



# **Strengthening country capacities:**

## **Insurance sector monitoring and macro-prudential surveillance**

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# Outline



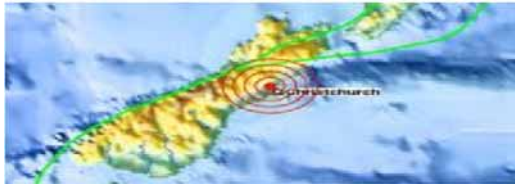
1. Strengthened countries via insurance?
  - A real life example from two islands
2. Macroprudential surveillance
  - An illustration in light of natural catastrophes
3. Economic growth and insurance
  - New findings on the GDP growth
4. National insurance regulation and supervision
  - How the International Association of Insurance Supervisors (IAIS) provides support



# 1. Strengthened countries via insurance?

## A real life example from two islands

New Zealand



Haiti



<b>Similarities</b>	<b>New Zealand</b>	<b>Haiti</b>
Earthquake 2010	Richter 7.0	Richter 7.0
City affected	Christchurch	Port-au-Prince
Direct losses	\$6.5 bn	\$8.0 bn



# Strengthened countries via insurance?

New Zealand



Haiti



<b>Differences</b>	<b>New Zealand</b>	<b>Haiti</b>
Fatalities	0	220'000
Destruction / GDP ( <i>stock</i> )	- 9%	- 121%
Growth impact ( <i>flow</i> )	+ 0.2%	- 5.1%
Insurance coverage	81%	Less than 1%



# Conclusions from the real life example

## Two islands – a world apart?

Insurance coverage: significant differences

- Availability of insurance / reinsurance is essential
- Weight of additional factors

Regulation and supervision

- Importance of IAIS Insurance Core Principles (ICPs)
- Significance of international cooperation among supervisors and regulators, including recognition



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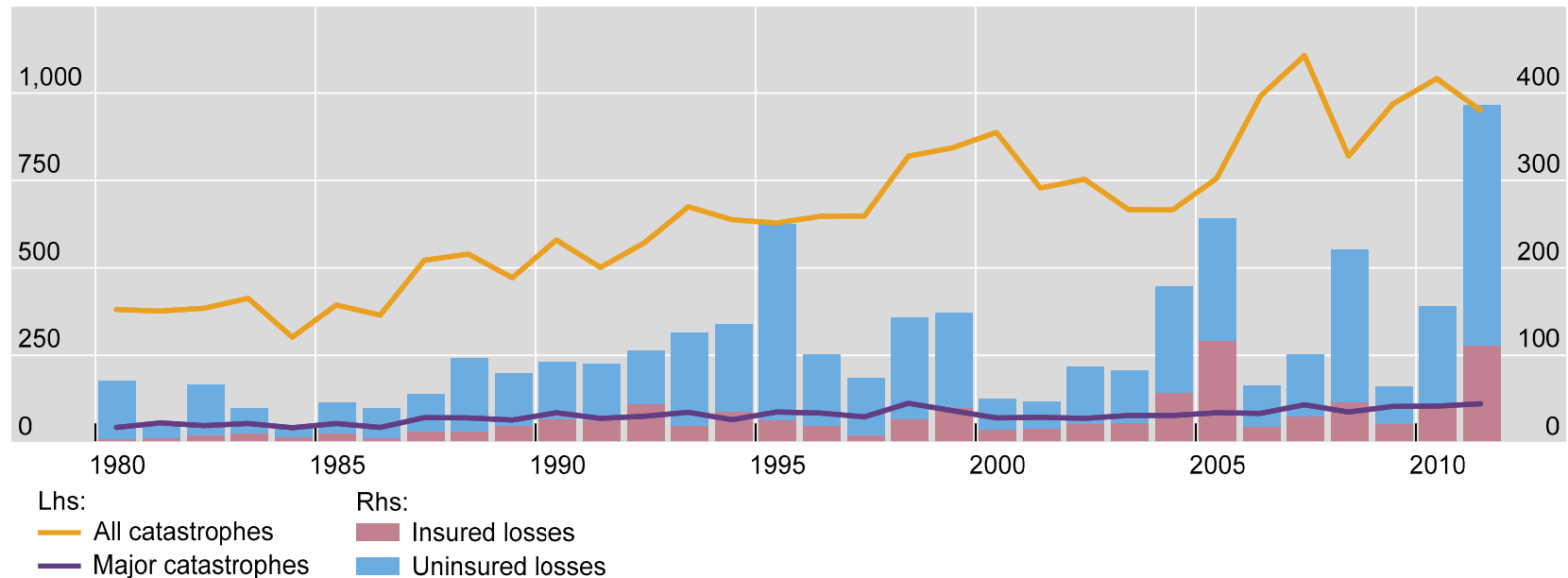


# Natural catastrophes

## Frequencies and losses

All natural catastrophes  
Frequency

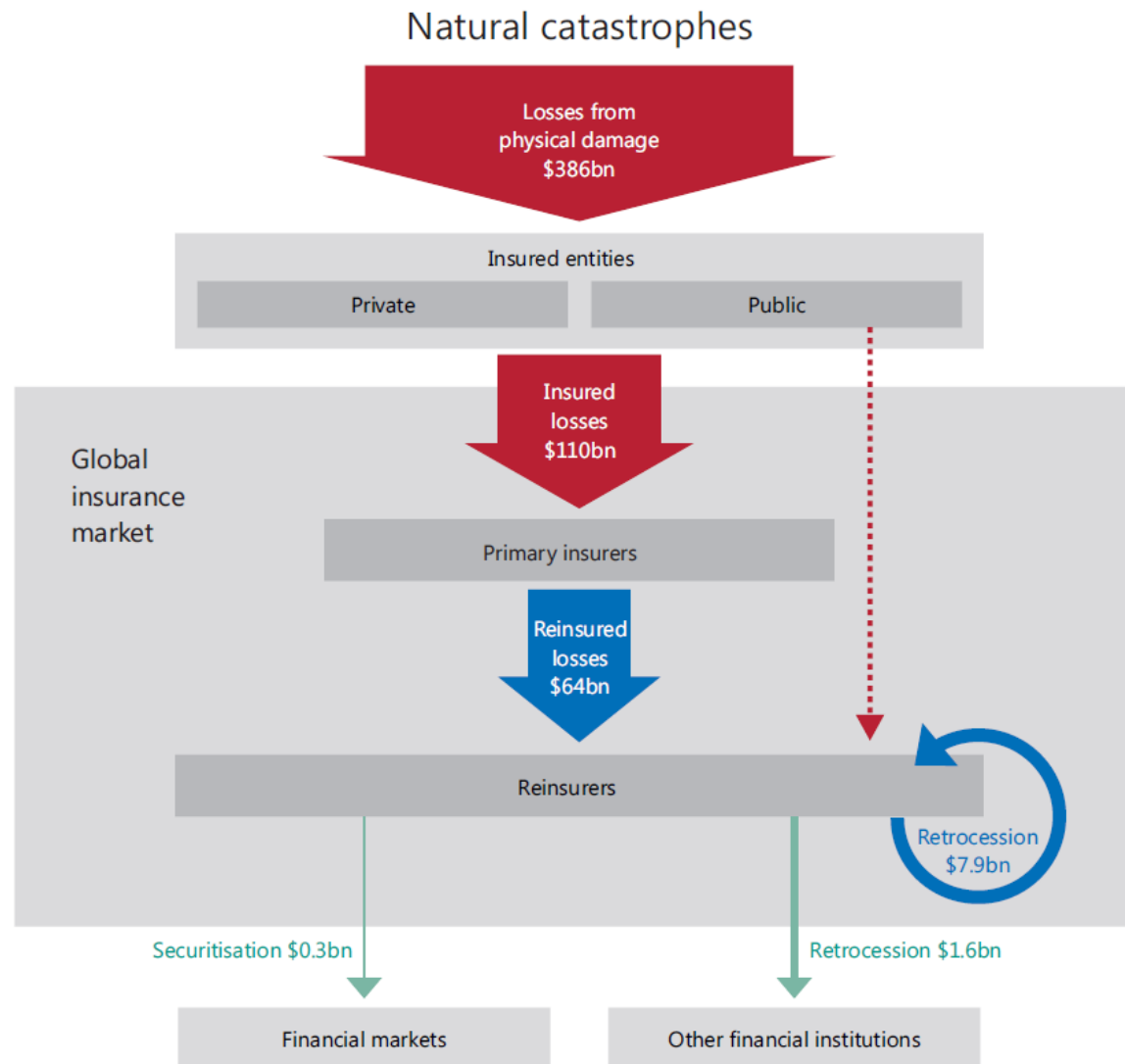
USD bn



Sources: Centre for Research on the Epidemiology of Disasters EM-DAT database; MunichRe NatCatSERVICE; authors' calculations.



# Catastrophe risk transfer

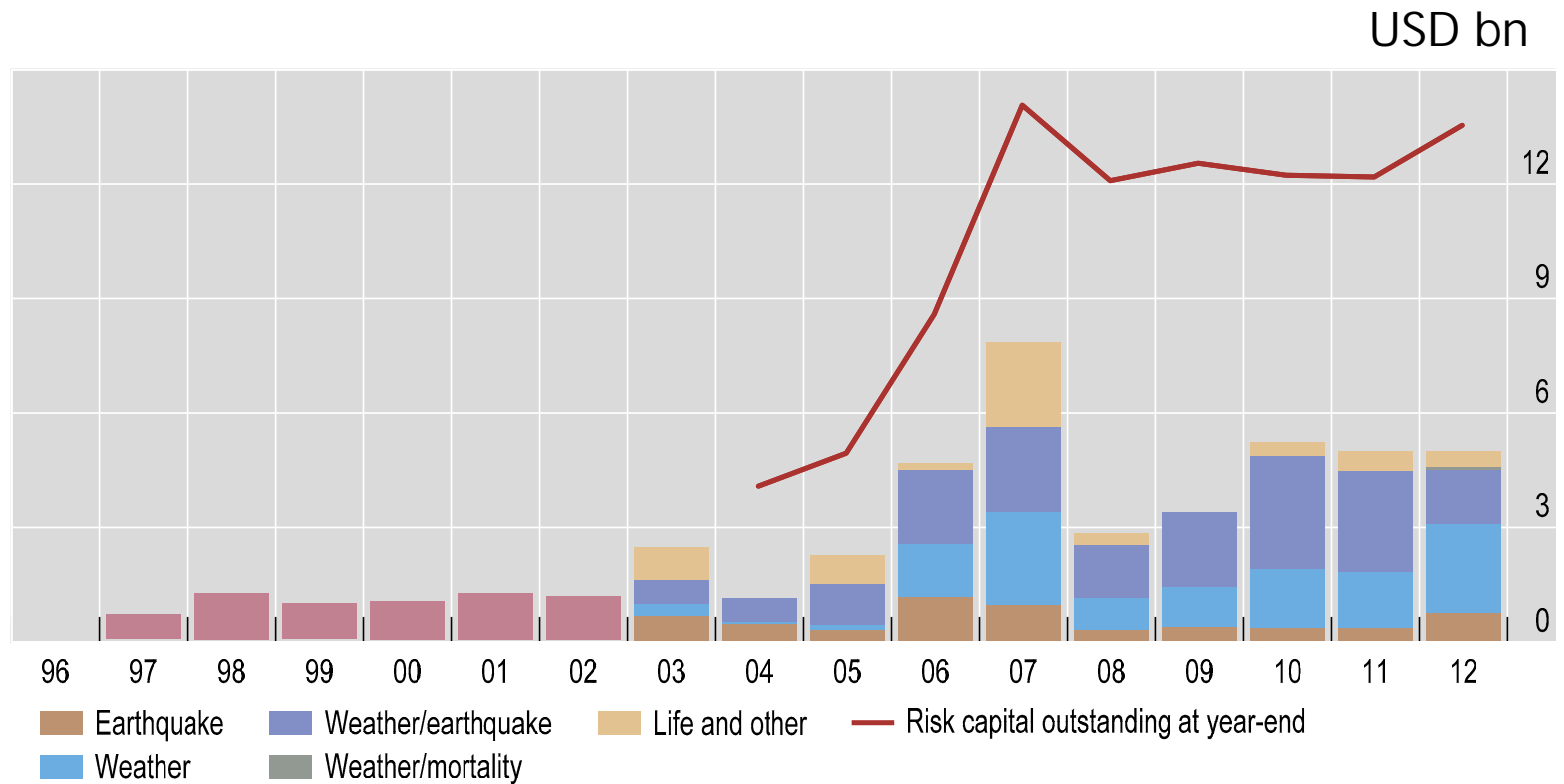






# Catastrophe bond issuance

## By type of risk



Sources: Artemis; Guy Carpenter.

Compare also: [http://www.bis.org/publ/qtrpdf/r\\_qt1212e.pdf](http://www.bis.org/publ/qtrpdf/r_qt1212e.pdf)



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### 3. Economic growth and insurance

#### **New findings on the GDP growth (our study)**

- (1) Natural catastrophes: negative effect  
*on economic growth* (country)
- (2) Natural catastrophes *plus* sufficient  
(re)insurance coverage: positive effect  
– or reduced negative impact –  
*on economic growth* (country)

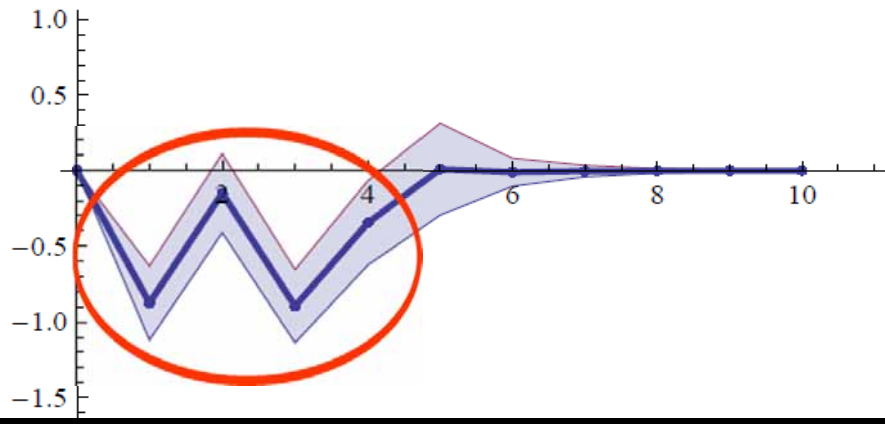


# Risk transfer ...

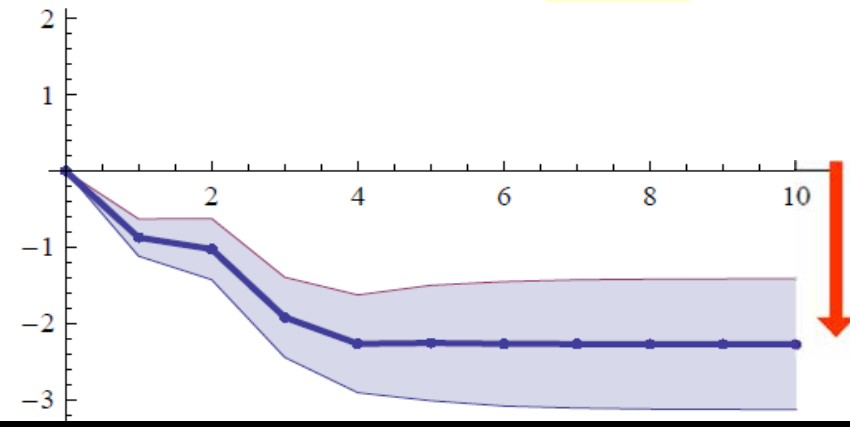
... and macroeconomic implications?

- Deviation from average growth rate (y-axis)
- Development over time, 0-10 years (x-axis)

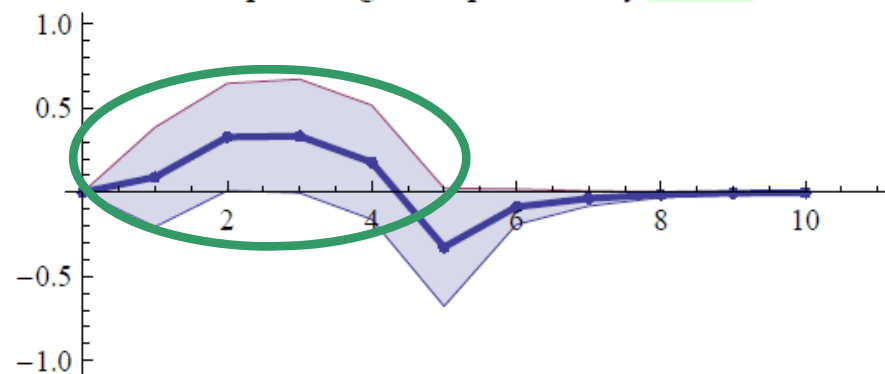
Impact on growth path if **uninsured**



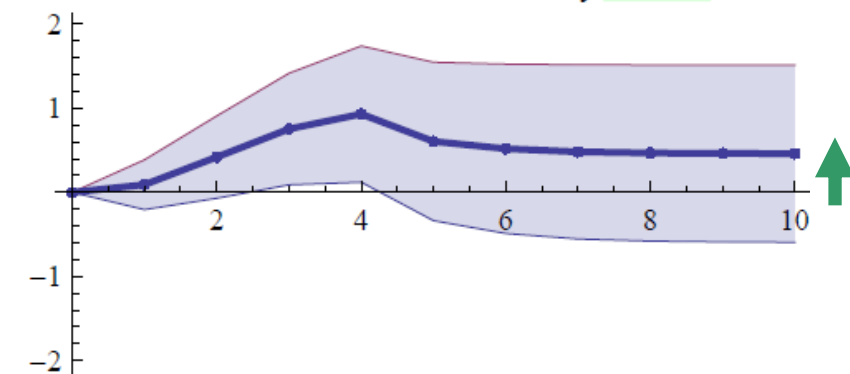
Cumulative effect if **uninsured**



Impact on growth path if fully **insured**



Cumulative effect if fully **insured**

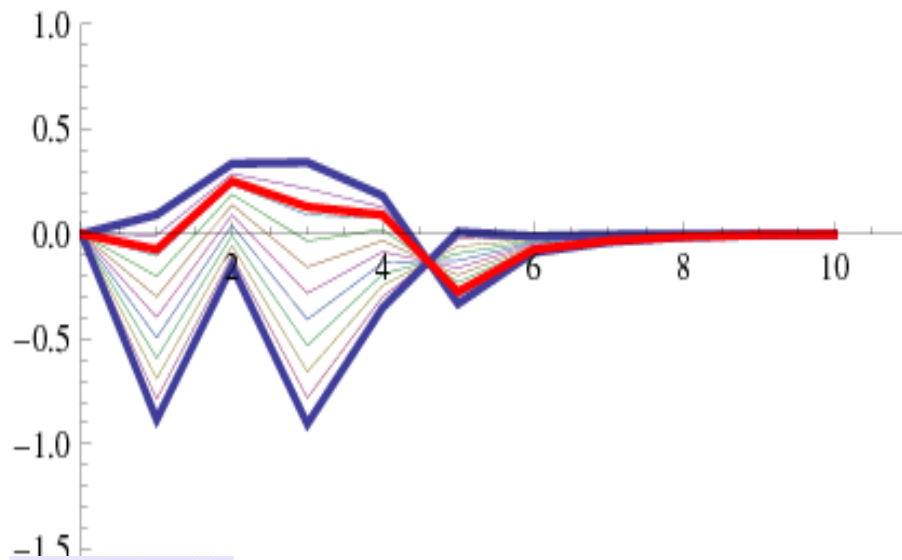




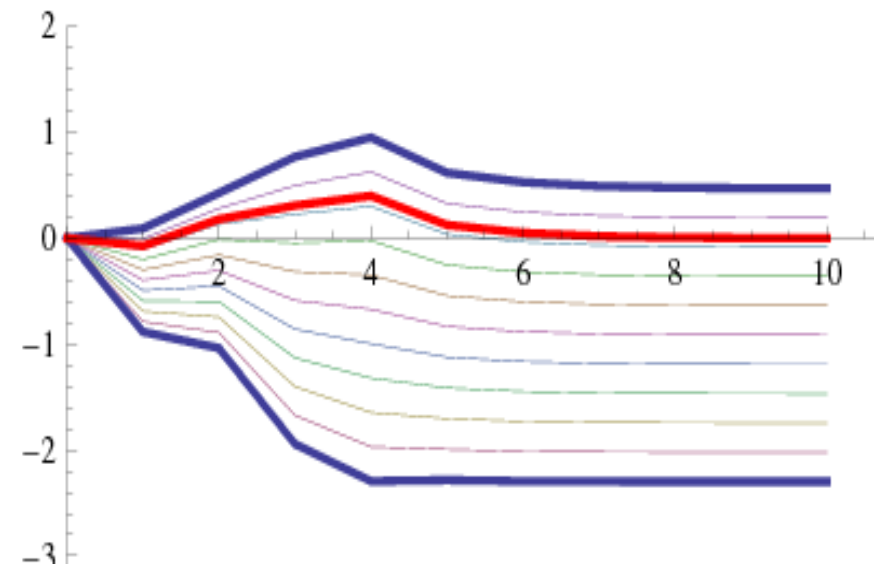
# Post catastrophe growth (GDP) ...

... at different levels of insurance:

Impact on growth path



Cumulative effect on GDP



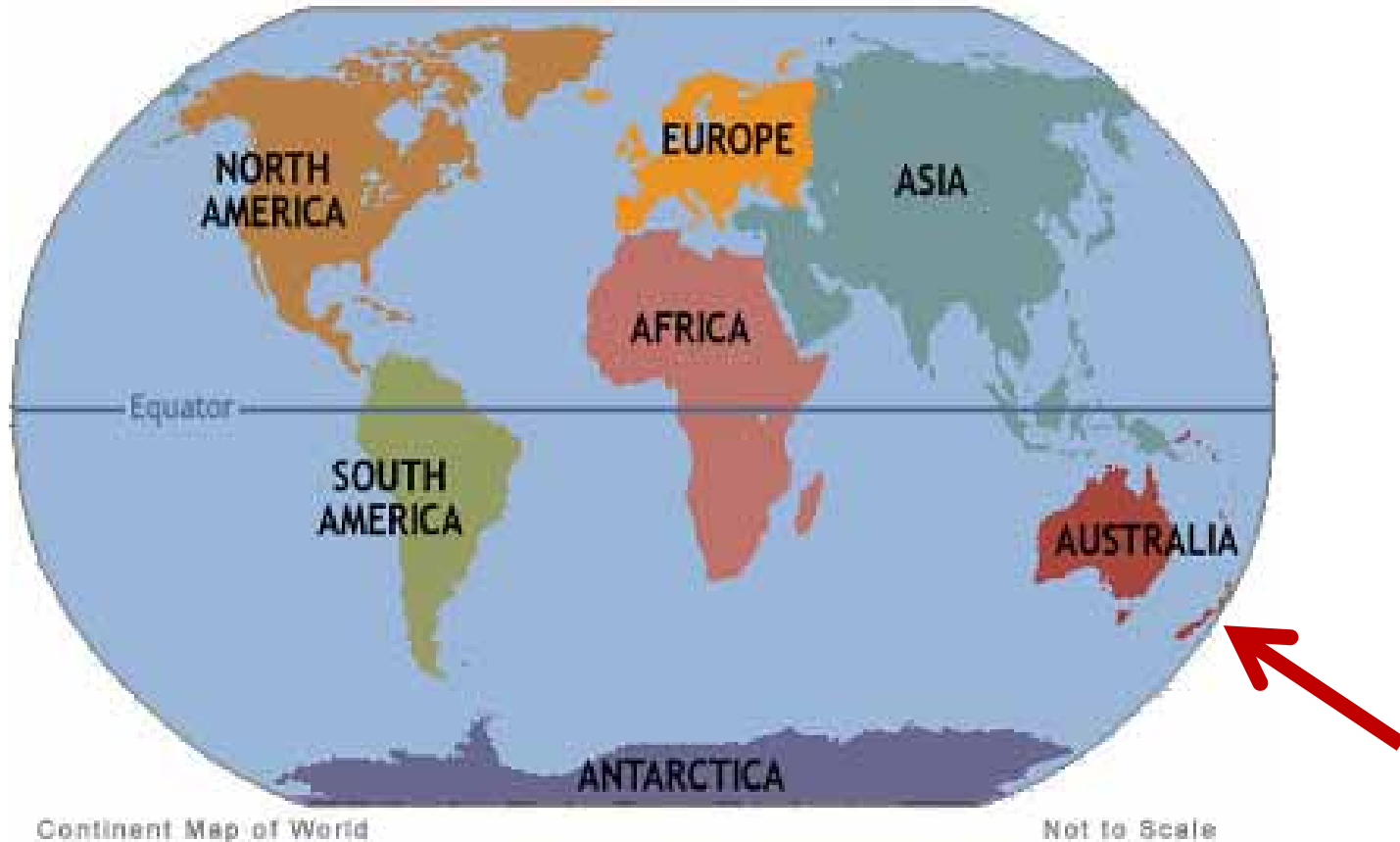


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# Catastrophe risk diversification



## New Zealand

– how and why did the rest of the world «help»?



# Summary

## Results highlight the importance of

1. Microprudential and macroprudential dimensions for insurance supervisors
2. Links between economic growth, (re)insurance, and regulation
3. Appropriate worldwide risk transfer as a significant element





# Insurance sector monitoring and macro-prudential surveillance

## Recommended publications:

A. «Macroprudential policy and surveillance in insurance»

*Link:* <http://www.iaisweb.org/Financial-Stability-Macroprudential-Policy-Surveillance-988>

B. «Unmitigated disasters? New evidence on the macroeconomic cost of natural catastrophes»

*– joint work by IAIS, IMF and BIS economists*

*Link:* <http://www.bis.org/publ/work394.pdf>

C. «Catástrofes naturales y el reaseguro mundial:  
¿cuáles son sus vínculos?»

*– joint work by IAIS, and BIS economists*

*Links:* [http://www.bis.org/publ/qtrpdf/r\\_qt1212e.pdf](http://www.bis.org/publ/qtrpdf/r_qt1212e.pdf) (English)

[http://www.bis.org/publ/qtrpdf/r\\_qt1212e\\_es.pdf](http://www.bis.org/publ/qtrpdf/r_qt1212e_es.pdf) (Spanish)



# Thank you!

## Questions?

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