



PROTECTION AND RESCUE DIRECTORATE
OF REPUBLIC OF MACEDONIA



Insurance as a method for Disaster Risk Reduction in SEE 23-24 April 2013, h.Manastir Berovo

Report

1. Introduction

As many other regions of the world Southeastern Europe is vulnerable to nearly all types of natural disasters. Disasters in this part of Europe usually have cross border effects and can potentially threaten entire areas in neighboring countries. Even where costs of major disasters are locally concentrated, if they are not inadequately covered by insurance then the states may carry large fiscal burden, which could cause internal and external imbalances.

Having said that and taking into consideration the level of market penetration of disaster insurance in the region, Protection and Rescue Directorate of the Republic of Macedonia, under the umbrella of DPPI SEE, decided to organize two day seminar on the topic "Insurance as a method for Disaster Risk Reduction in Southeastern Europe". The idea behind the seminar was to join together representatives from disaster management, insurance sector and the academia and to share information, experiences and future expectations on the topic.

2. Location

The seminar was held at Hotel Manastir in Berovo, 170 km south-east from Skopje.

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3. Participants

Total number of 21 participants took part at the seminar. The participants were from 6 DPPI SEE member countries (Albania, Bulgaria, Macedonia, Serbia, Slovenia and Turkey) supplemented with 2 guest lecturers from the UK.

In addition to the lecturers coming from the UK representing Europa Re and the University of Copenhagen presentations were also given by the host country Protection and Rescue Directorate, Insurance Supervision Agency and the Military Academy "General Mihaylo Aposolski".

4. Covered topics

23.04.2013

The first day started with introductory presentation by Vlatko Jovanovski from the Protection and Rescue Directorate of the Republic of Macedonia. He spoke about general concepts of disaster risk reduction, the evolution of the concept and the key components. In his presentation he also spoke about the global efforts supporting the process of disaster risk reduction mainly represented by HFA 2005-2015 and the Global Platform for Disaster Risk Reduction. Regarding the key elements of disaster risk reduction he stressed the importance of risk assessment as essential for further development of prevention and mitigation activities. He ended up with the mentioning some of the challenges to current processes of disaster risk reduction like massive urbanization, climate change and the spread of information technology.

The second presentation was given by Professor Hadji Janev from the Military Academy "General Mihaylo Aposolski" from Skopje. He started with global power relations after the end of the Cold War and the rise of terrorism. According to him in addition to terrorism today's privatisation of provision of public services is also a challenge towards critical infrastructure protection. He ended with some specific steps that need to be taken for successful critical infrastructure protection against natural and manmade disasters and those are: identification of critical infrastructure, standardization, further enhancement of the process of risk assessment and risk analysis and creation of effective disaster management systems.

After these two presentations the floor was given to Klime Poposki, Head of the Council of experts at the Insurance Supervision Agency of Republic of Macedonia. He started with presenting numbers taken from the SIGMA Report developed by Swiss Re for 2012 showing the trend of disaster occurrence. According to the report the frequency and severity of disasters is growing as well as the costs for disaster response and recovery. He then moved towards the use of insurance as a mitigation method and what are the challenges for utilizing this approach having in mind the level of national economic development. He finished the presentation by explaining the case of Macedonia by showing the general picture of the insurance business in the country in connection with disaster mitigation policies of the state. According to him one way forward would be enhancing public private partnerships in promoting disaster insurance.

Richard Poulter from the UK (disaster researcher from University of Copenhagen), gave the micro and the macro perspective for disaster financing. According to him on a micro

level disaster insurance provides good results in economies that have this type of culture although this method is not the only one. Risk perception among the population in combination with governmental incentives for promotion of disaster insurance is seen as key factors for further developments in this area. On a macro level he spoke about the difference in the actual absorption power of high developed countries for external shocks compared to middle income countries. He introduced the new paradigm shift in disaster financing (ex post vs ex ante activities) where the leading role is given to appropriate and timely planning of financial assets. He ended up with emphasizing that in order to have more effective disaster management further integration of early warning systems and financial mechanisms developed by the government (event contingent budgeting) is necessary.

24.04.2013

The second day started with the presentation of Riccardo Ciccozzi from Europa RE. He started with more general concepts of disaster financing and how are governments usually dealing with this issue. He also stressed the enormous effect that disasters have on national GDP and on development leading to the necessity of finding more intelligent solutions namely through insurance. His presentation afterwards was focused on the project that is currently running in Macedonia, Albania and Serbia for disaster insurance. He explained the purpose, the structure and the expected outcomes of the project which is expected to move significantly the insurance market in this part of SEE.

After his presentation the participants had the opportunity to hear national presentations from Albania, Bulgaria, Serbia, Slovenia and Turkey regarding disaster insurance in their countries.

The seminar ended up with discussion connected with the EU Green paper on the insurance of natural and man-made disaster so kindly presented to all of the participants by Ana Jaksic from Slovenia.

5. Conclusion

After the International ECO Symposium on disaster economics held in Istanbul from 03-05.04.2013 this was a second event under the framework of DMTP 2013 that stresses the importance of disaster financing. We here at the Protection and Rescue Directorate believe that it is a topic that deserves further attention and that with only two events per year the topic can't be exhausted. As host organization we are very pleased to say that thanks to DPPI SEE we managed to join together insurance people and disaster managers and to start talking on a specific topic like disaster insurance.

The importance of the topic was recognized by the media as well. While the national television send a team to cover the event the biggest magazines in the country also mentioned the event.

**Prepared by:
Vlatko Jovanovski**