

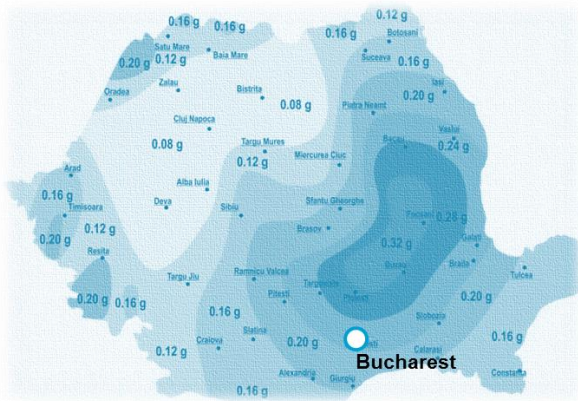
Housing insurance in Romania

PAID - Achievements & Goals

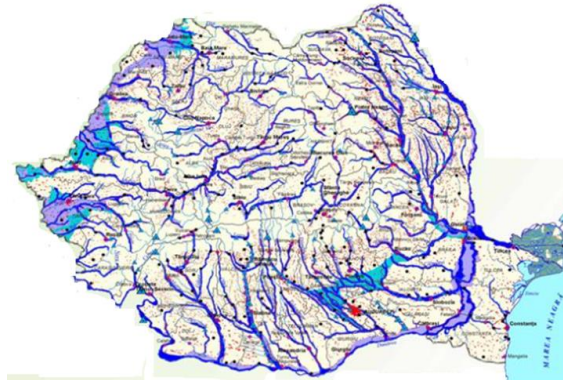
Nicoleta Radu
General Manager

NatCat risks in Romania

Earthquakes



Floods



Landslides



Vrancea – main seismogenic zone, responsible for over 90% of all earthquakes in Romania, releasing over 95% of the seismic energy

Approx. 30% of the national territory exposed to the floods risk

About 800,000 ha and 50,000 household exposed to landslides

NatCat risks in Romania – The '77 earthquake

- 7.2 Richter scale; 56 seconds
- 1,570 deaths (of which, 1,391 deaths in Bucharest)
- 11,300 injured - many of them trapped under the rubble
- 32,897 collapsed or demolished dwellings
- more than 35,000 families left homeless
- 763 industrial plants affected
- Bucharest - 32 blocks of flats and large buildings collapsed, of which 3 new buildings
- the city of Zimnicea was reported in ruins (over 80% destroyed)
- the earthquake caused material losses and victims also in Bulgaria and Rep. of Moldova

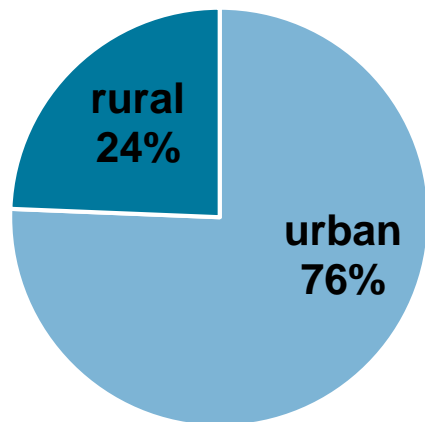
Total Losses - USD 2.05 billion (~1% of GDP)

➤ **70% in Bucharest**

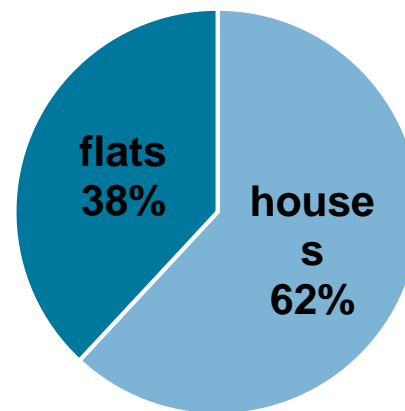
Romanian housing stock

Census	1996	2006/ 1996	2006	2016/ 2006	2016
Population (mil.)	22,96	-2%	22,59	-2%	22,24
No. of dwellings (mil.)	7,81	5%	8,23	8%	8,93

Dwellings by location



Dwellings by category



Romanian housing stock

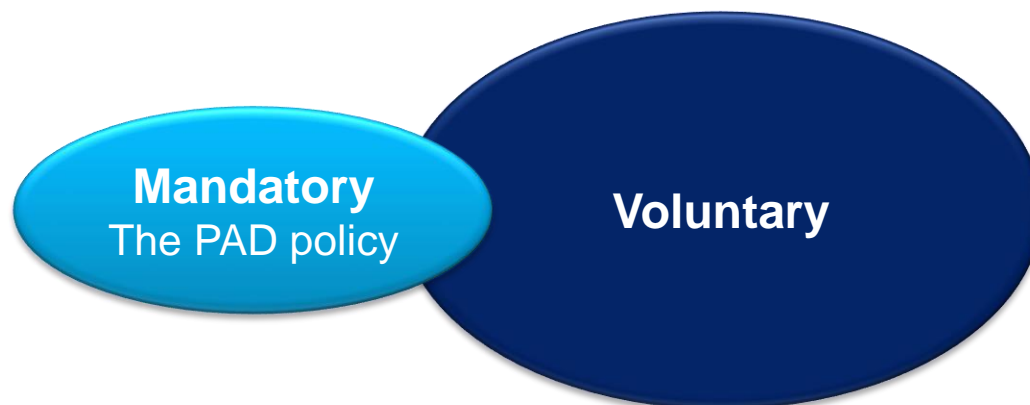
Bucharest	Seismic risk class					Emergency status
	Rsl Public danger	Rsl	RsII	RsIII	RsIV	
Buildings	190	184	302	75	6	1626
Apartments	5363	1276	11070	1781	86	5258

- Rsl - >92%, built before 1940, when there were no seismic construction standards
>50% in buildings with 5-8 stories
- No similar inventory at country level
- Better anti-seismic construction standards than before 1977
- Actual standards – seismic calculations for a Mean recurrence interval of 225 years (probability of exceeding the 20% value of the acceleration in 50 years).

An earthquake similar to the '77 one may cause:

- economic losses up to 1.5% of the Romanian GDP
- **residential damage of about 6 billion EUR**

Romanian property insurance market – housing insurance



MANDATORY

- ✓ Law nr. 260/2008 on compulsory home insurance against earthquakes, landslides and floods
- ✓ **PAID** – The Insurance Pool against Natural Disasters established in November 2009 – first policy issued in 2010

VOLUNTARY

- ✓ Regular fire insurance policies, with selected NatCat perils coverage included
- ✓ Voluntary policies may be bought **ONLY** if there is a PAD policy issued for the same property

About PAID

- Romania is one of the European countries significantly exposed to natural disasters, especially earthquakes and floods, which cause loss of life and damages with major social and economic impact.
- PRAC (the Romanian program for catastrophe insurance) was a project financed by the World Bank and its result was a new law in the Romanian legislation (no. 260/2008).
- The pool was formed by an association of insurance companies in order to provide Romanian homeowners with compulsory home insurance in accordance with the provisions of Law no. 260/2008.
- PAID is the only pre-event established pool.
- PAID was officially established on 5th November 2009 and received authorization of the Insurance Supervisory Commission on 28th December 2009, first policy being issued on 15 July 2010.
- Current penetration rate is approx. 19%.

About PAID

According to law, PAID covers three specific risks within Romania, being:

- Earthquake
- Flood
- Landslide

Two types of policy are offered by PAID, being 'type A' and 'type B'.

- Type A: policy limit of EUR 20,000 per dwelling /premium EUR 20
- Type B: policy limit of EUR 10,000 per dwelling /premium EUR 10

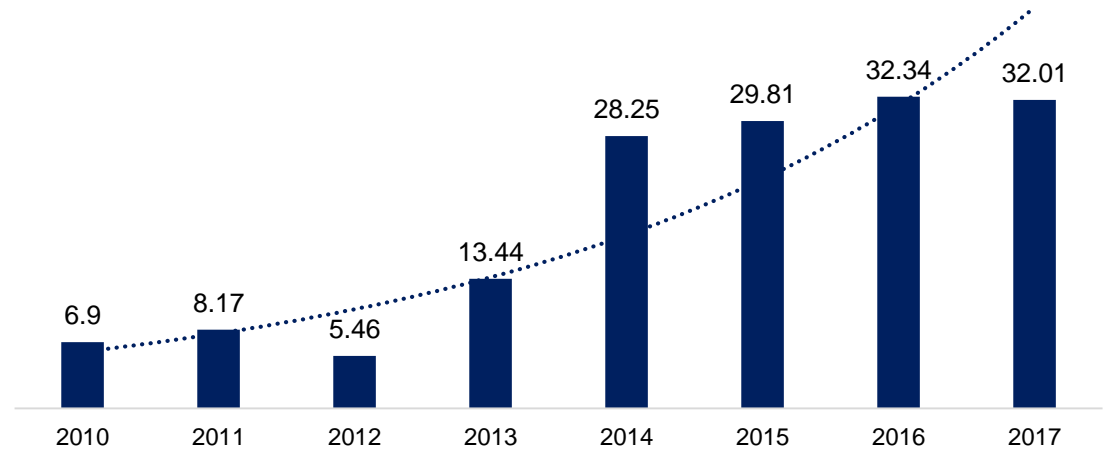
Coverage type depends on the type of property, with generally the properties of more basic construction being covered by Type B policies.

Currently more than 90% of the policies in the portfolio are Type A policies.

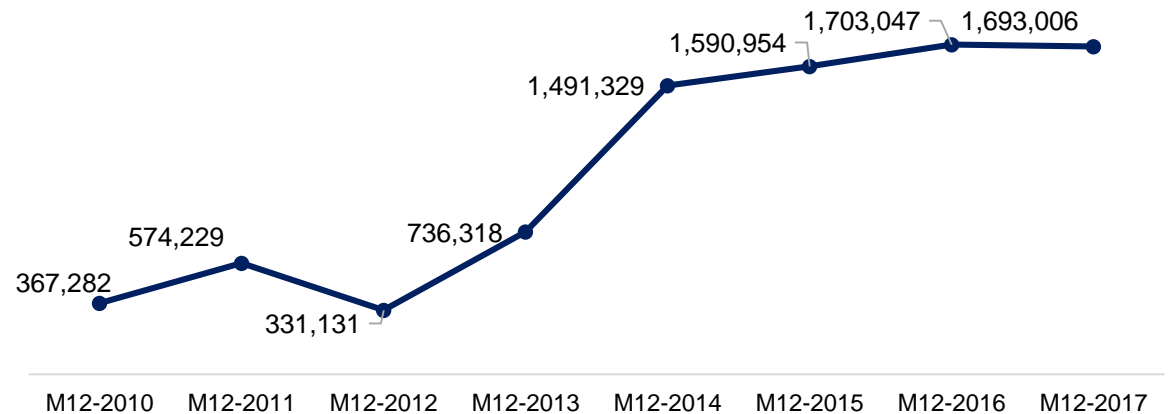
The coverage is on first loss basis and there is no deductible.

2017 in the mandatory insurance

■ GWP(EUR)



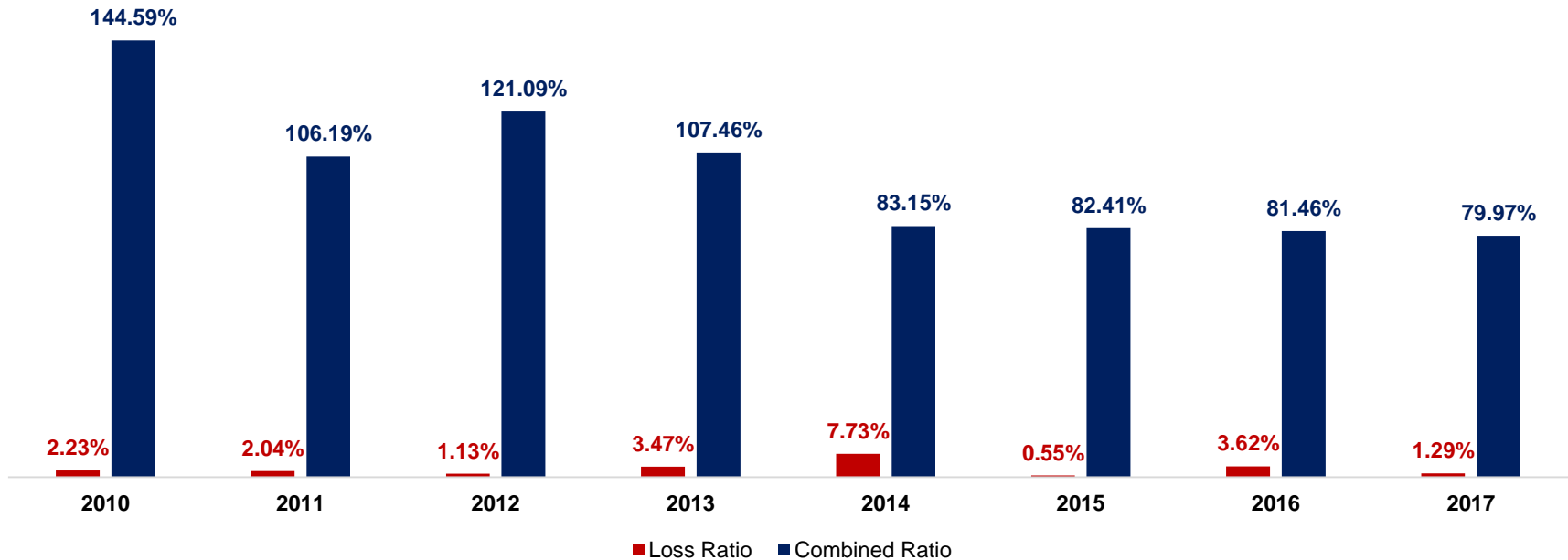
■ Portfolio development



450% increase in our business since inception

Capital strengthening

Combined ratio



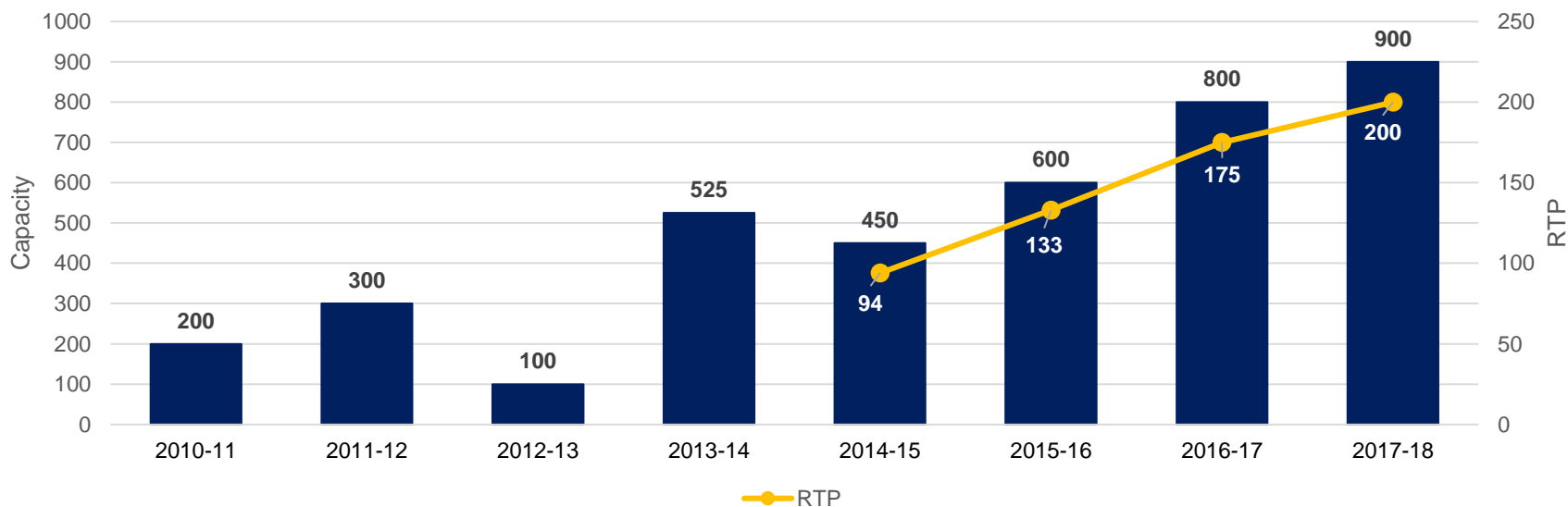
Combined ratio decreased by 65% since 2010
Very low and constant level of loss ratio over the years, average of 2,76%

2017 Solvency Ratio: 205%

Reinsurance programme

- ✓ The largest single territory buyer of reinsurance in CEE
- ✓ 71% higher protection than the level required by SII
- ✓ The biggest cost for PAID – reinsurance being the main “core” of PAID business

Reinsurance capacity (mil. EUR) vs RTP*



*estimated figures calculated based on the most exposed month of the year

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, UNSAR, ASF, Marsh Risk Consulting
- ✓ **Estimated timeline:** 18-24 months

The project is developed in several phases:

Phase 1: AS-IS

Phase 2: TO-BE

Phase 3: ROADMAP → in progress

Phase 4: IMPLEMENTATION

IT system and processes optimization

- ✓ **Implementing a new IT platform**
 - we are constantly assessing and mitigating the operational risks
 - we are constantly reviewing our IT system framework
- ✓ **Data quality optimization**
 - the impact of better data quality led to more granular risk assesment

Main goals for 2018

- ✓ Strengthening even further our own funds
- ✓ Increasing of the penetration rate for mandatory insurance
- ✓ Maintaining an adequate reinsurance protection, at least 1:200 RTP according to RMS Model
- ✓ Accomplishing and testing the Mass Claims Plan
- ✓ Implementing PAID's communication campaign to raise awareness of mandatory policy necessity

Thank you!