

Current experience with weather hazards

An Insurance Industry View

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Overview

- Weaknesses of insurance industry
- Strengths
- The way forward

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Gaps in Cover (1)

Natural disasters *80 % of loss is uninsured*

Process friction *c 30% of fund is not recycled*

Access to funds *a rich man's club ?*

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Gaps in Cover (2)

Product design *short-term, restrictive terms*

Lack of capital *unstable prices, volatile supply*

Fragmented market *incapable of dialogue?*

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Strengths (1)

Efficient risk transfer *risk pricing mechanism*

Global outlook *can transfer lessons internationally*

Vertical sophistication *specialists for all functions
variety of RM solutions*

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Strengths (2)

Leverage potential *interacts with all sectors
claims purchasing power*

Administration network *fraud control
"overflow" capacity*

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The Way Forward (1)

Collaboration on public policy

pricing (social v efficient models)

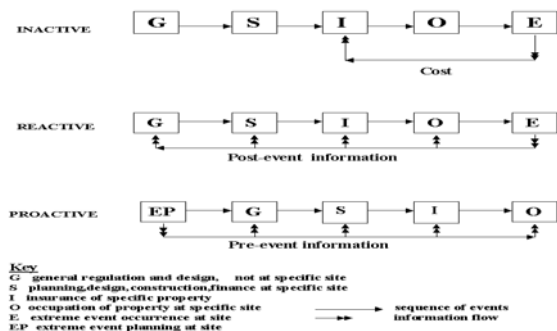
regulation (tariff v competitive models)

compensation (liability v relief/charity v contractual)

physical resilience (design and construction)

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An Integrated Property Damage System



The Way Forward (2)

Capital formation *renting, tax breaks, ART*
Internal processes *product design, distribution*
The human factor *selection, training, development*
Information *specification, capture and use*

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UK subsidence - the problem

Product - uniform (zero) national rates in 1971
- integrated into multiperil cover

Problem - more frequent droughts
- indiscriminate planting
- damage to buildings (\$800m in 1990!)
- greater risk information

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UK subsidence - the solution

- deeper foundations (regulatory action)
- differential rating within multiperil (insurers)
- improved claim-handling (insurers)
- liability for tree management (courts)

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