

GERMANWATCH & Munich Re Briefing **Insuring the Uninsurable**

# **Insurance notes and facts**

**Munich, 20 March 2003**

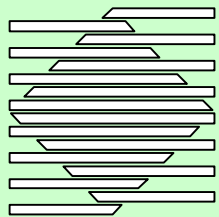
# Some Major Catastrophes Losses and Reinsurance Share

Year	Event	Economic Losses (US\$)*	Insured Losses (US\$m)*	Reinsurance share
1974	Cyklone "Tracy" Australia	1.000	300	65%
1988	Hurricane "Gilbert" (only Jamaica)	ca. 1.000	700	99%
1990	Wintersorms Europa	15.000	10.000	65%
1992	Hurricane "Andrew" USA	30.000	17.000	50%

\* Original figures, not cleared for inflation

# Insurance Industry – Basic Facts

- Enables fast recovery for individuals and economies
- Affected people can claim  
(strong psychological argument)
- Risk assessment and tools
- Only a small part of the world population has insurance systems, new markets develop slowly
- Helping the poor/uninsured?  
PPP (Public Private Partnerships)



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# Insurance Industry - Notes

- The key issue: Combined Ratio (adequate prices?)
- Hard market – soft market cycles
- High Provisions (broker)
- Premium is a function of number of insureds
- High loss potentials & low occurrence probabilities
- Compensation over time and space
- « Sustainable » business (long term relationships)
- Honesty and fidelity (phone business)
- Political & economic « stability » (credit insurance)
- If the insurer sees no chance to make profit he will not be interested (however, commitment to PPP)
- Solution with the help of foundations ?
- Development of the environmental environment ??

# **Governmental-Private Insurance Solutions**

- **France: CatNat System**
- **USA: National Flood Insurance Programme**
- **Others (Germany, Spain, etc.)**
- **German (Bavarian) Issues**
  - **Monopoly in Baden Württemberg**
  - **Hazard package for elementary risks**
  - **Governmental Insurance**
    - . **Storm surge**
    - . **Windstorm**

# Kyoto Protocol Support by the Finance Industry

## Products can include:

- Business Interruptions
- Forest-/Agriculture projects
- Buffer Insolvencies etc.
- Financing projects
- Others (Consulting, Trading, Banking etc.)

## Key issues

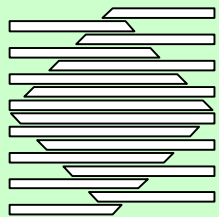
- Political risks (=> long-term political certainty on regulations)
- Business plans (=> clear value for GHG emission reductions)
- Spread portfolios (=> active CDM-, JI-, ET World)
- Strong rules and regulations (=> compliance regime)

**Good global consensus is an important prerequisite**

# Brainstorming Contribution

## What we need:

- A large group of insureds to keep the premium low
- Longterm, geographical spread
- Comittment to minimize/mitigate losses (deductibles)
- Risk adequate prizes (zoning)
- No antiselection (risk selection)
- Clear Rules and regulations
- Distribution system
- Loss assesment, claims handling system



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