



Inaugural GAIP Summit 2024: Addressing Asia's Protection Gaps

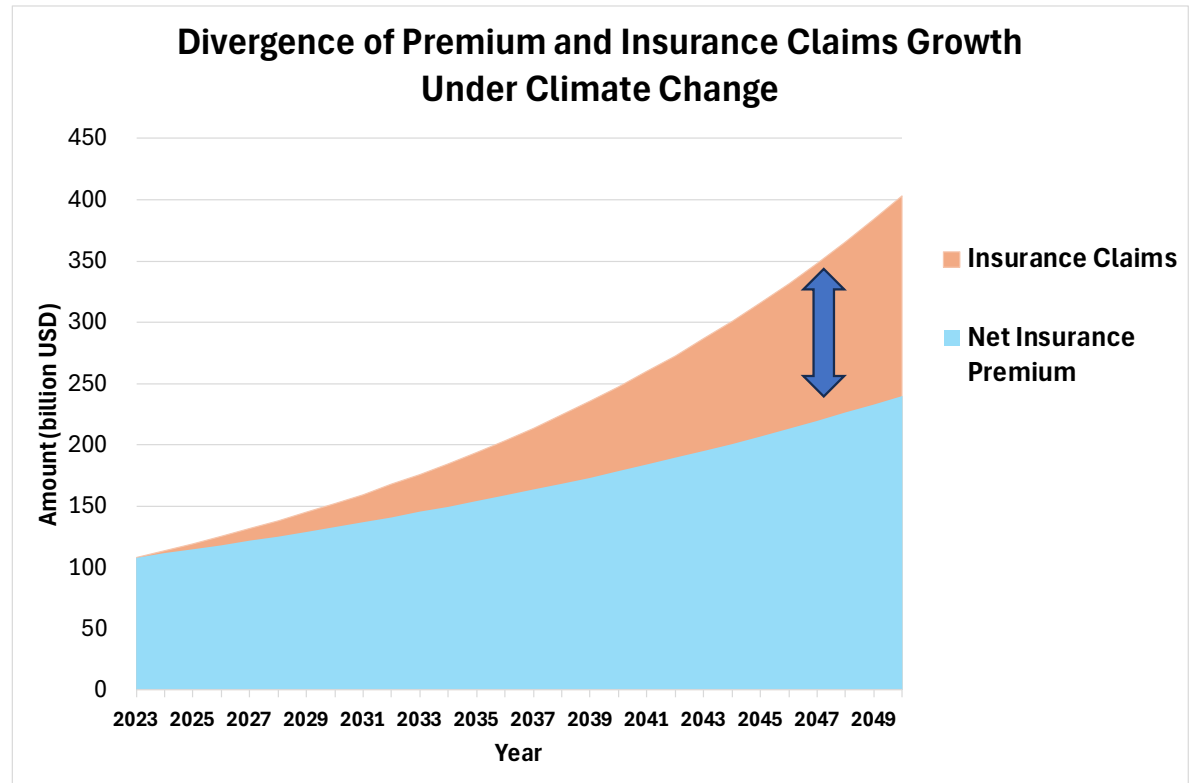
The need for an integrated approach to
insurance and risk mitigation to reduce the
protection gap



The tipping point of "insurability" may soon be reached

Under climate change:

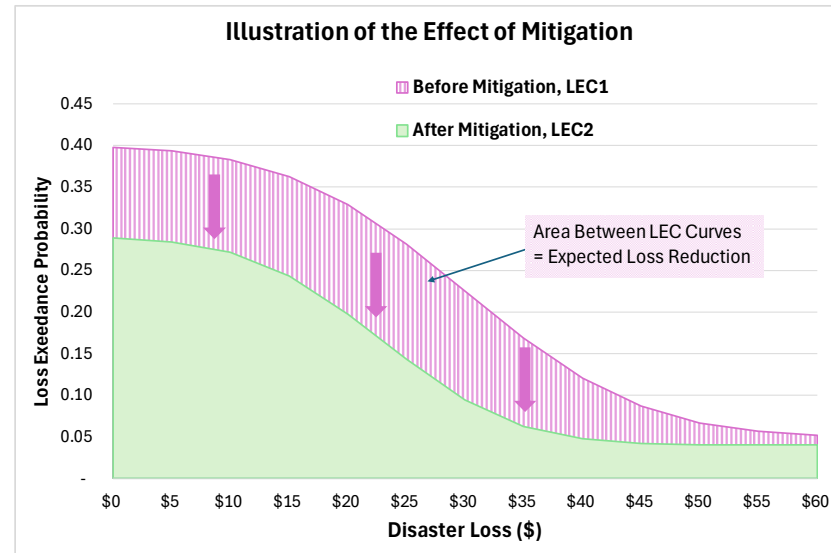
1. Global disaster losses increase by 4% per year
 2. Insurance premium increase by 2% per year
- ➔ Insurance protection gap will widen!





Reducing the protection gap requires both insurance and risk mitigation

National Benefit-Cost Ratio (BCR) Per Peril <i>*BCR numbers in this study have been rounded</i>		Beyond Code Requirements	Federally Funded
Overall Hazard Benefit-Cost Ratio		\$4:1	\$6:1
Riverine Flood		\$5:1	\$7:1
Hurricane Surge		\$7:1	Too few grants
Wind		\$5:1	\$5:1
Earthquake		\$4:1	\$3:1
Wildland-Urban Interface Fire		\$4:1	\$3:1



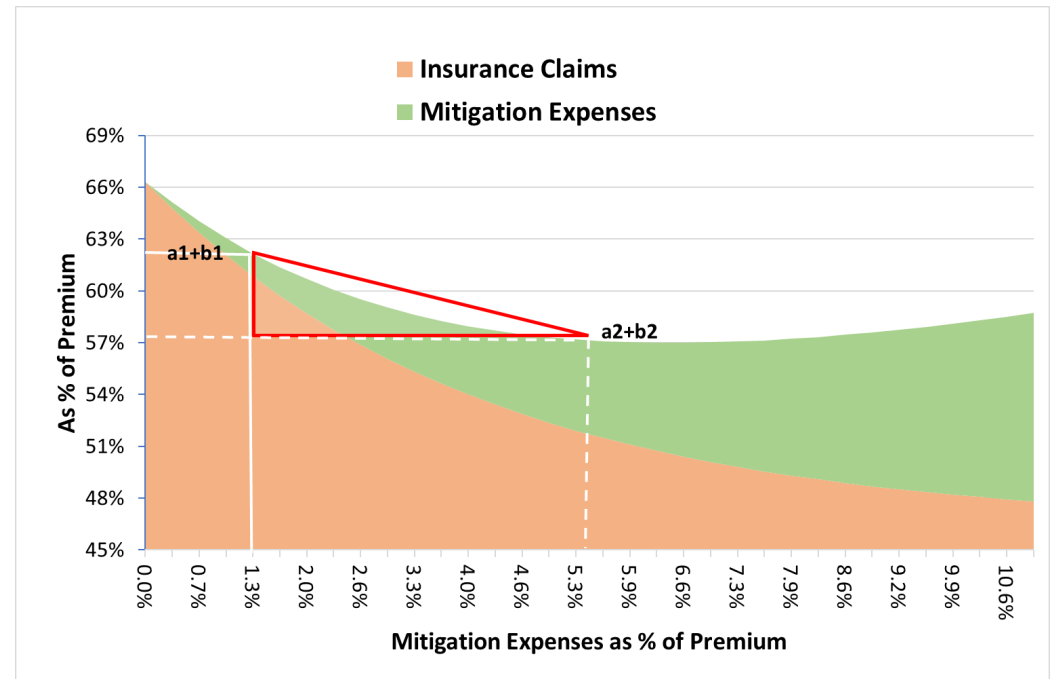
future (k-th year)	2 years	3 years	5 years	6 years	11 years	15 years
Mitigation Spend x_k (% Premium)	0.8%	1.2%	1.9%	2.2%	4.9%	5.1%

10/15/2024 Source: Risk Lighthouse joint report with Ping An Insurance, July 2024.



Investing in risk mitigation can also benefit insurers financially

- In 2022, agricultural insurance premium in Guangdong Province was 8.11 billion yuan, insurance loss ratio 60.8%
- Risk mitigation expenditure of 108 million yuan (1.33% of premium) resulted in loss reduction of 448 million yuan.



	a. Mitigation Spending	b. Insurance Loss Ratio	Total Cost: a+b
Case (1)	1.33%	60.80%	62.13%
Case (2)	5.50%	51.63%	57.13%
Difference: (2) - (1)	+4.33%	-9.17%	-5.00%



Insurance supervisors are in a unique position to facilitate and support Public Private Partnerships

1. Collaborate with the industry to assess the effectiveness of various loss reduction measures (technologies)
2. Provide incentives for insurance to promote risk-reducing activities
3. Oversee the implementation of a Climate De-Risk Insurance (CDRI) concept through regional insurance pools (e.g., SEADRIF), by facilitating integrated risk assessments, loss reduction measures and insurance, embedding insurance in the life cycle of resilience projects