# **DISASTER INSURANCE:**

## WHAT IS IT GOOD FOR?

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# Why is insurance important?

- 1. Risk-sharing
- 2. Increase productive investment
- 3. Incentivize risk reduction
- 4. Avoid destitution and bankruptcy
- 5. Speed-up and/or improve recovery

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## 1. Insurance take-up varies a lot, and is almost never purely private

Country	System name	Compuls.	Market penetration	Policy indemnity limit	Premium-setting	Hazards covered
Austria	Obligatorium	No	10-25%	No	Flat (%)	NH
Belgium	WN	Partially	>95%	Yes (nominal)	Risk-based	NH
Denmark	Storm Council	Partially	Unknown	No	Flat (nominal)	Flood
France	CatNat/CCR	Partially	92%	Yes (total insured)	Flat	NH
Iceland	ICI	Yes	100%	No	Flat (%)	NH
Japan	JER	Partially	20%(46%	Yes (damage-based)	Risk based	EQ & related
Norway	NNPP	Partially	Unknown	No	Flat (%SI)	NH
NZ	EQC	Partially	~95%	Yes (nominal)	Flat	NH
Romania	PRAC	Yes	100%	Yes (nominal)	Flat	NH
Spain	CCS	Partially	>80%	Yes (total insured)	Flat	NH
Switzerland	KGVs	Yes	>95%	No	Flat	NH
Taiwan	TREIF	Partially	32.92%	Yes (replacement)	Partially risk based	EQ & related
Turkey	TCIP	Partially	20%	Yes (nominal)	Risk based	EQ & related
UK	FloodRe	No	85%	Varied	Flat	Flood
USA	NFIP	Partially	~50%	Yes	Partially risk based	Flood
USA - CA	CEA	No	9.7%	No	Partially risk based	EQ & related
USA - FL	Citizens	No	8.5%	Yes (total insured)	Partially risk based	Windstorm
USA - TX	TWIA	No	57.2%	Yes (% of replacement)	Partially risk based	Windstorm

#### Source: Owen and Noy (2019)

#### 2. Public insurance is regressive



Owen and Noy (2017)

## 3. The politics of Charity Hazard



### 4. Is it better late than never?



Source: Poontirakul et al. (2017); Nguyen and Noy (2018)

## 5. Can insurance incentivize recovery?



#### A HOBSON'S CHOICE







# 6. Where is the risk?

WHERE, OH WHERE IS THOMAS, WHERE HAS THOMAS GONE? PERHAPS HE'S PLAYING HIDE AND SEEK, OR SOMETHING'S REALLY WRONG.





#### **2 OBSERVATIONS ABOUT CLIMATE CHANGE**

#### "VERY WET, FROM THE STANDPOINT OF WATER"



Source: Storey and Noy (2017)

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