



PROSPERITY

Country Presentation Morocco

Catastrophe Insurance



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Overview

Guarantee against the consequences of catastrophic events

Moroccan context:

- Morocco is particularly vulnerable to the effects of climate change, particularly in terms of floods and droughts.
- The September 2023 earthquake with a magnitude of 6.8, a level never before recorded in Morocco, struck the province of Al Haouz, causing more than 2,900 deaths and 5,500 injuries. This disaster resulted in a loss of US\$50 million for the EVCAT program, and Morocco launched a reconstruction plan of US\$12 million over five years.
- Morocco's insurance penetration rate remains low (less than 10 percent, almost 4 percent) and there is no obligation to purchase EVCAT coverage before 2020.

Specificity/Coverage Descriptions:

- The Guarantee against the Consequences of Catastrophic Events (GCEC) came into force in 2020 by Law No. 110-14 combining both an insurance component (EVCAT) (for the benefit of people who have taken out an insurance contract) and an allocation/solidarity component (for the benefit of natural persons with no insurance coverage).
- The Guarantee is a mechanism aimed at compensating victims of bodily injury and/or property damage that is the consequence of natural disasters or damage caused by the violent action of humans.



Perils covered

- Earthquakes
- Flooding
- Raw
- Tsunamis
- Acts of Terrorism
- Civil commotion



Levels of Coverage

- The overall cap per event:
 - US\$300 million for a natural event;
 - US\$300 million for a Man Made event.
- The overall ceiling per year:
 - US\$900 million for a natural event;
 - US\$600 million for a Man Made event.



Risks covered

Insurance Component

- Personal injury
- Property damage:
 - Residential, Industrial, Commercial and Other Buildings
 - Assets in said Buildings
- Automobile damage



Institutional Framework for Catastrophe Risk Insurance

Catastrophic Event Coverage

How CAT insurance is organized

- Insurance component (EVCAT), financed by an additional **premium of between 1.5% and 8%** on property and casualty and motor and bodily liability contracts.
- Non-formal contractual insurance covering catastrophic risks under special conditions or including risks not covered by the EVCAT plan (e.g. Storm, Hail, Wave, etc.).

Who are the risk bearers?

- **Insurance component:** - The Moroccan insurance market
 - The International reinsurance market via SCR and CAT A&R
- **Recipient Component:** - The FSEC
 - The Moroccan insurance market and the international reinsurance market via the SCR
- **Contractual Insurance:** Moroccan and International Insurance and Reinsurance Market

What is the implementation structure?

- **Insurance component:** International pool of the EVCAT scheme in XS per event and Stop-Loss (10% for local cedents).
- **Contractual insurance:** Various risk transfer structures are put in place depending on the liabilities and the nature of the risk.

Limitations, Challenges and Reflections

Catastrophe Event Coverage

What are the main limitations/challenges encountered in the design and development of the program?

- **It was necessary to design a law that would regulate the plan and establish the obligation of CAT coverage.**
- **Time clause:** This clause was absent in Law 110-14. A clause is introduced in 2024 to align with international practices and facilitate placement.
- Difficulty in sizing ceilings, replenishments, and slices of the cover due to limited understanding of peril, vulnerability, and exposure. No recognized model existed for Morocco.
- The number of experts to conduct field assessments remains scarce.
- The quality of exposure data from ceding companies remains uncertain and collection difficult.
- Some perils are not included such as submersion waves, strong winds and hail.
- It is always difficult to design and implement parametric flood coverage for the beneficiary component.
- The parametric program is made up of a single tranche, which makes placement difficult.
- The beneficiary component compensates when the residence is rendered uninhabitable, this threshold is not precisely defined.
- The economic exposure for the recipient component is difficult to identify. This increases the basis risk of the parametric program.
- Defining and optimizing the parameter is a challenge for the parametric program.

Reflections on program implementation and successes

- A fairly robust national legal and regulatory framework.
- An IT platform has been set up to manage claims and facilitate communication between ceding companies, adjusters and the EVCAT team.
- The retro structure is diversified and allows for the participation of different profiles of reinsurers.
- The local ceding companies are involved in the risk by a stop-loss, which makes the local insurance market responsible.
- The national reinsurer (SCR) is at the center of Guarantee thanks to its experience and expertise.
- Recommendations:
 - Invest in disaster risk understanding and modeling.
 - Be involved in prevention and consider it as an important principle to be adopted by citizens and organizations. This will ensure the insurability and cost-effectiveness of the program.