PRESS RELEASE

INSURANCE PROTECTION GAPS IN CYBER AND HEALTHCARE MORE ACUTE THAN IN NATURAL CATASTROPHES

ZURICH, 9 April 2018 – The insurance protection gaps in healthcare and cyber risks are not sufficiently researched even though their respective protection shortfalls are more dramatic than for natural catastrophe risk, according to the study 'Understanding and addressing global insurance protection gaps' released today by The Geneva Association.

The report highlights that the cyber protection gap (i.e. the share of uninsured losses in total losses) under various scenarios is estimated at about 90 per cent, representing 0.5 per cent of the world’s gross domestic product (GDP); while the healthcare protection gap, using out-of-pocket expenses (i.e. the share of the expenses an insured must pay directly to the healthcare provider, without reimbursement by a third-party) as a proxy, amounts to approximately 2 per cent of the world’s GDP. In contrast, the natural catastrophe protection gap, while still massive, represents about 0.2 per cent of global GDP.

Anna Maria D’Hulster, Secretary General of The Geneva Association, said: “Risk exposures tend to outgrow insurance premiums, leaving individuals, households, firms and the public sector alike underinsured. It is well documented that on average only one third of natural disaster losses are insured. In other areas too, from agriculture to term life, people buy less insurance than is economically beneficial. In addition, the digital transformation of modern economies creates a major gap between cyber risk exposure and available risk management and transfer options.”

The root causes of insurance protection gaps lie with both demand- and supply-side factors affecting the demand for and the provision of insurance services, the study shows. On the demand side, such factors include affordability, product appeal and service quality, as well as policyholder trust. On the supply side, transaction costs and limits to insurability are cited amongst the market imperfections that hold back insurance supply.

When exploring the scope and root causes of insurance protection gaps as well as potential remedies, it is crucial to carefully distinguish between developing (frontier), emerging and mature markets. As the study shows, for example, progress in narrowing natural catastrophe protection gaps has largely remained confined to advanced economies. In addition, the potential for out-of-pocket healthcare expenses to reach catastrophic dimensions is particularly pronounced in low- and lower middle-income countries.

Kai-Uwe Schanz, Senior Advisor to The Geneva Association and author of the report, commented: “The configuration of root causes is the basis for designing remedies and determining the most promising ‘split of responsibilities’ between insurers, governments and other stakeholders. As it is imperative to address both demand- and supply side-issues holistically and simultaneously, a joint stakeholder effort in combination with a perspective that cuts across lines of business and geographical silos appears to be a necessary condition for effectively narrowing protection gaps.”

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Contacts:
Daniel Perez-Whitaker  
Director of Communications  
+41 44 200 4906  
daniel_perezwhitaker@genevaassociation.org

Isabel Barratt  
Communications Manager  
+41 44 200 4996  
isabel_barratt@genevaassociation.org

About The Geneva Association

The Geneva Association is the leading international insurance think tank for strategically important insurance and risk management issues. It is a unique platform for dialogue between leaders of the insurance industry and key decision-makers at the international and national levels to evidence the important social and economic role of the insurance industry.

The Geneva Association identifies fundamental trends and strategic issues where insurance plays a substantial role or which influence the insurance sector. Through the development of research programmes, regular publications and the organisation of international meetings, The Geneva Association serves as a catalyst for progress in the understanding of risk and insurance matters and acts as an information creator and disseminator.

The Geneva Association membership comprises a statutory maximum of 90 chief executive officers (CEOs) from the world’s top insurance and reinsurance companies. It organises international expert networks and manages discussion platforms for senior insurance executives and specialists as well as policy-makers, regulators and multilateral organisations.

Established in 1973, The Geneva Association, officially the International Association for the Study of Insurance Economics, is based in Zurich, Switzerland and is a non-profit organisation funded by its membership.

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