



Europa Re is developing a study on the impact of natural disasters and extreme weather events affecting commercial banks

27 March 2012 – Europa Re has launched a study on the impact of the natural disasters and extreme weather events on the operations of commercial banks, especially those with presence in disaster prone areas in its member countries – Albania, FYR of Macedonia and Serbia.

Commercial banks in the region are at risk of natural catastrophes and weather events. Not only do they face direct risk from such events but operational and financial consequences as well. On the one hand, catastrophes can lead to clients defaulting on loans, which can impact banks' liquidity and solvency. On the other hand, because of the risk of catastrophe and weather events, banks tend to be overly cautious in lending to clients that are exposed to disasters, thereby reducing business growth.

The study will assess the appetite of commercial banks for well-designed and priced Europa Re's catastrophe and weather insurance products with an aim to (i) mitigate the risk of default for consumers and commercial banks, (ii) avoid systemic risk in financial sector due to large potential natural disasters, and (iii) increase competitive advantages of commercial banks through introduction of bundled bank/catastrophe and weather insurance products.

The results of the survey will lead to recommendations on: (i) improving banks' risk management practices; (ii) modifications in the existing prudential regulations with the view to accounting and properly reserving for catastrophe risk faced, (iii) an implementation approach, including bundled products specifications, and regulatory actions required to enable and develop bundled bank/catastrophe and weather risk insurance products.

Europa Re is a catastrophe and weather re-insurance company created to address very low levels of catastrophe and weather risk insurance penetration in the countries of South East Europe. Europa Re provides homeowners, farmers, enterprises, and government organizations of Southeastern Europe with access to affordable insurance through the provision of reinsurance support for products against weather risk and geo-related perils.