



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:**

- a) **Two peer reviewed journals:** *The Geneva Papers on Risk and Insurance–Issues and Practice* and *The Geneva Risk and Insurance Review*
- b) **Research reports:** developed in collaboration with industry and academic experts



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The Global Insurance Protection Gap Measurements, Causes, Remedies

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The Geneva Association

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

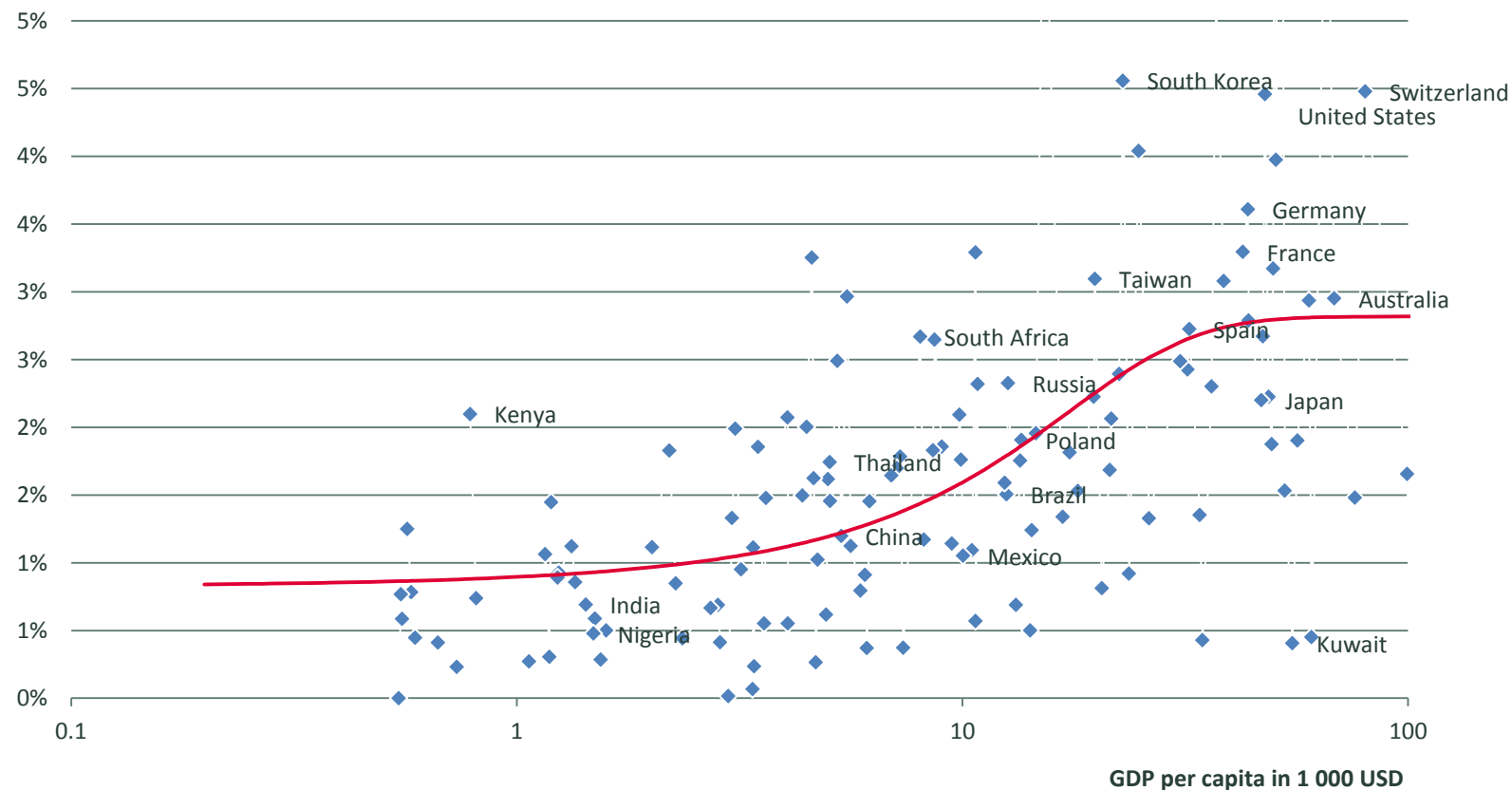
A topic which matters

“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

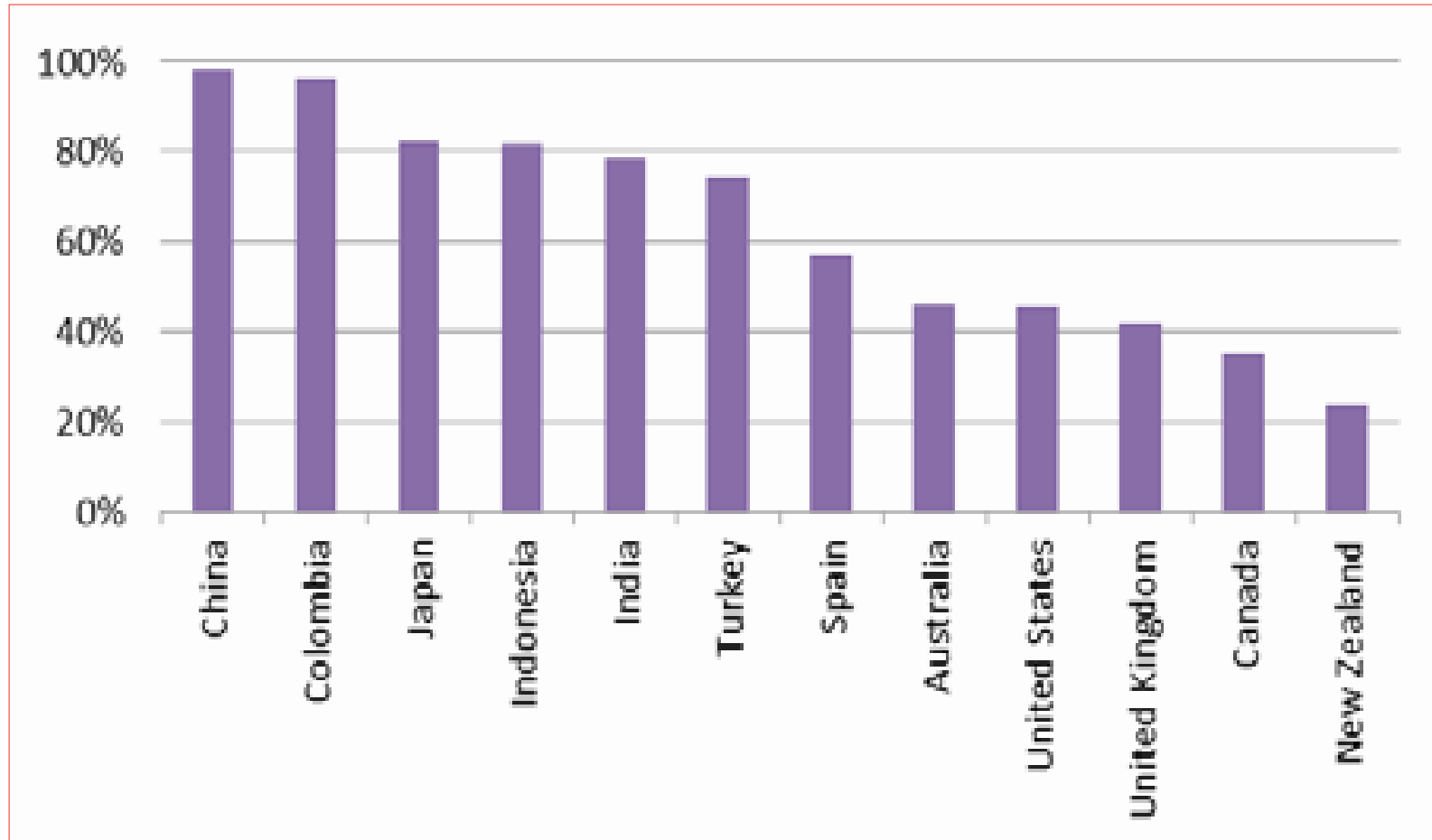
Countries below the S-curve can be considered underinsured



Source: Swiss Re

Another measure: Catastrophe protection gap in % of GDP

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

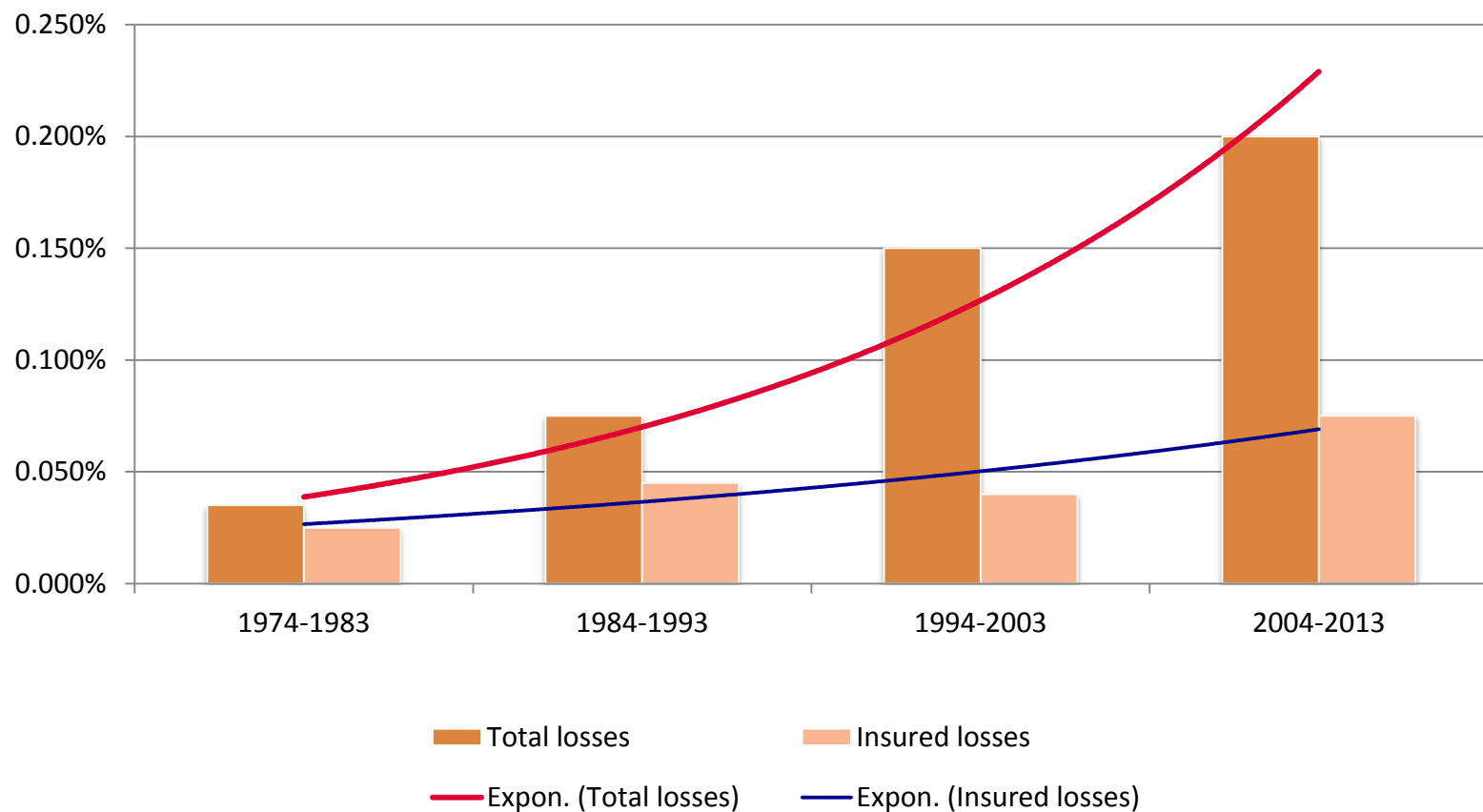


Source: Swiss Re

The global catastrophe protection gap keeps widening

Total losses grow faster than insured losses

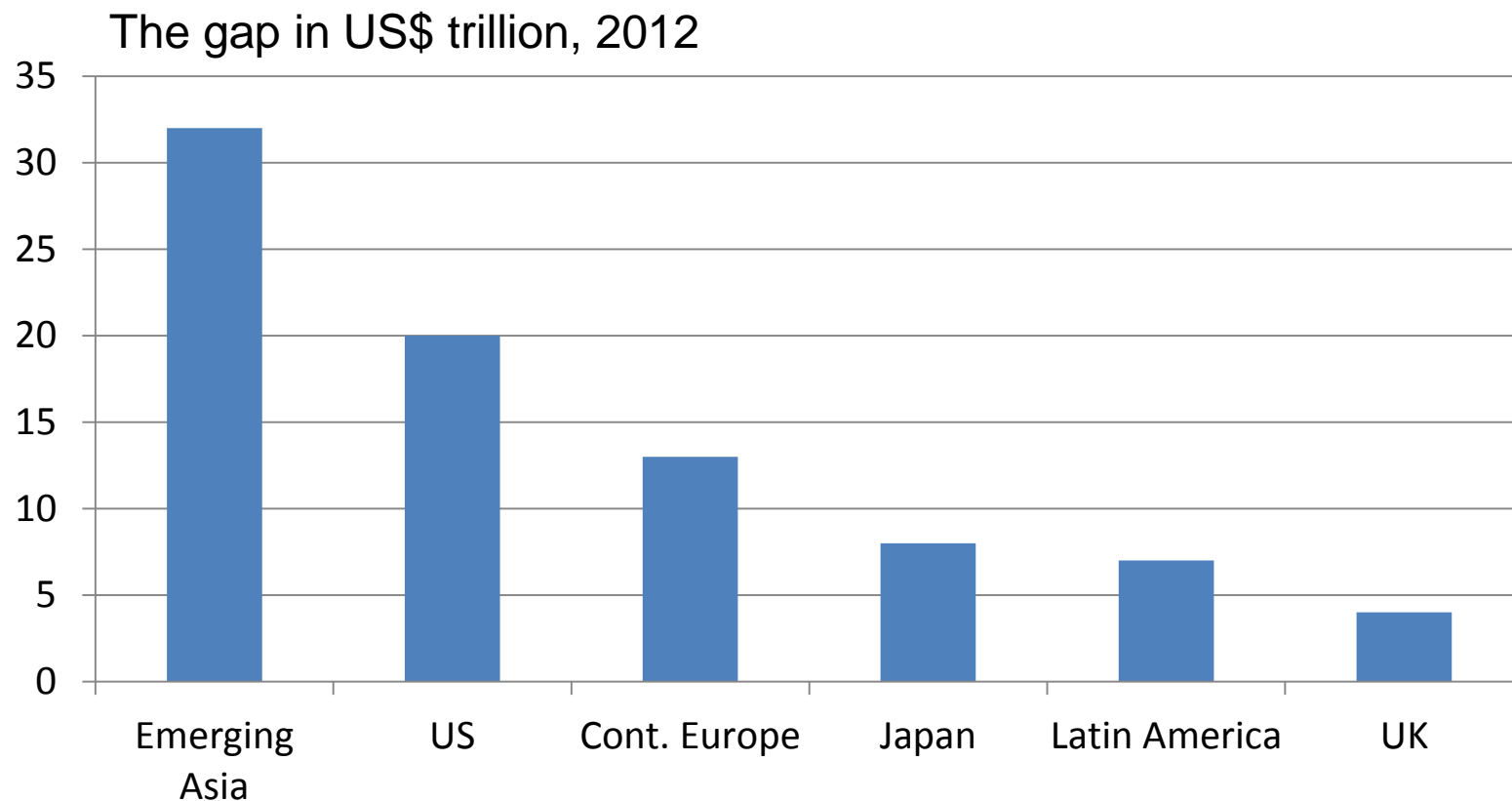
% of GDP



Source: Swiss Re

The global life protection gap

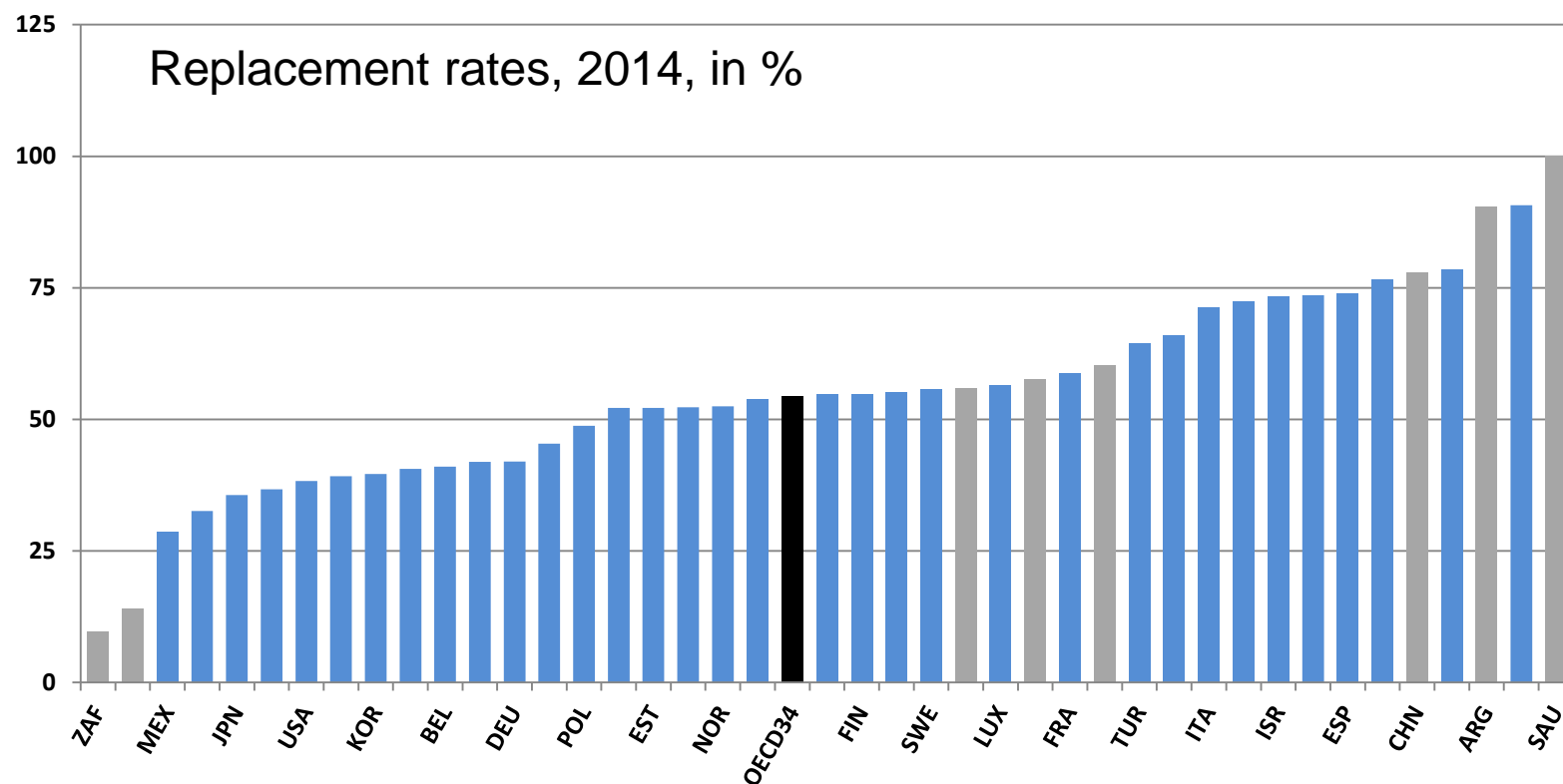
The shortfall generally exceeds national GDP



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



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Addressing the Global Insurance Protection Gap: An Asia Perspective

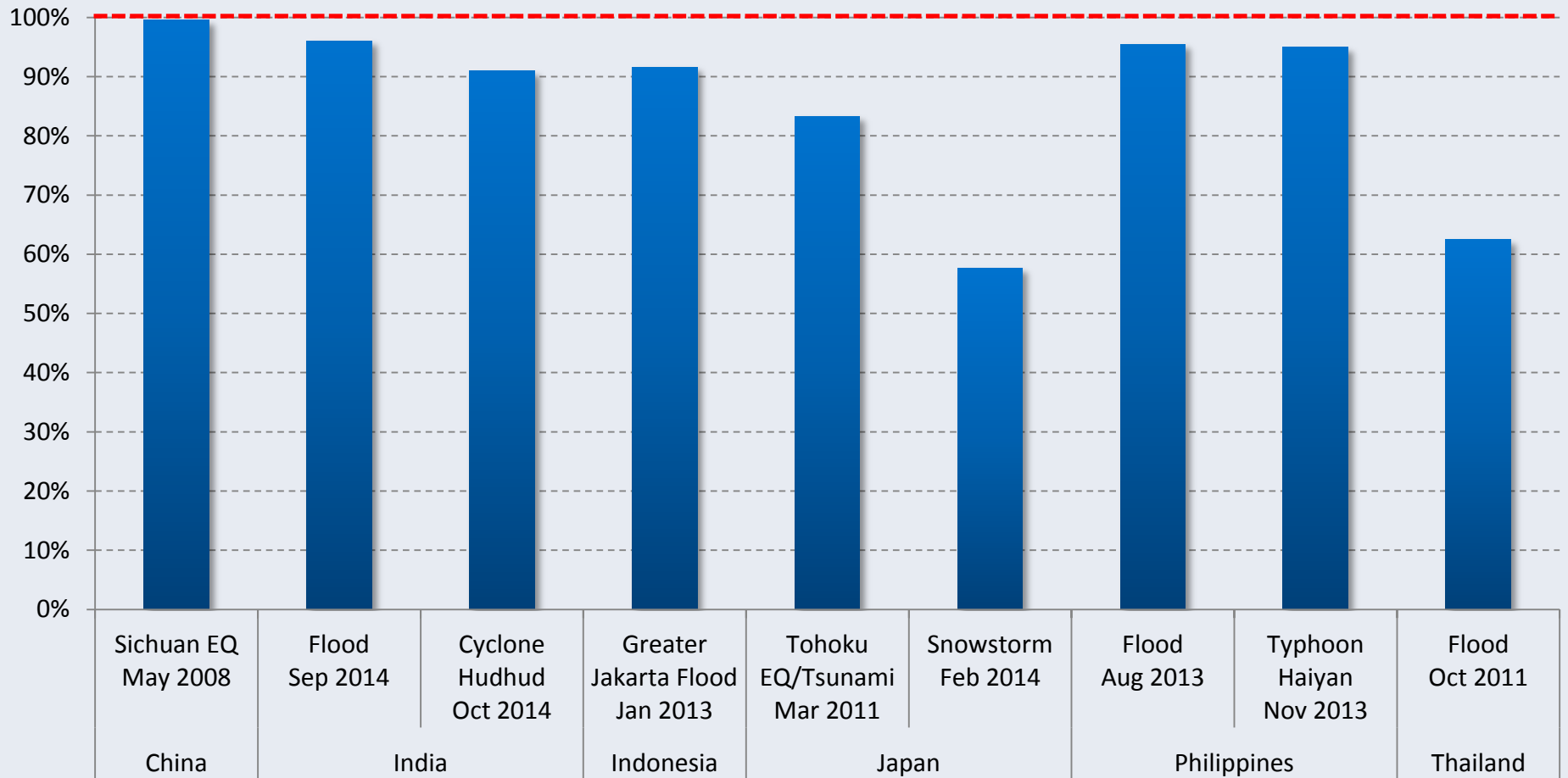
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John Tan
Group Chief Executive

In Asia. For Asia.

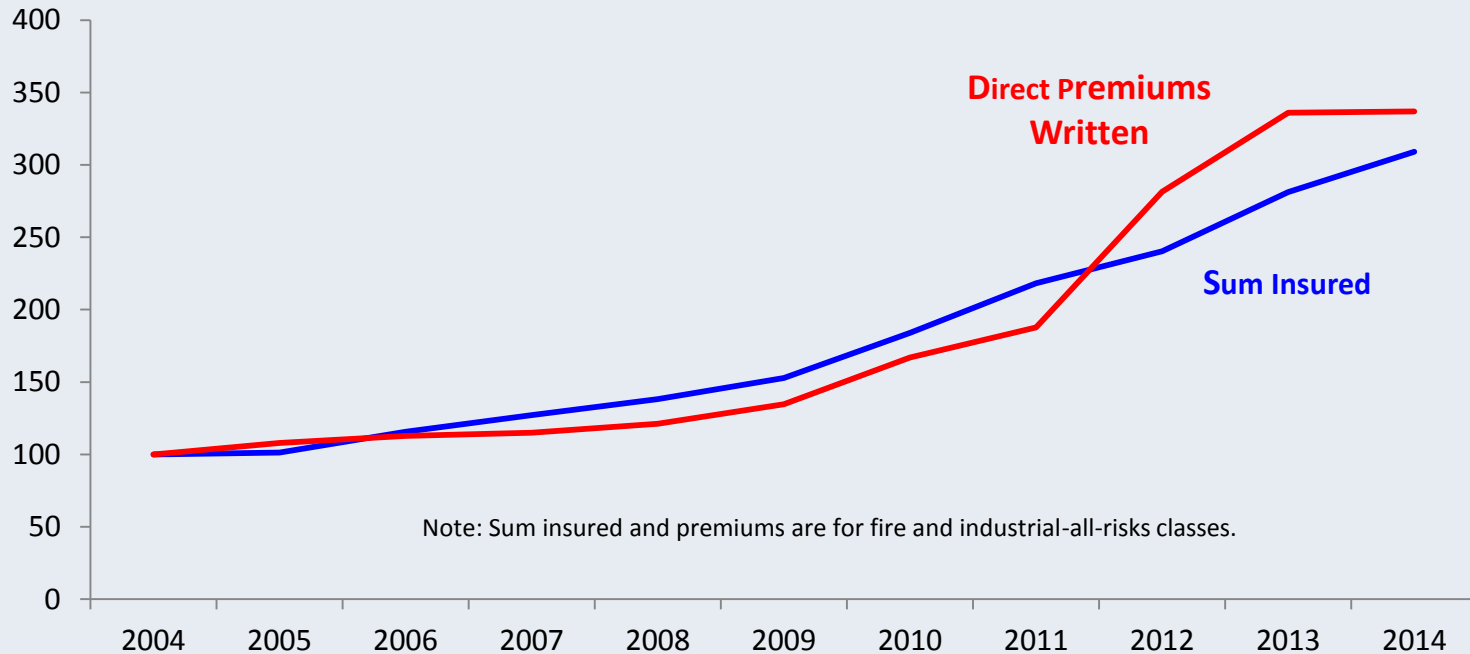
1. Underinsurance in Asia
2. Measurement for Property Class
3. Measurement for Life Coverage
4. Causes of Underinsurance in Asia
5. Uncovering the Solutions

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



Insurance vs Asset Growth

~~Premiums vs Sum Insured~~

~~GDP vs Capital Stock~~

Data limitations, BI and Intangibles

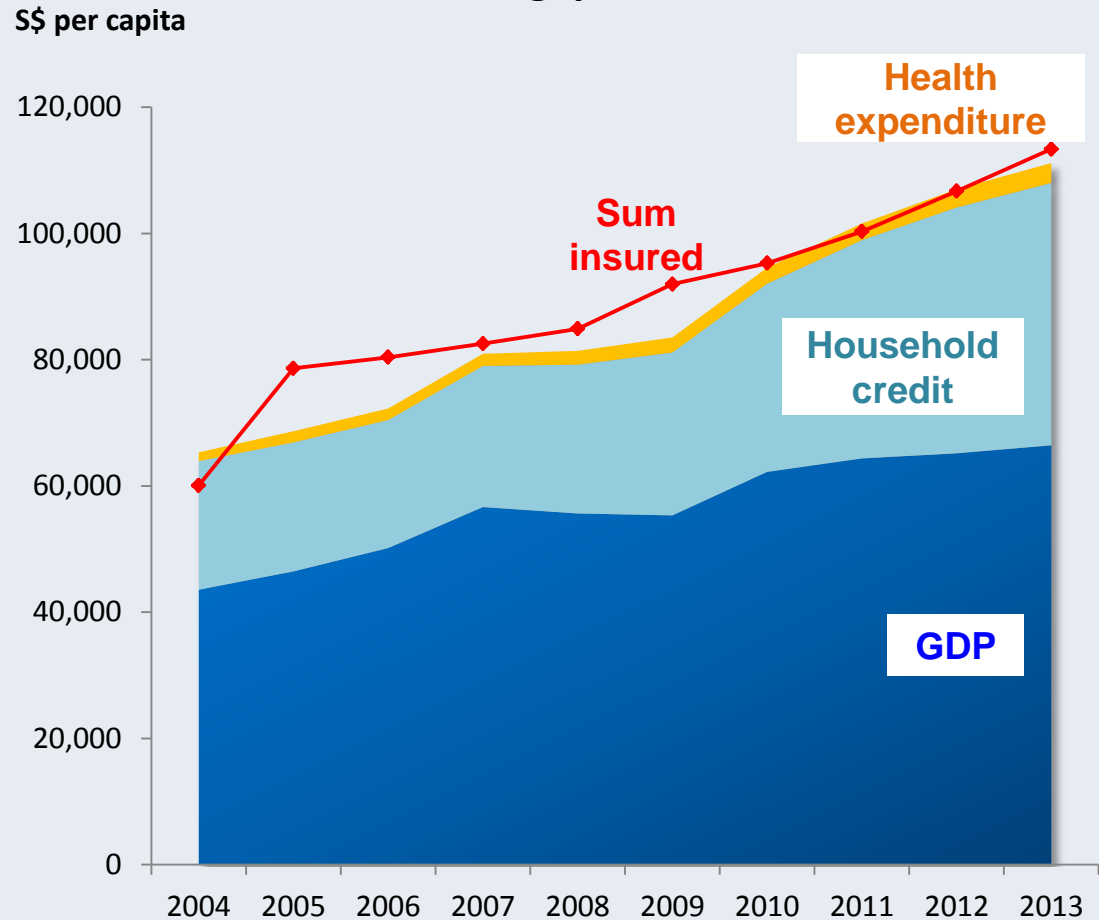
- Life coverage needs to address:

- ✓ Income
- ✓ Debt
- ✓ Medical expense

- Other considerations:

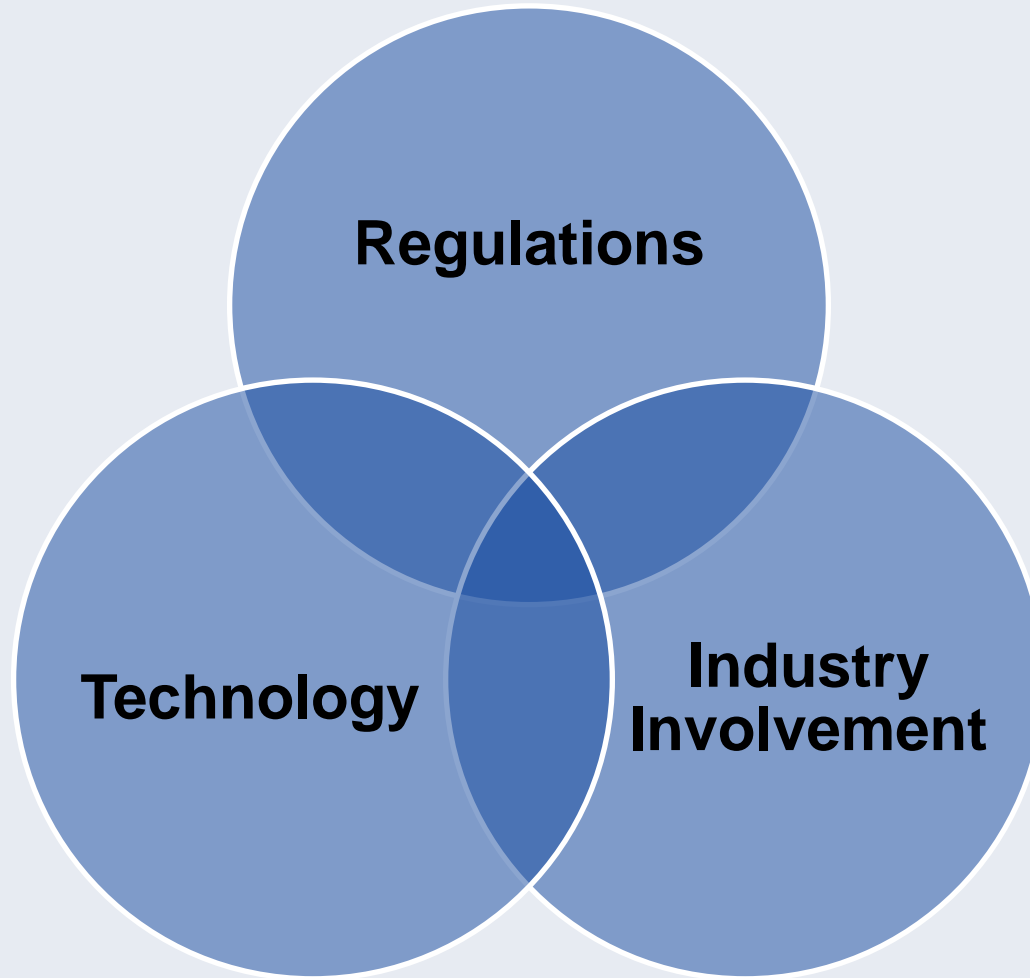
- ✓ Recurring income
- ✓ Recurring medical expense
- ✓ Complementary savings

Individual Life Insurance Coverage in Singapore



Source: ACR, BIS, MAS, United Nations, WHO

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





End

7th International Conference

COFFEE BREAK



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**Next session starts at 15h45 in the main
conference hall**