Baden-Baden Reinsurance Symposium Explores Ways of Bridging Protection Gap

London, October 24, 2016 – Guy Carpenter & Company, LLC, a leading global risk and reinsurance specialist and a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), hosted the Reinsurance Symposium in Baden-Baden on October 23. The eighth year that the firm has hosted the event, the theme this year was "Bridging the Gap – Is the industry doing enough to attract risk from the public to the private sector?"

The Symposium speakers featured industry specialists providing their expert views on key aspects of the challenge, including:

• the impact of climate change;
• how ecological change affects societal resilience;
• the implementation of Flood Re, the industry’s UK solution for flood risk; and
• the critical role of the market in partnering with Government and public entities to reduce the protection gap.

“Bridging the Gap” was introduced by Nick Frankland, CEO of EMEA Operations at Guy Carpenter, and Chris Klein, Head of EMEA Strategy Management at Guy Carpenter, moderated the event. Expert presentations were made by: Emmett Soldati, Chief Product Officer at Weather Analytics; Brendan McCafferty, CEO of Flood Re; and Martyn Parker, Chairman of Global Partnerships at Swiss Re.

In his opening comments, Mr. Frankland outlined the daunting scale of the protection gap and urged the industry to capitalise on its unique risk understanding to reduce the financial burden on Governments, stating: “the Protection Gap presents a great opportunity for the insurance and reinsurance industry and it extends far beyond the catastrophe segment. There are challenges of new risks in other areas including technology, science, medicine, climate change, population growth, food security and urbanisation.”

Commenting further on enhanced risk management capabilities, Mr. Frankland said: “Some of these risks are very complex or little understood, but today we have a better understanding of risk than at any time in history. We have better science, data and analytics, and tools to understand, measure and price risk. Guy Carpenter is already in discussions with the relevant bodies within the European Union.”

Highlighting the need to shift the focus from climate change to ecological change, Mr. Soldati addressed the key role played by information, and the sharing of that information, in driving resilience. He said: “We need to move beyond the debate about how the climate is changing and
what is causing this, and instead focus on ecological change. Ecological change highlights the other side of the climate equation – geography, technology, and human behaviour – and puts it in context where it matters when we think about perils and hazards; because at the end of the day all risk is local.”

He added: “The key to resilience – which is not simply about insuring against and recovering after losses, but is also about protecting and mitigating against those losses – is to recognise that information, and the transfer of that information down to the local level, is central to our ability to respond to this change. We need to empower local actors – be they policyholders, municipalities or brokers – with better information to be able to respond. This is how we can work together to close the gap.”

Providing a powerful example of how industry and Government can collaborate effectively to tackle these issues head on, Mr. McCafferty discussed the Flood Re initiative: “Flood Re is a successful working example of how risk transfer from Government and the retail insurance sector to the global reinsurance markets can underpin the delivery of an insurance solution for hundreds of thousands of consumers in need of insurance protection. Flood Re demonstrates that where there’s a will, there’s a way, and that complex and sensitive issues can be dealt with when policymakers are open minded to innovative solutions. Flood Re has taken the concept of national catastrophe pools and created a solution that benefits policyholders every day, not just when the worst happens.”

Tackling the specific challenges of facilitating the efficient transfer of risk from the public to the private sector, Mr. Parker provided insight into how Swiss Re had worked to promote greater interaction between the parties. He said: “Swiss Re has been exploring public sector business through a dedicated team since 2011. Pioneering work is always tough at the outset, but we've built a considerable track record and learned a great deal. The role insurance plays as a partner to Governments and public sector entities is building, particularly when it comes to providing intelligent contingency financing for catastrophe events.”

He continued: “Ultimately insurance supports Governments to manage risk resilience and fiscal planning – enabling them to save lives and protect infrastructure, limiting damage to their entire economy. Strong insurance penetrations and resilience planning allows the quickest economic recovery post disaster – that's attractive to investors and businesses.”

Bringing the discussion to a close, Mr. Klein explained how public private partnerships are of mutual benefit to all parties. He concluded: “Each year at Monte Carlo we seem to talk about the negative effects of an excessive supply of reinsurance capacity. Today, we have once again demonstrated how we can put that capital to good use for the broader benefit of society. Everyone wins when we work together to provide effective solutions to the public sector.”

TAGS/KEYWORDS
Guy Carpenter, Nick Frankland, Chris Klein, Emmett Soldati, Brendan McCafferty, Martyn Parker, Weather Analytics, Flood Re, Swiss Re, public private partnerships, protection gap, reinsurance

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