Room Document 16

High-Level Roundtable on the Financial Management of Earthquakes

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OECD Headquarters, 2 rue André Pascal, 75116 Paris

PRESENTATION

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HIGH LEVEL ROUNDTABLE ON THE FINANCIAL MANAGEMENT OF EARTHQUAKES

JUNE 23-24, 2011 - OECD HEADQUARTERS, PARIS

Anselm Smolka – CU Geo Risks

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Risk financing:
The principle of risk partnership

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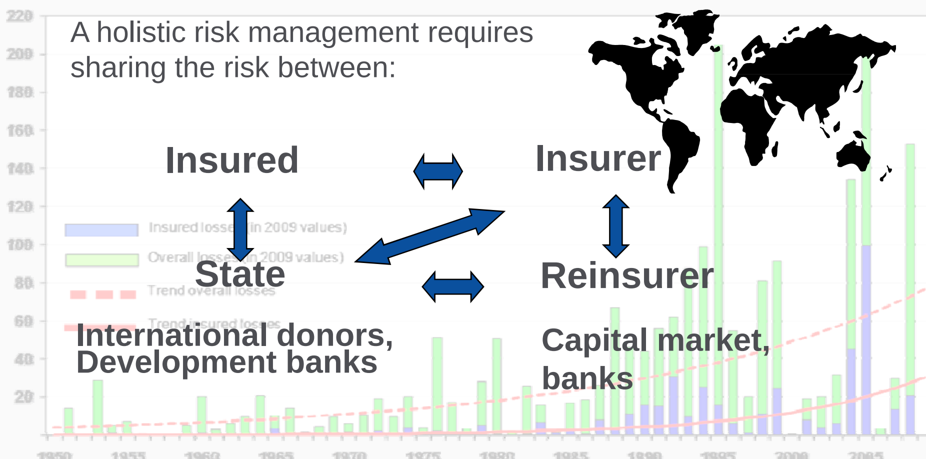

A holistic risk management requires sharing the risk between:

Insured ⟷ **Insurer**

State

Reinsurer

International donors, Development banks

Capital market, banks

Implementing incentives for loss prevention in this framework is the key to an efficient and sustainable risk management

Risk partnership: The roles of parties involved

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Clients/ insured	Loss prevention, self participation
Insurers	adequate pricing
	accumulation control
	limitation of liability (reinsurance)
Reinsurers	capacity for large events
	knowledge transfer/technical support
Capital markets/banks	supplementary capacity (“ART”)
	mortgage insurance
State	land use and building regulations
	enforcement of regulations
	tax exemption for catastrophe reserves
	reinsurer of last resort

Microinsurance: Insurance for the poor

Precondition of risk financing schemes: A solid technical basis

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- Adequate pricing
- Deductibles, based on the respective exposure
- Accumulation control

- Disaster contingency plan
- Claims settlement procedures

- Exclusion of particularly exposed areas
- Exclusion of certain hazards, or risk types
- Liability limits

- Limiting portfolio liability: reinsurance, ART
- Tax reductions (reserves)

- **Loss prevention**

The case of Chile after 27F
and recent disasters worldwide

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- No shortage of capacity
- Willingness to expand into new classes of risk (government assets, low income housing, small commercial...)
- ... and non-traditional solutions (but basis risk in parametric triggers to be well considered!)
- Risk reduction and prevention is key issue:
  - . non-structural building elements
  - . land use planning (tsunami, liquefaction , landslides)

Beyond insurance: Protection of key industries?

THANKS FOR LISTENING!
QUESTIONS?

Anselm Smolka

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