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# The Epidemic Risk Markets Platform – an alternative PPP approach

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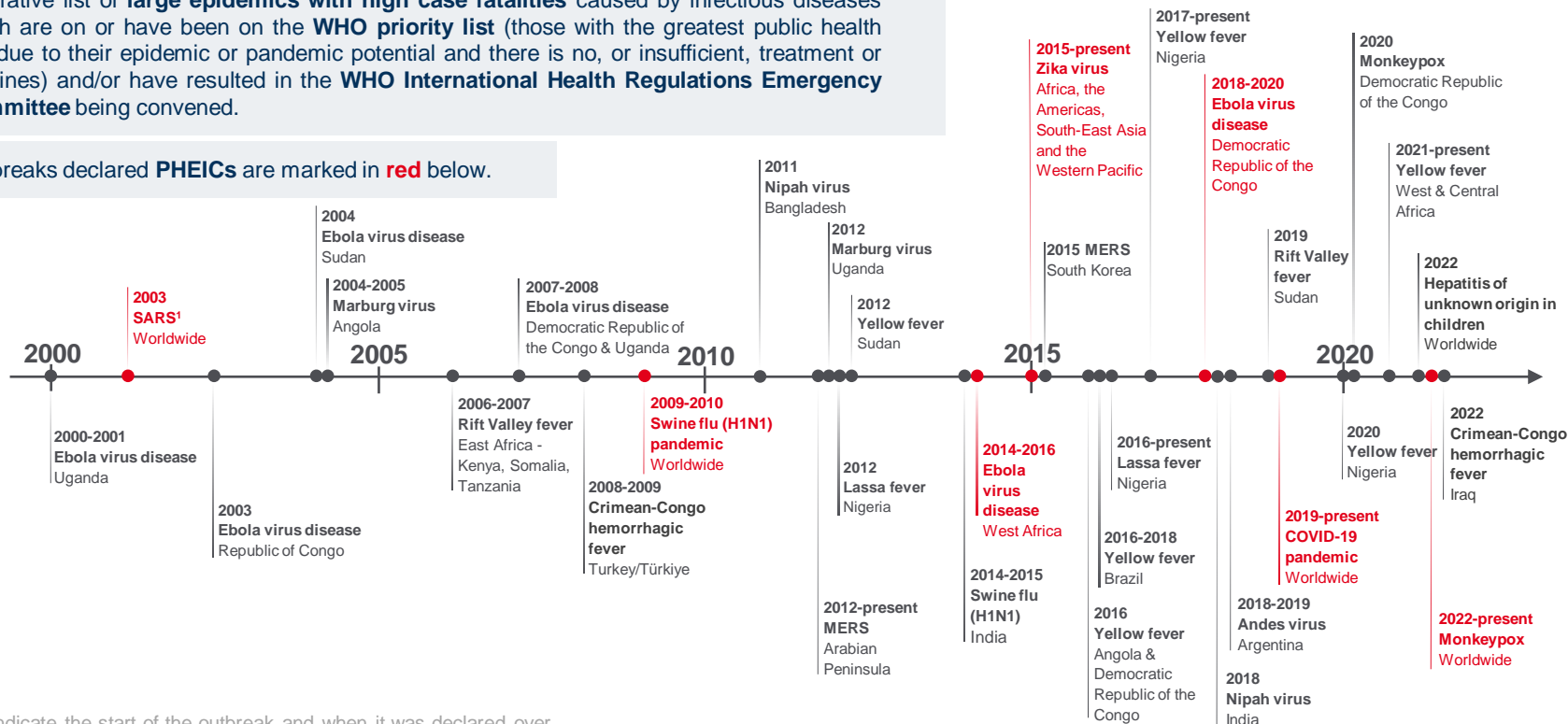


# WHO PHEIC declarations and “near-misses”

## Increasing trend requires improved risk management

Illustrative list of **large epidemics with high case fatalities** caused by infectious diseases which are on or have been on the **WHO priority list** (those with the greatest public health risk due to their epidemic or pandemic potential and there is no, or insufficient, treatment or vaccines) and/or have resulted in the **WHO International Health Regulations Emergency Committee** being convened.

Outbreaks declared **PHEICs** are marked in **red** below.



Years indicate the start of the outbreak and when it was declared over.

1) Triggered development of PHEIC instrument

# The frequency and severity of outbreaks are increasing

Hence, better risk management solutions are required in the future

**EVERY YEAR** there are on average **200** epidemic outbreaks & **5 NEW** emerging infectious diseases reported

**Metabiota** predict the probability of another pandemic of the same or greater magnitude as COVID-19 to be:

<b>2.5% - 3.3%</b>	any year
<b>22% - 28%</b>	within next 10 years
<b>47% - 57%</b>	within next 25 years

Source: Cheney, devex, 31 July 2021

There have already been **3 significant coronavirus outbreaks** in the recent past within 17 years:

- **SARS (2002/2003),**
- **MERS (2012/2015)**
- **COVID-19 (2019 and on-going)**

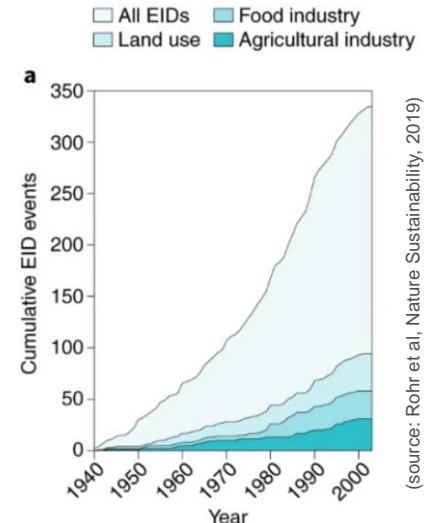
Major contributors to this phenomenon are



The human and economic cost can be devastating

- SARS-CoV-2 has shown the vulnerability of modern society to widespread pandemic events
- Social isolation and quarantine can quickly erode capability and profit potential for many industries

Increasing trend:  
Emerging Infectious Diseases (EIDs)



COVID-19 is NOT a Black Swan event, it is a Grey Rhino – large, but ignored

## Non Physical Damage triggers

### Parametric Pandemic/Epidemic

Parametric – WHO data

#### 1. WHEN

WHO reports a new outbreak

#### 2. WHAT

WHO declare a Public Health Emergency of International Concern (PHEIC)

#### 3. WHERE

Civil Authority Restriction issued in relation to the disease within the Covered Area

### Economic Impact

Comprehensive cover for a wide range of financial impacts

to business operations in the agreed Covered Area(s): for example

- Loss of Gross profits/earnings
- Debt obligations
- Extra Expense
- Employee benefits

### Indemnity for incurred loss/expenses

Indemnity Period

Insured selects the 6 consecutive months with the highest financial impact

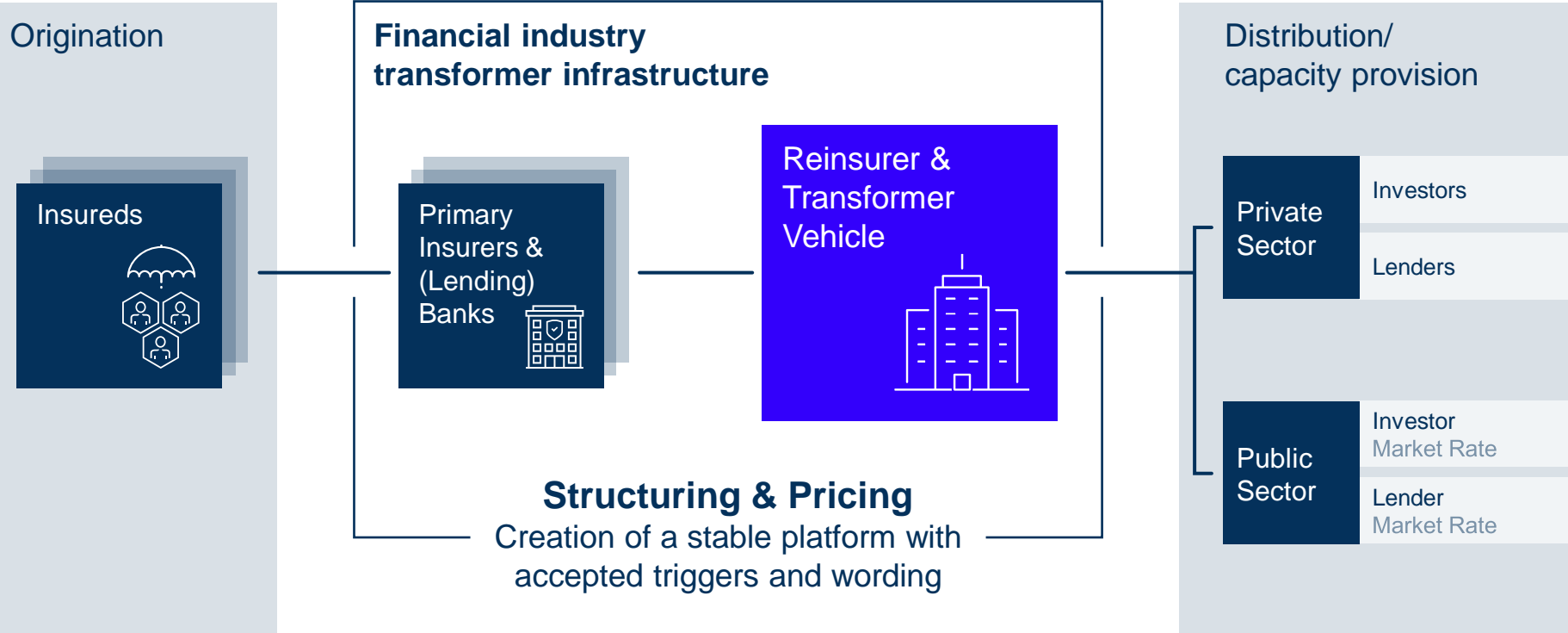
Claims submitted and adjusted depending on type of protection provided.

Focus is on quick and simple claims settlement process.

**Structuring, pricing and underwriting** of epidemic and pandemic risks can be facilitated by the reinsurer while the market develops

# The Epidemic Risk Markets Platform

Risk Transformation Value Chain including Public Private Partnerships



- Market transitioning from **heightened awareness** to **actively pursuing** protection against the next major disease outbreak (“tipping point”)
  - Primary insurers developing pandemic insurance solutions for their clients (in several APEC countries)
  - Companies in different industries & geographies purchasing insurance products
- Dependency on timeline of COVID-19 is fading. Relevant factors for mid-term market development: Capacity/Accumulation (supply side) and Affordability (demand side)
- Companies buy suitable limits to:
  - **manage economic damage** and “survive” the pandemic
  - gain quick access to **liquidity** to fund **crisis management responses** and **manage operational risks**
  - outperform peers and support staff
  - promote **ESG** (notably: manage social responsibilities & fiduciary obligations to stakeholders)
- **Capital market investors** are interested to participate due to the following reasons:  
(1) increase in portfolio diversification, (2) relative value comparison, (3) ESG motivations

# Key take-aways & next steps for developing a PPP for Pandemic Risk Transfer

- The Epidemic Risk Markets platform provides an attractive value proposition for the public sector: (1) no subsidies required, (2) affordability for policyholders can be addressed via contingent lending, (3) existing infrastructure of the insurance industry can be used, (4) sends clear market signals to increase preparedness.
- Legal, policy and regulatory reforms and capacity building activities can now commence with the support of APFF, APFIF and APIP.
- Country engagement will now intensify. Support can be provided via stakeholder education, acting as multiplier, and identification of stakeholders supporting pilot transactions.
  
- We expect an implementation in two phases:
  - 1) Phase 1: Implementation of a private sector pilot with local ownership
  - 2) Phase 2: Expanding width and depth of the Epidemic Risk Markets Platform
    - Include contingent credit instruments
    - Scaling by inclusion of public sector capacity