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Pilots to emerge from Copenhagen's fallout

Insurance schemes may develop outside UN process in 2010 if talks fail to deliver

Scott Vincent

THE DESIGN phase for disaster-insurance schemes for countries as diverse as Namibia, Bangladesh and Costa Rica will gather pace in the coming months as the push for an international insurance facility continues, despite the uncertainty surrounding the outcome of the Copenhagen climate talks.

Last month's talks ended with a barrage of international mudslinging as many sides voiced their discontent the unpre-

cedented two weeks of negotiations yielded only the Copenhagen Accord, which although containing pledges of short- and longer-term adaptation financing did not contain the legally binding agreement on emissions reductions hoped for by many nations.

The question of what follows Copenhagen is still shrouded in uncertainty, with many United Nations Framework Convention on Climate Change (UNFCCC) staff still on annual leave held over from an exhausting conclusion to 2009.

The future of insurance and

disaster-risk reduction within talks is also the subject of some confusion, though it remains in two places in the draft adaptation negotiating text that was published on December 16.

The uncertainty surrounds what happened next to this text—although negotiations continued for the next two days, during which time the technical development team responsible continued to work on the proposal, no later version of the text has been published.

Sources have indicated to *Insurance Day* that later versions of the text do still include references to insurance. In the latest published text, references to the creation of an international insurance facility had been left in brackets, which signalled there was not consensus on the issue and some countries were objecting to the proposal.

It is believed the later, unpublished versions of the text include a compromise on this, suggesting the references to the creation of an international insurance facility has survived in some form.

Despite the uncertainty surrounding the bigger picture, interest in the creation of insurance mechanisms has risen as a result of the debate that took place in the lead up to and at Copenhagen, and a number of countries including Namibia,

Bangladesh and Costa Rica are among those looking to start designing appropriate insurance mechanisms in 2010.

Koko Warner, a member of the Munich Climate Insurance Initiative, told *Insurance Day*: "The decision makers have seen insurance discussed at a really high level—an indication of increasing awareness of the potential of insurance-related mechanisms."

"Various consultants have been hired by different European countries to explore what is feasible in the development of insurance mechanisms."

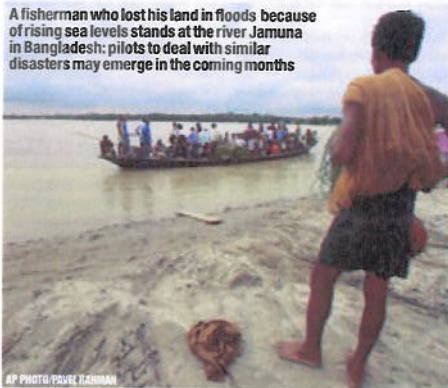
"In 2010, I expect to see more pilots around weather-related risks, especially pilots that start to link disaster-risk reduction and insurance."

"We may see more of a role that insurance experts can play in risk assessment. This is very relevant to a whole number of adaptation measures. We may also see the use of a variety of risk-assessment tools common in the insurance industry for establishing levels of vulnerability."

"This is very important, as the UNFCCC and parties right now are looking to see which countries get how much. This may provide a body of information that helps establish who needs money the most."

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A fisherman who lost his land in floods because of rising sea levels stands at the river Jamuna in Bangladesh; pilots to deal with similar disasters may emerge in the coming months



AP PHOTO/POLVE HARRMAN

Gulf of Aden security firms take advantage of thawing attitudes towards armed guards

Christopher Munro

INSURERS' opposition to the use of armed guards aboard vessels travelling through the Gulf of Aden is weakening, according to a provider of such services.

Security firms active in that arena are now buying liability insurance in an attempt to make themselves more attractive to ship-owning clients, and it appears to be working.

Espada Logistics and Security has recently added a further five armed high-speed patrol vessels to its roster in an attempt to meet the demand for its services. Previously the company had largely only been able to provide protection to vessels travelling through the Gulf of Aden, but its new capabilities will now allow it to escort vessels along the east of Africa down to Mombasa.

Espada's president, Jim Jorrie, told *Insur-*

ance Day the shipping industry and insurers have warmed to the prospect of armed guards escorting vessels through piracy hotspots: "The situation has matured to the point where talk of security no longer brings a gasp from people," he said.

Jorrie explained one of the reasons he has seen a surge in demand for the services his company provides has been the liability insurance Espada now has, which covers it for a variety of exposures including the possibility of a bullet accidentally piercing a ship's hull during a firefight: "It was being requested by the shipowners. [There were] some folks that have kept us at arms' length, but now that they know we have insurance, we have three massive contracts we are working on."

Espada had previously looked into buying this type of cover, but the cost was prohibitive. However, with the increase in demand for its services, the company

was able to buy a policy that covered it for multiple voyages as opposed to single trips.

Although the majority of marine hull, war and protection and indemnity (P&I) insurers remain less than enthusiastic about the prospect of arms of any kind being in close proximity to a vessel they cover, one market source conceded armed guards could be seen as a useful tool as part of a wider risk-management approach.

The source said: "We regard the use of armed guards as a matter for the shipowners and, at the end of the day, they know how best to manage their vessels. The general feeling is that if the guards come from a reputable source and they have a good military or peace keeping background, then it doesn't affect their war cover."

They added: "Any professional risk-management approach that could contribute to the safety of the vessel is something that will be seen as a good thing. If a service provider has liability coverage then it shows they are professional."



Dublin: in the past year, a number of firms have announced they are to redomicile to Ireland

XL becomes the latest insurer to move to Ireland

IRELAND'S stock as a base for European insurers has further risen in the last 24 hours with XL Capital becoming the latest industry giant to redomicile there and Zurich transferring a number of insurance portfolios to its Ireland-based risk carrier.

Both Willis and Beazley have redomiciled to Ireland in the past year, and XL has now announced plans to switch its place of incorporation to Ireland from the Cayman Islands.

Zurich said it will move the vast majority of its general insurance portfolios in Italy, Portugal and Spain to local branches of its European Union-based risk carrier Zurich Insurance Plc, Ireland (ZIP).

A similar transfer is planned for Zurich's general insurance business in Germany later this year, while the UK business was transferred 12 months ago.

The move is in line with forecasts that more companies would operate through a branch structure to take advantage of the capital freedom it offers.

Jim Bichard, insurance regulatory partner at PricewaterhouseCoopers, told *Insurance Day*: "We've already seen a lot of companies move towards this type of structure. There are good drivers for that—taxes, the reinsurance directive and the ability to passport, and the capital efficiency of having capital in one place and not trapped in subsidiaries."

"Even now, it is attractive to have all capital in one place with a branch structure. Solvency II will continue the push towards doing this."

With group support provisions having been removed from Solvency II last year, Bichard said there was a likelihood that more companies would follow this approach.

"We definitely expect to see more of it—all the reasons that exist at the moment will become more compelling under Solvency II," he said.

Sarah Goddard, chief executive of the Dublin International Insurance and Management Association (DIMA), said there were a number of factors driving interest in using Ireland as a base for European operations. "Ireland was the first country to implement the reinsurance directive, which went on to form the basis of Solvency II. XL Re and PartnerRe both said the reason they put their European bases here was because of the regulatory stability, which was provided by the early implementation of the reinsurance directive," Goddard said.

#2: Comment

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