
INSURANCE AT THE MUNICIPAL LEVEL

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EUROPA RE LTD

- Europa Re was established in 2009 as the implementing agency of the World Bank Project SEEC CRIF (South East Europe Catastrophe Risk Insurance Facility).
- In 2014 it became a licensed Swiss-based reinsurer.
- In 2016 SEE CRIF Project was further expanded to Central Asia.
- Europa Re founders and main shareholders are the governments of South Eastern Europe: Serbia, Macedonia and Albania and its main supporters are the World Bank, European Union, United Nations, Swiss State Secretariat for Economic Affairs (SECO) and the Global Environmental Facility (GEF).
- Europa Re is known as a unique model of cooperation among states in the region, global institutions and the private sector.

WHY INSURANCE AT THE MUNICIPAL LEVEL?

- Current insurance penetration against catastrophe risks is very low – both in Serbia and in the region due to various reasons.
- In order to enable fast liquidity of the municipality after catastrophe events, Europa Re, together with local insurance players, has developed the following products which provide coverage at the municipal level:
 - Agriculture insurance - Area Yield Index Insurance (AYII)
 - Flood insurance
 - Earthquake insurance

AGRICULTURE INSURANCE AT THE MUNICIPAL LEVEL

- Agriculture is the sector in economy which is the most prone to adverse weather conditions. One of the biggest risks affecting agriculture production in Serbia is drought. At the same time, insurance against drought almost does not exist.
- Having in mind the above, Europa Re has developed a new insurance model which provides coverage against all climatic, naturally occurring and biological perils - an "all risks" loss of yield policy called Area Yield Index Insurance (AYII).
- The product works at the municipal level. The Municipality chooses type of crops, insured area and level of insurance coverage that fits the local budget. In case of a drop in yield below average historical yield (due to any climatic, biological or natural risk), insurance payout is made.
- The process of claims settlement is very fast and transparent and no loss assessment of individual fields is needed. The policy pays when the actual yield for that season announced by the State Statistical Office is below the insured yield stated in the policy.
- The first municipal Area Yield Index Insurance policy issued in the Republic of Serbia to a local government entity under the World Bank SEE CRIF Project was to Municipality of Sremska Mitrovica.

AYII IN PRACTICE



- Municipality decides what are strategic crops whose production it wants to protect;
- Municipality decides what is the budget available;
- Municipality decides what is the level of drop of yield that makes farmers growing strategic crops in the municipality to experience difficulties in continuing agriculture production after a bad year.

Based on the above parameters the final structure of the coverage is decided and modeled.

FLOOD INSURANCE AT THE MUNICIPAL LEVEL

- In cases of natural disasters state/local governments assume most of financial costs.
- Europa Re has developed a product which is available through local insurance companies to local governments with a view to compensate a part of budgetary expenditure of local government in the event of a catastrophic flood, which occurs within the administrative boundaries of the municipality.
- Damage caused by floods to residential dwellings within the administrative borders of insured municipality is measured by the percentage of flooded area out of the total area of the municipality. The insurance payout is triggered automatically once the footprint of flooded area within the municipality exceeds the minimum threshold defined by the contract. Large municipalities are divided into flood zones based on the topography elevation. The same above described method is then applied to individual flood zone.

FLOOD INSURANCE IN PRACTICE



- Municipality defines what is a catastrophic loss for the municipality against which it wants to be protected (determined as % of the municipal budget);
- Municipality defines what are the funds available to buy insurance protection;
- Based on the above parameters the final structure of the coverage is decided and modeled.

EARTHQUAKE INSURANCE

- Earthquakes are among natural catastrophes which cause the most devastating damage to individual properties, communities and states.
- They don't happen often but when they happen, they are well remembered.



EARTHQUAKE INSURANCE AT THE MUNICIPAL LEVEL

- In order for local governments to quickly restore municipal services, help victims and meaningfully contribute toward reconstruction of destroyed public and private assets and crops Europa Re has developed a parametric earthquake insurance at the municipal level.
- It is an insurance against potential financial losses caused by an Earthquake in which case insurance payment is made to the municipality based on the level of damage determined based on the photos taken from the air and from the ground.

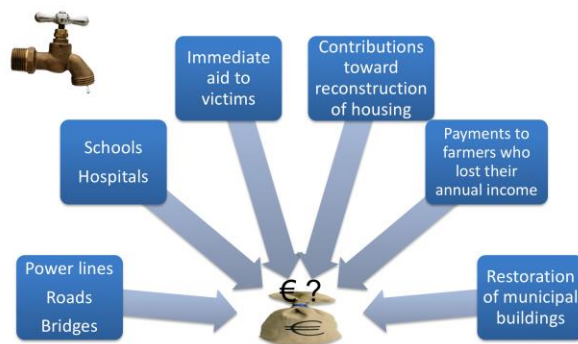


EARTHQUAKE INSURANCE IN PRACTISE

- Municipality defines what is a catastrophic loss for the municipality against which it wants to be protected (determined as % of the municipal budget).
- Municipality defines what are the funds available to buy insurance protection.
- Municipality decides what is the reference portfolio which is the basis for the insurance coverage structure.
- Based on the above parameters, the final structure of the coverage is decided and modeled.

INSURANCE AT THE MUNICIPAL LEVEL IN PRACTICE - CHALLENGES

- Municipalities face budget constraints and don't have enough funds to protect its citizens against all catastrophe risks to which the municipality is prone to.
- Therefore, municipalities either opt for a lower coverage or decide not to buy any coverage at all – hoping for an assistance from the central government in case of a catastrophe event.
- A systemic approach which would assure insurance at the individual, municipal and national level is needed.



THANK YOU FOR YOUR ATTENTION!

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