

IN THE PANDEMIC, INSURERS CAN ABSORB CUSTOMER LIFE AND HEALTH CLAIMS, BUT NOT BUSINESS LOSSES FROM LOCKDOWN MEASURES

- New research by The Geneva Association finds that life and health risks for pandemics similar to COVID-19 are insurable: they are generally non-systemic and modellable.
- Property & casualty (P&C) insurers, on the other hand, would have to collect business interruption policy premiums for 150 years to make up for projected global output losses in 2020 related to COVID-19.
- Insurers have an important role to play in protecting businesses and supporting economies, but it must be through participation in government-led initiatives. A Geneva Association report on 'pandemic risk solutions' is forthcoming later in 2020.

ZURICH, 26 October 2020 – Amid widespread public discussion on how to address the deep financial implications of COVID-19, The Geneva Association, in collaboration with the University of St. Gallen, has issued a new evidence-based study on the risk-taking capacities of insurers related to pandemics, *An Investigation into the Insurability of Pandemic Risk*.

Among the report's main findings are that, encouragingly, health and life risks for a pandemic resembling COVID-19 pose no fundamental insurability challenges. However, P&C insurers have nowhere near the capacity needed to shoulder projected global output losses of more than USD 4 trillion for 2020. By comparison, they collect USD 1.6 trillion in annual premiums, with just USD 30 billion for business interruption policies.

Jad Ariss, The Geneva Association's Managing Director, said: "When COVID-19 hit, insurers moved quickly to provide relief to their customers – for example, through reduced premiums – safeguard their employees, and engage with governments. They are promptly paying all legitimate claims where pandemic risk is covered. But, as our research shows, the pandemic exposed a massive protection gap in the area of business continuity risk. We need to find sustainable solutions which harness the industry's potential contributions while maintaining its solvency and viability."

Kai-Uwe Schanz, The Geneva Association's Head of Research & Foresight and the leading author of the report, said: "Insurers are providing meaningful support to people in the areas of health and life during COVID-19. But pandemic-induced business losses defy basic, widely-accepted criteria for insurability. Unlike risks like natural catastrophes, they occur on a global scale and are not diversifiable. Governments and insurers urgently need to figure out the right partnership modalities to prepare for – and respond to – extreme risks like pandemics. The Geneva Association's research will support this endeavour."

Following the publication of *An Investigation into the Insurability of Pandemic Risk*, The Geneva Association will publish *Public- and Private-Sector Solutions to Pandemic Risk* later in 2020.

About The Geneva Association

The Geneva Association is the only global association of insurance companies; its members are insurance and reinsurance CEOs. Based on rigorous research conducted in collaboration with its members, academic institutions and multilateral organisations, The Geneva Association:

- Identifies and investigates key trends and risk areas that are likely to shape or impact the insurance industry and develops corresponding recommendations for the industry and for policymakers;
- Provides a platform to its members, policymakers, academics, multilateral and non-governmental organisations to discuss these trends and recommendations;
- Highlights the positive contributions of insurance to a better understanding of risks and to building more resilient and prosperous economies and societies – in both developed and emerging countries – and thus a more sustainable world;

In total, the companies of Geneva Association members are headquartered in 25 countries around the world; manage USD 17.1 trillion in assets; employ 2.4 million people; and protect 1.8 billion people.

ENDS

For more information contact Pamela Corn, Director of Communications, at +41 44 200 49 96 or pamela_corn@genevaassociation.org.