

## PROBLEMS OF FINANCING AND INSURANCE

by

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### Introduction

This paper deals with the most important problems of financing and insuring natural disasters like windstorm, flood and earthquakes. This is based on an illustration of the potential impact of these hazards. Direct and indirect consequences are considered. We will show whether and in which way insurance can be involved to mitigate the impact of natural disasters allowing for local and international market conditions, the funds required, and which prerequisites must be met to achieve economical insurance solutions.

### General Aspects and Problems Related to Financing

It is common knowledge that the population of the globe has grown dramatically and so have investments and therefore exposed values. Moreover, the type and vulnerability of elements at risk has greatly changed. Specialization and sophistication are generally directly correlated to exposure. The complex risks of today produce disproportionately higher losses than did their simple counterparts of several decades ago. This is true of most modern types of risk, such as factories, chemical plants, power stations, etc., but also buildings. For all these reasons, one can say with almost absolute certainty that damage and losses will increase. This applies not only to the fast expanding industrial regions of the Third World, but also to industrially and technologically advanced countries wherever more complex risks are being introduced.

General experience seems to indicate that damage and losses have increased, and certainly those who were badly affected by Gilbert, Hugo, Daria, Herta, Vivian and Wilke