



EXPERIENCE OF THE NATIONAL POOLS IN CATASTROPHE RE/INSURANCE



Nat Cat INSURANCE GAP 2017

- USD 330 billion – global economic losses
- USD 139 billion – global insured losses
- Nat Cat = 98% of the catastrophe economic losses in 2017

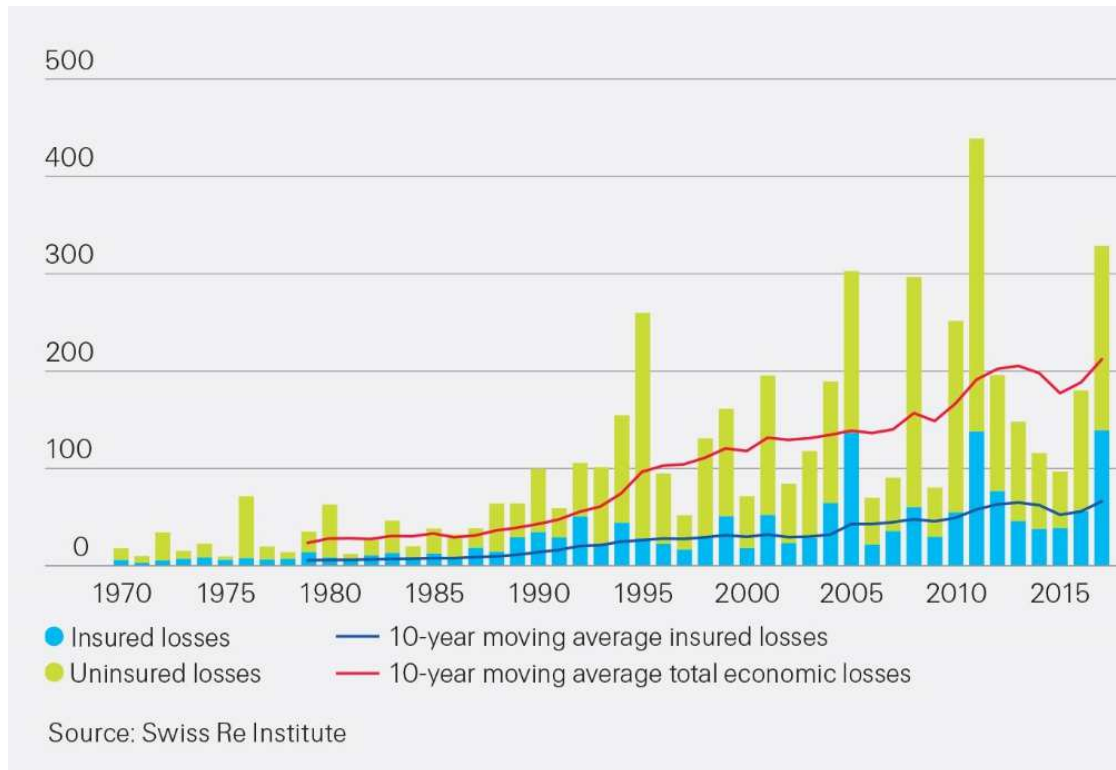
Protection
gap
USD 162
billion

... of which
Weather
related
>92%

Table 1: Total economic and insured losses in 2017 and 2016 (USD billion) at 2017 prices

	2017	2016	annual change	previous 10-year average
Economic losses (total)	337	180*	87%	190
Nat cat	330	171	93%	178
Man-made	7	10	-22%	12
Insured losses (total)	144	56	158%	58*
Nat cat	138	48	190%	50
Man-made	6	8	-25%	7

* Due to rounding, numbers do not sum.
Source: Swiss Re Institute



Nat Cat losses still mostly uninsured

Over the last decade

- *USD 2.03 trillion global Nat Cat losses*
- *~ 70% uninsured*

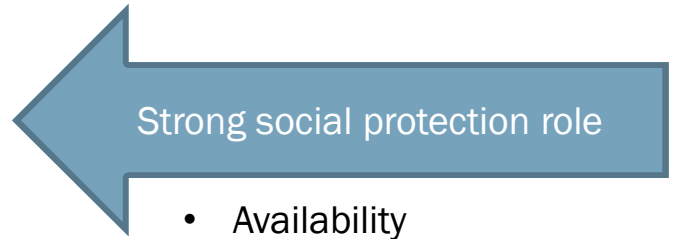
Along with the intensive urbanization and increase in assets, both global Nat Cat losses and the insured losses increased ... **BUT** the gap remained unchanged in relative terms



Which risk?	Who carries the risk?	Risk transfer solution
Public physical assets Emergency response costs	Governments	Macro <i>Risk transfer solutions for (sub)sovereigns to cover their direct or indirect costs</i>
Foregone revenue		
Uninsured private assets	Businesses, homeowners, farmers	Pools & traditional products <i>Insurance schemes and pools to increase insurance penetration, and to offer efficient reinsurance protection</i>
Livelihood assistance		
	Individuals	Micro <i>Simplified products distributed via aggregators such as MFIs, NGOs, and corporates</i>

↑
Protection gap
↓

How to reduce the protection gap?



- Availability
- Affordability
- Reliable
- Simple to understand

Experience of the National Pools in catastrophe reinsurance

3 examples:



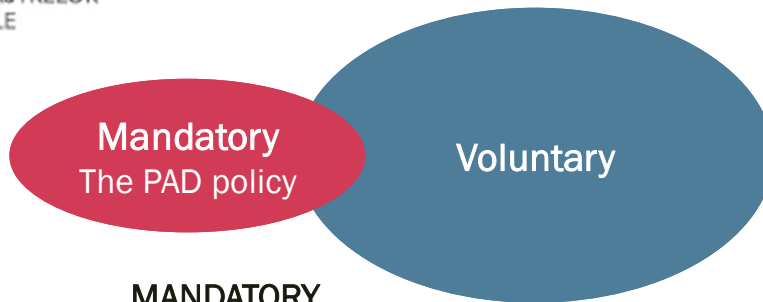


POOL-UL DE ASIGURARE
IMPOTRIVA DEZASTRELOR
NATURALE

Experience
of the
National
Pools in
catastrophe
reinsurance



POOL-UL DE ASIGURARE
IMPOTRIVA DEZASTRELOR
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MANDATORY

- ✓ *Law nr. 260/2008 on compulsory home insurance against earthquakes, landslides and floods*



VOLUNTARY

- ✓ *Regular fire insurance policies, with selected NatCat perils coverage included*
- ✓ *Voluntary policies may be bought ONLY if there is a PAD policy issued for the same property*

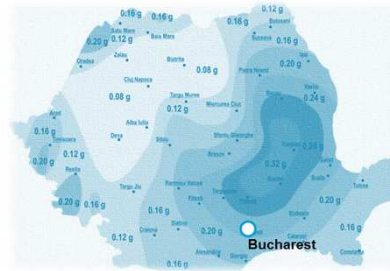
the biggest
single territory
Nat Cat
reinsurance
buyer in the
CEE



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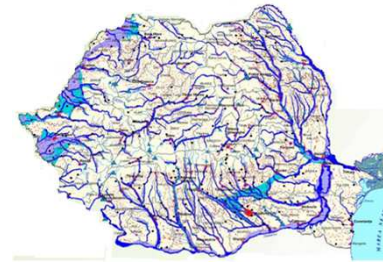
■ Three risks:

Earthquakes



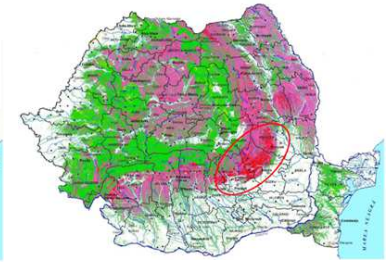
Vrancea – main seismogenic zone, responsible for over 90% of all earthquakes in Romania, releasing over 95% of the seismic energy

Floods



Approx. 30% of the national territory exposed to the floods risk

Landslides



About 800,000 ha and 50,000 household exposed to landslides

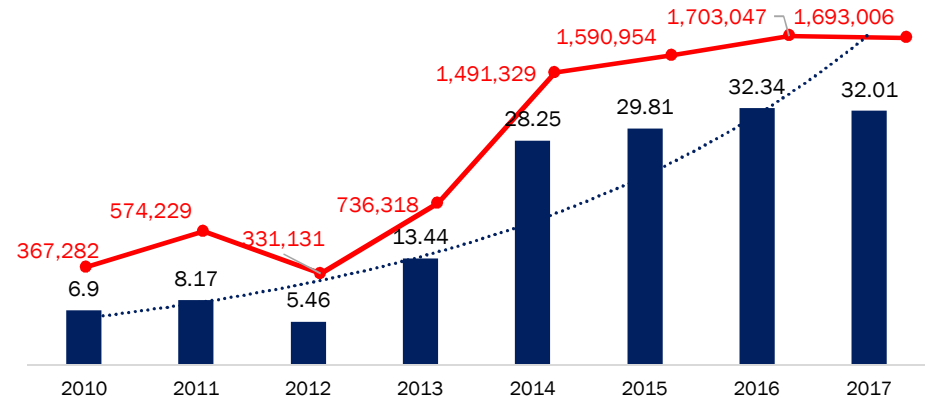
- Current penetration rate is ~19%. - 1.7 million homes
- Coverage: first loss basis; no deductible
- Fixed rates – depending on the construction type:
 - Type A: policy limit of EUR 20,000 per dwelling /premium EUR 20
 - Type B: policy limit of EUR 10,000 per dwelling /premium EUR 10



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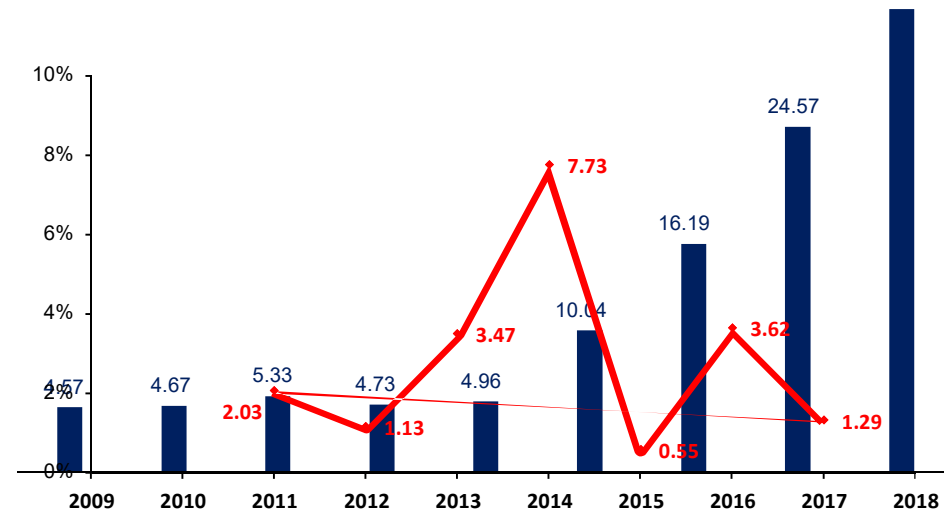
■ Portfolio development
2010-2017:

- Number of policies
- GWP (EUR million)



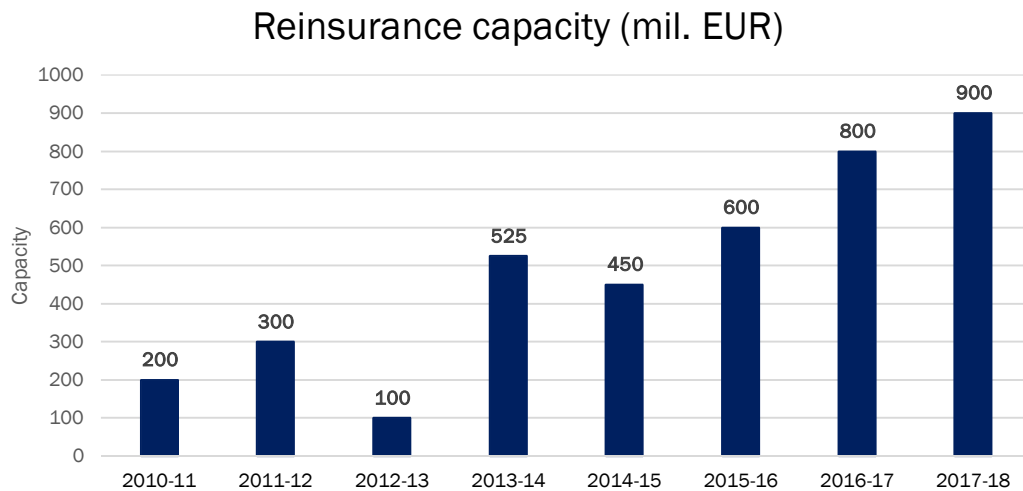
■ Portfolio development
2010-2017:

- Loss ratio
- Net Assets + Cat Reserve (EUR million)





POOL-UL DE ASIGURARE
IMPOTRIVA DEZASTRELOR
NATURALE



The biggest cost for PAID – reinsurance being the main “core” of PAID business

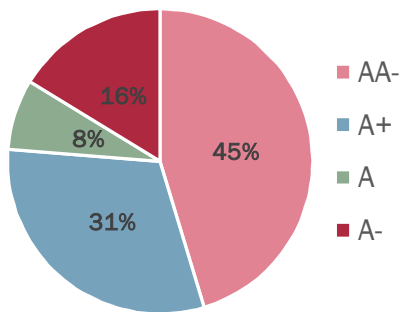
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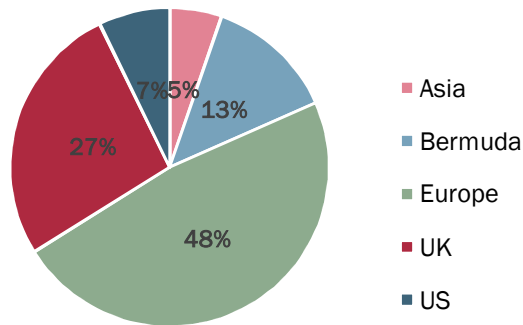
POOL-UL DE ASIGURARE
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Current RI programme capacity
900.000.000 mil euro
Current number of reinsurers
68

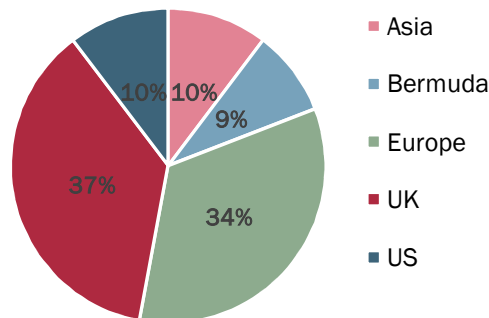
Current capacity split by rating (S&P)



Region by Signed Capacity

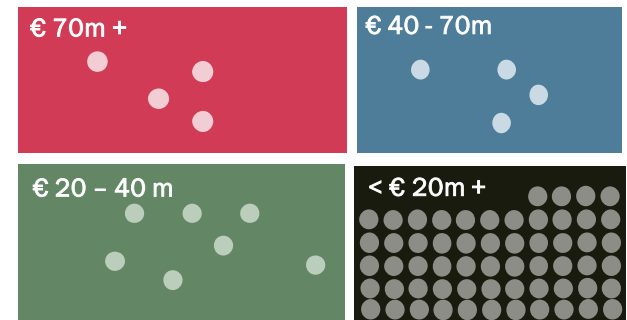


Region by no. of reinsurers



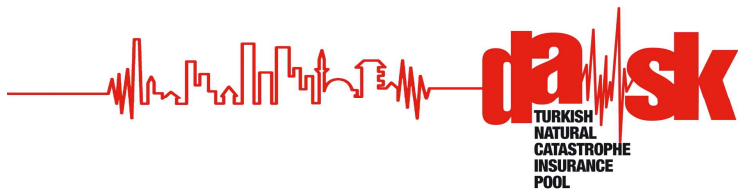
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PAID reinsurers by written capacity



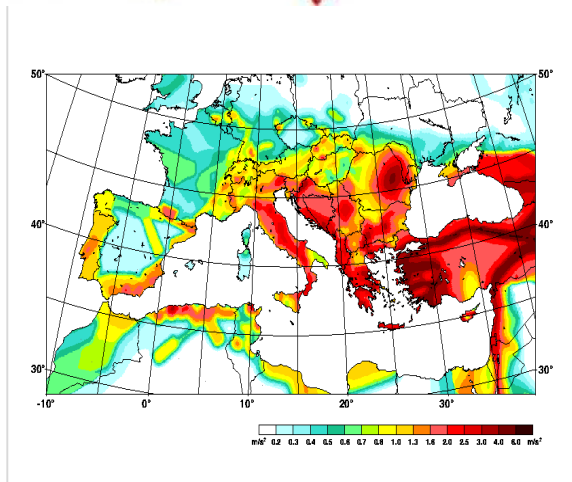
Experience of the National Pools in catastrophe reinsurance

TURKISH
NATURAL
CATASTROPHE
INSURANCE
POOL

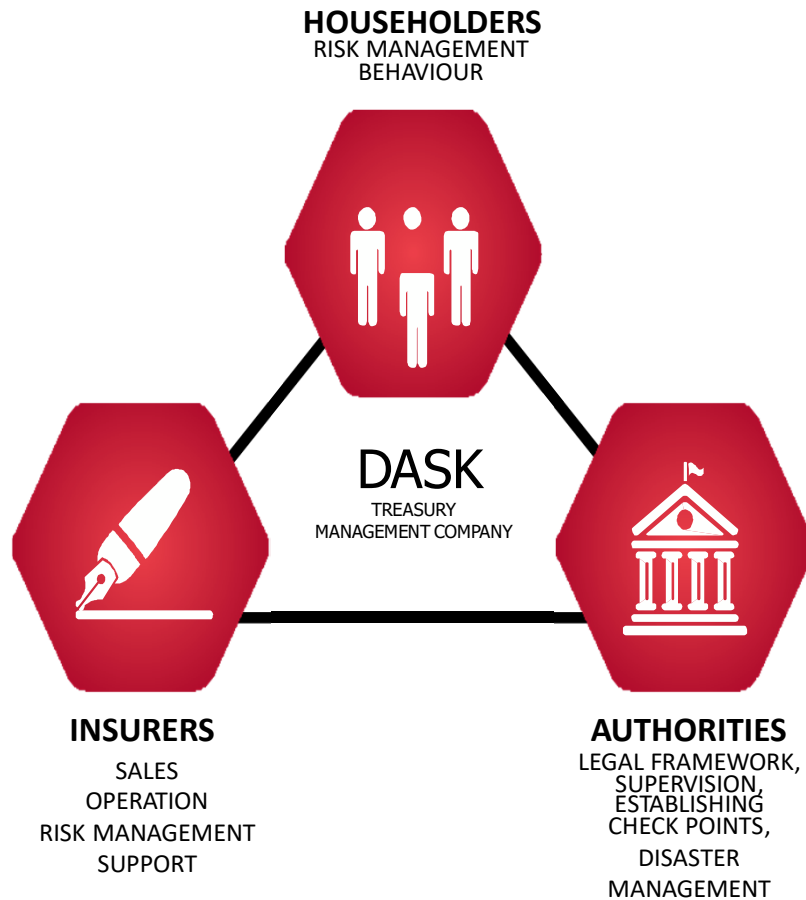


www.dask.gov.tr

History



- ❑ The devastating Earthquakes in Marmara region in 1999
- ❑ Insured loss: around USD 800 million
- ❑ Economic loss: over USD 10 billion
- ❑ Low insurance penetration (especially for residential risks)
- ❑ Burden on public budget
- ❑ Decree law – compulsory earthquake insurance

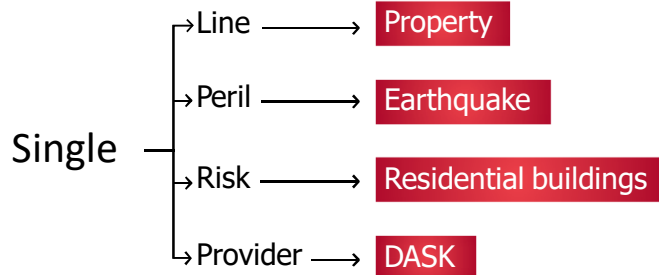


Legal & financial base

- ❑ Financed by Marmara Earthquake Emergency Reconstruction Project
- ❑ co-financed by
 - ❑ Turkish Government
 - ❑ World Bank
 - ❑ European Bank for Reconstruction and Development
- ❑ Decree law no 587 – compulsory earthquake insurance as of 27th September 2000.
- ❑ **Eureko Sigorta** is tendered for the following 5 years till August, 2020
- ❑ As from 18th August 2012 new 6305 Catastrophe Insurance Law



Product concept → Singularity



Product features → Simplicity



Singularity & Simplicity

SCOPE OF COVER
<p>Only Earthquake and following</p> <ul style="list-style-type: none"> - Fires - Explosions - Landslides - Tsunami
INSURABLE PROPERTY
<ul style="list-style-type: none"> - Only Building - No contents - No BI
SIMPLE TARIFF
<ul style="list-style-type: none"> - Earthquake Zone - Construction Type - M² of apartment



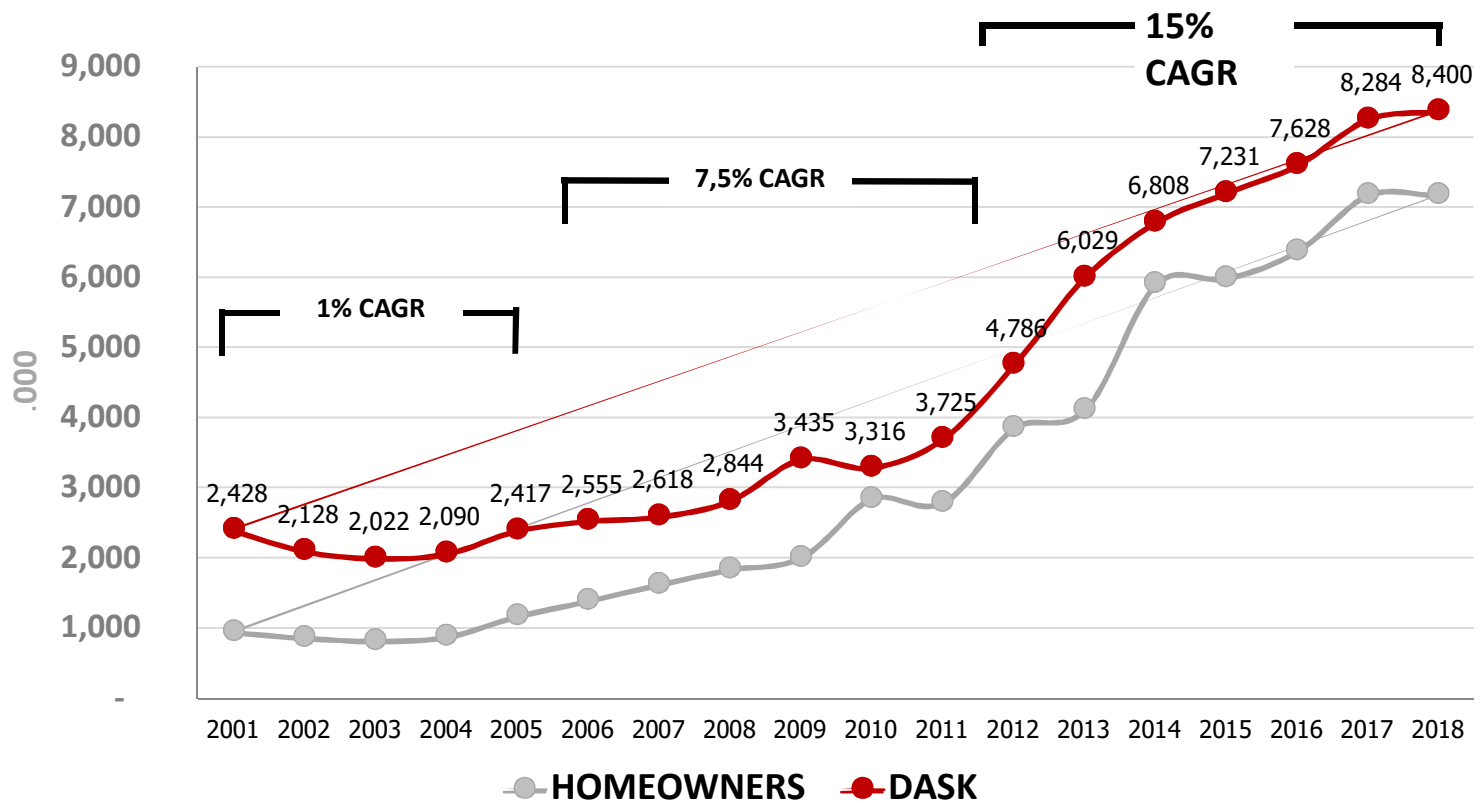
In Brief



The maximum sum insured is EUR 25,400 in 2018

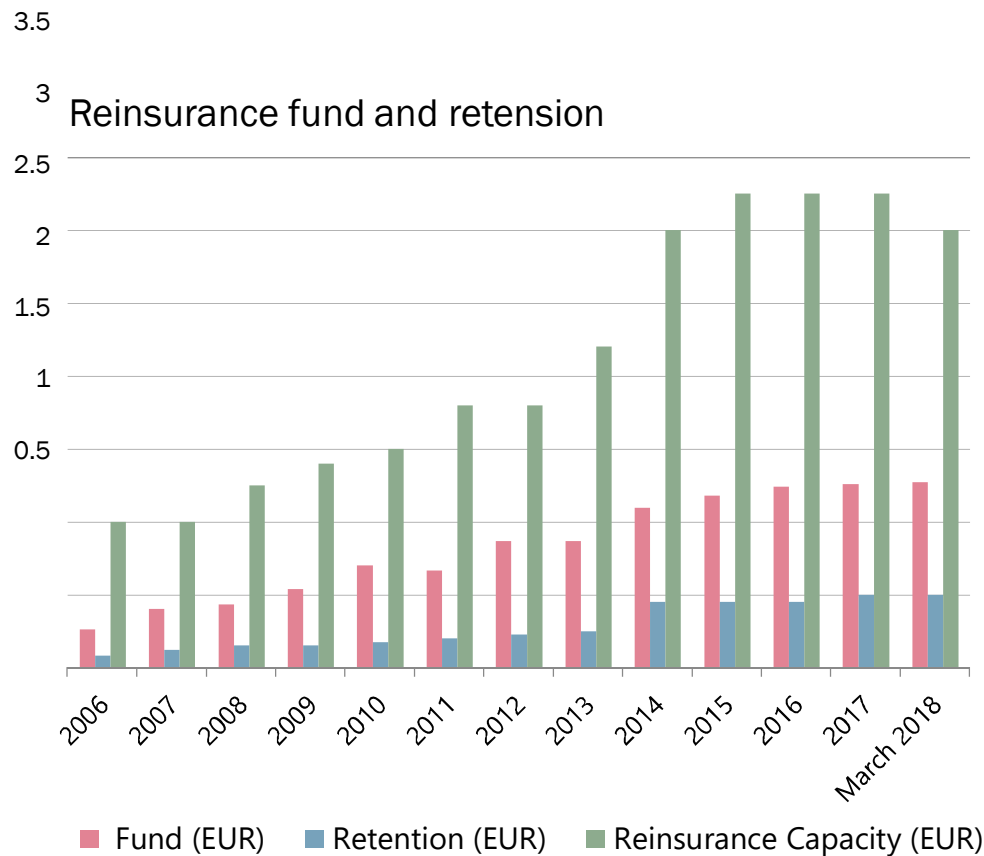


Growth





Reinsurance Snapshot



□ Gross reinsurance premium

Since inception TCIP has paid more than EUR 750 million in gross adjusted premiums to reinsurers

□ Loss information

No losses to the reinsurance program since inception

The most recent major earthquake, in October, 2011, caused EUR 15 million of loss to TCIP, significantly below the attachment point of the program

□ Sum insured by TCIP

Countrywide Sum Insured by TCIP as of August 2018: more than EUR 93 billion

□ Modelling

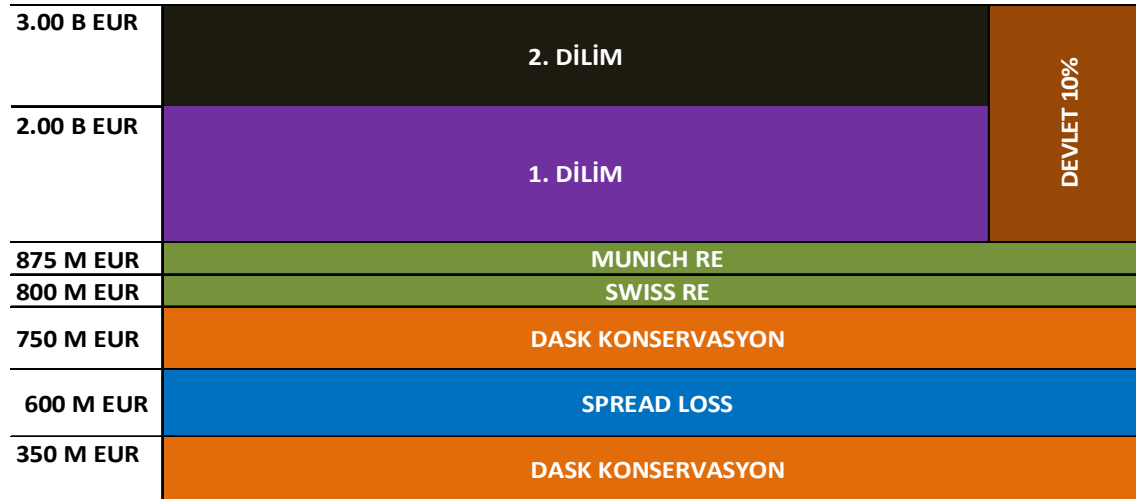
High quality and extended exposure data available

Earthquake risk in Turkey modelled in RMS



Reinsurance structure 2018

- ❑ Rapid growth pushes TCIP to buy additional capacity
- ❑ Multiple layers program:
 - a. Own retention
 - b. Traditional reinsurance program covered by top quality reinsurers (Munich Re, Swiss Re, Hannover Re etc.)
 - c. Insurance Linked Securities Bosphorus Ltd- reinsurance vehicle in Bermuda named
 - d. State – last resort reinsurer
- ❑ Great interest for diversifiers
- ❑ TCIP takes higher portion of the reinsurance capacity in the market



Experience
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FLOODRE

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Solution to a long-standing problem

A reinsurance / pool solution

Authorised by the UK regulators

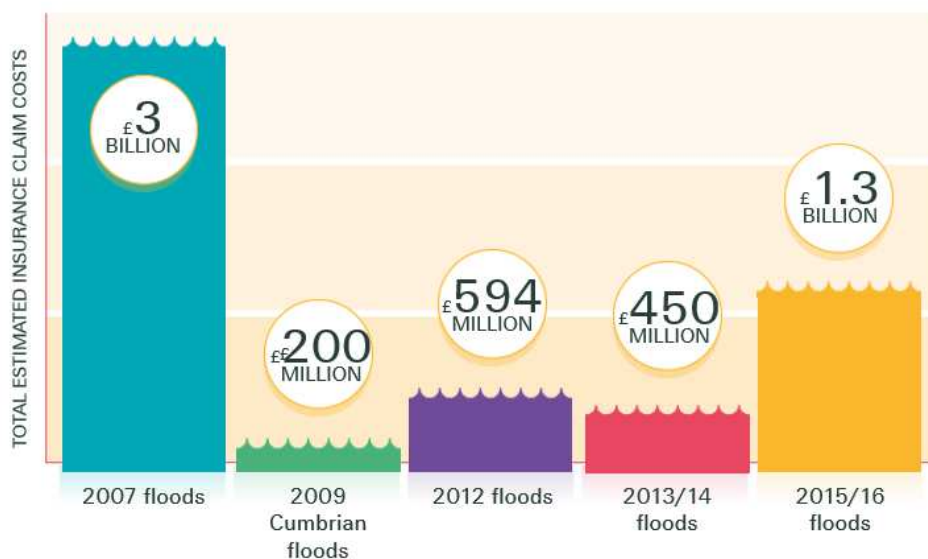
Owned by the insurance industry. Accountable to Parliament

Life span of 25 years

A solution to provide affordability to flood insurance

PURPOSE:

- to promote and enable the availability and affordability of flood insurance for eligible homes
- manage over its lifetime the transition to an affordable market for household flood insurance where prices reflect the risks of flooding



FLOODRE

- ❑ Every insurer that offers home insurance in the UK must pay into the Flood Re Scheme. This Levy raises £180m every year that is used to cover the flood risks in home insurance policies
- ❑ Flood Re works with insurers behind the scenes. When someone buys home insurance cover, the insurer can choose to pass the flood risk element of the policy to Flood Re for a fixed price (based on home's council tax band + a fixed excess of £250)
- ❑ If there is a valid claim for flooding, the insurer will pay the claim. Later on, Flood Re will reimburse that insurer from the Flood Re fund
- ❑ In short, clients buy home insurance in the usual way. Flood Re cover the flood risk and that helps to keep premiums down

How it works

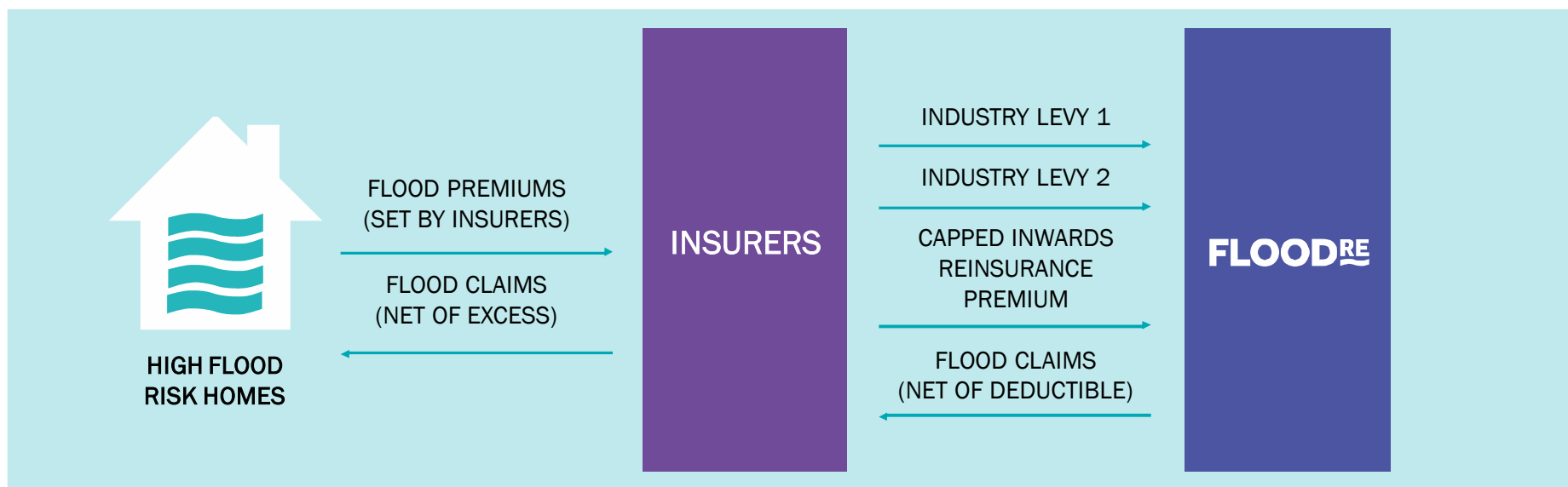
- 1 No Government intervention, only market facilitation
- 2 Direct subsidising of insurance premiums insurers
- 3 A Flood Insurance Obligation providing insurance quotas for individual insurers

4 The Flood Re Solution



Memorandum of Understanding of July 2013 between the UK Government and the members of the Association of British Insurers.

How it works



FUNDING

- A** For each policy to be ceded to Flood Re:
Ceded risk premium charged to insurers at a fixed price according to council tax bands
- B** All insurers writing UK household business: Levy 1 of £180m p.a.
Capacity to call a second Levy from UK household insurers if required
Insurers set retail prices – NOT Flood Re



How it works

SCOPE

Insured in the name of individuals, on individual basis

Held for residential use - Occupied by policy holder or immediate family some of the time or unoccupied

Most have a Council tax band
(All Council Tax bands covered)

KEY ELEMENTS OF FINANCIAL ARCHITECTURE:

Levy 1 and Levy 2

Premiums and premium thresholds

Liability limit - the losses Flood Re will insure up to - £2.1bn

Loss limit - £100m - to protect Government and industry

5 yearly review

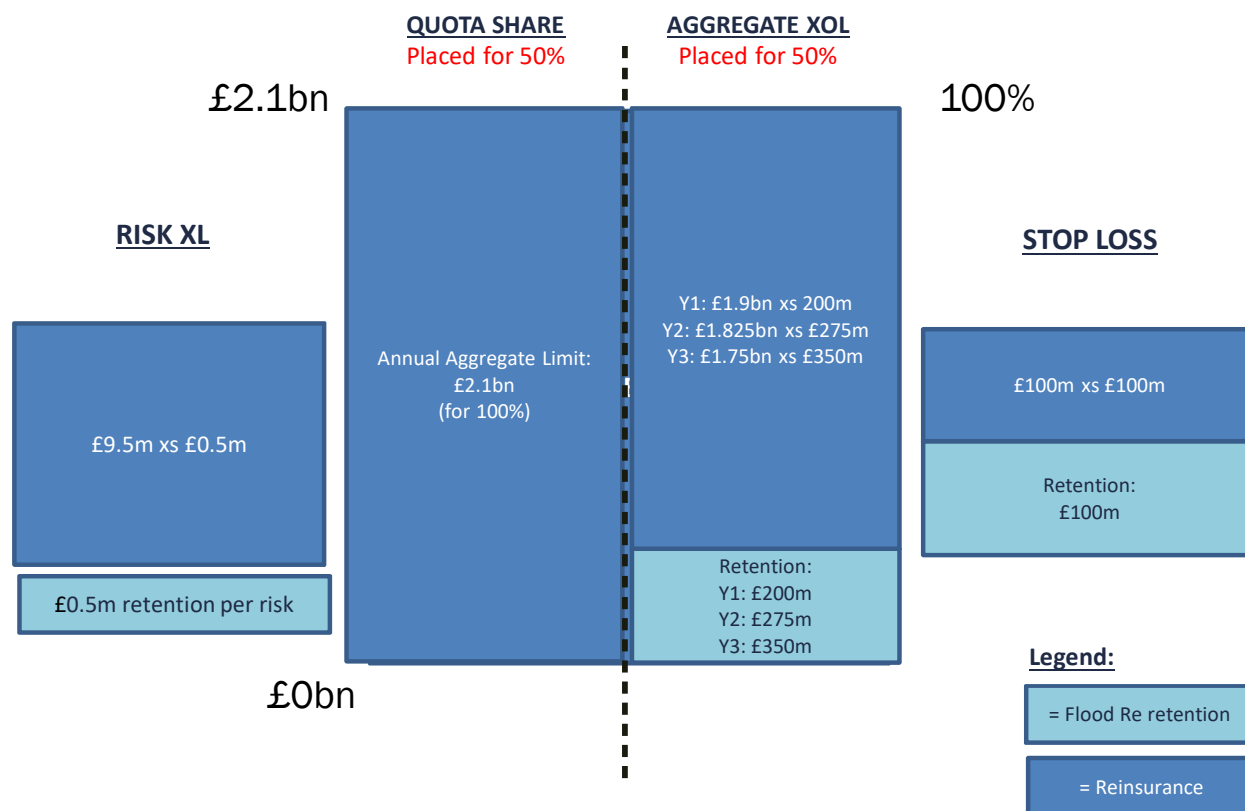
OUT OF SCOPE

Homes built on or after 01 January 2009

Small business (business rated)

Buildings cover for leasehold premises 4 or more units

Reinsurance



REINSURANCE PROGRAMME – what was achieved

Flood Re has successfully secured a £2.1 billion multi-year reinsurance programme

The three year programme is one of the five largest ‘natural peril’ reinsurance deals struck globally and the second biggest in Europe. Currently working with 37 reinsurer groups

Two thirds of the reinsurer panel is rated S&P AA- or better = excellent result (based on S&P)

- Availability
- Affordability
- Reliable
- Simple to understand

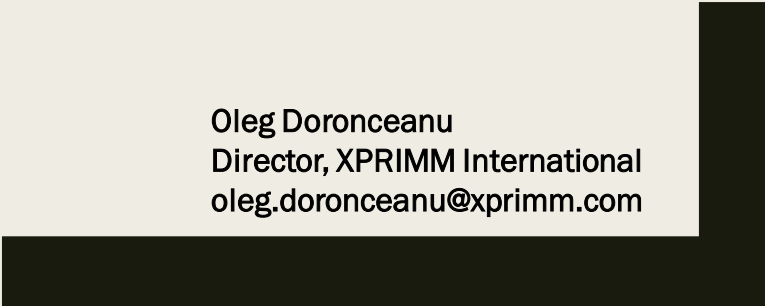
Experience
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THANK YOU!

Oleg Doronceanu
Director, XPRIMM International
oleg.doronceanu@xprimm.com



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