

# At the Intersection of Original Risk

Romania's Potential Role in the Global Market



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# What Is Original Risk?

- New risk entering re/insurance market
- Genuine growth opportunity
- Fuels business through reinsurance and retro
- More valuable than incremental mature market gains

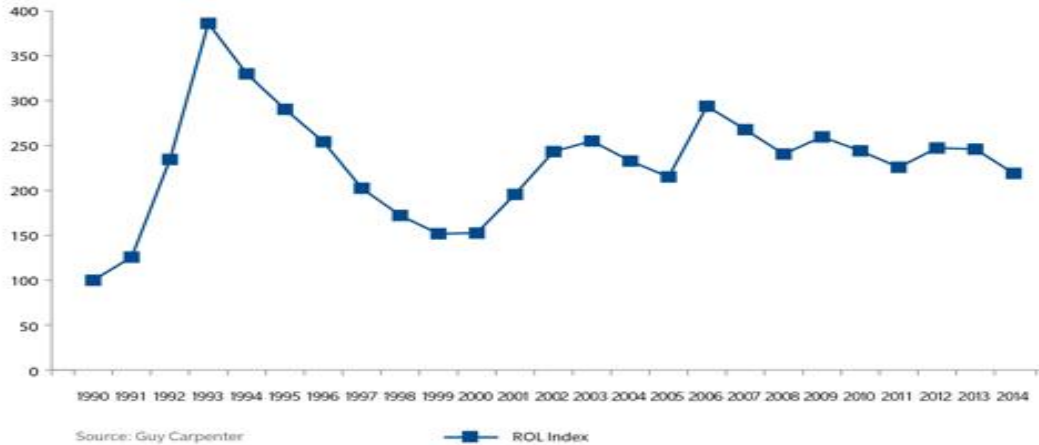




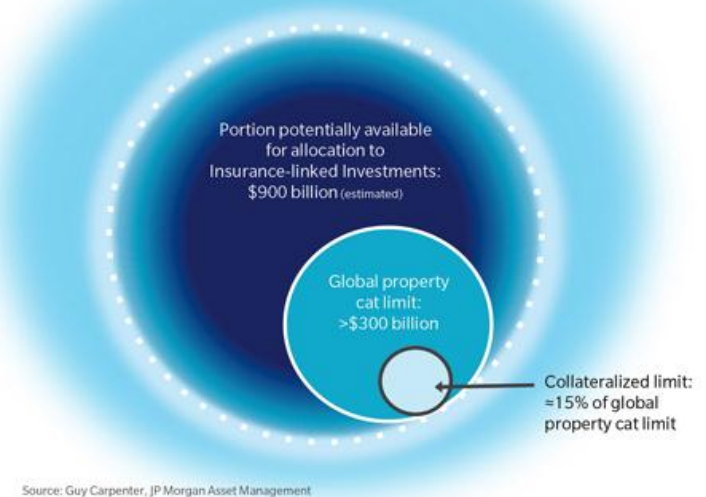
# Global Market Needs Original Risk

F-6 | PENSION FUND CAPITAL UNDER MANAGEMENT AND ALLOCATIONS INTO REINSURANCE

F-1 | GLOBAL PROPERTY CATASTROPHE ROL INDEX – 1990 TO 2014



Global Pension Fund Assets Under Management \$30 Trillion



- ROLs flattening, even in cat-affected years
- Abundant capital in the industry on the sidelines
- Harder than ever to attain target ROEs and maintain underwriting discipline
- Original risk is fuel for market growth worldwide



# Romania: A Source of Original Risk

- Insurance penetration 1.23% (XPRIMM)
- Add'l growth through voluntary market
- Insurance density back up past 2010
- Growing insured values
  - Another potential growth source
  - Some headwinds
- Improvements in access to finance could help

Business						
Risk area	2012 Score	2013 Score	2014 Score	2015 Score	2016 Score	2016 Rank
<b>Business</b>						
<b>Consumer Potential</b>						
Consumer Potential Index	—	—	—	—	— 3.58	10
Consuming Class Potential Index	—	—	—	—	— 3.63	3
High-income Consumer Potential Index	—	—	—	—	— 6.55	117
Middle-Class Growth Projections Index	—	—	—	—	— 2.42	14
<b>Access to Finance</b>						
Business Access to Finance Index	—	—	—	3.52	↘ 4.19	61
Consumer Access to Finance Index	—	—	—	3.64	↘ 4.40	50
<b>Market Access</b>						
Logistics Index	—	6.24	6.40	6.99	↗ 6.09	121
Transport Infrastructure Index	—	3.84	3.98	4.25	→ 4.27	84
Market Access Index	—	6.17	6.28	6.85	→ 6.48	120
Digital Inclusion Index	6.57	6.74	6.73	6.67	→ 7.03	132
Physical Connectivity Index	9.11	9.10	9.06	9.17	→ 9.17	152
<b>Costs of Doing Business</b>						
Barriers to Entry Index	—	—	—	5.54	↗ 4.72	53
Labour Costs Index	—	—	—	5.01	→ 5.05	90
Tax Burden Index	—	—	—	5.80	→ 5.80	69
<b>Workforce</b>						
Human Capital Index	—	7.80	7.62	7.02	→ 7.20	123
Working-Age Population Trends Index	—	—	—	—	— 3.73	61

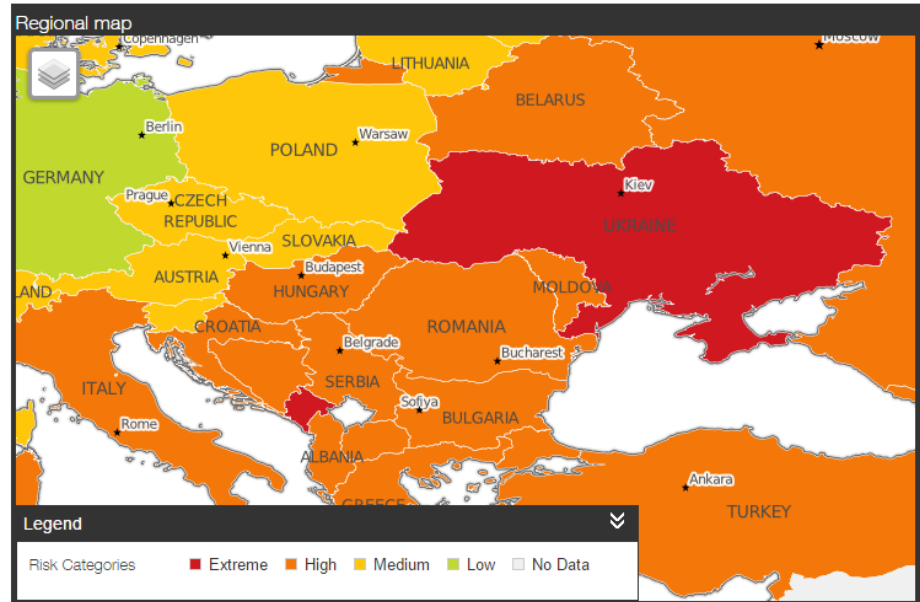
Source: Verisk Maplecroft

[www.maplecroft.com](http://www.maplecroft.com)



# Romania Summarised

- Currently a small market
- Doesn't have to stay that way
- Cat-exposed (EQ, flood, landslide)
- Economic oppty for industry growth
- Requires overcoming some challenges



Source: Verisk Maplecroft

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# Role of PCS in Market Growth

- Improved risk and capital management
  - More risk-transfer alternatives
  - Benchmarked reinsurance submissions
  - Savvier reserving
  - Improved cat modeling
- Better understanding of the historical risk
- May factor into Solvency II compliance activities
- Increased local market attractiveness to worldwide capital providers



# Re/Insurance Industry's Next Steps

- Identify the regions and lines of business with opportunity for long-term growth
- Collaborate to develop the right tool sets to support prudent risk and capital management
- Bring more local original risk into the worldwide market
- Support local market development to increase both insurance penetration and insured value



Questions?

