

## **TRANSCRIPT:**

### **Daniel Kaniewski:**

The spring of 2019, following heavy rains across the Midwest, something that will always stick with me is a couple of small towns in Nebraska. I wouldn't even have known in some cases that these were towns. Floodwaters had overtaken many of these neighborhoods and in some cases, entire areas of the town. I saw a tale of two cities. On the one hand, there would be a city that was absolutely devastated underwater due to flooding, and obviously going to have a very difficult recovery in the months and years ahead. But in a community just next to it, Beatrice, Nebraska, there was very little flooding. And the flooding that was there was on football fields, or it was in parks. It wasn't where the homes were. It wasn't in neighborhoods. That community had spent decades buying out homes that were in vulnerable areas and relocating those homeowners to safer areas. Because they had been proactive, they had no homes flooded, whereas their neighboring community had dozens of homes flooded. In other words, hundreds of people displaced. I remember having conversations with homeowners who had lost everything and feeling helpless that I wasn't able, as one of the most powerful emergency management officials in the country, I wasn't able to help them.

### **Erick Gustafson:**

Daniel Kaniewski is a national policy expert focused on disaster recovery, who actually started his career working on the ground as a first responder as a teenager in a small town in Northern Minnesota. He sought work at the local volunteer fire department, which put him face to face with tragedy and recovery and set him on a path to do much more. In his career, Daniel has worked as a policy expert for Homeland Security and at FEMA. Currently he's the managing director for public sector at Marsh McLennan. And he's my guest on this edition of This Moment Matters. I'm Erick Gustafson. Natural disasters are getting worse and our system for handling them is breaking. Climate change is intensifying their effects. Hurricanes, cyclones and tornadoes are increasing in their frequency and intensity, forests too are more prone to wildfires. I wanted to start off by asking Daniel, how is this affecting society at large?

### **Daniel Kaniewski:**

Disasters are becoming more frequent and more intense. And the result of that is that it stresses the emergency response system. It stresses the system in a way that there's frankly no stretch left in the ability for that response network to respond effectively. Therefore, the only option we have on the table is to do something before a disaster

happens. I think the key point is that we need to make sure that we as stakeholders in the insurance industry, or we as society as a whole, including all levels of government, that we're doing everything we can proactively to better prepare for these scenarios so that when a disaster happens, we can make sure that we are all moving the adequate amount of resources to support these ever-increasing needs. If we're only preparing after the disaster happens, we're eventually going to lose. And in my opinion, we're close to that breaking point now.

**Erick Gustafson:**

Yeah. And we're seeing disconcertingly so, although understandably, individuals are more inclined to move to areas that may be at greater risk of disaster impacts: the coast, the woods and the like. What should we be doing about that dynamic as well?

**Daniel Kaniewski:**

Yeah. Unfortunately, those desirable areas, those coastal areas or those beautiful areas in the woods of California, those are also very risky areas, risky to disasters, to those wildfires, those hurricanes that are happening ever so more frequently. There's also a subset of the population that lives in risky areas, but due to no choice of their own. In other words, these might be areas that are risky because they're not desirable areas. They're areas that frankly are less expensive because they're in a flood zone. They both revolve around living in risky areas, some by choice and some not. We need to address the underlying issues with both.

**Erick Gustafson:**

I'm thinking of Hurricane Harvey and the disaster that unfolded in Houston with record rainfall. How should communities kind of imagine the unimaginable?

**Daniel Kaniewski:**

Harvey to some might seem like a worst-case scenario, even an unimaginable scenario until it actually happened. So much of the topography in Houston is covered by concrete. It's hard surfaces. That means water has nowhere to go. And what we saw in Harvey was a worst-case scenario where you had both a high-population density, as well as the hardscapes that created the situation where historic rainfall led to massive flooding.

**Erick Gustafson:**

Pivoting from hurricane and flood risk for a moment, fire risk is absolutely on the rise as well. Why is that? What are some of the interesting things that you are seeing in that area?

**Daniel Kaniewski:**

Ever-increasing fire risk out west, certainly both because of weather conditions, as well as long-term conditions, where you have more people building and living in what we call the wildland urban interface. And that's just a fancy way of saying people are living in areas that they didn't before. Right? And the difference between a city center and the forest has really become ever so small, right. That difference. It's overlapping.

**Erick Gustafson:**

You've mentioned this to me before, and it has a funny name.

**Daniel Kaniewski:**

Yep. It's the acronym "WUI," that Wildland Urban Interface. And that really needs to be the focus because that's where we, whether it be responders or we as emergency managers, see that highest risk. Think of it this way: deep in the forest, nobody lives there. So that might be a high risk to wildfires, but there's nobody there. Likewise in an urban area where there isn't vegetation, you're not at a high risk necessarily of a wildfire right there. But when you look at the area between, and as you see these developments continuing to expand into the forest, you know, into these vegetative areas, all of a sudden you realize that's a huge risk profile.

**Erick Gustafson:**

Let's talk a little bit about communities that have prepared versus those communities that have not.

**Daniel Kaniewski:**

Well, first communities that are proactive are going to recover more quickly and more fully after disaster happens. In other words, those communities that are proactive, they're going to be resilient. They're going to be resilient to the immediate consequences of the event, whether it be a hurricane or a tornado or a wildfire. And they're going to be more resilient long term because not only will the community recover more quickly, but the economy will recover. And the society as a whole in that area will recover from that disaster. It won't be the end of a community. And I hate to say it that way, but listen, disasters really are an

existential threat to communities across America, especially those communities that are in vulnerable areas. And those communities that are economically disadvantaged. The worst-case scenario, frankly, are those communities that are both vulnerable to disasters and economically disadvantaged. Those are the communities where we need to be making investments. And when I say we, I mean, we, as a society; it's going to take all levers to build resilience in these communities.

**Erick Gustafson:**

Federal, state, as well as the individuals.

**Daniel Kaniewski:**

Exactly. It's all levels of government, it's private sector and it's the individuals and communities themselves. So, communities that are making investments, those could be investments to harden infrastructure, or investments to strengthen their homes and buildings that individuals in that community live in. That's going to reduce the impacts of those disasters.

**Erick Gustafson:**

During our conversation I wanted to draw out some of Daniel's own story because his life has been so connected to events that have affected many of us. He grew up in a small town in the Iron Range in Northern Minnesota, where they get all four seasons, especially their legendary cold winters.

**Daniel Kaniewski:**

Well, it was cold. Yeah. It was great though. Living in a small town. I mean, I really enjoyed the small-town life, and I wouldn't change it in any way frankly.

**Erick Gustafson:**

You took an interesting path though. You were a volunteer firefighter early in your life in a rural community. That's not a small thing to do at the age of 18. I'm sure exciting in aspects, but also pretty sobering.

**Daniel Kaniewski:**

Yeah. I kind of took a leap of faith and said, heck I always see car accidents on the road. And I feel kind of helpless. Maybe I could get trained as an EMT and learn how to help those in

need. I went and got my EMT certification and the day I turned 18, I showed up at the local volunteer fire department. They embraced me, they welcomed me, and I never really looked back. This has really been a part of my career ever since.

**Erick Gustafson:**

It led to an academic focus. And then as you said, a career. You changed settings though, pretty substantially from Minnesota.

**Daniel Kaniewski:**

That's right. I moved out here to Washington DC to do my undergraduate degree in emergency medical services management. Like many who come to Washington, we never leave. I'd like to think that the reason I didn't leave is because there's such a strong view of public service here in Washington.

**Erick Gustafson:**

And you really turned a focus from almost frontline practitioner to policy discussion.

**Daniel Kaniewski:**

When I came here, I thought I was going to have that operational emergency management first responder role for the rest of my career. And what I saw in Washington was that you really can pull the levers of policy and help, not just the disaster survivor that you're responding to or, more specifically, when I was in Minnesota, responding to car accidents and helping that one person in that car. With policy change, you can help entire communities or policy here in Washington. You can help the entire nation. If you see an area where you can help, it really can have a dramatic effect.

**Erick Gustafson:**

In your transition from the Midwest to Washington, you didn't have exactly the typical path. You wound up at a pretty senior level, working in government as a Homeland Security advisor at the White House. Tell us a little bit about your experiences later in your career.

**Daniel Kaniewski:**

I was lucky enough to have the opportunity to serve in the White House. That wasn't an opportunity I took lightly. In fact, I remember when I was being interviewed in the West Wing. The last question as you normally get in an interview is, do you have any questions

for us? And I remember sitting in the West Wing of the White House and saying, "Oh my God, I can't believe I'm sitting here." But my last question was, I realized, I didn't even know what the job was. So, I had to ask the person interviewing me, who was at that time the president's Homeland Security advisor, Fran Townsend. I said, "Ma'am what job are we talking about here?" And she laughed and she said, "Well, given your background as a firefighter paramedic, I would think that being our Director of Response and Recovery policy here at the White House would be the best fit for you." And I said, "Sure." I probably would've said, sure, anything, quite frankly, I was so nervous. But I said, sure. Well, little did I know what I was signing myself up for. Because a mere three weeks later we had one of the most catastrophic disasters in our history, certainly the most catastrophic disaster of our time, which was Hurricane Katrina.

**Erick Gustafson:**

Let's talk a little bit about the nuts and bolts, the nerdy side of it. Most homeowners have homeowners insurance. Yet many homeowners don't realize that their policy doesn't cover flood insurance. Working at FEMA, what have you taken from that?

**Daniel Kaniewski:**

Insurance plays a key role in making yourself, your family, your community, more resilient to disasters. And without insurance, you're going to struggle after disaster occurs because the federal programs are not going to make you whole. Of the types of insurance you might have, homeowners insurance or renters insurance is absolutely essential, but far too few Americans have adequate insurance. They might be underinsured. They may have homeowners insurance, but it may not protect their home or the contents of their home in a way they think it does. So, it's really important to review your insurance policy on a regular basis to make sure your insurance policy has kept up with your lifestyle.

**Erick Gustafson:**

And that you have flood insurance, you know, if you need it, certainly.

**Daniel Kaniewski:**

And as great as homeowners insurance is, you know, frankly, as essential as homeowners and renters insurance is, it doesn't cover everything. And so, having flood insurance is an essential, additional type of insurance you need to have. Now, oftentimes what I would hear at FEMA certainly is, well, I'm not required to have flood insurance because I don't live in the flood zone. Well, frankly, that doesn't matter. What matters is that you have flood

insurance to protect you against flooding. And where it rains. It can flood. So, flooding occurs not just in flood zones. It occurs everywhere. I'm sure you've had experiences where there's been very localized flooding, maybe just a house or two, right? Your house or maybe unfortunately your neighbor's house has been flooded because it rained very hard overnight or something. That just demonstrates that flooding can happen. And when flooding happens, it is, one, financially costly. I mean financially challenging because one inch of flooding can cause \$25,000 in damage. And if you don't have flood insurance, it's you that's going to be on the hook for that \$25,000 or \$50,000 or \$100,000 in damage. And you have to ask yourself, if I have a flood event, if flooding happens, where I live and my home is damaged, do I have that \$25,000 or \$50,000 or \$100,000 to repair my home?

**Erick Gustafson:**

The idea that individuals don't have insurance certainly has a major impact on their ability to recover. This conversation in part is both about understanding the risk that is elevated through climate change and people's desire, or perhaps a circumstance of living in disaster prone areas, the need for those individuals to become resilient and aware of the risks that they run, but also just the impact and the effect that having insurance has on an ability to recover from these increasingly frequent disasters.

**Daniel Kaniewski:**

Yeah, I'd say there's a significant correlation between having insurance and recovering quickly and more fully. Said a different way, those without insurance are going to struggle to recover from disasters because they aren't going to have the financial backstop that those with insurance have.

**Erick Gustafson:**

Yeah. And we see almost generational effects of families that are caught in disasters that lack insurance. Why is that? I mean, why does the federal government not make them whole, or does the federal government provide resources to individuals? And how do those resources compare to insurance.

**Daniel Kaniewski:**

FEMA's programs as well as other federal recovery programs were never meant to make the disaster survivor whole, unfortunately. They were meant to be there in the immediate aftermath to provide that immediate assistance, maybe hundreds, potentially a few thousands of dollars to get an individual to a safe location out of harm's way and the initial

recovery phase of that disaster. But rebuilding one's home or relocating to another community, those are huge undertakings. Those are undertakings that you hopefully never have to undertake frankly, any time in your life. But if you do, it might be a once-in-a-lifetime event. Well, that one once-in-a-lifetime event could very much have financial consequences for you for the rest of your life. Because without insurance, you're just going to be getting a small amount for that immediate recovery and not enough to necessarily get you back on your feet, to get your family back for the long term, which is in a home and having the ability to return to society and not be burdened as a disaster survivor for the long term. I mean a disaster survivor is someone who hopefully is resilient in the near term and recovers fully in the long term. Those without insurance are going to struggle on that latter point.

**Erick Gustafson:**

We spoke earlier about the two kinds of folks that are in these areas of risk, right? The wealthy and well insured who've had this message delivered to them may be savvy enough already to know that they need to have insurance, but that there's a group of individuals perhaps economically disadvantaged that maybe historically have been in these disaster-prone areas. If they're fortunate, they're single largest asset may be their home. And if they're not insured, obviously the impact, the statistic of one inch costing \$25,000 of damage, that's not the sort of thing that people who are uninsured who are maybe living paycheck-to-paycheck are at all prepared to manage. What sorts of activities, whether it's companies such as ours or state or local governments, what should they be doing to encourage communities to become more resilient and also individuals to acquire flood insurance?

**Daniel Kaniewski:**

Well, I think the first step is always going to be awareness. And to answer your question, education. One, we have to make our communities aware that they need flood insurance and the best way a government can help in that regard is public education to get out there and educate the population on the need for flood insurance. For some of those in the population that would be sufficient because you've now educated the homeowners and renters who didn't have flood insurance. And you made them realize that even though they don't live in a flood zone, they're taking tremendous risk. But of course, you will come across those homeowners and renters who say, but I can't afford the premiums. And that needs to be the beginning, not the end of the conversation with those communities. In other words, we have to find solutions for those individuals and households who need flood

insurance. And frankly, they've taken the step to realize they need the flood insurance, and they want flood insurance, but it's a situation where they can't afford it.

**Erick Gustafson:**

Hazard mitigation is something that is - given climate change, given the increasing frequency and severity of disasters - is something that needs to be higher on the radar screen for policymakers. Can you talk to us a little bit about what your perspective is on that topic with your experience at FEMA and in the White House?

**Daniel Kaniewski:**

So, hazard mitigation is a topic that maybe hasn't received as much attention, I would say similar to insurance, right? Because both are requiring an investment before something happens. And it's always hard to make an investment absent a risk, right? Or at least absent a risk that you're aware of and certainly absent a disaster of some kind hitting your local community. And so, taking these actions that would build resilience have traditionally taken a back burner to the response phase of a disaster. I'm really encouraged to see that FEMA today is viewed as a resilience agency, almost more so than a response agency. And how much has changed in just a few years when you think about it, because FEMA's traditionally always been viewed as the federal government's response agency. FEMA's there when a disaster occurs and helps people in the wake of a disaster, but now FEMA is being viewed as that pre-disaster agency increasingly so. Looking at resilience investments like hazard mitigation shows that not only policy makers but even the American public are starting to realize that making these investments before a disaster occurs makes a ton of sense. FEMA was recently authorized to have a new hazard mitigation program called BRIC, Building Resilient Infrastructure and Communities. And the BRIC program quite simply is a hazard mitigation program that provides grants to communities to help harden their infrastructure and safeguard their communities from the effects of disasters. Importantly, all of this funding, all of these grants are happening before a disaster ever occurs. And the science is solid on this. If you look at what the National Institute of Building Sciences found for every \$1 the federal government invests in hazard mitigation projects, it'll save \$6 when a disaster occurs. That's a strong ROI if you ask me.

**Erick Gustafson:**

So, how can we push the envelope here? What sorts of tactics are the insurance community broadly thinking about to really strengthen resilience, increase hazard mitigation and leave individuals better prepared for risks? What's on the horizon?

**Daniel Kaniewski:**

Well, at first, I think we have to acknowledge there's no silver bullet here to build resilience. It takes investing in all of these areas. We just talked about hazard mitigation, insurance and focusing on governments and communities and individual households and individuals themselves. Because it's really the synergies between those different programs, the synergies between governments and individuals in the private sector. Working together that's where we see that strongest ROI. As much as I'd love to sell an insurance policy and those of us in the insurance industry, of course, selling insurance, it's our industry. But insurance alone is only going to go so far. It's going to provide that financial protection, which is great, but in these communities that are most at risk, whether it be disaster risk or economic risk, or again, worst-case scenario, both, we need to make sure we reduce the overall risk profile of that community. We need to make sure that hazard mitigation investments are made. In other words, we're reducing the risk of that community so that then insurance is not only more available, but hopefully more affordable as well.

**Erick Gustafson:**

So, you've described the nature of these investments, and that they're not necessarily all that much more expensive to build. And you've also mentioned the value of hazard mitigation. Is there a study that you can point to or work that we have done?

**Daniel Kaniewski:**

Yeah. Specifically, with regard to wildfire, we looked at a town, Paradise, that probably many people are familiar with, that it's now synonymous, unfortunately, with wildfires. Because in 2018 there was a horrible fire, the campfire that raced through Paradise and killed many people and had a devastating impact on that small town. Now we went back and looked and said, what could have been done differently before that wildfire happened? In other words, we're not reviewing the response to the wildfire. We're saying where could resilience measures, if put in place before that wildfire, what kind of effect could they have had when it occurred? We found something quite striking, which is if there were the hazard mitigation measures that we've talked about, if those were put in place specifically in this case for wildfire, there would be buffer zones. In other words, just removing the vegetation from the areas around your home and business and having strong building codes, meaning that your structure, your home, your business would be built to better withstand wildfire. If those two actions were taken, we found that the insured loss for that area could have been reduced by 42%. By reducing those losses you're not only saving money, you're also saving lives because remember these homes that are better protected from wildfires are not just

going to safeguard the structure. They're going to save the people that are inside those homes as well.

**Erick Gustafson:**

Dan, we've talked about how these areas that have to struggle economically. Have we thought of ways to make the protection more affordable, to put it within the reach of communities so that they can be better resilient?

**Daniel Kaniewski:**

This is something we've given a lot of thought to. In fact, we put out some thought leadership on this, talking about how we can potentially conceptualize a model on how we in the insurance industry can work together with communities that are vulnerable to disasters and potentially can't afford traditional insurance products. And we put that report out about a year ago. It's called community-based catastrophe insurance. I'd encourage everyone to check it out. We provide a couple of different frameworks, how an individual community can come together and look at the options for insurance, for its community members. And we at Marsh McLennan think we can play a critical role in convening those community members and explaining the different options. And I think the big take home for that would be it doesn't just have to be the traditional policy where an individual homeowner or renter buys the policy and that's the end of the story. Because as we know, there are homeowners and renters that may not be able to afford a policy. And there may be specific needs like flood insurance that are not being met. So, through community-based catastrophe insurance, a local community can convene its citizens and potentially provide financial protection in the form of insurance and other types of insurance related products that would otherwise not be available to an individual homeowner.

**Erick Gustafson:**

Are there examples, Dan, of where this sort of arrangement has been successful?

**Daniel Kaniewski:**

Well, we've begun to pilot this idea. Again, we started out as thought leadership. Threw it out there to the entire insurance industry and to all stakeholders to say, we think this is a good idea. And here's a model that we think could work. But yeah, the proof is in the pudding, right? So, we went to a couple of communities and said, let us try this in your community. We know that your community is vulnerable to disasters. We know that you

have a low- to moderate-income population and we believe this can make a difference. And we had a community say yes, and it turns out that's the city of New York. And New York City said we have a particular issue, which is flood insurance for our low- to moderate-income communities. So, Marsh McLennan teaming together with Wharton, looked at this issue and said, we think potentially after speaking to the community members and teaming with several community organizations that we believe in looking at a parametric policy, which is just a fancy way of saying this is a product that will pay out if specific conditions are met. In other words, if a hurricane happens or if a flood happens, a payment follows, and it doesn't have to look like your traditional insurance policy. It doesn't mean that an individual has to go out and buy a policy and sign it and pay a premium. It could mean, as in the case of New York City, where the city would buy this financial protection for the community and offer it to the community at a free or certainly a discounted rate. And that way everyone wins. The individual community member will have that protection against flood. So, they will be able to rest easy knowing that if a flood were to occur, that they would have some financial protection from the effects of that disaster and the community wins because they know their most vulnerable will be taken care of if a disaster occurs and they're not going to be dependent on the federal government or dependent on anyone else, friends and family, whoever may be that would have to traditionally step up and help that individual after a disaster. It really is a win-win.

**Erick Gustafson:**

Daniel Kaniewski is the Managing Director of Public Sector at Marsh McLennan. If you'd like to read up on Daniel's work, check out his article at [securitymagazine.com](http://securitymagazine.com), "[A Resilience Framework for the Future.](#)" This Moment Matters is produced by Marsh McLennan with Connected Social Media. I'm Erick Gustafson. Thanks for listening.