



# Public-private partnerships in the European insurance industry

**Guy Carpenter's Europe CEO Julian Enozzi examines the increasing importance of public-private partnerships in the region**

**P**ublic-private partnerships (PPPs) are typically set up as long-term agreements between government entities and private companies to finance and operate public assets or services, leveraging private sector expertise and capital for enhanced efficiency.

In the insurance sector, PPPs address coverage gaps for high-risk, high-cost events through, for example, (re)insurance pools. These pools allow governments and private insurers to share risks and resources, enabling more affordable, accessible insurance coverage. PPPs for risk pools have grown in popularity around the globe, doubling in number over the past three decades, according to Marsh McLennan.

With support from Guy Carpenter and Marsh McLennan, risk pools in Europe have been set up and developed in several key areas, including around climate change and cyber threats.

## Evolving landscape of PPPs in Europe

### Climate change

In 2023, global insured losses from natural catastrophes exceeded \$100bn for the fourth year, according to the Solutions Journal, driven by hazards intensified by climate change, population growth and inflation. In response, many jurisdictions have begun to develop proactive measures, including public-private (re)insurance pools. One such example is Flood Re in the UK, which aims to address rising premiums caused by increasing flood events and associated claims. Flood Re combines £135mn from an annual government levy with fixed premiums from private insurers.

Appointed as Flood Re's broker in 2015, Guy Carpenter provides business plan consultation and reinsurance strategy services, with Marsh Advisory supporting on analytical crisis monitoring. The scheme has enabled more than 250,000 households to access affordable

insurance, with 80 percent of policyholders seeing premiums reduced by more than 50 percent.

### Cyber threats

The evolving cyber landscape has introduced new risks for consumers, with global data breaches substantially increasing. These risks require new, innovative insurance solutions, such as PPPs and risk pools, to help close protection gaps with consumers.

Pool Re currently covers terrorism risks, reinsuring 90 percent of the UK's commercial property terrorism insurance and protecting £2trn in assets. Marsh McLennan has been supporting Pool Re and other industry stakeholders in developing the concept of a "Cyber Re" pool, aimed at providing a safety net against systemic cyber risks.

**As PPPs gain traction in the European insurance industry, C-suite executives must navigate this evolving landscape and embed resilience into strategic planning**

### Creating new PPPs

As new PPPs are developed to address growing protection gaps, a structured approach should be carried out to ensure effectiveness and sustainability. The high-level approach for creating a new PPP may include 1) diagnosing sector issues, 2) outlining partnership options, 3) designing and implementing a compliant solution, and 4) continuously running and refining the solution.

PPPs are crucial in addressing insurance challenges, especially with the increasing risks from unprecedented events – and Marsh McLennan's unique expertise in the design and development of risk pools positions us well to support the industry on this topic.

### Looking ahead

As PPPs gain traction in the European insurance industry, C-suite executives must navigate this evolving landscape and embed resilience into strategic planning. Unprecedented global risks necessitate robust collaboration between governments and private companies to bridge coverage gaps. Through such collaboration, leaders can ensure their organisations are better positioned for sustainable growth.

