



## **Alternative solutions for public and private natural catastrophe funding**

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The impacts of natural hazards as well as their frequency of occurrence during the last decades have increased decisively. Therefore, the public as well as the private sector are expected to react to this development by providing sufficient funds, in particular for the improvement of protection measures and an enhanced funding of damage compensation for affected private individuals, corporate and public entities.

From the public stance, the establishment of an appropriate regulatory environment seems to be indispensable. Structural and legal changes should, on the one hand, renew and improve the current distribution system of public catastrophe funds as well as the profitable investment of these financial resources, and on the other hand, facilitate the application of alternative mechanisms provided by the capital and insurance markets. In particular, capital markets have developed alternative risk transfer and financing mechanisms, such as captive insurance companies, risk pooling, contingent capital solutions, multi-trigger products and insurance securitisation for hard insurance market phases. These instruments have already been applied to catastrophic (re-)insurance in other countries and may contribute positively to the insurability of extreme weather events in Austria by enhancing financial capacities. Not only private individuals and corporate entities may use alternative mechanisms in order to retain, and thus, to finance certain risks, but also public institutions.

This conference contribution aims at analysing potential solutions for an improved risk management of natural hazards in the private and the public sector by considering alternative mechanisms of the capital and insurance markets. Various forms of public-private-partnerships, which may enhance the current system of catastrophe funding in Austria, are discussed.