

Nat Cat - the insurance gap challenge



MUNICH Re

1H2016

- Worldwide
 - EUR 62 billion nat cat losses
 - Insured losses – 38%
- Europe
 - EUR 5.4 billion
 - Insured losses – 50%

SWISS Re

2015

- worldwide
 - EUR 82 billion nat cat losses + man made losses
 - Insured losses ~40%

Nature Climate Change

- instances of very extreme floods
 - from once every 50 years to every 30 years
- cases of extreme damage
 - from every 16 years to once every 10 years.
- the European's current average losses
 - from EUR 4.9 billion/year to EUR 23.5 billion by 2050

How large is the insurance gap?

- **EXAMPLE 1 MACEDONIA** – Skopje floods, august 2016
 - Economic losses **EUR 25.8 million**
 - EUR 15 million for the properties of the flooded families and businesses
 - EUR 10 million for the infrastructure and roads
 - EUR 800 thousand for flooded cars
 - **paid damages in respect of flood occurred in the amount of EUR 0.22 million** and EUR 0.6 million more are reserved. Damages to be cover from the insurance amount to only **0.32% of the total economic losses.**

How large is the insurance gap?

- **EXAMPLE 2 ITALY** – the Amatrice earthquake, August 2016
 - **EUR 3 - 4 billion economic loss**
 - Insurance / reinsurance loss estimation :
 - Direct insurers EUR 30 – 80 million
 - Reinsurers EUR 80 – 120 million
 - **GENERALI & UNIPOL** (each 20% of the property insurance market) – estimation EUR 16 – 24 million each
 - <35.000 houses in high risks areas have an earthquake insurance = 0.5% of all the home insurance policies

CEE STATUS

- Cat insurance penetration
 - **Poland:** > 75 % for storm, hail, 25-75% for floods, landslides; 25-50% for snow, torrential rain
 - **Slovenia:** 50 % for floods and other perils
 - **Bulgaria:** 10% for flood, <10% for earthquake. Penetration rate is calculated on the basis of the number of dwellings for 2008.
 - **Czech Rep.:** >75 % for storm and hail; 25-75 % for floods and landslides In addition, market representatives interviewed by XPRIMM provided the following estimations:
 - **Croatia:** <20% of homes and businesses insured, with the penetration rate of the flood insurance even lower than that;
 - **Hungary:** 73 – 75% of real estate properties are insured
 - **Slovakia:** 50 – 60% of households are insured
 - **Romania:** 18% of the households have a mandatory cat risks insurance policy

... while

- 12 of the Top 20 European cities at risk of earthquakes are in the CEE area
 - 8 of them in Romania
 - 4 are in Croatia and Bulgaria
- Floods are affecting each year large territories
- Winter storms and hail – high risks in the Adriatic countries

Need to ...

- Raise awareness
- Find ways to support coverage growth
- In some cases – redefine the national insurance schemes
- Find alternative solutions to financially support recovery
- Shift from recovery to prevention
- Improve national emergency systems to respond more efficient
- Enable use of digital technologies to support modelling, fast claims adjusting, help prevention etc.

While hoping for the better ...

... we need prepare for the worst