Addressing the global insurance protection gap

Luxembourg, 27 May 2015
The Geneva Association

7th International Conference
27 May 2015
\Research Programmes\ at the forefront of current business and academic issues;
   a) Financial Stability and Regulation
   b) Extreme Events and Climate Risks,
   c) Ageing
   d) Liability regimes

\Additional Topics: Insurance Economics and The global protection gap

\International Conferences and Colloquia, combining experts from industry, academia, supervisors/regulators and governments…

\Discussion Platforms targeted at CROs, CIOs

\Academic Publications:
   b) Research reports: developed in collaboration with industry and academic experts
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Follow us on:
The Global Insurance Protection Gap
Measurements, Causes, Remedies

Dr Kai-Uwe Schanz, Special Advisor,
The Geneva Association

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7th International Conference, Insurance Europe
A topic which matters

“I do think that raising penetration in the underinsured countries is the biggest challenge facing the global insurance industry”

*John Nelson, Chairman, Lloyd’s of London*
The simplest indicator: Non-life insurance penetration

Countries below the S-curve can be considered underinsured

Source: Swiss Re
Another measure: Catastrophe protection gap in % of GDP

Uninsured losses as a (huge) proportion of total losses (1980-2013)

Source: Swiss Re
The global catastrophe protection gap keeps widening

Total losses grow faster than insured losses

% of GDP

Source: Swiss Re
The global life protection gap

The shortfall generally exceeds national GDP

The gap in US$ trillion, 2012

Source: Swiss Re
The pensions gap in the OECD countries

*The first and second pillars replace only 50% of pre-retirement income*

Source: OECD
The root causes of underinsurance

• Economic reasons
• Lack of awareness
• Lack of affordability
• Immature regulations
• Limits to insurability

Source: The Geneva Association
Closing the gap – A public-private policy agenda

• Pursue a multi-stakeholder top-down / bottom-up approach
• Promote financial literacy
• Enact conducive regulations
• Encourage product innovation
• Reduce product complexity / improve product transparency
• Tap into the potential of capital markets
• Collect and share relevant data
• Consider regional pooling of catastrophe risks

Source: The Geneva Association
Addressing the Global Insurance Protection Gap: An Asia Perspective

7th International Conference, Insurance Europe
Luxembourg, 27 May 2015

John Tan
Group Chief Executive
1. Underinsurance in Asia
2. Measurement for Property Class
3. Measurement for Life Coverage
4. Causes of Underinsurance in Asia
5. Uncovering the Solutions
Recent Nat Cat Events: Uninsured Losses as Share of Total Economic Losses

Source: EM-DAT and various market sources
Thailand: Property Premiums and Sum Insured Indices

Note: Sum insured and premiums are for fire and industrial-all-risks classes.

Source: ACR, OIC

Data limitations, BI and Intangibles

Insurance vs Asset Growth

Premiums vs Sum Insured

GDP vs Capital Stock

In Asia. For Asia.
• Life coverage needs to address:
  ✓ Income
  ✓ Debt
  ✓ Medical expense

• Other considerations:
  ✓ Recurring income
  ✓ Recurring medical expense
  ✓ Complementary savings

Source: ACR, BIS, MAS, United Nations, WHO
Causes of Underinsurance in Asia

- Perception of insurance (as a cost)
- Strong savings culture
- Sub-optimal incentive structure for intermediaries
- Lack of risk awareness
- Regulatory limitations
- Insurability issues
Uncovering the Solutions

Regulations

Technology

Industry Involvement
7th International Conference

COFFEE BREAK

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Next session starts at 15h45 in the main conference hall