

# EMERGING RISKS AND OPPORTUNITIES IN THE APAC NON-LIFE MARKET

**A Dive into the use of Pools to provide Property Natural Hazards protection to vulnerable areas**

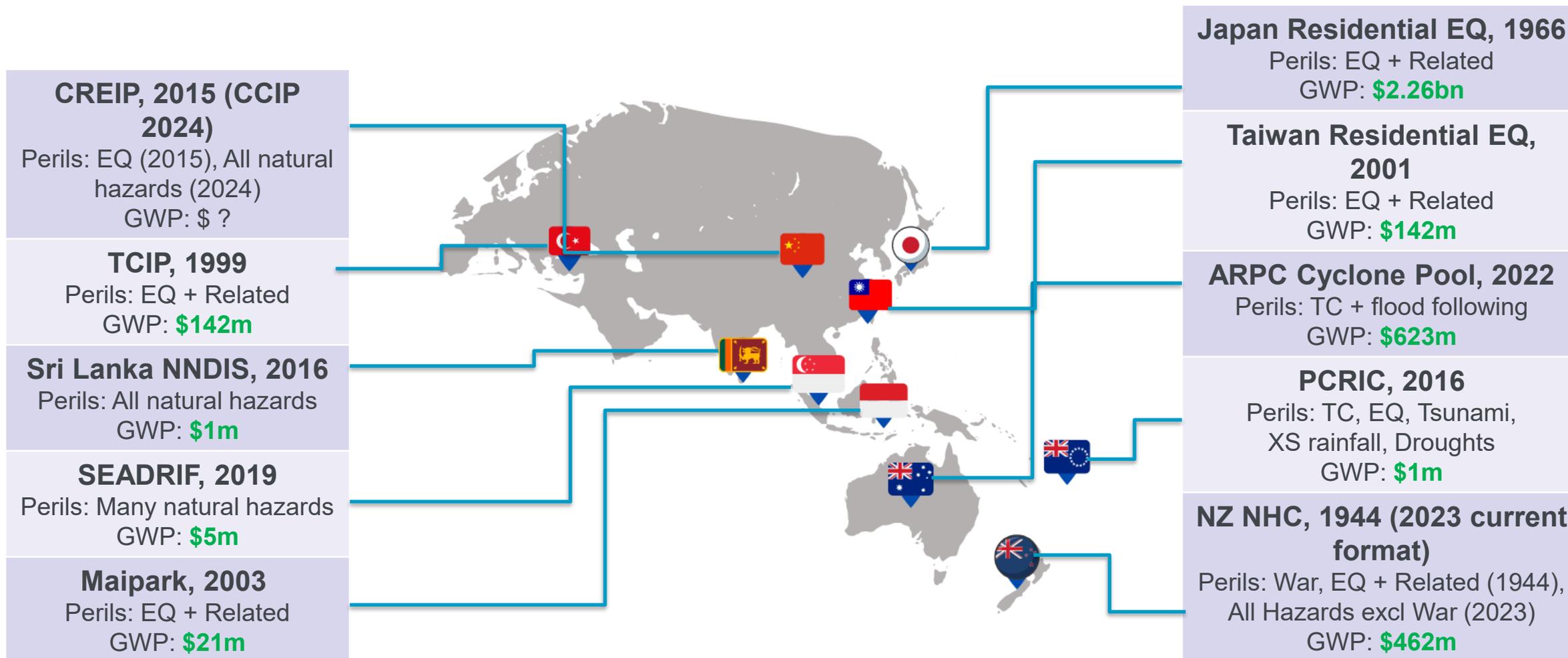
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# Overview of APAC Pools



All GWP shown in USD, may not be the latest



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# Pool Proliferation – Why is it Happening?

## 1. Increased Level of Nat CAT economic losses and large Insurance protection gap

- Expansion of residential dwellings into vulnerable areas leading to ↑ losses from natural hazards.
- Climate change potentially resulting in larger/more frequent natural catastrophes.
- The insurance protection gap in Asia is estimated to be 83% (source: Swiss Re)

## 2. Increased Public Sector Appetite to Participate in Natural Hazards Protection

- Governments and global public sector organisations increasingly aware of importance of insurance affordability and penetration. Insurance is no longer solely provided by private sector.
- Media effectively highlighting impact of catastrophes: becoming a relevant political topic.

## 3. Increased pricing granularity in de-tariffed markets

- ↑ Stratification → Unaffordable premiums in high-risk areas.
- Insurance is based on principle of pooling... yet “pricing progress” → smaller risk buckets → less pooling!
- Insurers have no incentive to cross-subsidise risk, so governments step in to ensure “fairness”.



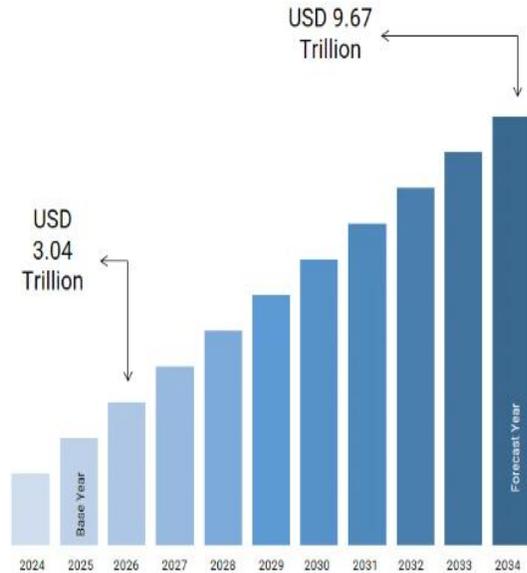
# Insurance Growth Projections and Insurance Penetration

## Asia Pacific Insurance Market

Market Size Overview

**15.56%**

Asia Pacific market CAGR,  
2026 - 2034



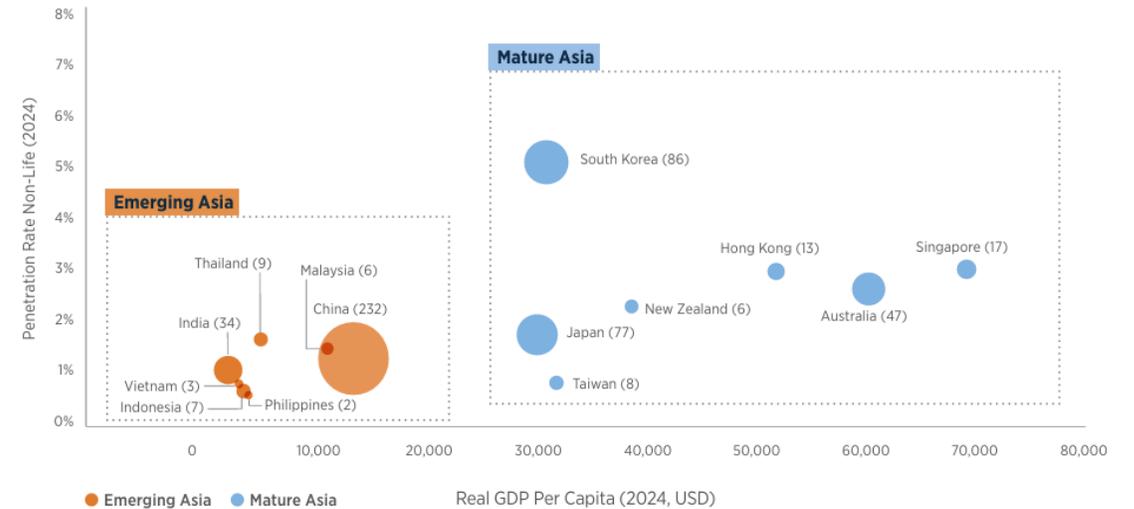
www.marketdataforecast.com

Source: Market Data Forecast Analysis



Comparing insurance penetration rates across the APAC region

Real GDP per capita vs non-life insurance penetration rates and 2024 GWP, in USD billions



Sources: World Bank, various insurance association and regulatory websites, Gallagher Re estimates

Note: All figures are for non-life insurance business only, figures in parentheses represent the 2024 non-life GWP in USD billions

Source: Market Data Forecast, Gallagher Re



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# Insurance Protection Gap in Asia – 10-year losses from natural catastrophes (source: Swiss Re)

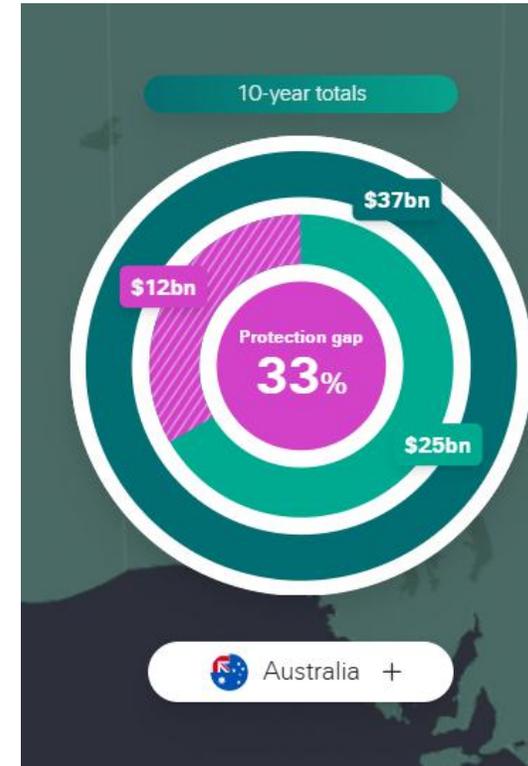
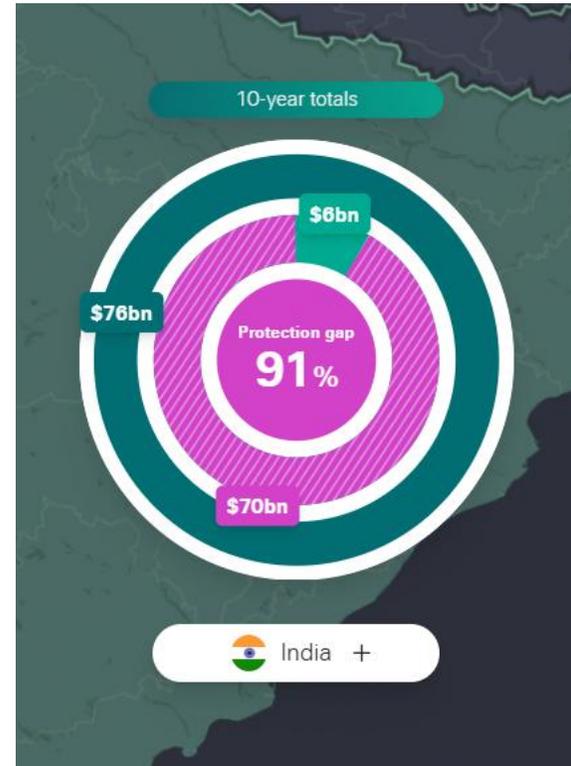


## Key Drivers:

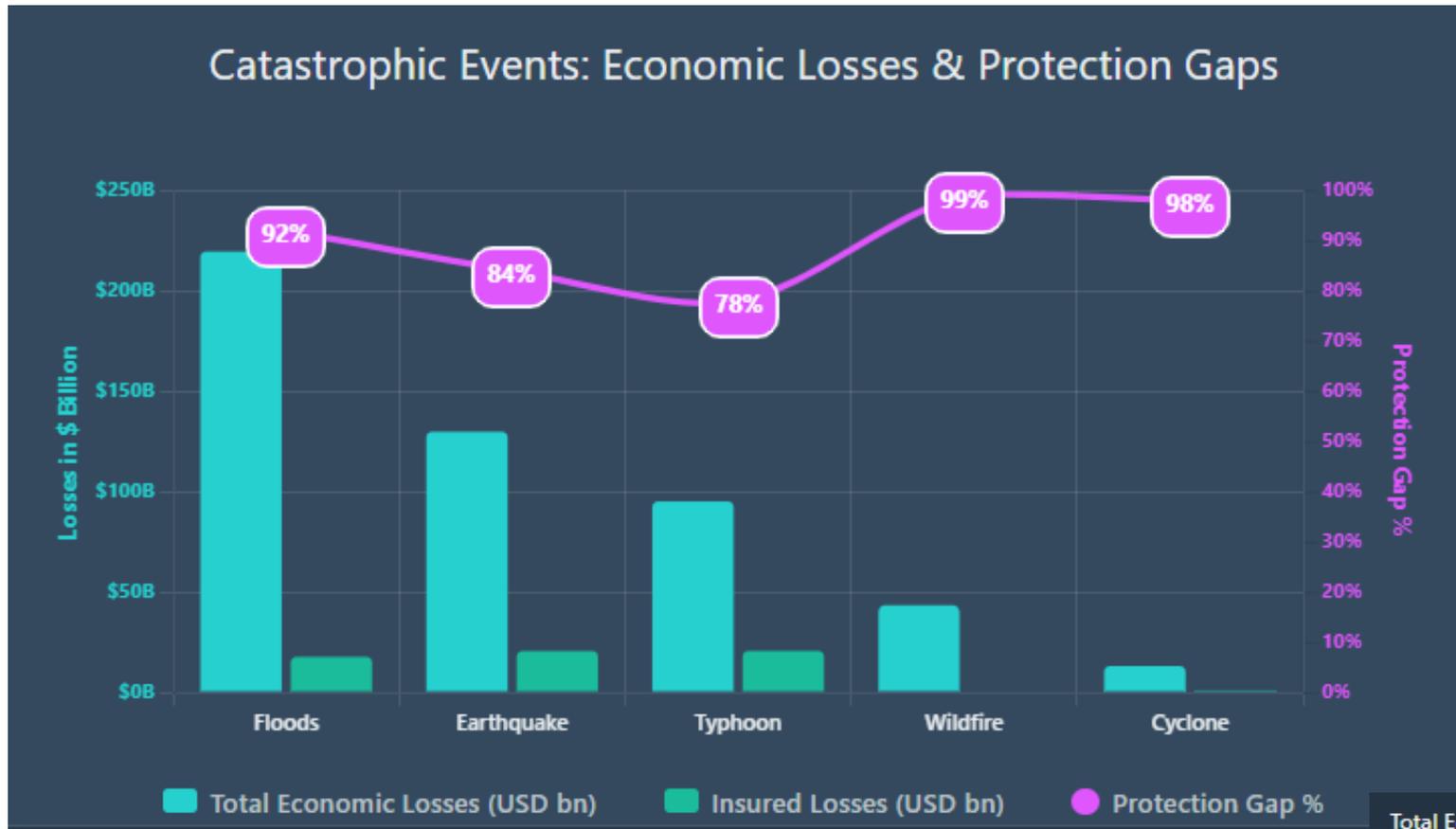
- Densely populated urban clusters such as Mumbai, Tokyo, Shanghai with assets concentrated in flood-prone areas
- Monsoon climate with rapid urbanization
- Earthquakes are a major concern for Indonesia, the Philippines, Nepal and India



# Insurance Protection Gap in APAC – country-specific data (source: Swiss Re)



# Insurance Protection Gap in APAC – CAT event type



Total Economic Losses: **\$500.7B**  
 Total Insured: **\$59.4B**  
 Average Protection Gap: **88%**

## Key Insights:

- Floods drive 44% of losses but only 8% insured
- Wildfires show the highest vulnerability at 99% protection gap
- Economic Impact: \$441B in uninsured losses = massive vulnerability
- 88% average gap shows need for insurance innovation



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# The SEADRIF Insurance Company

## An impactful ESG insurer

With a proven track-record of reliable & rapid emergency response financing for the poor & most vulnerable populations



## Facing ever-growing demand for resilience solutions

Addressing critical need for scalable and customized disaster risk finance in the region

An efficient & modular platform for sustainable resilience

Leveraging the private sector to help developing countries address a wide range of climate and systemic risks, through market-based solutions

- Climate Resilience & ESG
- Humanitarian & Emergency Response Finance
- Critical Services & Public Infrastructure

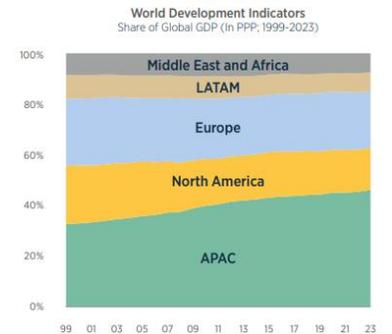
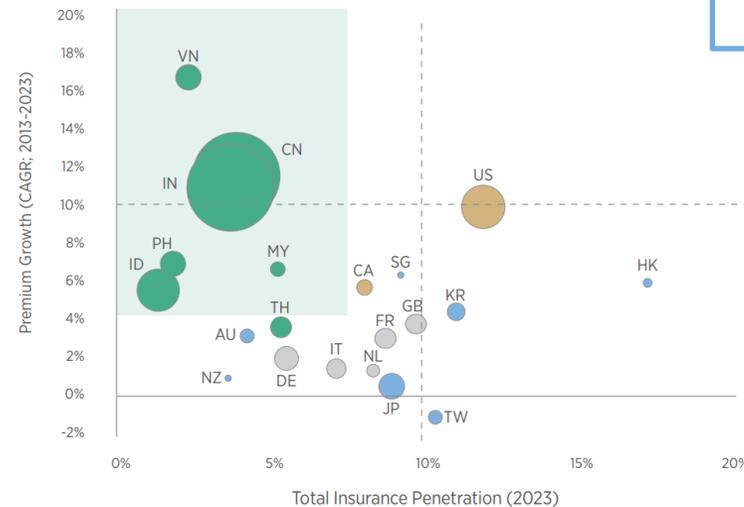
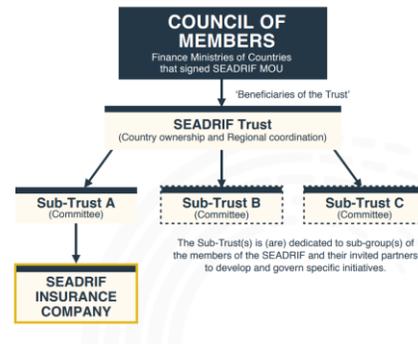


Payout ceremony at Lao's Ministry of Finance on October 03<sup>rd</sup>, 2024, and with attendance from the World Bank, the Japanese Embassy and other key government departments including the Ministry of Planning and Investment and the Ministry of Labour and Social Welfare



A \$3m payout was made within 2 weeks following passage of tropical cyclone Yagi in Laos, late September/October 2024

Supported by a strong leadership & governance structure



● North America ● Advanced EMEA ● Advanced APAC ● Emerging APAC

Low insurance penetration rates but high growth rates in the Asia Pacific region...

source: Gallagher Re, Asia Pacific Market Watch Report, October 2024

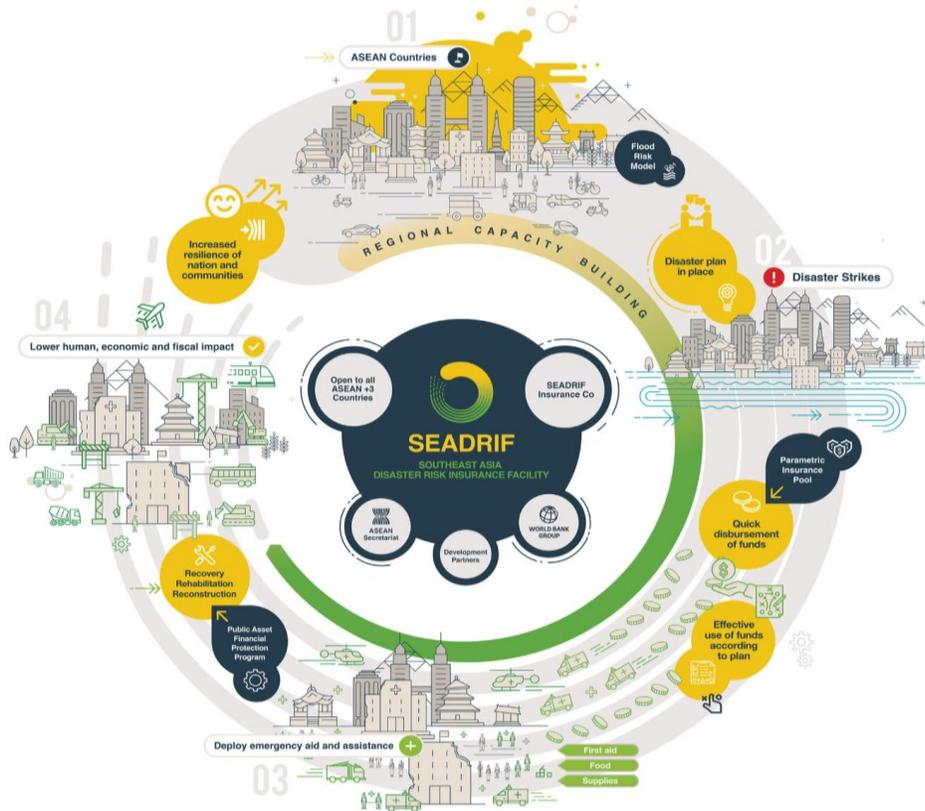
... further evidenced by strong economic development trends and potential



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# SEADRIF: A Platform for Financial Preparedness To Disasters

Helps strengthen the financial resilience of people exposed to climate and disaster events in the ASEAN region



## A “Skin In The Game” Development Insurer

SEADRIF paid within just one business day a claim on their Lao PDR Flood Policy

**SEADRIF’s Mandate:** Investing in Financial Resilience to Help Governments

- Increase SEADRIF members’ financial capacity to respond to shocks
- Reduce the impact of disasters on social and economic development by smoothing shocks to government budgets, household spending and businesses
- Protect human development and economic gains, and thus contributes to poverty reduction and shared prosperity

SEADRIF works to develop programs and products that are tailored to each country’s needs and financial protection goals, as well as provide benefits beyond faster, more reliable access to money

Guiding Principles: **Peril Agnostic, Model Agnostic** → Solution Agnostic

**Current Members:** Lao PDR, Philippines, Indonesia, Cambodia, Japan, Myanmar, Singapore and Vietnam



**Future expansion plans for SEADRIF are targeted, bold and innovative**

*‘Connecting Reinsurance Capital to Climate Resilience’*



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# 2025 – Pioneering trigger mechanism introduced for the 2025 placement – Sovereign Disaster Risk Insurance Policy

## Pushing the boundaries of traditional risk transfer

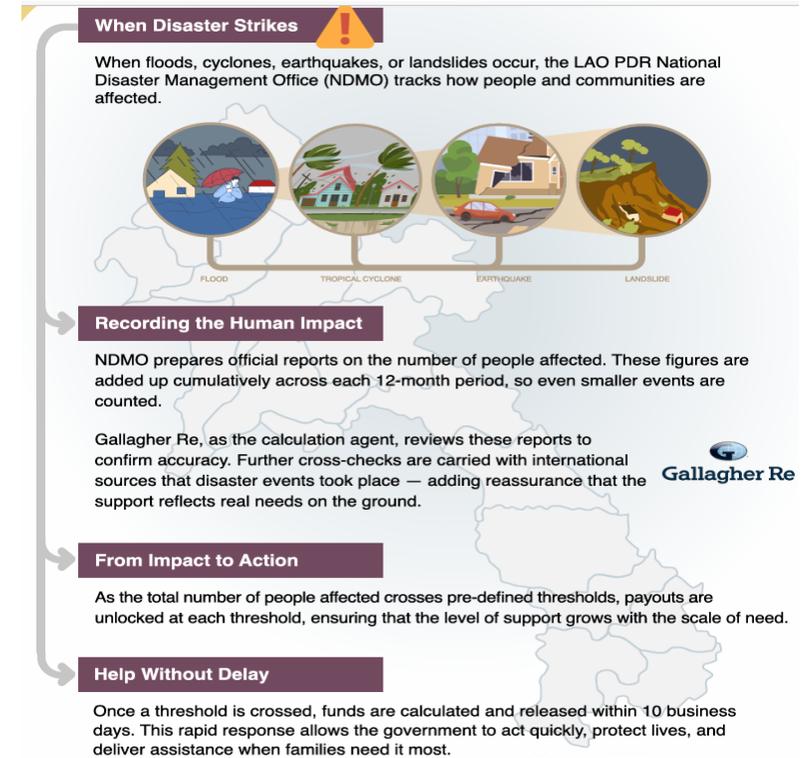
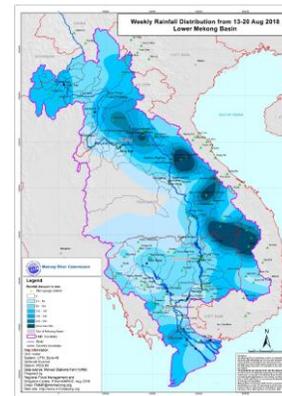
- Highly Innovative Triggering: With support from reinsurance broking partner, an optimal triggering mechanism was selected, utilizing existing local reporting agency NDMO and its post-event loss estimates (population affected).
- This minimizes basis risk significantly and ensures full consistency with other humanitarian response efforts (which utilize NDMO already).
- With a two-year \$3.4 million premium, it provides up to \$16 million in coverage for floods, cyclones, earthquakes, and landslides, and introduces an innovative impact-based payout mechanism based on government-reported impact data

## Reinsurance Structure

- Annual aggregate cover. Policy term 03 May 2025 – 30 April 2027
- Successfully placed on 02 May 2025 with leading reinsurance markets.



**SEADRIF's New Policy Delivered US\$2M Payout to Lao PDR in 6 Days, Using Official National Impact Data**



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# The Way Forward: Beyond Filling the Gaps

- **Pools provide some relief** to the protection gap challenges that the industry faces.
- However, they are not a comprehensive solution in their own right. In some cases, pools may successfully fill a void left by insurers, but doing so could require **unsustainable levels of government financing/insurer levies**.
- **In many cases, pools are not intended to exist indefinitely**, so the success of a pool could be measured by its ability to make its own existence unnecessary!
- This means a truly effective pool should focus on **research, education, collaboration and influencing government policy**, in addition to their immediate role of filling protection gaps.
- Traditionally, pools have been actively involved in collaboration with governments, regulators and insurers.
- However, to solve the protection gap problem at its roots, it is crucial that engagement with key stakeholders such as the **banking** and **construction** industries increases.



# The Way Forward: Banking and Construction Engagement

## Banking Industry

- Banks have significant exposure to insurance protection gaps through their mortgage portfolios. Whilst this represents a key risk, it also means they have the leverage to drive real change.
- Simplistic approach to reducing their exposure to property damage is to mandate insurance purchase as a condition of lending.
- However, in a world in which insurance availability and affordability is being severely stressed, this may no longer be enough.
- Banks are starting to factor climate risk into their own credit risk and loan approval decisions, yet by 2023 only 18% of the top 50 global banks incorporated physical risk into their business models.
- Pools can maximise their impact by collaborating with banks and insurers to minimise society's exposure to property losses.



## Construction Industry

- Another key stakeholder in this area is the construction industry. A common complaint from insurers and banks is that there is insufficient incentive for builders to avoid high-hazard areas and implement resilience measure.
- Pools could play an important role in this area by encouraging governments and regulators to establish a stronger link between the level of building risk and a builder's profitability.
- Builders already have some exposure through the construction insurance premiums they pay, but pools could help promote stronger measures. One example could be tax breaks/penalties linked to the hazard-intensity of land built upon, as well as how resilient the resulting properties are to natural and man-made disasters.



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# Pools WP Members

- *Charchit Agrawal (BDO)*
- *Manisha Sharma (Accenture)*
- *Adam George (Swiss Re)*
- *Darren Murch (Gallagher Re)*
- *Prathmesh Shah (Acasta)*

