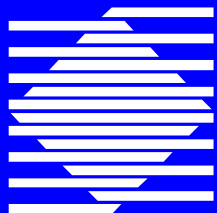


# Private (Re)Insurance Facts and Notes

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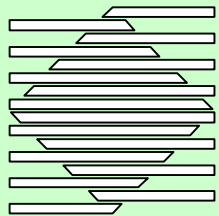


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Insurance Workshops  
Bonn – 12 May 2003

# Insurance Industry – Basic Facts

- Enables fast recovery for individuals and economies
  - Only a small part of the world population has insurance systems, new markets develop slowly
  - Affected people can claim  
(strong psychological argument)
  - **Risk assessment and tools available**
- 
- Helping the poor/uninsured/climate change affected ?  
YES! 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 (brokerage)
- 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 until 1994**
  - **Hazard package for elementary risks**
  - **Governmental Insurance**
    - . **Storm surge**
    - . **Windstorm**

# Alternative Risk Transfer (ART)

## CatBonds, Derivatives etc.

### Enormous amounts of money in stock markets

- Money needed « peanuts » (?!)
- Financial manager risk diversification
- Different options (full investment/interest/parts of interest)
- Definition of trigger (claims management)

### Key issues

- Shape a bond (expensive)
- Find Investors (strange business)
- Overall high costs (e.g. high interests because of high risk)
- Poor experience so far

# Micro Finance – Micro Insurance

## Very positive

- Really reaching the affected people
- First experience collected (positive, but...)
- Insureds understand the product
- Prevention possible !!!

## Key issues

- Portfolio size (spread over time, area)
- Information needs (everybody)
- Distribution (costs, claims management)
- Government involvement

# 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.)

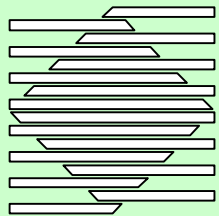
## Key issues

- 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**

# What private insurers 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 possibilies
- Claims handling systems

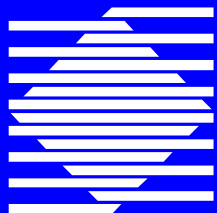


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Vielen Dank für Ihr Interesse  
Thank you

Thomas Loster



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