



# PROPERTY INSURANCE THE NATCAT CHALLENGE

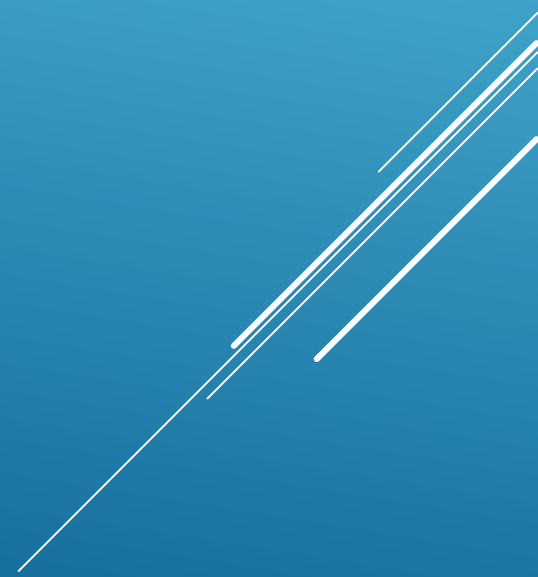
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# Romanian Insurance Market



# Conditions for ensuring financial stability



- The existence of financial institutions and intermediaries with a solid financial position, with viable business models, who quantify correctly the risk, creating the premises for the sustainable development of the markets they belong to.
- Implementing forward-looking surveillance practices based on risk assessment and stress testing.
- Increasing the level of financial education, by familiarizing consumers with financial products and especially with the usual / compulsory insurance which also fulfill a social and financial protection function - i.d. MTPL and catastrophe insurance.

# Financial education program



Within the Public Relations, Petitions and Financial Education Directorate:

- launching a financial education program to raise the awareness of the benefits of obligatory housing insurance against the risk of natural distress and, at the same time, to promote optional housing insurance.
- Awareness campaigns, alerts, information by different public vectors

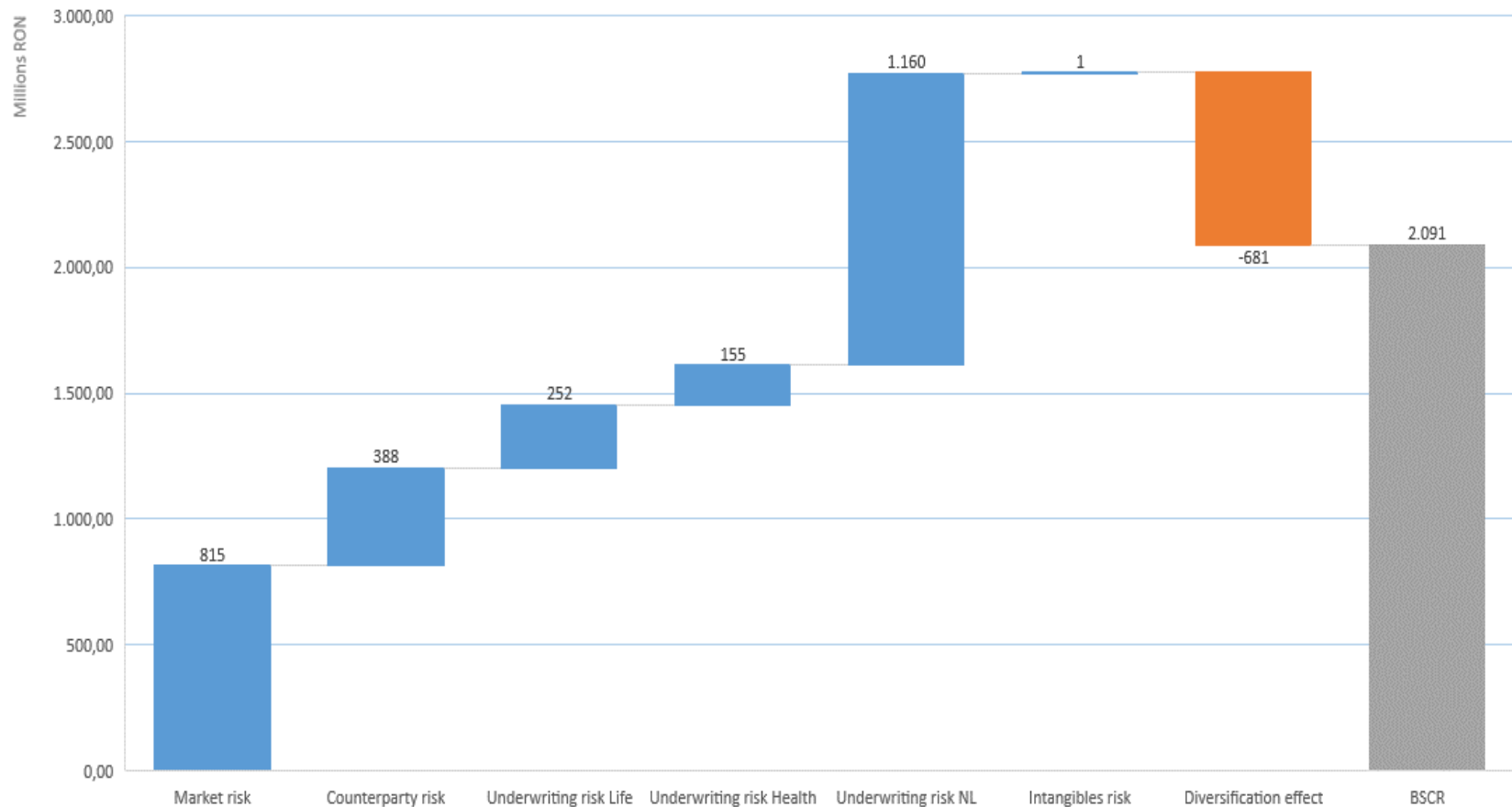
Expected results:

- combating the reactive attitude of the population;
- increasing the insurance coverage percentage
- for insurers - avoiding concentration of risk on geographical areas;
- creating a "safety net".

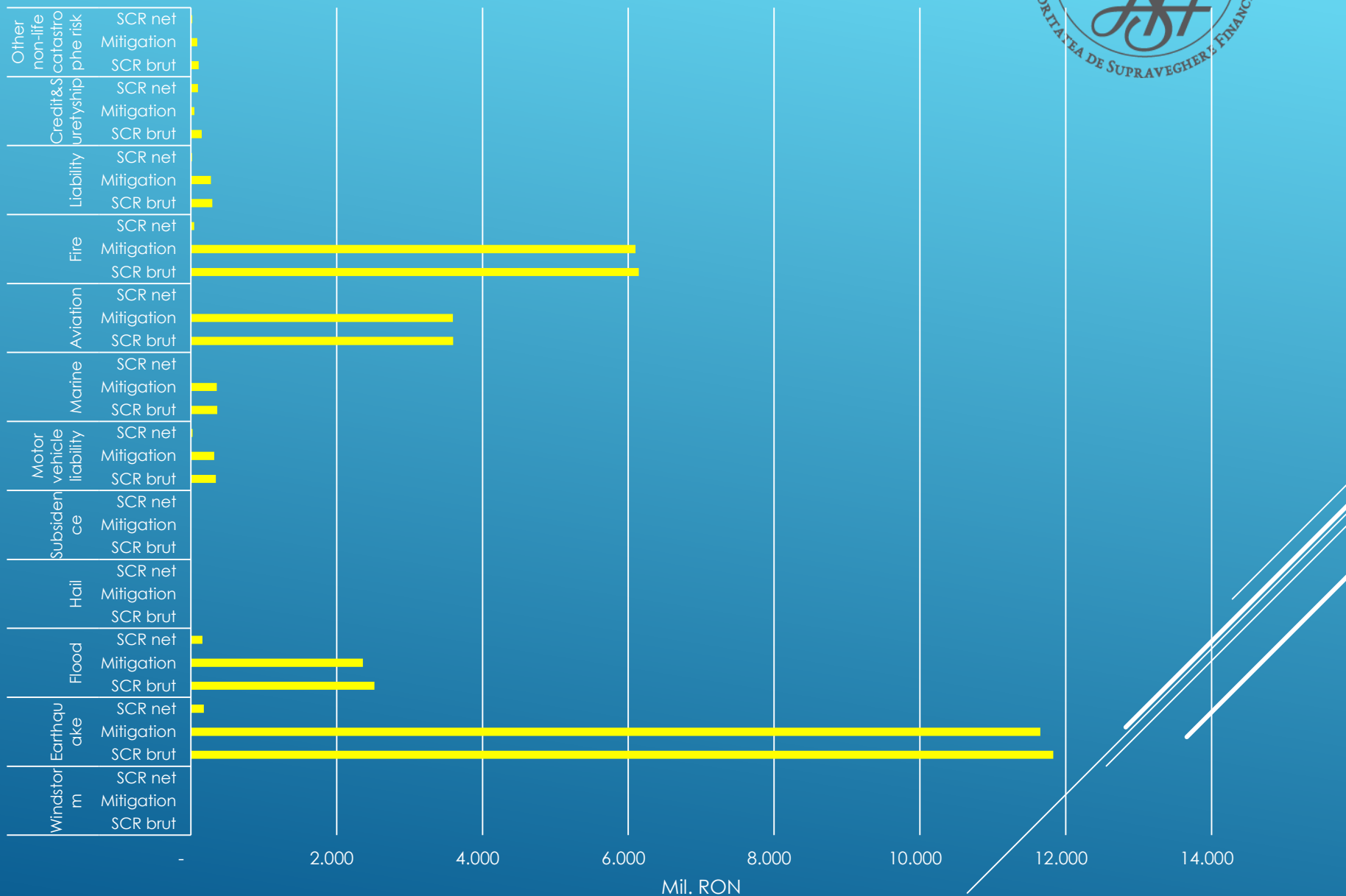
# Risk profile analysis at industry level (31.12.2016)



Risk profile of the Romanian insurance market based on BSCR (31.12.2016)



# NL CAT risk profile (31.12.2016, based on SCR)



# Considerations - The natural disaster risk



How "**insurable**" is the risk of natural disaster, taking into account the tectonic characteristics and seismic activity in Romania?

## Solutions:

- creation of PAID (Romanian Natural Disaster Insurance Pool) with the purpose of ex-ante financing of the risk of natural disaster and reduction of the post-catastrophe effects, as well as avoidance of use of public funds or their reduced use
- reinsurance cession
- alternative risk transfer solutions - CAT bonds
- prevention and protection component

# IMPACT RISKS IN ROMANIA



**Earthquake**  
The seismicity of Romania is clustered in several epicentral zones: **Vrancea**, Fagaras-Campulung, Banat, Crisana, Maramures and Southern Dobrogea. In Vrancea area 2-5 shocks with magnitude **Mw~7** occur per century producing a lot of casualties and severe damage.

**Flood**  
The hydrographic network in Romania consists of **78.905 km** of watercourses. Virtually all floodplains of rivers are prone to flooding. 97.4% of Romania's area is located in the Danube basin.

**Landslide**  
Landslides are quite widespread in Romania. The total area is estimated at **900,000 hectares**. Determining natural factors are: rain, snowmelt, earthquakes, flood



# COMPULSORY NATCAT HOUSING INSURANCE



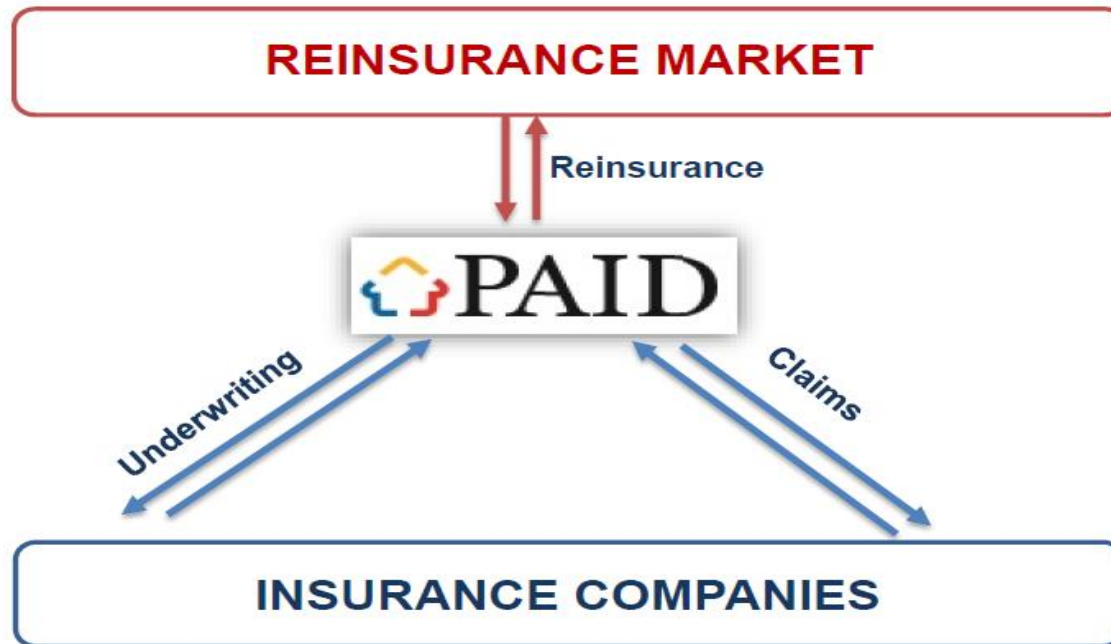
- 8,4 mil. Buildings (2016)
- 1,7 mil. Valid contracts (2017)
- 20 % Degree of insurance coverage

# PAID

(Romanian Natural Disaster Insurance Pool)

is the entity managing CAT risks for the entire housing stock of Romania

## An integrated model between PAID and insurance companies



## Long term goals

- To develop the contingency plan for the entire insurance market in respect of CAT risks on residential property
- To adjust the insurance premium based on actuarial calculations/ imposing a deductible rate
- To develop alternative distribution channels
- To build a solid CAT fund
- To develop a nationwide households database, assigning a unique identification code for each dwelling
- To improve collaboration between PAID and the public institutions engaged in this project

# Challenges

- Decreased awareness on the consequences of an event
- Absence of application of penalties

# Measures

- Proposal for redesigning the actual legal framework
- Advertising campaign for rising awareness
- Alternative sales channels



# Mass Claims Plan



# Mass Claims Plan



## Scope

- Propose and implement the best operational solution for effective and timely payments to our clients in case of a major Nat cat event

## Governance

- Steering Committee – PAID Board of Administrators, PAID Management, UNSAR, ASF, Marsh Risk Consulting
- Working groups - specialists in Risk Management, IT, Reinsurance, Claims, PR, etc.

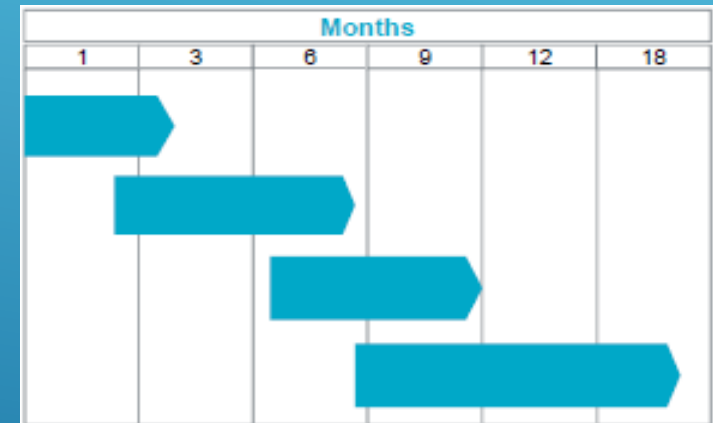
# Mass Claims Plan (2)



Estimated timeline: 18-24 months

➤ The project will be developed in several phases:

- Phase 1: AS-IS →
- Phase 2: – just finalised – TO-BE →
- Phase 3: ROADMAP →
- Phase 4: IMPLEMENTATION →





# Main goals for 2017

- strengthening even further PAID own funds
- maintaining the level of underwriting, given the current Romanian insurance market environment
- extending even more PAID reinsurance programme
- accomplishing and testing the Mass Claims Plan
- implementing PAID's communication strategy to raise awareness of PAD
- keeping as a priority the diligences for amending the mandatory home insurance legislation regarding the introduction of a deductible of the sum insured



# Thank you!



**A.S.F.**

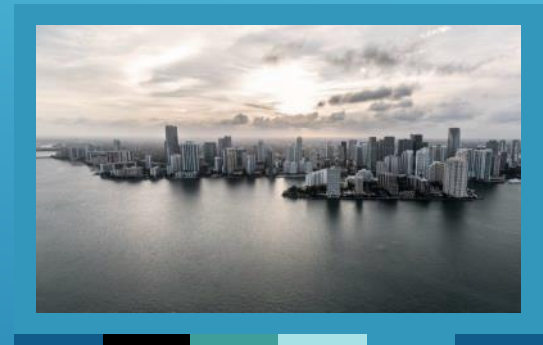
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