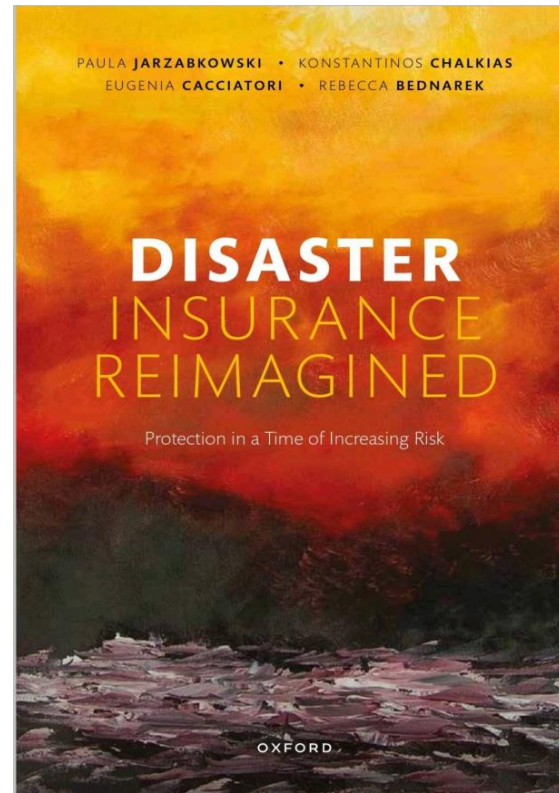


Protection Gap Entities: Moral Hazard or Risk Reduction Opportunity?

Paula Jarzabkowski, Konstantinos Chalkias,
Eugenia Cacciatori, Rebecca Bednarek



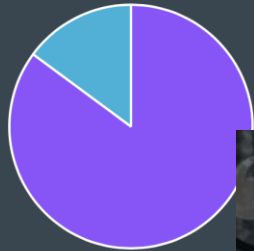
Disaster Insurance is in Crisis

Insurance is NOT a dirty word

Flood losses 2018-2022: Only some 15% was insured

Overall losses: US\$ 299bn

Uninsured losses Insured losses



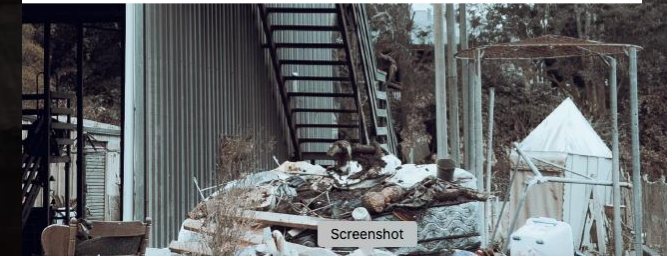
Reinsurance costs rise up to 200% as Ukraine war and extreme weather bite

How Wildfires Are Making Some California Homes Uninsurable

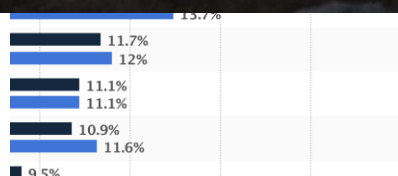


UNINSURABLE NATION: AUSTRALIA'S MOST CLIMATE-VULNERABLE PLACES

The insurance world is flirting with its climate doom loop



The uninsurables: how storms and rising seas are making coastlines unliveable



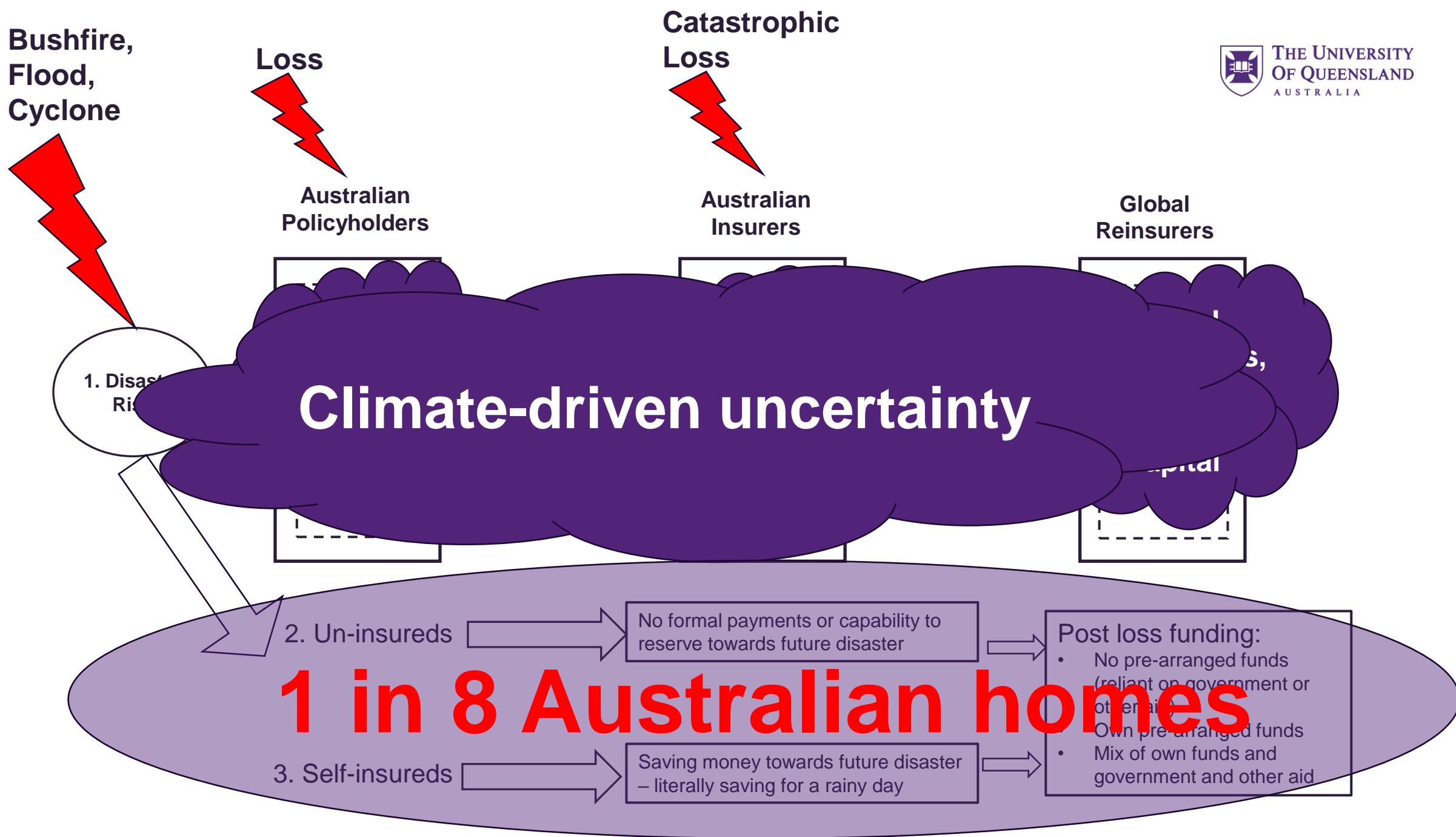
Home insurance premium rises by more than 500 per cent for Horsham man with property outside flood zone

Actuaries Institute.
Report - August 2023
Home Insurance Affordability Update

Flood damage cost to rise fivefold across Europe, study says

12.5%
ition

Home insurers cut natural disasters from policies as climate risks grow



Protection Gap Entities (PGE)

When things are no longer insurable in the private sector, governments can create an insurance or reinsurance PGE

A PGE is a government-led, not-for-profit insurer or reinsurer to counteract unaffordable and unavailable insurance



Well I've seen premiums of sort of £30-40,000 for a £300,000 property. Ludicrous, and nobody's actually going to pay it, so might be risk-reflective but it's not



the market had failed for a certain group of customers, and there is a clear social need to do something about it

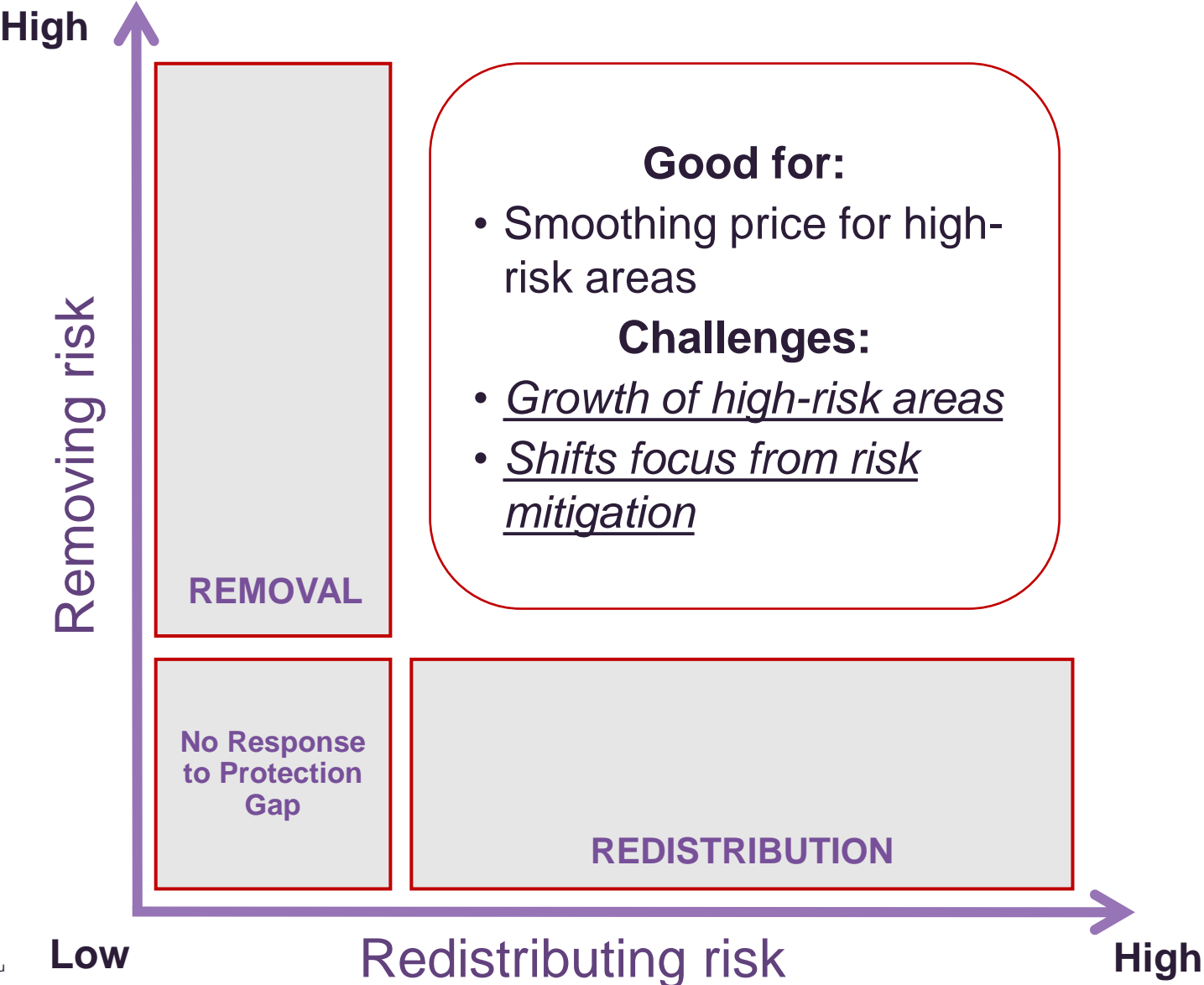


GRUPE CAISSE CENTRALE DE RÉASSURANCE



ment
nce Pool Corporation

Protection Gap Strategic Response Framework



That's Not Fair!

What about moral hazard? Free-riding on the collective by knowingly or carelessly taking risks that others have to pay for

Who Should Pay?

The rising cost of insurance in a disaster-prone world

Maybe disaster coverage wouldn't be available in some locations if it wasn't for the PGE. Because private insurers they'd be like "no, we'll be out of here, thanks, we're not covering tops of cliff and floodplains and fault zones." So maybe it is taking away the absolute incentive to adapt and mitigate to climate change effects

Free-riding?

All
age
cos
cap
Tow

Shepherd
insurance
fees are
idents in

Making

“We have fully integrated risk management ... it was our responsibility to bring all the stakeholders inside, [...] And it’s our role to coordinate all things together and to hold them together”
(Interview - government)

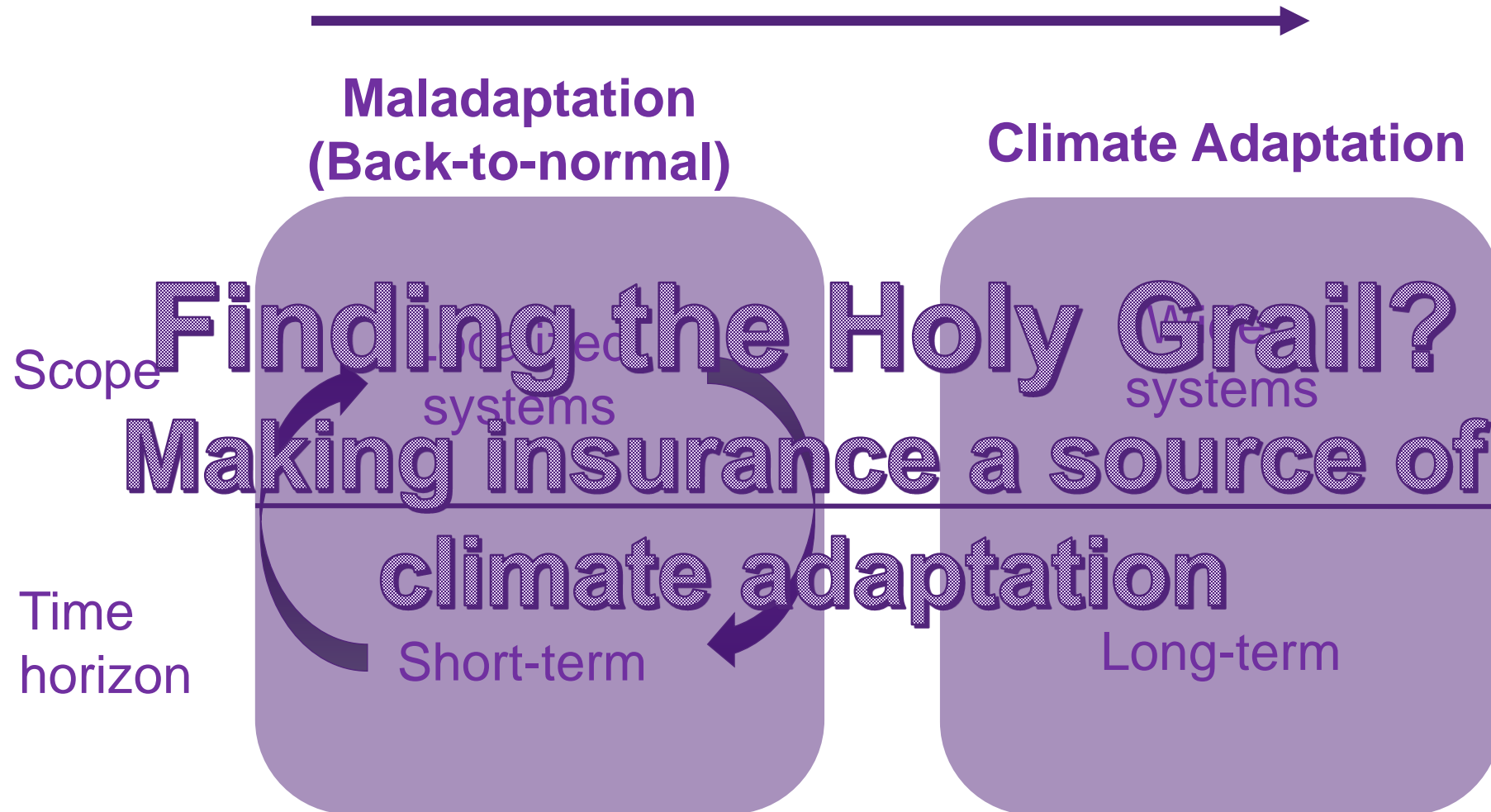
unity

An Enabling and Joined-up Government Framework

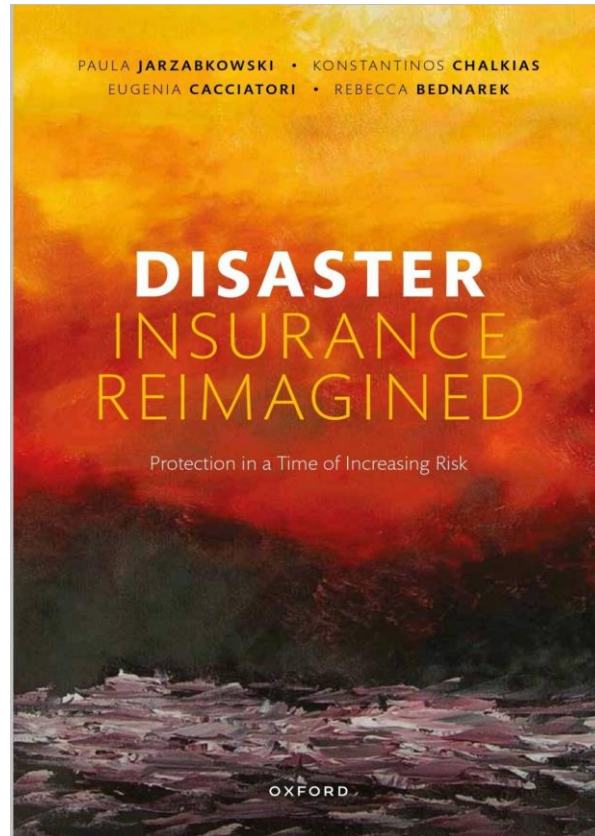
“The whole is more than the sum of its parts. It is an opportunity to change things and reduce people’s risk” (Flood Re, UK)



Building in Risk Reduction



Disaster Insurance Reimagined



Paula Jarzabkowski, Konstantinos Chalkias, Eugenia Cacciatori, Rebecca Bednarek

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