they lost a lot of money, because that's what insurance does, it covers when those when the bad things happen. But since 2018, homeowners insurance companies in California have been more profitable here in this state, that just about any other state in the country, even though suddenly they're all walking away. And I think the point and the reason that that's important, I mean, and the reason that we've been so profitable for these insurance companies in California, is because the regulator allowed them to increase rates, because we've invested about two plus billion dollars in good fire prevention, rather than focusing on well, when the fire starts, we're ready to suppress it, we've been really investing in avoiding wildfires. And you know, of course, there's been some good luck with the wind blew the right way, and not the wrong way. But the reality is, even with profitable markets, the insurance companies are kind of using their power to make those decisions about land use and housing policy as a way to get what they want. So in California, they've been pushing for and maybe getting some loosening of regulations. In Florida, they got Governor DeSantis to hold a special session last year that we can consumers rights to sue insurance companies for cheating them on claims handling. And so the insurance companies are using the moment not just to be responsible about the impacts of climate change, but to get more profitability, onto their books, at the expense of consumers who are getting less protection from the industry. So I say that because I think it's really important to have a full context. Now to the fundamental question, which is who should be responsible. I mean, I understand these private insurance companies, they have shareholders or private interests, they're going to do what's good for them. And so we should not be relying on them, we should expect them to do, at least in part, some of what they're doing in terms of, you know, choosing whether or not they want to serve in the market. And but we have to be better about it. And when I say we, I mean, those people who are making public policy decisions have got to take this seriously. And it doesn't mean we should be bucking to their demands, or just sort of letting the insurance industry threaten us into doing what they want, there needs to be a real discussion about land use, we have to face that. And the insurance industry should be partners with us because they have the data, they should be more involved. Instead, they're just doing what's good for them. And I get that that's just the way they operate it. But we, if that's going to be the way it is, let's not rely on them. And we'll take that job on ourselves. And unfortunately, I think it's tough politics to do land use and housing. And it's not just well, we should all move away from the coasts, or we should move away from rivers. We have social and economic policy, and that has, you know, made move people into dangerous places, typically, because they're too poor to live, you know, in the places that are safer, or because of history of redlining. So we've got there kind of a number of issues that are all wrapped up and tangled up in here, and we got to work on untangling them. And moving together the

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Doug Parsons 1:39:28

conference, you participated in a panel and I'm going to read it here escalating climate risk and insurance markets, to just briefly just get some of your thoughts about the conference overall. And I guess some of the conversations and what stood out for you.

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Doug Heller 1:39:42

First of all, I just want to congratulate Environmental Defense Fund for putting together a real and an American university for putting together a really I think important conference one that's doing this bringing together of kind of various, I guess what we call stakeholders and public policy circles. You know to talk about these the intersect Shouldn't have these issues. So I really appreciate that. And with our panel, we talked about some of the ways in which public sector has to be paying attention to this issue, it's not going to be solved by the market alone. And you know, a lot of the conference talked about kind of innovative tools, or different different kinds of insurance strategies for providing coverage where we're having trouble or where there are gaps. And that's important for the market to be responsive. And there may be places where we could see, you know, innovative products. But I also fundamentally think, and this was the opportunity that that this conference created, we have to be engaging government, because this product insurance is much more like a utility than a pure market product, you know, that that really is a free market product in free markets, consumers demand is going to be much more elastic in homeowners insurance markets, and for that matter, business insurance. Because if you have a loan, you're required to buy this coverage. And so when you have a situation like that, we know that the market can't solve everything. And so that means that public policymakers have to engage and think about what role government can play. So this conference created an opportunity for players in the market advocates like myself, people with a perspective on climate change and climate risk, as well as admit people from the administration and just government, local and state governments. We're all there talking about this. And that's a critical step that we have to take, and we have to do more of it.

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Doug Parsons 1:41:29

Okay, Doug, it's been a pleasure. That's a lot of information. And it's a complex issue, and I appreciate you coming on the podcast.

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Doug Heller 1:41:35

Thanks so much for having me.

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Doug Parsons 1:41:40

Hey, adapters, we're back. And I've got Carolyn Kousky, coming back on post Summit. And just so you know, a lot of those interviews, I just did happen after the summit, we didn't have a lot of time to do interviews on site. And so I did a lot of those interviews after the fact. And that's what I'm doing with Carolyn here. And we're going to talk about what happened there. So Carolyn, let's do a wrap up.

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Dr. Carolyn Kousky 1:42:01

Yeah, that sounds great. I'm very happy about how things went. I think there were some really

Yeah, that sounds great. I'm very happy about how things went. I think there were some really interesting conversations and lessons learned. I remember back, Doug, when we were talking before the conference, we were discussing how we were bringing different types of people together, and hoping that that might spark some new insights. And that at least happened for me. I thought maybe I'd share one with you. If if you don't mind. See if it caught your ears too. Sure. Yeah. So one thing that came up, because, you know, I'm sure you've been talking with some the other guests we talked about beforehand that one of the themes was thinking about how insurance can drive more resilience. And one concept that's been talked about and had been on my mind, even before the event was, can't we use insurance to give people more money to build back better after a disaster. And I still think there's some untapped potential there. But what really caught me was that came up during the conference. And someone from one of the community organizations that was participating said, you know, we had something like that. And we had what's called a fortified endorsement, it gave us some more money to put on a fortified roof. But I couldn't find a roofer who would do it. And if you go to rebuild, and you can't find someone who knows what the fortified standard is, or how to build to it, then of course, it doesn't matter that you actually have the funds to do it. Right. And it does really struck for me, this concept that we need to build an entire ecosystem and culture around resilience, you can't have one piece without all the others coming together.

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Doug Parsons 1:43:32

So one of the things that we talked about, even before the conference is innovations in the insurance industry, and you want to highlight this at the conference. Tell us about that. What were some examples of that?

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Dr. Carolyn Kousky 1:43:42

Yeah, so we talked about how this conference was actually a culmination of some of the work we've been doing in New York City, exploring the possibilities of community based insurance. And we got to hear from others at the event, too, who we're also thinking about some interesting innovations ranging from Canadian insurers helping conserve wetlands, with Ducks Unlimited, to thinking about how to embed micro insurance products, in government programs or in other types of purchases, to whether we can use insurance to deal with extreme heat, the taxes our health system. So there was a lot of interesting ideas out there.

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Doug Parsons 1:44:21

I think, when you designed this conference, you had all these people in mind and showed up and it was just like a who's who of people in the industry. But once you were there, did you sense that anyone was potentially missing that you didn't really think about at the time when you were designing the conference?

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Dr. Carolyn Kousky 1:44:36

That's a really interesting question. I think what really struck me was how the community thinking around insurance has grown so much, just in the past few years, and I've been thinking about disaster insurance for like over 15 years now. And at the beginning, I have kind of my

career after I got my graduate degree, I felt like it was pretty isolated from the rest of The Climate world and now the two are just so deeply connected. And I think that that's a really important change and shift in how we're thinking about this. And it's going to help enable us to make better use of insurance as a tool when we're thinking about some of our climate challenges. So that's not a direct answer to your question, except to say that I think we could have grown the room a lot.

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Doug Parsons 1:45:21

And because of this increasing overlap, some of the people that interviewed for this episode, what stood up for me is I can't believe that I find myself like siding with the insurance companies all the time. But when it comes to thinking about climate risk, and being proactive, but people that I interviewed, they just felt like folks in the insurance industry need to be a lot more proactive around climate risk. And I thought that was really interesting. I'm like, Oh, I thought they were doing quite a bit. Would you agree with them? I mean, what do you think?

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Dr. Carolyn Kousky 1:45:47

Yeah, I think there's a lot of untapped potential right now. And I think some of it is around some of the things we've been talking about new insurance models to help fill gaps that we see right now, like, particularly among lower income households, and communities that simply can't afford the type of insurance coverage that's available, and yet, they need it the most, because they don't have access to other sources of funding for their recovery. So I think that there's more innovation, and that the sector could help lead in developing some of that, I also think that they could do more in helping promote this idea of risk reduction, which we've been talking about. And I think that's going to be really fundamental, because in some of the areas where we're starting to see concern about insurance costing too much, and insurers leaving are, you know, part of what's driving that it's just fundamentally higher risk levels. And so we all including insurers need to be doing more to dramatically change where and how we're building in order to maintain that insurability.

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Doug Parsons 1:46:47

I'm in the cancer, when I go to these conferences, I actually find the coffee breaks, and the lunch is the most valuable time. So did anything concrete come out of this conference since it was held?

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Dr. Carolyn Kousky 1:46:58

Yeah, good question. And it's hard to track because you have all these folks coming together, and then scattering right into different parts of the universe, as it were. But I was really excited just the other day, because I got an email from someone who had been at the conference who said that she'd had a follow up with three different other participants in the conference, and that they were collaborating on thinking about some new pilots and some new approaches for dealing with climate risks. And so that made me really excited that maybe some new connections have been made that can spin off into some steps forward.

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Doug Parsons 1:47:28

Excellent. The Biden administration just released a national resilience framework. And I think you were there in person, right? Yeah, it was. So have you had time to digest that it has insurance come up in this national broad effort at resilience?

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Dr. Carolyn Kousky 1:47:42

Yeah, there's a chapter that thinks about finance and insurance. And I really applaud the administration getting this out and getting us started in the important national conversation and having a national framework for adaptation and resilience, I think that's really essential. The challenge with insurance is that the federal levers are not that strong, because it is regulated state by state. And so I think there's some important steps that the federal government can take, and certainly there's a lot they can do with our Flood Insurance Program, right? Because that's federal. And I know, you've talked to guests about that program before. But I still think it's important to have the leadership and the convening power, and the kind of pressure for insurers to do more around thinking about climate risk and disclosing about climate risk related

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Doug Parsons 1:48:29

to that. And I was thinking about this conference. And Alright, certain people were invited and people from the insurance industry, we're there. But the insurance sector is much larger, and they have massive conferences, and I was thinking, Alright, this kind of information needs to get out more broadly to the broader insurance universe. Is there any efforts to do that? Are people talking about doing that? And or do you sense that they're doing that on their own, and they're gonna have sessions at these much bigger conferences? How does that work?

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Dr. Carolyn Kousky 1:48:58

Yeah, that's a really good point. And I think it's absolutely true. And it's the same thing about some of these innovations. Small pilots are interesting. And you know, one firm doing something is helpful. But we really need to scale all of this. And I think that's exactly right. One way that can help take place in insurance is through the National Association of Insurance Commissioners, which is a national group that brings together the regulators across the state. And so that's focused on the regulation, not necessarily the firms, but I think that's one place where you can start to reach a bunch of different markets. But I think you're exactly right. These conversations need to be coming up across the industry.

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Doug Parsons 1:49:37

What's next for you? And I want you to just talk to my listeners if there's an opportunity for them to learn about what's going on here through insurance and climate risk. And what's EDF planning to do? Just yeah, what are some final thoughts on it all?

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Dr. Carolyn Kousky 1:49:50

Yeah, and I would love to connect with anyone who is thinking about these things. I'm hoping to continue to do more work on all three of the themes issue that came up in the conference. So the first was that theme of equity. And we just have really good research evidence now that the lack of insurance can be a driver of ever widening inequality post disaster. And so I think we really need to do more work to help build that social safety net, that insurance can be in the face of disasters for folks who are currently left out of that. And I think that that's going to need to take place at all scales, from communities to changes in state regulation to changes in federal policy. And so I'd be really excited to keep working with partners on how we make some of those reforms happen. The second one is about doing more with risk reduction. And I'm really excited to think about things like climate endorsements on insurance policies, and how insurers could partner with community organizations to help not just provide the funding to build more resiliently. But to get households, the technical knowledge and the expertise and the guidance on what to do and how to do it, and how to find a contractor they can trust and a fair price, because they need when you're kind of scaling down to the household. People really need help with all of that, because a post disaster situation is not a time when households are going to be researching all that for themselves, right. And so I think there's some new partnerships that could really help there. And then we're doing some hard thinking about what's going on in some of these climate stress markets like Louisiana, like Florida, and what the role of the public sector insurer should be in those locations. Because what we're seeing right now is that when the private sector pulls out and stops offering coverage, that leaves the risk either on the state programs or on households who are uninsured. And both of those are not the best places to bear that risk, we know that it can be very damaging long term for households to have to go through a climate disaster without the financing and funds that they need. And similarly, some of these state programs are at higher fiscal risk as their policies, Bolden. So a lot of tough questions that we're thinking about and excited to keep digging in.

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Doug Parsons 1:52:00

All right, Carolyn, it's always a pleasure working with you. Thank you for inviting America daps to cover the conference and partnering with me and yes, let's just keep this conversation going.

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Dr. Carolyn Kousky 1:52:11

Yeah, thanks, Doug love talking to you too, and listening to all your episodes.

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Doug Parsons 1:52:14

Hey, adapters, that is a wrap. Thanks to everyone who participated in this episode. As you heard, there are quite a few people focusing on what should come next, as the insurance industry grapples with climate change. As Carolyn and I discussed, there's still a lot of work to be done to get a broader spectrum of this industry thinking about climate change. At the end of the day, though, the costs associated with climate change will make it impossible to ignore if you're going to continue functioning as a profitable industry. Lots of changes and innovations I'm sure will come in the years ahead. And we heard a sampling of those from my guests. There

are quite a few links in my show notes if you want to learn more and some of my guests shared writing that they've done to go into more detail. Again, I'd like to thank Dr. Carolyn Kousky in the Environmental Defense Fund for generously sponsoring this episode, and thanks again to SBP and American University for CO organizing the conference with EDF. I'd also like to thank for instance Bouchard and his wife for hosting me and others at a pre conference dinner. Thanks for the invite Francis and a chance to chat with more attendees from the event. And don't forget to submit an abstract for ICR 24 in Washington DC next April. Links to the innovations and climate resilience conference are in my show notes. Also, and I say this every episode, reach out send me an email Tell me a favorite episode recommended guests and definitely share how the podcast benefits what you do. That's extremely helpful as I plan these podcast and seriously it's a highlight of my week hearing from you, and sometimes it leads to actual partnerships. I'm at America depths@gmail.com Send me an email. Okay, adapters Keep up the great work. I'll see you next time.