



INSURING FUTURE CLIMATE CHANGE

Oslo 3 – 4 November 2008


Natural Catastrophe Risk Management Policy in Norway



Compensation for damage due to natural disaster

Already in 1918 a Norwegian insurance company launched a cover for damage to buildings due to natural disaster. This was a voluntary cover only bought by people in the areas exposed to natural perils - and therefore not profitable business for the company.

The Government helped sufferers by tax relief and help from the military forces.



Norway has two arrangements for compensation for damage due to natural disaster

- Before climate change was on the agenda in Norway it was provided by statute to establish arrangements to compensate natural losses.
- The Norwegian National Fund for Natural Damage Assistance was established by the Act on Natural Damage of June 9th 1961 by the Government.
- The Norwegian Natural Perils Pool was founded in December 1979 by amendments to the Act on Insurance Contracts by the Norwegian Insurance Companies and the Ministry of Justice.

Compensation for damage due to natural events paid by the State



The National Fund for Natural Damage Assistance

- To provide compensation for natural damage in those cases where insurance against such damage is not available through ordinary insurance arrangements
- to promote protection against natural damage
- to provide support for protection measures
- The Fund may not provide compensation in cases where the damage is actually covered by an insurance policy

Compensation for damage due to natural events paid by insurance

Norsk Naturskadepool

Norwegian Natural Perils Pool

- The activity of the Norwegian Natural Perils Pool is authorized in Act no. 70 of 16 June 1989 related to natural disaster insurance with amendments, last Act no. 98 of 17 December 2004 and Rules for the Norwegian Natural Perils Pool established by Royal Decree of 21 December 1979 with subsequent amendments set forth by the Ministry of Justice.
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- According to the Rules § 2, the purpose of the Norwegian Natural Perils Pool is to be a liaison between the participants in the Pool and the Norwegian National Fund for Natural Damage Assistance. The Pool settles the natural disaster damage compensation between the companies and ensures the reinsurance cover of Norwegian natural disaster insurance.



Organisation of the Pool

- A Board consisting of 8 members with personal deputies
- Committees:
The Liaison Committee,
the Claims Committee,
the Audit Committee,
the Reinsurance Committee,
the Premiums Committee.
- Administration



Compulsory cover

- The cover is a compulsory part of all fire insurance of objects and property in Norway
- All insurance companies – also foreign companies – writing fire insurance in Norway are obliged to become members of the Pool
- As per 1 July 2007: 79 members

Conditions

- Objects and property in Norway that are insured against damage caused by fire, are also insured against natural disasters, unless the damage to the object or property in question is covered by other insurances.
- Exclusions:
Forests or crops prior to harvesting, goods under transport, motor vehicles and their trailers, aircraft, ships and small boats with their contents, fishing equipment on vessels or in the sea used for production of fish, fish in nets, fish keep or dam, equipment for exploration and production of oil, gas or other natural resources on the seabed
- The compensation may be reduced if the damage is wholly or partly due to faulty constructions, insufficient maintenance etc.

Premiums and claims

- The insurance companies collect the premium (specified separately in the policy) and settle the claims
- The Pool equalize the overall compensations between the companies according to their market share of fire insurance in Norway.
- If the natural perils insurance implies a surplus for a company, this shall be allocated to a disaster fund.



Premium, Capacity and Deductible

- Premium rate:
0.11 per mille of the sum insured (1th January 2009 0.1 per mille)
- Limit per event:
NOK 12,500,000,000
- Deductible:
NOK 8,000 per insured per event

Reinsurance

- The Pool's retention: NOK 600,000,000

1 layer	NOK 1,000,000,000 xs NOK 600,000,000
2 layer	NOK 1,400,000,000 xs NOK 1,600,000,000
3 layer	NOK 3,000,000,000 xs NOK 3,000,000,000
4 layer	NOK 6,500,000,000 xs NOK 6,000,000,000
Total	NOK 12,500,000,000



The nature of risks Norway is exposed to:

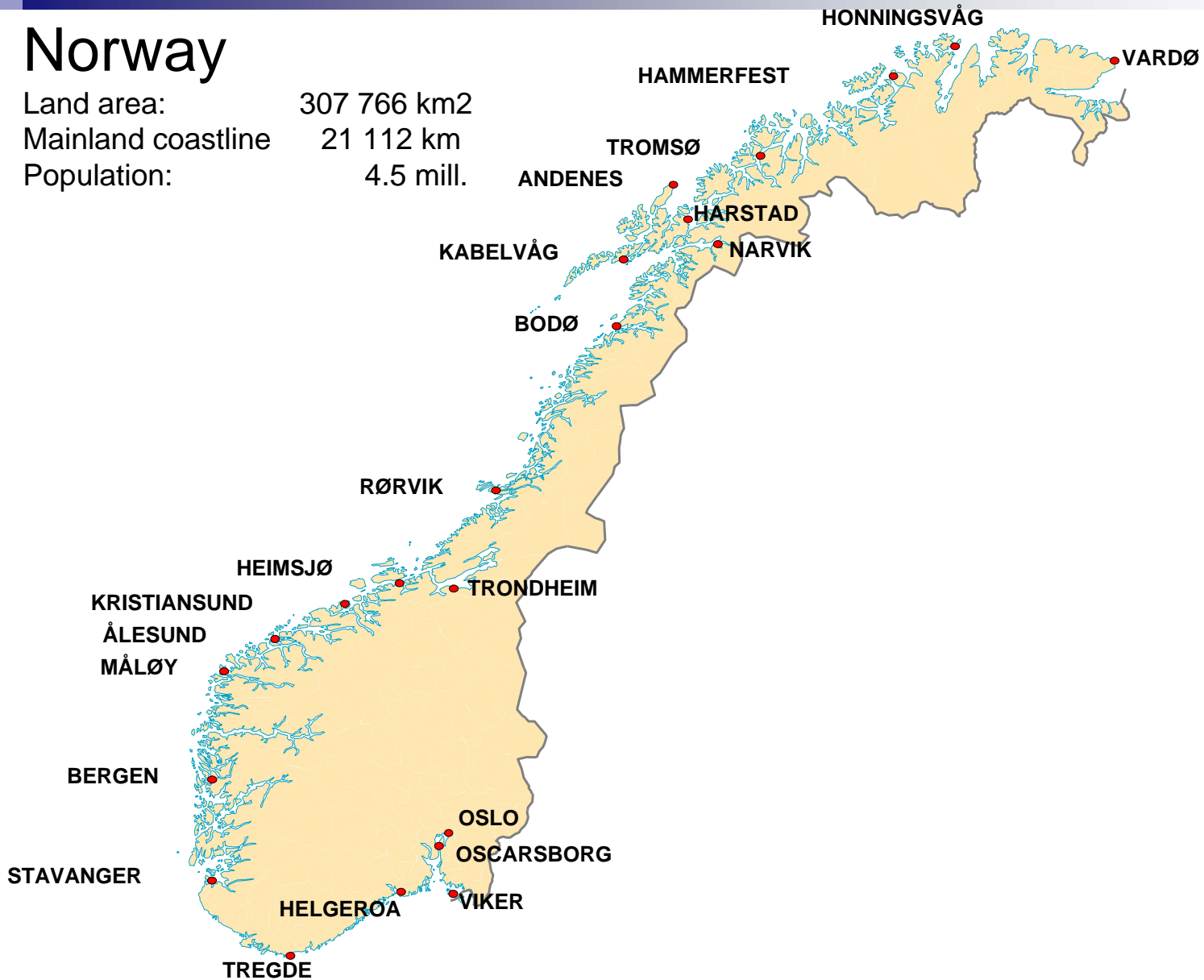
- Landslide and avalanche
- Storm
- Floods
- Storm surge
- Earthquake

According to Norwegian Law there is also cover for

- Volcanic eruption

Norway

Land area: 307 766 km²
Mainland coastline 21 112 km
Population: 4.5 mill.



Landslide and avalanche

Losses due to landslide has increased the last years in Norway – especially in the western part of the country



Windstorm

Windstorm is the most common natural damage event in Norway – especially along the coast in the western and northern part of the country.



Flooding

Next to storm floods wreak the highest losses – usually in east- and central Norway



Storm surge

Normal event along the coast



Earthquake and volcanic eruption

- Earthquake seldom causes damage and
- Volcanic eruption never happens in Norway.



Incurred Loss Events

- The largest events 1980 - 2008

Date of Loss	No. of Losses	Paid NOK	Outstanding NOK	Incurred NOK	Type of Loss
16.10.- 17.10.87	12,680	514,750,356	0	514,750,356	Storm, storm surge, flood
01.01.- 01.01.92	29,619	1,210,892,570	0	1,210,892,570	Storm
23.01.- 23.01.94	7,122	173,995,052	0	173,995,052	Storm
25.05.- 25.06.95	6,871	927,429,892	0	927,429,892	Flood
12.10.- 13.10.96	3,697	176,729,693	0	176,729,693	Storm
30.10.- 01.11.00	4,480	228,626,836	84,115	228,710,951	Storm, storm surge, flood
17.01.- 24.01.06	2,504	143,666,005	11,142,685	154,808,690	Storm, storm surge, flood

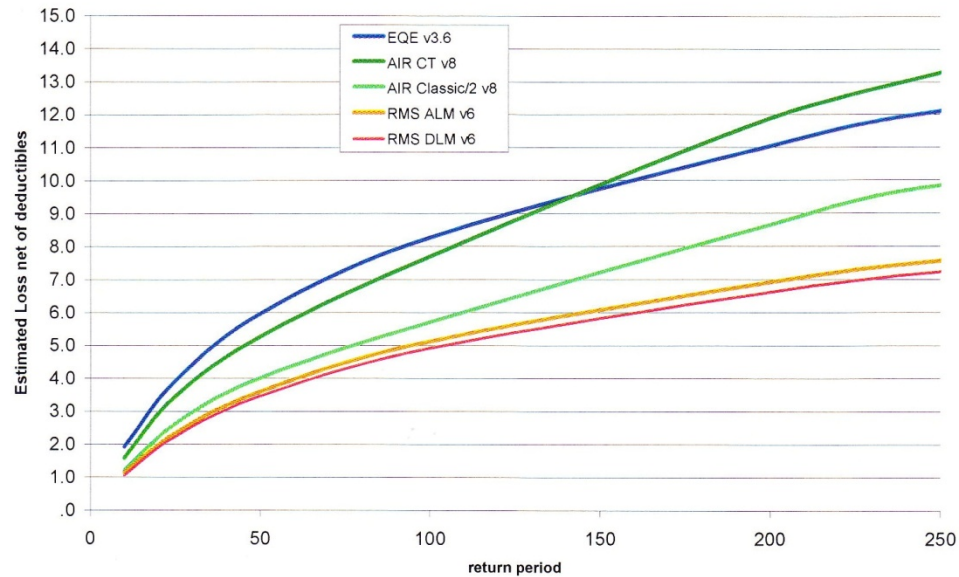
Windstorm model for Norway

Produced by RMS - Data delivered by Norwegian insurance companies and the Pool

Chart 1

EP losses net of deductibles

Monetary values in NOKbn



Flood model for Norway

Modelling by Benfield and Willis in cooperation with NVE and Norwegian insurance companies. Financed by NNPP.



Study of the exposure to natural perils for the largest risks in Norway

**Produced by Guy Carpenter
in cooperation with NGI,
NGU, NVE and Norwegian
insurance companies.
Financed by NNPP.**



Concluding Remarks

- The Pool has been in force during the last 28 years, and it seems reasonable to conclude that this arrangement has fulfilled its role in a satisfactory manner.
- Simple system
- Compulsory part of all fire insurance of objects and property in Norway.
- Extensive cover – low premium rate
- Equal premium rate for all clients
- Small administration
- Low administration costs
- Probably there will be some changes in the next years to make the arrangement even better.

Challenges due to climate change

The future prospects for Norway

- warmer
- wetter
- wilder?
- rising sea level



Norwegian Natural Perils Pool

www.naturskade.no

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Thank you for your attention!