

HOW TO WIN in LOTTO

Andrea Bargholz explains why lotto is still a winning formula after 500 years of history

Lotto's surge in popularity can be traced back hundreds of years to the Italian city-state of Genoa. Following a coup d'état in 1575 it was decided that five senators would be chosen out of a civil list of 90 people.

However, "chosen" isn't really the correct word to describe the process. Instead of being selected, the names of the senators were to be drawn by chance, and over time the residents started to predict the result of the election.

By 1643, the state had taken over the organisation of a first official lottery independent of the election. An orphan boy was tasked with picking five out of 90 numbers and the classic Italian lottery was born.

Since then Lotto has conquered the world. Almost every country now offers at least one official lottery, with most being run by the government. In part, this is to prevent pathological gambling, but it's also because the revenue generated is so enormous.

It was only a matter of time until business-minded individuals, who were not part of the governance of a state, would find a way to grab a share of this lucrative market. Resourceful business people these days pin their businesses to official lotteries by offering secondary lotteries – basically, betting on the outcome of official draws.

The question is, though, how do you start a business offering huge jackpots without first building up a financial reserve to cover any substantial payouts in the event of someone winning? Do you offer lower jackpots? Or do you simply mirror the jackpot amount of the official state lottery and hope that it isn't won? The latter is a dangerous game where secondary lotteries risk damaging their reputation if the jackpot is won.

To serious businessmen this cannot be a question. If the economic demand is there, then there is an answer. One option for an operator of a secondary lottery is to simply buy a corresponding ticket from the state lottery every time a customer places a bet. In this way, if the operator has a winner it is covered by the ticket of the state lottery.

Andrea Bargholz is COO at Emirat AG and has 12 years' experience in the insurance business. Her main focus is on insurance of over-redemption promotions, online lotteries and any other insurable event or promotion.



There's an obvious flaw here, though: the online operator has to sell his tickets for more than the state lottery ticket in order to cover all his costs.

The second option for an operator is to insure himself and let his players bet on the results of the official state lottery, taking us back to good old Genoa where everything began.

One of the world's leading companies offering coverage of lottery winnings is the Emirat group. Emirat specialises in coverage of all kinds of games based on odds with high prize money. As Marisa Rusche, head of the lotto department, explains, "Emirat AG has years of experience in dealing with African clients. The most important thing with any new client starting a new business is to understand their needs, provide the best service and take the financial concerns off their shoulders."

The insurance model works with the odds of a lottery. The cost per attempt is based on the specific lottery and the corresponding sum insured. Usually clients are covering only tiers one and two because all winnings from tier three and below are easily covered by monies paid by the players.

Lotteries never seem to go out of fashion – after all, who doesn't dream of changing their life or their family's lives for the better? This fantasy is the engine of a growing industry because it influences and fascinates humans all over the world, regardless of colour, religion or culture.

The insurance in the background lets the operator of a lottery sleep at night while the player dreams of the big jackpot. This is true today with online lotteries more than ever.