

# Public-private partnerships and (re)insurance pools in Europe

## Guy Carpenter's Europe CEO Julian Enoizi on the need for greater collaboration between the public and private sectors

**P**ublic-private partnerships (PPPs) are collaborative agreements between governments and industry, which finance, develop and manage key public assets or services. PPPs leverage private sector efficiency, innovation and capital while addressing public needs.

PPPs can bridge coverage gaps for high-risk, high-cost events, for example through (re)insurance pools. Pools enable the sharing of risks and resources, making insurance coverage more affordable and accessible. This is an effective solution and one that is growing in popularity. The number of PPPs for risk pools has doubled globally in the last 30 years, according to Marsh McLennan.

Guy Carpenter and Marsh McLennan have supported the development of several of these risk pools in Europe, including around climate change and cyber attacks.

### PPPs bridge coverage gaps

#### Climate change

In 2023, the cost of weather events reached \$291bn, with only 40 percent of these losses covered by insurance, according to the Swiss Re Institute. Increasingly, many European countries, burdened with growing national debts and constrained spending options, are unable to bear these rising costs with public funds alone. Therefore, many jurisdictions are turning to public-private (re)insurance pools. For example, Flood Re in the UK addresses rising premiums caused by increasing flood events by combining £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 helped more than 250,000 households access affordable insurance, with 80 percent of

policyholders seeing premiums reduced by more than 50 percent.

#### Cyber attacks

Cybersecurity is a top global risk and poses an evolving threat in Europe from private and state-sponsored groups. This challenge requires innovative insurance solutions, such as PPPs and risk pools, to help close growing coverage gaps.

Pool Re covers UK commercial property against terrorism risks, sharing risk through private funds, reinsurance and capital markets, and ultimately an uncapped government guarantee. 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.

#### Development of new PPPs

A systematic approach is required to sustainably address increasing protection gaps through new PPPs.

Any approach for establishing a new PPP must involve identifying sector challenges and partnership options, and then developing and operating a compliant solution.

The public and private sector must cooperate for such risk-sharing mechanisms to succeed. Insurers have a critical role in taking on and pooling risk exposure, but it remains the state's responsibility to intervene when losses exceed thresholds allowed by diversification mechanisms.

PPPs are crucial in addressing insurance challenges, especially as unprecedented events increase risk and reduce coverage. Marsh

McLennan's unique expertise in the design and development of risk pools positions us well to support the industry on this topic.

#### Next steps

Europe faces growing and interconnected risks, which are increasingly not covered by public or private mechanisms. As the role of PPPs grows in the European insurance market, executives must incorporate resilience and partnerships into their strategic planning to position their organisations for sustainable growth.

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