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 EI 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 premiums.
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.
