
INSURANCE & RISK MANAGEMENT

The report in brief

This final report first describes why the County chose to focus on insurance in the context of climate change and provides a summary of the key considerations and long-term risk management options available to the County that were discussed at an insurance roundtable discussion hosted in January, 2016.

Why focus on insurance and risk management?

Miami-Dade County is vulnerable to multiple natural hazards. These risks will likely be exacerbated by climate change, due to rising sea levels, the potential increase of more intense hurricanes, and changes in precipitation patterns. Despite projected risks, the County has a long history of preparing for similar hazards. Since Hurricane Andrew, the County has made substantial investments in preparing for hurricanes by strengthening building codes to minimize wind damage and improving internal capacity. As a result, the County can now draw upon both deep internal expertise within emergency management, risk management, water management, and regional partners such as the South Florida Water Management District, the Southeast Florida Regional Climate Change Compact, and the Florida Climate Institute, to better prepare for projected hazards.

As losses from disasters around the world increase, governments are recognizing the importance of prioritizing investments in the long-term economic resilience. Hurricanes Sandy and Katrina underscore the importance of continually improving preparations and adopting new tools and best practices. The insurance and reinsurance industries have made significant improvements to their risk management tools and therefore, leveraging their expertise can help the County better identify, prepare for, and insure the risks that cannot be mitigated.

Insurance and risk management are key components of Miami-Dade's long-term economic resilience. County residents annually pay more than \$147 million in flood insurance premiums alone. The County, therefore, will continue to work cooperatively with the private sector and others to identify opportunities to more effectively prepare for hazards that will be exacerbated by climate change.

The Mayor, the Office of Resilience, the Beacon Council, and the British Consulate General in Miami convened a second roundtable discussion on January 11, 2015, with key representatives from the private and public sectors. The three principle goals of this discussion were to draw upon the technical expertise of the private sector to help Miami-Dade County staff:

1. Better understand the physical and economic risks to Miami-Dade County,
2. Improve the future insurability of County and privately-owned assets, and
3. Understand best practices and their potential implementation in Miami-Dade County

Key considerations

- Recent development, population growth, and rising sea levels have increased the exposure of assets vulnerable to flooding and storms in Miami-Dade County
- The Federal Emergency Management Agency is currently remapping coastal areas within Miami-Dade County and insurance rates are likely to change in certain areas
- Many businesses and families vulnerable to flooding do not have adequate insurance
- The County's economy and credit rating could be affected by a natural disaster
- Some flood insurance premiums are underpriced and do not fully reflect actuarial risk

Recommended long-term risk management practices

- Mitigate the County's own exposure
- Promote the Community Rating System
- Work to address gaps in coverage, particularly for sub-groups which are more vulnerable to disasters and are least able to afford insurance coverage
- Work more closely with the insurance and reinsurance sector to share knowledge and expertise to identify risk and develop risk transfer solutions
- Promote more resilient development

Conclusions

There was resounding consensus at this year's insurance roundtable that hosting an annual or bi-annual discussion around these issues would be fruitful. It will be particularly helpful to continue the dialogue between the public and private sectors because the issues of climate change, risk management, and risk modeling are quickly evolving. In the intervening time, smaller internal working groups will continue to meet to implement and refine recommendations discussed in this report. These groups will initially focus on four areas:

1. Expediting the County's own risk mitigation efforts,
2. Effectively communicating these efforts to the industry,
3. Engaging the industry and others to stay abreast of the most current data and tools, and
4. Addressing issues of affordability and public education for the uninsured and underinsured.

These work groups will report back and provide the Mayor with specific recommendations for how Miami-Dade County can stay ahead of these issues and be a leader in this field.