



## Program Summary

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## Main features of Europa Re

### What is Europa Re?

- Non-profit catastrophe and weather risk reinsurance company owned by countries and supported by the World Bank and international donors.

### What perils will it cover?

- Weather related perils (Flood, Drought, Freeze, and Hail) and Geo-hazards (Earthquake and fire following) .

### Why governments need such a reinsurance facility?

- To enable them develop domestic catastrophe and weather risk markets by (i) providing domestic insurers unique access to highly innovative and cost-effective insurance underwriting, pricing, claim settlement and production technologies as well as dedicated reinsurance capacity, (ii) receiving assistance in designing advanced risk-based insurance supervision.



World Bank Group

## **Main objective of Europa Re Program:**

- **The sole and only objective of Europa Re is to increase the level of insurance coverage among:**
  - homeowners,
  - SMEs
  - farmers
  - utilities
  - government agencies,
- by creating a mass market in weather and catastrophe risk insurance products in facility member states.**

## Examples of indemnity and parametric weather and geo-risk insurance products to be offered by Europa Re

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- **Drought protection** – provides financial compensation in case the minimum level of rainfall during a certain period does not occur.
- **Freeze Protection** – allows to protect agro-businesses from freeze-related losses. The contract pays out if the temperatures drop below the historic average to such a degree that it causes financial losses to businesses and government.
- **Heat Stress Protection** – protects against surges in temperatures during a growing season compared to a historic average.
- **Storm Flood Protection** - pays out each time rainfall exceeds the chosen threshold over a specific number of days.
- **Snowfall Protection** – pays out in case the level of snow accumulation during the winter is above or below historic average.
- **Stand alone Flood Insurance Protection** – a comprehensive flood protection policy, with payouts approximating sustained damage due to flood
- **Stand alone Earthquake Insurance Protection** – a policy, with payouts approximating sustained damage due to earthquake



## Main applications of parametric insurance products

- Weather risk insurance products supported by Europa Re will enable agro-producers (growers, packers, exporters, etc.) and weather sensitive enterprises (hydropower stations, utilities, airports) to reduce financial losses due to damaging weather conditions.
- Governments will also be able to cover their own social safety net obligations to farmers or other social groups by obtaining parametric weather insurance contracts from the program.
- No claims process or proof-of-loss is required. Payout is automatic if an adverse weather event specified in the insurance contract takes place.

## Setting Minimum Criteria for Europa Re Supported Products

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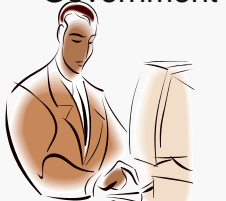
- Products must be affordable (e.g. the program should excel in reducing production and claims settlement costs as well as the costs of reinsurance, cost of own risk capital, and overall start-up costs).
- Should be easily accessible to the public (e.g. must be offered through a wide variety of distribution channels).
- Must be easy to sell and service.
- Must be reliable (e.g. meet the Swiss Solvency Test in terms of reinsurance capacity behind them).
- Must be financially sustainable in the long-run (e.g. be actuarially priced and supported by risk-based insurance regulation that ensures level playing field).
- Must be user-friendly (e.g. easy to understand, buy and receive indemnity in case of a disaster)
- Must be standardized and easily replicable in other countries (e.g. should have standard terms and conditions and have only basic coverage features).

# Insuring catastrophe and weather risk in SEE: Web-based Production Platform

**Buyers of weather  
risk protection**



Government



Agrobusiness



Utilities

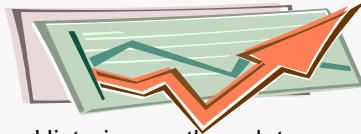


Households



Insurers' agents

**SEEC meteoservices**



Historic weather data  
Reference indices of  
temperature and precipitation



Europa Re web-based portal



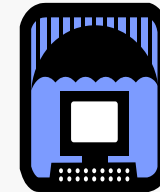
**Automated weather  
stations**



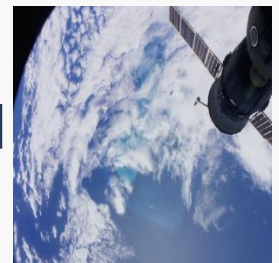
Real time weather data on  
temperature and precipitation  
in different locations



**Risk models**



**Web-based  
production platform**



**Remote sensing  
claims management**





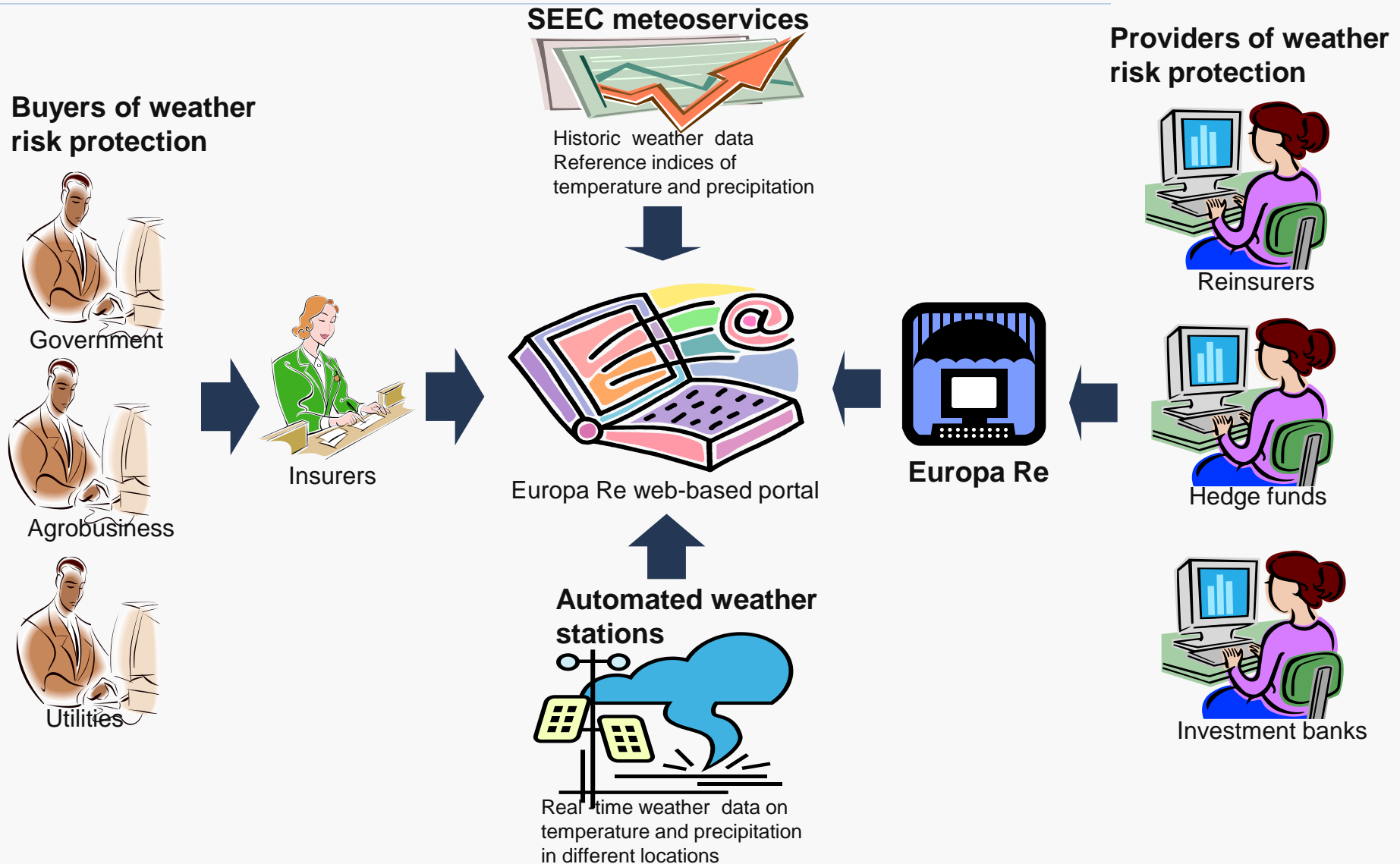
# Web-based Production Platform and Main Applications



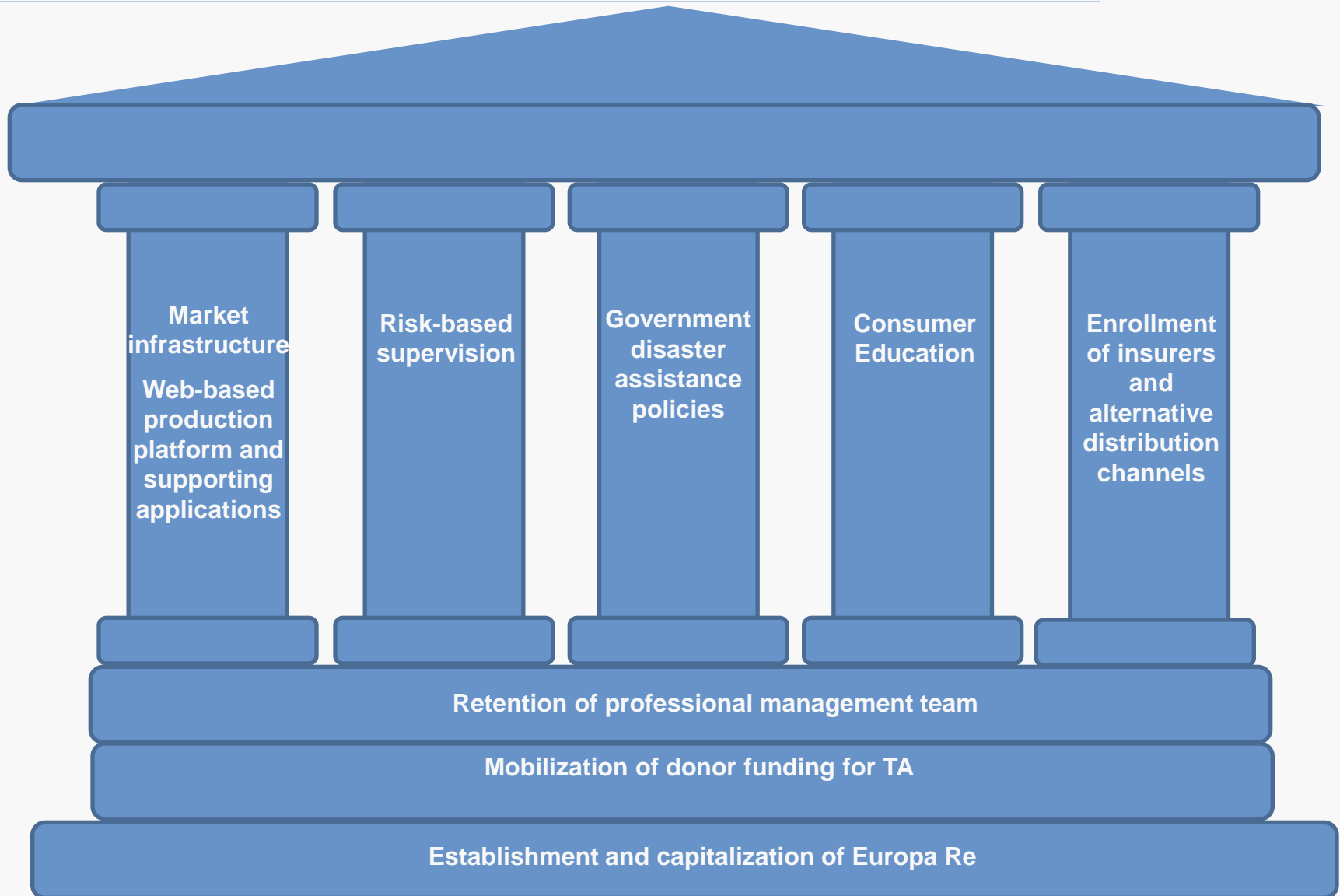
- Retained AIR
- About to contract ISI
- Preparing tender for claims management system
- Will begin work on regulatory tools shortly
- Preparing a tender for consumer web-based assessment tool



# Insuring weather risk in Southeast Europe: Web-based Production Platform



# Building Retail Market in Weather and Catastrophe Risk Insurance: Essential Building Blocks





## Establishment and capitalization of Europa Re

- Established in November 2009 under Swiss Law
- Employs independent Board of Directors managed by Heinz Vollenweider, Executive Chairman
- Received USD1.78 mm equity contribution from Albania, which also signed the shareholders agreement. The rest of the amount will be disbursed within 3 months.
- On March 3, 2011, the World Bank approved loans –USD5 mm each – to FYROM and Serbia.
- In case of Serbia, the loan scheduled for approval by the Parliament on October 11, 2011.
- In case of Macedonia, the loan scheduled to be submitted to the Parliament at the end of October 2011.
- Expected disbursement dates --- 3-6 months.



## Raising donor funds

- Raised USD4.5 mm from SECO for technical work
- Global Environmental Facility (GEF) approved \$5 mm for technical work – however the grant still needs to be approved by Bank Board on November 8, 2011.
- EU – USD0.25 mm for technical work – available through UNISDR
- UNISDR – USD0.1 mm (in 2011) for technical preparation work.



## Operational management

- Europa RE will be managed by an independent insurance services company (Management Company) with dedicated and highly experienced professional staff.
- Management company will be selected through a global tender to be carried out within 6 months on the basis of:
  - technical qualifications of proposed management team;
  - IT capabilities
  - cost
- To ensure the quality of Europa Re operations, compensation of Management Company will be linked to the operational performance of the company.



## Risk-based supervision for catastrophe and weather risk

- Discussed the subject at length with insurers supervisors in participating countries.
- Have carried preliminary technical work to scope the main areas of work.
- Will launch the work on the development of the risk-based supervision regulations, regulatory automated tools (risk models) and reporting standards for the markets within 1 month.



## Government disaster risk financing policies

- Have asked member states to create government working groups consisting of representatives of all relevant ministries and chaired by the Ministers or Deputy Ministers of Finance.
- The groups have been created so far in two out of three countries – Albania and FYROM.
- The working groups will be assisted by the project consultants and coordinated by the national working group coordinators – the positions to be funded by the project to assist Ministers of Finance in managing the groups.
- The main outcome of Working Groups deliberations would be to formulate changes in government pre-and-post disaster policies that would shift the burden of disaster risk financing from government budget to the insurance sector.





## Consumer education on disaster risk management

- Upon receipt of GEF grant, will develop a public information campaign to promote weather and earthquake risk insurance products supported by Europa Re.
- In the process of preparing a tender for the creation of an interactive website that would allow homeowners and business owners in member states to:
  - Receive a disaster risk assessment of their properties/businesses
  - Identify major structural vulnerabilities of their properties
  - Get advice on possible risk reduction techniques
  - Receive a basic assessment of insurance needs
  - Receive referrals to insurance companies accredited under the program.



## Enrollment of insurance companies and other distribution channels

- Have started discussions with insurance companies in all three countries with regard to their affiliations with the program;
- Will create industry expert groups from companies that are willing to sell Europa Re supported products within 15 months. All products supported by Europa Re will be developed jointly and sold through local insurance companies.
- Will develop company program accreditation criteria over the next 12 months – based on companies' interest in selling innovative products, regulatory compliance and quality of their catastrophe risk management.
- Have launched a bancassurance study with the view to identifying potential banks as distribution channels for Europa Re supported products.
- Plan to do same with utilities and mobile telephone operators.



## Can new countries still join Europa Re?

- The Facility is open to any country of Europe interested in increasing the level of insurance market penetration for catastrophe risk and weather insurance products.
- The Bank stands ready to provide the necessary financial and technical assistance for joining the Facility to the following countries:
  - Montenegro
  - Bosnia and Herzegovina
- The following countries expressed preliminary interest in utilizing Facility's services:
  - Poland (started discussions)
  - Slovakia (preliminary discussions)

## What are the benefits for Europa Re country shareholders?

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- Europa Re will reduce the countries fiscal risk exposure to natural disasters through:
  - Expanded private insurance coverage of homeowners, SMEs and farmers
  - Coverage of government own assets
  - Insurance coverage of government own social obligations to socially vulnerable segments of population exposed to natural disasters
- Participation in the program will jump-start the development of national catastrophe and weather risk insurance market through the creation of country specific risk models, regulations, pricing and actuarial guidelines, installation of automated weather stations, and creation of new insurance products.
- The program will pave the way for introduction of Solvency II in member states as it will assist local regulators in introducing risk-based regulatory framework for catastrophe risk.



Thank you for your attention!

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