

**Public-Private Partnerships for Dealing with Extreme Events:  
Improving Insurance Decision-Making in a Misunderstood Industry**

**ABSTRACT**

This talk characterizes the challenges that consumers, insurers and the government face in dealing with insurance for low-probability high-consequence events. Given their limited experience with catastrophes, there is a tendency for all three stakeholders to engage in short-term intuitive thinking rather than long-term deliberative thinking when making insurance-related decisions. Public-private partnerships can encourage investment in protective measures prior to a disaster, deal with affordability problems and provide coverage for catastrophic risks. Insurance premiums based on risk provide signals to residents and business as to the hazards they face and enable insurers to lower premiums for properties where steps have been taken to reduce their risk. The talk will also discuss the role that insurance can play in addressing the climate change problem and propose a public-private partnership for dealing with the flood risk that could be applied to other extreme events.