

Addressing protection gaps for a better tomorrow



A SHARED RESPONSIBILITY – Insurers play a vital role in helping to protect people and businesses from the risks they face, and to recover when those risks materialize. However, a range of factors have led to growing protection gaps that could have profound impacts on the well-being and economic prosperity of Canadians. Closing these gaps will require action from policymakers to create environments in which risks can more effectively be managed and mitigated.

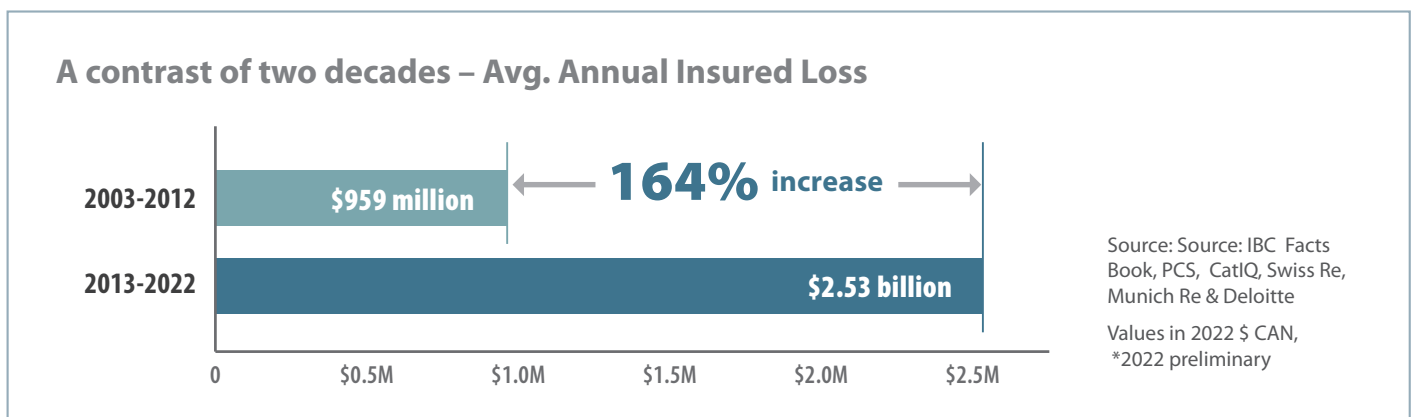
What is a protection gap?

The Insurance Protection Gap (IPG) measures the difference between optimal insurance coverage and actual coverage in every country. In other words, the protection gap describes uninsured losses in any given country.

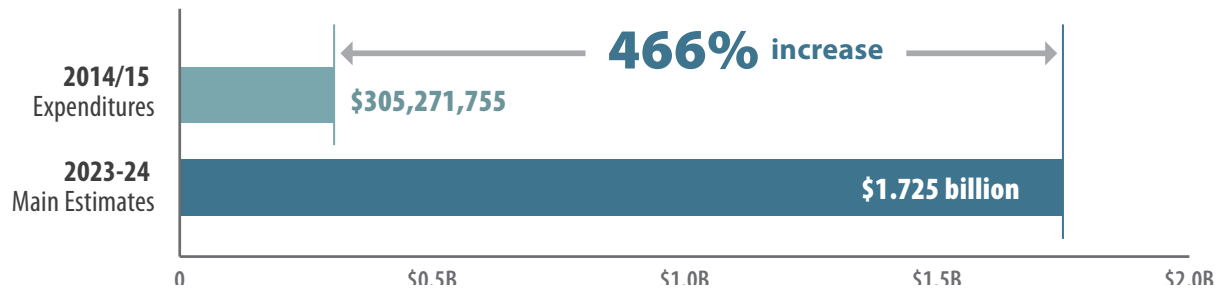
New report highlights global protection gaps

A new report by the Global Federation of Insurance Associations (GFIA) has identified and quantified the most significant — and growing — annual global protection gaps. For Canada's Property and Casualty insurance industry, the report further highlights the urgent need for government to address the growing protection gap for losses associated with natural catastrophes.

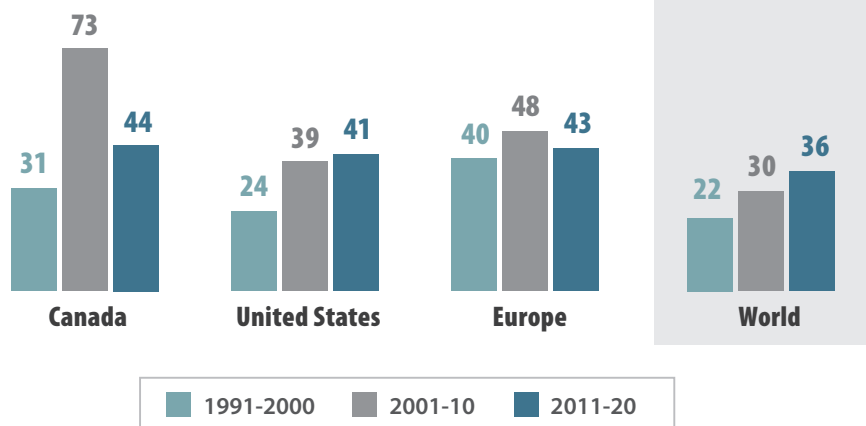
Increasing cost of natural catastrophes in Canada



Federal government budgeted expenditures to provinces for assistance related to natural disasters



Insured share of natural catastrophe losses declining in Canada



Source: Swiss Re

56%
of losses
from natural
catastrophes in
Canada between
2011-2020 were
uninsured.

KEY RECOMMENDATIONS TO PUBLIC POLICYMAKERS

Current protection gaps are driven by supply-side factors - insufficient protection from governments and insurers - and demand-side factors - lack of mitigation or adaptation efforts, and individuals not seeking protection due to spending preferences, unaffordability or lack of risk awareness. Narrowing protection gaps is therefore a shared responsibility. **Public policymakers can help close the gap by:**

- Promoting the benefits of insurance to the public, businesses and communities.
- Enforcing land-use controls and building codes to promote the resilient construction of buildings and infrastructure.
- Moving forward with public-private options to close the protection gap.
- Creating an environment that supports alternative insurance products tailored to local needs.
- Supporting open markets for (re)insurance.

KEY RECOMMENDATIONS TO P&C INSURERS

There are also potential levers available to private insurers to help address the protection gaps. This toolbox of potential levers should not be thought of as a list of recommendations but as a “menu” of possible actions. They include:

- Scale up alternative forms of risk capacity
- Scale up parametric insurance or other innovative forms of risk transfer
- Make the product value proposition more attractive to more consumers
- Enhance reporting on secondary perils (eg. to advance modelling)
- Build up risk-assessment capabilities (including actuarial talent)
- Increase awareness among households and business owners
- Strengthen prevention & adaptation measures
- Promote the net-zero agenda
- Introduce government-backed programs, public-private partnerships, mandatory contributions to natcat funds or pooling solutions

Canadians support governments acting now to address increasing natural disasters due to climate change:



85%

believe protecting Canadians from natural disasters we are already experiencing should be a priority for governments

Source: Pollara Strategic Insights

If you have any questions about your commercial insurance policy or want more details about the current market conditions, visit www.businessinsurancehelp.ca or call **1-844-2ask-IBC**.

