



**FS Club Events**



# Protection Gap Entities: Saving Disaster Insurance In A Time Of Climate Change?

Paula Jarzabkowski | Professor of Strategic Management,  
University of Queensland Business School

09:00, Tuesday, 09 April 2024



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# A Word From Our Chairman



**Simon Mills**

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## Today's Agenda

- 09:00 - 09:05 Chairman's Introduction
- 09:05 - 09:25 Keynote Presentation - Paula Jarzabkowski
- 09:25 - 09:45 Question & Answer





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# Today's Speaker

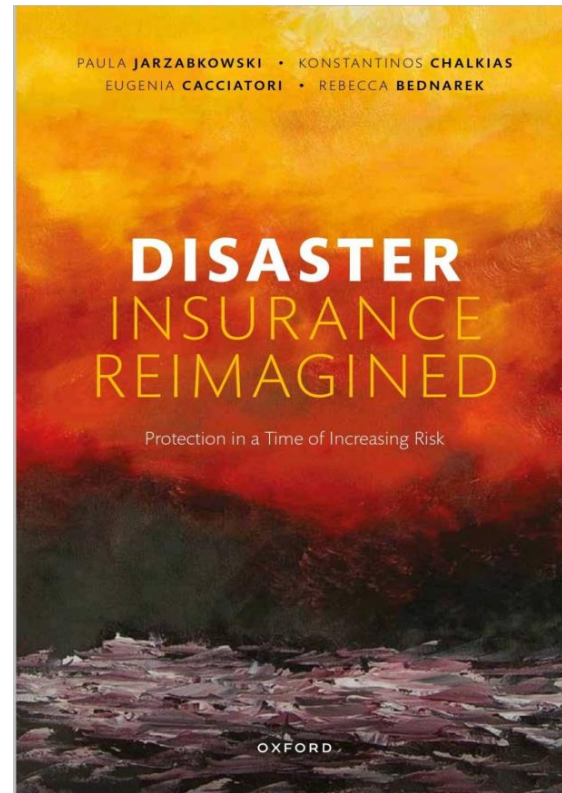


**Paula Jarzabkowski**

Professor of Strategic Management  
University of Queensland Business School

# Protection Gap Entities: Moral Hazard or Moral Opportunity?

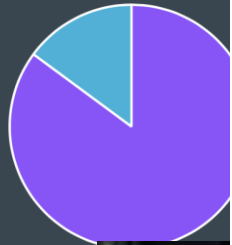
Paula Jarzabkowski, Konstantinos Chalkias,  
Eugenia Cacciatori, Rebecca Bednarek



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

Soaring increases in crucial January renewals threaten to raise premiums and reduce cover on offer



UNINSURABLE NATION: AUSTRALIA'S MOST CLIMATE-VULNERABLE PLACES



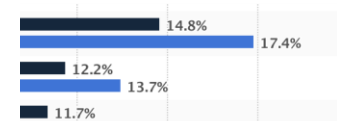
# How Wildfires Are Making Some California Homes Uninsurable

## The insurance world is flirting with its climate doom loop

- Louisiana
- In de challenge

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

17.4% (Source: Statista, October 2022)



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

### Flood damage cost to rise fivefold across Europe, study says



### Home insurers cut natural disasters from policies as climate risks grow

Actuaries Institute.

Report - August 2023

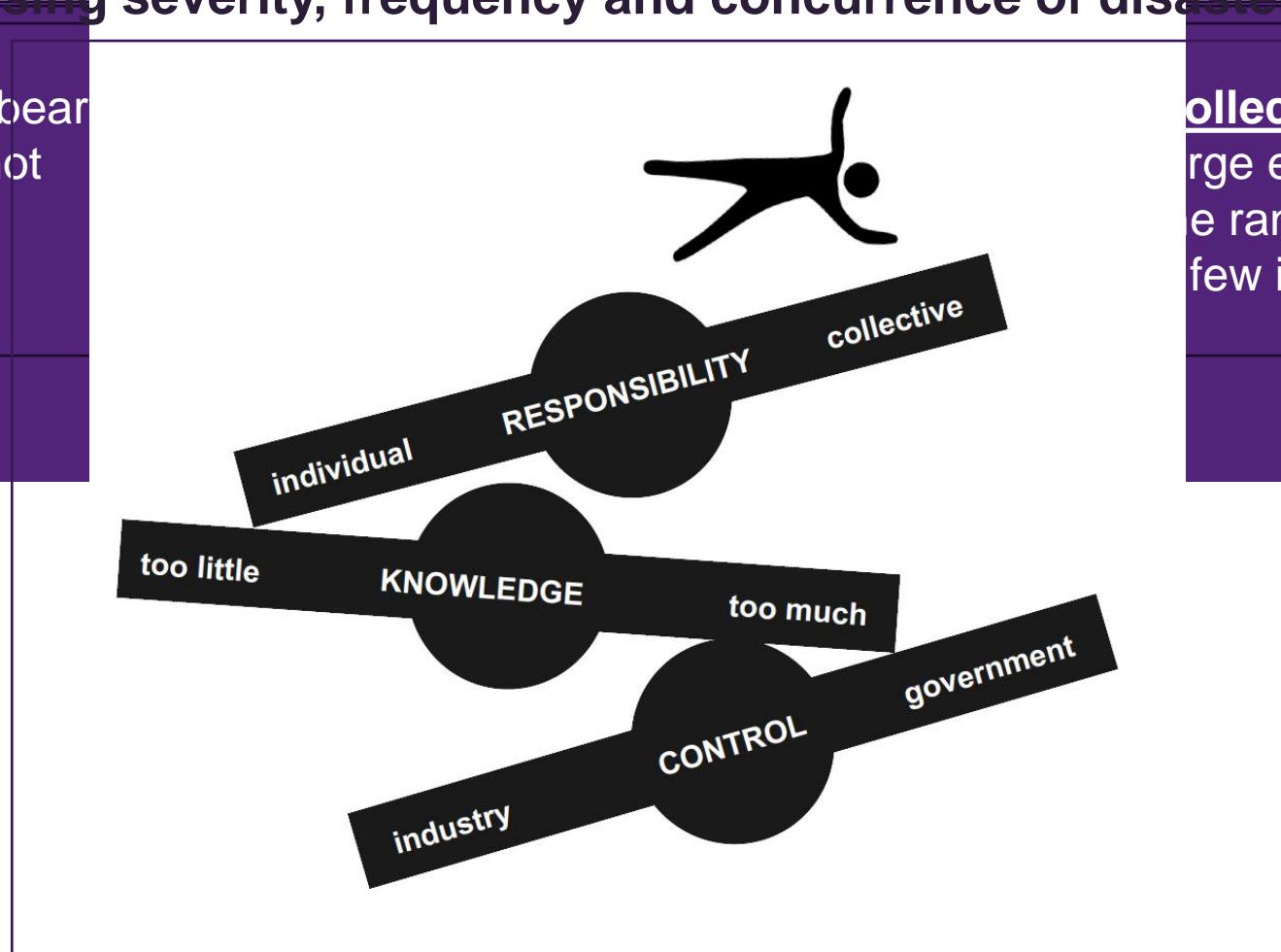
## Home Insurance Affordability Update

# The Insurance Sweet Spot

Increasing severity, frequency and concurrence of disasters

**Individual:** Must bear their weight and not overburden the collective.

**Collective:** Must be large enough to pay the random losses of few individuals.



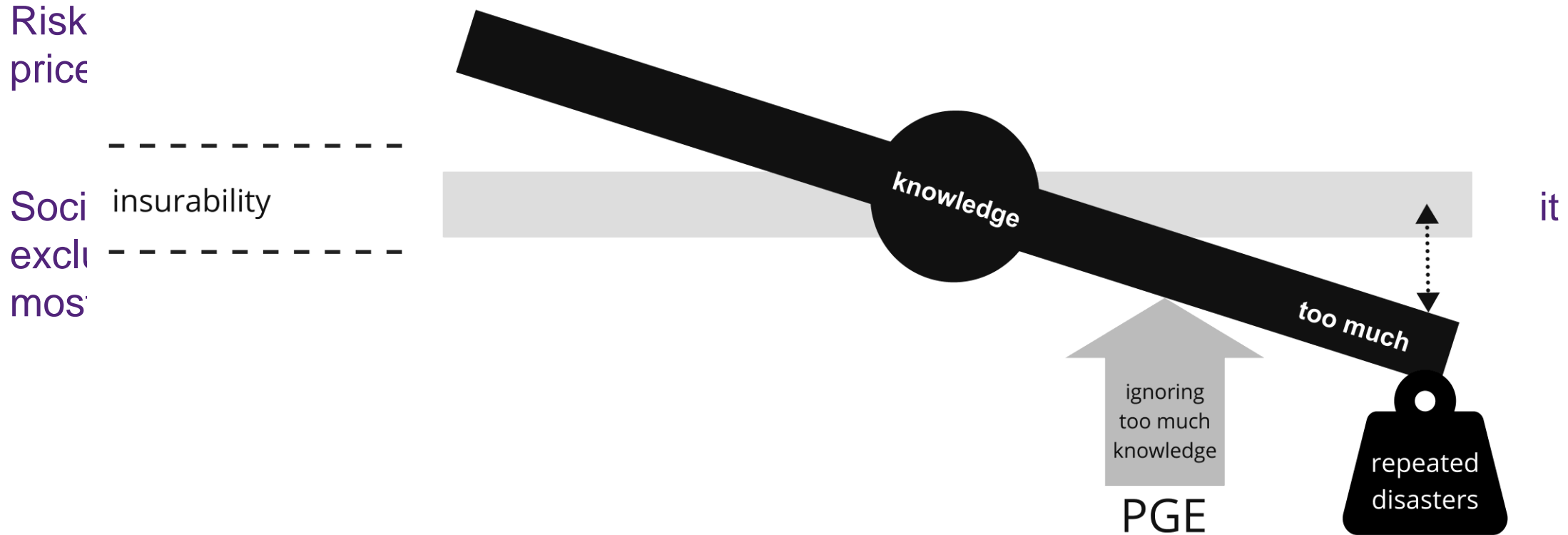
Output:  
Insurability  
via a PGE



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



# PGE Origination: Too much knowledge

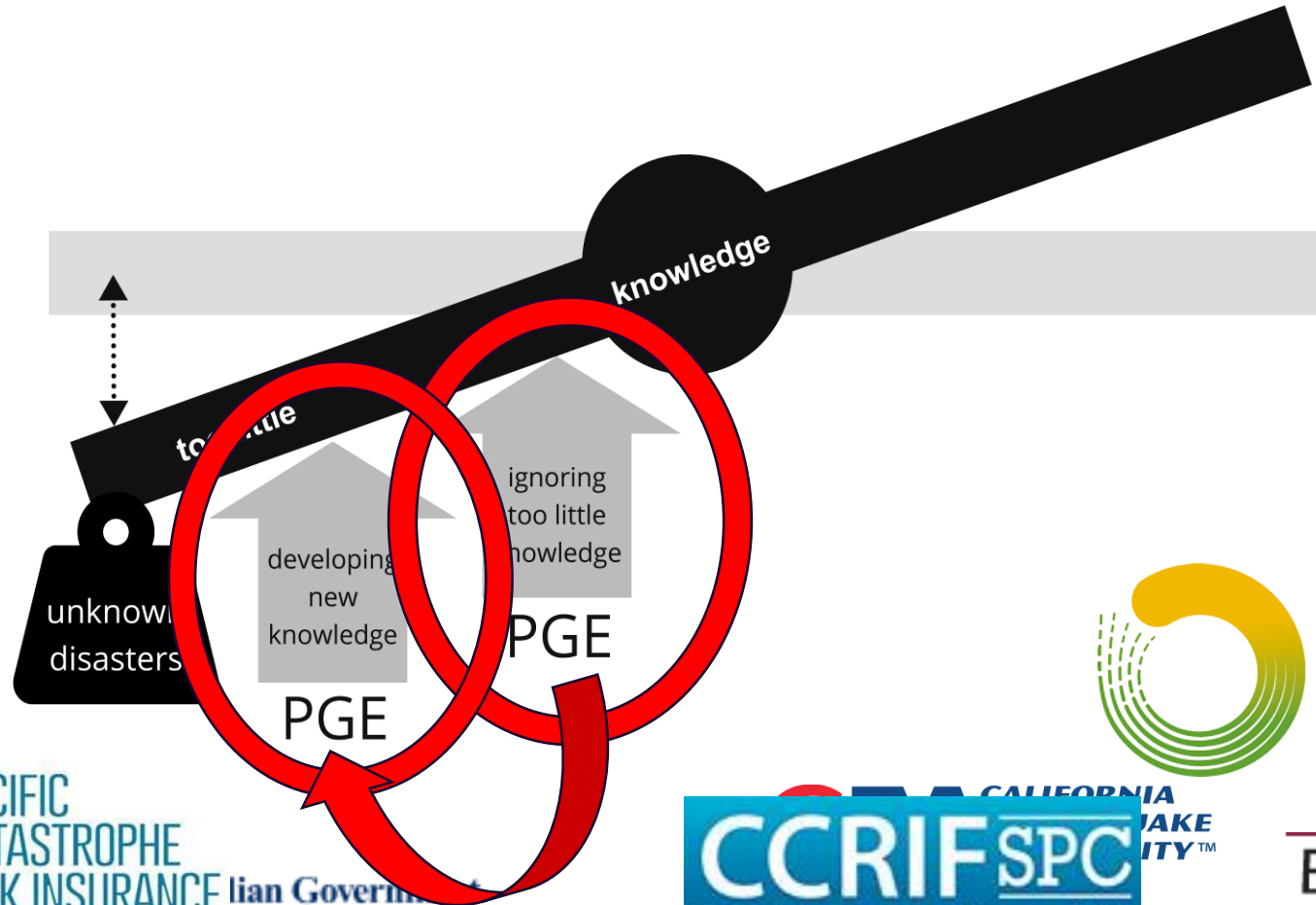


# PGE Origination: Too little knowledge

## Making a Market

Society wants protection. The market cannot/has not modelled the risk. To make or ma

insurability



# 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



Free-riding?

## PGE EFFECTS ARE NOT ALWAYS BENIGN

Maybe insurance 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

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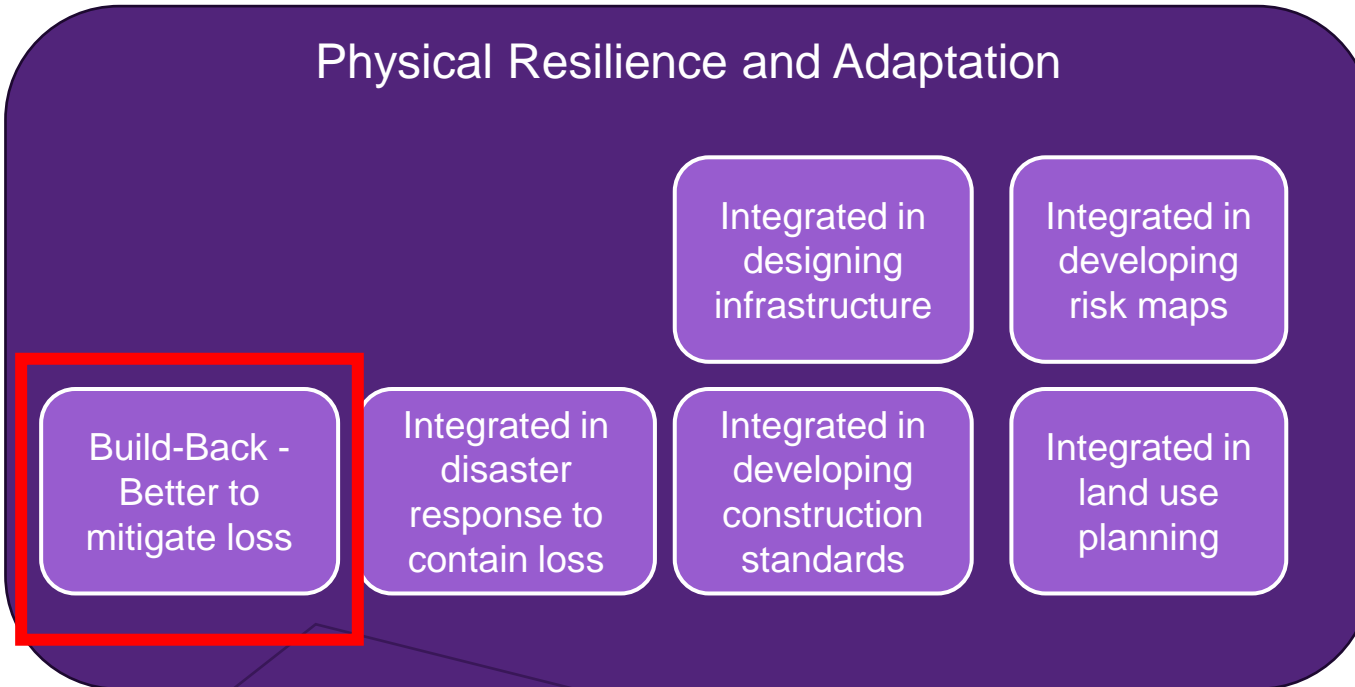
## Poll: Who should pay for the rising costs of insurance

- 1. The people with properties at high risk should pay more**
- 2. All policyholders in the private market should pay more**
- 3. Subsidized insurance through a compulsory government pool**
- 4. A disaster relief fund instead of insurance**



# Can we make it fair? Insurance as moral opportunity

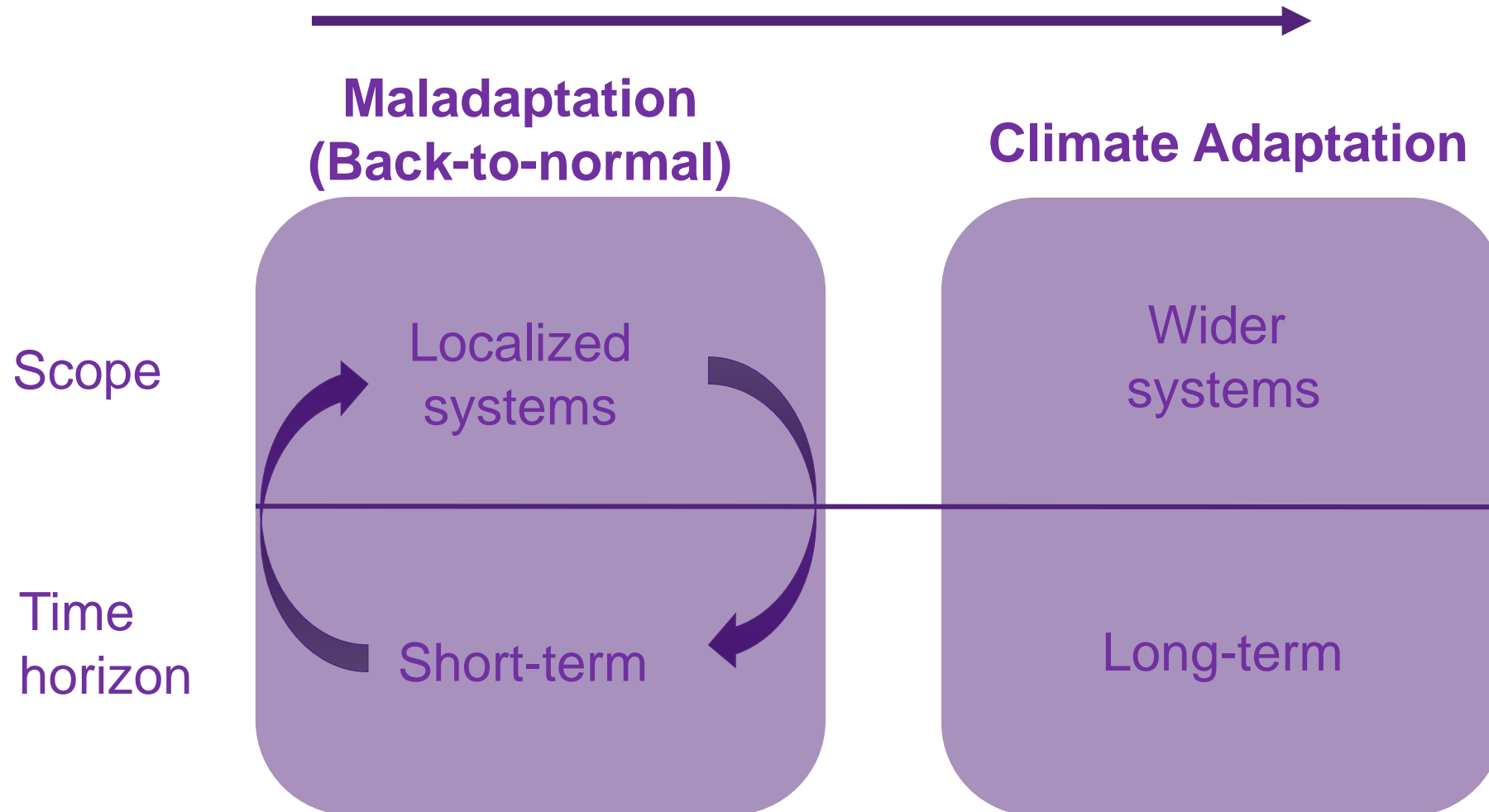
## Physical Resilience and Adaptation



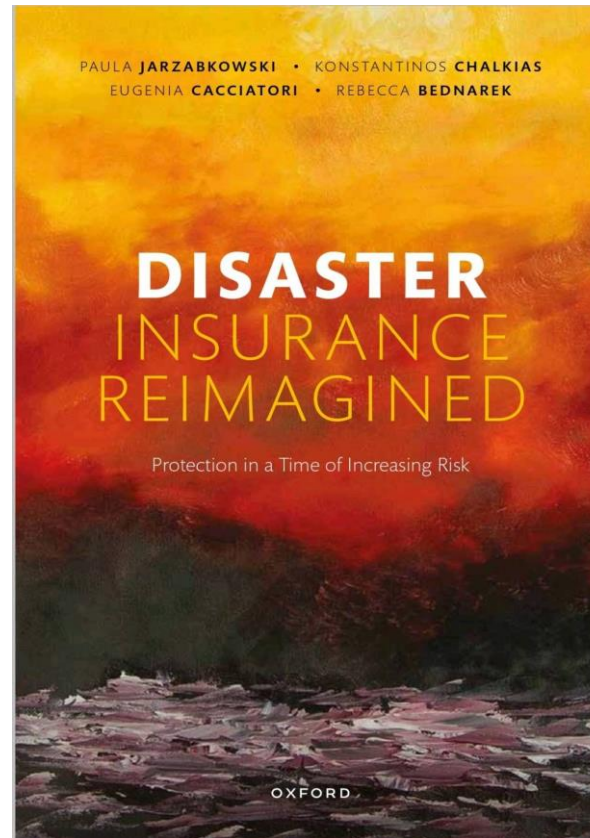
*The unique aspect of our system is that **we cover three parts. We have prevention, we have intervention, and insurance.** ... The public insurance companies are closely working together with the canton administration. So for example, **if a homeowner applies for a construction permit, this never will go without knowledge of the public insurance companies.***



# Integrating insurance with climate adaptation



# It's Time to Reimagine Disaster Insurance



Paula Jarzabkowski, Konstantinos Chalkias, Eugenia Cacciatori, Rebecca Bednarek

<https://fdslive.oup.com/www.oup.com/academic/pdf/openaccess/9780192865168.pdf>



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# Comments, Questions & Answers



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Question & Answer

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# FS Club Events

## Forthcoming Events

- Wednesday, 10 April 2024 (11:00 - 11:45 GMT) The Future Of The Arts And Humanities: The First 25 Years Of The Arts And Humanities Research Council
- Thursday, 11 April 2024 (14:00 - 14:45 GMT) Intellectual Curiosity: How The Growth Of Institutions Like The Athenaeum Club Have Contributed To The Life And Success Of London
- Monday, 15 April 2024 (11:00 - 11:45 GMT) Leadership In Sustainable Finance: Charting A Course Through Purpose, Profit, And Politics

**Visit:** <https://fsclub.zyen.com/events/forthcoming-events/>

**Watch past webinars:** <https://www.youtube.com/zyengroup>