

# Disaster Finance and Risk Reduction Private Sector Participation – A realistic assessment

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## Focus Insurance and Reinsurance

- What did we do up to now?
- Are Re-/Insurance Products available?
- Re-/Insurer Brain Storming - examples
- What does a professional Re-/Insurer need?
- Public Private Partnerships – A solution?

# Risk Assessment Tools

- World Map of Natural Hazards  
3rd. Edition, now electronic format (MR NATHAN, connect)
- Building quality and resistance research
- Hazard models (earthquake, windstorm, flood)
- Index products, e.g. Mega city Index
- Open risk, loss and loss potential communication

# Are Re-/Insurance Products available?

Yes! All kinds of traditional plus

- **Large scale**

  - **Cat Bonds**

    - pro: any structure, any area, any amount

    - con: complex, costly, interesting (investor, affected country)

- **Medium scale**

  - **Weather Derivatives**

    - pro: well tested, often hedging energy demand, why not hedge food safety!

    - con: up to now no strong global market, shy new markets (but this is no obstacle)

- **Small Scale (to regional)**

  - **Micro Finance, Micro Insurance**

    - pro: good examples from various developing countries and markets

    - con: complex, volume, administration efforts, regulatory frame

- **Other**

  - **SWAPs**

    - pro: risk balance in multi exposed areas

    - con: up to now only few examples in the insurance world

# Re-/Insurer Brain Storming - examples

## Hard Facts

- 2004 costliest year for global insurance industry ever: >US\$ 40 bn (clrd. inflation)
- 2004 Economic losses ca. US\$ 150+ bn. (Great Tsunami > US\$ 10 bn)
- Chasing ROE (return on equity), combined ratios [strong role of media]

## Further

- Ratings, investors, interest rates, stock market issues
- Actual/Emerging risks (terror, long tail business, climate change etc.)?
- New business (E-commerce, ART, Renewables, Kyoto products)
- New markets, emerging markets
- Equator principles, social responsible investments (SRI), NGOs etc.
- Innovation (new products for the developing world?)

# What we need

- A large group of insureds (solidarity principle, also positive pricing effect)
- Commitment to minimize/mitigate losses (deductibles)
- No “anti selection” (negative risk selection)
- Hazard and loss assessment, claims handling system
- Long-term business and wide geographical spread
- Long-term trustful business relationship
- Stable distribution system
- Clear Rules and regulations (government, administration)
- Demand (clear interest of the affected)

# Public Private Partnerships – A solution?

- Strong commitment of all involved groups
- Political (and economic) stability, long-term involvement
- Visible win-win-situation

**Public Private Partnerships are a way out,  
a promising chance we all must fight for !**

**Strong commitment and dialogue is the key**