

Building Resilience

**An Interview with Craig Fundum,
Chief Administrative Officer, Zurich North America**



Craig Fundum

EDITORS' NOTE *Craig Fundum's insurance career began in 1981 as an underwriter with the Royal Insurance Group. He joined Zurich in 1990 and has since held various leadership positions. He was appointed President of the Small Business Solutions Segment Business Unit in 1997 and served as Chief Operating Officer of a Zurich Internet exchange project in 1999. Fundum was CEO of the Strategic Partnerships business unit before being named Chief Marketing Officer for Zurich North America in 2003. He was named President of Programs Business in 2005 and President of Programs & Direct Markets in 2008. He became President of Commercial Markets in 2012. Fundum has a bachelor's degree in marketing and management from the University of Nebraska at Kearney.*

For years now, Zurich has been working to help businesses and communities recover more quickly from extreme weather events. What's driving Zurich's commitment to help its customers and communities impacted by extreme weather?

Extreme weather is one of the biggest perils facing our customers today. Events such as heavy rainstorms that cause flooding, hail, and tornadoes, as well as heat waves and droughts, are occurring more frequently and with greater severity in the United States and around the world. These events have an enormous economic impact on communities, and there is a widening gap between the insured losses from these events and their overall economic impact.

Insurance is an important part of the response to extreme weather but it can't be, and shouldn't be, the entire solution. We need to focus on building greater community resilience to extreme weather. As a leader in managing risk, Zurich is well-positioned to take the conversation with our customers, governments, and nongovernmental organizations (NGOs) beyond insurance and focus on the need to build greater resilience. In fact, every dollar spent on disaster preparedness can save \$5 in future losses. That means it can be five times more expensive to not act beforehand. Building resilience is money well spent, and it saves lives.

What needs to happen to help close the protection gap?

One of the most important things that needs to happen is for all sectors of society to come together and work collaboratively. The World Economic Forum's 2017 Global Risks Report's call to action is for the world to find common cause over its shared challenges and address these collaboratively – what we are calling the collaboration imperative.

Zurich is doing this through our Global Flood Resilience Program, which brings together the private sector, NGOs, and academia.

We're also working with NGOs like SBP, which is based in New Orleans, to educate homeowners and business owners about what to do to be more prepared before disaster strikes and how to speed up recovery after an event occurs. In 2014, Zurich committed a \$3 million grant to SBP through its Z Zurich Foundation to fund SBP's Disaster Resilience & Recovery Lab (DRRL). Through the DRRL, SBP has trained and will continue to train thousands of homeowners and business owners in communities at risk for disaster across the U.S.

How can communities determine what they have to do to build resilience?

To build community resilience to extreme weather requires understanding a community's baseline level of resilience. Together with our partners in the Flood Resilience Program, Zurich has taken on the difficult challenge of developing a framework to measure a community's resilience. The goal is to ensure that efforts to build resilience are based on an objective measurement and that those efforts will actually work.

As part of our methodology, we developed a set of tools to make the measurement framework practical, and that allows us and other organizations to test it in a real environment.

We're testing our methodology and tools by working with organizations such as the National Academy of Sciences. We are working with their scientists and others to learn from past flood events by applying our own, in-house-developed Post Event Review Capability (PERC) to review large flood events around the world. Together with other members of the Global Flood Resilience Program, we have examined 12 significant flood events around the world, including most recently the 2015 floods in South Carolina.

What is the role of a commercial insurance company like Zurich in dealing with extreme weather?

As a commercial insurance company, Zurich plays a critical role in the economy and in society, providing a financial backstop when disaster strikes. Far beyond simply paying claims, we can help businesses prepare before a catastrophe and enable them to get back up and running and allow their people to get back to work after these events.

We work with our customers in a number of ways to help them build resilience. Our Underwriting, Risk Engineering, and other specialists provide advice to our customers on how to harden physical assets like buildings against today's more severe storms. That can mean renovating buildings with missile-resistant glass, demonstrating ways to better secure items on roofs, or ensuring appropriate buffer zones between buildings and forests that may catch fire.

We also work with our customers to help them develop business continuity plans before extreme weather events occur. For example, we may suggest prearranging a source for a backup generator for businesses such as grocery stores that require a temperature controlled environment or advising staff on safety procedures to minimize losses. We also try to be proactive in alerting our customers to impending perils such as hurricanes and provide advice on steps they can take to prepare themselves.

What else needs to change to deal with this problem?

For insurance companies like Zurich to price risk appropriately requires accurate data on the nature of the risks. To do this, insurers need FEMA to make their data publically available on issues from flood mapping to flood damages, while protecting individuals' right to privacy. We need practical ways to improve flood risk management. This is particularly important as traditional risk financing solutions are often not appropriate to manage flood risk. Towns need to be receptive to risk mitigation practices by participating in community rating systems conducted by FEMA and the American Red Cross.

Reducing loss requires building back better following a disaster. That means doing things like supporting the IBHS FORTIFIED Commercial Building standard. ●



Zurich's vision is to create resilient communities

Join us on our journey to understanding and creating a community resilience measurement framework.

READY!	UNDERSTANDING THE RISK AND REWARD
	Flooding affects MORE PEOPLE globally than any other natural hazard.
	Every dollar spent before an event SAVES five dollars in future losses.
SET!	COMMIT TO MAKING A CHANGE
	Zurich Insurance Group started a global flood RESILIENCE program in 2013.
	We invested \$50 MILLION in community resilience as of today.
GO!	BUILD A CORE TEAM
	Zurich identifies LEADING ACADEMICS and other experts on resilience to help us on our journey.

WE ARE CURRENTLY TESTING OUR COMMUNITY RESILIENCE MEASUREMENT FRAMEWORK

Ask us about our latest case studies.