



Consorcio de Compensación de Seguros

The 'Consorcio de Compensación de Seguros' and its wind storm insurance coverage

**6th EUROPEAN CONFERENCE ON
SEVERE STORMS
Palma de Mallorca, October 4th 2011**

**ALEJANDRO IZUZQUIZA
Operations Director
CONSORCIO DE COMPENSACIÓN
DE SEGUROS (CCS)**

- 1.- **LEGAL NATURE**
- 2- **MAIN FUNCTIONS**
- 3.- **THE CCS EXTRAORDINARY RISK INSURANCE COVER**
- 4.- **THE CCS WIND STORM INSURANCE COVERAGE**

The CCS is a PUBLIC BUSINESS INSTITUTION

Attached to the Ministry of Economy and Finance

Own legal personality

Own assets
(independent from the State's)

***Subject to laws regulating
privates insurance companies***

***Permanent insurance tool since
1954***

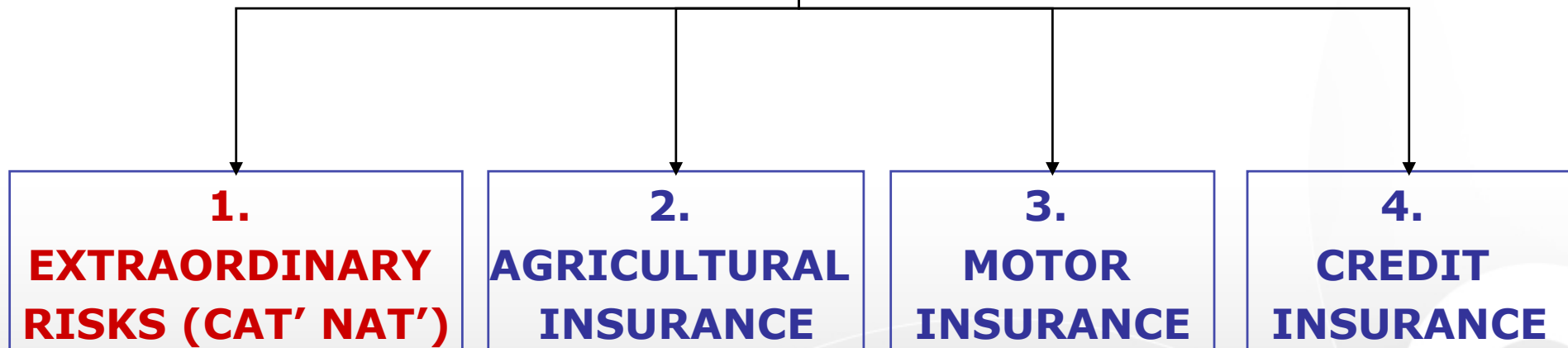
1.- LEGAL NATURE

2- MAIN FUNCTIONS

3.- THE CCS EXTRAORDINARY RISK INSURANCE COVER

4.- THE CCS WIND STORM INSURANCE COVERAGE

INSURANCE DUTIES



CCS is a public insurance institution complementing the Spanish insurance system in order to cover the risks which are not assumed by the private insurance

NON INSURANCE DUTIES

**WINDING-UP
ACTIVITY (a
virtual Insurance
Guarantee
Scheme)**

FIVA (Management of
the National Registry of
Insured Vehicles)

Management of
public funds for
Export Credit
Insurance

1.- LEGAL NATURE

2- MAIN FUNCTIONS

3.- THE CCS EXTRAORDINARY RISK INSURANCE COVER

4.- THE CCS WIND STORM INSURANCE COVERAGE

a) What are the 'extraordinary risks'?



NATURAL PERILS

Floods

Sea battering

Earthquakes

Tsunamis

Storms

(tornadoes and gusts of wind
above 135 km/h included)

Volcanic eruptions

Falling of meteorites



SOCIAL-POLITICAL EVENTS

Terrorism

Rebellion

Insurrection

Riot

Civil commotion

Actions of armed forces
in peacetime

b) How are they covered?

INSURANCE POLICY

Life and Non-life



2 simultaneous contracts

Cover clause compulsorily attached to every policy in lines of property damages (some exceptions), personal accidents and life.

ORDINARY RISKS

(fire, theft, etc.)

EXTRAORDINARY RISKS

(flood, storms, terrorism, etc.)

Private insurer

(Voluntary premium)

Consorcio de Compensación de Seguros

(Compulsory premium –surcharge–)

The CCS covers the extraordinary risks through the ordinary policy issued by the company (taking into account the same amount insured and the same compensation conditions)

The company manages the policy

CCS manages the loss claims (adjustment included) and pays the indemnification

The “CCS” does not directly issue any policy

c) What kind of losses does it compensate for?

PROPERTY

- Direct material damages (repair or replacement).
- Supplementary expenses (mud extraction; demolition and removal; rubble disposal or transport to landfill).
- Business interruption.

ACCIDENTS and LIFE

- Death.
- Permanent disability.
- Temporary disability.

Only losses from events occurred in Spain + personal injuries from events occurred abroad

d) What are the terms (clauses) of the compensation?

Reference point

- The same goods or persons
- The same insured capital
- The same compensation conditions

**Established in
the ordinary
policy**

Deductibles:

- For direct material damages : 7% of the indemnification amount. None for cars and housing.
- For business interruption: the same deductible established in the ordinary policy.
- For personal injuries: None.

Qualitative and objectively defined coverage

In order to consider the eligible events to be compensated

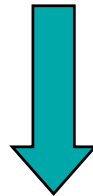
The system doesn't take into account:

- A minimum amount of losses
- The number of insured persons affected
- The size of the affected area

A previous official declaration about the catastrophic nature of the events is NOT required

e) How is it financed?

Compulsory premium (surcharge) in favour of the CCS



- To be applied on the amount insured in the ordinary policy
- Insurance companies collect surcharges together with their premiums
- Companies will credit surcharges to 'CCS' on a monthly basis
- Collection commission retained by the companies: 5%

Surcharge rates:



Direct damages

- Housing: 0.08 per thousand
- Offices: 0.12 per thousand
- Business, Shopping centres:
0.18 per thousand
- Industrial risk:
0.21 per thousand
- Motor vehicles: rate according
to type of vehicle
(cars: 3.50 € per policy)
- Civil works: rate according
to type (up to 1.63 per thousand
for sporting ports)



Business interruption

- Housing: 0.005 per
thousand on amount
insured for material
damages
- Other risk: 0.25 per
thousand on amount
insured for business
interruption



Accidents and Life insurance:

0.005 per thousand

f) Technical Provisions

- Identical regulations to those of the private insurance companies (P. for outstanding claims, P. for unearned premiums...).
- Special regulation for the **Equalization Reserve**.



IT IS A REAL 'CATASTROPHE FUND'



Built up with total profits after tax
(Amount in 2010: approx. 5.1 billion €)



State Guarantee (never applied).

g) Some relevant figures

YEAR	NUMBER OF CLAIMS	AMOUNT OF COMPENSATION (million €)
1997	43,783	255.7
1998	13,372	58.4
1999	29,001	121.5
2000	26,394	188.6
2001	28,666	167.1
2002	36,400	184.8
2003	22,882	143.6
2004	32,776	163.9
2005	27,458	194.6
2006	42,728	228.8
2007	62,619	326.9
2008	52,291	294.2
2009	252,661	665.5
2010	199,042	658.7

h) Some relevant events

<u>LOCATION</u>	<u>DATE</u>	<u>EVENT</u>	<u>NUMBER OF CLAIMS</u>	<u>AMOUNT OF COMPENSATION</u> (Million €)
GUIPUZCOA	06.97	FLOOD	6,800	72
ALICANTE	09.97	FLOOD	9,800	36
MURCIA	02.99	EARTHQUAKE	7,800	12
LEVANTE-CATALUÑA- ARAGON	10.00	FLOOD	12,740	86
BALEARES	11.01	WIND STORM	7,800	22
MADRID-LEGANÉS	03.04	TERRORISM	1,438	40.2
VALENCIA-CASTELLÓN	09.04	FLOOD & WIND STORM	9,300	34.7

<u>LOCATION</u>	<u>DATE</u>	<u>EVENT</u>	<u>NUMBER OF CLAIMS</u>	<u>AMOUNT OF COMPENSATION</u> (Million €)
CANARIAS	11.05	WIND STORM	18,127	79.5
GALICIA	09.06	FLOOD & WIND STORM	8,582	48.9
MADRID-BARAJAS	12.06	TERRORISM	1,164	44.7
COMUNIDAD VALENCIANA, MALLORCA Y ANDALUCIA	09.07 to 11.07	FLOOD & WIND STORM	43,303	202
VIZCAYA	06.08	FLOOD	6,123	59.3
VALENCIA	09.08 to 10.08	FLOOD	10,178	40.8

<u>LOCATION</u>	<u>DATE</u>	<u>EVENT</u>	<u>NUMBER OF CLAIMS</u>	<u>AMOUNT OF COMPENSATION</u> (Million €)
NORTH/EAST	01.09	WIND STORM "Klaus"	277,569	497.9
MÁLAGA	02.09	TORNADOE	5,400	20.2
NORTH/EAST	01.10	WIND STORM "Floora"	41,085	43.6
NORTH/EAST	02.10	WIND STORM "Xynthia"	40,818	53.1
WEST/NORTH	06.10	FLOOD	5,829	79.0
CANARIAS	11.10	WIND STORM	6,096	15.6
ANDALUCIA	12.10	FLOOD	4,052	46.3
LORCA (MURCIA)	05.11	EARTHQUAKE (*)	28,558	182.9

(*) Up till 20th September 2011

- 1.- **LEGAL NATURE**
- 2.- **MAIN FUNCTIONS**
- 3.- **THE CCS EXTRAORDINARY RISK INSURANCE COVER**
- 4.- **THE CCS WIND STORM INSURANCE COVERAGE**

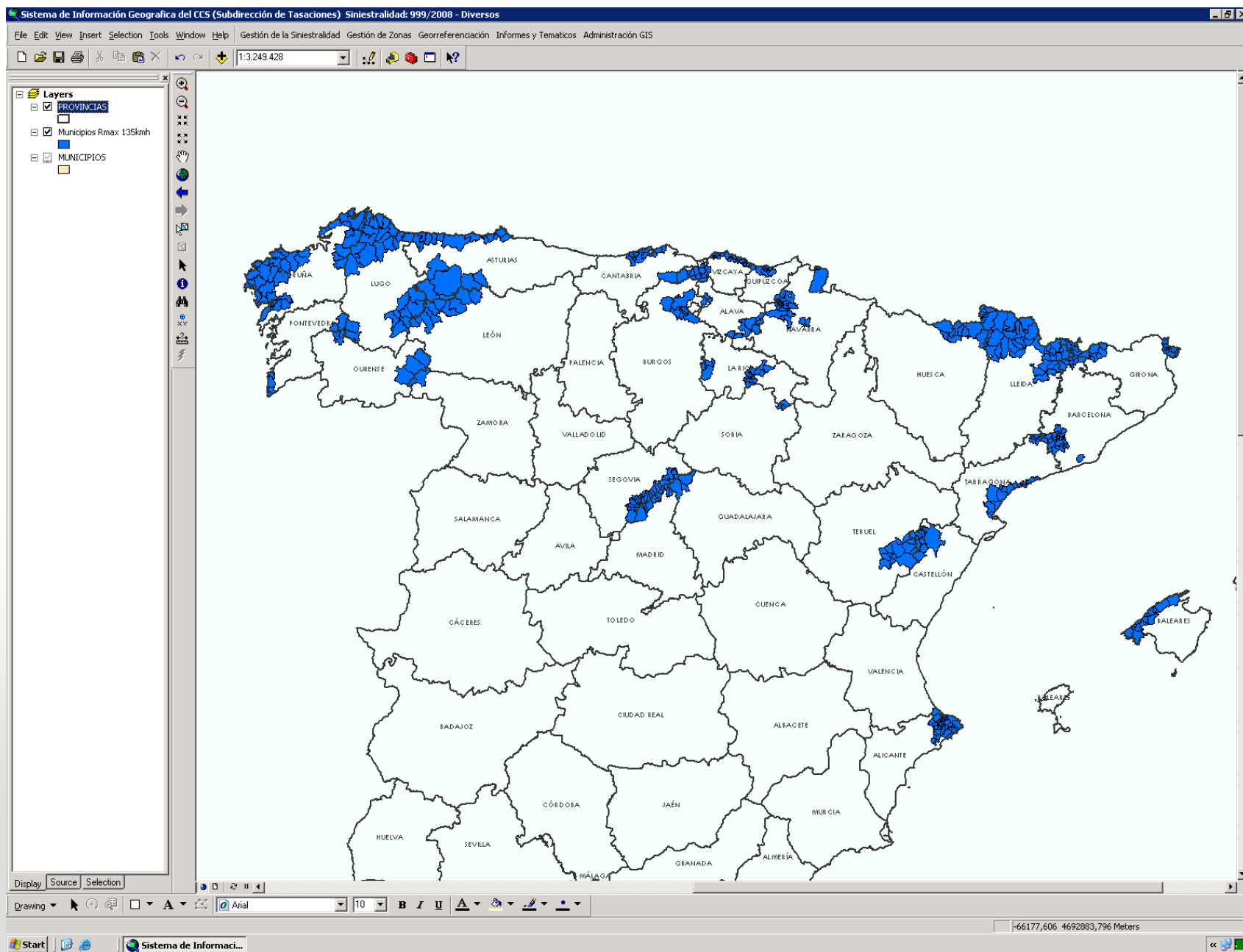
a) Extraordinary wind-storm: definition

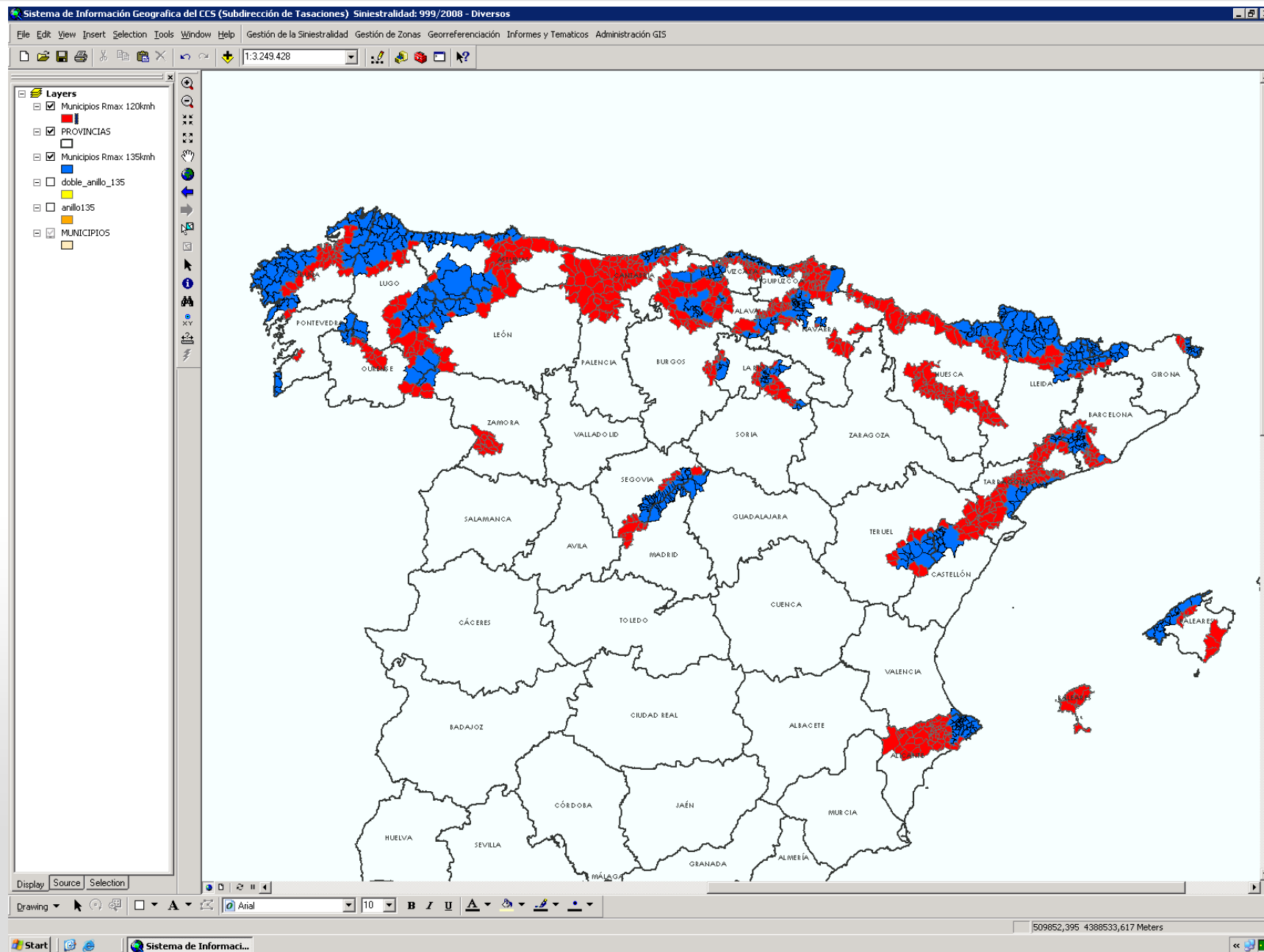
- **Until 2004, CCS covered the storm risk if the event simultaneously exceeded two thresholds related to the wind speed and the rainfall intensity. An event strictly from wind was not considered.**
- **Since then, the legal definition of storm includes two new events :**
 - **Wind-storm (with or without rains): “Those events with gusts of wind exceeding 135 km. per hour. ‘Gust’ must be understood as the fastest wind speed, kept during a period of three seconds”.**
 - **Tornadoes**

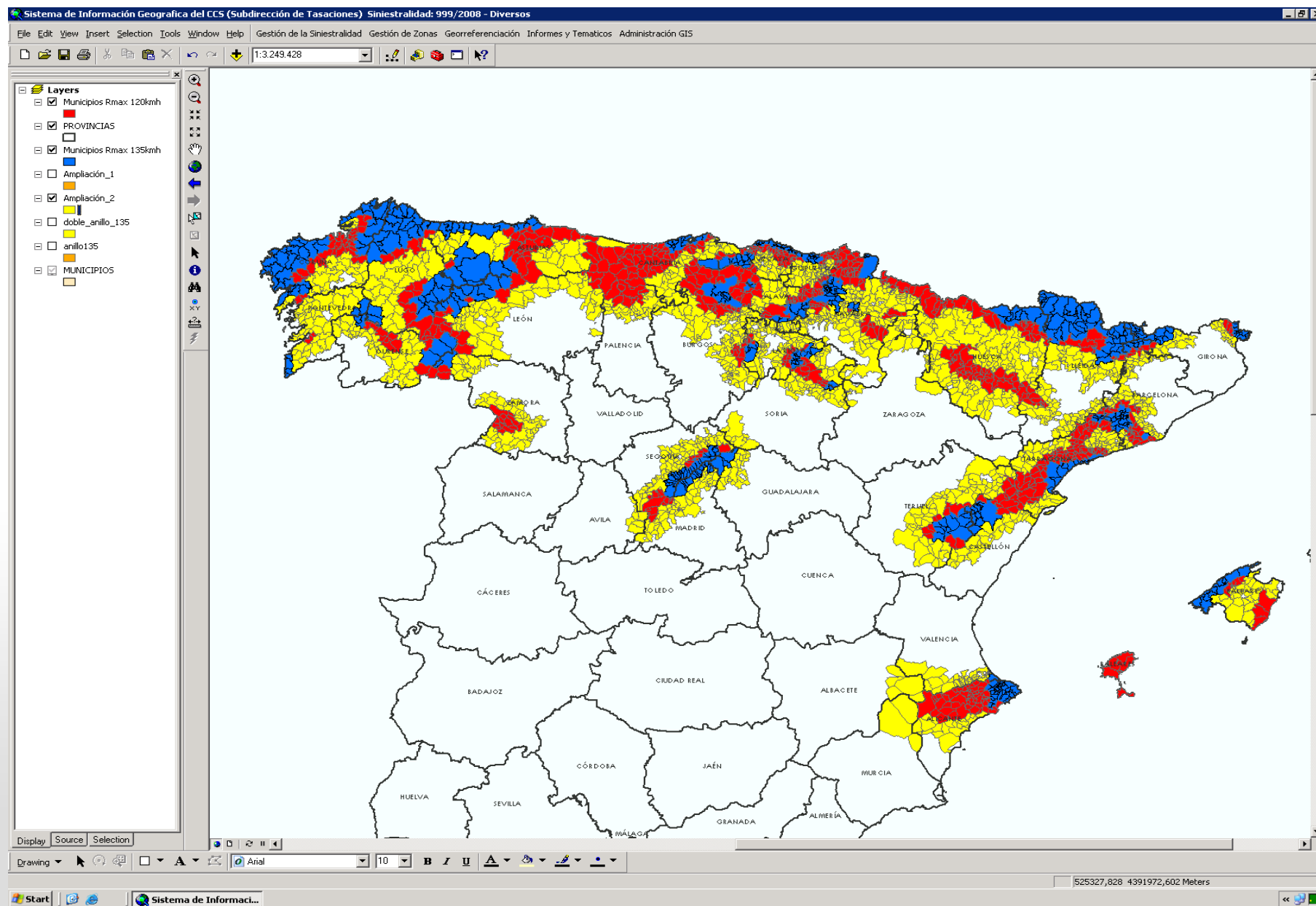
b) Geographical demarcation of the area affected by the extraordinary wind-storm.

- **It is necessary to delimit the geographical zones affected by extraordinary winds exceeding the speed of 135 km/h.:**
 - **>135 km/h.: losses to be indemnified by CCS (extraordinary risk)**
 - **> The speed established in the insurance policies but below 135 km/h: losses to be compensated by insurers (ordinary risks).**
 - **< The speed established in the insurance policies: event not insured. Losses are mainly produced because of lack of maintenance of the insured properties.**
- **In practice, the tasks related to the geographical delimitation of the wind-storm are made from the AEMET reports, issued by CCS request and in accordance with the measurements from the AEMET anemometers network and from other public regional meteorological services and, when appropriate, from other businesses and institutions.**

- **A case of delimitation (storm “Klaus” 2009)**
 - **Municipal districts where gusts of wind exceeding 135 km/h have been verified (blue).**
 - **Municipal districts where the wind speeds are close to 135 km/h (between 120 and 135 km/h): these districts have a reasonably high probability of having been affected by an extraordinary wind-storm event (red).**
 - **Zones bordering with those just referred to and where it is not possible to confirm these areas have not been affected by an extraordinary wind-storm event (yellow).**
 - **Residual zone where there are no signs of winds reaching 135 km/h. (white).**







c) The claims management of the affected insured people.

- **Regarding the rest of the extraordinary risks (flood, sea battering, earthquake, terrorism...) CCS entirely assumes the claims management: losses registration and adjustment and payment of the indemnifications to the insured by means of a bank transfer.**
- **In the event of an extraordinary wind-storm, CCS and private insurance entities manage the claims in a collaborative way:**
 - **It is necessary to set up the geographical delimitation.**
 - **This task can take several days or weeks (depending on the case).**
 - **Meanwhile, the insureds must file their claims to CCS or to their own private insurer.**
 - **CCS and the insurers have to begin handling the claims, adjusting the losses and paying the indemnifications, and they must do that without delaying and without waiting for the final decision on geographical delimitation.**

- **With this aim, CCS and the private insurance companies have signed a protocol in order to:**
 - **Manage the processing, the adjustment and the payment of the claims in the event of extraordinary wind-storms, and**
 - **CCS will also reimburse the insurers for the indemnifications paid in advance by them to the insureds.**

d) Main terms of the protocol signed by CCS and the insurers

- **Private insurers electronically send to CCS the data files on losses paid by them and located in geographical zones eventually considered to be affected by extraordinary winds.**
- **Certificate from the legal representative proving:**
 - **The truth of the data provided in the electronic files.**
 - **The commitment to keep in the insurer's records all the documentation supporting the aforementioned electronic files.**
 - **The commitment to maintain at CCS's disposal the aforementioned documentation if CCS would need to verify it.**

- **CCS's reimbursement of the indemnifications paid in advance by the insurance company:**
 - **Automatic down payment of 80 % of the reimbursement requested by the insurer.**
 - **CCS checks the claims included in the files of the reimbursement request.**
 - > **In general, it is done by random sampling.**
 - > **As an exception: CCS checks the claims exceeding a fixed amount (currently €30,000).**
 - **Payment of the remaining 20% or payment of the percentage resulting from the checks was made, when appropriate, by CCS.**

e) Impacts from the wind storms

Amounts paid / PERIOD **1987-2010**

CAUSES	AMOUNTS PAID					
	PROPERTIES	%	PERSONS	%	BUSINESS INTERRUPTION (since 2004)	%
FLOODS	3,489,698,834	73.4%	4,328,904	4.8%	22,047,669	43.5%
EARTHQUAKE	35,249,262	0.7%	751,534	0.8%	5,310	0.0%
STORM	830,661,949	17.5%	313,918	0.3%	23,886,456	47.0%
SIDERAL FALLS	96,122	0.0%	--	0.0%	--	0.0%
TERRORISM	329,968,684	6.9%	84,135,013	93.7%	4,847,791	9.5%
RIOT	1,070,792	0.0%	--	0.0%	--	0.0%
CIVIL COMMOTION	71,042,707	1.5%	181,186	0.2%	2,806	0.0%
ACTS OF THE ARMED FOROES	2,246,629	0.0%	164,696	0.2%	--	0.0%
TOTAL	4,760,034,979	100	89,875,251	100%	50,790,032	100%

Amounts in Euros (upodated 31-12-2010)

e) Impacts from the wind storms

Amounts paid / PERIOD 2005 -2010

CAUSES	AMOUNTS PAID					
	PROPERTIES	%	PERSONS	%	BUSINESS INTERRUPTION	%
FLOODS	1,135,187,949	56.5%	414,898	4.5%	22,046,755	43.5%
EARTHQUAKE	10,596,103	0.5%	600,208	6.5%	5,310	0.0%
STORM	757,446,987	37.7%	313,918	3.4%	23,886,456	47.0%
SIDERAL FALLS	--	0.0%	--	0.0%	--	0.0%
TERRORISM	99,470,092	5.0%	7,845,802	85.4%	4,847,791	9.5%
RIOT	10,699	0.0%	--	0.0%	--	0.0%
CIVIL COMMOTION	5,869,798	0.3%	12,472	0.1%	2,806	0.0%
ACTS OF THE ARMED FOROES	377,198	0.0%	--	0.0%	--	0.0%
TOTAL	2,008,958,826	100	9,187,298	100%	50,798,118	100%

Amounts in Euros (upodated 31-12-2010)

THANK YOU FOR YOUR ATTENTION

The End

Produced and Released by
Twentieth Century-Fox
Film Corporation