Climate change and property insurance: perspective from the Swiss public insurers

OECD-Workshop 2006

Martin Kamber
Intercantonal Reinsurance
Public and private insurers in Switzerland
Elemental losses 1971 - 2005

Mean losses: 135 mill. CHF
Elemental losses by natural hazard type

- Windstorm: 40%
- Hail: 5%
- Flood: 30%
- Other: 25%
Elemental losses 1971 - 2005

Mean losses: 135 mill. CHF
Annual increase (Trend): 8.1%
Inflation-adjusted elemental losses
1971 - 2005

Mean losses: 190 mill. CHF
Annual increase (Trend): 2.9%
Fully adjusted elemental losses
1971 - 2005

Mean losses: 275 mill. CHF
Annual increase (Trend): 0.0%
Frequency distribution of the elemental losses 1971 – 2005
Frequency distribution and return period

- **Average**
  - per 2005: 275 mill.
  - in 10 years: 360 mill.

- **10-year event**
  - 500 mill.
  - 675 mill.

- **100-year event**
  - 1'000 mill.
  - 1'400 mill.

- **Losses in 2005**
  - 50 years
  - 20 years

- **Losses in 1999**
  - 100 years
  - 40 years

- **P(99+05 in 10 yrs)**
  - 1.8%
  - 9.0%
Influencing the extent of the losses

• Actuarial measures
  • Risk selection
  • Limited claim payments
  • Deductibles / Premiums
## The effect of deductibles

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<th>gross</th>
<th>500</th>
<th>1‘000</th>
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</thead>
<tbody>
<tr>
<td>Mean losses</td>
<td>100%</td>
<td>87.5%</td>
<td>79.0%</td>
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<tr>
<td>Losses in 1999</td>
<td>100%</td>
<td>82.5%</td>
<td>69.0%</td>
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<tr>
<td>Losses in 2005</td>
<td>100%</td>
<td>93.5%</td>
<td>90.0%</td>
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Influencing the extent of the losses

- Actuarial measures
  - Risk selection
  - Limited claim payments
  - Deductibles / Premiums

- Putting the problem off to a later time
- Relieving the burden on insurance companies and increasing the burden on property owners and/or the state
Influencing the extent of the losses

- Actuarial measures
  - Risk selection
  - Limited claim payments
  - Deductibles / Premiums

  complemented by

- Preventative measures (loss prevention)
Urban and regional planning
Construction materials
Personal responsibility
Warning and risk-adjusted use
Preventative measures

• Property owners
  • Adjusting use to the risks
  • Take reasonable building measures
  • Be less demanding after having a loss

• Public Insurers
  • Consulting, incentives, issue ordinances
  • Early warning systems, information
  • Protect function, not aesthetics

• State
  • Urban and regional planning, hazard maps
  • Create legal foundations
Integrated Risk Management
Many thanks !