

# How to Fill the Insurance Protection Gap

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The Geneva Association

- \ Brief introduction to The Geneva Association
- \ Current state of global protection gap
- \ How to fill the gap
- \ Implication for AEC

- \ Founded in 1973, the GA is an international think tank that produces and publishes high quality research and analysis on global strategic insurance and risk management issues.
- \ Membership provides CEOs of leading international insurers and reinsurers with a forum of peer group discussion.
- \ Our research promotes policy-related discussions among policymakers, regulators, international organisations and academics. Directly interacts with IAIS, FSB, G20, IASB, World Bank, UNEP and NGOs on regular basis.
- \ Our objective is to drive international insurance agenda and promote the unique and important role, value and relevance of insurance in societies and economics.

- \ Financial stability and effective supervision
- \ Extreme events and climate risk
- \ Challenges from global ageing
- \ Promote relevance of insurance and address underinsurance
- \ Other topics: cyber risk, low interest rate environment and liability regimes

- \ Underinsurance describes the gap between the amount of insurance that is economically and socially beneficial and the amount of insurance actually purchased.
- \ In 2013, total insurance premiums of USD 4.65 trillion, 6.3% of global GDP
- \ Significant regional differences in protection gap: emerging markets' share of global GDP is 40%, in premiums only 17 %. Even in developed economies, there are pockets of underinsurance.

- \ Non-life: premiums as share of GDP or total insured losses as percentage of total economic losses
- \ Life (aggregate protection gap): difference between the present value of income needed to maintain the living standard of survivors plus debt outstanding and the present value of the future pensions to survivors, life insurance in force and certain of financial assets.
- \ Pension: replacement rate i.e. to what extent pension level replace a person's pre-retirement income.

- \ Non-life: premiums to GDP 3.2% in 2003 versus 2.7% in 2013
- \ Life: alarming example is in the US. Over the past three decades, share of households having individual life policy has declined from 62 to 44 percent.

- \ Issues of affordability
- \ Low level of risk awareness
- \ Limit of insurability
- \ Increasing share of service sector in GDP and investment in intangible asset (brand and reputation, HR development, R&D, M&A, ICT and cyber security)
- \ In some jurisdictions, public infrastructures are little insured



- \ Promote financial literacy and risk awareness
- \ Promote micro insurance
- \ Public–Private Partnership (PPP)
- \ Develop new products, addressing the digitalized global economy
- \ Enhance insurance products clarity and transparency
- \ Helping businesses in determining the right level cover and in anticipating new exposure
- \ Conducive regulatory, legal and tax environment
- \ Effective compulsory scheme
- \ Collective data collection efforts

- \ How does insurance industry facilitate inclusive development in AEC?
- \ How do policymakers promote regulatory level-playing field and competitive insurance market?
- \ Focus on business/commercial customers' evolution and their intra-region investment and beyond region investment in search of new markets, new technology and brands.

- \ Insurance industry must preserve its economic relevance and social legitimacy by offering solutions which address the ever-changing global risk landscape.
- \ Throughout its activities, the industry must contribute in making society and economy resilient and in enhancing nation-wide preparedness for eventuality.
- \ This requires insurers to continue advocacy in adaptation to and mitigation of low-frequency and high-severity events.

**Thank You**

**Stay Ambitious and Keep Going!**

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