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Building a Disaster Risk Insurance Programme and the role of Public Private Partnerships

An Underwriting perspective – Panayotis Koulovasilopoulos, Hiscox

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An Underwriting perspective: positives and negatives (1)

Data

1

Good quality data can result in for lower uncertainty loads in pricing, and alignment of view of risk.

Transparency

2

Having clear and transparent coverages, processes, loss management builds trust.

Consistency

3

Having a consistent and reliable trading relationship with the (re)insurance can result in preferential pricing.

Scale

4

Scale matters, every transaction incurs fixed costs, there is usually a minimum cost to make reinsurance an effective tool.

An Underwriting perspective: positives and negatives (2)

Post disaster behaviour

5

Usually after a catastrophic event new information about the risk is uncovered, which can change a view of risk.

Compliance and regulation

6

Often execution fails on the final hurdle because of regulatory or compliance inflexibility on both sides.

Reinsurance structure

7

Lower availability of capacity for structures, which recover more frequently. At the same time there is a minimum rate for very remote covers.

Operational management

8

Accuracy of reserving, speed of claims management, availability of catastrophe modelling, builds confidence and is an attracts support.

No programme is perfect: a couple of examples in the United States

US FEMA: National Flood Insurance Programme

- The National Flood Insurance Program provides insurance to help reduce the socio-economic impact of floods. FEMA administers the NFIP and it is a partnership between the federal government, the property and casualty insurance industry, states, local officials, lending institution, and property owners.
- Since the 1970s, rates have been predominantly based on relatively static measurements (FEMA, 2023)
- Existing statutory limits on rate increases require that most rates not increase more than 18% per year (FEMA, 2023)
- Policyholders with lower-valued homes may have been paying more than their share of the risk while policyholders with higher-valued homes may have been paying less than their share of the risk (FEMA, 2023)

California FAIR Plan

- The California FAIR Plan Association was established to meet the needs of California homeowners unable to find insurance in the traditional marketplace. (California FAIR Plan, 2025)
- The FAIR Plan is a syndicated fire insurance pool comprised of all insurers licensed to conduct property/casualty business in California. The FAIR Plan was established by statute, but is not a public institution (California FAIR Plan, 2025)
- When an insurance company gets licensed to sell policies in the state of California, it also agrees to financially support the FAIR Plan if it runs out of money, additionally rates in California are regulated.
- As of December 2024, the FAIR Plan's total exposure is $529 billion, reflecting a 15.5% increase since September 2024 (prior fiscal year-end) and a 217% increase since September 2021 (Fiscal Year End 2021). (California FAIR Plan, 2025)