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# Early Flooding Analysis Shows European Insurers Well Positioned

**Flooding is the worst in Central Europe since 2002.**

**A**.M. Best has been analysing the impact of the heavy rain and subsequent flooding throughout the Czech Republic, Germany, Austria, Poland, Hungary, Slovakia and Switzerland. The downpours in Central Europe at the beginning of June, which followed persistent rains throughout May, have resulted in severe flooding and the bursting of rivers including the Danube, Elbe, Rhine, Main, Vltava and Neckar.

The final loss that the insurance industry will face currently remains unclear, given that the situation in these countries is still developing. Many towns remain submerged, and water must recede before loss adjusters are able to determine the full extent of the damage. However, based on the coverage dynamics in these markets, A.M. Best expects economic losses will far exceed insured losses.

This briefing is the result of various discussions that A.M. Best has held with market participants in the affected region over the past fortnight. A.M. Best has visited and interviewed a range of industry figures with involvement in the countries impacted by the recent flooding.

Central Europe has for decades been regarded as highly exposed to flood damage, with large towns close to major rivers. Insurers and reinsurers are anticipating claims primarily for property damage, where cover has been available for residential and commercial risks. Motor claims are also expected, as many insureds were unable to move their cars to safety.

Business interruption losses are likely as Central Europe has some manufacturing plants, such as automobile and beverage factories. However, A.M. Best does not anticipate significant disruption to supply chains, as the areas adversely impacted do not possess major manufacturing hubs. The floods have caused some interruption to shipping traffic and transportation, roads and power supplies. Rural areas have been particularly impacted by the floods, with significant agricultural claims (for farms, buildings and livestock) anticipated.

The recent flooding is the worst to hit Central Europe since 2002, which resulted in economic damage of EUR 17 billion and estimated insured losses of EUR 3.4 billion. However, in the past decade, flood protection has improved and insurers have introduced higher deductibles or withdrawn cover in loss-prone areas. Compared with the floods of 2002, fewer major economic centres and

## Exhibit 1 Germany Non-Life – Top 10 Companies Ranked on Premium (2011)

(EUR Millions)

Rank	Company	Written Premiums*	Market Share (%)
1	Allianz Versicherung	8,926.0	14.1
2	AXA Versicherung	3,505.0	5.5
3	R+V Allgemeine Versicherung	2,969.0	4.7
4	Ergo Versicherung	2,704.0	4.3
5	HDI-Gerling Industrie	2,658.0	4.2
6	Allianz Global	2,592.0	4.1
7	Generali Versicherung	1,596.0	2.5
8	LVM Sach	1,547.0	2.4
9	Gothaer Allgemeine	1,424.0	2.2
10	Wuerttembergische Versicherung	1,382.0	2.2

\* Refers to gross earned premiums.

Source: Axco (citing German Insurance Association [GDV] and Federal Financial Supervisory Authority [BaFin]), A.M. Best research

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municipal towns have been flooded to date. Rural areas have tended to be the most severely impacted, and under-insurance is common in the affected towns. In Eastern Europe, many residential property owners are uninsured.

Losses are expected to remain largely with primary insurers, and German and Austrian companies with a presence in the Czech Republic will likely be among those paying the most claims. A large portion of the losses will be borne by the large Continental European reinsurers. In contrast to the United States, the catastrophe bond market is not well developed for European perils.

Over the coming weeks, companies will be determining whether this is a single event or multiple events. At this point, for catastrophe reinsurance cover, it is likely to be deemed a single event. For smaller stock companies and mutuals, reinsurance may be fundamental, and the use of such protection in the future may need to be reassessed.

For A.M. Best's rated insurers and reinsurers, the recent floods are expected to be an earnings event rather than a hit to capital. The first five months of 2013 have been benign for natural catastrophes and large losses, and as a result, the flood losses are well within most companies' cat loss budgets for 2013.

Post the 2013 flooding, rate rises and higher deductibles are anticipated for flood cover, and possibly also for the non-flood components of retail and commercial property policies. Flooded regions may also be reassessed and flood zones remapped. Central European governments are likely to come under increasing pressure to protect citizens against further floods. In addition to increasing spending on flood prevention infrastructure, governments may explore the creation of flood insurance pools, or make flood insurance compulsory in flood-prone territories.

## Exhibit 2

### Austria Non-Life – Top 10 Companies Ranked on Premium (2012)

(EUR Millions)

Rank	Company	Written Premiums*	Market Share (%)
1	Generali Versicherung AG	1,170.6	16.4
2	Wiener Staedtische Allgemeine Versicherung AG	1,000.2	14.0
3	UNIQA Österreich Versicherungen AG	993.1	13.9
4	Allianz Elementar Versicherungs-AG	804.2	11.3
5	Donau Versicherung AG Vienna Insurance Group	484.1	6.8
6	Zürich Versicherungs-AG	382.8	5.4
7	Grazer Wechselseitige Versicherung AG	300.8	4.2
8	Oberösterreichische Versicherung AG	243.1	3.4
9	Niederösterreichische Versicherung AG	206.0	2.9
10	HDI Versicherung AG	156.1	2.2

\* Based on preliminary data

Source: Axco (citing the Austrian Insurance Association [Verband der Versicherungsunternehmen Österreichs - VVO]), A.M. Best research

## Exhibit 3

### Czech Republic Non-Life – Top 10 Companies Ranked on Premium (2011)

(EUR Millions)

Rank	Company	Written Premiums*	Market Share (%)
1	Kooperativa Pojistovna	883.8	28.0
2	Ceska Pojistovna	872.4	27.6
3	Allianz Posjistovna	297.1	9.4
4	Generali Pojistovna	238.2	7.5
5	Ceska Podnikatelska Pojistovna	190.2	6.0
6	CSOB Pojistovna	163.7	5.2
7	UNIQA Pojistovna	162.4	5.1
8	Cardif	79.9	2.5
9	Pojistovna CS	32.0	1.0
10	Slavia Pojistovna	31.0	1.0

\* Premium figure includes inwards insurance.

Source: Axco (citing Czech Insurance Association [Ceska Asociace Pojistoven - CAP]), A.M. Best research

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