# Webinar

**ULI PwC Webinar on Climate Risk and Insurance Implications for Real Estate**

Date: February 28, 2025

**00:00:25 --> 00:00:30:** Hello everyone and welcome to this webinar on climate risk
**00:00:30 --> 00:00:33:** and insurance implications for real estate.
**00:00:34 --> 00:00:37:** My name is Simon Chin and I head up the
**00:00:37 --> 00:00:41:** research and advisory services for the Urban Land Institute.
**00:00:42 --> 00:00:46:** So for those that aren't aware, I just wanted to
**00:00:46 --> 00:00:49:** give a quite a brief overview of ULI and utilize
**00:00:49 --> 00:00:54:** a global member driven organization for professionals that work in
**00:00:55 --> 00:00:58:** the real estate and build environment sector.
**00:00:59 --> 00:01:04:** We have around 50,000 members globally across North America, Europe
**00:01:04 --> 00:01:05:** and Asia Pacific.
**00:01:06 --> 00:01:09:** And all of our members convene really around the mission,
**00:01:09 --> 00:01:13:** which is to shape the future of the built environment
**00:01:13 --> 00:01:16:** for transformative impact in communities worldwide.
**00:01:17 --> 00:01:21:** ULI is the oldest and largest cross disciplinary real estate
**00:01:21 --> 00:01:24:** and land use network in the world.
**00:01:24 --> 00:01:28:** And ULI publishes for leadership and knowledge sharing of best
**00:01:28 --> 00:01:32:** practices for the future of real estate and the built
**00:01:32 --> 00:01:32:** environment.
**00:01:33 --> 00:01:36:** And a lot of the work that ULI does is
**00:01:36 --> 00:01:40:** focused on the future of real estate and the built
**00:01:40 --> 00:01:44:** environment and how to build resilience, particularly in the face
**00:01:44 --> 00:01:47:** in in the in the face of climate change.
**00:01:48 --> 00:01:51:** Which brings us on to the theme and topic of
**00:01:51 --> 00:01:52:** of today's webinar.
**00:01:54 --> 00:01:58:** The topic of today's session was covered in quite detail
**00:01:58 --> 00:02:02:** in the Emerging Trends in Real Estate Europe report, which

**00:02:02 --> 00:02:06:** was published at the end of last year in partnership
**00:02:06 --> 00:02:07:** with PwC.
**00:02:07 --> 00:02:09:** And I believe we'll be posting a a link to
**00:02:09 --> 00:02:10:** that report in the chat.
**00:02:10 --> 00:02:13:** So I do encourage people to download and have a
**00:02:13 --> 00:02:14:** read of that at their leisure.
**00:02:15 --> 00:02:19:** And really, we've seen that physical climate risk and real
**00:02:19 --> 00:02:23:** estate's transition to net 0 carbon emissions have been recurring
**00:02:23 --> 00:02:27:** themes as part of emerging trends in real estate over
**00:02:27 --> 00:02:28:** many years now.
**00:02:28 --> 00:02:32:** But what this chapter did was a real deeper dive
**00:02:32 --> 00:02:38:** into the real estate insurance and financial implications for real
**00:02:38 --> 00:02:38:** estate.
**00:02:39 --> 00:02:44:** And really we've seen this topic and theme really brought
**00:02:44 --> 00:02:49:** home to Europe last year, many significant extreme weather events
**00:02:49 --> 00:02:51:** affected the continent.
**00:02:51 --> 00:02:55:** We had the severe flooding in Central and Eastern Europe
**00:02:55 --> 00:02:59:** in, in, in September, followed by the devastating floods in
**00:03:00 --> 00:03:02:** in Spain in October as well.
**00:03:02 --> 00:03:05:** So it's clear that we are already living and dealing
**00:03:05 --> 00:03:08:** with the impact of of climate change.
**00:03:08 --> 00:03:11:** And as real estate faces increased risks of from a
**00:03:12 --> 00:03:17:** frequency and severity around physical climate risk alongside with that
**00:03:17 --> 00:03:21:** transition to net zero, it's clear that it's beginning to
**00:03:21 --> 00:03:25:** have an impact on financial costs for doing real estate
**00:03:25 --> 00:03:29:** and also from a business interruption perspective.
**00:03:30 --> 00:03:34:** Now in the Emerging Trends in Real Estate report, there
**00:03:34 --> 00:03:39:** was a survey undertaken among over 1000 senior real estate
**00:03:39 --> 00:03:39:** leaders.
**00:03:39 --> 00:03:43:** And from that we saw nearly 2/3 of respondents saying
**00:03:43 --> 00:03:48:** that they expect insurance costs for real estate to increase
**00:03:48 --> 00:03:52:** over the next five year time horizon and more than
**00:03:52 --> 00:03:56:** half anticipate the access to insurance will get more difficult
**00:03:56 --> 00:04:00:** and harder in certain regions of the of the continent.
**00:04:01 --> 00:04:05:** At the same time, we see insurers and financiers re
**00:04:05 --> 00:04:09:** evaluating their business models in the face of changing regulations
**00:04:09 --> 00:04:13:** and advances in technology as they seek to provide more
**00:04:13 --> 00:04:18:** efficient insurance and improving financing to support real

estate in
**00:04:18 --> 00:04:19:** response to climate change.
**00:04:20 --> 00:04:24:** And while many in the industry recognize that or understand
**00:04:25 --> 00:04:29:** the issues around in insurance and financing and the implications
**00:04:29 --> 00:04:33:** on real estate from climate risks, it's clear that the
**00:04:33 --> 00:04:37:** current levels of awareness and collaboration do not reflect the
**00:04:37 --> 00:04:40:** scale and urgency that is required.
**00:04:40 --> 00:04:43:** And this is a topic that we see rising in
**00:04:43 --> 00:04:45:** importance among ULI members globally.
**00:04:46 --> 00:04:49:** Many are beginning to see the impacts of this impact
**00:04:49 --> 00:04:54:** their balance sheets through rising risk premiums and the need
**00:04:54 --> 00:04:58:** to invest CapEx in adaptive measures to make buildings more
**00:04:58 --> 00:05:00:** resilient to climate change.
**00:05:01 --> 00:05:05:** And for this reason, we've convened a group of experts
**00:05:05 --> 00:05:09:** today to really do a really detailed discussion on the
**00:05:09 --> 00:05:12:** role of insurance and the impact that it has on
**00:05:12 --> 00:05:16:** the real estate sector facing increased climate risks and to
**00:05:17 --> 00:05:18:** help moderate the panel.
**00:05:18 --> 00:05:22:** Today, I'm pleased to welcome Lindsay Brugger, who leads you
**00:05:22 --> 00:05:25:** allies urban resilience program globally.
**00:05:26 --> 00:05:29:** Lindsay will shortly introduce our panel and moderate the group
**00:05:29 --> 00:05:31:** discussion this afternoon.
**00:05:32 --> 00:05:34:** And we also want to ensure that we address some
**00:05:34 --> 00:05:37:** of the concerns that you all may have.
**00:05:37 --> 00:05:39:** So there is AQ and a function available at the
**00:05:39 --> 00:05:40:** bottom of the screen.
**00:05:40 --> 00:05:43:** So we do welcome the audience to submit any questions
**00:05:44 --> 00:05:46:** they may have for the panel, and we will try
**00:05:46 --> 00:05:49:** to address as many of those as we can in
**00:05:49 --> 00:05:51:** the allotted time that we have today.
**00:05:51 --> 00:05:54:** So with that, I'll pass over to Lindsay now, who
**00:05:54 --> 00:05:57:** will introduce you to the panel and follow up with
**00:05:57 --> 00:05:58:** the panel discussion.
**00:05:58 --> 00:05:59:** Over to you, Lindsay.
**00:06:02 --> 00:06:06:** Introduction Hello everyone, so glad that you're able to join
**00:06:06 --> 00:06:07:** us today.
**00:06:07 --> 00:06:10:** As Simon said, I'm Lindsay Burger and I lead utilize
**00:06:10 --> 00:06:15:** urban Resilience program, which helps buildings, cities and

communities across

**00:06:15 --> 00:06:18:** the globe be better prepared for the impacts of climate

**00:06:18 --> 00:06:23:** change and other environmental vulnerabilities, which also includes the cascading

**00:06:23 --> 00:06:27:** effects of physical climate risk like rising insurance premiums.

**00:06:28 --> 00:06:34:** I'm thrilled to be here today with three fantastic experts,

**00:06:34 --> 00:06:40:** Amy Barnes from Marsh, Andy Moore, London market insurance leader

**00:06:40 --> 00:06:46:** with PwC and Laurent Laron, global head panelists to join

**00:06:46 --> 00:06:48:** me on camera here.

**00:06:48 --> 00:06:52:** And we'll start by asking each of these experts to

**00:06:52 --> 00:06:57:** just tell you a little bit about themselves, particularly as

**00:06:57 --> 00:07:01:** it relates to the content that Simon just summarized from

**00:07:01 --> 00:07:05:** the emerging Trends you allow Europe chapter on climate risk

**00:07:05 --> 00:07:06:** and insurance.

**00:07:07 --> 00:07:08:** Amy, why don't we start with you?

**00:07:10 --> 00:07:10:** Thank you.

**00:07:10 --> 00:07:14:** So Amy Barnes, I'm Head of Climate and Sustainability strategy

**00:07:14 --> 00:07:16:** at Marsh, so a large risk and insurance advisor.

**00:07:17 --> 00:07:19:** My responsibility is making sure that we are there to

**00:07:19 --> 00:07:22:** support our clients as they navigate the transition, whether that's

**00:07:22 --> 00:07:26:** accessing insurance for low carbon technologies that aren't well understood.

**00:07:26 --> 00:07:29:** So how do we make sure insurance isn't a barrier

**00:07:29 --> 00:07:32:** to that really important decarbonisation work, but also when it

**00:07:32 --> 00:07:36:** comes to adaptation and the availability cost of insurance and

**00:07:36 --> 00:07:39:** how do we use insurance as a signal to provide

**00:07:39 --> 00:07:42:** the return on investment we need to make the adaptation

**00:07:42 --> 00:07:43:** adaptation measures.

**00:07:43 --> 00:07:45:** So I leave that work for Marsh globally delighted to

**00:07:45 --> 00:07:46:** be here would.

**00:07:50 --> 00:07:52:** You introduce yourself and tell us a little bit about

**00:07:52 --> 00:07:54:** your work and how it relates to this emerging trends

**00:07:54 --> 00:07:55:** topic.

**00:07:57 --> 00:07:57:** Right.

**00:07:57 --> 00:07:57:** Yeah.

**00:07:57 --> 00:08:01:** Andy Moore, I'm a London market insurance leader at PwC.

**00:08:01 --> 00:08:02:** Thank you for having me here today.

**00:08:02 --> 00:08:05:** So PwC and in my role in the London market,

**00:08:05 --> 00:08:09:** we support companies across the insurance sector, whether that be

**00:08:09 --> 00:08:13:** all the way through from thinking about reporting through to

**00:08:13 --> 00:08:15:** strategy and everything in between.

**00:08:16 --> 00:08:20:** A really critical factor of that is how companies continue

**00:08:20 --> 00:08:23:** to address the impacts of climate on their business.

**00:08:24 --> 00:08:27:** And in that circumstance, that's often related to the impacts

**00:08:27 --> 00:08:30:** of the rising cost of claims related to the increased

**00:08:30 --> 00:08:33:** frequency and severity of severe weather events.

**00:08:39 --> 00:08:40:** Good afternoon.

**00:08:40 --> 00:08:43:** So I'm Nora Liver and I'm Global Head of Sustainability

**00:08:43 --> 00:08:48:** of exciting ads covering real estate, infrastructure and natural capital.

**00:08:48 --> 00:08:52:** So investing in forestry as well as farm lands and

**00:08:52 --> 00:08:57:** climate change, its impact on our investments is something I've

**00:08:57 --> 00:09:03:** witnessed before taking this responsibility using the next time outside.

**00:09:03 --> 00:09:08:** It was responsible for the asset management globally for for

**00:09:08 --> 00:09:12:** our investment and the impact on our assets of the

**00:09:12 --> 00:09:16:** climate change has been visible as well as on our

**00:09:16 --> 00:09:18:** discussion with insurance companies.

**00:09:18 --> 00:09:21:** So glad to share a little bit of our insight

**00:09:21 --> 00:09:23:** on what we we have been experiencing and how we

**00:09:23 --> 00:09:24:** are looking forward.

**00:09:27 --> 00:09:30:** For joining us today as we open this discussion, Andy,

**00:09:30 --> 00:09:33:** I'm hoping you could tell us a little bit more

**00:09:33 --> 00:09:36:** about the fundamentals of insurance and what the audience really

**00:09:36 --> 00:09:39:** needs to understand as we dive into this conversation.

**00:09:40 --> 00:09:41:** Yeah.

**00:09:41 --> 00:09:42:** Thanks, Lindsay.

**00:09:42 --> 00:09:44:** I think let me start by just taking a moment

**00:09:44 --> 00:09:47:** to think about that in the context of any type

**00:09:47 --> 00:09:51:** of insurance that people buy, whether that be insuring your

**00:09:51 --> 00:09:54:** car, your home, a large industrial building, an aeroplane, a

**00:09:54 --> 00:09:56:** satellite about to launch.

**00:09:56 --> 00:09:58:** The basics of all of them are actually the same

**00:09:58 --> 00:10:00:** because it's all about pooling of risk.

**00:10:01 --> 00:10:04:** Now, whilst each one of us might feel a frustration

**00:10:04 --> 00:10:07:** as we don't necessarily see the correlation between our own

**00:10:07 --> 00:10:11:** individual experience and the premium that we're charged for, that

**00:10:11 --> 00:10:14:** it's because it's very difficult to assess premium on an
**00:10:14 --> 00:10:15:** individual basis.
**00:10:15 --> 00:10:17:** And insurance works best when we think about it in
**00:10:17 --> 00:10:19:** the context of a diversified pool.
**00:10:19 --> 00:10:21:** And that's certainly how insurers have to think about it.
**00:10:22 --> 00:10:26:** It's also one of the only industries whereby a company
**00:10:26 --> 00:10:30:** sets the price for its product and then eventually works
**00:10:30 --> 00:10:32:** out how much it costs to produce it.
**00:10:33 --> 00:10:36:** And by that what I mean is insurers estimate premiums
**00:10:36 --> 00:10:39:** looking backwards at the experience they've had in the past,
**00:10:39 --> 00:10:41:** but they only find out the cost of claims.
**00:10:41 --> 00:10:45:** On average, they'll work all of that at about four
**00:10:45 --> 00:10:48:** years after the premium's been set.
**00:10:48 --> 00:10:51:** So it's quite a different mindset in an insurance industry
**00:10:51 --> 00:10:53:** and that's why there's an awful lot of estimation involved.
**00:10:54 --> 00:10:57:** So the premiums that insurers charge and are an estimate
**00:10:57 --> 00:11:00:** of the risk that they perceive and that's a factor
**00:11:01 --> 00:11:04:** of a number of different underlying building blocks.
**00:11:05 --> 00:11:07:** Most of it will be the estimated cost of claims,
**00:11:07 --> 00:11:09:** which is predominantly based on historical data.
**00:11:09 --> 00:11:12:** So looking backwards but also with an eye to the
**00:11:12 --> 00:11:15:** future, that future view of risk, what may be different
**00:11:15 --> 00:11:15:** in the future.
**00:11:15 --> 00:11:18:** And we've certainly seen a lot of change particularly around
**00:11:18 --> 00:11:21:** climate related events which have have factored into that.
**00:11:22 --> 00:11:24:** It's a factor of the expenses and how much it
**00:11:24 --> 00:11:26:** costs for them to run their business, the cost and
**00:11:26 --> 00:11:29:** availability of reinsurance, but also the cost of capital.
**00:11:30 --> 00:11:32:** And that is driven by how attractive insurance is as
**00:11:32 --> 00:11:33:** a sector.
**00:11:33 --> 00:11:36:** So the more attractive insurance is as a sector, the
**00:11:36 --> 00:11:39:** more capital flows in, the cheaper capital is and the
**00:11:39 --> 00:11:42:** more chance that insurance premiums fall and vice versa.
**00:11:42 --> 00:11:44:** So there are a number of factors that go into
**00:11:44 --> 00:11:44:** that.
**00:11:45 --> 00:11:50:** If I think specifically about that estimated cost of claims,
**00:11:50 --> 00:11:53:** then which is a really critical factor, there is a
**00:11:53 --> 00:11:57:** huge and heavy reliance on historical data to try and
**00:11:57 --> 00:11:58:** predict the future.
**00:11:59 --> 00:12:03:** The insurance industry employs most of the world's actuaries, I
**00:12:03 --> 00:12:06:** would say, who are fantastic at trying to estimate what's

**00:12:06 --> 00:12:09:** going to happen in the future, but they're limited by
**00:12:09 --> 00:12:11:** the data that they have.
**00:12:11 --> 00:12:14:** And so therefore that view of the past with an
**00:12:14 --> 00:12:16:** estimate of what's happening in the future is critical.
**00:12:17 --> 00:12:20:** What we've seen therefore in the past is a rising
**00:12:20 --> 00:12:23:** trend and we've seen a rising trend of inflationary costs.
**00:12:24 --> 00:12:28:** We've seen a rising trend of frequency, particularly of different
**00:12:28 --> 00:12:32:** types of storm, hurricanes, typhoons, they're very much, you know,
**00:12:32 --> 00:12:33:** well understood.
**00:12:33 --> 00:12:36:** We now have the concept context of a severe convective
**00:12:36 --> 00:12:37:** storm, right?
**00:12:37 --> 00:12:38:** Why do we call those now?
**00:12:38 --> 00:12:41:** They're to delineate them, to create another category of something
**00:12:41 --> 00:12:44:** because they operate in a different way and they need
**00:12:44 --> 00:12:46:** to be modelled in a different way, but also flood
**00:12:46 --> 00:12:48:** models and thinking about that impact.
**00:12:48 --> 00:12:51:** And also obviously we've seen the devastating impact in the
**00:12:51 --> 00:12:54:** US of wildfires, not just this year when they've been
**00:12:54 --> 00:12:56:** very much headlined, but over the last few years they've
**00:12:56 --> 00:12:57:** been increasing.
**00:12:59 --> 00:13:02:** So with all of that in mind, insurers could always
**00:13:02 --> 00:13:03:** come up with a premium.
**00:13:04 --> 00:13:07:** It is always possible to estimate a premium that may
**00:13:07 --> 00:13:10:** not be a premium that a client or an underlying
**00:13:10 --> 00:13:12:** company is willing to pay.
**00:13:13 --> 00:13:16:** I think about back in 2007 in the UK, we
**00:13:16 --> 00:13:19:** had a series of flood events which were were were
**00:13:19 --> 00:13:22:** pretty impactful at the time.
**00:13:22 --> 00:13:24:** And I remember one of my clients at the time
**00:13:24 --> 00:13:27:** was insuring a number of static caravans.
**00:13:28 --> 00:13:31:** Now the main issue with a static caravan in a
**00:13:31 --> 00:13:33:** flood event is that it it no longer is static
**00:13:33 --> 00:13:36:** and it's no longer really a caravan, it becomes a
**00:13:37 --> 00:13:37:** boat.
**00:13:38 --> 00:13:40:** And so therefore the cost of those in a severe
**00:13:40 --> 00:13:43:** flood is that it's a complete, complete write off.
**00:13:43 --> 00:13:48:** Effectively the insurance cost in the following year of a
**00:13:48 --> 00:13:52:** 30,000 LB static caravan rose to nearly ??15,000.
**00:13:52 --> 00:13:55:** So you can insure something, but the cost of doing
**00:13:55 --> 00:13:56:** so really isn't worth it.

**00:13:57 --> 00:14:01:** And that therefore leads on to thinking about how you
**00:14:01 --> 00:14:05:** can do the right things, particularly when we're thinking about
**00:14:05 --> 00:14:09:** physical damage, to try and mitigate the costs of insurance
**00:14:09 --> 00:14:12:** in the context of there being more difficult events.
**00:14:13 --> 00:14:16:** The final thing I wanted to say is that insurers
**00:14:16 --> 00:14:21:** continue to improve their ability to model risk that's driven
**00:14:21 --> 00:14:25:** by the quality and quantity of data, the quality and
**00:14:25 --> 00:14:28:** quantity of technology that is available.
**00:14:28 --> 00:14:31:** And so they can look at, you know, the impact
**00:14:31 --> 00:14:34:** of wind and storm events, they can look at flood
**00:14:34 --> 00:14:34:** events.
**00:14:34 --> 00:14:37:** They can, you know, have an estimate of what happens
**00:14:37 --> 00:14:38:** in those circumstances.
**00:14:39 --> 00:14:40:** But they're not perfect.
**00:14:41 --> 00:14:44:** And the only way therefore that insurers can continue to
**00:14:44 --> 00:14:48:** work and provide affordable premiums is if they're working directly
**00:14:48 --> 00:14:52:** with their clients to understand the risks and work out
**00:14:52 --> 00:14:55:** how resilience can continue to be built into the system
**00:14:55 --> 00:14:59:** such that everybody understands the impact of these ever increasing
**00:14:59 --> 00:15:00:** climate events.
**00:15:00 --> 00:15:03:** And also how you can try and mitigate mitigate the
**00:15:03 --> 00:15:03:** cost of it.
**00:15:06 --> 00:15:08:** Helpful fundamentals.
**00:15:09 --> 00:15:12:** Laurent, could you tell us a little bit about how
**00:15:12 --> 00:15:17:** the evolving insurance landscape is impacting commercial real estate?
**00:15:22 --> 00:15:25:** Yeah, of course I think the first, the first thing
**00:15:25 --> 00:15:28:** I would like to say is physical risk exposure is
**00:15:28 --> 00:15:30:** not new for real assets investor.
**00:15:30 --> 00:15:33:** You know it has been always been part of our
**00:15:33 --> 00:15:36:** underwriting and management policy to assess what is a physical
**00:15:36 --> 00:15:38:** risk exposure of an asset.
**00:15:38 --> 00:15:43:** The challenging piece as on the was mentioning it is
**00:15:43 --> 00:15:46:** that you're looking backward basically.
**00:15:47 --> 00:15:50:** So to assess your, your, your risk, you're not looking
**00:15:50 --> 00:15:54:** forward and the look forward is extremely volatile.
**00:15:54 --> 00:15:58:** There are so many parameters You can, I think everyone
**00:15:58 --> 00:16:02:** understand that the climate change will increase severity and frequency
**00:16:02 --> 00:16:04:** of natural events.

**00:16:04 --> 00:16:08:** The question is for this given location, what would be
**00:16:08 --> 00:16:10:** exactly the impact?
**00:16:10 --> 00:16:12:** That's super difficult to assess.
**00:16:12 --> 00:16:15:** And there are a number of models which exist to
**00:16:15 --> 00:16:19:** forecast up to, you know, 30-40 fifty years of climate
**00:16:19 --> 00:16:22:** change, which is, which is a reasonable time frame.
**00:16:22 --> 00:16:26:** When you are in infrastructure or real estate investor, you,
**00:16:26 --> 00:16:29:** you are thinking that for the next two to three
**00:16:29 --> 00:16:32:** years, but for the next decades you get very, very
**00:16:32 --> 00:16:36:** different outcomes based on the model because of the number
**00:16:36 --> 00:16:37:** of parameters.
**00:16:37 --> 00:16:38:** So I think this path is challenging.
**00:16:39 --> 00:16:44:** What it means in itself being insured or not is
**00:16:44 --> 00:16:46:** not in itself a problem.
**00:16:47 --> 00:16:49:** We're investor in Japan.
**00:16:49 --> 00:16:52:** In Japan you don't get insurance for earthquake.
**00:16:53 --> 00:16:57:** It's not, it's not a problem in itself for the
**00:16:57 --> 00:17:02:** proper functioning this market not to have insurance, you still
**00:17:02 --> 00:17:06:** get financing, but you are looking at the mitigation and
**00:17:06 --> 00:17:10:** that adaptation your focus is not on are you exposed
**00:17:10 --> 00:17:11:** to earthquake?
**00:17:11 --> 00:17:13:** Yes, of course you are, you are in Japan.
**00:17:15 --> 00:17:19:** It's more about does the asset has been designed and
**00:17:19 --> 00:17:23:** built in a way that he can resist to mature
**00:17:23 --> 00:17:24:** seismic event.
**00:17:25 --> 00:17:28:** And if the answer is yes and the market is
**00:17:28 --> 00:17:32:** used to it, you get financing and you get buyers.
**00:17:32 --> 00:17:36:** And I think the risk we have is Japan has
**00:17:36 --> 00:17:41:** centuries of knowledge about earthquake.
**00:17:42 --> 00:17:47:** The market in Europe has years of discovering the impact
**00:17:47 --> 00:17:51:** of climate change, which means that if tomorrow you're losing
**00:17:51 --> 00:17:56:** your insurance cover in a European asset, the likelihood that
**00:17:56 --> 00:18:00:** you will get the financing is very, very, very small,
**00:18:00 --> 00:18:03:** if not existent at all because no one is used
**00:18:03 --> 00:18:04:** to it.
**00:18:05 --> 00:18:07:** So it's, it's stand out basically for a lender to
**00:18:07 --> 00:18:11:** get an insurance cover for, for the asset he's financing.
**00:18:12 --> 00:18:15:** So for me the, the challenge would be to make
**00:18:15 --> 00:18:19:** sure that if at one point in time, because of
**00:18:19 --> 00:18:23:** the the change of of climate and and severity of
**00:18:23 --> 00:18:27:** event, we are losing some of the coverage in terms

**00:18:27 --> 00:18:32:** of insurance that the market is able to understand who

**00:18:32 --> 00:18:35:** has been able to mitigate and or to adapt to

**00:18:36 --> 00:18:37:** this risk or not.

**00:18:37 --> 00:18:40:** So that is still can be an asset which is

**00:18:40 --> 00:18:45:** valuable, financeable and and attractive to a next buyer on

**00:18:45 --> 00:18:45:** tenants.

**00:18:49 --> 00:18:49:** Yeah.

**00:18:49 --> 00:18:52:** And so we've we've touched on a little bit today

**00:18:52 --> 00:18:55:** and I'm already seeing questions from the audience related to

**00:18:55 --> 00:18:59:** this intersection of risk reduction and the cost and availability

**00:18:59 --> 00:19:00:** of insurance.

**00:19:00 --> 00:19:03:** Often times commercial real estate will think of insurance as

**00:19:03 --> 00:19:04:** kind of a black box.

**00:19:04 --> 00:19:07:** And Amy, I'm hoping you can unpack that black box

**00:19:07 --> 00:19:09:** for us and tell us a little bit more about

**00:19:09 --> 00:19:12:** what folks can or cannot expect when it comes to

**00:19:12 --> 00:19:15:** risk reduction as it relates to insurance premium and availability.

**00:19:16 --> 00:19:18:** Yeah, I'm very happy to and a fantastic level set

**00:19:19 --> 00:19:20:** by Andy in terms of the context.

**00:19:20 --> 00:19:23:** And I saw the question in the chat about what

**00:19:23 --> 00:19:27:** impact does resilience have if the majority of the risk

**00:19:27 --> 00:19:30:** is being driven by by the location, if we if

**00:19:30 --> 00:19:33:** we forget extreme weather for a moment.

**00:19:33 --> 00:19:35:** And exactly as Laurent said, insurance industry has been thinking

**00:19:35 --> 00:19:37:** about extreme weather for a long time.

**00:19:37 --> 00:19:40:** We're just seeing more on different extreme weather with climate

**00:19:40 --> 00:19:40:** change.

**00:19:41 --> 00:19:45:** In those instances, if you exclude all natural catastrophe events,

**00:19:45 --> 00:19:49:** underwriters absolutely are trying to understand the character, the building

**00:19:49 --> 00:19:50:** characteristics.

**00:19:51 --> 00:19:54:** And so we think about if we're just talking about

**00:19:54 --> 00:20:00:** property insurance insurers think about COPE, what's the construction type,

**00:20:00 --> 00:20:04:** the occupation, the oh, the P, the protections and the,

**00:20:04 --> 00:20:07:** and the E's gone, the El come back.

**00:20:07 --> 00:20:07:** This happened today.

**00:20:08 --> 00:20:10:** So the construction type matters.

**00:20:10 --> 00:20:12:** I used to live in Houston and if you were,

**00:20:12 --> 00:20:15:** if I was living in a concrete apartment block, it

**00:20:15 --> 00:20:19:** was very different to if I was building, living in

**00:20:19 --> 00:20:21:** a wooden single Storey dwelling.

**00:20:21 --> 00:20:22:** So that construction type matters.

**00:20:23 --> 00:20:25:** If you think about the occupation, am I is there

**00:20:25 --> 00:20:26:** a high hazard activity?

**00:20:26 --> 00:20:29:** Is there something that uses a lot of hydrocarbons?

**00:20:29 --> 00:20:31:** Is there something that uses heat?

**00:20:31 --> 00:20:33:** That occupation is a higher risk than an office risk.

**00:20:34 --> 00:20:36:** What protections people think about sprinkler systems and it was

**00:20:36 --> 00:20:39:** really the insurance industry that was a major catalyst of

**00:20:39 --> 00:20:41:** making sure that those protections are brought in.

**00:20:41 --> 00:20:46:** So actually the underwriter is already very used to underwriting

**00:20:46 --> 00:20:49:** the the building characteristics.

**00:20:50 --> 00:20:53:** Now I should say that for asset owners, when they

**00:20:53 --> 00:20:58:** have large portfolios of assets, often the insurer relied on

**00:20:58 --> 00:21:02:** the internal diversification of that portfolio to not become too

**00:21:03 --> 00:21:08:** granular in their in underwriting, in underwriting information requirements for

**00:21:08 --> 00:21:10:** particular buildings.

**00:21:10 --> 00:21:13:** So in the past, asset owners, I'm going to say

**00:21:13 --> 00:21:16:** could get away with, but it was just customer practice

**00:21:16 --> 00:21:18:** that if you had a large portfolio of assets, you

**00:21:18 --> 00:21:21:** could provide really quite limited information.

**00:21:21 --> 00:21:26:** As we're now more worried about different perils, that information

**00:21:26 --> 00:21:30:** about the type, the the asset characteristics becomes increasingly important.

**00:21:31 --> 00:21:34:** And that's where you can then differentiate and differentiate on

**00:21:34 --> 00:21:34:** resilience.

**00:21:34 --> 00:21:37:** I'm going to go back to my Houston example now

**00:21:37 --> 00:21:40:** and bring in the concept the the, the concept of

**00:21:40 --> 00:21:40:** floods.

**00:21:40 --> 00:21:43:** So we're bringing back natural catastrophe events.

**00:21:44 --> 00:21:47:** My apartment block in Houston, well, most apartment blocks in

**00:21:47 --> 00:21:49:** Houston have got all the car parks on the lower

**00:21:49 --> 00:21:49:** level.

**00:21:49 --> 00:21:52:** So those bottom 6 storeys were all car park.

**00:21:52 --> 00:21:55:** So a flood was a relatively low consequence when I

**00:21:55 --> 00:21:56:** was living in an apartment.

**00:21:56 --> 00:21:59:** When I moved into a single Storey dwelling and wooden

**00:21:59 --> 00:22:03:** construction suddenly exactly the same hazard I have a very

**00:22:03 --> 00:22:04:** different exposure to.

**00:22:04 --> 00:22:08:** So in answer to your question, the question that the

**00:22:08 --> 00:22:15:** building characteristics and then the defences are completely, completely contemplated

**00:22:15 --> 00:22:18:** to, to sort of talk about the black box a

**00:22:18 --> 00:22:19:** little bit.

**00:22:20 --> 00:22:23:** I, I think some of the vocabulary that's worth understanding

**00:22:23 --> 00:22:26:** is the, the, the climate models that scientists have been

**00:22:26 --> 00:22:27:** talking about for a really long time.

**00:22:28 --> 00:22:31:** Talk about the hazard, how likely is a hazard to

**00:22:31 --> 00:22:31:** happen.

**00:22:32 --> 00:22:36:** But if we come back to my Houston example, insurers

**00:22:36 --> 00:22:39:** care about how vulnerable is the asset to that hazard.

**00:22:40 --> 00:22:43:** And so what's the exposure that they have from that

**00:22:43 --> 00:22:47:** hazard and any intervention you can make on to that

**00:22:47 --> 00:22:52:** vulnerability is going to be positive from an underwriting perspective.

**00:22:52 --> 00:22:55:** Now I can go into, it's more technical than that

**00:22:55 --> 00:22:58:** because the models contemplate some kinds of intervention.

**00:22:59 --> 00:23:01:** But just at a very basic level, if you, if,

**00:23:01 --> 00:23:04:** if you're exposed to a hazard, you have a certain

**00:23:04 --> 00:23:08:** level of vulnerability, you make an intervention to reduce your

**00:23:08 --> 00:23:08:** vulnerability.

**00:23:08 --> 00:23:11:** Let's put up, put up a flood wall, move your

**00:23:11 --> 00:23:14:** services so they come into the building at a higher

**00:23:14 --> 00:23:14:** level.

**00:23:14 --> 00:23:17:** If you're exposed to wind, if you nail down more

**00:23:17 --> 00:23:20:** of your shingles, whatever those responses are, then that reduces

**00:23:20 --> 00:23:23:** your vulnerability, hence reduces your exposure and can be factored

**00:23:24 --> 00:23:24:** into the price.

**00:23:24 --> 00:23:26:** But let me pause there and we, I'm sure we'll

**00:23:26 --> 00:23:27:** come back to that.

**00:23:29 --> 00:23:29:** That's it.

**00:23:29 --> 00:23:29:** Thank you.

**00:23:29 --> 00:23:34:** Amy and Laura, you had some great thoughts earlier about

**00:23:34 --> 00:23:38:** how commercial real estate is managing at the asset scale.

**00:23:39 --> 00:23:40:** Let's zoom out a little bit.

**00:23:40 --> 00:23:44:** What else should commercial real estate be thinking about

related

**00:23:44 --> 00:23:47:** to the larger ecosystem and the community surrounding a building

**00:23:47 --> 00:23:51:** when thinking about physical climate risk and how to manage

**00:23:51 --> 00:23:51:** that?

**00:23:55 --> 00:23:56:** Yes, indeed.

**00:23:57 --> 00:24:03:** In fact, insurance cover you on cost, not on value.

**00:24:04 --> 00:24:08:** And in fact the value of an asset derives mostly

**00:24:08 --> 00:24:13:** from the location, but also the ecosystem it is part

**00:24:13 --> 00:24:13:** of.

**00:24:14 --> 00:24:16:** So to certain extent, initial reaction.

**00:24:17 --> 00:24:20:** Let's take the example of fluid flooding risk is to

**00:24:20 --> 00:24:24:** pick a location in a city where you feel that

**00:24:24 --> 00:24:26:** you would be out of the danger zone.

**00:24:26 --> 00:24:27:** So should you should be good.

**00:24:28 --> 00:24:32:** But when you are thinking about climate change, if the

**00:24:32 --> 00:24:36:** rest of the area which is surrounding you is flooded

**00:24:36 --> 00:24:40:** every year, several time a year, that would be a

**00:24:40 --> 00:24:40:** problem.

**00:24:40 --> 00:24:43:** There would be a problem on this community.

**00:24:44 --> 00:24:48:** We can think about, you know, impact of climate change

**00:24:48 --> 00:24:50:** on entire city like Jakarta.

**00:24:50 --> 00:24:53:** You know, Indonesia is moving the capital city to a

**00:24:53 --> 00:24:54:** different place.

**00:24:55 --> 00:24:58:** If you're a property owner in that in Jakarta, even

**00:24:58 --> 00:25:01:** if on the paper, based on, you know, projection, you

**00:25:01 --> 00:25:04:** feel that your asset should be still OK for the

**00:25:04 --> 00:25:07:** next, you know, 50 years, the fact that it's no

**00:25:07 --> 00:25:10:** more the capital city will impact you.

**00:25:11 --> 00:25:14:** So that that's where you can't look at this risk

**00:25:14 --> 00:25:18:** in installation trying just to protect your assets.

**00:25:19 --> 00:25:22:** You need to understand what the city or the surrounding

**00:25:22 --> 00:25:25:** are doing to protect the entire area, to protect the

**00:25:25 --> 00:25:28:** value of the asset, not just the cost exposure.

**00:25:28 --> 00:25:31:** You would have to, you know, clean the asset or

**00:25:31 --> 00:25:32:** rebuild it.

**00:25:32 --> 00:25:36:** That that's where you know, it goes much beyond your

**00:25:36 --> 00:25:37:** your assets.

**00:25:39 --> 00:25:41:** Systems approach, absolutely.

**00:25:42 --> 00:25:44:** And Amy, can you talk a little bit about how

**00:25:44 --> 00:25:47:** insurance and the insurance industry views this market scale risk?

**00:25:48 --> 00:25:51:** Well, and and so Laurent absolutely highlights the problem

that
**00:25:51 --> 00:25:54:** the insurance market struggles to quantify.
**00:25:54 --> 00:25:56:** So, so to put a framework around that, what I
**00:25:56 --> 00:26:00:** described when I was talking about how underwriters look at
**00:26:00 --> 00:26:03:** think about hazard and vulnerability, that's very much just an
**00:26:03 --> 00:26:04:** asset lens.
**00:26:04 --> 00:26:06:** So look at asset lens looking what happens within the
**00:26:06 --> 00:26:08:** boundary of your property.
**00:26:08 --> 00:26:09:** But Lawrence, absolutely right.
**00:26:09 --> 00:26:11:** Assets operate within a system.
**00:26:12 --> 00:26:14:** So the example of Jakarta where you can have a
**00:26:14 --> 00:26:17:** changing land value may be the case, but you also
**00:26:18 --> 00:26:21:** operate within a system that you'll have will have your
**00:26:21 --> 00:26:25:** tenants will have supply chain issues, they'll have dependency on
**00:26:25 --> 00:26:26:** infrastructure.
**00:26:26 --> 00:26:29:** Do they have reliable access to power or there's a
**00:26:29 --> 00:26:31:** lot of extreme wind that can take out the power
**00:26:31 --> 00:26:32:** cables?
**00:26:32 --> 00:26:35:** Are they reliant on a river to move their goods
**00:26:35 --> 00:26:37:** and services that can be in drought.
**00:26:37 --> 00:26:41:** And so all of those systems effects impact the attractiveness
**00:26:42 --> 00:26:45:** of your of your assets to tenants, but also there
**00:26:45 --> 00:26:49:** can be systems wide interventions that can either increase the
**00:26:49 --> 00:26:51:** risk or reduce the risk.
**00:26:51 --> 00:26:54:** I'm speaking to you today from London where I don't
**00:26:54 --> 00:26:56:** quite know the geographic make up of of of your
**00:26:56 --> 00:26:59:** audience, but we have the Thames Barrier that is an
**00:26:59 --> 00:27:02:** intervention that provides protections to to many homes.
**00:27:03 --> 00:27:06:** And for an insurer it is very, very hard to
**00:27:06 --> 00:27:11:** quantify the impact of those systems levels resilience measures.
**00:27:12 --> 00:27:13:** And so there's a lot of work going on at
**00:27:13 --> 00:27:14:** the moment in that.
**00:27:14 --> 00:27:17:** How can we make sure that those resilience measures are
**00:27:17 --> 00:27:20:** valued because the city needs to have a return on
**00:27:20 --> 00:27:24:** investment or the municipalities that that whatever the grouping that
**00:27:24 --> 00:27:27:** is, that is that isn't at the asset level, that's
**00:27:27 --> 00:27:28:** building on that resilience.
**00:27:29 --> 00:27:31:** They need to be able to demonstrate an ROI.
**00:27:31 --> 00:27:35:** And if an insurer or other capital providers aren't able

**00:27:35 --> 00:27:38:** to contemplate the value that that resilience is giving, then
**00:27:38 --> 00:27:41:** it's really difficult to make that business case.
**00:27:41 --> 00:27:45:** The tools don't exist uniformly.
**00:27:45 --> 00:27:48:** Currently, clearly things like the Thames Barrier already is factored
**00:27:48 --> 00:27:49:** in, It's mature enough.
**00:27:50 --> 00:27:54:** But some of the measures that will be used to
**00:27:54 --> 00:27:59:** build community resilience, such as slowing the flow, there's a
**00:27:59 --> 00:28:02:** big emphasis on can we stop water?
**00:28:02 --> 00:28:05:** And flood isn't the only issue for climate change, it's
**00:28:05 --> 00:28:06:** just often the easiest exemplar.
**00:28:06 --> 00:28:10:** So if we're thinking about river flood, we want to
**00:28:10 --> 00:28:12:** slow the water from getting to our cities.
**00:28:12 --> 00:28:15:** Now, they were doing this in Petra, however many 10s
**00:28:15 --> 00:28:17:** of thousands of years ago.
**00:28:17 --> 00:28:19:** They created systems to slow, slow the flow just to
**00:28:19 --> 00:28:21:** stop that going into cities.
**00:28:21 --> 00:28:24:** But there are examples in Milwaukee, There are examples in
**00:28:24 --> 00:28:28:** Shropshire in the UK where people are reinstating wetlands, they're
**00:28:28 --> 00:28:31:** building ponds to slow down when it does rain water
**00:28:31 --> 00:28:33:** getting to our urban areas.
**00:28:33 --> 00:28:36:** And we don't have tools to quantify yet the economic
**00:28:37 --> 00:28:39:** benefit of those interventions.
**00:28:39 --> 00:28:41:** So is it coming?
**00:28:41 --> 00:28:41:** Yes.
**00:28:41 --> 00:28:42:** Do we need it?
**00:28:42 --> 00:28:42:** Yes.
**00:28:42 --> 00:28:43:** But it's not.
**00:28:43 --> 00:28:44:** It's not here yet.
**00:28:46 --> 00:28:47:** Hopefully soon.
**00:28:47 --> 00:28:47:** Thank you, Amy.
**00:28:48 --> 00:28:51:** We had a question, Andy, that I, I hope you
**00:28:51 --> 00:28:52:** might be able to expand on.
**00:28:52 --> 00:28:57:** We were talking about insurance fundamentals earlier and there's a
**00:28:57 --> 00:29:01:** question about the role of reinsurance and how reinsurance contributes
**00:29:01 --> 00:29:04:** to insurance availability and affordability.
**00:29:05 --> 00:29:05:** Yes.
**00:29:06 --> 00:29:08:** So it's, it's a great question and I'll try not
**00:29:08 --> 00:29:10:** to make sure that I, I get too technical on

**00:29:10 --> 00:29:10:** it.
**00:29:10 --> 00:29:13:** But if we think just very simply as reinsurance is
**00:29:13 --> 00:29:16:** insurers buying their own insurance coverage, right?
**00:29:16 --> 00:29:19:** So what's the benefit of doing that?
**00:29:19 --> 00:29:23:** Well, it allows them to take on more insurance.
**00:29:23 --> 00:29:26:** So it allows them to have a greater risk appetite,
**00:29:26 --> 00:29:28:** but it also allows them to manage the impact on
**00:29:28 --> 00:29:32:** their own balance sheets and their own sustainability of severe
**00:29:32 --> 00:29:35:** events and lays that off into a wider pool of
**00:29:35 --> 00:29:37:** capital, which is then more broadly supported.
**00:29:37 --> 00:29:38:** And why is that relevant?
**00:29:38 --> 00:29:42:** Well, if you're an insurer that's only writing predominantly physical
**00:29:42 --> 00:29:45:** risks, property risks, then actually perhaps even though you may
**00:29:45 --> 00:29:49:** have a diversified geographical portfolio, you haven't necessarily got a
**00:29:49 --> 00:29:51:** completely diversified portfolio.
**00:29:52 --> 00:29:54:** You can put that into a reinsurer where they've got
**00:29:54 --> 00:29:57:** an even greater ability to diversify and would have separate
**00:29:57 --> 00:29:58:** capital sources.
**00:29:58 --> 00:30:00:** They also have more data than you do because actually
**00:30:01 --> 00:30:03:** they've got data not just from the underlying insurers that
**00:30:03 --> 00:30:04:** they've got.
**00:30:04 --> 00:30:06:** They've got that from all of their underlying clients.
**00:30:06 --> 00:30:09:** They may have a different view and also a different
**00:30:09 --> 00:30:10:** view in terms of diversification.
**00:30:11 --> 00:30:13:** So what it allows is if you like a further
**00:30:13 --> 00:30:16:** laying off of the bet that is being taken to
**00:30:16 --> 00:30:19:** a bigger balance sheet and a wider group, which allows
**00:30:19 --> 00:30:21:** them to, to, to do that and also protect the
**00:30:21 --> 00:30:22:** downside.
**00:30:22 --> 00:30:25:** So really critically important.
**00:30:26 --> 00:30:28:** There were a couple of other bits that I just
**00:30:28 --> 00:30:30:** wanted to pick up, but based on one of the
**00:30:30 --> 00:30:33:** former questions and, and something that Amy said, which is,
**00:30:33 --> 00:30:35:** you know, from what I said, you could take the
**00:30:35 --> 00:30:38:** point that, you know, people can't do anything about their
**00:30:38 --> 00:30:38:** premiums.
**00:30:38 --> 00:30:42:** Well, we're focusing here on the impacts and changes in
**00:30:42 --> 00:30:43:** climate risk.

**00:30:43 --> 00:30:46:** If you think about when insurers think about the claims
**00:30:46 --> 00:30:49:** that they pay, they're broadly split into three pieces, right?
**00:30:49 --> 00:30:51:** And, and, and that would be what they call attritional,
**00:30:52 --> 00:30:54:** which is just the ongoing claims that would happen anyway.
**00:30:55 --> 00:30:57:** Large claims, which are bigger ones, and then things driven
**00:30:58 --> 00:30:58:** by catastrophes.
**00:30:59 --> 00:31:03:** And broadly speaking, you can think of that split into
**00:31:03 --> 00:31:05:** 2/3 and then 1/3 for large and, and cat.
**00:31:05 --> 00:31:09:** So Lloyds of London data would tell you that 10%
**00:31:09 --> 00:31:13:** out of broadly a 60% loss ratio is catastrophe events.
**00:31:14 --> 00:31:16:** So it doesn't drive all of the premium by any
**00:31:16 --> 00:31:18:** means, but it's the bit that's been most volatile and
**00:31:18 --> 00:31:20:** it's been the bit that's changed the most over a
**00:31:21 --> 00:31:21:** period of time.
**00:31:22 --> 00:31:24:** So it shouldn't be all doom and gloom that people
**00:31:24 --> 00:31:27:** can't impact their premiums by, you know, reducing the impact
**00:31:27 --> 00:31:29:** of claims on on their businesses.
**00:31:30 --> 00:31:33:** The final bit and and if it's OK, Lindsay just
**00:31:33 --> 00:31:36:** to carry on while I'm while I'm on a on
**00:31:36 --> 00:31:38:** a roll is I saw the question just about a
**00:31:39 --> 00:31:42:** flood re which is a really fascinating because I brought
**00:31:42 --> 00:31:46:** up the topic originally of you know what happened after
**00:31:46 --> 00:31:49:** events in in the UK in flood events in 2007.
**00:31:49 --> 00:31:52:** Now in the UK, there were homes that were literally
**00:31:52 --> 00:31:55:** uninsurable OK, because people couldn't afford it.
**00:31:55 --> 00:31:58:** Now that is not a great political position for a
**00:31:58 --> 00:32:02:** government to find themselves in having individuals unable to buy
**00:32:02 --> 00:32:03:** insurance.
**00:32:03 --> 00:32:07:** Back to Amy's point, perhaps because flood defences weren't maintained
**00:32:07 --> 00:32:09:** or because the wise man chose, rather than to build
**00:32:09 --> 00:32:12:** his house upon the rock, instead to build it right
**00:32:12 --> 00:32:14:** next to the river that was prone to flooding.
**00:32:15 --> 00:32:19:** So they created a public private partnership which allowed anybody
**00:32:19 --> 00:32:22:** to get insurance at a more affordable price if they
**00:32:22 --> 00:32:23:** were in a flood zone.
**00:32:24 --> 00:32:26:** And they did that by putting some government money in,
**00:32:27 --> 00:32:30:** but then working in partnership with the insurance industry to
**00:32:30 --> 00:32:33:** work out how that could be supported by the reinsurance
**00:32:33 --> 00:32:35:** industry that's been running now for 13 years.

**00:32:35 --> 00:32:37:** I think it was 2012 that that came into force.

**00:32:38 --> 00:32:41:** There've been other typical other other similar things.

**00:32:41 --> 00:32:43:** There are other things in other countries that work on

**00:32:43 --> 00:32:44:** a similar basis.

**00:32:44 --> 00:32:48:** So there is definitely the case that in periods whereby

**00:32:48 --> 00:32:51:** the chances of loss are incredibly high, we have seen

**00:32:52 --> 00:32:56:** industry and government work effectively together to try and work

**00:32:56 --> 00:32:57:** that through.

**00:32:57 --> 00:33:01:** It generally tends to be focused on the individual though,

**00:33:01 --> 00:33:04:** because it's individuals who can vote rather than companies, and

**00:33:04 --> 00:33:07:** so therefore it's more likely that if things have a

**00:33:08 --> 00:33:12:** direct personal social impact, they'll get more more government backing.

**00:33:13 --> 00:33:15:** He looked like he wanted to chime in on that.

**00:33:20 --> 00:33:23:** I, I was smiling because in fact we have a

**00:33:23 --> 00:33:27:** similar situation in the US and the problem is that

**00:33:27 --> 00:33:31:** if you don't give the correct pricing signal to the

**00:33:31 --> 00:33:35:** end consumer, you are leading to further disaster.

**00:33:35 --> 00:33:36:** In fact that that's as simple as that.

**00:33:36 --> 00:33:41:** So you are aggravating basically the situation because you are

**00:33:41 --> 00:33:45:** encouraging or not discouraging, let's put it like that way,

**00:33:45 --> 00:33:48:** people not to build in certain area where we know

**00:33:48 --> 00:33:50:** they will have problems.

**00:33:50 --> 00:33:54:** And I I guess that taxpayers in areas which are

**00:33:54 --> 00:33:58:** not exposed the same way at one point in time

**00:33:58 --> 00:34:03:** may decide that they disagree on the fact that their

**00:34:03 --> 00:34:07:** tax are used to fund the damages on for areas

**00:34:07 --> 00:34:11:** which were are known to be a problem and where

**00:34:11 --> 00:34:14:** people continue to build and to live.

**00:34:14 --> 00:34:17:** So that that that would become, I think, a big

**00:34:17 --> 00:34:19:** source of tension inside the inside country.

**00:34:19 --> 00:34:23:** And, and the USI think many insurance companies have left

**00:34:23 --> 00:34:27:** or stopped insuring the US notably because there is this

**00:34:27 --> 00:34:31:** kind of approach where the regulator can try to fix

**00:34:31 --> 00:34:35:** the premium and the of course the regulator state owned

**00:34:35 --> 00:34:37:** the political view in pricing.

**00:34:37 --> 00:34:40:** It's not a market pricing, it is a politically LED

**00:34:40 --> 00:34:41:** level of pricing.

**00:34:41 --> 00:34:44:** So at that point in time, I think it doesn't

**00:34:44 --> 00:34:47:** help to make the right decision basically.

**00:34:48 --> 00:34:50:** I'm afraid you've got a panel that sort of violently
**00:34:50 --> 00:34:50:** agrees.
**00:34:50 --> 00:34:52:** I know that that's not always that helpful.
**00:34:52 --> 00:34:56:** I mean, I think it's insurance gives a cost of
**00:34:56 --> 00:34:59:** the risk and we need to listen to that pricing
**00:34:59 --> 00:35:00:** signal.
**00:35:00 --> 00:35:01:** We need to understand it is the cost of the
**00:35:01 --> 00:35:02:** risk.
**00:35:02 --> 00:35:04:** It isn't a dysfunction in the pricing in in the
**00:35:04 --> 00:35:05:** insurance market.
**00:35:05 --> 00:35:07:** More often than not, it's an issue with the underlying
**00:35:07 --> 00:35:07:** risk.
**00:35:07 --> 00:35:09:** And so that's what needs to be addressed.
**00:35:10 --> 00:35:13:** And it's at our peril that we ignore that signal
**00:35:13 --> 00:35:16:** because as I can't remember if it was Laura or
**00:35:16 --> 00:35:19:** Andy was saying about in in Japan where there's a
**00:35:19 --> 00:35:24:** lot of maturity and there's understanding the building codes around
**00:35:24 --> 00:35:28:** earthquake in most western areas, it is expected that physical
**00:35:28 --> 00:35:29:** assets are insured.
**00:35:29 --> 00:35:31:** And if they're not, they become illiquid.
**00:35:31 --> 00:35:34:** They are very difficult to buy and sell if they
**00:35:34 --> 00:35:34:** are not insured.
**00:35:34 --> 00:35:36:** And so we need to listen to that pricing signal.
**00:35:36 --> 00:35:38:** So we take the right, right actions.
**00:35:38 --> 00:35:40:** Sorry to violently agree with my panelists.
**00:35:41 --> 00:35:45:** It's a point that's worth amplifying, absolutely.
**00:35:45 --> 00:35:49:** We cannot expect to get premium reductions for reducing risk
**00:35:50 --> 00:35:53:** if the base price is already not risk adjusted to
**00:35:53 --> 00:35:57:** reflect the true risk that these properties face.
**00:35:59 --> 00:36:01:** We are been talking a lot about physical climate risk,
**00:36:01 --> 00:36:04:** absolutely important when we're talking about insurance.
**00:36:05 --> 00:36:08:** But I think something that's really nuanced about the emerging
**00:36:08 --> 00:36:11:** trends chapter that Simon shared with us is the intersection
**00:36:11 --> 00:36:12:** with transition risk.
**00:36:12 --> 00:36:15:** And recognizing that when we are looking to reduce our
**00:36:15 --> 00:36:19:** physical climate risk, we need to also reduce our greenhouse
**00:36:19 --> 00:36:19:** gas emissions.
**00:36:21 --> 00:36:24:** There was a great question in the chat regarding comparing
**00:36:24 --> 00:36:28:** 2 buildings, 1 low carbon and one high carbon, what

**00:36:28 --> 00:36:30:** would be the impact on premiums?

**00:36:30 --> 00:36:32:** And Amy, could you talk a little bit more about

**00:36:33 --> 00:36:35:** the intersection of how we can achieve both of our

**00:36:35 --> 00:36:38:** goals regarding physical and transition risk reduction?

**00:36:40 --> 00:36:45:** So there isn't a straightforward answer to this question.

**00:36:46 --> 00:36:50:** When we when we for many insurance policies, they're written

**00:36:50 --> 00:36:53:** on an annual cycle, not exclusively we have long term

**00:36:53 --> 00:36:58:** construction product policies, long term credit policies, but property insurance

**00:36:58 --> 00:37:00:** tends to be written on a 12 month cycle.

**00:37:01 --> 00:37:04:** And so that means that the underwriter is contemplating the

**00:37:04 --> 00:37:07:** expected if we're just focusing on the weather element of

**00:37:07 --> 00:37:10:** the risk, the expected extreme weather in that next 12

**00:37:10 --> 00:37:10:** months.

**00:37:11 --> 00:37:14:** Which means that they not may not be so worried

**00:37:14 --> 00:37:17:** about the weather they may expect in 20-30 as that

**00:37:17 --> 00:37:19:** isn't in this underwriting.

**00:37:20 --> 00:37:21:** But they are very incense.

**00:37:21 --> 00:37:24:** They are very cognizant of the likelihood of loss in

**00:37:24 --> 00:37:25:** that 12 months.

**00:37:26 --> 00:37:30:** And so where we have modern methods of construction, maybe

**00:37:30 --> 00:37:34:** we've got mass, mass timber, cross laminated timber, then there

**00:37:34 --> 00:37:37:** is a concern around with actually a lot of timber

**00:37:37 --> 00:37:41:** the concern is inundation, it's getting wet rather than fire.

**00:37:41 --> 00:37:44:** A lot of timber responds very well in a fire

**00:37:44 --> 00:37:48:** very there is concern about how those materials will perform

**00:37:49 --> 00:37:53:** and so you've got competing tensions of understanding the behaviour

**00:37:53 --> 00:37:57:** of or the performance of new building materials.

**00:37:57 --> 00:37:59:** Low carbon cement, do we know how it will work

**00:37:59 --> 00:38:00:** over the long term?

**00:38:00 --> 00:38:02:** Low carbon still isn't really an issue.

**00:38:03 --> 00:38:06:** So underwriters trying to build their familiarity with those technologies

**00:38:06 --> 00:38:09:** when they don't have the data sets that we know

**00:38:09 --> 00:38:12:** from Andy's description at the outset that they rely on,

**00:38:12 --> 00:38:15:** whereas a lot of the resilience that that we expect

**00:38:15 --> 00:38:17:** to see is really going to pay off as a

**00:38:17 --> 00:38:18:** benefit further down the line.

**00:38:19 --> 00:38:22:** So that's the, the, the tension is the different time

**00:38:22 --> 00:38:24:** horizons over which those factors are being contemplated.
**00:38:25 --> 00:38:28:** So for modern methods construction, that's a lot of the
**00:38:28 --> 00:38:30:** work that we're doing is trying to make sure that
**00:38:30 --> 00:38:32:** we are pulling and sharing data and leveraging those data.
**00:38:32 --> 00:38:36:** So there's as little uncertainty as possible because in the
**00:38:36 --> 00:38:39:** absence of an understanding of how some of these materials
**00:38:39 --> 00:38:43:** will perform conservative, it's conservatism built in comes into the
**00:38:43 --> 00:38:45:** pricing model putting the premiums up.
**00:38:51 --> 00:38:53:** Laurent, I was seeing you nodding quite a bit.
**00:38:53 --> 00:38:54:** Is this resonating with you?
**00:38:54 --> 00:38:55:** What are you seeing in your work?
**00:38:57 --> 00:39:00:** It's resonating a lot in fact to, to to supplement
**00:39:01 --> 00:39:04:** what Amy was saying first ensures as I said it
**00:39:04 --> 00:39:06:** are covering cost not value.
**00:39:07 --> 00:39:09:** So the fact that you are high carbon or low
**00:39:10 --> 00:39:12:** carbon asset is a value risk you are having as
**00:39:12 --> 00:39:13:** an investor.
**00:39:14 --> 00:39:16:** But the cost to build off to, to, to, to,
**00:39:16 --> 00:39:18:** to rebuild the asset or to clean it, if it
**00:39:18 --> 00:39:21:** has been done, it will be the main issue for
**00:39:21 --> 00:39:22:** the insurance company.
**00:39:22 --> 00:39:25:** Where you could have a little bit of of impact
**00:39:25 --> 00:39:29:** is if the insurance company has itself taken some commitment
**00:39:29 --> 00:39:31:** in terms of financing the transition.
**00:39:31 --> 00:39:35:** Green, green supporting the the the transition where they will
**00:39:36 --> 00:39:40:** tend to favour the underwriting of low carbon asset rather
**00:39:40 --> 00:39:43:** than high carbon asset unless the owner has a clear
**00:39:43 --> 00:39:44:** transition plan.
**00:39:46 --> 00:39:49:** But I think the low carbon, high carbon is much
**00:39:49 --> 00:39:51:** more an issue for the financing of the assets and
**00:39:51 --> 00:39:55:** the banks because they understand the values are lending against
**00:39:55 --> 00:39:58:** the value of the asset and they need to understand
**00:39:58 --> 00:40:01:** what basically will be the value at the time of
**00:40:01 --> 00:40:01:** refinancing.
**00:40:02 --> 00:40:06:** Will there be a buyer at the right price to
**00:40:06 --> 00:40:08:** to get their loan back on it?
**00:40:09 --> 00:40:14:** And 2nd on the transition, I completely agree with Amy.
**00:40:14 --> 00:40:18:** We have not enough experience.
**00:40:18 --> 00:40:23:** On some changes we're making to our asset and that
**00:40:23 --> 00:40:28:** insurance don't like no story or no clear statistics about

**00:40:28 --> 00:40:32:** some events and you gave the example of using much

**00:40:32 --> 00:40:36:** more wood in assets, which is an issue.

**00:40:36 --> 00:40:40:** We have issues with Fire Brigades and insurance companies Fire

**00:40:40 --> 00:40:44:** Brigades because they are used to concrete mostly in Europe

**00:40:44 --> 00:40:46:** and not so much to, to wood.

**00:40:46 --> 00:40:49:** So even if you, you, you looks more positive Amy

**00:40:49 --> 00:40:53:** on the fire resistance of wood, Fire Brigades are a

**00:40:53 --> 00:40:57:** pain when we're adding wood in our, in our assets.

**00:40:57 --> 00:41:01:** And the second is heavy charging, you know, and the

**00:41:01 --> 00:41:05:** solar panels that is creating, you know producing energy or

**00:41:05 --> 00:41:08:** or putting high level of energy and batteries in some

**00:41:08 --> 00:41:10:** areas is clearly a fire risk.

**00:41:12 --> 00:41:15:** And while it is absolutely needed as part of the

**00:41:15 --> 00:41:18:** transition, in fact in practice it is leading to higher

**00:41:18 --> 00:41:22:** requirement from your insurer in terms of protection of the

**00:41:22 --> 00:41:24:** asset or higher premium.

**00:41:24 --> 00:41:26:** Basically that's the direct consequence.

**00:41:26 --> 00:41:29:** So while you you believe that you are making the

**00:41:29 --> 00:41:33:** good adding EV charging in your assets, the deploying solar

**00:41:33 --> 00:41:37:** panel, in fact it can lead you to additional cost

**00:41:37 --> 00:41:40:** in terms of protection and or additional premium.

**00:41:44 --> 00:41:46:** You know a lot about some of the constraints of

**00:41:46 --> 00:41:49:** the industry, the the lack of data, the need for

**00:41:49 --> 00:41:53:** additional information to reduce this uncertainty on both sides.

**00:41:54 --> 00:41:57:** I'd like to, as we're starting to wind down in

**00:41:57 --> 00:41:58:** our time here, look ahead.

**00:41:59 --> 00:42:03:** There's a really lovely question in the chat here about

**00:42:03 --> 00:42:07:** what insurers and I'll add, what can commercial real estate

**00:42:07 --> 00:42:11:** owners and developers each do to support resilience measures across

**00:42:11 --> 00:42:12:** the industry.

**00:42:13 --> 00:42:17:** There's some suggestions in the chat related to incentives to

**00:42:17 --> 00:42:22:** pooling funds to support play space resilience, particularly for residential

**00:42:22 --> 00:42:26:** and smaller businesses as well as larger commercial real estate

**00:42:26 --> 00:42:27:** portfolios.

**00:42:27 --> 00:42:30:** So if we could maybe go around the room here

**00:42:30 --> 00:42:32:** and share some of your thoughts on what we hope

**00:42:32 --> 00:42:35:** might happen in the future, I'll leave it open to

**00:42:35 --> 00:42:37:** say who would like to begin that.
**00:42:38 --> 00:42:41:** So I would like the economists to help us come
**00:42:41 --> 00:42:44:** up with a way to to, to get over the
**00:42:44 --> 00:42:46:** prisoner's dilemma.
**00:42:47 --> 00:42:50:** So I talked about some of the systems level interventions
**00:42:50 --> 00:42:54:** that we need because in reality, we need real estate
**00:42:54 --> 00:42:55:** owners, asset owners.
**00:42:55 --> 00:42:58:** Do not buy assets that don't have resilience.
**00:42:59 --> 00:43:01:** Contemplate in the way that they're built just and think
**00:43:01 --> 00:43:03:** about building resilience into your own assets.
**00:43:03 --> 00:43:06:** But we're still going to need systems level interventions.
**00:43:07 --> 00:43:09:** The problem that we have is often that the people
**00:43:09 --> 00:43:12:** that need to bear the cost of those interventions aren't
**00:43:12 --> 00:43:14:** the same as the beneficiaries and we don't have a
**00:43:14 --> 00:43:15:** pricing mechanism for it.
**00:43:16 --> 00:43:18:** So if I want to protect a new development of
**00:43:18 --> 00:43:21:** a few hundred, a few thousand homes and I need
**00:43:21 --> 00:43:24:** to reinstate a wetland that needs to be paid for
**00:43:24 --> 00:43:26:** and people can opt out of paying for it.
**00:43:26 --> 00:43:29:** So we need to get to mechanisms whereby those interventions
**00:43:30 --> 00:43:32:** we have groups of we have groups of people that
**00:43:32 --> 00:43:35:** say we need the systems level intervention, we need to
**00:43:35 --> 00:43:38:** find out, find a way to jointly fund it because
**00:43:38 --> 00:43:40:** we will all benefit from those protections.
**00:43:41 --> 00:43:43:** So that's, that's my, that's, that's my call to action
**00:43:44 --> 00:43:45:** and my, my great hope.
**00:43:50 --> 00:43:53:** In terms of solution, I, I think you, you, you
**00:43:53 --> 00:43:56:** may see this, this kind of emergence of alternative insurance.
**00:43:57 --> 00:44:00:** You know, as a reminder, insurance has been created by
**00:44:00 --> 00:44:03:** asset owners to where it, where the shipping companies a
**00:44:03 --> 00:44:06:** few centuries ago who are trying to pull the risk
**00:44:06 --> 00:44:09:** between them because, you know, losing a ship was a
**00:44:09 --> 00:44:10:** disaster.
**00:44:11 --> 00:44:15:** And you see that already in certain markets in the
**00:44:15 --> 00:44:18:** US, if you're an investor in forestry, you will not
**00:44:18 --> 00:44:22:** get insurance for fire against fire, but on earth are
**00:44:22 --> 00:44:26:** grouping themselves and are maturizing the risk.
**00:44:26 --> 00:44:29:** So it's a, you know, a little bit like the
**00:44:29 --> 00:44:31:** Lloyds 3 or 400 years ago.
**00:44:32 --> 00:44:35:** So that that might happen when there is no public
**00:44:35 --> 00:44:37:** answer to, to, to this situation.

**00:44:38 --> 00:44:41:** My biggest concern to, to be back as an investor
**00:44:41 --> 00:44:43:** is I can do whatever I want from my asset,
**00:44:43 --> 00:44:45:** but at the end of the day, I'm, there are
**00:44:45 --> 00:44:47:** a lot of dependencies.
**00:44:47 --> 00:44:51:** So contrary to, let's say, energy performance of my asset
**00:44:51 --> 00:44:55:** or decarbonization of my asset, I'm in mostly in control
**00:44:55 --> 00:44:57:** for, for the natural disaster.
**00:44:57 --> 00:45:00:** I'm not, you know, when you think about what happened
**00:45:00 --> 00:45:03:** in Spain, the South of the city was destroyed because
**00:45:03 --> 00:45:07:** they were putting prevention, flooding prevention to protect the city
**00:45:07 --> 00:45:07:** center.
**00:45:08 --> 00:45:10:** And they worked very, very, very well, very well for
**00:45:10 --> 00:45:10:** the city center.
**00:45:11 --> 00:45:15:** It was completely intact, but it completely destroyed the South
**00:45:15 --> 00:45:15:** of the city.
**00:45:16 --> 00:45:18:** And so if you were in the South of the
**00:45:18 --> 00:45:21:** city before they decided to build this kind of of
**00:45:21 --> 00:45:25:** protection, you are getting exposed about the risk which was
**00:45:25 --> 00:45:27:** not existent basically or, or much lower.
**00:45:27 --> 00:45:29:** So that's back to me.
**00:45:30 --> 00:45:34:** It, it, it is clearly a public, private work to,
**00:45:34 --> 00:45:36:** to work on resilience.
**00:45:36 --> 00:45:39:** It's, it's not just an asset level issue.
**00:45:40 --> 00:45:43:** And to a certain extent, I believe that if everyone
**00:45:43 --> 00:45:46:** had to build a protection on his asset, typically for
**00:45:46 --> 00:45:49:** fluid, that's a that's a very good example.
**00:45:49 --> 00:45:52:** If everyone has to spend the money to protect from
**00:45:52 --> 00:45:56:** fluid and asset, my guess is it's way more expensive
**00:45:56 --> 00:46:00:** then collect certain amount of money and build the appropriate
**00:46:00 --> 00:46:02:** protection at city level.
**00:46:03 --> 00:46:05:** So, so that's where I think is, is we need
**00:46:05 --> 00:46:07:** this level of engagement.
**00:46:07 --> 00:46:08:** I'm not saying it's not happening.
**00:46:08 --> 00:46:11:** I think most of the major cities have clear flooding
**00:46:11 --> 00:46:15:** plans and investing and protecting their their cities, but it's
**00:46:15 --> 00:46:16:** not everywhere.
**00:46:17 --> 00:46:19:** And and that's where I think as part of your
**00:46:19 --> 00:46:23:** decision making when you're investing, you need to understand if
**00:46:23 --> 00:46:27:** the city has really taken seriously the issue at stake

**00:46:27 --> 00:46:30:** and investing on it and you may contribute as a
**00:46:30 --> 00:46:32:** owner and we have property tax etcetera.
**00:46:32 --> 00:46:35:** So we know that it might be the case.
**00:46:35 --> 00:46:37:** But generally speaking it will protect significantly of value as
**00:46:37 --> 00:46:40:** you are paying insurance premium to a certain extent.
**00:46:42 --> 00:46:45:** Just just pulling a couple of those threads together, I
**00:46:45 --> 00:46:48:** think it's interesting if you go back to the origins
**00:46:48 --> 00:46:51:** of insurance and oral mentions Lloyds of London and syndicates
**00:46:51 --> 00:46:54:** and you know, the coffee houses of the late 1700s
**00:46:54 --> 00:46:57:** and the ship owners gathering around to basically mutualize their
**00:46:57 --> 00:46:58:** risk.
**00:46:58 --> 00:47:01:** And the origin of most insurance groups was as mutual
**00:47:02 --> 00:47:05:** societies, right owned by their policyholders.
**00:47:05 --> 00:47:08:** Now as with many things that started off in mutualization,
**00:47:08 --> 00:47:11:** the the corporate world has has changed that, but the
**00:47:11 --> 00:47:14:** underlying dynamics of it are are still the same and
**00:47:14 --> 00:47:18:** we still see pockets of the world whereby mutualization remains
**00:47:18 --> 00:47:22:** in the shipping industry whilst the the physical damage, the
**00:47:22 --> 00:47:25:** kind of hull and cargo elements are just out in
**00:47:25 --> 00:47:26:** the corporate world.
**00:47:26 --> 00:47:30:** The majority of the liability coverage, what's called known as
**00:47:30 --> 00:47:34:** protection indemnity, PNI is, is written into mutual societies which
**00:47:34 --> 00:47:36:** are owned by the ship owners.
**00:47:37 --> 00:47:41:** So we do see pockets whereby people have continued to
**00:47:41 --> 00:47:46:** group together to create societies in order to mutualise risk
**00:47:46 --> 00:47:50:** where the markets weren't offering them those protections.
**00:47:50 --> 00:47:51:** Now is it easy to do that?
**00:47:51 --> 00:47:53:** Absolutely not.
**00:47:53 --> 00:47:58:** We have seen though, through intermediaries, through brokers, we've seen
**00:47:58 --> 00:48:01:** groups pulling together in order to try and put groups
**00:48:01 --> 00:48:05:** together, to present them to insurance groups that present a
**00:48:05 --> 00:48:07:** different level of risk.
**00:48:07 --> 00:48:10:** So if there are elements whereby people are able to
**00:48:10 --> 00:48:12:** do that, I do think it's possible, but it isn't
**00:48:12 --> 00:48:13:** going to happen quickly or easily.
**00:48:14 --> 00:48:16:** It's going to need, it's going to need some real
**00:48:16 --> 00:48:18:** thought and it will need thought leadership and somebody willing

**00:48:18 --> 00:48:20:** to be brave to make that change.
**00:48:22 --> 00:48:25:** Thank you for those and hopefully we can take action
**00:48:25 --> 00:48:27:** on on some of these ideas in the future.
**00:48:28 --> 00:48:30:** Before we close out, we had a great question for
**00:48:30 --> 00:48:30:** Laurent.
**00:48:31 --> 00:48:35:** As asset managers, do you utilize any internal tool or
**00:48:35 --> 00:48:41:** methodology that applies quantitative analysis to challenge insurance premiums set
**00:48:41 --> 00:48:45:** by insurers and ensure that costs are not solely based
**00:48:45 --> 00:48:47:** on retrospective assessments?
**00:48:50 --> 00:48:51:** Yes, we do.
**00:48:51 --> 00:48:54:** So I, I, I should say that first we do
**00:48:54 --> 00:48:59:** integrate physical exposure in all our underwriting and we are
**00:48:59 --> 00:49:03:** using in fact well the key enough an insurance tool
**00:49:03 --> 00:49:05:** from our parent company.
**00:49:06 --> 00:49:10:** So which give us a good assessment in fact of
**00:49:10 --> 00:49:13:** how an insurance company will look at the the risk.
**00:49:15 --> 00:49:19:** So it is also that worth using a lot group
**00:49:19 --> 00:49:23:** policy, what I mean by group policy policies which are
**00:49:23 --> 00:49:25:** covering all our assets.
**00:49:26 --> 00:49:28:** So back to the point Amy was making.
**00:49:29 --> 00:49:32:** So it is our portfolio is so large that basically
**00:49:32 --> 00:49:37:** the insurance companies which are covering us are not necessarily
**00:49:37 --> 00:49:40:** doing a deep dive on each and every asset.
**00:49:40 --> 00:49:43:** They are seeing that's, you know, the worth 2500 properties,
**00:49:43 --> 00:49:46:** but there is already materialization within our contract.
**00:49:48 --> 00:49:52:** But that say yes, for forces the asset of higher
**00:49:52 --> 00:49:54:** value and is exposure.
**00:49:54 --> 00:49:57:** They are making deep dive and we're having this kind
**00:49:57 --> 00:49:58:** of conversation.
**00:49:58 --> 00:50:01:** I was referring to, you know, the solar panel deploying
**00:50:01 --> 00:50:02:** EV charging in our asset.
**00:50:02 --> 00:50:03:** It's not straightforward at all.
**00:50:03 --> 00:50:06:** You you feel that you're doing a good action and
**00:50:06 --> 00:50:09:** you you may end up with a a significant cost
**00:50:09 --> 00:50:10:** to your property.
**00:50:10 --> 00:50:14:** You know, if you have to, to sprinkle an, an
**00:50:14 --> 00:50:19:** entire 6, 66 floor parking lot, it was not part
**00:50:19 --> 00:50:20:** of the plan.
**00:50:20 --> 00:50:24:** So that that's I think the, the way we integrated
**00:50:25 --> 00:50:30:** and when we're improving the measurement back to, I mean,

**00:50:30 --> 00:50:34:** it's, it's mostly on the larger, larger assets.
**00:50:34 --> 00:50:37:** The underwriter are, are people who are highly technical, you
**00:50:37 --> 00:50:39:** know, they completely understand the risk of underwriting.
**00:50:40 --> 00:50:43:** So if we are able to demonstrate that we have
**00:50:43 --> 00:50:48:** brought appropriate measure to mitigate the risk, generally speaking, either
**00:50:48 --> 00:50:52:** you you come back to an acceptance of the insurance
**00:50:52 --> 00:50:55:** if it was denied or a reduction of your of
**00:50:55 --> 00:50:56:** your premium.
**00:50:56 --> 00:50:57:** Yes, it works.
**00:50:57 --> 00:50:59:** Yeah, it's a reasonable people to understand the risks of
**00:50:59 --> 00:51:00:** taking, generally speaking.
**00:51:03 --> 00:51:06:** Amy, I'm curious to hear the flip side of that
**00:51:06 --> 00:51:11:** from your perspective working with insurers, how can commercial real
**00:51:11 --> 00:51:16:** estate owners convincingly tell their climate story to encourage recognition
**00:51:16 --> 00:51:19:** of the risk reduction measures that they are taking?
**00:51:20 --> 00:51:23:** So, so it start, it starts with understanding your portfolio
**00:51:23 --> 00:51:26:** and, and, and clearly that's the work that that that
**00:51:26 --> 00:51:29:** we do to help clients understand the hazard, the likelihood
**00:51:29 --> 00:51:32:** of being impacted by event, but also a resilience intervention.
**00:51:32 --> 00:51:35:** Now high risk sites have have long, this long standing
**00:51:35 --> 00:51:39:** convention that they would have risk engineering, they would have
**00:51:39 --> 00:51:42:** an engineer going out to understand the likelihood of loss
**00:51:42 --> 00:51:44:** from insurance perspective.
**00:51:44 --> 00:51:47:** And so all of those risk engineers that that we
**00:51:47 --> 00:51:50:** have, they are also thinking about how, how exposed are
**00:51:50 --> 00:51:54:** you and what's your vulnerability or your resilience to potential
**00:51:54 --> 00:51:54:** future climate.
**00:51:56 --> 00:51:58:** In a lot of the real estate portfolios, however, they
**00:51:58 --> 00:52:00:** aren't high hazard occupancy.
**00:52:00 --> 00:52:03:** So it isn't customer practice to have that on the
**00:52:03 --> 00:52:04:** ground data.
**00:52:04 --> 00:52:07:** So I would say that the start point is to
**00:52:07 --> 00:52:12:** to build your understanding and your knowledge of your portfolio
**00:52:12 --> 00:52:15:** and taking a triage approach.
**00:52:15 --> 00:52:17:** So start with a hazard mapping, which areas are red,
**00:52:17 --> 00:52:19:** amber, green, start with the Reds.
**00:52:19 --> 00:52:21:** How well do you understand the construction type?

**00:52:21 --> 00:52:24:** How well do you understand the resilience measures that they've

**00:52:24 --> 00:52:25:** already got?

**00:52:25 --> 00:52:27:** Again, I can't remember who stayed at the outset, if

**00:52:27 --> 00:52:29:** it was Laura or Andy was talking about.

**00:52:31 --> 00:52:34:** Not just insurers have been thinking about extreme weather for

**00:52:34 --> 00:52:37:** a long time, but the asset managers have typically as

**00:52:37 --> 00:52:37:** well.

**00:52:37 --> 00:52:39:** And I know we're talking about real estate here rather

**00:52:39 --> 00:52:42:** than necessarily owner occupiers, but we find often when a

**00:52:42 --> 00:52:45:** risk manager can be sitting in their office wondering what's

**00:52:45 --> 00:52:47:** going on and how they're thinking about flood, the team

**00:52:47 --> 00:52:50:** on the ground have been thinking about this risk for

**00:52:50 --> 00:52:51:** a really long time.

**00:52:51 --> 00:52:53:** It may be becoming more frequent, it may be becoming

**00:52:53 --> 00:52:55:** more severe, but there is local knowledge.

**00:52:55 --> 00:52:58:** So making sure that local knowledge is understood and where

**00:52:58 --> 00:53:01:** the local knowledge doesn't match up to the future hazard,

**00:53:01 --> 00:53:03:** what actions can you take to bolster that?

**00:53:04 --> 00:53:06:** What we're then able to help people do is because

**00:53:07 --> 00:53:10:** we understand future cost of risk, thinking about insurance pricing

**00:53:10 --> 00:53:13:** is to provide a return on investment for those resilience

**00:53:13 --> 00:53:15:** measures as very few people can do all of the

**00:53:15 --> 00:53:18:** things that they that they potentially want to do in

**00:53:18 --> 00:53:19:** the near term.

**00:53:19 --> 00:53:21:** How do you prioritise those because of the ROI?

**00:53:23 --> 00:53:25:** And, and I think that's the you have to sort

**00:53:25 --> 00:53:28:** of undertake it in a stage, stage process.

**00:53:29 --> 00:53:31:** But it it, it isn't the case that if there

**00:53:32 --> 00:53:35:** is a $4 million intervention that you're going to see

**00:53:35 --> 00:53:39:** a $4 million premium reduction, you're reducing the risk over

**00:53:39 --> 00:53:42:** the next 20-30 year life of that asset, which is

**00:53:42 --> 00:53:45:** the period over which the the risk reduction will be

**00:53:45 --> 00:53:46:** felt.

**00:53:48 --> 00:53:49:** Great point.

**00:53:49 --> 00:53:51:** We, there are a lot of nuances here.

**00:53:51 --> 00:53:54:** And Andy, I know you mentioned earlier the just what

**00:53:54 --> 00:53:57:** percentage catastrophe risk is of all claims and there are

**00:53:57 --> 00:54:01:** a lot of reasons that insurance premiums are rising, but

**00:54:01 --> 00:54:04:** that's all the more reason to take action where we

**00:54:04 --> 00:54:04:** can.
**00:54:04 --> 00:54:05:** They're falling at the moment.
**00:54:05 --> 00:54:06:** Premium premiums are falling.
**00:54:07 --> 00:54:09:** Love it, love seeing that.
**00:54:09 --> 00:54:12:** And you know one interesting thing that we heard and
**00:54:12 --> 00:54:16:** in our report that I'll mention in a minute, we
**00:54:16 --> 00:54:20:** did a report with Heitman on insurance, commercial real estate
**00:54:20 --> 00:54:22:** and investment decision making.
**00:54:22 --> 00:54:25:** And one of the things we heard from our interviews
**00:54:25 --> 00:54:28:** is that as the insurance market softens, we were previously
**00:54:28 --> 00:54:30:** in a hard market where premiums are rising.
**00:54:30 --> 00:54:34:** As that cycle continues down and we see more of
**00:54:34 --> 00:54:38:** the premiums coming down, things like risk reduction will be
**00:54:38 --> 00:54:42:** a differentiating factor for insurers and allow insurers perhaps to
**00:54:43 --> 00:54:46:** compete a little bit for our business and provide more
**00:54:46 --> 00:54:50:** favorable rates recognizing the value of that risk reduction.
**00:54:52 --> 00:54:56:** So we have unfortunately reaching the top of the hour
**00:54:56 --> 00:54:56:** here.
**00:54:56 --> 00:54:58:** And I just want to thank so much all of
**00:54:58 --> 00:55:02:** our panelists for sharing their expertise in this lively discussion.
**00:55:03 --> 00:55:07:** We do have a couple last things to share with
**00:55:07 --> 00:55:10:** you and we'll put those up on some slides here
**00:55:10 --> 00:55:12:** for those who are.
**00:55:13 --> 00:55:15:** We are not familiar with you, Eli.
**00:55:15 --> 00:55:16:** We hope.
**00:55:16 --> 00:55:18:** We're so glad that you joined us and we hope
**00:55:18 --> 00:55:20:** that you found this valuable.
**00:55:20 --> 00:55:24:** We will provide a quick survey that's on your screen
**00:55:24 --> 00:55:24:** here.
**00:55:24 --> 00:55:28:** Just two quick seconds to select excellent, good, average, or
**00:55:28 --> 00:55:29:** poor.
**00:55:29 --> 00:55:32:** We really hope that you enjoyed this conversation and that
**00:55:32 --> 00:55:35:** it was helpful to you and your feedback will help
**00:55:35 --> 00:55:39:** us further refine engagements like this in the future.
**00:55:39 --> 00:55:40:** And I see so many of you are voting.
**00:55:40 --> 00:55:41:** Thank you.
**00:55:41 --> 00:55:43:** This is wonderful to hear.
**00:55:44 --> 00:55:48:** While you're voting, I want to share that we do
**00:55:48 --> 00:55:52:** have some additional webinars coming up on the 19th of
**00:55:52 --> 00:55:56:** March, again related to our emerging Trends in real estate

**00:55:56 --> 00:56:00:** report that You Alive produces every year in collaboration with

**00:56:00 --> 00:56:01:** PwC.

**00:56:01 --> 00:56:04:** We focus today on just a single chapter of this

**00:56:04 --> 00:56:07:** report, but there is so much in this report, so

**00:56:07 --> 00:56:09:** many fantastic insights.

**00:56:09 --> 00:56:12:** I know you will find these valuable if you're able

**00:56:12 --> 00:56:13:** to join us next month.

**00:56:14 --> 00:56:17:** I mentioned briefly this report, Insurance on the Rise.

**00:56:18 --> 00:56:20:** I mentioned just one little tidbit.

**00:56:20 --> 00:56:24:** There's so much in here on why insurance prices are

**00:56:24 --> 00:56:28:** rising, the impact of rising costs on commercial real estate,

**00:56:28 --> 00:56:34:** strategies for securing coverage, and most importantly, emerging trends that

**00:56:34 --> 00:56:36:** could reshape markets.

**00:56:36 --> 00:56:40:** So please feel free to read this report at your

**00:56:40 --> 00:56:41:** leisure.

**00:56:42 --> 00:56:46:** And then lastly, if you enjoyed this discussion on physical

**00:56:46 --> 00:56:49:** climate risk and resilience, we got into a lot of

**00:56:49 --> 00:56:52:** nuances beyond just insurance and you think you might be

**00:56:52 --> 00:56:56:** in Denver, Co joining you alive for our spring meeting.

**00:56:56 --> 00:56:59:** I'd love for you to stay one extra day and

**00:56:59 --> 00:57:03:** join us on May 15th for our 6th Annual Resilience

**00:57:03 --> 00:57:03:** Summit.

**00:57:04 --> 00:57:08:** This is our flagship climate adaptation event that brings together

**00:57:08 --> 00:57:12:** real estate and resilience leaders from across the globe to

**00:57:12 --> 00:57:16:** really navigate the challenges of physical climate risk and also

**00:57:16 --> 00:57:21:** seize the opportunities that come with change in the industry.

**00:57:21 --> 00:57:23:** We'd love to see you there and you can join.

**00:57:23 --> 00:57:27:** You can learn more at uli.org/resilience Summit.

**00:57:29 --> 00:57:32:** I will thank you all again for joining us and

**00:57:32 --> 00:57:34:** a special thank you to our experts for making this

**00:57:35 --> 00:57:36:** such a fantastic discussion.

**00:57:39 --> 00:57:39:** Thank you.

**00:57:40 --> 00:57:40:** Thank you.

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