

Missing Markets: Why Isn't the Whole World Insured?

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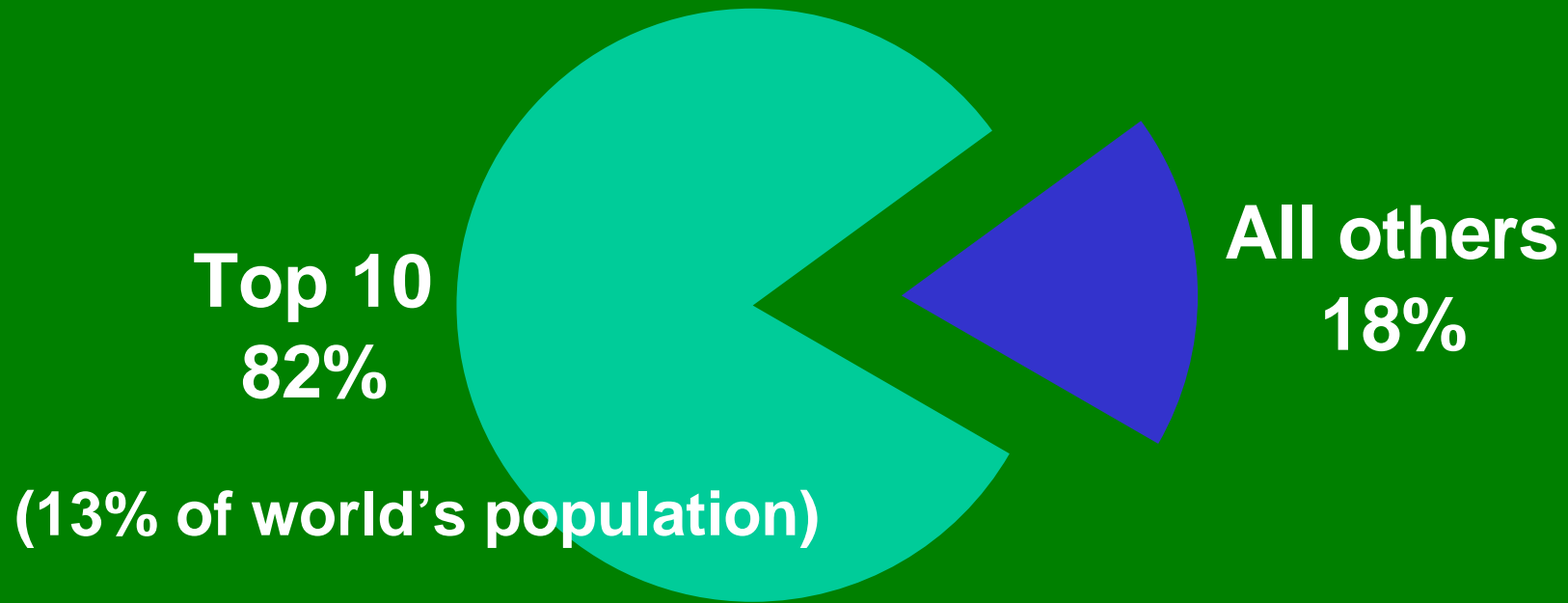
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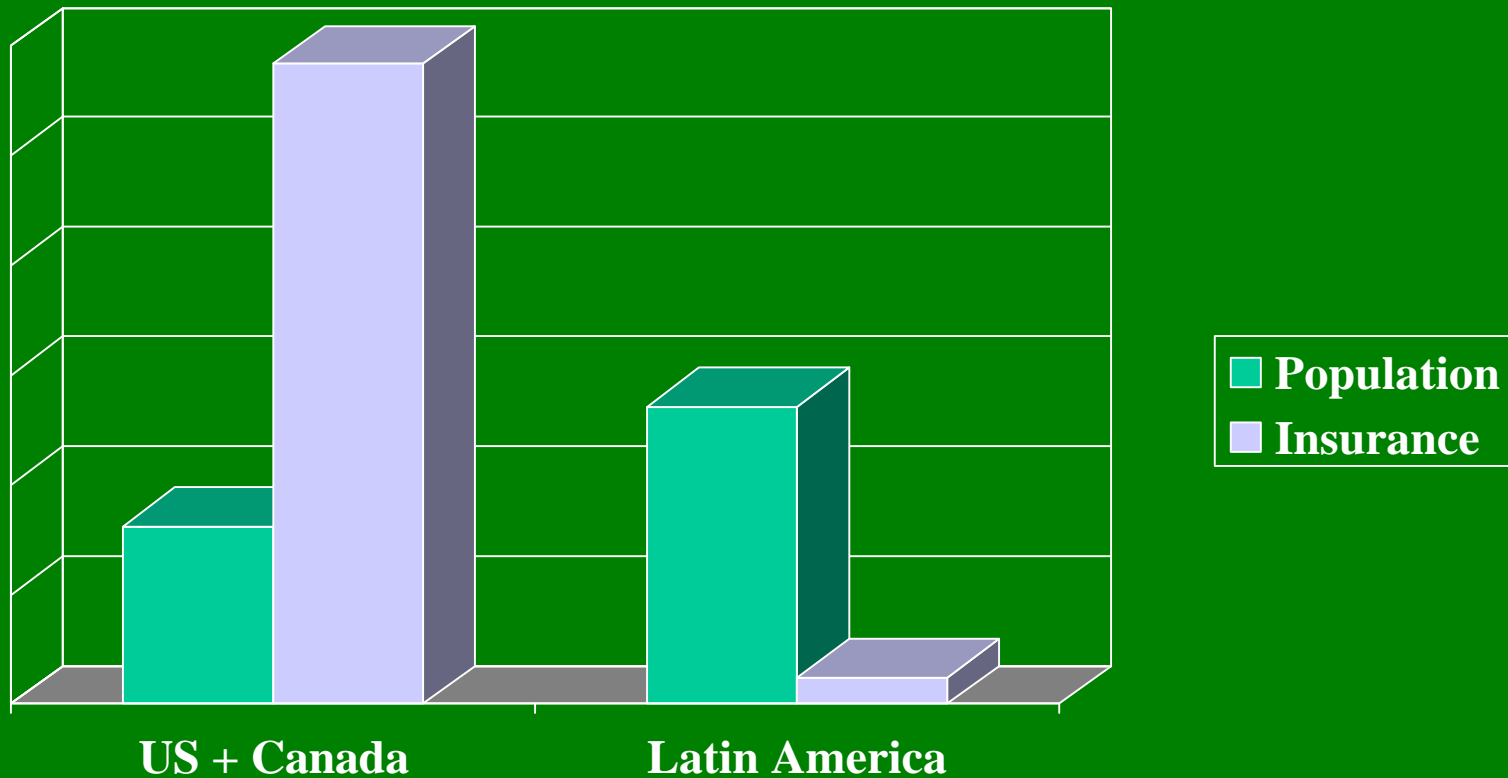
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The economic security gap

Share of world insurance premiums, 2004

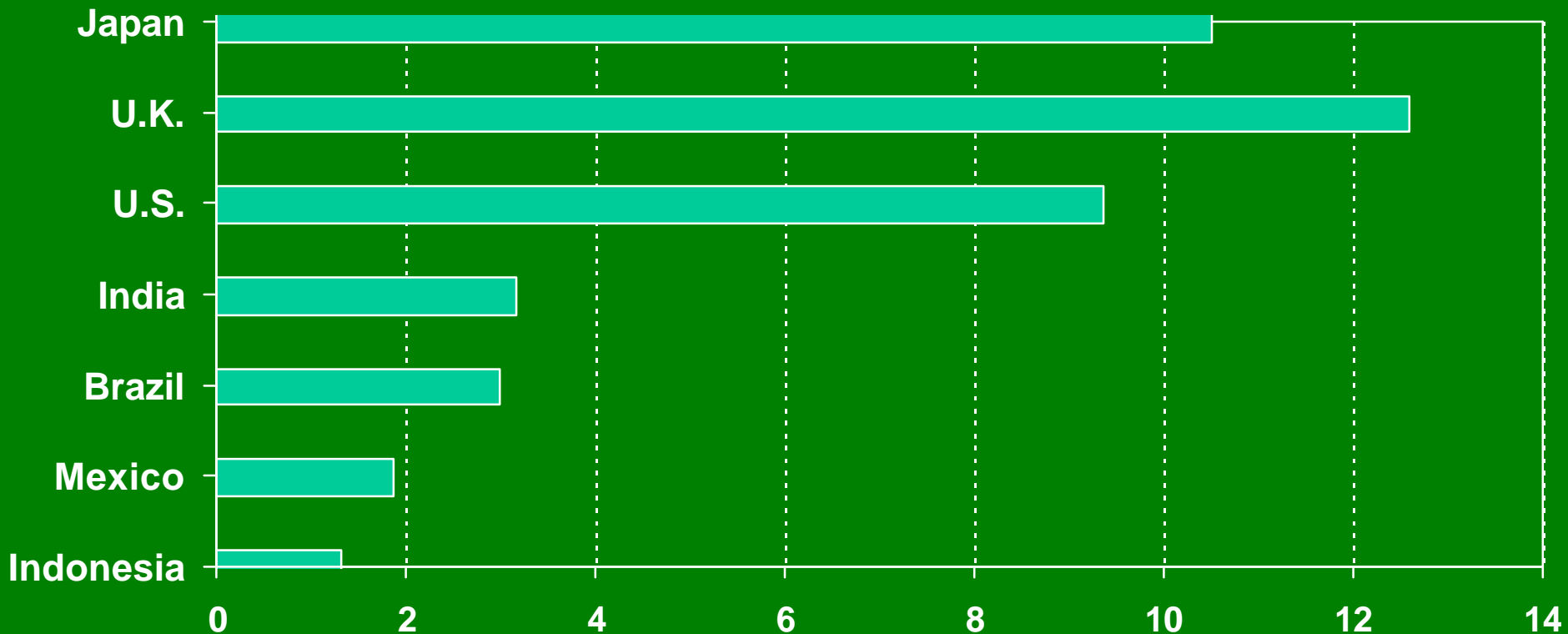


Missing Insurance Markets



Relative depth of insurance markets

Premiums as Percent of GDP, 2004



Why does it matter?

Insurance is not just another sector of the economy

It is an institution of the economy



Economic development

“ . . . A consistent story of incremental change induced by the private gains to be realized by productivity-raising organizational and institutional changes.”

- *Douglas North*



Contributions to Development

Insurance promotes:

- Enhanced investment
- Less disruption of income flows
- Greater safety consciousness
- Better understanding of the nature of risk
- More use of risk analysis techniques



What the world is missing . . .

Consider the benefits in fortunate
countries with robust insurance markets



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U.S. Non-life Insurance Market

Three largest lines of insurance:

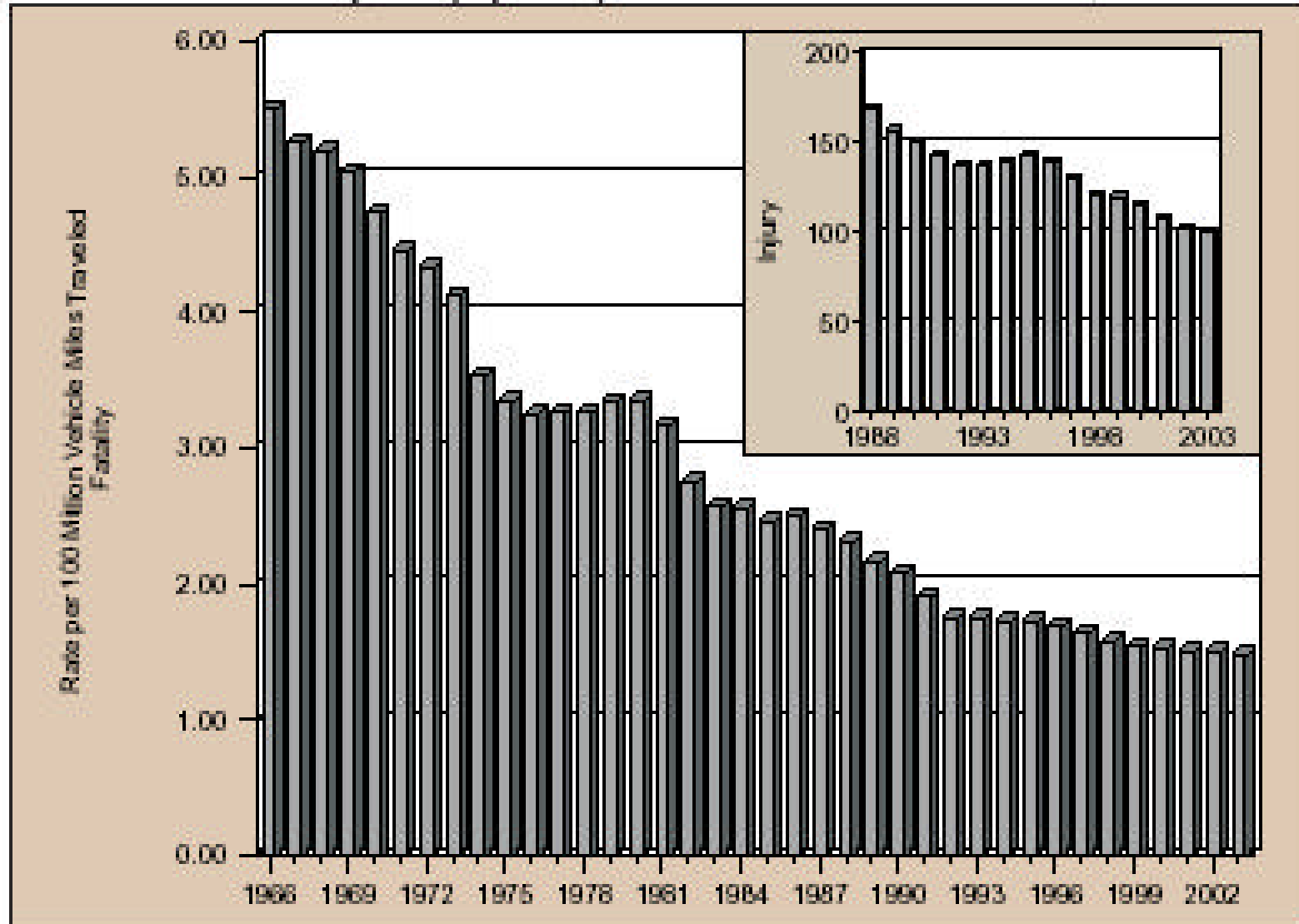
- Automobile insurance = 54.7%
- Homeowners insurance = 11.5%
- Workers compensation insurance = 11.5%

The impact over time . . .

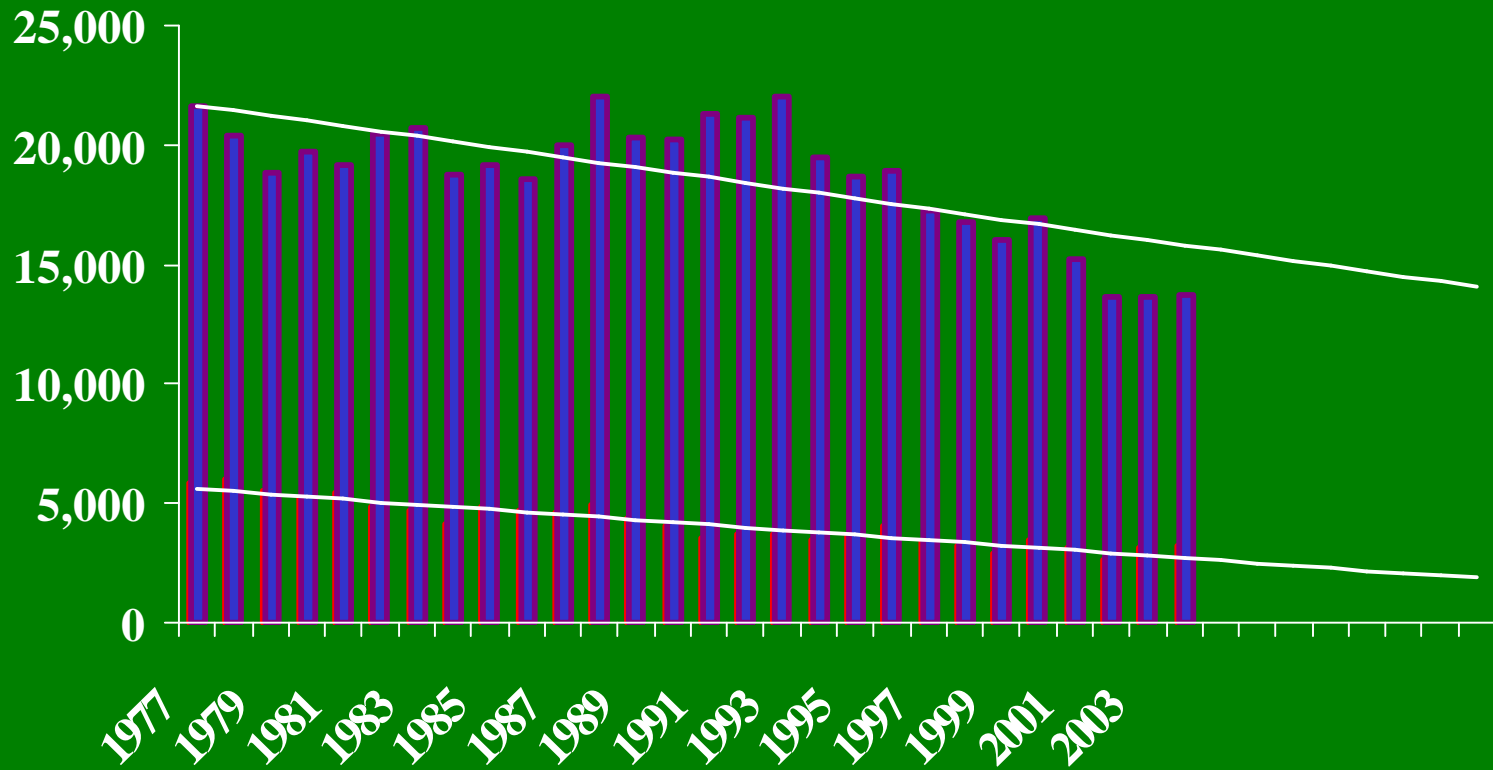


Motor vehicle deaths and injuries

Motor Vehicle Fatality and Injury Rates per 100 Million Vehicle Miles Traveled, 1966-2003

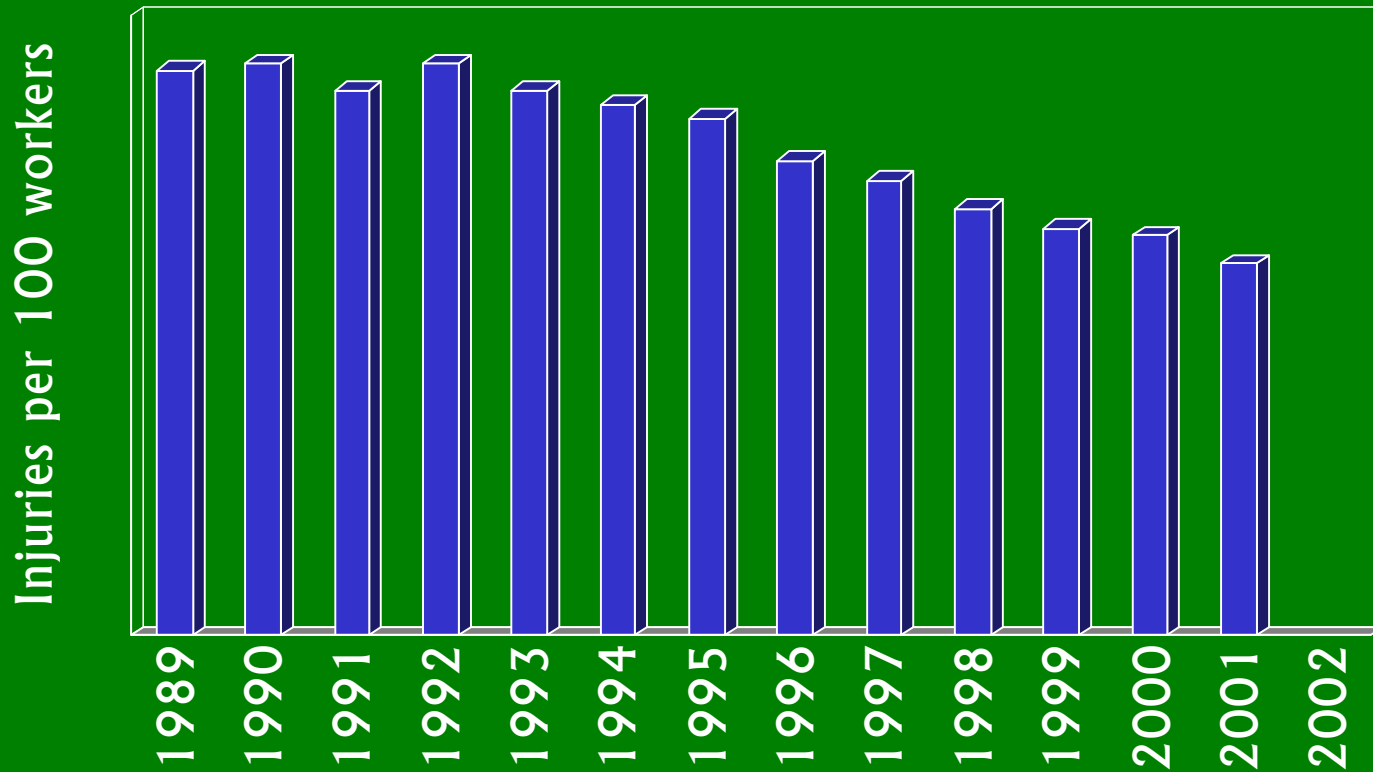


Home fire deaths; injuries



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Industrial Accidents



Insurance creates good incentives

- Price related to risk
- Long-term impact:
 - Highway deaths and injuries down
 - Home fire deaths and injuries down
 - Workplace deaths and injuries down



Insurance helps!

Why isn't the whole world insured?

