

Measuring the Global Protection Gap

The insured loss from natural perils throughout the world is small in proportion to the total economic loss. The difference between the two is known as the **protection gap**.

Based on AIR's suite of models, covering **10 perils** across **110+ countries**, catastrophes around the world are expected to cost about

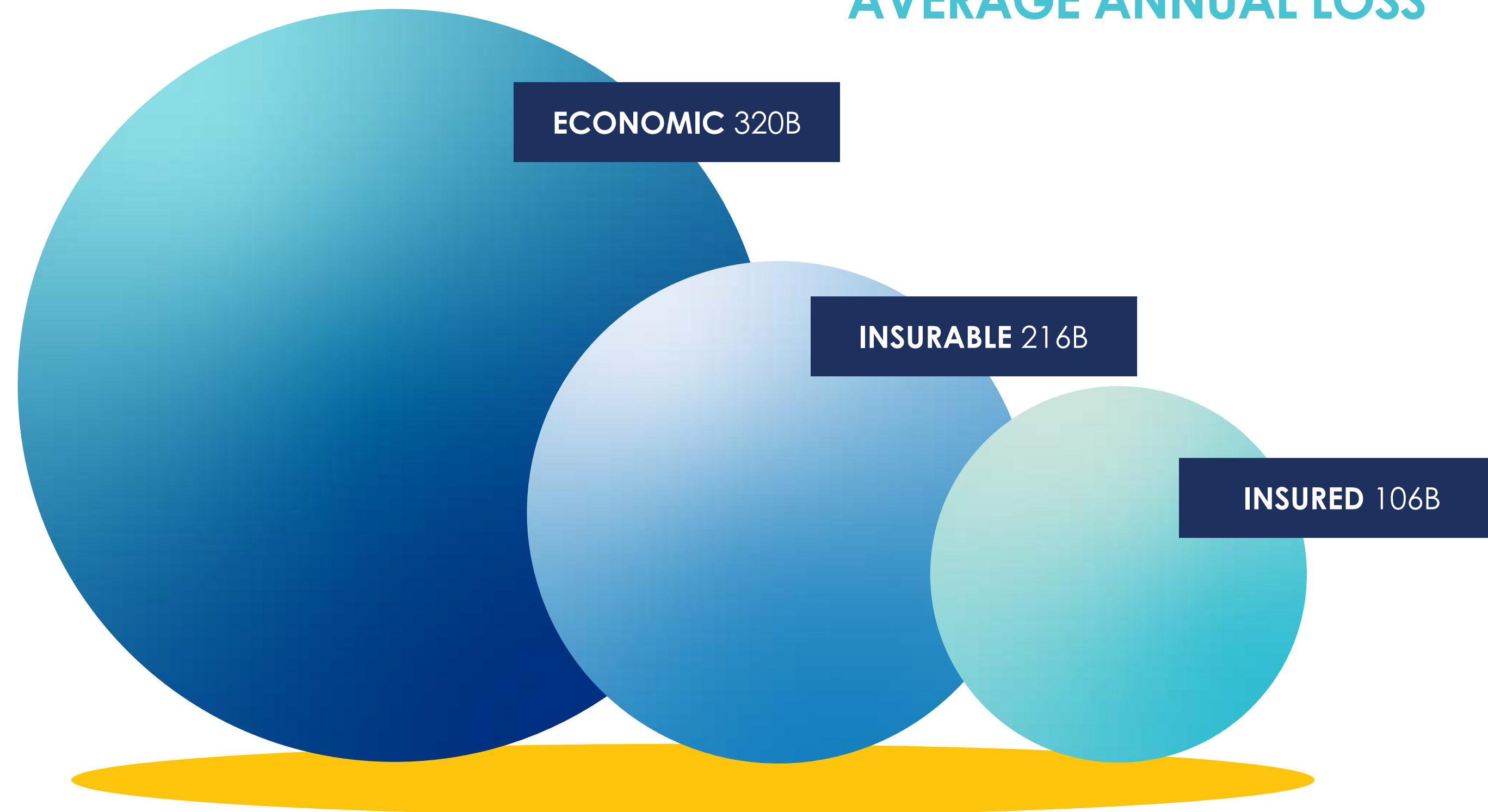
USD 106 Billion

in insured losses each year on average.



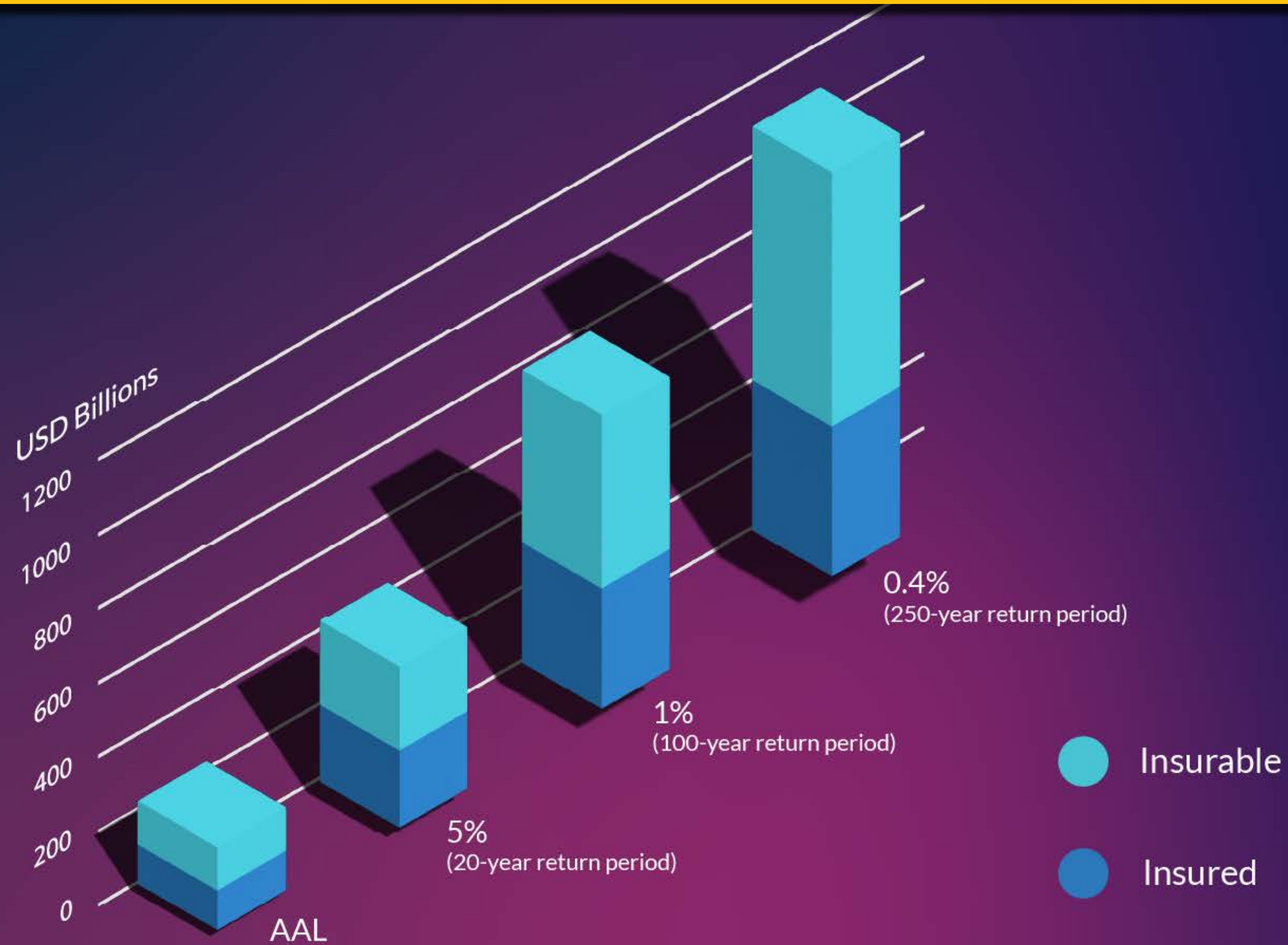
Insurable losses (representing all exposures eligible for insurance coverage, regardless of whether they are actually insured) are **2x higher**, and **economic losses** (including insurable losses and noninsurable losses, such as infrastructure damage and lost economic productivity) are more than **3x higher**.

AVERAGE ANNUAL LOSS

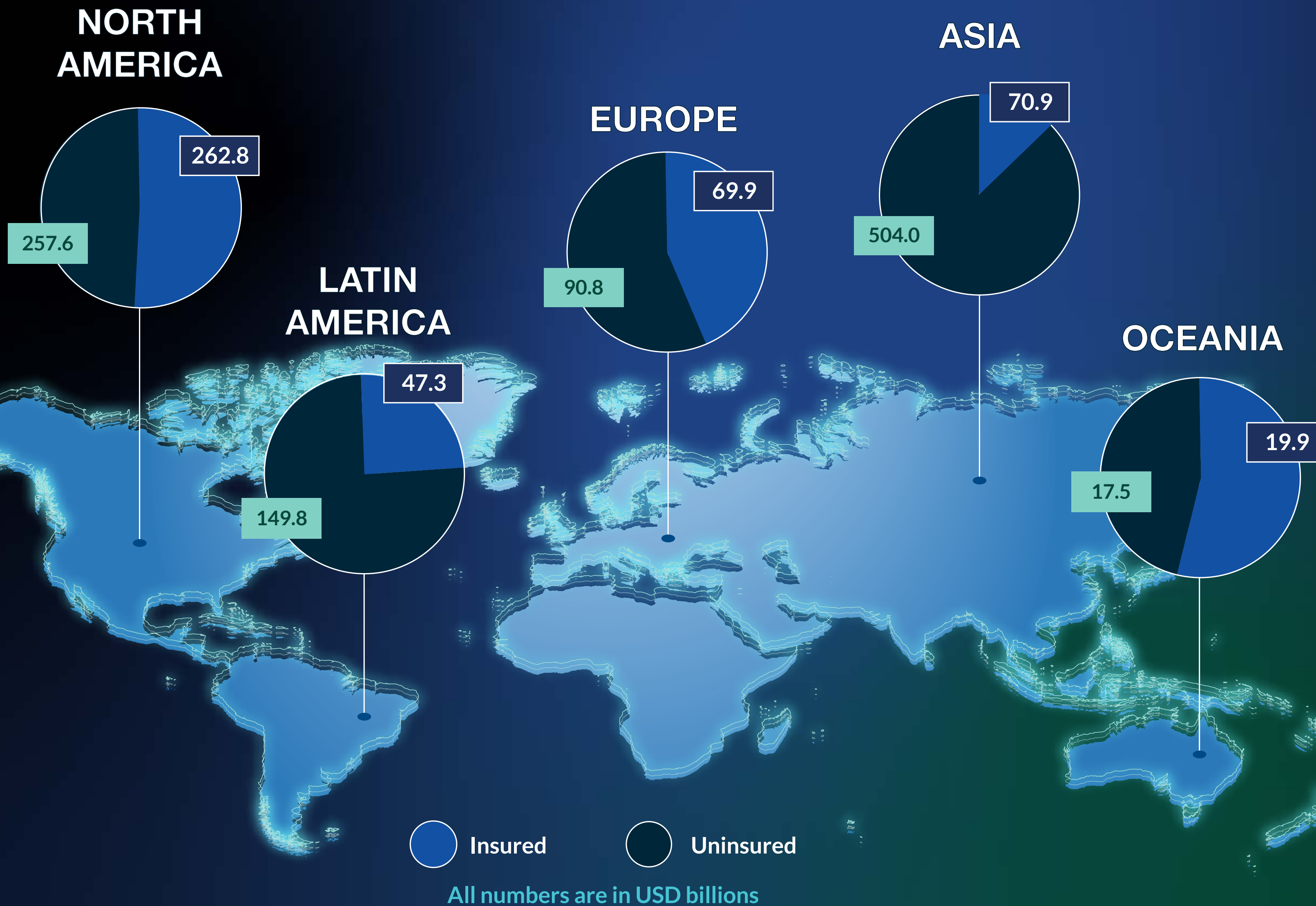


Global EP Curve

At lower exceedance probabilities, the difference between insured and insurable losses becomes even more pronounced.



Size of the Gap Around the World

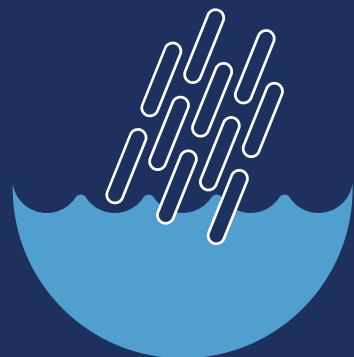


Preparing for Climate Change

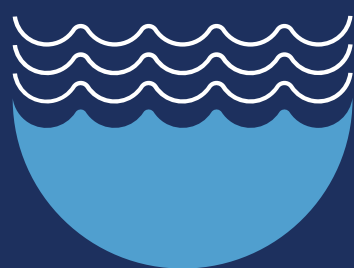
With climate change and continued development in disaster-prone areas, the global protection gap will only increase. Especially at risk are regions prone to coastal and inland flooding.



In **Asia**, average and heavy precipitation will increase in many areas, and relative sea level has increased faster than the global average.



In **Europe**, extreme precipitation and pluvial flooding are projected to increase in all regions except the Mediterranean, and relative sea level will rise in all areas except the Baltic Sea.



In **North** and **Central America**, relative sea level rise is projected to increase along most coasts and is associated with increased coastal flooding and erosion. Tropical cyclones (with higher precipitation) and severe storms are expected to become more extreme.

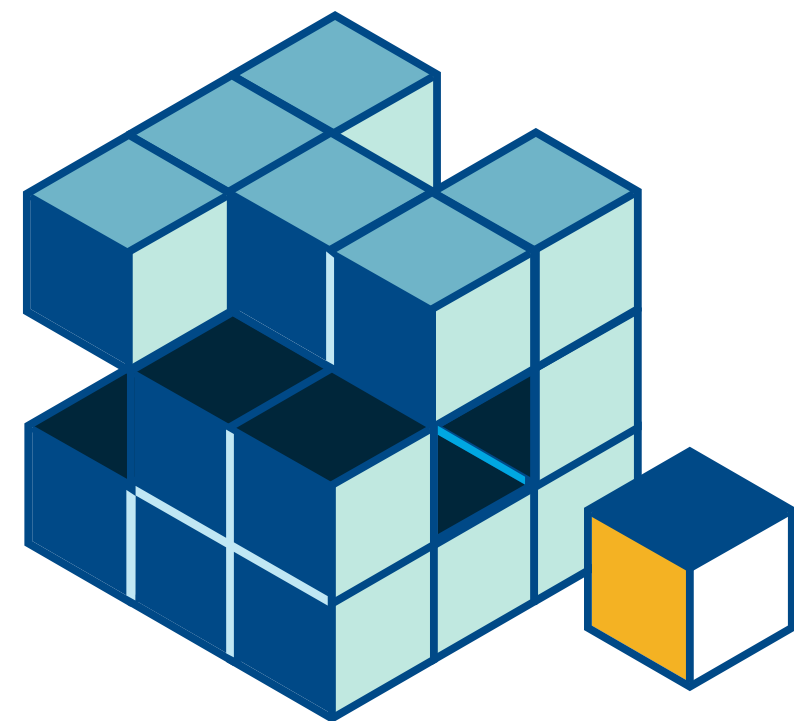
Source: IPCC 2021

Strategies for Resilience

When risk is underinsured, much of the cost of large disasters is ultimately borne by the public, placing a tremendous strain on the financial well-being of governments and communities.

One of AIR's core goals as a company is to help the industry close the protection gap and improve the resilience of society to extreme events.

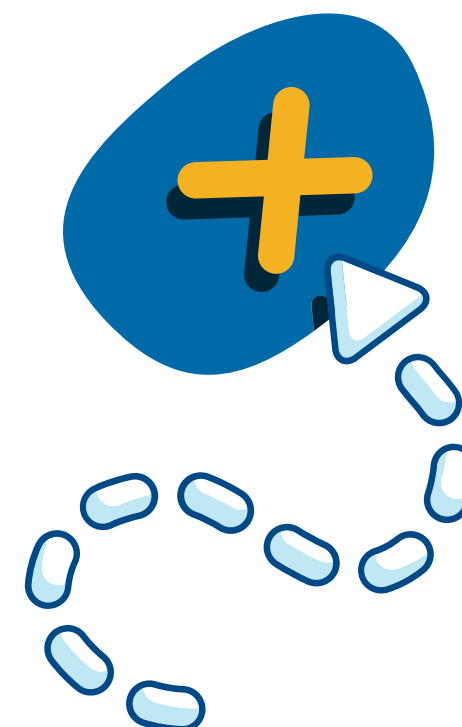
We do this by:



Informing the development of innovative insurance products and insurance-linked securities



Performing risk analyses to optimize public disaster financing, risk pooling, and other loss reduction initiatives



Identifying the most effective disaster mitigation strategies

Read

for more information