Super-typhoon Haima struck China’s Guangdong province in October 2016. Already within a week, insurance companies were able to make a payout to the city of Shanwei. It was the first payout associated with the innovative Swiss Re-led index insurance programme launched in China in the same year.
Heavily exposed to natural disasters, Guangdong is China’s most populated and powerful economic hub. An insurance scheme increases the region’s resilience through fast payouts.

In 2016 Guangdong Provincial Government partnered with Swiss Re and local Chinese insurers led by the People’s Insurance Company of China (PICC) to develop a natural disaster insurance programme. The insurance scheme helps protect the region, which generates over USD 1 trillion of China’s GDP, against the financial impacts of natural disaster risk.

Guangdong is especially exposed to typhoon and flood and through the programme it has secured insurance cover for up to USD 350 million.

Quick access to funds
The insurance scheme has already helped Guangdong to be better prepared for disasters: a first payout was triggered after super typhoon Haima made landfall in the city of Shanwei on 21 October 2016.

How does it work?
Compared with traditional re/insurance, index insurance schemes pay out much faster. The pioneering solution triggers a payout once pre-defined parameters such as cyclone wind speed or rainfall amounts are met. Swift payouts make funds readily available for recovery and reconstruction.

The scheme also hedges the massive fiscal contingency liabilities for disaster relief that are well beyond the fiscal budget capacity of local municipalities.

Collaboration is key
Extreme weather events can be devastating for local communities, and they are also highly likely to affect the longer-term performance of economies. The scheme plays a key role in the Chinese Central Government’s efforts to build a natural catastrophe insurance system. Product innovation based on strong collaboration has enabled the success of the Guangdong insurance programme.

Through further collaboration, we hope the programme can pave the way for other protection measures in other provincial and prefectural governments in China.

About Swiss Re
The Swiss Re Group is a leading wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer.

Dealing direct and working through brokers, our global client base consists of insurance companies, mid-to-large-sized corporations and public sector clients.

From standard products to tailor-made coverage across all lines of business, we deploy our capital strength, expertise and innovation power to enable the risk-taking upon which enterprise and progress in society depend.

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