

CHALLENGES FOR REINSURERS AND GOVERNMENTS IN RISK-SHARING CATASTROPHE PERILS



Catastrophe Perils

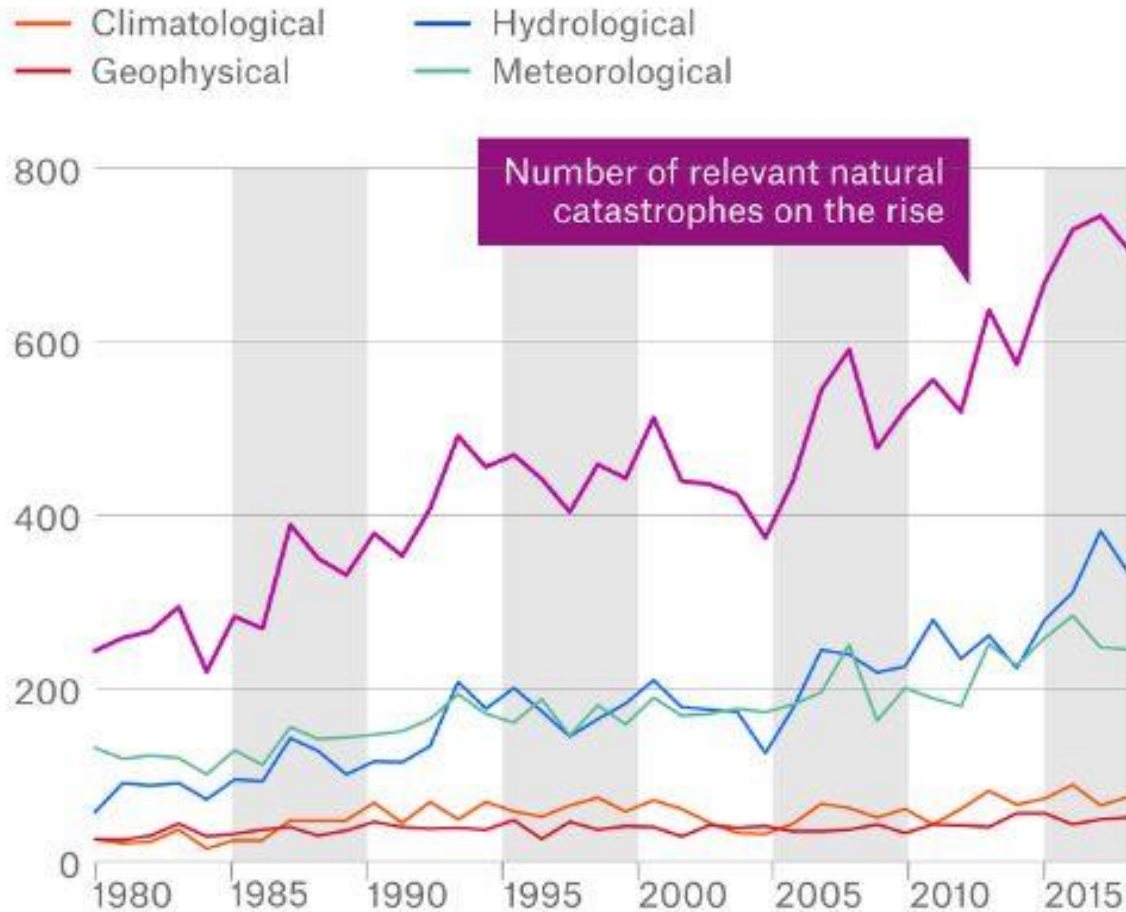
- Origin: events of an extraordinary nature such as seismic movements, military or political upheavals or revolutions, etc., which cannot be foreseen and which may be prevented from being covered by an ordinary insurance policy.
- In other words, a catastrophic risk would be any risk capable of generating losses that exceed the absorption of capacity of the largest Insurers or Reinsurers.

Catastrophe Perils: main characteristics

- Numerous claims
- Extraordinary circumstances
- Human factor
- Technical complexity for Insurers and Reinsurers

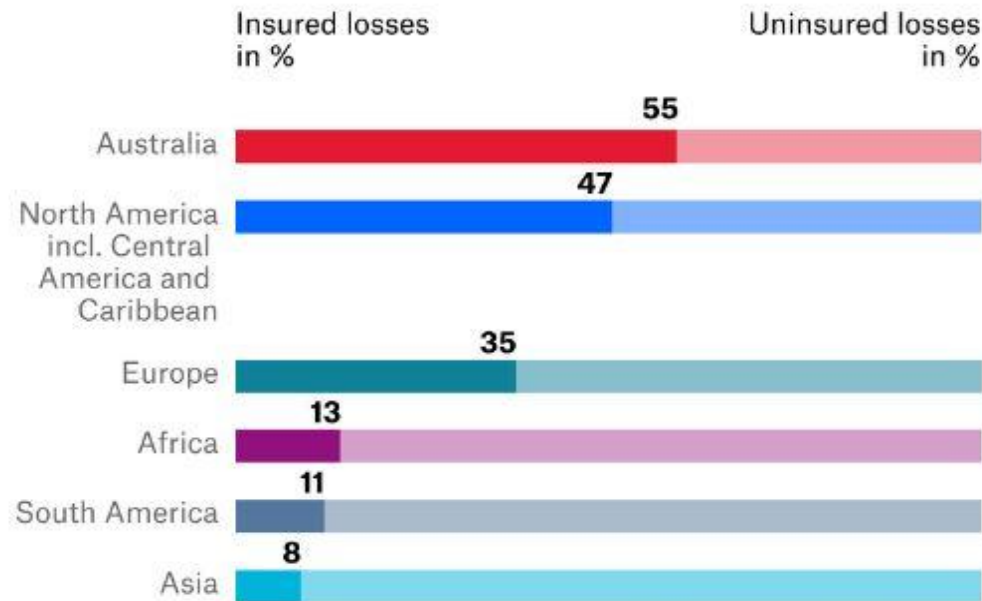


NATURAL CATASTROPHES 1980 - 2017: OVERALL NUMBERS OF EVENTS



NATURAL CATASTROPHES 2017: INSURANCE GAP IN DIFFERENT REGIONS

Natural catastrophes 2017 Insurance gap in different regions



State activity

Without State intervention

With State intervention

Germany

Canada

UK

USA

France

Spain

Without State intervention

Germany

It is not mandatory to take out catastrophic perils insurance. The State will act as guarantor in natural catastrophe cases, offering for example compensation funds, low interest loans and implementation of accident prevention measures. Two exceptions: Baden-Württemberg and Hamburg.

Canada

Private insurance companies are responsible for ensuring catastrophic risks.

Canadian insurers take out international reinsurances to spread out and diversify their risks from exposure to natural disasters.

UK

Catastrophic risks can be covered by voluntary private insurance without any State intervention.

The guarantee can be contracted through multi-risk policies and through the All-Risk policies.

With State intervention

USA

There is a public participation in the compensation of losses as a result of natural disasters, which is always in collaboration with private insurance market (e.g. "National Flood Insurance Program").

France

Natural Catastrophe System is based on a mandatory inclusion of a clause against natural catastrophic risks in all damage insurance policies. An additional premium will have to be paid.

The State guarantee is made through the "Caisse Centrale de Réassurance", a reinsurance coverage.

Spain

SPAIN HAS ONE OF THE MOST EFFICIENT AND STABLE SYSTEM:

- It covers almost all losses resulted from catastrophe perils.
- High level development reached since its origins (Spanish civil war, 1936-1939).

“CONSORCIO DE COMPENSACIÓN DE SEGUROS” / “INSURANCE COMPENSATION CONSORTIUM”

- It owns legal personality and full capacity to act
- It is attached to the Ministry of Economy and Finance.
- It can execute/sign coinsurance, reinsurance agreements with Spanish and companies.
- It satisfies the indemnities derived from claims of extraordinary events.



The role of States in relation to catastrophic risks is essential. In countries where it is mandatory to take out catastrophic perils insurances, the insurers shall be liable joint and severally. Thus, it is possible to reduce the insufficient coverage and the dissatisfaction of the insured. The State can make a great progress by requiring catastrophic perils insurance and providing its financial guarantee.

MANY THANKS



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