



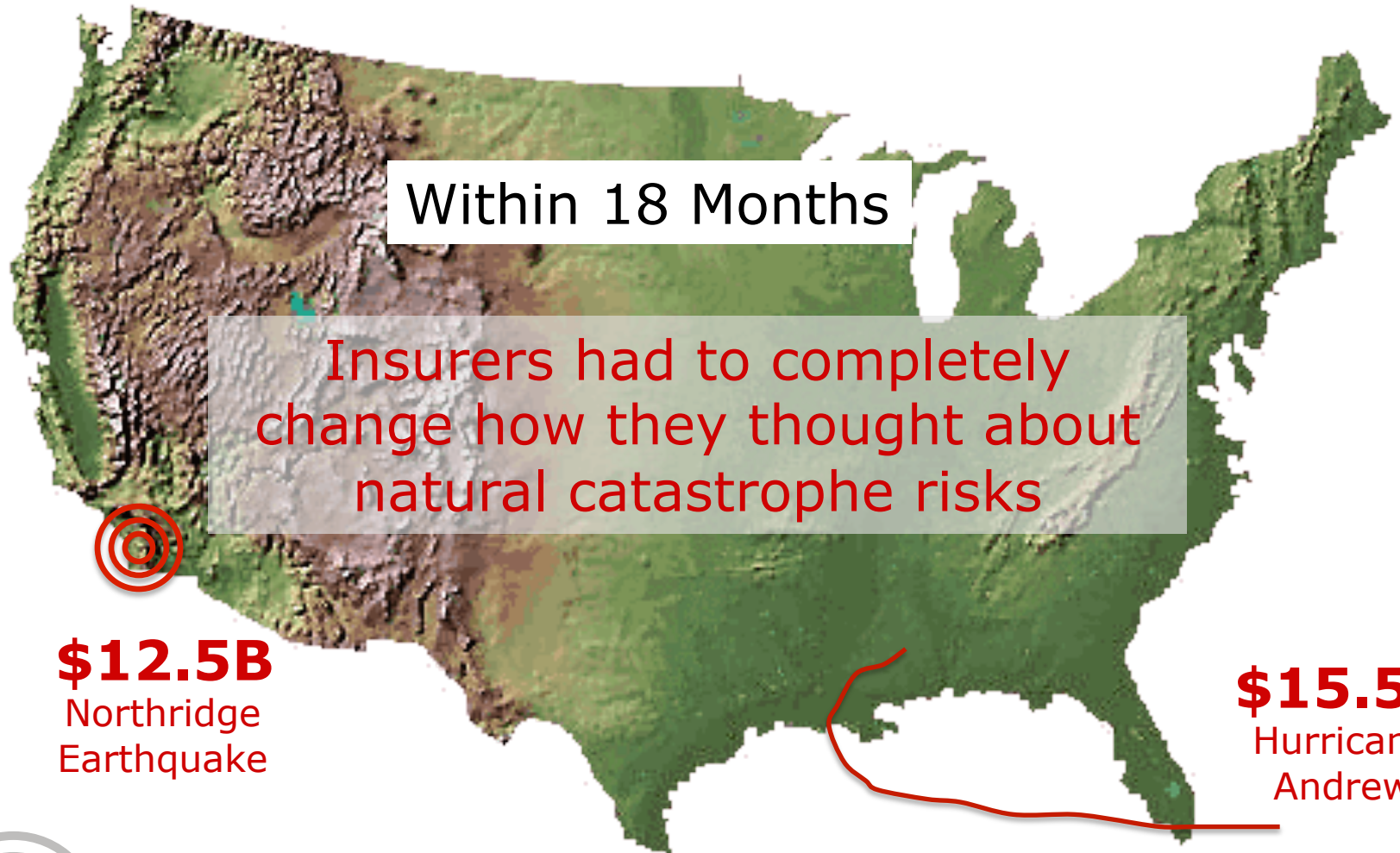
Business, Insurance and Financial Implications

Bryon Ehrhart, CEO Aon Benfield Americas

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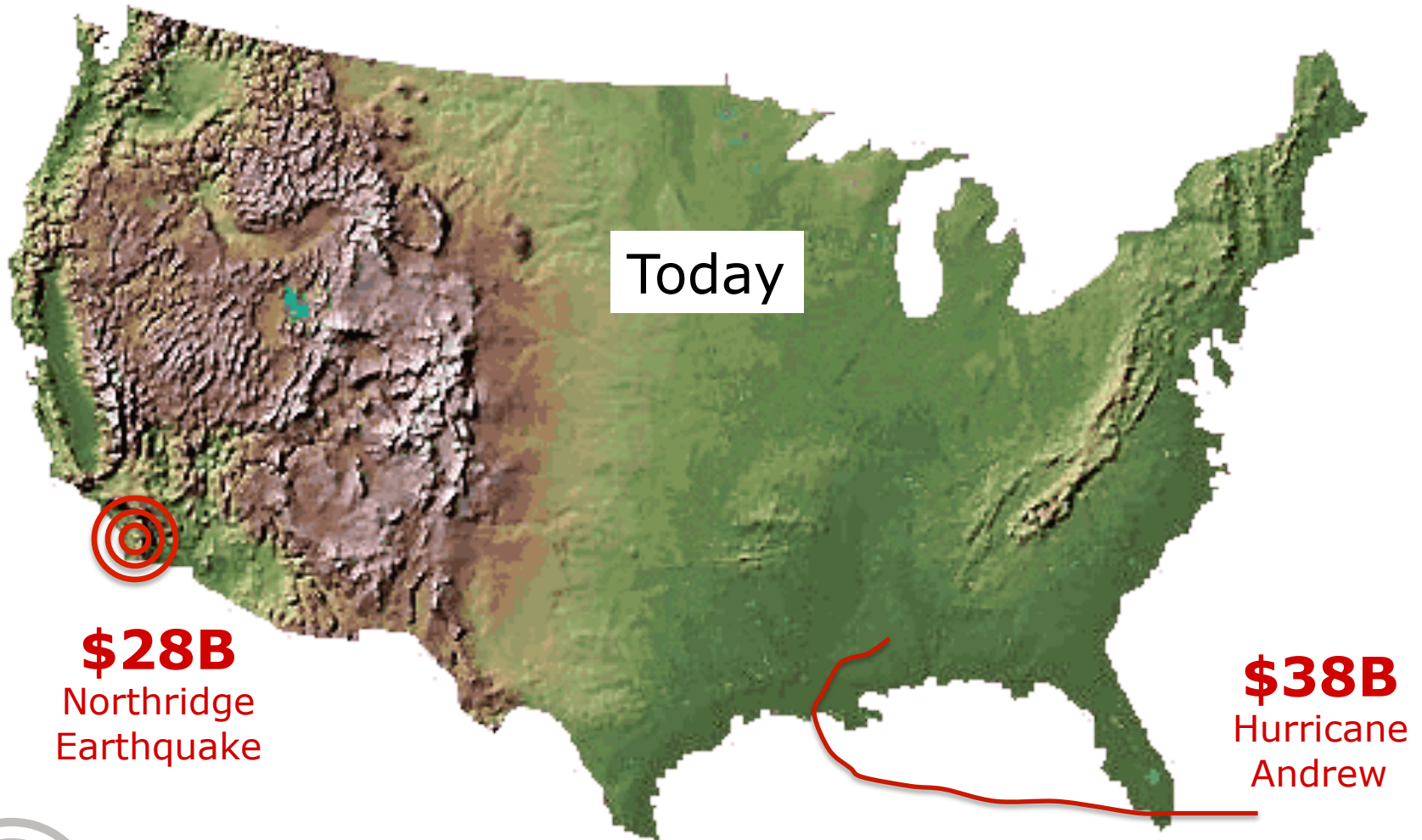
Impacts

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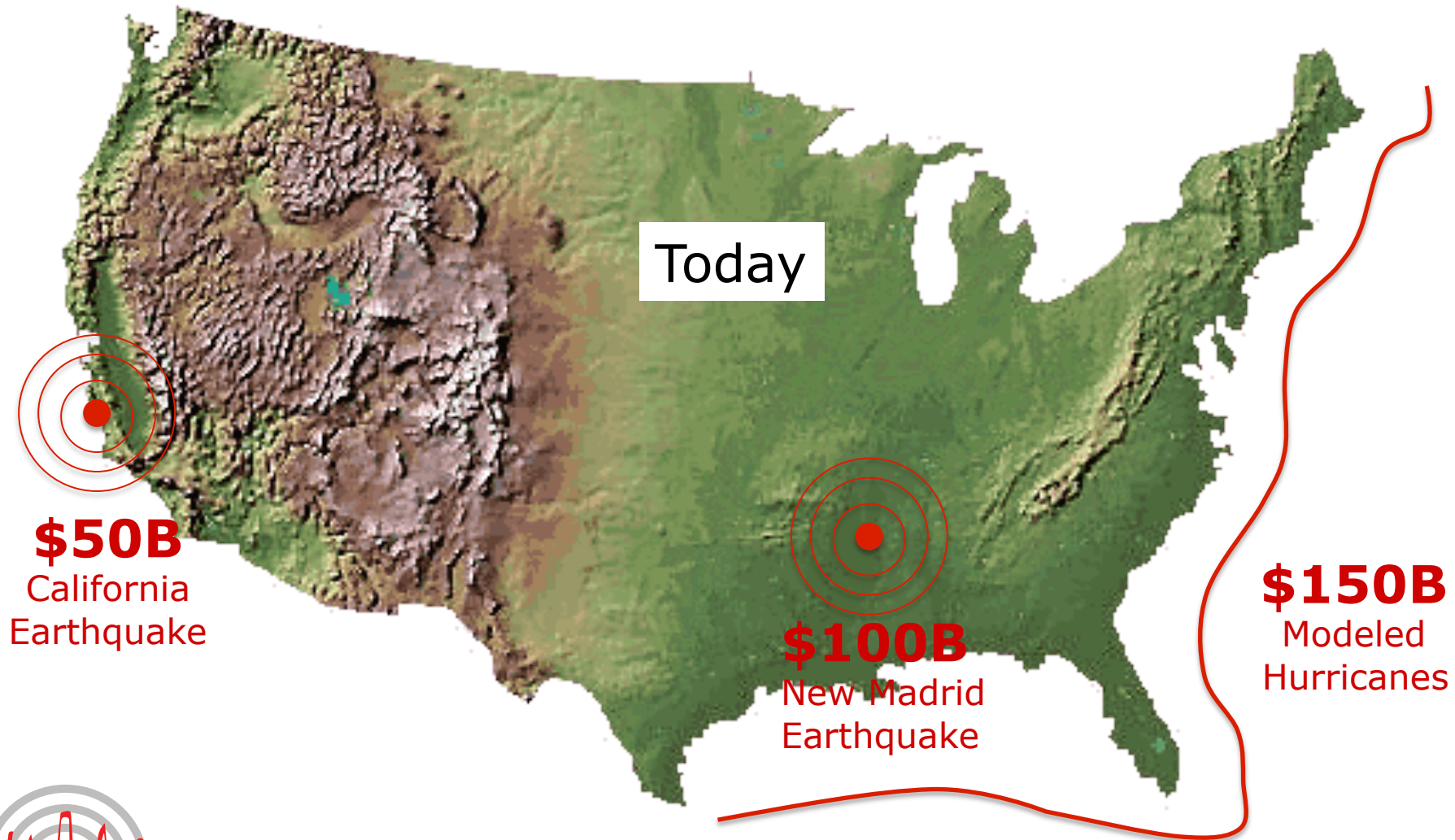
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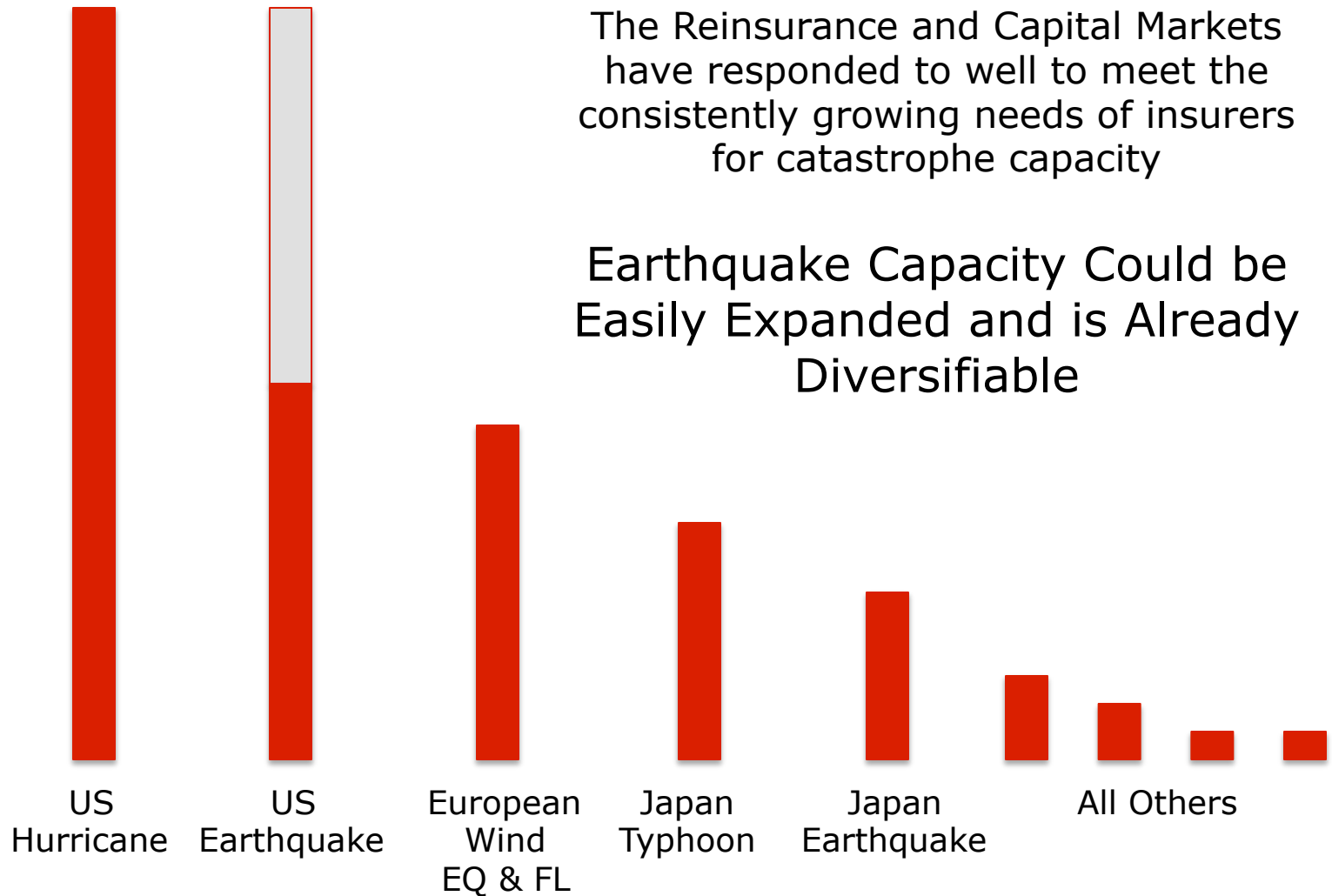


Impacts

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Impacts



Impacts – Lack of EQ Reinsurance Demand

- Lack of insurance demand drives low reinsurance demand
- Low insurance demand is driven by strange GSE mortgage collateral insurance requirements
- Wind, flood, fire insurance are required
- Earthquake insurance is not required
- Earthquake insurance would be far more affordable if it were required and competition would emerge
- Hurricane exposed properties already pay for the peak global reinsurance exposure
- Earthquake deductibles would be lower than 15%
- Florida hurricane deductible options are 1%, 2% and 5%
- Insurance is a core to community continuity and community affordability

Impacts – Community Continuity & Affordability

■ Case Study: New Orleans

- Insurance take-up in most deeply impacted areas: 25 to 40%
- Population dropped from 455,000 in 2005 to 209,000 in 2006
- Communities do not work with half of their populations
- Insurance funds bring calm and quickly restore confidence to individuals, businesses and communities
- Uninsureds drain community resources for debris removal, foreclosure processes and sales and depress real estate values for extended periods of time
- Local budgets are tight and they cannot afford these additional burdens
- Federal assistance is significant but not complete
- Coordination of assistance is difficult because each event is different
- Cities, Counties and States should consider insurance incentives in a budget neutral process

Recommendation

- GSEs and Banks Should **Require Insurance**
 - With **reasonable deductibles**
 - Allow for debris removal and mortgage repayment if rebuilding is not sought by owner
- **Cities and Counties** should incent insurance coverage with budget neutral methods to address risks to their communities
- Insurers and Reinsurers have built **sufficient capacity** in the 20 years since Northridge
- A **competitive earthquake insurance market** should be encouraged