

6th Polish Insurance Association Congress

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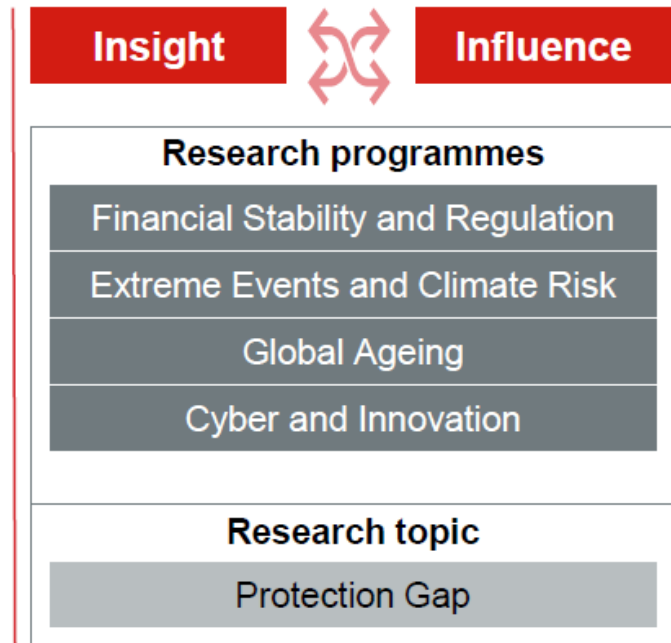
**Understanding and addressing
global insurance protection gaps**

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- About The Geneva Association
- Defining protection gaps
- Protection gaps by line of business
- A taxonomy of root causes
- Potential remedies
- Five recommended key take-aways

- The CEO think-tank of the global insurance industry
- A statutory maximum of 90 CEO members
- Additional dedicated networks for C-suite executives (e.g. CROs)
- Influence and advocacy on behalf of the global insurance industry based on authoritative and forward-looking research



Academic work

Two peer-reviewed journals:

The Geneva Papers on Risk and Insurance – Issues and Practice

Recent special editions: Extreme Events & Climate Risk, Pensions Financing, Cyber Risk

The Geneva Risk and Insurance Review



Uninsured losses = Risk protection gap

Insurance protection gap

Insured losses

The natural catastrophe protection gap by country income group



Source: Munich Re NatCatSERVICE

- Two thirds of global disaster losses are uninsured
- The protection gap is decreasing in high-income countries but remains stubbornly high in less advanced economies

The cyber protection gap – Two catastrophe scenarios



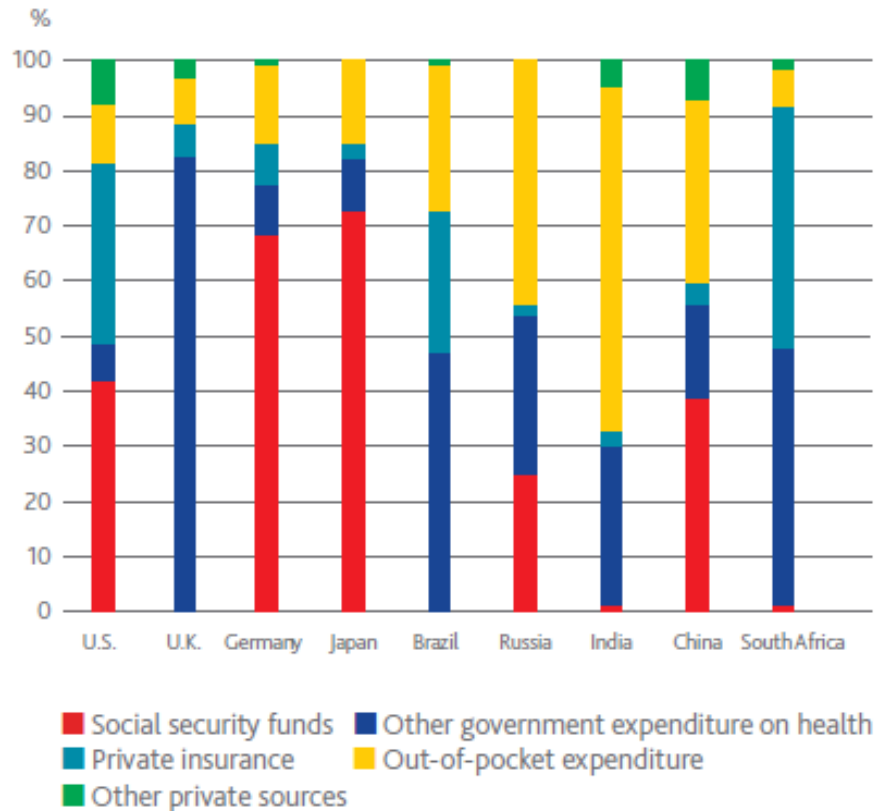
Event	Overall losses		Insured losses		% Loss covered	
	Large loss	Extreme loss	Large loss	Extreme loss	Large loss	Extreme loss
Cyber CSP interruption	\$4.60bn	\$53.05bn	\$620m	\$8.14bn	13%	17%
Cyber mass vulnerability interruption	\$9.68bn	\$28.72bn	\$762m	\$2.07bn	7%	7%

Source: Lloyd's

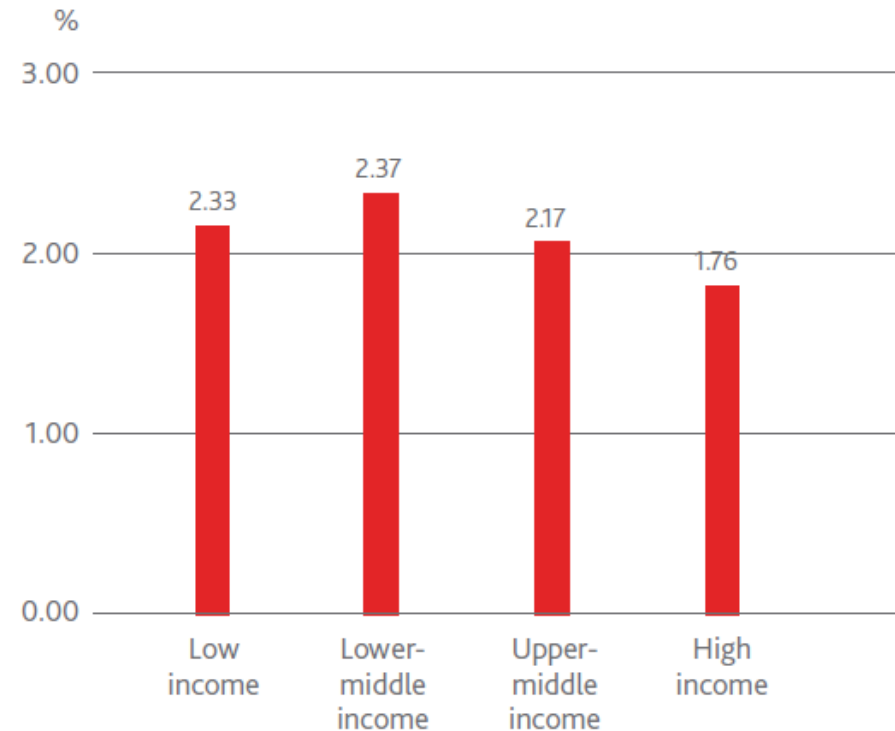
- The cyber protection gap is even more dramatic than the nat cat shortfall
- Global cyber losses are estimated at about \$500bn p.a.
- Global cyber insurance premiums amount to a mere \$3.5bn p.a.

The health protection gap – almost impossible to quantify

Breakdown of national healthcare expenditure (2015)



Out-of-pocket expenses in % of GDP (2015)

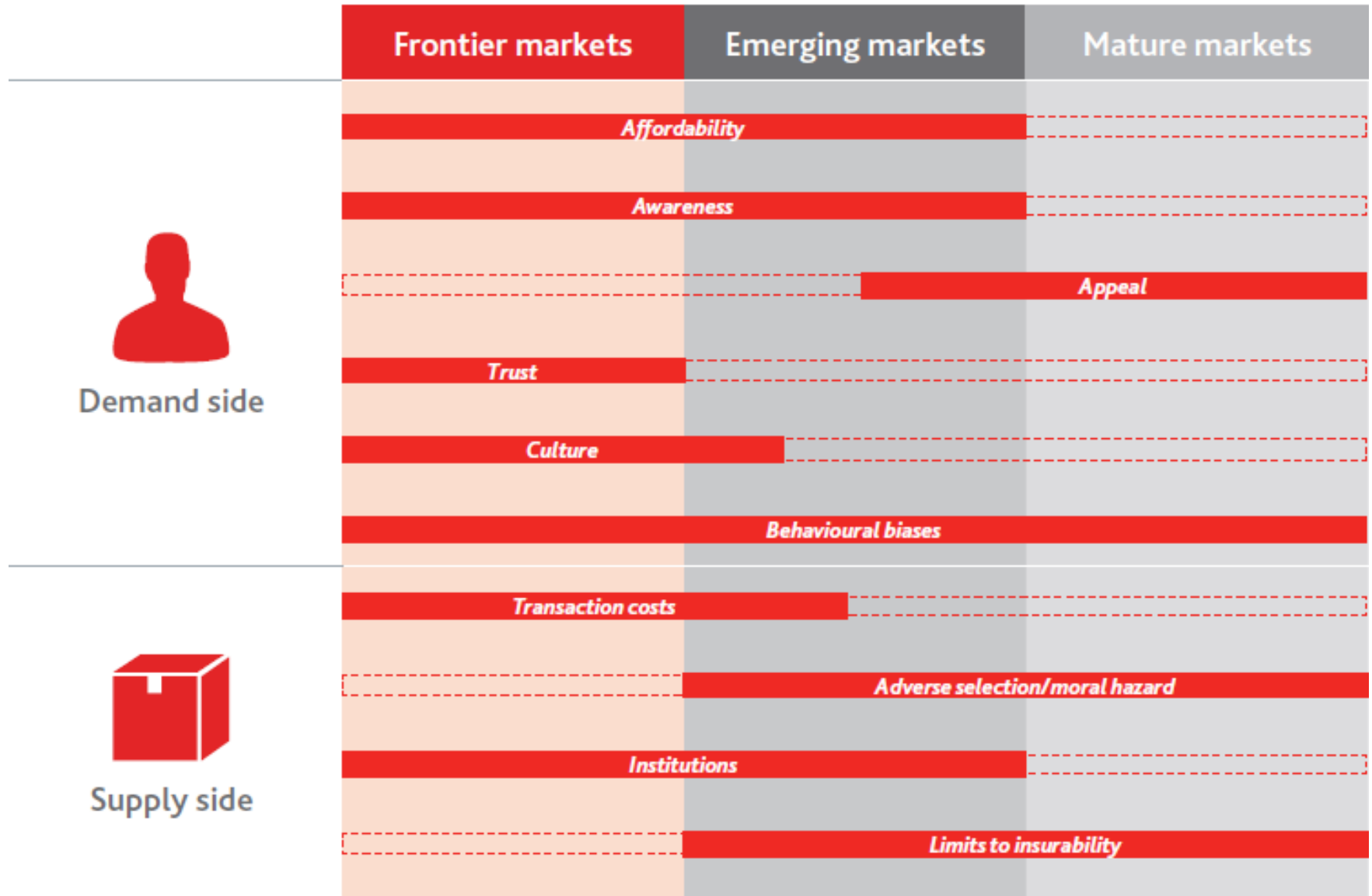


Source: World Health Organization database (countries selected by The Geneva Association)

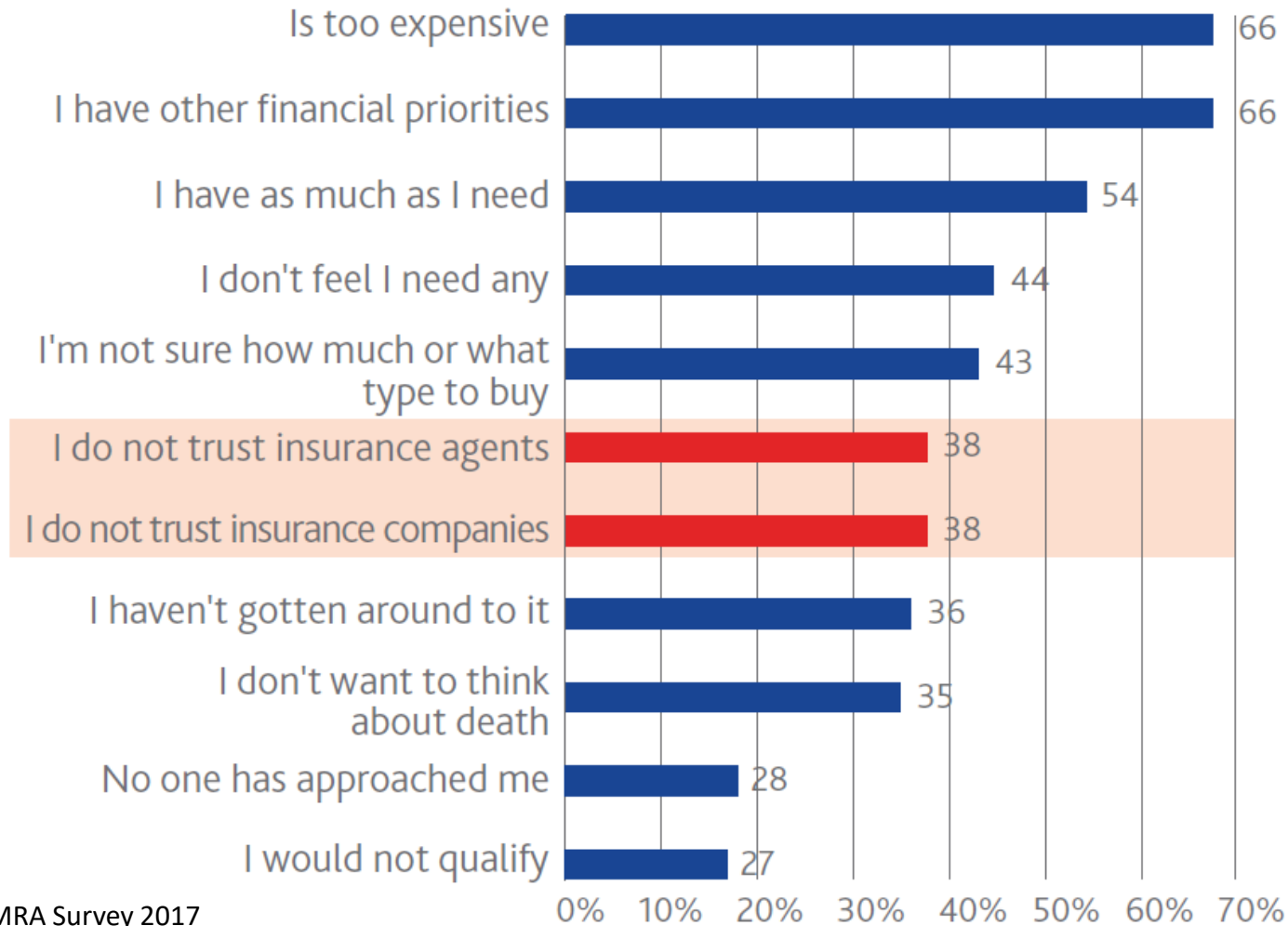
Source: World Health Organization database, The Geneva Association

- National healthcare funding differs widely – even across countries of similar wealth
- Out-of-pocket expenses - an imperfect gauge of protection gaps
- The shortfall is a multiple of natural catastrophe and cyber gaps

Root causes of underinsurance as a function of income levels






Source: The Geneva Association



Source: LIMRA Survey 2017

- Besides (opportunity) cost and awareness trust matters greatly

Remedies – The imperative of a multi-stakeholder approach

	Frontier markets	Emerging markets	Mature markets
 Insurers		<i>Technology</i>	
		<i>Product innovation</i>	
	<i>Microinsurance</i>		
	<i>Takaful insurance</i>		
 Governments		<i>Risk mitigation</i>	
	<i>Public insurance</i>		
	<i>Mandatory schemes</i>		
			<i>Backstop provider</i>
 PPP		<i>Subsidised programmes</i>	

Source: The Geneva Association

- Insurance protection gaps defy an accurate quantification
- General risk protection gaps are a gauge of societal exposure and insurers' potential contribution to mitigation
- Key challenge: Make insurance a (cost-)effective tool to relieve society from severe financial hardship
- Healthcare and cyber protection gaps are under-researched
- Assessments and recommendations are highly sensitive to a country's level of income



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