Insurance leaders look to fill void as Trump's resilience plan pushes states to lead on disasters

By Mia MacGregor

The White House last month released a national resilience strategy that reduces federal responsibility for disaster response, placing greater emphasis on state-led efforts and opening the door for private insurers to fill the gap.

The White House is seen in Washington, U.S., April 25, 2020. REUTERS/Erin Scott/File photo

President Trump's America First Resilience Strategy, published in late June, states the federal government "should not be the sole source of national resilience, or the nation's default insurer" and calls on states and localities to independently fund emergency management and first responders rather than relying persistently on federal intervention for low-threshold events.

It also calls for modernizing early warning technology infrastructure and public risk communication systems.

On the role of insurance markets, the strategy states that states can use instruments that incentivize proactive risk management, including strengthening insurance markets "characterized by transparent, risk-informed and affordable pricing that encourages widespread uptake."

Insurance industry leaders said the shift creates a significant opportunity for the private sector.

"By engaging the P&C insurance industry and rewarding proactive mitigation efforts, we can shift liability away from taxpayers and create a sustainable model that reduces losses for everyone," said Daniel Kaniewski, founder and CEO of Northstar Risk & Resilience and former Federal Emergency Management Agency deputy administrator and Marsh U.S. public sector leader.

Kaniewski said the strategy codifies a principle he helped introduce during the first Trump administration, that disaster response should be "locally executed, state-managed, and federally supported."

He said the property and casualty insurance industry has a pivotal role to play in filling any void left by reduced federal assistance, including through traditional property insurance and parametric solutions for governments, businesses and residents.

Kaniewski warned, however, that success depends on genuine investment from state and local governments and private sector engagement.

He pointed to the proposed FEMA Act as a vehicle for operationalizing the strategy, noting that a provision in the bill would change the default federal cost share for Public Assistance from 75% to a sliding scale of 65% to 85% based on resilience measures a community implements before a disaster.

He also called the return of high-return-on-investment programs like FEMA's Building Resilient Infrastructure and Communities (BRIC) essential, saying that if states are expected to take true ownership of their risk, they must be supported with resources to reduce that risk before the next disaster.

RECOGNIZING INSURERS AS 'ECONOMIC FIRST RESPONDERS'

Robert Hartwig, clinical associate professor of finance and insurance at the University of South Carolina, said the document broadly moves in a direction insurers would support, adding that insurers are being recognized as "the economic first responders that they are."

Hartwig said the strategy's framing of the federal government stepping back from a financier role rather than a coordinator role elevates the profile of private insurance as the most reliable mechanism for post-disaster recovery. He noted that the federal government's role will always remain significant, citing programs such as the National Flood Insurance Program and the Terrorism Risk Insurance Act.

He said the strategy's language around risk-informed pricing aligns with what the insurance industry has long advocated. "This means insurers should be allowed to charge risks at a price that is commensurate with the risk," he said.

Hartwig raised concern about the potential for uneven application of the policy, questioning whether the federal government's increased selectivity in issuing disaster declarations could remain objective amid heightened political polarization, or whether declarations might more readily flow to states aligned with the sitting administration's political priorities.

He argued that the strategy's longer-term value may lie in pressuring disaster-prone communities to make more responsible decisions on building codes and zoning ordinances.

"Communities have not taken responsibility for the decisions that they are making," he said, noting that localities have been eager to absorb the economic benefits of development while leaving the costs of disaster recovery to federal taxpayers.

Andrew Siffert, senior meteorologist at BMS Group, said the strategy places greater onus on carriers to promote resilience and drive mitigation efforts through underwriting best practices and said carriers should be advocating a holistic risk strategy regardless of the administration in power, given that government support may not always be available.

He highlighted product innovations including parametric insurance as tools to fill coverage gaps, noting "there's all sorts of great tools and innovations out there that will allow companies to be more resilient."

Daniel Serota, vice president of government and public affairs at Aon, said the strategy reflects the need for coordinated, forward-looking action.

"As risks become more interconnected, sustained public-private collaboration will be essential to ensuring these investments deliver lasting economic and societal value," he said.