



Accumulation control - Container tracking Reinsurers view

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SR,s challenge(s) – static risks & beyond

Questions

1st Question:

- Is the primary market systematically extending the cover beyond the ordinary course of transit?

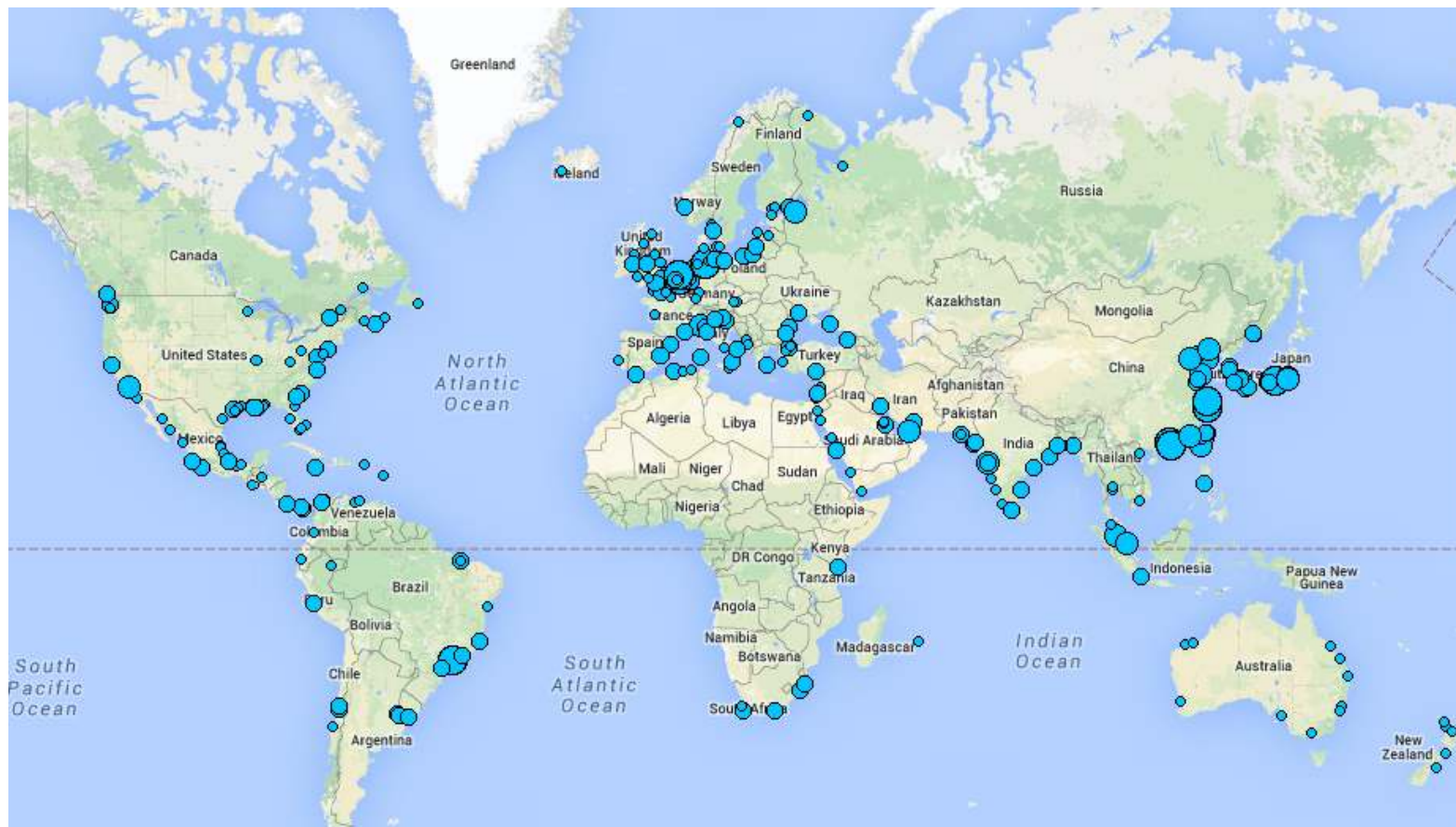
2nd Question:

- Is the primary market capturing somehow the man-made/nat. cat. loss cost in its original costing for the transported goods (known and unknown accumulation + normal course of transit)?

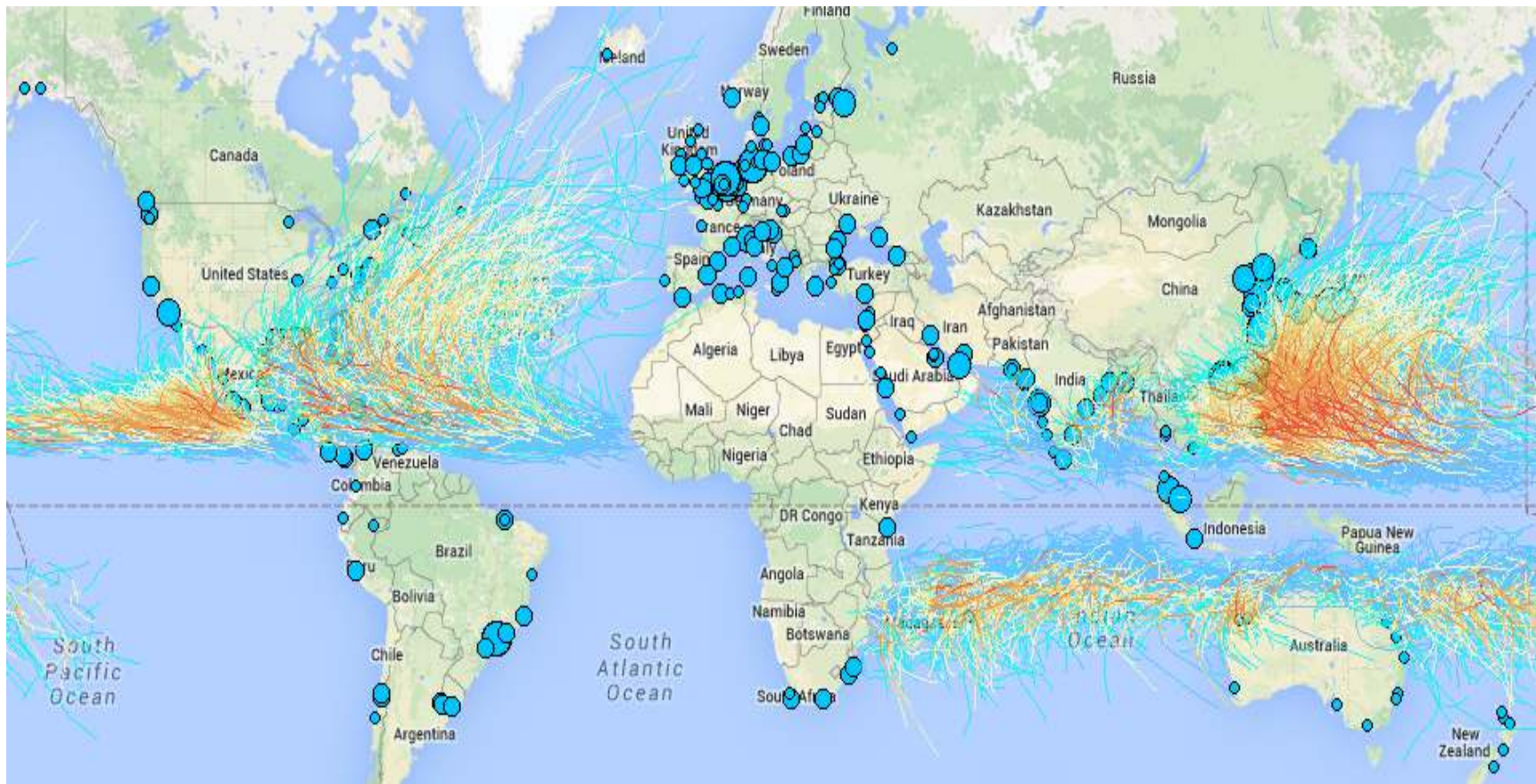
3rd Question:

- Is the primary market considering the increased exposure and consequently loss cost of Cargo having to take the bulk of the contributory value in case of GA?

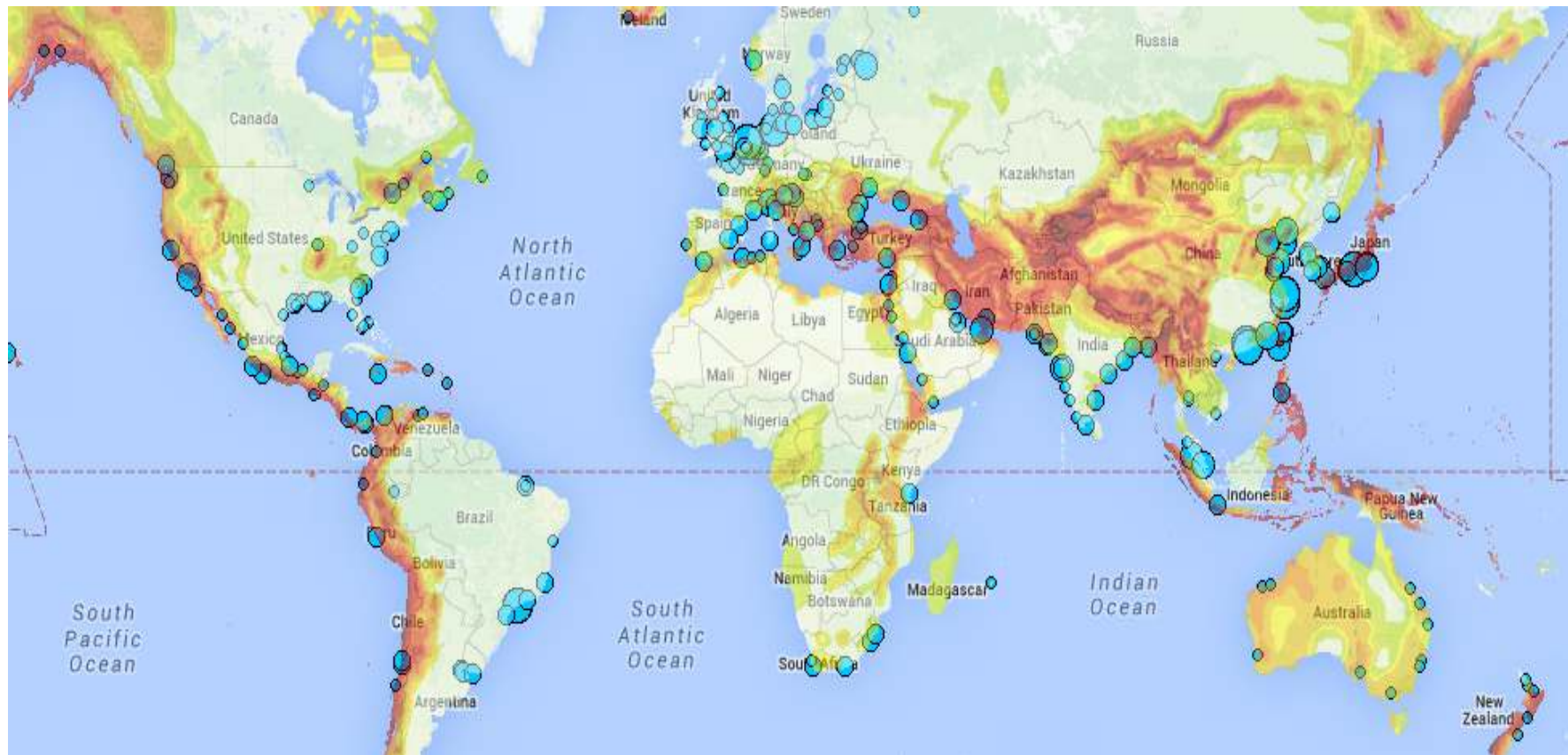
Cargo risk accumulation: The world largest ports



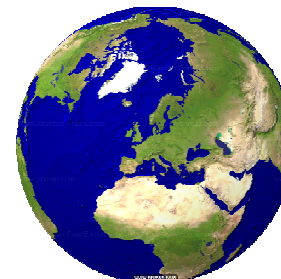
Windstorm hazard map



Earthquake hazard map

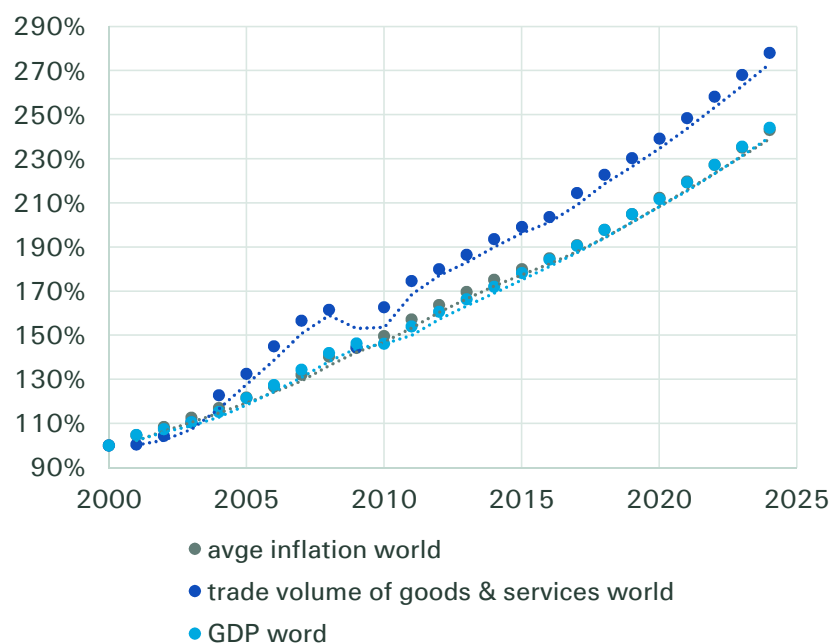


World merchandise trade development



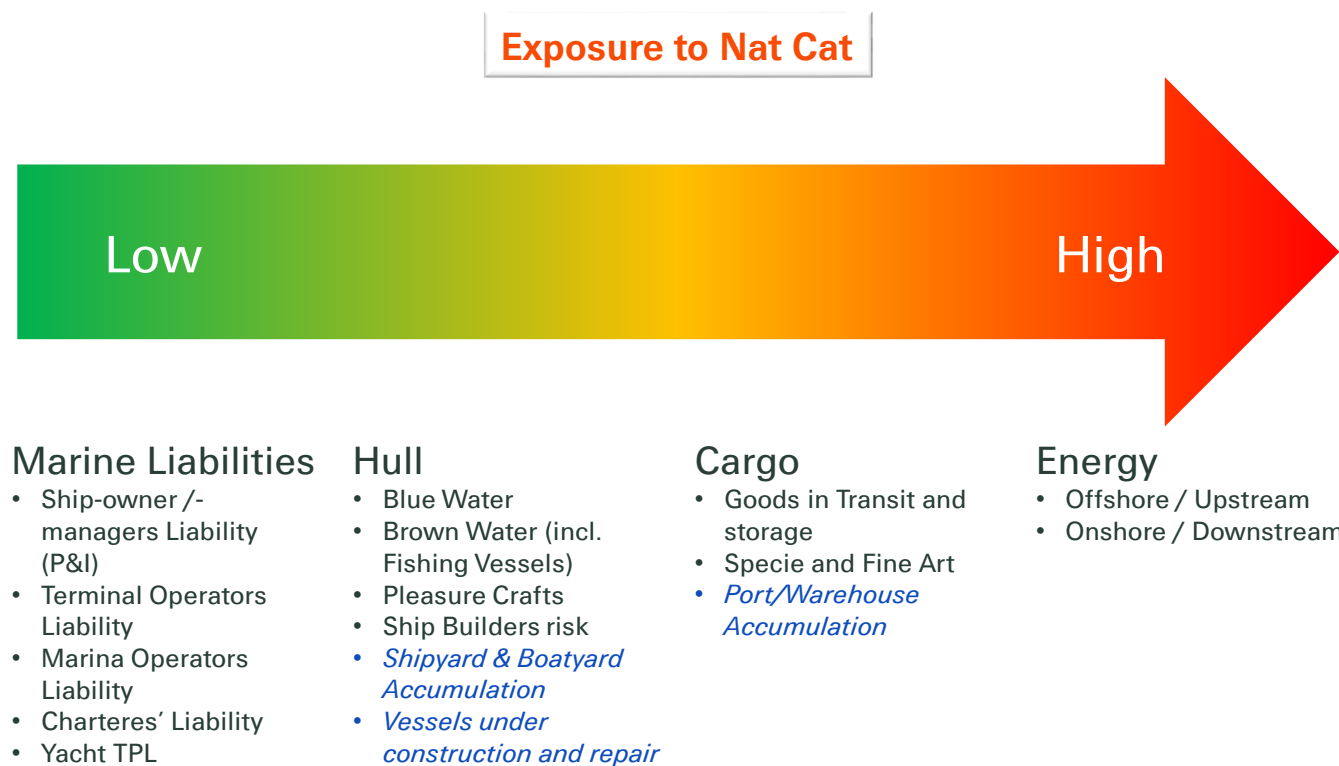
Main Points

- **World merchandise trade volume is forecast to grow 2.6% in 2019**, accompanied by GDP growth of 2.6%.
- **Trade growth should pick up to 3.0% in 2020** with GDP growth steady at 2.6%.
- **Trade growth in 2020 is expected to out-pace GDP growth** due to faster GDP growth in developing economies.
- **Trade tensions still pose the greatest risk to the forecast**, but a relaxation could provide some upside potential.
- **Weak import demand in Europe and Asia dampened global trade volume growth in 2018** due to the large share of these regions in world trade.
- **The value of merchandise trade was up 10% to US\$ 19.48 trillion in 2018**, partly due to higher energy prices.
- **The value of commercial services trade rose 8% to \$5.80 trillion in 2018**, driven by strong import growth in Asia.



Source: IFS

Marine classes of business



Primary market costing challenge (affecting treaty and facultative)

- ➔ Reinsurance underwriters need the same underlying information of any specific risk respectively portfolio as the ceding company.
- ➔ Reinsurers might allocate additional clauses, exclusions and warranties to the account/treaty which are also part of the negotiation.
- ➔ There is also the price element for the excess of loss capacity.

Reinsurer's ground up premium



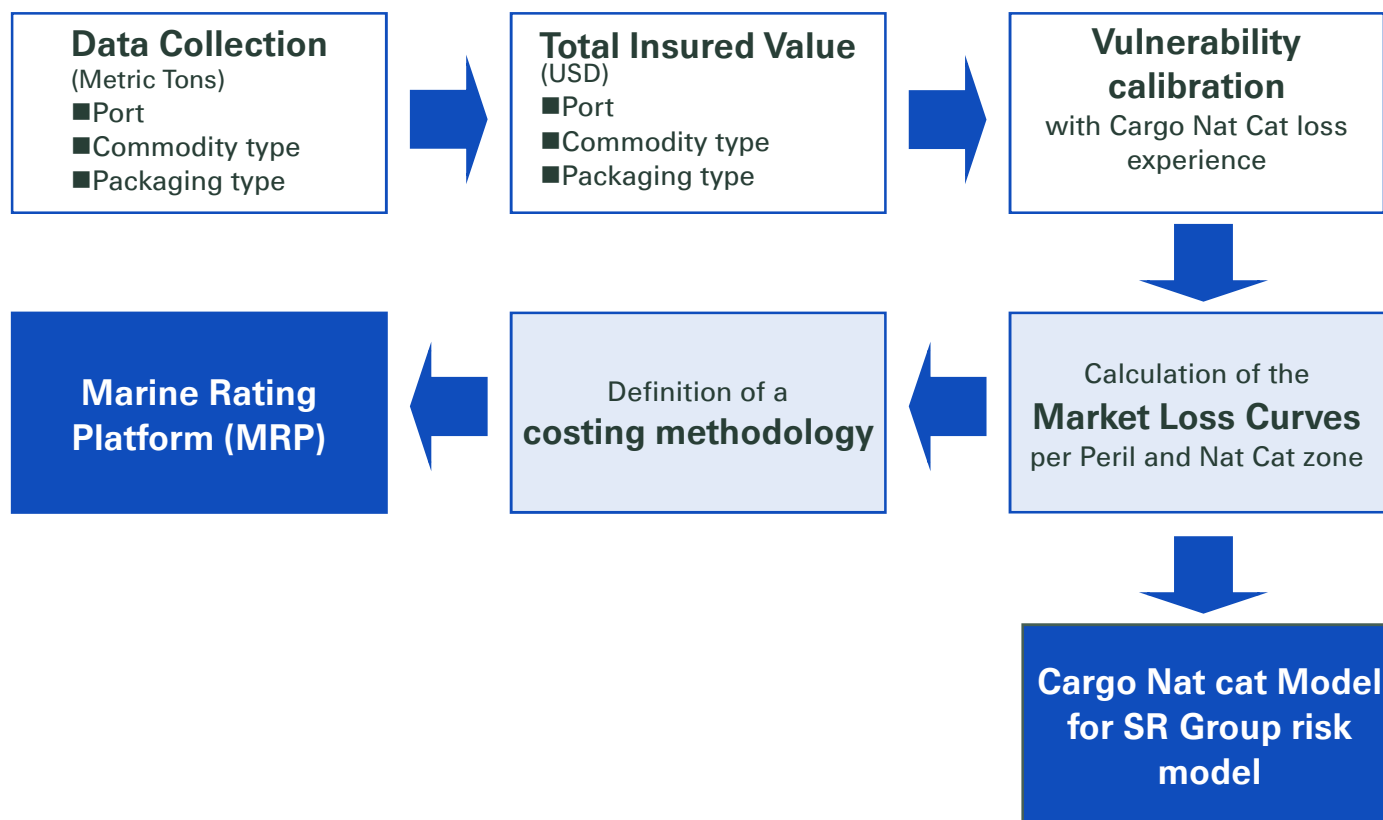
Insurer's ground up premium

ICC(A) All risk	ICC(B) Named perils +	ICC(C) Named perils
Unknown acc. Nat. Cat. L	Unknown acc. Nat. Cat. L	Unknown acc. Nat. Cat. L
Large L	Large L	Large L
Basic L	Basic L	Basic L

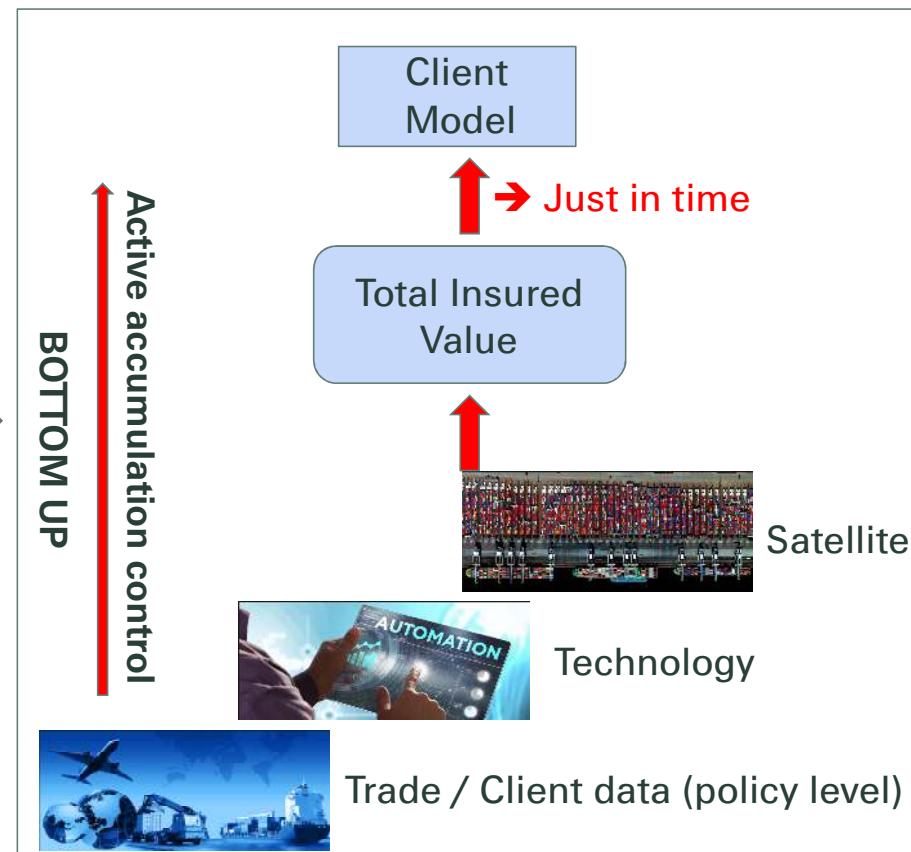
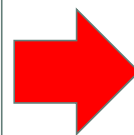
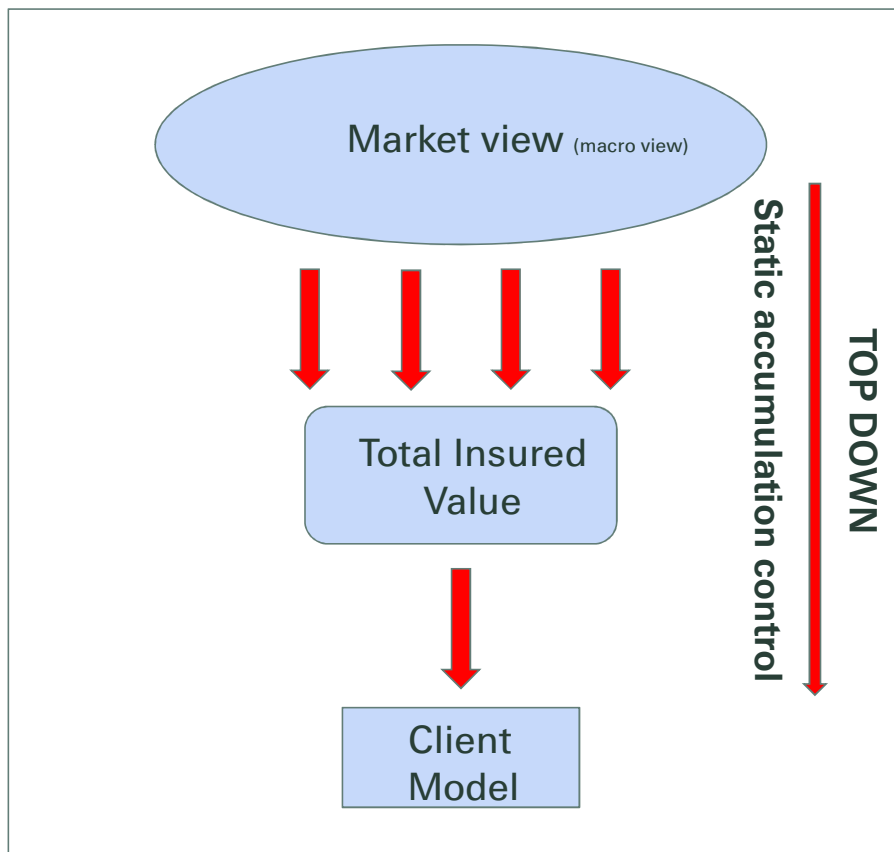
Primary market loss cost allocation appropriate compared to given exposure?

Cargo Nat Cat Model

Project – Milestones (ongoing fine tuning)



Project – Milestones (ongoing fine tuning)



Summary

Findings

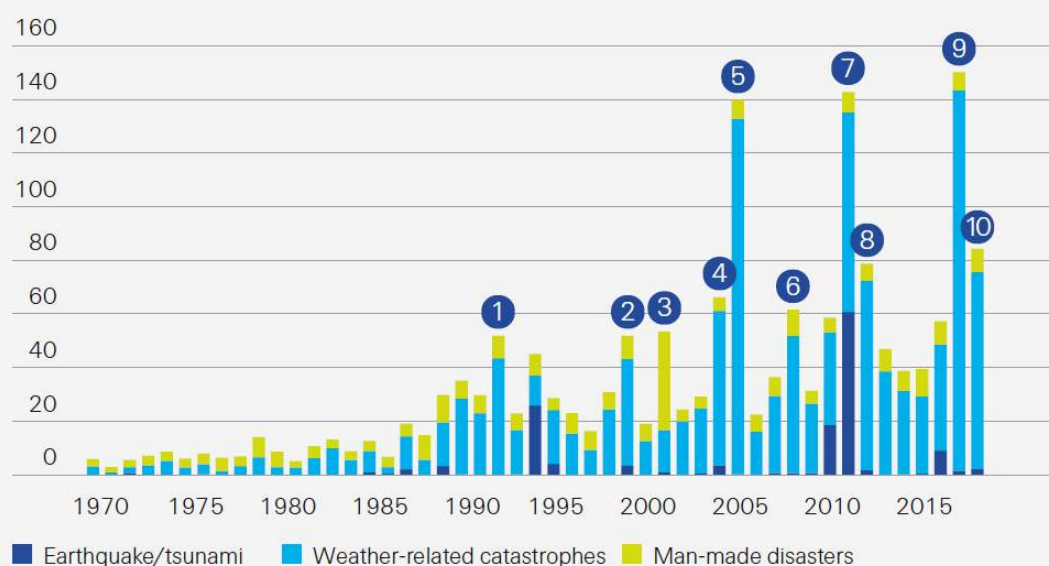
- There is considerable Nat Cat exposure to insured Cargo traded through ports (but not only)
- As a reinsurer we need to identify this possible cumulative exposure and consider it in the costing of our RI-contracts
- Swiss Re's Cargo port pricing module in MRP uses global port market data
 - to develop the average exposure of an insurance company to the world ports and
 - to calculate the loss expectancy to any RI contract with cargo Nat Cat exposure
 - ➔ but the goal is to move from a static to a just in time accumulation control!
- For further information see the publication "Safe Haven" under Swiss Re publication:
http://media.swissre.com/documents/pub_safe_havens_2010.pdf

The challenge continues

Figure 3

Insured catastrophe losses,
1970–2018 (USD billion, in
2018 prices)

1. Hurricane Andrew
2. Winter Storm Lothar
3. WTC
4. Hurricanes Ivan, Charley, Frances
5. Hurricanes Katrina, Rita, Wilma
6. Hurricanes Ike, Gustav
7. Japan, NZ earthquakes, Thailand flood
8. Hurricane Sandy
9. Hurricanes Harvey, Irma, Maria
10. Camp Fire, Typhoon Jebi



Source: Swiss Re Institute



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