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MODEL OF REGIONAL COOPERATION IN CATASTROPHE REINSURANCE

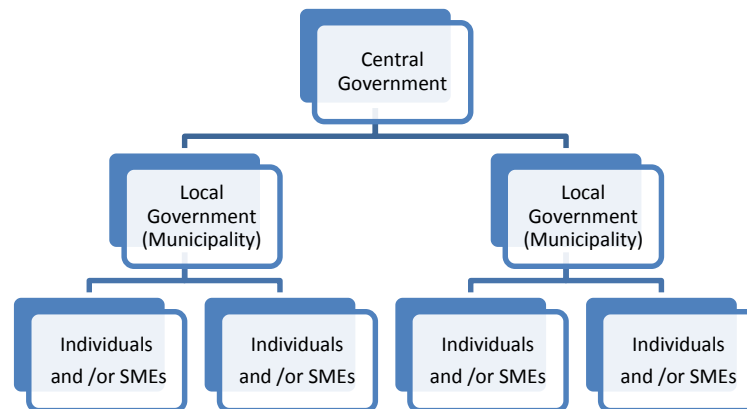
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EUROPA RE - MODEL OF REGIONAL COOPERATION IN CATASTROPHE REINSURANCE

- Europa Re Ltd. was created in 2009 as the implementing agency of the World Bank Project SEE CRIF (South East Europe Catastrophe Risk Insurance Facility) to address the low penetration of catastrophe and weather risk insurances in Southeastern Europe.
- In 2014, it became a licensed Swiss-based reinsurer.
- In 2016, SEE CRIF Project was further expanded to Central Asia.
- Europa Re founders and main shareholders are the governments of South Eastern Europe: Serbia, Macedonia and Albania and its main supporters are the World Bank, European Union, United Nations, Swiss State Secretariat for Economic Affairs (SECO) and the Global Environmental Facility (GEF).
- Europa Re is known as a unique model of cooperation among states in the region, global institutions and the private sector.
- Headquartered in Zug, it also maintains representative offices in Albania, Macedonia, Serbia and Kazakhstan.

MARKET DEVELOPMENT ROLE

- To facilitate and enable the development of country catastrophe insurance markets, Europa Re developed a range of unique catastrophe insurance products that are supported by the dedicated reinsurance capacity and claims settlement capability.
- It promotes insurance against catastrophe risks at all levels: sovereign, sub-sovereign (municipal) and individual level.



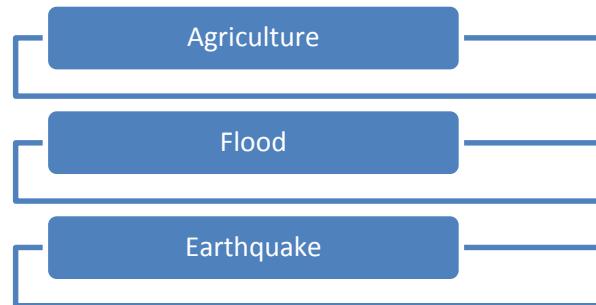
- The products can be sold by any insurer interested in offering agricultural, catastrophe or weather risk coverage at virtually no startup cost and with no minimum risk retention.

INSURANCE AT THE MUNICIPAL LEVEL

- Budget protection insurance for local governments and municipalities against catastrophe events is among most innovative and effective covers available in the market today. Such coverage can be provided to protect municipal budgets due to unforeseen payouts to local homeowners or farmers or conducting unplanned repairs to damaged municipal infrastructure in the aftermath of catastrophic events.

- Through its local insurance and reinsurance partners, Europa Re, currently offers the following municipal insurance products:

- Agriculture insurance (AYII)
- Flood insurance
- Earthquake insurance



- All the above products ensure reimbursement within a few weeks after a catastrophic event thus enabling local governments to rapidly reestablish all community services and help citizens after natural disasters.

AGRICULTURE INSURANCE AT THE MUNICIPAL LEVEL

- Agriculture is the sector in economy which is the most prone to adverse weather conditions.
- Having in mind the above, Europa Re has developed a new insurance model which provides coverage against all climatic, naturally occurring and biological perils - an "all risks" loss of yield policy called Area Yield Index Insurance (AYII).
- The product works at the municipal level. The Municipality chooses type of crops, insured area and level of insurance coverage that fits the local budget. In case of a drop in yield below average historical yield (due to any climatic, biological or natural risk), insurance payout is made.
- The process of claims settlement is very fast and transparent and no loss assessment of individual fields is needed. The policy pays when the actual yield for that season announced by the independent institution (for example State Statistical Office) is below the insured yield stated in the policy.

AYII IN PRACTICE



- Municipality decides what are strategic crops whose production it wants to protect;
 - Municipality decides what is the budget available;
 - Municipality decides what is the level of drop of yield that makes farmers growing strategic crops in the municipality to experience difficulties in continuing agriculture production after a bad year.
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- Based on the above parameters the final structure of the coverage is decided and modeled.
 - The same product works also at the sovereign level.
 - In order to ensure a high level insurance penetration, a micro agriculture insurance is also offered to enable farmers to cover production costs after bad years and guarantee continuity of production for the next year.

FLOOD INSURANCE AT THE MUNICIPAL LEVEL



- In cases of natural disasters state/local governments assume most of financial costs.
- Parametric flood product at the municipal level compensates a part of budgetary expenditure of local government in the event of a catastrophic flood, which occurs within the administrative boundaries of the municipality.
- Damage caused by floods to residential dwellings within the administrative borders of insured municipality is measured by the percentage of flooded area out of the total area of the municipality.
- The insurance payout is triggered automatically once the footprint of flooded area within the municipality exceeds the minimum threshold defined by the contract.

EARTHQUAKE INSURANCE

- Earthquakes are among natural catastrophes which cause the most devastating damage to individual properties, communities and states.
- They don't happen often but when they happen, they are well remembered.



EARTHQUAKE INSURANCE AT THE MUNICIPAL LEVEL

- It is an insurance against potential financial losses caused by an Earthquake in which case insurance payment is made to the municipality based on the level of damage determined based on the photos taken from the air and from the ground.
- The insurance payout is made within 2-4 weeks.



INSURANCE FOR HOMEOWNERS AND MID-SIZED BUSINESSES

- To promote catastrophe insurances at all levels, Europa Re, together with its local insurance and reinsurance partners, has also developed individual catastrophe insurance products for homeowners and mid-size businesses.
- These are also available for sale with a full turnkey support in reinsurance, claims management and automated pricing and underwriting services.
- Micro insurances are particularly convenient and helpful in case of catastrophe events since they provide an instant assistance after disasters.

INSTEAD OF CONCLUSION

- Catastrophe insurances require cooperation among states, global institutions, insurers and reinsurers and specifically among national reinsurers to exchange risks, experience and expertise.
- Natural catastrophes are more severe and more frequent and national reinsurers need to find new mechanisms to face and fight these challenges.
- National reinsurers can cooperate in respect of:
 - a) Placement of retrocession of cat risk exposure underwritten in their markets;
 - b) Participate in retrocession programs of other national reinsurers ;
 - c) Work together to develop certain cat products and support its retrocession where needed.



THANK YOU FOR YOUR ATTENTION!

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