

Playmaker //
Creating all-round protection
for the 2010 World Cup



For many people around the world, football is the most exciting spectacle there is. But for the organisers of a World Cup, it is a huge challenge – one that can only be met with the help of strong partners. Munich Re is the first choice when it comes to covering the risks involved.

2010 sees South Africa become the first African country to host the world's biggest sporting event after the Olympic Games. The motto of this World Cup is "Ke Nako. Celebrate Africa's Humanity".

High expectations – Big challenges

The World Cup four years ago gave Germany the chance to show the world its fun-loving and friendly side. But the importance of this year's World Cup is even greater, as all of Africa hopes that this frequently forgotten continent can project a positive image.

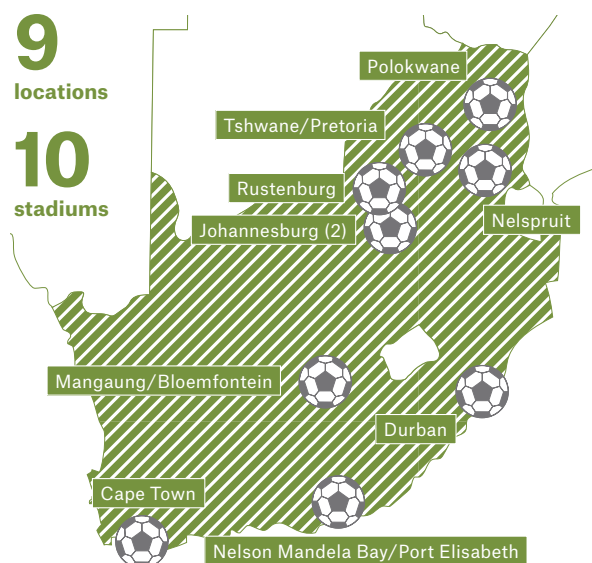
However, the higher the expectations, the greater the challenges. Staging the World Cup finals is an enormous undertaking for both hosts and organisers. And the risks involved are clearly enormous as well. The financial consequences of the event being cancelled, abandoned mid-way through or simply postponed due to a natural catastrophe or a terrorist attack are simply too great for the organisers to shoulder on their own. That is why a strong partner is needed to help carry this risk.

Risks on every scale

Take broadcasting rights, for example: the period between the opening ceremony on 11 June 2010 to the presentation of the trophy a month later will see almost 100 hours of live football broadcast by TV stations around the world. Four years ago, the licensor of the broadcasting rights, the sports and media agency Infront AG, concluded contracts with broadcasters from 205 countries. As the official organiser of the World Cup, the world football association FIFA earned, according to its own figures, a total of €2.2bn from the broadcasting rights at the 2002 and 2006 World Cups. However, for FIFA to earn this money, the finals have to go ahead on schedule and without a hitch. If they do not, compensation claims are likely to follow.

Then there are the sponsors. Much of the financing for the World Cup in Germany came from sponsorship money, with the 15 main international sponsors providing around €600m – three times more than the amount generated by ticket sales. In South Africa, there will be twelve main sponsors and six national sponsors, which help to finance the running of the

The 2010 World Cup in South Africa



World Cup Organising Committee. As was the case four years ago in Germany, a company has been established in South Africa to take care of the planning and running of the event. The company is headed by Danny Jordaan, a former South African international footballer. In order to attract sponsors, the 2010 FIFA World Cup Organising Committee South Africa needs to offer companies the certainty that their investment is safe – even in the unlikely event that the finals cannot go ahead.

However, the list of those that may need risk cover would not be complete without the many large and small companies involved on the fringes of such a massive event which have invested considerable sums of money in advance: travel companies that have block-booked hotel rooms, airlines that change their schedules to ensure fans from all over the world can be flown to South Africa in the shortest possible time, the organisers of side events that are held during the World Cup, the manufacturers of souvenirs and fan merchandise, etc., etc.

"All in all, the potential demand for cancellation insurance at the World Cup in South Africa could be in the region of US\$ 5bn", says Andrew Duxbury, underwriting manager at Munich Re in London. Munich Re will write only a part of this business, but its share of the cancellation-of-events cover for the organisers is the biggest at US\$ 350m. Such financial commitment is possible because the world's largest

reinsurer not only has the financial strength but also the know-how needed to assess the risks accurately.

Munich Re provides for planning certainty

“Our services benefit all participants”, explains Andrew Duxbury. “The organisers can guarantee stakeholders that their investment will not be lost if it really comes to a scenario in which the World Cup cannot take place. Significant financial involvement without this protection would simply be too risky for many.”

What can happen when this protection is lacking was demonstrated at the 2002 World Cup in Japan and South Korea: many insurers withdrew cover in the wake of the 9/11 terrorist attacks, believing that the risk was impossible to calculate. Sponsorship revenues suffered as a result and remained well below expectations.

Since then, Munich Re has made every effort to ensure that even such risks can be realistically assessed and to develop innovative solutions for its clients so that the show can go on. “As the market leader with our combined global expertise, we have a wealth of know-how to draw on”, explains Duxbury. For example, our Geo Risks Research centre supplies precise data about the likelihood of natural catastrophes occurring and specially trained experts analyse the political situation in the host country. What is the situation regarding internal security? Is the political system stable and the government in control? Are there extremists in the country who pose a threat of violence? “One must bear in mind that there will be hundreds of thousands of visiting fans from abroad in South Africa during the World Cup. This makes it especially difficult to calculate the risks”, says Duxbury.

Customised solutions for major risks

The only way you can tackle this problem is with experience and tailor-made insurance solutions. Munich Re has long been a leader when it comes to insuring major events. The information that the Group has been able to assemble from similar events in the past is invaluable in making a realistic and fair calculation of the risks.

But even that is not enough for our risk managers. Andrew Duxbury visited South Africa two years ago to get a first-hand view of the risk situation there. “Danny Jordaan took a lot of time and effort to get us the information we needed and to answer all our questions”, reports Duxbury. Also of great value is the expertise provided by specialists from the Munich Re offices in Johannesburg and Cape Town. “Our

colleagues from South Africa can tell us about a lot of things that may not be sufficiently newsworthy to make the international media. We would only have half the picture without this information.”

But now we can look forward to a wonderful celebration of football. Duxbury is proud to have done his bit to make this possible. As an Englishman and a football fan, Duxbury is confident: “The only fear I have now is England losing to Germany on penalties.” //



Munich Re in South Africa

With African passion and German heart

Munich Re is represented in sub-Saharan Africa and the Indian Ocean Islands by Munich Reinsurance Company of Africa Limited (MRoA), with its Head Office in Johannesburg, South Africa, and a life office in Cape Town. In addition, Munich Mauritius Reinsurance Company Limited (MMRC), a fully-owned subsidiary of MRoA, operates from Réduit, Mauritius, with representative offices in Nairobi, Kenya and Accra, Ghana.

Under the leadership of Junior Ngulube, and a staff complement in excess of 200, Munich Re's clients across this area of operation are offered a broad range of services and products – from customised risk transfer solutions to professional loss assessments, new business support and client training, technical publications and market analysis. The recipe for success? “A mixture of African passion and German heart”, says MRoA CEO Ngulube.

The awarding of the FIFA World Cup to South Africa in 2010 has triggered a construction boom across the country, which will have far-reaching benefits for South Africa and the African continent. MRoA participates in the reinsurance of stadium construction and the expansion of OR Tambo International Airport, and, in addition, many of the ancillary projects are given significant support by MRoA in the role of risk carrier. Of major significance here is Munich Re's involvement as leading reinsurer in the building of the Gautrain rail network between Johannesburg and Pretoria, a project which makes significant strides towards infrastructure development in South Africa.

Further information

www.munichre.com/MRoA