

Insuring
a more
open world



The social role of insurance by 2040

Can Everyone Be Insured?
Reinventing Insurance
in a Changing World

**Foresight Report
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FOREWORD



Societies in a globalised world are now facing upheavals that are unprecedented both in their suddenness and their scale. Vulnerabilities in our societies are being exacerbated by economic uncertainty against a backdrop of persistent inflation, natural and climatic disasters, an accelerating loss of biodiversity, and geopolitical tensions – particularly the ongoing war in Europe, which has repercussions on our economies and even our day-to-day lives.

In this context, the insurance sector is being challenged more than ever in terms of its ability to predict, to anticipate, to prevent and, where necessary, to guarantee the protection of people and property. Foresight is essential for the future of our sector.

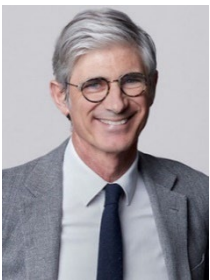
CNP Assurances has a long history as a personal insurer in France, and is now a full-service insurer with a strong international presence. It is therefore ideally placed to observe the changes taking place on a large scale. The Group's commitment to corporate citizenship reinforces its aim to protect as many people as possible, and its membership of France's major public finance sector confers on it a special responsibility to lead the way.

That is why I am so proud to present this third edition of the CNP Assurances Foresight Report, on "The Social Role of Insurance by 2040", and to invite you to share in its discoveries.

Véronique Weill, Chairwoman of the Board of Directors of CNP Assurances

EDITORIAL

Our societies have never needed insurance more! To protect themselves, of course, but also to help them make plans, save with confidence and undertake new ventures in a world of multiple risks – risks that pose unique challenges to the social role of our profession, as insurers.



Just how far can insurers cover major catastrophes and global crises without jeopardising the viability of the system? Will everyone be insurable when polycrises strike our societies? How can we protect the most vulnerable, those who will inevitably face exclusion because of income, age or illness? Will mutualisation and solidarity survive in a context of growing personalisation? What new partnerships do we need to create in order to provide a model of insurance that serves everyone?

These are just some of the questions highlighted by current events, and which this foresight report explores, offering some initial avenues for reflection, transformation and action.

Personally, I see the challenges ahead as an opportunity to reinvent ourselves, our companies and our solutions, so that together we can demonstrate the usefulness of our profession and turn people's perception of insurance on its head.

Yes, at CNP Assurances we believe that, by pushing back the limits of insurability, it is possible to avoid excluding anyone. Our "raison d'être" is to be useful at every major stage of life, protecting and facilitating all life's journeys. This mission requires us to innovate, together with our partners in France, Europe and Latin America, starting today.

Stéphane Dedeyan, CEO of CNP Assurances

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GLOSSARY

Actuarial science: The science that applies statistical and probabilistic theories to the fields of insurance and pension calculation.

Accident, incident, claim: Involuntary, uncertain and random events causing damage to insured property and/or persons and giving rise to demands for compensation (claims).

Coinsurance: An arrangement whereby two insurers or reinsurers share a given risk, particularly when a small number of accidents could jeopardise the insurer's financial stability.

Cover: The extent of the protection provided by an insurance policy.

Hazard: A source of potential damage, harm or adverse health effects on something or someone (WHO).

Insurance policy: A contract between the insurer and the insured, setting out the insured risk and the terms and conditions of cover.

Insurance premium (or contribution): The amount paid by the insured party to cover a risk.

Reinsurance (or secondary insurance): Insurance provided by one insurer to another insurer (in return for a reinsurance premium), which operates in the same way as other types of

insurance. Reinsurance is an essential tool for spreading and sharing exposure to risk.

Risk: Exposure to a hazard that is inherent in a certain situation or activity, and which gives rise to a certain probability of an accident occurring. Individuals and organisations seek to protect themselves against that risk through insurance. To be insurable, a risk must be perfectly describable and meet the various criteria of insurability.

Systemic risk¹ The case of an individual event that, through a chain reaction, has considerable negative effects on the system as a whole, potentially leading to a general crisis in its operation.

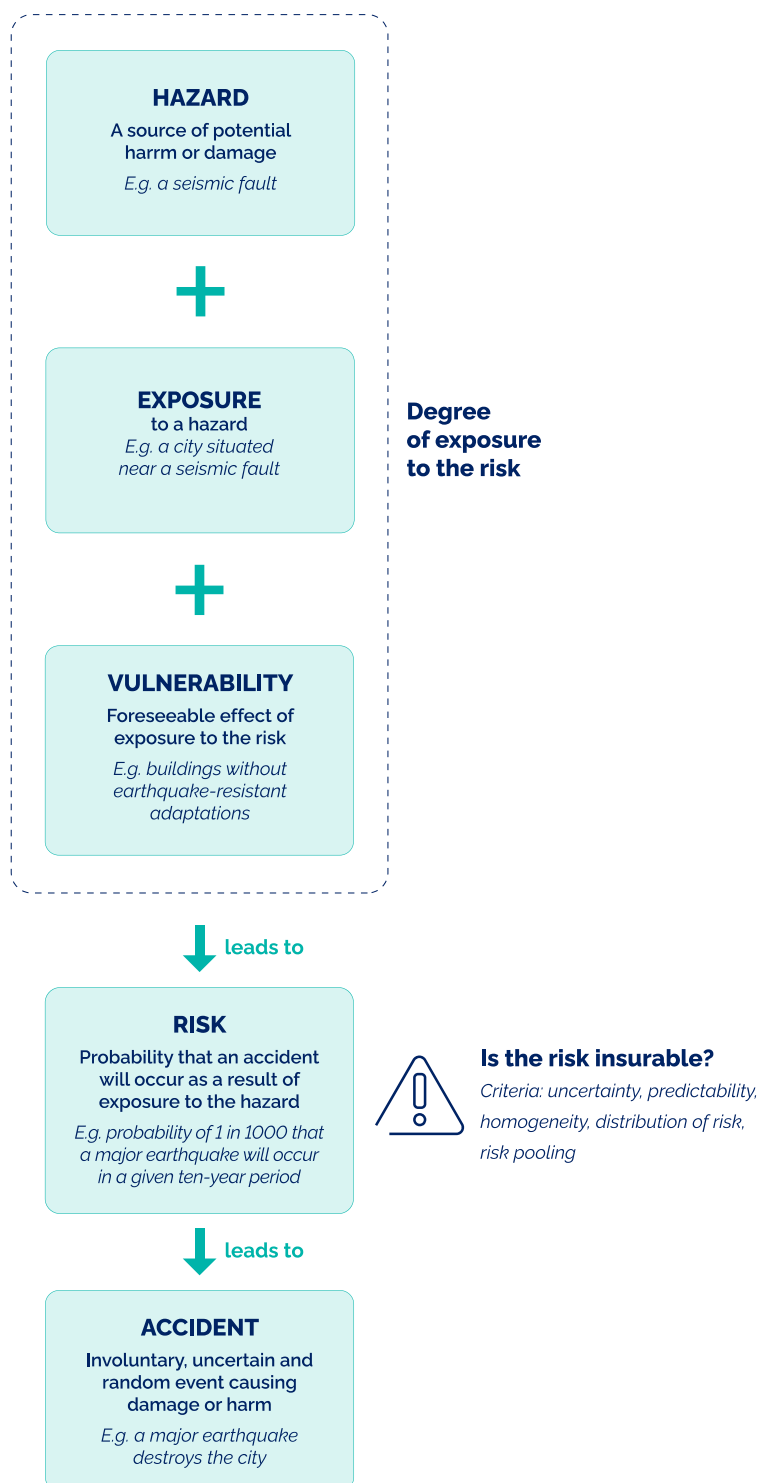
Types of insurance: Insurance is traditionally divided into two main categories:

- "Personal" or life insurance covers the risks directly attached to life, particularly in relation to health, disability and death.
- "Property and casualty" (P&C) or non-life insurance provides protection in two complementary ways: liability insurance protects the policyholder against damage he or she may accidentally cause to a third party, and property insurance protects the policyholder's assets (also known as insurance for "fire, accident and miscellaneous risks").

Vulnerability: The degree of foreseeable harm that might arise from exposure to a hazard (of people and/or activities).

¹ <https://www.cnp.fr/cnp/content/download/10556/file/Cahier-de-la-Prospective-FR-juillet-2022.pdf>

| From hazard to accident ²



²https://www.cchst.ca/oshanswers/hsprograms/hazard/hazard_risk.html

SUMMARY

Objectives and method

In this third foresight report, CNP Assurances re-examines a fundamental mission of insurers: their role within societies and in the service of individuals. This traditional role is being turned upside down by a combination of trends, some of which can be observed on an international scale, while others are more specific to particular regions or even countries. In order to gain a better understanding of the scale of these transformations, their outlook and their impact on insurers, this foresight study adopts an innovative three-pronged approach:

- A **systemic approach**: the social role of insurers is being transformed by demographic, economic, social and environmental changes of very different kinds. Furthermore, these developments are likely to interact and have unprecedented impacts on society. Understanding them requires a systemic approach, taking account of these multiple factors of change and their interactions.
- A **foresight approach**, which takes account of developments over a long period, both in the past and in the future. The aim of foresight research is not to predict the future, but to gain a better understanding of the drivers and scale of the changes underway, and thus to envisage a certain number of possible scenarios in the medium- and long-term future.
- An **international approach**: insurers have close relationships with societies and individuals. The needs to which they must respond can vary greatly depending on culture, the territory, social category, political context, etc. At the same time, a certain number of global trends are creating needs that are felt across all contexts: global warming, ageing populations, growing inequalities within societies, etc. It is therefore essential to cross-reference international-scale analysis with more detailed analyses at the regional and national scale in order to understand the influence of these different geographical scales.

This foresight work was based, among other things, on interviews with experts, several surveys of actors in the insurance world in about ten countries, and qualitative workshops with the general public.

This report summarises the findings of that research. It reviews the main historical developments in the social role of insurance (part 1). It then identifies the major challenges that are now confronting this social role (part 2) and how these challenges are manifested in the four major regions considered here (part 3). Finally, it proposes three high-priority levers for action and makes associated recommendations (part 4).

Summary of transformations by major region

This report explores the main societal transformations underway in four major regions of the world: Europe, Latin America, Africa and Asia. It presents a selection of the transformations that appear to have the greatest structural impact on future developments, based on a combination of surveys, interviews with experts and an in-depth analysis of the literature.

Europe

Four major trends

- Inequalities in this region are lower overall than in other regions, but they are increasingly concentrated in certain populations, and are proving to be more long-lasting and harmful for the individuals concerned.
- Populations are generally in good health, but are increasingly vulnerable to chronic diseases, particularly those linked to ageing. They are also becoming more vulnerable as a result of inequalities in exposure to certain diseases and in access to care.
- There is growing pressure on access to housing that meets the needs of households.
- There is a growing number of categories of people excluded from social protection systems, or who do not receive enough from them to meet their needs.

Aside from these trends, the survey results also highlight the significance of technological, environmental and geopolitical changes for Europe.

Latin America

Five major trends

- Very high levels of income inequality (in a context of excessively weak economic growth) seem to be entrenched, which are increasingly harming the development and cohesion of societies.
- Latin American countries are facing increasingly severe and diverse health issues, as they have to contend not only with the pathologies typical of developing countries (viral diseases, malnutrition, etc.) but also with others linked to an ageing population and lifestyles (obesity, diabetes, etc.).
- The overall level of education of the Latin American population is low, especially owing to the lack of investment in this area. This has repercussions on the level of qualification of the working population.
- The territories and populations of Latin America are considered to be among the most vulnerable in the world to the impacts of climate change and extreme weather events.
- There is a very high level of mistrust of institutions, politicians and the tax system, which has a serious impact on the functioning of democracies and the development of social protection systems.

The survey shows that the usefulness of insurance is known and recognised in the region, in terms of providing cover against individual, natural and health risks, as well as protecting property. On the other hand, the role of insurers as investors in the financing of the real economy is less valued. In addition to these five trends, experts stress the importance of developments linked to the global environment, demographic structures and public policies.

Africa

Five major trends

- The development of public social protection systems is still largely hampered by the immaturity of tax systems, which are unable to collect the funds required for their operation, in a context of growing social needs.
- Africa, where two-thirds of the population are under the age of 25, has the highest concentration of educational needs in the world. Almost half of the world's out-of-school children live in Africa.
- The acceleration of urbanisation in metropolitan areas is bringing to light a lack of infrastructure, or infrastructure that is undersized or unsuitable.
- Climate change is exacerbating health problems in the region, thus contributing to the emergence and proliferation of infectious diseases, together with a deterioration of hygiene conditions and access to healthcare.
- The rapid development of online banking services is a major asset for people's financial security, and offers significant potential for access to insurance services.

In addition to these changes, local experts point out that people perceive insurance as a tax and a complex system to understand. For some, insurance is seen as a regulatory constraint in situations where they are obliged to acquire cover, particularly for construction and the use of motor vehicles. However, the experts note that there are positive developments in the production of insurance initiatives that are more adapted to the context of these countries.

Asia

Five major trends

- There are major differences between Asian countries in terms of their demographics trends, with some being relatively "young" while others already have ageing populations. Their needs in terms of social protection therefore differ, but the major challenge will be guaranteeing access to healthcare for the elderly.
- Although most Asian societies have experienced societal change and sustained economic growth, women have generally benefited less from social advances. South Asia has the highest levels of gender inequality, and is one of the few regions where inequalities are not decreasing.
- By 2050, between 600 million and one billion people could be living in regions prone to potentially fatal high-humidity heatwaves. Growing awareness of climate and environmental issues is leading to increasingly extensive grassroots action.
- Asia is the continent that receives the second-largest number of migrants, with an increase of over 70% in 20 years. These migrants are not only workers, but also victims of natural and/or climatic disasters, which raises the question of their social protection.
- In matters of education, Asian countries face two major and opposing challenges. In the countries of South-East Asia, a majority of children do not acquire a basic level of writing and mathematics. In the most developed countries, the principles of meritocracy and competition are wreaking havoc on pupils' mental health.

The experts we interviewed highlight the difficulty of carrying out cross-cutting analyses, which are essential when studying the Asian continent. The issues differ from one sub-region of the continent to the next, and these countries may embark on opposite trajectories, resulting in very different behaviours and policies. On the whole, highly developed societies in Asia perceive risk as a factor of economic slowdown, whereas developing societies leave more room for emotion and assume that the future will present exceptional opportunities. Finally, the geopolitical situation remains fairly tense for most countries in the region.

High-priority levers for action and associated recommendations

The foresight research identified three high-priority levers for action by insurers, together with 12 associated recommendations.

Lever 1: Rethink inclusion mechanisms in order to meet the needs of the most vulnerable groups

Recommendations:

- Simplify insurance contracts to make them understandable to everyone.
- Adapt regulations and ensure that they are compatible with inclusive insurance offerings.
- Develop relationships with the actors best placed to distribute inclusive insurance products.
- Make use of the potential of digital tools to promote inclusive insurance.
- Provide inclusive insurance offerings in line with the demands of the ecological transition.

Lever 2: Increase responsible investment and public-private partnerships in order to address new vulnerabilities

Recommendations:

- Extend the current legal framework to facilitate useful and responsible investment.
- Increase investment aimed at preventing and/or reducing vulnerability in society.

Lever 3: Push back the limits of insurability through renewed and holistic risk governance

Recommendations:

- Encourage an approach based on collective intelligence by mobilising a wider range of actors (private, public, associations, etc.).
- Encourage regulatory reforms to facilitate social development and decision-making at grassroots level.
- Extend the principle of risk pooling – currently based mainly on the spatial dimension (pooling by geographical area) – to include the temporal dimension (pooling over several years), in line with a more long-term approach.
- Support governance through the positive use of technological innovations.
- Strengthen the social role of insurance by extending risk governance through bold international cooperation in the service of citizens.

Key messages for the insurance sector

The historic social role of insurance is now being transformed

Modern insurance developed from the nineteenth century onwards in European countries, before spreading to other continents. It has become increasingly diverse in terms of the products it offers and the audiences it serves. It is now regarded as a primary good in developed societies, enabling access to other goods that satisfy basic needs, such as housing, driving, access to healthcare and protection against natural disasters.

Today, insurance fulfils **three major functions**: it anticipates and covers risks to individuals, organisations and their assets, in parallel with social protection systems; it facilitates the projects undertaken by individuals and organisations (life projects, investments, etc.); and it adds value to the savings thereby generated.

This social role is being reshaped by **two types of transformation**:

- The **transformations taking place within societies** are leading to an increasing diversity and complexity in people's needs from insurers. This may pose challenges to the very principle of mutualisation.
- **Transformations in the general environment** (climate change, environmental degradation, emerging risks, health and technological risks, reconfiguration of governments' capacity to act, etc.) can combine with each other and with previous developments to increase the vulnerability of populations and public actors.

Three major challenges for insurers by 2040

The scale of the changes taking place within countries and on a global scale is calling into question the **three core functions of insurers**: risk pooling (mutualisation), risk management and their role as institutional investors. These changes have resulted in three major challenges for the sector:

- The need for insurers to **diversify their offerings without undermining the principle of mutualisation**. There is also a growing tension between the need to personalise offerings and the need for a global approach to insurance.
- The need to **cover risks that are becoming difficult to anticipate and to cope with costs** that are becoming unsustainable, thus calling into question the business model of insurers.
- The difficulty of **managing the tension between the growing needs of individuals and public authorities** to cover these risks and the cost of doing so.

There is a wide variety of realities and needs in different parts of the world

The transformations observed on a global scale are compounded by a number of trends, the scale of which may vary according to region, country or even population category. Some of these trends are having a major impact on people's expectations towards insurers.

- **Socio-economic inequalities** are still very much present, and are even worsening, diversifying and compounding one another. The situation is particularly concerning in many countries in Latin America, Asia and now Africa, where economic development is benefiting certain categories of the population, while others suffer from low levels of education and dependence on informal work. As a result, societies are becoming polarised between well-off, protected populations and others who are poorer and more exposed to risks from the economic context.
- **A concentration of vulnerabilities in certain populations**: low levels of education, low and/or irregular income often linked to informal or precarious activities, housing that is poorly adapted to climate change or exposed to a high risk of natural disasters, increased exposure to infectious diseases, inadequate access to healthcare, etc. Perceptions of risks can also vary greatly depending on the country and the culture.
- **Very varied demographic situations**, with some societies facing significant and accelerating ageing (Europe, China, Japan, etc.) and others (mainly in Africa and India) having to deal with rapid population growth.

Health challenges are increasing on a global scale, in combination with factors including demographic ageing, changing lifestyles, the rise in chronic diseases, continuing health risks and the increasing impact of environmental health issues.

Against this backdrop, social protection systems appear to be inadequate overall (but especially in developing and poor countries), suffering from insufficient financial resources, immature and/or distrusted tax systems, and an inability to keep pace with the diversification of needs.

Insurers may have a major social role to play in helping societies to meet these new challenges. However, they must also recognise the challenges arising from populations who are unaware of insurers' social role, or even distrustful of their activities.

Three major levers for insurers

Over the next 20 years, insurers will face major challenges that are likely to overturn their business model, their social role and their "raison d'être". To meet these challenges, they will be able to take advantage of three levers for action:

1. **Rethink inclusion mechanisms in order to meet the needs of the most vulnerable groups**, by strengthening and extending the core principle of inclusiveness, in order to reduce exclusion and integrate ever more groups and needs.
2. **Increase responsible investment and public-private partnerships in order to address new vulnerabilities**, support transitions and anticipate and/or reduce populations' exposure to vulnerability factors in society, by means of a regulatory framework that is better adapted to the new realities.
3. **Push back the limits of insurability through renewed and holistic risk governance**, capable of addressing more complex and systemic issues. This will also require new alliances and partnerships.

Societies themselves will also have to reflect on how they will deal with risks: who will bear the risks, under what conditions and at what cost? How can we act, individually and collectively, in such a way as to reduce and/or limit their impact on society?

This foresight report was produced by the CNP Assurances Research and Strategic Foresight department, under the direction of Anani Olympio, in partnership with Futuribles.

INTRODUCTION

Aims and objectives of our approach

Insurance can play an important role in social protection, providing financial security and helping individuals and communities recover from disasters and difficult situations. There is a large literature on the social role of insurance, exploring the many aspects of insurance's contribution to social protection and the reduction of economic and social risks.

Some studies focus on the impact of insurance on poverty and inequality, examining how access to insurance can help mitigate the negative economic effects of situations such as illness, accidents, job loss and natural disasters. Other studies explore the impact of insurance on individual and social

behaviour, such as risk-taking and social solidarity. There is also research on the effectiveness of social insurance programmes, such as health insurance and unemployment insurance, in protecting people against economic and social risks.

These studies have been carried out by economists, sociologists and insurance specialists, as well as by international organisations such as the World Bank and the International Labour Organization (ILO). They often make very valuable contributions, but are usually based on static, sector-specific approaches focused on current issues.

The present foresight report has **four main objectives**:

- 1. To contribute to benchmark studies on the "social role of insurance" in an increasingly uncertain world**, by adopting a long-term perspective (20 years) on an international scale.
- 2. To position the CNP Assurances group as a major actor in discussions aimed at redefining the "social role" of insurance**, which is central to the mission of insurers. Through this report, CNP Assurances is exploring the impact of major changes taking place in society, as well as the impact of emerging and/or systemic risks on populations. The report identifies the uncertainties and new vulnerabilities that will result from these paradigm shifts, and the new relationships that will develop between people and the insurance system.
- 3. To understand the issues involved in the development of the "social role" of insurance over time**. By analysing past and current trends, we can understand the perceived social role of insurance in the major geographical areas studied. Identifying major and emerging trends enables us to develop a future outlook with a time horizon of 2040. This work highlights the major issues, the obstacles that lie ahead and people's changing expectations from the insurance industry.
- 4. To identify levers for action that will allow us to reshape the social role of insurance, and to propose specific recommendations to support its development**. After reviewing the actions already taken by the sector and studying the three main levers for action (particular relating to the development of new forms of risk cover, financing the economy, and measures for prevention, anticipation, risk management and collective mobilisation of various types of actors), we outline what the social role of insurance could be in 20 years' time.

The structure of this report reflects the organisation and stages of our thinking.

The **first part traces the history of the development of insurance**, in order to shed light on the actions and innovations that have added a social dimension to the role of insurance.

The **second part summarises the challenges facing the insurance industry, if it is to retain its social role**. These challenges emerge from the findings of an international survey of experts in the financial and insurance sectors, as well as a panel of non-experts. In addition, we explore three key transformations in society that are posing particular challenges to the social role of insurers.

The **third part provides an overview of the major transformations underway with a time horizon of 2040, in four regions**: Europe, Latin America, Africa and Asia. It identifies the main needs of societies that are calling for solutions from insurers.

The **fourth part sets out possible levers for action and specific recommendations** for reinventing the social role of insurance and meeting the challenges of the future.

We conclude with some key messages aimed at strengthening the social role of insurance, as a primary common good that benefits citizens who are confronted with the various vulnerabilities identified in this study.

How we work

This foresight study is the result of a six-month period of reflection carried out within CNP Assurances in partnership with Futuribles, over several stages:

- **Identification of the elements that embody the social role of insurance**, through interviews with experts both inside and outside CNP Assurances. This stage contributed to calibrating the survey questionnaire.
- **An international survey (Europe, Latin America and Africa)**, conducted online among CNP Assurances employees, risk management experts and the general public. It assessed the perceptions of people with a wide range of profiles (age, gender, socio-professional category and culture) regarding the social role of insurance within societies.
- **Interviews with experts on the regions studied (Europe, Latin America, Africa, Asia).**
- **In-depth analysis of the literature** in order to understand the historical development of the social role of insurers, the challenges that it faces today, and both current and future transformations in the four regions studied.

Qualitative workshops with the general public, in order to cross-check and qualify the experts' points of view. The first

workshop brought together customers and non-customers of CNP Assurances in France, divided into two panels made up of young people under 30 and over-30s respectively. A second workshop took place in Africa, bringing together members of the Permanent Conference of African and French-Speaking Consular Chambers (CPCCAF) from 12 French-speaking countries.

- In the light of the preceding stages, **we selected the most structurally important transformations for the geographical areas studied.**
- **An in-depth foresight analysis of each of the changes identified.** This involved identifying the trends and changes underway, their order of magnitude, their causal factors and their pace of change. This analysis is supplemented by an outlook for the period between now and 2040, and an initial reflection on the impact of these transformations and on how insurers can meet the changing needs of societies, either in whole or in part.

THE SOCIAL ROLE OF INSURANCE OVER TIME

The social aspects of insurance

Insurance plays an important role in protecting society by providing financial security and assistance to individuals and communities as they recover from disasters and challenging circumstances. It serves as a prerequisite for accessing other necessities such as housing, transportation, healthcare and protection against natural disasters, and as a result developed societies now view insurance as a basic good. But what we take for granted today is the result of centuries of progress, as insurance systems have evolved to become indispensable for socio-economic development.

Defining the social role and perception of risk in society

According to the Larousse dictionary,³ the adjective "social" (from the Latin *socialis*) "refers to professions, organisations or activities concerned either with relations between individuals or groups in society, or with the economic or psychological conditions of members of society", as well as "anything concerned with improving living conditions and, in particular, the material conditions of members of society".

By addressing individuals' economic and psychological circumstances, while also improving their living conditions, especially in terms of material well-being, insurance inherently plays a role in society.

Much has been written about the social role of insurance. Authors have explored various aspects of the way in which insurance provides social protection and mitigates economic and social risks. However, there are few studies of this role from a foresight perspective.

Some studies have examined the impact of insurance on poverty and inequality, focusing on how access to insurance can help to mitigate the negative economic effects of illness, accidents, unemployment and natural disasters. Others have explored the impact of insurance on individual and social behaviours such as risk-taking and solidarity. There has also been research into the effectiveness of social insurance programmes, such as health insurance and unemployment insurance, in protecting people against economic and social risks. This work has typically been carried out by economists,

sociologists, insurance specialists and international organisations like the World Bank and the ILO.

The core activities of the insurance industry include risk modelling, compensating policyholders for losses, and providing support and redress. However, the definition and perception of risk can vary over time, within different societies and cultures, and even between individuals. This can result in different protection needs, for which public and/or private actors, particularly insurers, are expected to offer solutions.⁴

For example, in many developing countries, risk-taking is highly valued socially, as it is viewed as necessary for individual success. In contrast, people in European countries are much more cautious about individual risk-taking. In all countries, young people are more inclined to take risks, and as a result demographic ageing may lead to an increased desire for stability. Across the world, most people see climate change and environmental degradation as the most substantial risks that they and their society will face in the future. However, while the French and Chinese are more concerned about air pollution, Americans are particularly worried about technological risks.

Finally, awareness of these risks can give individuals a sense of vulnerability, which also varies depending on their circumstances and cultural background. For example, among those with lower levels of education this feeling of vulnerability is seven to nine times higher than among those with a high level of education.

³ <https://www.larousse.fr/dictionnaires/francais/social/73133>, accessed 17 May 2023.

⁴ https://www.axa-com.cdn.axa-contento-118412.eu/www-axa-com/251cc725-0867-4745-a5ab-c1eda0be6a87_axa_foresight_report_2023b.pdf

How can insurance address natural risk aversion?

Insurance addresses the natural risk aversion of economic agents, both individuals and organisations, by pooling risks. Beginning by identifying a specific hazard, the insurer defines a risk – that is, a precisely describable event whose future occurrence is uncertain and involuntary. Insurance cannot cover a risk which is certain to occur (in the case of death insurance, the uncertainty lies in when death will take place). Historically, extremely rare events with major consequences have pushed back the limits of insurance. Examples include the 1906 San Francisco earthquake and, more recently, a number of major hurricanes and earthquakes, including Hurricane Katrina in 2005 and the Tōhoku earthquake and tsunami in Japan in 2011. Insurance cannot cover the voluntary assumption of a risk by the policyholder. Naturally, certain illegal and highly risky behaviours are automatically not covered (e.g. driving under the influence).

Insuring a risk involves establishing a contract between an insurer and a policyholder that defines the benefits – in particular, the financial benefits – that the policyholder is guaranteed to receive if the risk (accident or loss) occurs, subject to the payment of regular contributions known as premiums.

The viability of the insurance system relies on the mutualisation (or pooling) of risks in order to be able to provide compensation for potential losses. In practice, the choice of risks to insure must meet four criteria:

- **Number:** As the insurance model is based on statistics and the laws of large numbers, the number of risks insured must

be as large as possible so as to be able to model the probability and potential costs associated with them. Car insurance is the most emblematic case of the predictability of risk, since insurers can draw on statistics from millions or even billions of drivers. Conversely, extreme events that are by nature highly unlikely, such as Hurricane Katrina in 2005, have historically posed challenges for the insurance model.

- **Homogeneity:** The nature, probability and potential harm caused by the risks involved must be as homogeneous as possible in order to allow risk pooling.
- **Dispersion:** Insurance works through a large group compensating a small sub-group for the losses that the latter have suffered. As a result, the risks must not affect the whole group at the same time. This is where we see the limits of family or community solidarity models, for instance in cases where a fire damages all the homes in a village or town.
- **Division:** A single risk must not be so large that, if it does happen, it threatens the financial stability of the system. Historic examples of acts of violence or major natural disasters have prompted insurers and reinsurers to strengthen their insurance policies. For the same reason, these generally do not cover wars or revolutions.

Insurance applies these principles in two main areas: personal insurance, and property and casualty insurance. The latter covers liability insurance (civil and professional liability) and property insurance.

The social role of insurance: A cornerstone of social development under threat from social and environmental changes

In developed societies, insurance currently fulfils three major functions. Firstly, it complements social protection systems by **preventing and covering risks** to people, organisations, and property. Secondly, it **supports projects**, whether those involve individuals, organisations, or investments. Thirdly, it **adds value to the resulting savings**.

However, the longstanding role of insurance is now being disrupted and even challenged by major developments in three main areas:

- **The nature and scale of certain threats and risks arising from the national and international environment**, both localised and systemic in nature. These include climate change, environmental degradation, health risks, technological risks, etc.
- **The needs of individuals in response to these risks**, taking into account their individual circumstances.
- **The scope for public and private actors to meet these needs** through insurance products, and particularly the

respective roles of governments, insurers, and both new and long-established third-party actors.

These developments challenge the **three core functions of insurers**: risk pooling, risk management, and their role as institutional investors. They also raise **three major issues concerning the social role of insurance**:

1. Its extension to address new needs and risks

How can insurance respond to the emergence of new needs arising from socio-demographic shifts, changing lifestyles and increasing exposure to climatic and environmental risks?

How can we meet changing demands for personalisation, prevention and services?

5. Dealing with increasingly unpredictable or even uninsurable risks

How will we deal with future risks that are incalculable because of their scale, or which will become fundamentally uncertain, and therefore impossible for the insurance industry to anticipate?

6. Reconfiguring historic roles

What responsibilities and what "right of withdrawal" do insurers have regarding risks that they have traditionally covered but which are becoming increasingly uninsurable, particularly climate and environmental risks?

Could societies (particularly governments) force insurers to continue shouldering these risks, no matter the cost?

What changes will occur in the way the social function of insurance is divided between insurers, public actors and third parties (communities, companies, new insurance providers, etc.)?

How can we respond to the tension between growing demands for protection on the one hand, and on the other hand a declining willingness to pay, and even scepticism about the very concept of risk pooling?

Insurance: A modern response to historic needs

The quest for a way to protect against risks, particularly risks to property, goes back a long way. By contrast, insurance in the modern sense is a relatively recent phenomenon, dating from the late eighteenth or early nineteenth century. The various precursors of insurance gradually developed eight criteria to better meet the social needs of their respective societies.

Four of these are about **the functioning of the system itself**:

1. Insurance involves **pooling coverage** across a group of policyholders.
2. It involves **an obligation on the part of the entire group to contribute financially** to covering risks, whether or not they occur, through insurance premiums.
3. The **risk being insured must be uncertain**. Insurance cannot cover risks when it is known beforehand whether they will occur or how much damage they will do.
4. Insurance is **a contract that clearly defines the risk covered**, the terms and conditions of coverage, and the benefits payable by the policy in the event of an accident.

Together, these form what are known as **the eight pillars of modern insurance**. Broadly speaking, before the late eighteenth century models only took some of these criteria into account, leading to what are known as proto-insurance models. It was not until the end of the eighteenth century that the first models incorporating all eight pillars emerged, marking the emergence of insurance in the modern sense. From the nineteenth century onwards, as the insurance industry faced numerous and varied challenges, it has sought to strengthen these fundamentals, particularly the dispersion and division of risk, with the constant aim of improving the financial solidity of the insurance model.

To guarantee the viability of the insurance system, in addition to these four initial criteria, the four criteria of insurability described above must be considered:

5. **Predictability**
6. **Homogeneity**
7. **Dispersion**
8. **Division**

From commercial proto-insurance to the foundations of modern insurance in the eighteenth century

Insurance before insurance, from merchant loans to mutual aid networks

Modern insurance, which fulfils the social need to protect against risk, is very much a part of today's society, but in fact it has become widespread only relatively recently. In most ancient and medieval civilisations the idea of risk was intertwined with that of destiny, and as a result it was accepted rather than protected against. For a long time, communities such as families, guilds, corporations, villages and Christian parishes were large enough to meet people's expectations in terms of risk pooling.

As far back as Antiquity, however, some ambitious commercial ventures required insurance-like solutions, particularly in the form of "adventure loans" (or "bottomry loans", referring to the hull of a ship), the earliest traces of which date back to the fourth or fifth century BC.⁵ To undertake ambitious projects while minimising financial risks, borrowers accepted very high interest rates, and in return were exempted from repaying the loan in the event of shipwreck. This form of proto-insurance was banned around 1230 by Pope Gregory IX, who considered it a

form of usury. Its longevity demonstrates that merchants have always felt a need for insurance.

For most of the Western Middle Ages, goods and people were protected by informal mutual aid networks such as those provided by monastic infirmaries, guilds and cooperatives. But these early forms of solidarity did not meet the needs of economic actors seeking protective solutions to support, in particular, their commercial activities. The new risks associated with expanding trade, particularly maritime trade, led to the first insurance laws and contracts during the High Middle Ages in Genoa and Pisa in the fourteenth century, and in Spain in the fifteenth, despite opposition from the Church.⁶

The emergence of modern insurance in Europe in the sixteenth and eighteenth centuries

The consolidation of states and administrative systems in the modern era provided a regulatory framework that encouraged

⁵ Marie-Françoise Baslez (ed.), *Économies et sociétés en Grèce ancienne*, 478-88, Neuilly-sur-Seine, Atlande, 2007, 507pp.

⁶ Wolfgang R. Rohrbach, "Importance of Insurance History", *Insurance Trends*, 2018/3. <http://tokoviosiguranja.edu.rs/wp-content/uploads/2018/12/Tokovi-osiguranja-br3-2018-%E2%80%93-za-sajt.pdf>

the growth of the insurance model. Concurrently, the rise of the bourgeoisie and the beginnings of capitalism⁷ in European societies led to increasingly firm and widespread expectations about protections for property and people.

The full development of insurance and its expansion, particularly to individuals, were made possible by the removal of two major obstacles.

Firstly, in the seventeenth century, **efforts were made to improve the predictability of risks**, including the development of theories of probability, laws of large numbers, and actuarial science.⁸ Building on these, the first forms of modern life insurance took shape in the second half of the eighteenth century. The Equitable Life Assurance Society, which adopted these approaches in 1766, transformed life insurance from mere speculation into an insurance model. From then on, insurance has been able to meet people's expectations in terms of personal risk cover (life contingencies, accidents, death, etc.).

The second **obstacle was theological**: insurance was seen as inappropriate interference in God's plans. A number of events, including two major natural disasters – the Fire of London in 1666 and the Lisbon earthquake in 1745 – contributed to a shift in this perspective, summed up in the words of the theologian Gottfried Wilhelm Leibniz (1646-1716): "Divine perfection is not revealed by itself in an inactive fatalism, but by the victory over evil by every possible means".⁹ Insurance thus began to be seen as acceptable and even necessary.

This breakthrough quickly led to the creation of the first insurance companies in the West. Phoenix Insurance, founded in 1782, is considered the first modern, global insurance company to rely on probabilistic science, new forms of share capitalisation and the ability to spread risk worldwide.¹⁰ Insurance subsequently became a foundation of social stability, economic activity and, gradually, the protection of people and property.

⁷ Yves-David Hugot, "Où et quand le capitalisme est-il né? Conceptualisations et jeux d'échelle chez Robert Brenner, Immanuel Wallerstein et André Gunder Frank", *Actuel Marx*, 2013/1, no. 53, pp. 76-91. <https://doi.org/10.3917/amx.053.0076>

⁸ Niels Viggo Haueter, "A History of Insurance", *SwissRe*, 2017. https://www.swissre.com/dam/jcr:638f00a0-71b9-4d8e-a960-dddaf9ba57cb/150_history_of_insurance.pdf

⁹ Wolfgang R. Rohrbach, "Importance of Insurance History", *Insurance Trends*, 2018/3. <http://tokoviosiguranja.edu.rs/wp-content/uploads/2018/12/Tokovi-osiguranja-br3-2018-%E2%80%93-za-sajt.pdf>

¹⁰ <https://snaccooperative.org/ark:/99166/w60q44vf> and Niels Viggo Haueter, "A History of Insurance", *SwissRe*, 2017. https://www.swissre.com/dam/jcr:638f00a0-71b9-4d8e-a960-dddaf9ba57cb/150_history_of_insurance.pdf

Key stages in the development of modern insurance

Earliest precursors

① Mutualisation of risk

② Precursors of premiums (loans, gifts, informal exchanges, etc.)

③ Uncertainty that an insured risk will occur

④ Precise insurance policy

Codex Hammurabi (c. 1800 BC)

First known indications of proto-insurance



Guilds, interest groups, cooperatives

Informal proto-insurance of individuals through community and professional solidarity

First traces of contracts and laws

Genoa, fourteenth century, and Spain, fifteenth century (the "Order of Barcelona" of 1435), drawn up to meet the needs of merchants, despite a papal ban

⑤ Predictability of risk

Theories of probability and actuarial science

The theories of probability of Blaise Pascal and Pierre de Fermat; Bernoulli's law of large numbers; foundations of actuarial science established by Johan de Witt

Life insurers begin using probability

James Dodson and Richard Price, English Equitable Life Assurance Society (1766-1774): development of life insurance

⑦ Dispersion and ⑧ division of risks

Expansion of the insurance model beyond the West, emergence of reinsurance

whose economic model still needed to be developed (second half of nineteenth century)

⑥ Distribution of homogenous risk

✓ Acceptance of Insurance

Gottfried Wilhelm Leibniz (1646-1716): « *Divine perfection is not revealed by itself in an inactive fatalism, but by the victory over evil by every possible means* »

✗ Insurance is seen by Christianity as an inappropriate interference in God's plans



Maritime insurance and adventure loans (fourth and fifth centuries BC to thirteenth century)

Insurance for long-distance maritime trade



Monastic infirmaries (until fifteenth and sixteenth centuries)

Precursor of health insurance, with treatment tailored to individuals

Great Fire of London, 1666



Lisbon Earthquake, 1755

Founding of The Phoenix, the first modern insurance company, in 1782

Need for new, large-scale insurance solutions following the industrial revolution, colonialism and the growth of capitalism



○ The numbered entries in green show the eight pillars of modern insurance

The spread of the insurance model and the growing role of insurance (nineteenth century to early twenty-first century)

In the nineteenth century, the insurance model underwent a major shift in scale

At the beginning of the nineteenth century, the Industrial Revolution and the second wave of Western colonialism demanded new insurance solutions on a global scale. The insurance model spread gradually over the course of the nineteenth century. It was initially restricted to Westerners, due to a lack of interest among native populations in altering their model of solidarity and reluctance among the colonists to insure colonised populations. The dispersal and internationalisation of a growing number of risks on an ever larger scale soon brought to light the limits of the insurance model, leading to the emergence of reinsurance in the second half of the nineteenth century.

In the twentieth century, insurance became essential for social development, and for addressing natural and economic risks

The first part of the twentieth century was marked by severe natural disasters, currency fluctuations and economic instability. Events such as the 1906 San Francisco Earthquake, the World Wars, the economic repercussions of the Bolshevik and Mexican revolutions, and hyperinflation in the wake of the crash of 1929 presented a series of challenges for the insurance industry, forcing it to strengthen its model.

At the same time as the regulatory framework was becoming firmer, behaviours were changing. With the widespread use of

cars from the mid-twentieth century onwards, the spread of mutual insurance allowed those who would otherwise be excluded to benefit from it. For instance, car insurance would be inaccessible to young drivers if costs were not shared.¹¹

At the same time, society is calling on insurers to cover new, more complex risks that are difficult to distribute. These include the development of nuclear reactors, aviation, supertankers, and other projects on a hitherto unprecedented scale, which require new insurance solutions because of the financial and human risks involved. Insurers and reinsurers are increasingly concerned about the limits of insurability, and liability issues are becoming ever more pressing.¹²

The September 11 attacks were a major challenge for the insurance industry, not least because of the extreme complexity of assessing losses that appeared to have no direct connection to the disaster itself. Insurers and society had to think differently about the concept of risk, particularly regarding terrorism. Subsequently, the financial crisis of 2007 and numerous natural disasters – including Hurricane Katrina, the Chilean earthquake in 2011, the floods in Australia in 2011 and 2012, and the Tōhoku earthquake in Japan in 2011 – have all demonstrated the solidity of the insurance and reinsurance sector, despite record losses, and its relative resilience to shocks that more seriously affected other financial sectors. This has reaffirmed the social role of the insurance and reinsurance industry as a whole.¹³

¹¹ "La fonction sociale de l'assurance: Entretien avec François Ewald, Délégué général du Comité Médicis", *Politique Internationale, Dossiers spéciaux* no. 166: *Les métamorphoses du monde de l'assurance*, 2020. <https://politiqueinternationale.com/revue/n166-les-metamorphoses-du-monde-de-lassurance/dossier-special/la-fonction-sociale-de-lassurance>

¹² Niels Viggo Haueter, "A History of Insurance", SwissRe, 2017. https://www.swissre.com/dam/jcr:638f00a0-71b9-4d8e-a960-dddaf9ba57cb/150_history_of_insurance.pdf

¹³ *Ibid.*

MAJOR TRANSFORMATIONS IN SOCIETIES AND THE EMERGENCE OF NEW SOCIAL PARADIGMS BETWEEN NOW AND 2040

In an increasingly unstable world, the role of insurance is bound to change. To assess what the social dimension of this role might be in 2040, in post-growth societies, we need to analyse the issues that are likely to intensify over the next 15 years in the various regions studied. We can then consider their implications for the insurance sector. The overview provided in this report is necessarily incomplete, as it is limited to the geographical areas that were studied, and cannot address the full diversity of situations.

Results of the survey

The main principles

Between March and April 2023, CNP Assurances' Research and Strategic Foresight department conducted an online foresight survey with a range of panels, interviews with qualified experts from different geographical areas (Europe, Latin America, Asia and Africa), and two online qualitative workshops (France and Africa).

The survey questionnaire consists of five sections. The first contains general information about the respondent (country,

profession, specialisation, sector of activity, position and function, organisation). The second deals with defining the role of insurance in society and the perceptions of its usefulness. The third addresses past developments in the role of insurance in society. The fourth looks at future developments that are likely to impact the role of insurance in society. Finally, the last section provides respondents with the opportunity to make additional comments and observations.

Summary of survey results

1. Panel of online survey respondents by geographical area

The panel for the online survey was made up of profiles across different disciplines, sectors and geographical locations, including experts in the financial and insurance sector as well as non-experts.

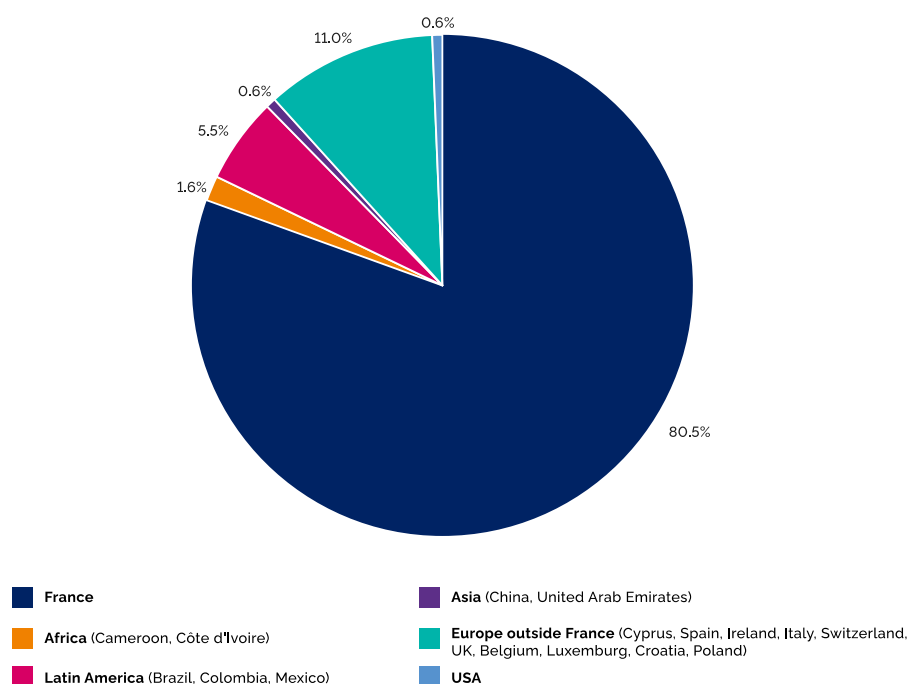
Of the 308 people consulted, 123 were CNP Assurances employees (France, Europe outside France, and Latin America) and 185 were external parties (risk management experts, financial sector professionals and researchers).

The online workshop with the France panel, carried out in May 2023, brought together mixed profiles (in terms of socio-professional category, family situation and place of residence),

all of whom were multi-insured. This panel was divided into two groups of five participants each, gathering those aged under and over 30 respectively.

The online workshop with the Africa panel, held in April 2023, brought together around ten representatives of the Chambers of Commerce and Industry of French-speaking African countries and members of the Permanent Conference of African and French-Speaking Consular Chambers (CPCCAF). The countries represented were Cameroon, Côte d'Ivoire, Morocco, the Democratic Republic of Congo, Senegal and Togo. Of the countries present at the workshop, only Cameroon and Côte d'Ivoire took part in the online survey.

Proportion of respondents by geographical zone



2. Respondents' perceptions of the social role of insurance

Experts in the insurance sector have a different perception of the role of insurance and its usefulness in society compared with the perceptions of respondents from other business sectors and the general public.

- Experts from the insurance sector view insurance as playing a large role: protection of people and their property, risk cover, mutualisation, the development and financing of the economy, support for projects, etc. In contrast, non-experts have a more limited view of the role of insurance: the insurer is seen as an actor in risk management and protection against the hazards of life, but on first analysis, no link is made between insurance and a social role. The concept of covering

risks and providing support is clearly present in the minds of all respondents.

- While insurance is generally perceived as useful by respondents, in the least developed countries it is seen as a tax of limited use. The experts explain this perception by the fact that people consider that insurance imposes restrictions on certain activities, such as construction and the use of motor vehicles. These people also complain about the poor management of claims, and even the refusal to pay in some cases. The insurance industry is also criticised for failing to provide clear explanations of the risks covered when policies are taken out.

3. Respondents' perceptions of the usefulness of the role of insurance in their country

The perception of the usefulness of insurance varies by geographical area (particularly the maturity of the insurance industry and the local conditions for taking on and covering certain risks), and also by the level of expertise of the respondents.

- In Latin America (Brazil), insurance is considered to be very useful in **four areas** of social life. Firstly, respondents recognise **the usefulness of insurers in their country in terms of risk cover and prevention, life hazards, health, etc.**, as a complement to social protection systems (with an average score of 4.33, 17 points higher than the average for all respondents). Secondly, they recognise the usefulness of insurers in **covering natural and health risks, floods, heatwaves, epidemics, etc.** (with an average score of 4.27, 38 points higher than the average for all respondents). Thirdly, they consider that insurers play a social role as a **major employer** (with an average score of 4.13, 45 points

higher than the average for all respondents). Finally, they consider insurers to be useful to society because **they meet people's needs for property cover** (with an average score of 4, which is 16 points lower than the average for all respondents, but still significant). On the other hand, these respondents have **a limited perception of the usefulness of insurers as investors in financing the real economy** (with an average score of 3.13, close to the average score of respondents in Europe outside France, but 58 points below the average for all respondents).

- Respondents in France consider insurance to be very useful in **five areas** of social life. Insurers are recognised above all for their role in **covering and preventing risks**, with an average score of 4.19. This is 3 points higher than the average for all respondents, but 14 points lower than the average score of respondents in Latin America. Respondents also recognise the social usefulness of insurers as **providers of**

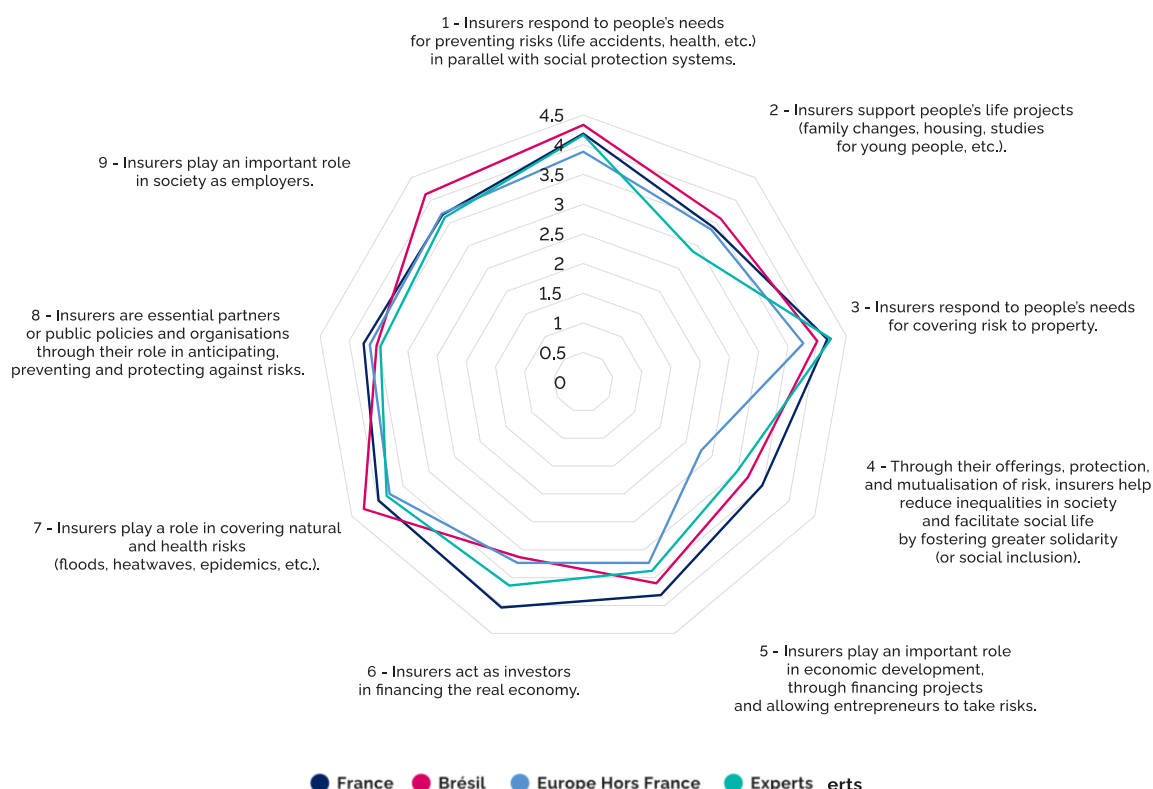
personal property cover (with an average score of 4.17, close to the average for all respondents). Next, they recognise **insurers' role as investors in financing the real economy** (with an average score of 4.03, 53 points higher than the average for all respondents). This average score is significantly higher than in Latin America and Europe outside France (by 90 and 79 points respectively). They also recognise the usefulness of insurers in **covering natural and health risks** (with an average score of 3.98, 9 points higher than the average for all respondents). Finally, respondents in France consider insurers to be **useful for economic development**, by financing projects and enabling entrepreneurs to take risks (with an average score of 3.81, 29 points higher than the average for all respondents).

- **Respondents from Europe outside France generally recognise the usefulness of insurers in the same areas as respondents from Latin America.** However, it should be noted that, for the four types of insurance activity considered, the average scores for Europe outside France remain lower than those for Latin American. Respondents from Europe outside France have a lower appreciation of the **usefulness**

of insurers as investors in the financing of the real economy (with an average score of 3.24, 47 points lower than the average for all respondents). This contrasts with the view held by French respondents, who consider this role of insurers to be very useful, with an average score of 4.03 and a coefficient of variation of 27%, compared with 37% for respondents from Europe outside France.

- **The view of the experts consulted (mainly French) regarding the usefulness of insurance is virtually the same as that of respondents in France,** and they attach more importance than other categories of respondents to the ability of actors to meet people's needs for **covering risks to property** (with an average score of 4.24, 8 points higher than the average for all respondents). Conversely, the experts consider insurance to be **less useful in supporting people's life projects** (with the lowest average score of 2.87, 23 points below the average for all respondents). Furthermore, the experts tend to have a lower appreciation of **the usefulness of insurers in financing the real economy** (with an average score of 3.64, compared with a score of 4.03 for respondents in France).

To what extent do you consider that insurers play a useful role in your country in the different areas described below?



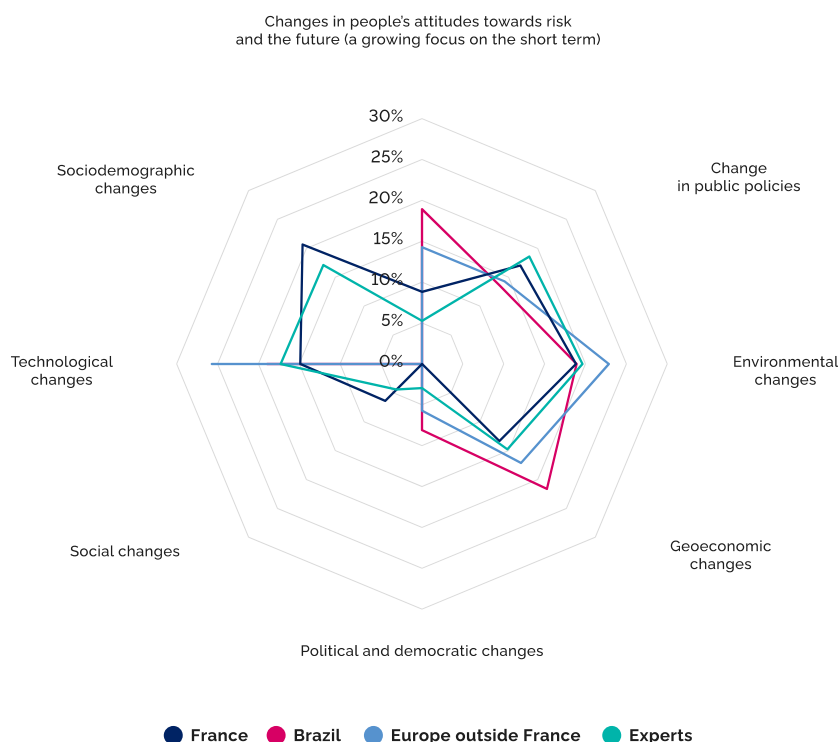
4. The changes that have had the greatest impact on the role of insurance over the last 15 years

People's perception of the changes that have had an impact on the role of insurance over the last 15 years varies depending on respondents' geographical area and level of expertise. Across all regions, the top three changes represent more than 55% of responses (55% for experts, 57% for France, 59% for Brazil and 66% for Europe outside France).

The change considered most significant differed by region: 22% of Brazilian respondents opted for geo-economic changes, while 26% of respondents from Europe outside France chose

technological changes and 21% of French respondents chose socio-demographic changes. Among the experts, most of whom were French, 20% opted for environmental changes, which were ranked second by the other respondents, irrespective of geographical region. This reflects the widely shared perception that environmental changes, and particularly climate changes, are having a major impact. Expert respondents perceive changes in public policy as the second most significant change, with 19% of responses.

| The changes that have had the greatest impact on the role of insurance in the last 15 years

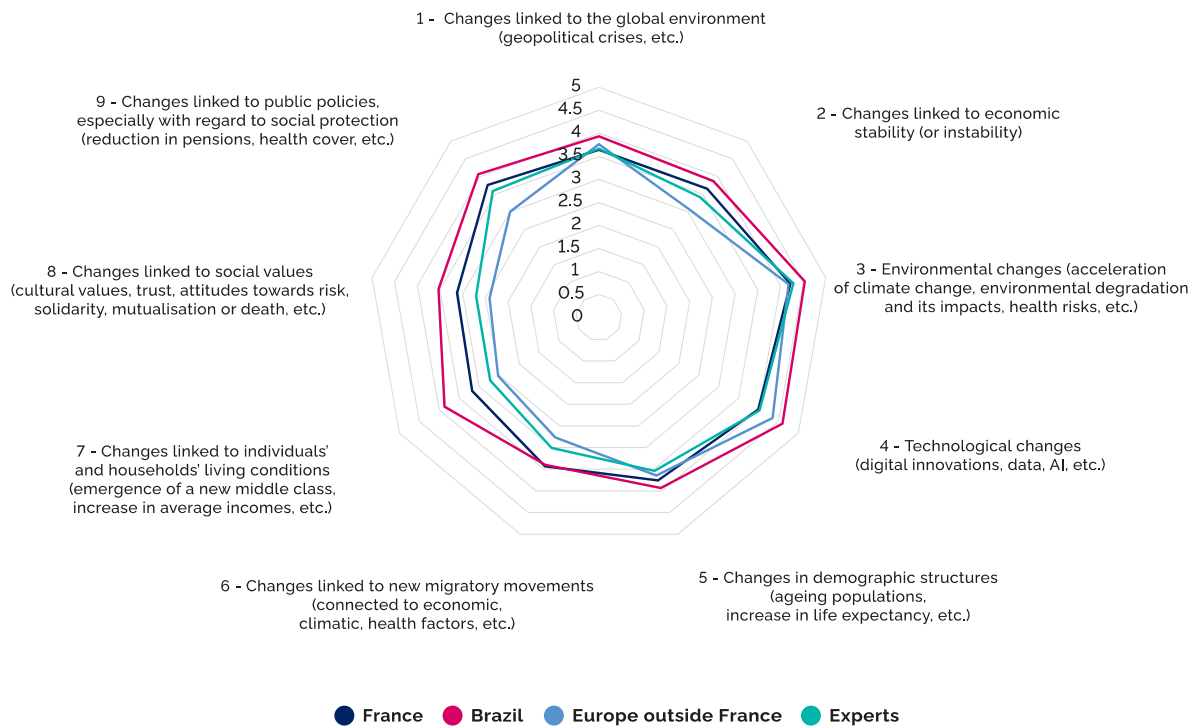


5. Which changes do people think will become more pronounced in the future?

Different groups of respondents are in agreement that **environmental changes** (an acceleration of climate change, environmental degradation and its impacts, health risks, loss of biodiversity, etc.) are likely to become more pronounced over

the next 15 years (with average scores varying between 4.18 and 4.53). In second place, they anticipate an increase in **technological changes** (digital innovations, data, AI, etc.), with average scores ranging from 3.99 to 4.6.

**Out of the changes observed in the past,
which do you think will become more pronounced in the next 15 years?**



In addition to these two changes highlighted by all groups of respondents, each region has its own specific concerns:

- **In Latin America**, respondents seem to be particularly aware of changes linked to the **global environment** (average of 3.93), **demographic structure** (average of 3.93) and **public policies** (average of 4.07, which is thus the point on which they agree most).
- **Respondents in France** particularly predict an increase in changes to the **demographic structure** (an average score of 3.8, with a coefficient of variation of 33%), as do respondents in Latin America. The same consensus applies to changes in **public policy** (an average score of 3.76, with a coefficient of variation of 27%).
- **In Europe outside France**, respondents anticipate an increase in changes linked to the **global environment** and

demographic structure (similar to French respondents). Of these two changes, there is more consensus regarding the future impact of changes in demographic structure (26% coefficient of variation) than regarding changes in public policy (32% coefficient of variation). There is much greater consensus regarding the four changes considered most likely to become more pronounced (environmental, technological, the global environment and demographic structure) than there is for the other changes, for which responses vary on average by more than 46%.

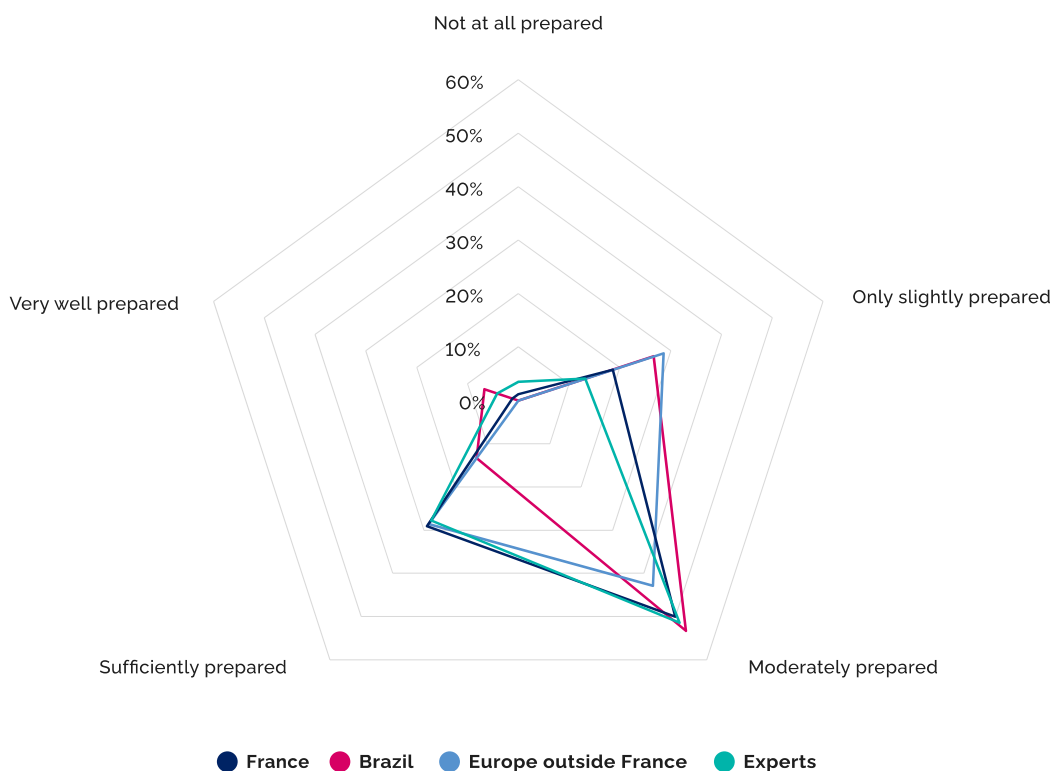
- **Risk management experts (mainly French)** share the French panel's focus on changes linked to **public policy**, with slightly more consensus (a 26% coefficient of variation for the experts compared with 27% for the French panel). The French panel and the experts are also in agreement in anticipating an increase in changes linked to the **global environment**.

6. Perceptions, by geographical region, of the insurance sector's level of preparedness for these new changes and/or disruptions

Generally speaking, regardless of their location or their level of expertise in risk management, the respondents consider that the insurance sector in their country is only moderately prepared for these new changes and/or disruptions. This

general perception highlights the very high expectations of the population in terms of cover for the risks that are developing, which they are already facing and will have to face in the future.

| How well prepared is the insurance sector?



Within this general context, there is considerably variation in respondents' assessments in different regional situations.

- **In Latin America**, more than half of respondents consider the insurance sector to be **moderately prepared**, 27% think that the sector is poorly prepared and the remaining 20% consider it to be sufficiently prepared or better.
- **In Europe outside France**, 42% of respondents think that the sector is **only moderately prepared**, although almost 3 out of 10 respondents feel that the insurance sector is either **only slightly prepared** or **sufficiently prepared**.

- **In France**, the opinions of respondents on the panel of non-experts and those on the panel of experts are fairly similar. While half the respondents think that the sector is **moderately prepared**, over 30% consider that the sector is **sufficiently** or **only slightly prepared** (with 30% for non-experts and 32% for experts). These two groups have the lowest proportion of respondents who feel that the sector is not at all prepared (less than 2% for the France panel and 3.5% among experts).

Findings from the qualitative survey of the general public in France

The aim of this qualitative study, carried out in France, was to compare the views of survey respondents (insurance industry professionals, risk management experts, and non-experts) with those of the general public, in order to identify needs and areas of risk that can be addressed by the insurance industry in the future. This workshop allowed us to gain a better understanding of the general public's relationship with insurance in general, and its social role in particular, and to explore the risks and issues with a time horizon up to the year 2040.

Major differences between **Generations X and Y (or millennials)** can be seen in their **attitudes towards the future** and their **perception of society and its challenges**.

- For **Generation X**, the relationship with insurance is limited to its contractual dimension, with no conception of a social dimension. Their expectations are centred on the needs of their household. Their main point of contact is the insurance advisor.
- Members of **Generation Y** are more likely to envisage a more social and supportive role for insurance. They also look for a simplification and personalisation of services through the bundling of insurance products by a single actor.

Among both generations, individuals perceive the social role of the insurer through the prism of their own specific needs, and the personalised solutions that insurers offer them.

Aside from the generational aspect, there are **differences in people's conceptions (and recognition) of a social role** for insurance, which are connected to several elements: notably an individual's **life philosophy** and **attitude towards the future**.

Although respondents are generally in agreement in having a negative perception of the future outlook – combining difficulties in everyday life with the problems arising from an uncertain climate – different people approach these risks in different ways. Some have broadly **egocentric** attitudes towards the future, focused on **day-to-day "risks"** (declining wealth, poor health, their children's education). For others, the relationship with the future is characterised by **an attitude of greater solidarity**, focused on **the major risks confronting the world as a whole** (especially environmental risks).

Overall, the general public identifies **five major areas of future risk**:

- Social changes
- The environment and climate
- Cyber and digital changes
- Regional and global conflicts
- Pandemics and infectious diseases

In this context, **insurers need to educate the public about their work**, by explaining clearly the different aspects of insurance, its different roles and the advantages that it can offer people at different life stages. Insurers must also **prioritise the development of proactive, personalised support** (identifying policyholders' needs so as to offer them tailored products). Finally, insurers must consolidate their social role by demonstrating their solidarity and social commitments (publicising their values, vision of the world, and commitments to the major issues facing society).

It will be essential to address these priorities before devising solutions that will position the insurance industry of the future as a key player and life partner on whom we can depend.

Three major transformations affecting the role of insurers

Environmental degradation is the result of excessive pressure from human activities on the ecosystem. The main manifestations of this today are climate change, the collapse of biodiversity and tensions over access to vital natural resources (air, water, land, etc.).

Unprecedented and irreversible damage to the climate and the environment

Climate breakdown and environmental degradation have been widely documented (see box below) and share a number of common characteristics:

- **They are unprecedented** in terms of the extent of the damage and the number of ecosystems affected.
- **Much of the damage is irreversible in the medium term**, owing to the mechanisms at work and their inertia. Given the lifespan of CO₂ emissions into the atmosphere, global warming could not be reversed in the medium term even if humanity stopped emitting CO₂ altogether today.
- **The changes are increasingly systemic and interconnected.** For example, climate change tends to aggravate certain phenomena such as the proliferation of invasive species or the disappearance of other species. These changes may also combine with the impact of certain human activities to exacerbate other risks. For example, globalisation is accelerating the spread of epidemics. Finally, multiple positive feedback loops are likely to trigger runaway climate phenomena, as illustrated by the melting of the boreal permafrost.¹⁴
- **In some cases the changes involve multiple unpredictable occurrences, while in others they are gradual, inescapable processes.** These impacts may affect entire societies or penalise certain territories and populations that are particularly exposed.

Populations are becoming increasingly aware of these changes to the climate and the environment, and more and more people are already feeling the consequences in their daily lives: 64% of the world's population believe that climate change is an emergency.¹⁵ In particular, the link between the environment and health is becoming increasingly well known: in 2021, more than 200 medical journals published a joint statement to the effect that climate change constitutes "the greatest threat to global public health".¹⁶ Climatic and environmental degradation contribute to the proliferation of infectious diseases, cardiovascular and respiratory diseases, premature births and mental illness.

In fact, these upheavals are a source of anxiety and increasing difficulty in people's relationship with the future. An increasing number of people say they suffer from eco-anxiety, i.e. anxiety caused by the prospect of a future that could be seriously damaged by climate change and the destruction of ecosystems. Nearly half of 16-25 year-olds (in ten countries on five continents) say that their fear of global warming has a negative impact on their daily lives.¹⁷ Nearly eight out of ten young people in France believe that humanity has failed to take care of the planet, and therefore consider the future to be "frightening".¹⁸

These environmental degradations also threaten the very habitability of territories, and will result in population movements on a scale unprecedented in the history of humankind, concentrated in certain particularly vulnerable regions.

¹⁴ <https://www.futuribles.com/scenarios-climatiques-extremes-pour-quoi-faire/>

¹⁵ *Survey of 1.4 million people in 50 countries. UNDP, People's Climate Vote, 2021.* <https://www.undp.org/publications/peoples-climate-vote>

¹⁶ https://www.lemonde.fr/planete/article/2021/09/06/le-climat-ne-peut-pas-attendre-la-fin-de-la-pandemie-alertent-les-principaux-journaux-medicaux-de-la-planete_6093526_3244.html

¹⁷ <https://fr.statista.com/infographie/25762/eco-anxiete-jeunesse-part-des-jeunes-effrayes-avenir-changement-climatique/>

¹⁸ <https://www.jean-jaures.org/publication/eco-anxiete-analyse-dune-angoisse-contemporaine/>

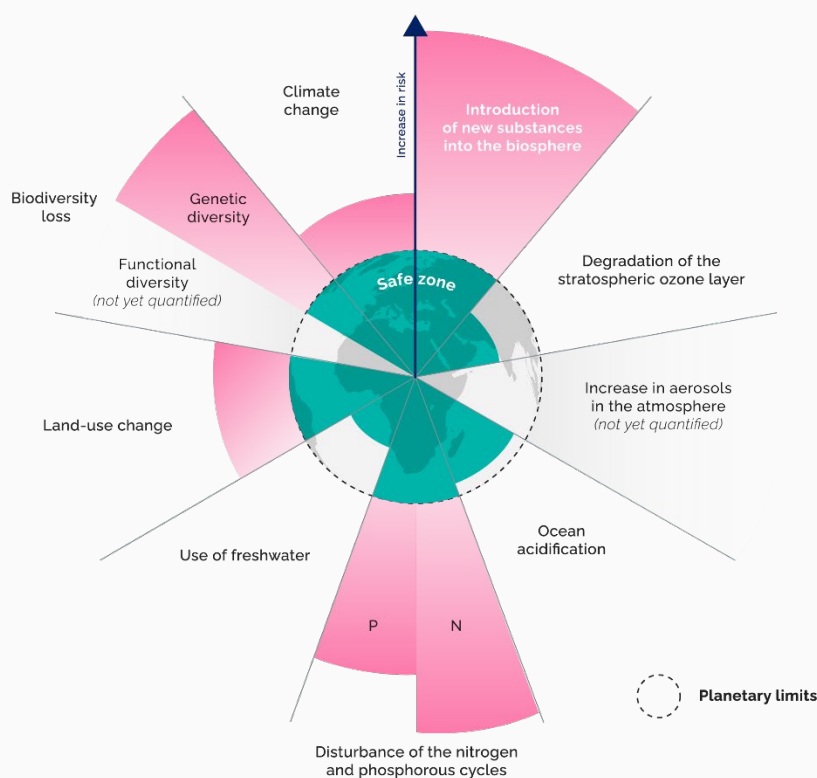
Summary of the main forms of climatic and environmental degradation

Climate change is already underway to a significant extent, and the target of limiting it to 1.5°C, set by the Paris Agreement, seems to be getting less achievable by the day. According to the most pessimistic scenario provided by the Intergovernmental Panel on Climate Change (IPCC), global greenhouse gas emissions could double again by 2050, and even triple by 2100. As a result, average global surface temperatures could rise by 5.7°C by the end of the century compared with the pre-industrial period.¹⁹ Even in the IPCC's most optimistic scenario, warming exceeds the 1.5°C threshold before 2050. The impact of global warming on the planet has already been widely documented, and is set to accelerate in the future, with natural disasters, droughts, heatwaves and forest fires causing unprecedented material and human damage.

At the same time, humanity is facing a major biodiversity crisis, largely due to its own activities. According to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), the average abundance of local species in most major terrestrial habitats has fallen by at least 20% since 1900. More than 40% of amphibian species, nearly 33% of coral reefs, more than a third of marine mammals and 10% of insect species are threatened with extinction.

The accumulation of climate and environmental threats means that we have already crossed a certain number of "planetary limits" – a concept proposed by researchers at the Potsdam Institute and the Stockholm Resilience Centre. Currently, of the nine planetary limits identified, six are already considered to have been passed, meaning that the planet is no longer capable of absorbing and compensating for the impacts of human activities, and that global degradation of the Earth's environmental and geophysical characteristics can be observed. The combination of these different forms of degradation could lead to totally unprecedented situations for humanity and the planet.

Exceeding planetary limits



Source: <https://www.nature.com/articles/s43017-022-00287-8>

From an anthropological point of view, this degradation threatens the very habitability of a certain number of territories, and even of the planet as a whole for humankind. In fact, it calls into question the very survival of human societies, and some of their foundational practices and principles: human control over territories and ecosystems, unlimited exploitation of natural resources, control over natural rhythms and phenomena, etc.

This degradation is also forcing individuals to rethink their relationship with life and death, both their own and those of other living beings.

¹⁹ https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM.pdf

Ubiquitous technologies: Sources of inequality and new risks

Modern technologies have become ubiquitous in Western countries, and are spreading just as rapidly in developing countries. Nearly 90% of people in Western countries use the internet, over 70% in developing countries, and over a third in poor countries – proportions that are increasing very rapidly.

More generally, most of the world's countries are seeking technological solutions to the major challenges they face: climate change and its impact on agricultural yields, biodiversity loss, etc. To cope with these environmental changes, some actors are betting on advances in fields such as artificial intelligence, genetic manipulation, geoengineering, and carbon capture and storage (CCS).

Technology is also a driver of progress and political and economic power. In particular, technologies such as artificial intelligence and quantum computing are the focus of massive investment by private and public actors seeking to achieve technological breakthroughs and implement them on a global scale.

These technologies can have both positive and negative consequences:

- They help to improve the performance of individuals and groups (productivity, exceeding physical and intellectual limits, combating environmental damage, etc.).
- They contribute to the emergence or increase of certain risks associated with the use of these technologies, both for individuals (inequalities of access, cyber risks, addictions and mental pathologies, etc.) and for the environment (undesirable secondary effects linked in particular to lack of experience with the newest technologies).²⁰
- Some of these technologies, such as artificial intelligence, are met with mistrust or even rejection.

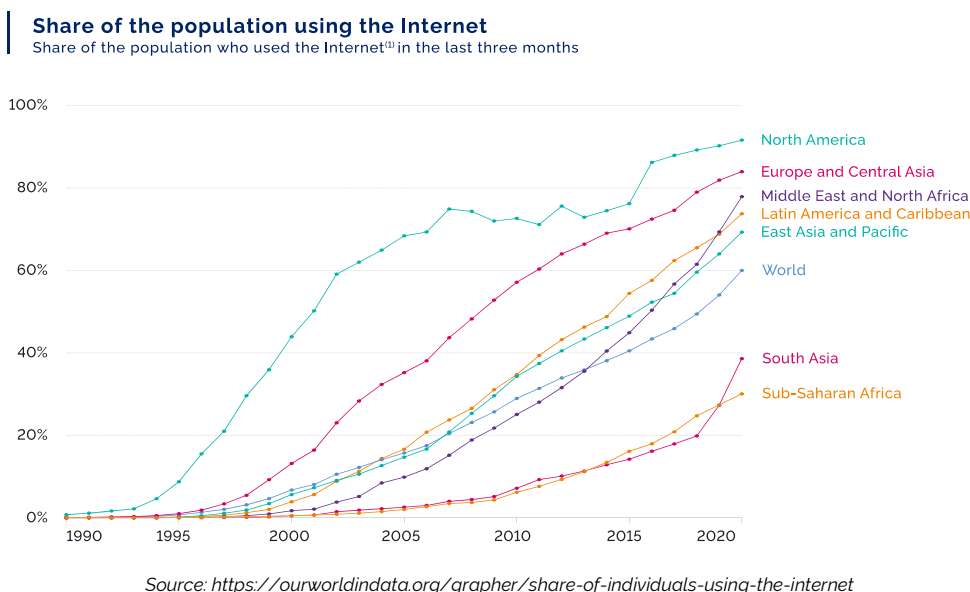
The reconfiguration of power relations and the redistribution of roles between actors

The diversification and increasing complexity of global challenges are contributing to profound changes in the way actors interact and the room for manoeuvre that each of them has.

States are seeking to reassert their prerogatives, but are caught between the challenges of cross-cutting issues that they cannot take on alone, their financial constraints and the expectations of public opinion. The current capacity for international cooperation seems inadequate to meet these challenges, as demonstrated by its dithering in the fight against climate change and its confusion during the Covid-19 crisis.

At the same time, **individuals** are seeing their room for manoeuvre squeezed between an increasingly concerning environment, more restrictive collective rules and their increasingly strong aspirations to control their own lives.

Against this backdrop, other categories of actors may benefit from an improvement in their own room for manoeuvre. **Local authorities** are benefiting from the delegation of prerogatives from national governments, and are asserting their role in the climate and ecological transition.



²⁰ See *Cahier de la Prospective de CNP Assurances 2022*. <https://www.cnp.fr/cnp/content/download/10556/file/Cahier-de-la-Prospective-FR-juillet-2022.pdf>

New factors affecting the insurance industry

The world of insurance is being turned upside down by risks that are becoming incalculable and costs that are becoming unsustainable. Climate change and environmental degradation are having unprecedented impacts on the insurance industry on two levels:

1. Risks are becoming incalculable, despite new tools based on artificial intelligence

The emergence of "big data" and advances in artificial intelligence have raised high hopes for risk prediction. In light of the availability of unprecedented quantities of data on individual behaviour and natural phenomena, coupled with increasingly powerful analysis algorithms, some analysts have projected the emergence of a new ability to minutely predict the occurrence of certain risks. Once these risks are anticipated with a high degree of certainty, the mission of insurers would then be refocused on prevention, by warning the people concerned.

This "logic of large numbers" still comes up against two major obstacles: on the one hand, the vagaries of life, and on the other, the irrationality of individual behaviour (and, to a certain extent, of climatic and natural events). These two dimensions cannot be incorporated into modelling. As a result, despite all the statistics available regarding an individual, a group of individuals or a type of risk, it still remains impossible to categorically exclude a risk or totally reduce the uncertainty surrounding it. For example, no driver will ever be completely safe from a car accident, and the date of an accident will always be impossible to predict, just as no individual will be able to reduce to zero the risk of contracting a serious illness such as cancer. Furthermore, some events, such as earthquakes, occur too infrequently to make it possible to compile reliable statistics on future risks, while other risks (such as certain cyber risks or those relating to mental illness) have emerged or been

recognised too recently for sufficient data to have accumulated.

Finally, even when statistics help to refine our understanding of risks, their use may be limited by social norms or laws. In the EU, for example, a directive prohibits any discrimination between men and women. This means that an insurer cannot take into account the fact that women live longer on average when calculating premiums for their life insurance policies.

Despite the potential of new technologies, some analysts believe that the risks facing individuals and societies have never been so diverse, and that the task facing insurers in responding to those risks has never been so complex.

Increasingly frequent and extreme climatic events are ushering in a new era of radical uncertainty for the insurance industry, as traditional actuarial methods are no longer as effective (if at all) at anticipating such events. These events are becoming more frequent, more systemic, and causing ever greater material and human damage.

Human societies must therefore accept a much higher level of uncertainty regarding climatic and environmental hazards – an uncertainty that can no longer be reduced by technology. This poses a major challenge to insurers, who have traditionally been organised to insure risks rather than uncertainties.

2. Costs are becoming unsustainable

According to the World Meteorological Organization, the number of weather-related disasters worldwide has increased fivefold since 1970.²¹ According to available estimates, these disasters have been responsible for more than two million deaths (more than 90% of them in developing countries) and US\$3.64 billion in material damage.

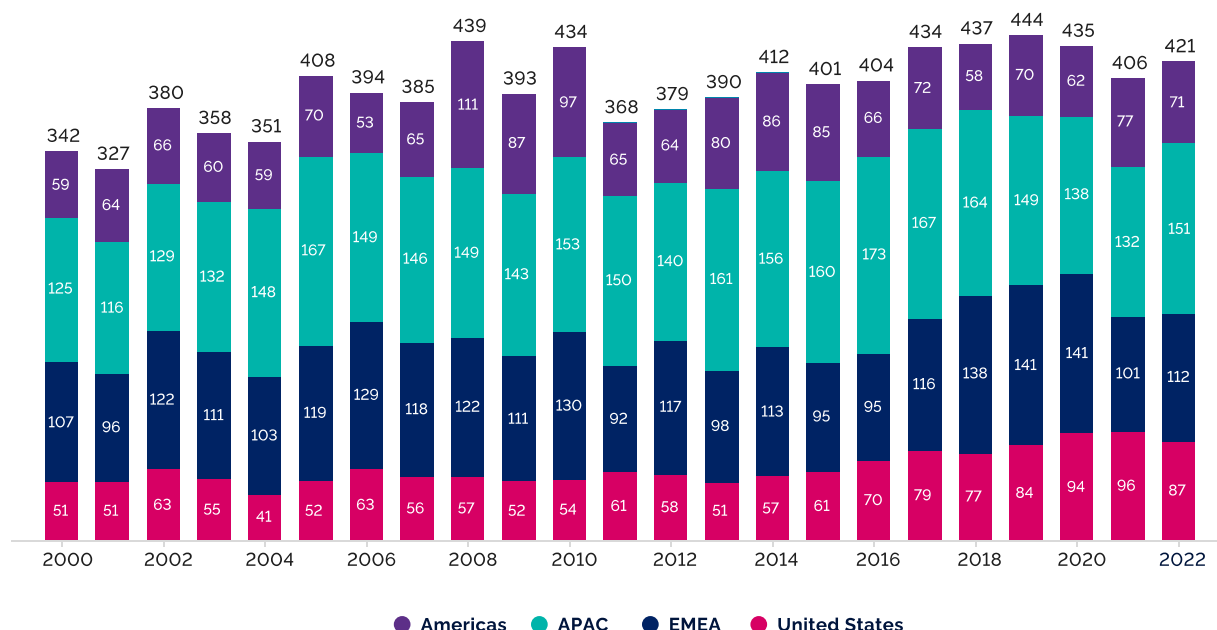
Droughts are the deadliest disasters, followed by storms, floods and extreme temperatures. Over the last 50 years, the number

of natural disasters causing significant economic losses (over US\$25 million) has more than doubled. The most costly events were storms (US\$521 billion) and floods (US\$115 billion).

At the same time, the number of deaths caused each year by extreme weather events has been divided by three, thanks in particular to the effectiveness of prevention and care measures.

²¹ <https://public.wmo.int/fr/medias/communiqu%C3%A9s-de-presse/les-catastrophes-m%C3%A9t%C3%A9orologiques-se-sont-multipli%C3%A9es-au-cours-des-50>

Number of Relevant Natural Disaster Events



Source: AON, 2023 Weather, Climate and Catastrophe Insight / <https://www.aon.com/weather-climate-catastrophe/index.aspx>
 APAC: Asia-Pacific, EMEA: European, Middle Eastern and African States

In 2022, it was estimated that 42% of the economic costs generated by natural disasters were covered by public or private insurance, a proportion that is rising steadily.²² The financial impact of climate-related disasters on insurers is already significant. In France, the bill for weather-related claims has tripled in 40 years, rising from €1.2 billion a year between 1984 and 1989 to €3.6 billion between 2016 and 2020.²³ If average global temperatures see an increase between 1.4°C and 2.6°C between now and 2050, the French financial sector's Autorité de Contrôle Prudentiel et de Résolution (ACPR) predicts an increase in insurance premiums of between 130% and 200%.²⁴

The issue of the cost of covering risks also arises in the case of cyber risks. In France alone, losses to businesses are estimated at over €1 billion by 2022.²⁵ As a result of the rapid increase in ransomware attacks, this sector is already seeing total compensation payments exceeding total insurance premiums. Ransomware is particularly feared by French insurers, since the law in France allows companies to be compensated in the event of payment of a ransom. Furthermore, insurers themselves may have to deal with these cyber risks in their relationships with their customers. The use of digital services is becoming increasingly common in the insurance sector, and

comes with risks in terms of identity theft, fraud and cyber attacks.

As a result, insurers are increasingly questioning their ability to bear the cost of certain risks.

As far back as 2015, at the twenty-first Conference of the Parties (COP21), Henri de Castries, then CEO of Axa, the world's leading insurer, stated that "a world at +2°C might still be insurable, but a world at +4°C would certainly no longer be".²⁶ In December 2022, the CEO of Zurich Insurance warned that cyber attacks, even more than natural disasters, were in danger of becoming uninsurable, owing to their cost.²⁷

In various countries, insurance companies are already announcing that they will no longer cover certain risks. In the US, for example, insurers are now refusing to insure households living in areas highly exposed to natural disasters, such as floods in Florida, forest fires in California and hurricanes in Louisiana.²⁸ In recent years, 20 insurance companies have reportedly left the state of Louisiana or gone bankrupt (mainly small actors). In Australia, the risk of homes being submerged by the sea is no longer covered by insurance. In several European countries, homes located in areas considered to be

²² https://www.aon.com/weather-climate-catastrophe/index.aspx?utm_source=media&utm_medium=org-digital&utm_campaign=0_ri_esg_ins_rin_global_r0&utm_content=engagement_climate-change_read-article

²³ https://www.aon.com/weather-climate-catastrophe/index.aspx?utm_source=media&utm_medium=org-digital&utm_campaign=0_ri_esg_ins_rin_global_r0&utm_content=engagement_climate-change_read-article

²⁴ https://acpr.banque-france.fr/sites/default/files/medias/documents/20210602_as_exercice_pilote.pdf

²⁵ https://www.challenges.fr/high-tech/cyberattaques-pourquoi-les-entreprises-francaises-sont-elles-des-cibles_828826

²⁶ Quoted by Marina Fabre in "Réchauffement climatique: Un monde à + 2 °C n'est déjà plus assurable", *Novethic*, 28 July 2021.

²⁷ <https://www.ft.com/content/63ea94fa-c6fc-449f-b2b8-ea29cc83637d>; and https://www.challenges.fr/high-tech/les-cyber-rancons-sont-elles-en-train-de-devenir-inassurables_840171

²⁸ <https://www.reckon.news/news/2023/03/insurance-companies-are-fleeing-climate-vulnerable-states-leaving-thousands-without-disaster-coverage.html>

at high risk of natural disasters (particularly flooding) are no longer covered by insurers.²⁹

The same trend applies to cyber risk, which some French insurers are now refusing to cover for companies, fearing that to do so could effectively create a business model for criminals. In other countries, insurers may continue to cover these risks, but with regular high increases in premiums, numerous restrictions and a reduction in the extent of the risks covered. The largest companies then have to take out several policies to cover all their cyber risk.

The diversification and increase of the risks to which societies are exposed are combined with another challenge: that of the growing inequalities in terms of exposure to these risks between territories and individuals. These inequalities represent a major challenge to the principle of mutualisation. Should, and can the cost of risks always be shared indiscriminately across societies? Or should this cost be adjusted according to the level of risk specific to each individual, whether or not that risk is the result of individual choices? In particular, can insurers continue to charge the same prices to all their customers, or will they have to adjust rates according to risk levels? If so, what criteria should be used to define these variations? And how can we ensure that insurance products do not become inaccessible to the most vulnerable groups, who are also often the most exposed to certain risks?

In any case, this individualisation of risk calculation is made increasingly easy by the abundance of data available on behaviour, territories and the environment. But it also raises major questions in terms of acceptability, ethics and social justice, since it may mean imposing higher costs on some people for risks that they cannot do anything about (for example, a risk of flooding or the shrinkage and swelling of clay soils in a place of residence that people cannot leave).

Conversely, it may also become impossible for insurers to continue to protect individuals or activities against certain risks, given the cost, which would result in recurring losses. In France, for example, insurance for farmers is becoming increasingly loss-making for insurers, even though it covers few farmers: the cost of agricultural claims has more than doubled over the last five years. It is possible that this type of strategically important business could, in the long term, not be covered by insurance at all, or only at prohibitively high rates. This is the choice that has been made in France, where a universal compensation scheme for crop losses resulting from climatic hazards was introduced from 1 January 2023.³⁰ It is based on risk sharing between the state, farmers and insurers.

Could this type of system be adopted in all sectors that are exposed to increasing risks, particularly in developing countries, where the degree of protection offered by the state is traditionally weaker? Or, on the contrary, will we see an increase in the number of risks and/or uninsured people in the future, given the costs involved for insurers?

²⁹ <https://theconversation.com/le-changement-climatique-va-t-il-nous-priver-dassurance-124824>

³⁰ <https://www.vie-publique.fr/loi/282699-loi-2-mars-2022-reforme-du-regime-de-lassurance-recolte-en-agriculture>

FORESIGHT ANALYSIS OF REGIONAL ISSUES AND THEIR IMPACT ON PEOPLE'S NEEDS FROM INSURERS

Individuals and societies are being confronted with increasingly complex and diverse global challenges, as illustrated in the previous section. But these global challenges are also compounded by transformations that can be observed at the level of large regions and/or countries. This section takes a closer look at the changes taking place in four regions: Europe, Latin America, Africa and Asia. For each of these regions, it highlights a selection of transformations that are likely to pose challenges to the social role of the insurance system within societies over the next 20 years.

Europe

1. Inequalities are generally limited, but increasingly compounded, persistent and harmful

Major trends

Today, Europe is one of the richest and most developed regions in the world, although economic growth has slowed sharply over the last 20 years, reflecting the maturity of its economies. However, despite the overall situation there are major disparities between countries, particularly along a North-West/South-East gradient: although there has been strong growth in national incomes in the countries of the former Soviet bloc, the incomes of Eastern European citizens were still 40% lower than the EU-27 average in 2017.³¹

Although Europe has been less affected than other regions of the world by the rise in inequality observed worldwide since the 1980s, a significant proportion of Europe's growth over the last 40 years has been captured by the richest parts of the European population, particularly in the countries of Eastern Europe. Between 1980 and 2017, the richest 1% captured 17% of pre-tax income growth, which is more than that captured by all of the poorer half of society.³² At the other end of the spectrum, the poverty rate rose between 1980 and the mid-2000s (after a high plateau in the 1990s), and has since stabilised at a situation where around 21-22% of the population have incomes below 60% of the median income.³³ In general, the proportion of people living below the poverty line is higher in countries with lower standards of purchasing power (with some exceptions). Furthermore, the degree of poverty of these people relative to the rest of the population ("poverty intensity", corresponding to the difference between the poverty line and the median income of poor people) is even greater in countries where the proportion of poor people is higher.³⁴

Over the last 15 years or so, inequalities have stabilised, albeit at higher levels than in 1980. Across Member States of the EU, the

Gini index fell from 0.31 to 0.3 between 2006 and 2016, with very different situations in different countries.³⁵ Income distribution mechanisms, particularly social spending (health, education, pensions, taxes), have been more effective than in the US in containing this rise in inequality. Spending on social protection represents 29% of GDP in the EU-27, but only 20% of GDP for the 13 countries that joined the EU in 2004.³⁶

Although the Covid-19 crisis that emerged in early 2020 raised fears of a large increase in inequality, the massive support and recovery plans enacted by governments and the EU seem to have helped to limit increases in poverty and inequality in most countries. The Gini index and the poverty rate have remained stable at the European level, albeit with different situations between countries and between population categories.³⁷ However, these figures should be treated with caution, as the health crisis has made situations of precarity even more complex.

Indeed, aside from poverty and inequality, an increasing number of people have been exposed to situations of precarity, not only by the health crisis but also by the war in Ukraine. In summer 2022, 27% of the population (in France, Germany, Greece, Italy, Poland and the UK) feared that, faced with an unforeseen expense, they could fall into poverty, and 55% considered that there was a "fairly significant" risk of them

³¹ Thomas Blanchet, Lucas Chancel, Amory Gethin, "How Unequal is Europe? Evidence from Distributional National Accounts, 1980-2017", *World Inequality Lab*, April 2019. URL: <https://wid.world/document/bcg2019-full-paper/>

³² *Ibid.*

³³ *Ibid.*

³⁴ <https://www.insee.fr/fr/statistiques/5371223?sommaire=5371304>

³⁵ <https://www.inegalites.fr/L-evolution-des-inegalites-de-revenus-en-Europe>

³⁶ DREES, "La protection sociale en France et en Europe en 2021, 2022". URL: https://drees.solidarites-sante.gouv.fr/sites/default/files/2023-01/CPS2022_MAJ.pdf

³⁷ https://www.lemonde.fr/economie/article/2023/01/14/la-pandemie-de-covid-19-n-a-pas-fait-exploser-les-inegalites-en-europe_6157843_3234.html

entering a situation of precarity in the short term.³⁸ Furthermore, 54% of the same sample felt that their purchasing power had fallen (26% felt that it had fallen by a lot), mainly as a result of inflation,³⁹ which is affecting all European countries, but with varying degrees of severity: 8.6% per year in January 2023 across the Eurozone, compared with more than 18.5% in the Baltic states as a whole.⁴⁰

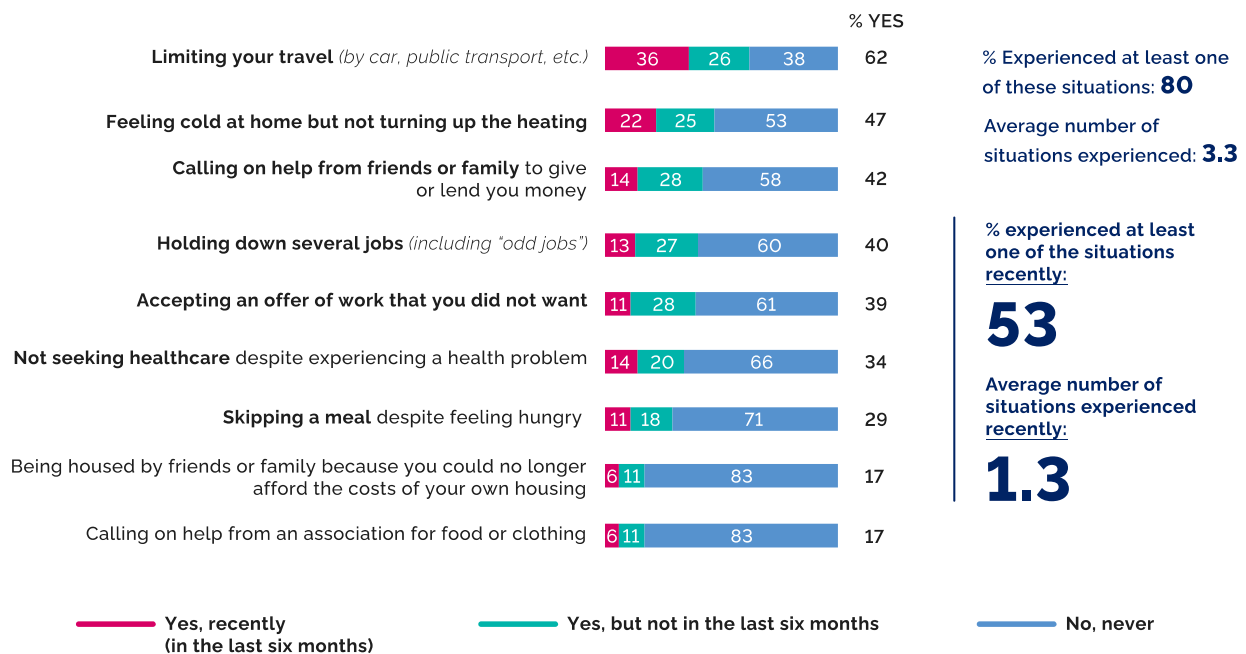
These forms of precarity have compounding effects. In the first six months of 2022, 36% of Europeans (in the same sample) had to limit their travel because of financial difficulties, 22% avoided turning up the heating despite feeling cold, 14% went without healthcare, 13% held down several jobs, 11% skipped a meal when feeling hungry, etc.⁴¹ 80% of the people questioned had already been faced with this type of situation, 53% of them in

the last six months, and on average each person had been faced with 3.3 of the situations of precarity among those presented to them (see graph below).

In addition to their multi-dimensional consequences, these situations of precarity are compounded by other factors of vulnerability. For example, single-parent families are more affected by poverty: 40% of them live below the poverty line in France, compared with 16% of families with parents in a couple.⁴² Immigrants and descendants of immigrants experience greater difficulties in social integration and entering the workforce: the unemployment rate for people born outside the EU is twice the national average in France.⁴³ Women and gender minorities continue to suffer from multiple and entrenched inequalities, etc.

A large majority of Europeans have already faced complex choices because of a difficult financial situation: limiting travel, avoiding using heating, drawing on assistance from others or holding down several jobs

Question: Have you personally already experienced any of the following situations as a result of finding yourself in a difficult financial situation? (whole sample)



Source: https://www.secourepopulaire.fr/sites/default/files/atoms/files/ipsos_pour_le_secoure_populaire_-_observatoire_de_la_pauvrete_et_de_la_precarite_-_sondage_europe_-_2022_-_web.pdf

³⁸ Ipsos, Secours Populaire, Baromètre européen de la pauvreté et précarité, novembre 2022. URL: https://www.secourepopulaire.fr/sites/default/files/atoms/files/ipsos_pour_le_secoure_populaire_-_observatoire_de_la_pauvrete_et_de_la_precarite_-_sondage_europe_-_2022_-_web.pdf

³⁹ Ibid.

⁴⁰ <https://ec.europa.eu/eurostat/documents/2995521/16138299/2-02032023-AP-FR.pdf/ade4ff8f-ae27-b4b9-b2d8-1f86a25ac5b0>

⁴¹ Ibid.

⁴² <https://www.insee.fr/fr/statistiques/5422681>

⁴³ https://www.inegalites.fr/Chomage-des-immigres-le-poids-des-inegalites-sociales-et-des-discriminations?id_theme=24

Outlook to 2040 and impact on people's needs from insurers

Inequalities in Europe are likely to continue to vary widely from country to country. Overall, there is a twofold risk: on the one hand, inequalities could start to rise again, in a tighter economic context and with social protection systems under strain; on the other hand, inequalities could become increasingly concentrated and compounded among certain categories of the population (young people, people with few qualifications, single mothers, etc.).

The issues surrounding inequality must also take into account the subjective perception of inequality by public opinion. Inequalities are often perceived to be higher than they actually are – a trend that is likely to increase in the future and have an impact on social cohesion and individual well-being.

The fight against inequality will largely depend on the resources put in place by EU Member States and on coordination at the level of the EU, particularly in terms of tax policies. This will be all the more important given that the sources of inequality could increase in the future: persistent economic tensions; constrained

national budgets which therefore place social protection systems under pressure; risks of social fragmentation or polarisation linked to the development of advanced digital systems (generative artificial intelligence, virtual worlds, etc.); the difficulties facing governments in reconciling the ecological and energy transition with social equity, etc.

The EU's economic growth will be linked to its ability to assert itself in the sectors driving changes in the economy (digital technologies, AI, the ecological and energy transitions, etc.). Key issues will include the EU's ability to put in place a common and competitive economic and industrial policy, and to train populations in the skills of tomorrow in the context of a rapidly ageing population.

Insurers will therefore have a major role to play in continuing to support the development of these societies, which are facing the challenges of ageing populations and a slowdown in economic activity.

2. Health in Europe: Inequalities, ageing and chronic diseases

Major trends

Between 1980 and 2019, the population of the EU-27 grew by 10%, from 406 to 447 million, although this growth rate has largely lost momentum owing to the significant drop in the birth rate in Europe.⁴⁴ Life expectancy for EU citizens in 2019 was 81.3 years (with women living on average 5.5 years longer than men), with a strong West-East gradient. In France, Spain, Italy and Sweden, it was over 83, but barely 76 in Bulgaria, Romania and Latvia.⁴⁵ There are also significant differences depending on economic status: on average, a European with a higher education qualification can expect to live 8 years longer than a European with a lower level of education.⁴⁶ These inequalities in health are due not only to inequalities in access to healthcare systems and in health literacy, but also to differences in exposure to risk. Although life expectancy has continued to rise in recent decades – at least until 2020 – there has been a marked slowdown since 2011, particularly in Western Europe.

The consequence of these two developments (a falling birth rate and rising life expectancy) is that Europe has one of the world's largest ageing populations. The proportion of the population aged over 65 has risen from 17.4% to 20.3% in the space of 10 years.⁴⁷ The fact that the figure for life expectancy in good health stood at only 64.6 years in 2019⁴⁸ indicates the scale of the

problems that demographic ageing presents for these actors: health problems, loss of autonomy, polypathologies, and therefore also problems of mobility and access to goods and services. And these problems are becoming all the more severe, as the figure for life expectancy in good health, unlike that of life expectancy overall, seems to have stagnated since the mid-2000s.⁴⁹

The state of health of the European population is marked by a strong epidemiological trend towards the chronicisation of diseases, with a sharp rise in the prevalence of diabetes, cancer and diseases of old age (including polypathologies). This trend is multi-factorial, and is certainly linked to demographic ageing, but also to increased exposure to multiple pollutants (air and water pollution, endocrine disruptors, etc.), a sedentary lifestyle accentuated by the use of digital tools, and addictive behaviours (alcohol, tobacco, drugs, etc.). This rise in chronic diseases raises the question of the economic sustainability of the models for European healthcare systems. In France, for example, the number of patients on long-term care has risen from 4 million in 1994 to around 11 million in 2018.⁵⁰

⁴⁴ Alain Parant, "Vers une baisse durable des naissances en Europe", *Futuribles*, 2020. URL: <https://www.futuribles.com/vers-une-baisse-durable-des-naissances-en-europe/>

⁴⁵ <https://www.insee.fr/fr/statistiques/2383446>

⁴⁶ European Commission, *Health at a Glance: Europe 2018*. URL: https://health.ec.europa.eu/system/files/2020-02/2018_healthatglance_rep_en_0.pdf

⁴⁷ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Archive:Statistics_on_regional_population_projections/fr

⁴⁸ <https://www.insee.fr/fr/statistiques/2383446>

⁴⁹ <https://drees.solidarites-sante.gouv.fr/publications/etudes-et-resultats/les-francais-vivent-plus-longtemps-mais-leur-esperance-de-vie-en>

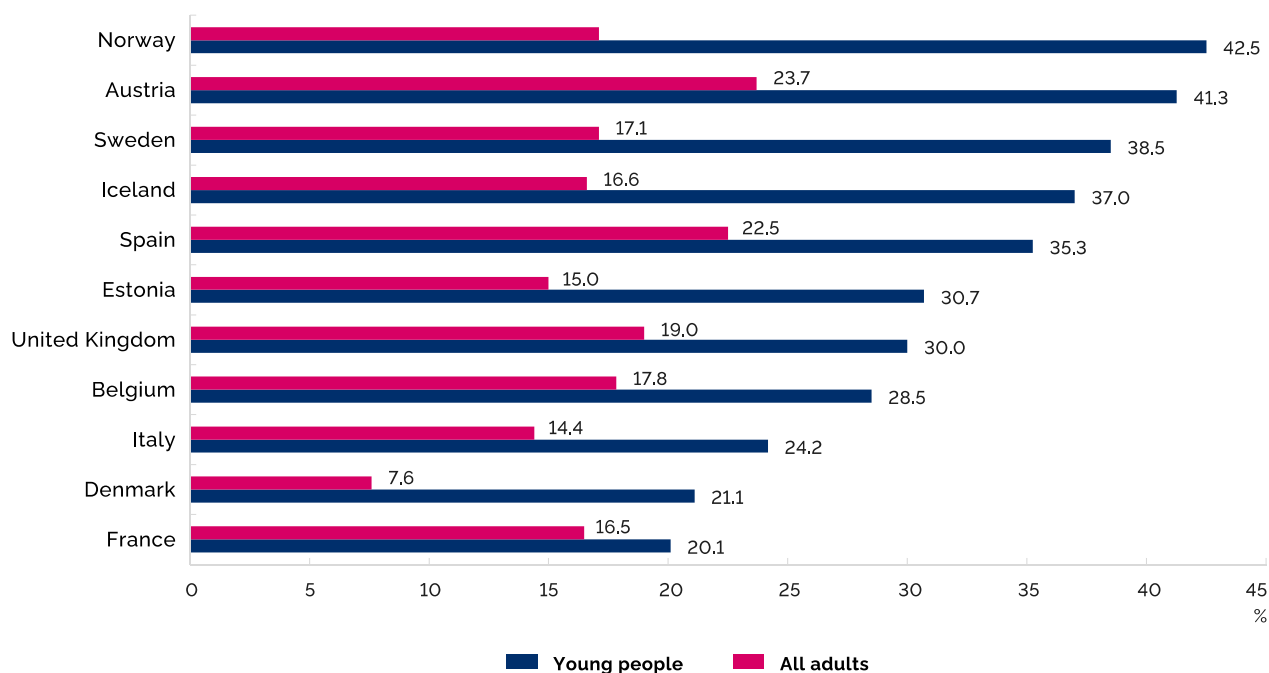
⁵⁰ <https://drees.solidarites-sante.gouv.fr/publications/etudes-et-resultats/les-francais-vivent-plus-longtemps-mais-leur-esperance-de-vie-en>

Recent developments⁵¹

The Covid-19 health crisis has led to a drop in life expectancy of more than a year in Europe. By October 2022, 1.1 million deaths associated with Covid-19 had been reported, and the pandemic has been more lethal in Central and Eastern Europe than in Northern European countries. While the elderly have been hardest hit in terms of mortality, the health crisis has had a major impact on the mental health of young people. The prevalence

of depressive symptoms (which had been rising since 2005) increased particularly among young people between 2017 and 2021, reaching levels twice as high as those recorded in other age groups.⁵² Half of young Europeans reported having unmet mental health care needs in the summer of 2022, particularly for depressive and anxiety disorders.

Share of people with symptoms of depression, 2020-21



Source: https://health.ec.europa.eu/system/files/2022-12/2022_healthatglance_rep_en_0.pdf page 22

This major increase, which can also be observed in the US, is not simply the result of people finding it easier to talk about these issues. Several factors are at play, acting to varying degrees depending on the individual and the country in question:⁵³

- The growing prevalence of digital technology and screens, to the detriment of other activities (sport, sleep, "real" social time).
- Widespread use of social networks, which, especially among teenagers, is correlated with forms of addiction and/or negative feelings linked to their use (stress, anxiety, etc.).
- An increasingly anxiety-provoking international and global context: not only the heightened risk of geopolitical and health disruptions, but also the irremediable degradation of ecosystems as a result of climate change, which is generating eco-anxiety in some populations and/or difficulties in planning for the long term.

⁵¹ https://health.ec.europa.eu/state-health-eu/health-glance-europe_en

⁵² http://beh.santepubliquefrance.fr/beh/2023/2/2023_2_1.html

⁵³ Marie Ségur, "Santé mentale: Les jeunes en crise", *Futuribles*, March 2023. URL: <https://www.futuribles.com/sante-mentale-les-jeunes-en-crise/>

Outlook to 2040 and impact on people's needs from insurers

Eurostat projections indicate, in their central scenario, that the over-65s could represent almost 28% of the EU population by 2040,⁵⁴ and that the proportion of the over-80s could rise from 6.1% to 9.6% between 2020 and 2040.⁵⁵ The change will be rapid, as the first cohorts of the "baby boom" generation will reach the age of 80 before the end of the 2030s.

Changes in migratory flows represent a key uncertainty for the demographic structure of Europe, but in any event, this will not prevent the overall trend towards demographic ageing. At the

same time, extending the working lives of older people will pose new challenges in terms of occupational health.

The impact of environmental health on people's physical and mental health will depend both on decisions taken by public authorities in terms of environmental health (regulations, bans on dangerous substances, etc.) and on whether or not healthcare systems make a major shift towards prevention (for example, based on the model of population responsibility, which is currently being trialled in pilot schemes across Europe).⁵⁶

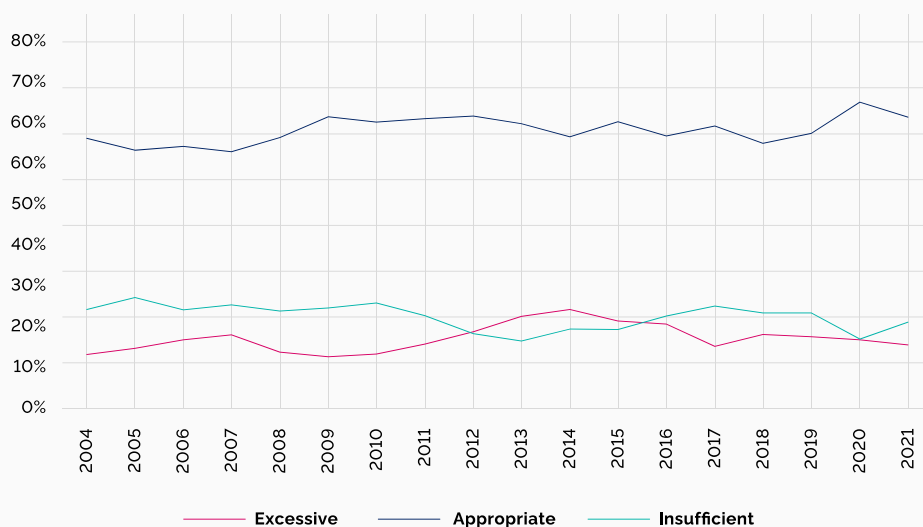
Expert analysis: Julien Damon, sociologist

French take-up of compulsory social insurance

Every year, the Ministry of Social Affairs asks the French population about their social situations and preferences. These barometric surveys, carried out by DREES, reveal clear-cut opinions.

Although France ranks first in the world in terms of social spending as a proportion of GDP, 60% of French people think that this level of funding is "appropriate". This proportion has risen slightly since 2004. For around 20 years, the proportion of people who think that this level of expenditure is "insufficient" has stood at around 20%. Finally, less than 20% of the population think that this level of expenditure is "excessive" (with a slight increase over the last 20 years).

**"France spends around a third of GDP on social spending.
Do you think that this is..."**



Source: DREES opinion poll

<https://drees.solidarites-sante.gouv.fr/sources-outils-et-enquetes/le-barometre-dopinion-de-la-drees>

The conclusion could not be clearer: the French consider that socialising the coverage of social risks still calls for a high level of expenditure. This does not mean that, individually, they believe that their compulsory tax deductions are justified at their current level. However, collectively, there is a strong opinion that substantial social protection justifies substantial funding.

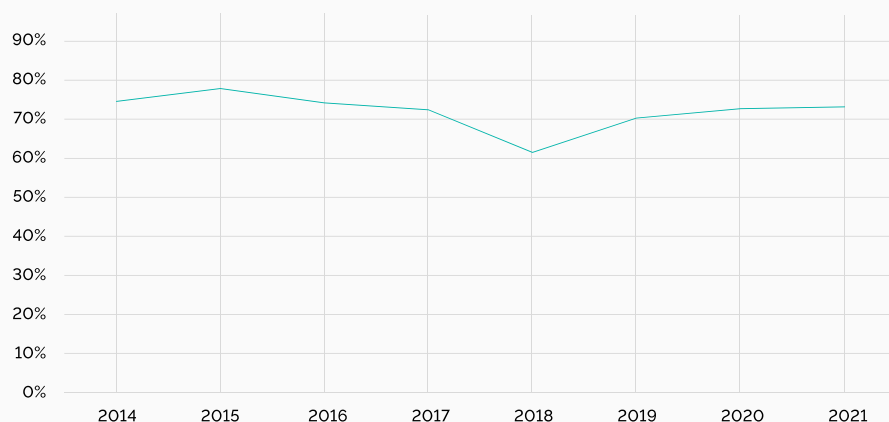
⁵⁴ Source: Eurostat. Quoted in "Comment le vieillissement de la population affecte l'économie en quatre graphiques", *Les Echos*, 27 January 2023. URL: <https://www.lesechos.fr/economie-france/social/comment-le-veillissement-de-la-population-affecte-leconomie-en-quatre-graphiques-1901188>

⁵⁵ <https://ses.ens-lyon.fr/articles/vivre-longtemps-et-risque-de-perte-dautonomie-quelles-politiques-publiques-en-europe>

⁵⁶ Philippe El Saïr, Emilie Lebée-Thomas, Antoine Malone, "Pour un système de santé français intégré", *Futuribles*, No. 449, July-August 2022. URL: <https://www.futuribles.com/pour-un-systeme-de-sante-francais-integre/>

Two-thirds of French people consider the social security system to be satisfactory in terms of the scope of its benefits and services.

“Our social security system provides a sufficient level of protection”



Source: *Baromètre d'opinion de la DREES*

<https://drees.solidarites-sante.gouv.fr/sources-outils-et-enquetes/le-barometre-dopinion-de-la-drees>

This is an important conclusion: the French generally appreciate a system based on the social coverage of risks, i.e. an insurance system based on compulsory deductions. They do not necessarily appreciate the quality of the system's actual management...

Paradoxically, the French also believe that the costs of the system are too high! While they believe that it is justifiable to make this collective effort, they may also have in mind the perverse effects of an organisation that places a considerable burden not only on public finances, but also on personal finances. Yet the paradox is only apparent. In the space of a decade, the proportion of respondents who believe that the system costs society too much has fallen. Overall, the French therefore support the idea of a major collective effort, and it could be said that they support it more and more.

The key idea: Compulsory social insurance – based on a compulsory levy – is widely supported in France. But while it is supported in principle, the methods used for its management and implementation are open to discussion, criticism and revision.

3. A deep and persistent housing crisis

Major trends

The European continent is facing a long-term crisis in the housing sector, in terms of accessibility and standards of health and safety,⁵⁷ particularly in its major urban centres. This crisis has worsened over the last ten years. It is fuelled by two main factors:⁵⁸

- A reduction in public spending on housing construction across Europe: between 2010 and 2020, public spending on housing construction fell by an average of 19%.
- A continuing rise in property prices, with the average cost of homes rising by 42% in the EU-27 between the start of 2015 and the end of 2021. Consequently, some people are in a very vulnerable position, with 10% of Europeans spending more

than 40% of their income on housing (by way of comparison, the French average was 19.7% in 2017).⁵⁹

These two factors result in increased competition for housing. This is reflected in the growing inaccessibility of housing in most European urban centres, or at the very least in a mismatch between housing needs and supply. As a knock-on effect, many inner suburbs are also becoming less accessible for a large proportion of the middle classes (and in particular the ideal of owning a house in low-rise suburban residential areas).⁶⁰

⁵⁷ https://www.europarl.europa.eu/doceo/document/A-9-2020-0247_FR.html

⁵⁸ https://www.fondation-abbe-pierre.fr/sites/default/files/2022-07/rapport_europe_fr_2022_v3_pages.pdf

⁵⁹ <https://www.insee.fr/fr/statistiques/5371269?sommaire=5371304>

⁶⁰ The phenomenon is described in the French context in Jérôme Fourquet, Jean-Laurent Cassely, "La France sous nos yeux: Économie, paysage, nouveaux modes de vie", Paris, Seuil, 2021.

The quantitative and qualitative issues associated with housing are complex and must therefore be analysed in a detailed and differentiated way depending on the country, territory and individuals in question. Overall, situations of acute housing deprivation seem to be slowly receding in the EU: the rate of severe housing deprivation (an indicator that combines overcrowding and inadequate housing)⁶¹ fell from 6% in 2008 to 4.3% in 2020, driven by clear progress in Eastern European countries, while several Western European countries have seen this rate rise slightly. The sharp rise in this rate between 2019 and 2020, particularly in Spain, France and Ireland (an increase of over 50% in one year) suggests that the phenomenon is significantly underestimated.⁶² At the same time, inadequate housing is on the increase in Europe, in many different forms:

- Fuel poverty affects more than 50 million households in the EU.⁶³

- Dampness problems (leaking roofs, mould, etc.) affect around 15% of the EU population and 23% of people on low incomes. Although they have fallen significantly over the last ten years, these phenomena are probably still underestimated, as suggested by the 17% increase observed between 2019 and 2020 – a period that included the first lockdowns and an increased focus on housing in connection with the digital transition.⁶⁴
- Overcrowding affects around 17.5% of the EU population, with rates ranging from 2.5% in Cyprus to 45.1% in Romania. This proportion has remained stable since 2013.⁶⁵
- Finally, this crisis in the accessibility of housing is also an aggravating factor in the rate of homelessness across the EU, which is estimated to affect 700,000 people, with an increase of 70% over the last decade.⁶⁶

Outlook to 2040 and impact on people's needs from insurers

In the future, homes will be more vulnerable to the impacts of climate change, which can take different forms:

- Destructive natural disasters (flooding by sea, inland waters and torrential rain, storms, forest fires, etc.) will be both more numerous and more intense, and above all will affect areas that were previously spared, and are consequently unprepared.
- The phenomenon of the shrinkage and swelling of clay soils, which has not been a significant problem until now, could become a major problem as a result of the increasing number of droughts: the cost of the damage caused could increase by between 50% and 300% in France by 2050.

- Fuel poverty, which refers to an inability to keep warm in winter, could be redefined in the wake of an increase in heatwaves, making thermal insulation increasingly critical in summer: in 2020, 52% of French households said they had suffered from heat in their homes.

Furthermore, in the absence of strong public regulation, the challenges of renovating homes for energy efficiency could lead to a rise in housing prices and increased segregation, with the most disadvantaged groups concentrated in non-renovated homes.

⁶¹ The level of severe housing deprivation refers to "the percentage of the population living in housing considered to be overcrowded and also meeting one of the following housing deprivation criteria: housing with a leaking roof, without a bath or shower or an indoor toilet, and housing considered to be too dark". Source: Fondation Abbé Pierre.

⁶² https://www.fondation-abbe-pierre.fr/sites/default/files/2022-07/rapport_europe_fr_2022_v3_pages.pdf

⁶³ https://www.europarl.europa.eu/doceo/document/A-9-2020-0247_FR.html

⁶⁴ https://www.fondation-abbe-pierre.fr/sites/default/files/2022-07/rapport_europe_fr_2022_v3_pages.pdf

⁶⁵ Source: https://www.fondation-abbe-pierre.fr/sites/default/files/2022-07/rapport_europe_fr_2022_v3_pages.pdf and https://www.fondation-abbe-pierre.fr/sites/default/files/chapitre_1_-_index_europeen_du_mal-logement_2015.pdf for 2013 figures.

⁶⁶ FEANTSA, "Fourth Overview of Housing Exclusion in Europe", 2019.

4. Social Rights: New groups are being excluded and overlooked

Major trends

While social protection systems are highly structured in most European countries, some individuals fall between gaps in the safety net provided by the welfare state, either because they are ineligible for existing schemes or because they do not make use of eligible rights.

A certain number of people – by definition, difficult to quantify – are barely visible to public authorities. These are largely made up of homeless people and undocumented immigrants. Since it is difficult to estimate the total number of homeless people, it is clearly also difficult for public authorities, and social protection systems in particular, to understand the scale of this phenomenon. The number of homeless people in the EU is estimated at 700,000 in 2019, but the national estimate for Germany alone in 2018 was 339,000, and the estimated figure for France in 2020 was 300,000.⁶⁷

Similarly, the sharp rise in the number of migrants over the last fifteen years or so poses a challenge in terms of support and protection for these vulnerable groups. The life paths of people in these groups can be extremely turbulent, which makes it all the more difficult for those involved in social protection (social welfare, associations, etc.) to apprehend the problem as a whole.⁶⁸ In Europe, their numbers have risen from fewer than 50 million in 1990 to almost 87 million in 2020.⁶⁹

More broadly, the increasingly precise scope of many forms of public assistance seems ill-suited to the real complexity of people's life courses. At least two developments are contributing to this discrepancy: firstly, the emergence of new forms of precarity that, at least temporarily, fall outside the scope of public assistance, and secondly, the increasing trend towards public assistance schemes being separated into silos. For example, the number of bodies dedicated to combating poverty at the scale of individual French *départements* has risen from just one in 1985 (the "poverty/precarity" unit) to around 15 in 2020. The increasing complexity of social protection systems in France is mirrored across Europe.⁷⁰ The result is a multiplicity of schemes with precise criteria that do not always correspond

to the reality of the individual's situation, especially when individuals cross national borders.

The non-take-up of rights, especially those related to minimum income benefits, is a widespread (but easily overlooked) phenomenon, affecting all European countries, despite the heterogeneity of their social protection systems. It is estimated that, in Western Europe, the rate of non-use frequently reaches or even exceeds 30%. For example, it was estimated at 34% for the Active Solidarity Income in France in 2018, 29% for the Basic Social Allowance in Finland in 2017, and 44% for Income-Based Jobseeker's Allowance in the UK in 2016.⁷¹ However, the data sources for these estimates are very limited: they restrict their scope to policies aimed at combating poverty and to households in ordinary housing. It is therefore not possible to assess the intensity, compounding effects, or duration of these situations, or to sketch out long-term trends.

A number of weak signals suggest that the phenomenon has recently worsened as a result of the digitisation of access to public services, which has accelerated since the start of the Covid-19 health crisis. In France, for example, the number of complaints sent to the Défenseur des Droits concerning public services tripled between 2014 and 2021. This exclusionary effect of the digitisation of access to public services affects not only the elderly, but also young people (despite the myth that all young people are "digital natives"), people with disabilities, foreign nationals and, more generally, people in socially precarious situations. A report by the Défenseur des Droits from 2022 highlights a paradigm shift that is observable across Europe: the digitisation of access to public services leads to "a systemic transfer to the user of tasks and costs that were previously the responsibility of the administration". It is now up to users to adapt to the way services work, to train themselves and to be capable of seeking help.⁷²

It should be noted that the issue of the non-take-up of rights has been recognised for a long time, but has not yet become a subject of public debate, let alone a focus of ambitious policy – with the notable exception of the Netherlands.⁷³

⁶⁷ <https://www.aide-sociale.fr/sdf-les-effets-cosmetiques-des-politiques-francaises-et-europeennes/>

⁶⁸ See chapter "Migrants and Refugees: A Framework to be Adapted", in French Red Cross, *Anticipating 2030: Crises, transformation and resilience*, 2021. URL: <https://www.calameo.com/read/002546479bac14b0ba19b?page=112>

⁶⁹ <https://worldmigrationreport.iom.int/wmr-2022-interactive/?lang=FR>

⁷⁰ Céline Marc et al., "Quantifier le non-recours aux minima sociaux en Europe: Un phénomène d'ampleur qui peine à susciter le débat", *Les dossiers de la DREES*, no. 94, March 2022. URL: <https://drees.solidarites-sante.gouv.fr/sites/default/files/2022-03/DD94.pdf>

⁷¹ Céline Marc et al., "Quantifier le non-recours aux minima sociaux en Europe: Un phénomène d'ampleur qui peine à susciter le débat", *Les dossiers de la DREES*, no. 94, March 2022. URL: <https://drees.solidarites-sante.gouv.fr/sites/default/files/2022-03/DD94.pdf>

⁷² Défenseur des droits, "Dématisation des services publics: Trois ans après, où en est-on?", February 2022. URL: https://www.defenseurdesdroits.fr/sites/default/files/atoms/files/ddd_rapport-dematerialisation-2022_20220307.pdf

⁷³ Céline Marc et al., "Quantifier le non-recours aux minima sociaux en Europe: Un phénomène d'ampleur qui peine à susciter le débat", *Les dossiers de la DREES*, no. 94, March 2022. URL: <https://drees.solidarites-sante.gouv.fr/sites/default/files/2022-03/DD94.pdf>

Outlook to 2040 and impact on people's needs from insurers

It is highly likely that the number of people with disrupted life courses will increase in the future. Forced international migration is set to increase, under the effect of growing environmental degradation, which could in turn lead to geopolitical and security destabilisation in certain regions, as well as demographic and economic pressures and political and socio-cultural persecution.

Within the EU, the rise of new forms of insecurity (temporary work, career breaks, etc.) could overwhelm unprepared social protection systems.

There are some weak signals that give cause for moderate optimism, notably the willingness of some Member States and the EU to simplify and harmonise existing regulatory

frameworks. For the first time, the EU has set itself the target of eradicating homelessness by 2030, following the example of the Finnish model, which focuses on a return to housing rather than the provision of emergency accommodation.⁷⁴ This objective is based on two pillars: firstly, a focus on independent, affordable and permanent housing solutions; and secondly, the provision of appropriate social and medical assistance.

Implementing this objective will necessarily involve seeking out new partnerships between various actors – a task to which the insurance sector can make a major contribution. The challenge of covering and supporting these “under the radar” groups is immense, and cannot be addressed solely through the actions of associations working to plug the gaps left by public policies.

5. Individuals' relationships with insurance and mutualisation

Major trends

The EU as a market has been profoundly structured by the creation of the Eurozone and the single market for insurance. The latter is the result of a gradual process of reform, and was significantly strengthened by the Solvency II Directive in 2016. By harmonising the regulation of insurance activities and granting various freedoms to insurers (freedom of establishment, freedom to provide services, freedom of movement of capital), the single market has paved the way for European actors to compete on the various national markets, while allowing European insurers to expand internationally.⁷⁵ The directive also strengthens risk management requirements and standardises them across Europe, thereby increasing the reliability of insurers and, by extension, the trust of policyholders.⁷⁶

The sector is undergoing a process of concentration, partly linked to increased competition: between 2011 and 2020, the number of insurance companies in the European insurance and reinsurance federation fell by almost 22%.⁷⁷

Europe is characterised by the maturity and high level of protection of its historic social protection systems, particularly in Western Europe. Most European countries have a strong insurance culture, based on a favourable regulatory framework, which has partly been harmonised by the adoption of a European set of social rights at the Gothenburg Summit in 2017. Around 78% of Europeans believe that it is necessary to increase the budget allocated to at least one area of public social spending, but only 30% believe that this should be done through contributions involving a large proportion of the population, and 20% believe that the burden should be carried by wealthier households.⁷⁸

Insurance is an essential requirement for access to a number of basic goods such as motor vehicles, housing and credit – goods that enable basic needs to be met (housing, transport, etc.).⁷⁹ Insurance is also a means of long-term investment, particularly in France and Germany.

In addition to these historical dimensions, new expectations on the part of policyholders are emerging in Europe concerning cover for emerging risks. Some of these risks are already being investigated by insurers and the authorities, such as those associated with climate change and cybersecurity. However, the insurance tools needed to address these risks have yet to be invented, as developments in these areas exceed the capacities of the traditional insurance model and require the cooperation of a wider range of actors (which is beginning to be seen in the case of climate issues). The issue of mental health, which is very prevalent in Europe, has not yet been addressed to any great extent by insurers, and the tools for covering these risks are still inadequate. Worse still, mental health problems are sometimes overlooked because of the social stigma attached to them, as is the case in the societies of certain Eastern European countries.

However, these expectations run up against a major paradox: as the rate of contributions and taxes is particularly high in most European countries, and these countries already have a relatively high level of protection, individuals are fairly reluctant to pay even more for protection. Only 30% of Europeans believe that an increase in the budget for public social policies should be paid for through a rise in contributions involving a large proportion of the population.⁸⁰

⁷⁴ https://www.europarl.europa.eu/doceo/document/A-9-2020-0247_FR.html

⁷⁵ <https://www.cairn.info/revue-d-economie-financiere-2017-1-page-119.html>

⁷⁶ <https://politiqueinternationale.com/revue/n166-les-metamorphoses-du-monde-de-lassurance/dossier-special/le-marche-unique-de-lassurance>

⁷⁷ <https://www.insuranceeurope.eu/statistics>

⁷⁸ “European Commission, Fairness, inequality; and intergenerational mobility”, *Special Eurobarometer 529, February 2023*.

⁷⁹ <https://politiqueinternationale.com/revue/n166-les-metamorphoses-du-monde-de-lassurance/dossier-special/la-fonction-sociale-de-lassurance>

⁸⁰ European Commission, “Fairness, Inequality; and Intergenerational Mobility”, *Special Eurobarometer 529, February 2023*.

Country focus – France: The usefulness and viability of the “CatNat” scheme in the face of climate change

The “CatNat” scheme (short for “catastrophes naturelles”, i.e. natural disasters), created in France in 1982 (a similar system exists in Spain),⁸¹ is funded by a compulsory charge on top of all property insurance premiums. This system, which combines private insurance actors and the public authorities, covers material damage caused by natural disasters (natural occurrences classified as “disasters” by ministerial decree on the basis of the abnormal nature of their intensity).⁸² The intervention of the public authorities makes it possible to organise solidarity on a national scale, across territories and populations that are exposed to varying degrees to various

climatic hazards. However, the system is limited by its frequency-based approach to natural disasters. An event is only considered to be abnormal, and thus constitute a natural disaster covered by CatNat, if it occurs every ten years or at even greater intervals, which means that as disasters become more frequent in the future they will cease to be covered by CatNat.⁸³ In addition, the balance of the system is threatened by the scale of claims related to the shrinkage and swelling of clay soils, which raises questions about the classification of such material damages as a natural disaster.⁸⁴

What if, by 2040, a Europe-wide system is created to address damage and loss of property to coastal flooding and erosion?

The problems of marine submersion and erosion are increasing in Europe, and these types of damages are not sufficiently covered by insurance. Several insurance companies consider that marine erosion, which is gradual and can be anticipated, does not fall within the scope of insurable natural disasters.

Today, 10,000 Europeans suffer from coastal flooding every year, and projections, albeit uncertain, suggest that this figure could increase more than fivefold by 2050. Some countries are particularly affected, such as France, the Netherlands and the UK. In France, 1.4 million people are exposed to the risk of coastal submersion, and between 5,000 and 50,000 homes could be destroyed by coastal erosion before the end of the century.⁸⁵

There are now plans, led by several countries including France and Spain, to create by 2040 a system inspired by CatNat on a European scale. This project brings together a wide range of public and private actors: insurers, local authorities, residents' associations, environmental agencies, the construction industry, etc. It proposes a novel system of cover conditional on the implementation of preventive measures designed to reduce exposure and/or vulnerability, in ways that are adapted to local realities: anti-submergence measures, flexible management of the water line, the abandonment of habitable ground floors, new modular and resilient construction methods, and even support for rehousing. Regulations would also allow private sector actors to play a greater role in prevention, such as building flood defences where necessary.

⁸¹ <https://www.argusdelassurance.com/acteurs/cat-nat-en-europe-un-systeme-de-compensation-a-deux-vitesses.113259>

⁸² <https://www.georisques.gouv.fr/minformer-sur-la-prevention-des-risques/la-garantie-cat-nat>

⁸³ https://www.caissedesdepots.fr/sites/default/files/2023-03/Livre%20blanc%20_%20Peut-on%20assurer%20un%20monde%20qui%20s%27effondre%20_r%C3%A9duit.pdf

⁸⁴ <https://www.ccomptes.fr/system/files/2022-02/20220215-sols-argileux-catastrophes-naturelles.pdf>

⁸⁵ Sophie Kloetzli, “En Europe, la France fait partie des pays les plus menacés par la submersion marine”, *Libération*, 31 July 2019. URL: https://www.liberation.fr/planete/2019/07/31/en-europe-la-france-fait-partie-des-pays-les-plus-menaces-par-la-submersion-marine_1741624/

Latin America

1. Weak economic development is undermining efforts to reduce inequalities

Major trends

Latin America accounts for around 8% of the world's population and 6% of global GDP. Over the last 40 years, Latin American countries have made major but uneven progress in economic development. In the 1970s, economic growth rates averaged between 4% and 6% a year. They became more unstable from the 1980s onwards, averaging 2% before the onset of the Covid-19 crisis.⁸⁶

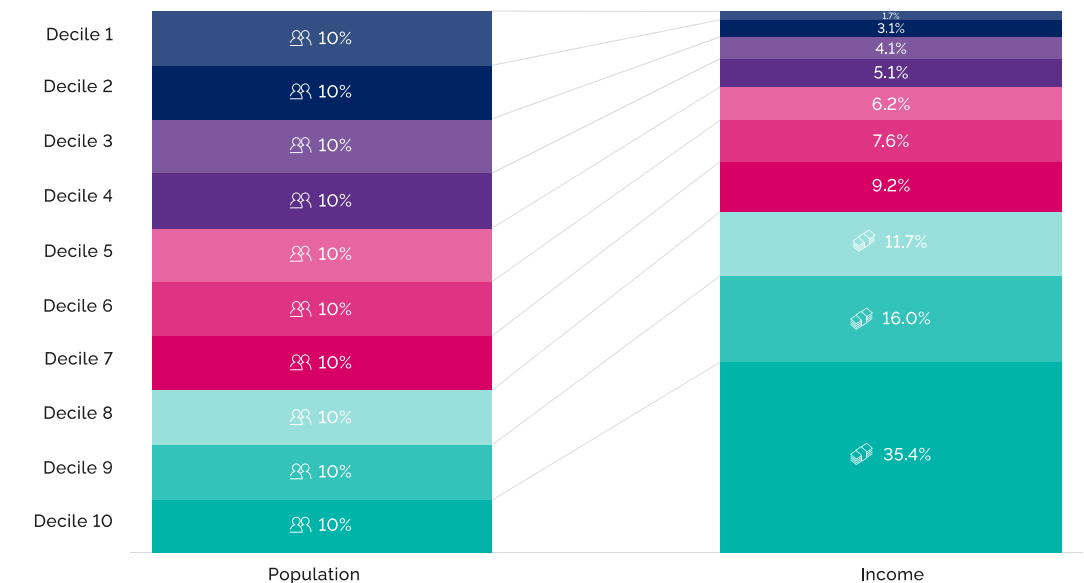
This economic development has enabled them to significantly reduce poverty. The proportion of the population living below the poverty line fell from 15% in 1990 to less than 4% in 2019. Over the same period, the Gini index fell from 0.53 to 0.46,⁸⁷ mainly thanks to a reduction in the proportion of poor people

and the growth of the middle classes. In 30 years, the proportion of the middle classes in the national population has multiplied four-fold in Brazil and Chile and two-fold in Mexico and Colombia. Their growth is the result of the economic development of the countries concerned, which are increasingly part of the globalised economy.

Despite the progress made over the last ten years, Latin America remains one of the most unequal regions in the world. The richest 1% of individuals alone capture around a quarter of the region's total income.⁸⁸ The wealthiest 20% capture more than half of total income.⁸⁹ At the other extreme, the poorest 10% receive just 2% of the total income.

Share of personal income by per capita income deciles (Percentage of total national income)

Latin America (Simple average) 2021



Source: <https://statistics.cepal.org/portal/inequalities/incomes.html?lang-es&indicator=3291>

The relative reduction in inequality in the region is mainly due to improvements in the field of education, and to international aid. However, it continues to be limited by the lack of social protection policies and by tax systems that are too weak to

prevent informal work and tax evasion. Furthermore, the Covid-19 crisis seems to have slowed the fight against all forms of inequality in Latin America, be it socio-economic, gender-based, ethnic, etc.

⁸⁶ <https://donnees.banquemondiale.org/indicateur/NY.GDP.MKTP.KD.ZG?locations=ZJ>

⁸⁷ According to INSEE, the Gini index (or coefficient) is a synthetic indicator of the level of inequality for a given variable and population. It varies between 0 (perfect equality) and 1 (extreme inequality). The higher the Gini index, the greater the inequality.

⁸⁸ World Inequality Database; https://www.genevaassociation.org/sites/default/files/research-topics-document-type/pdf_public/social_inequality_report_web_final.pdf

⁸⁹ Swiss Re, "Reshaping the Social Contract: The Role of Insurance in Reducing Income Inequality", *Sigma*, N° 3, 2022. OECD, *Como va la vida en America Latina*. URL: <https://www.oecd.org/development/como-va-la-vida-en-america-latina-7f6a948f-es.htm>

Outlook to 2040 and impact on people's needs from insurers

Inequality seems to be an endemic problem in Latin America, and unlikely to be reversed in the next 20 years. As part of its 2030 Agenda for Sustainable Development, the United Nations (UN) has identified the reduction of inequality as one of the goals least likely to be achieved by 2030.⁹⁰

In addition to economic inequalities, Latin American societies are showing themselves to be increasingly subject to other types of inequality: between generations, between women and men, between territories, between ethnic groups, etc. Women are more likely than men to live in poverty, and this risk has even increased in recent decades. Women also do twice as much unpaid work and domestic labour as men, and are twice as likely to be neither in education nor employment.

The pervasiveness of these inequalities poses a major risk to the cohesion and development of societies, and to the well-being of individuals. They call for responses that are adapted to the diversity of individual realities and cultural specificities.

These inequalities also pose a challenge to the principle of mutualisation that underpins insurance. They already give rise to a multi-tier system of protection, with a clear separation between individuals who cannot access social protection systems, those who have to make do with public protection systems that are insufficient to meet their needs, and a wealthy minority who can access private services. The risk is that, in the future, private insurance offerings will be increasingly limited to high-income groups.

2. A huge increase in health issues

Major trends

The second challenge facing Latin America concerns the population's state of health and access to healthcare. Most Latin American countries combine the traditional health challenges of developing countries with those experienced in developed countries. Even though the prevalence of infectious diseases is constantly falling, some are still relatively prevalent, such as tuberculosis and malaria.

Non-communicable diseases account for 80% of deaths throughout Latin America. The main diseases diagnosed are cardiovascular disease, chronic respiratory disease, type 2 diabetes, cancer and Alzheimer's disease. Around one adult in four suffers from at least one of these conditions.⁹¹ The number of people diagnosed with type 2 diabetes has tripled in 30 years.⁹² Obesity is also a major problem in the region, affecting one in four adults, which is twice as many as the global average.⁹³ In Argentina, 10% of children under the age of five and 60% of adults (20 percentage points higher than the international average) are overweight. Meanwhile, malnutrition is thought to be responsible for 600,000 deaths a year in Latin America. Brazil is particularly affected by this problem: it is estimated that 15% of households in this country suffer from hunger and almost a third are food insecure⁹⁴ – proportions that have risen sharply in recent years.⁹⁵

Latin America is also faced with the gradual ageing of its population: by 2030, more than one person in eight will be aged 60 or over.⁹⁶

Finally, Latin America is not exempt from the rise in mental illness observed elsewhere (anxiety, depression, etc.) and the use of addictive substances, which increased during the Covid-19 crisis.

Public healthcare systems in Latin America are considered by all international bodies to be inadequate for the challenges facing the region. Public spending on health represents an average of just 3.8% of GDP in the region's countries, compared with an average of almost 9% in OECD countries.⁹⁷ This results in difficulties in accessing healthcare and potentially very high healthcare costs, particularly when private systems are used. The region has an average of 2 doctors per 1,000 inhabitants and the same proportion of hospital beds, which is just over half the average across OECD countries.⁹⁸ At the same time, even when health costs are covered, excess charges alone can represent more than 3% of total household expenditure (in Chile, Ecuador, Peru, etc.).⁹⁹

⁹⁰ <https://www.cepal.org/es/notas/la-agenda-2030-america-latina-caribe-esta-camino-alcanzar-objetivos-desarrollo-sostenible-ano>

⁹¹ <https://iris.paho.org/handle/10665.2/56471>

⁹² <https://www.paho.org/es/noticias/11-11-2022-numero-personas-con-diabetes-americanas-se-ha-triplicado-tres-decadas-segun>

⁹³ <https://news.un.org/es/story/2019/11/1465321>

⁹⁴ Food insecurity is defined by the FAO as lacking "regular access to enough safe and nutritious food for normal growth and development and an active and healthy life". Source: <https://www.fao.org/hunger/en/>

⁹⁵ https://www.lemonde.fr/economie/article/2022/06/09/le-bresil-confronte-au-retour-de-la-faim_6129499_3234.html

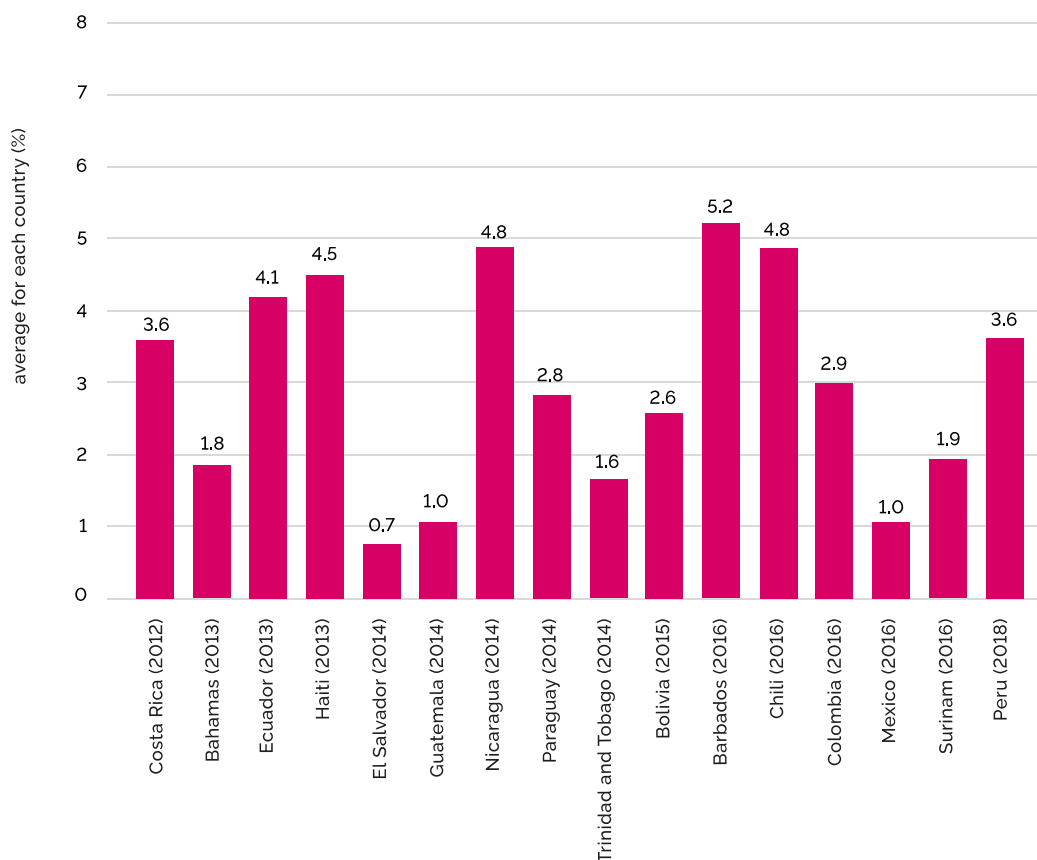
⁹⁶ <https://mexico.un.org/es/212598-envejecimiento-en-am%C3%A9rica-latina-y-el-caribe-inclusi%C3%B3n-y-derechos-de-las-personas-mayores>

⁹⁷ <https://www.oecd.org/fr/sante/les-depenses-de-sante-devraient-depasser-la-croissance-du-pib-a-l-horizon-2030.htm>

⁹⁸ <https://www.bancomundial.org/es/news/press-release/2020/06/16/latin-america-caribbean-health-emergency-covid-19>

⁹⁹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8489847/>

Excess charges for health insurance as a proportion of household expenditure in different Latin American countries



Source: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8489847/>

Outlook to 2040 and impact on people's needs from insurers

In the future, Latin America could continue to see the coexistence of long-standing health issues and more recent, but fast-growing ones. According to the Food and Agriculture Organization of the United Nations (FAO), almost 10% of the population in this region could suffer from hunger by 2030.¹⁰⁰ By that date, a quarter of Argentinian and Mexican children aged between 5 and 9 may be obese.¹⁰¹ Furthermore, by 2040,

more than 100 million people (one person in seven) will be suffering from type 2 diabetes.¹⁰²

By 2040, there is likely to be increasing tension in Latin American populations between a severe need for access to healthcare and the overall lack of public funding.

¹⁰⁰ <https://www.telam.com.ar/notas/202007/488901-la-fao-advierte-que-en-2030-habra-67-millones-de-personas-con-hambre-en-america-latina.html>

¹⁰¹ <https://es.statista.com/grafico/24340/numero-previsto-de-ninos-de-5-a-19-anos-con-obesidad/>

¹⁰² <https://www.paho.org/es/noticias/11-11-2022-numero-personas-con-diabetes-americanas-se-ha-triplicado-tres-decadas-segun>

Expert analysis: Christophe Ventura, Director of Research at the French Institute for International and Strategic Affairs (IRIS), specialising in Latin America

Chile's health and social protection system

Chile's health and social protection system is often described as one of the best in Latin America in terms of quality, access, coverage, offerings and services.

Built in the 1980s, this unique system inspired a number of liberal reforms in other countries in the region, such as Colombia, Peru and Argentina, before the system was renationalised at the end of the 2000s.

The Chilean system is defined as a "mixed system", combining public and private actors (care, medical services, insurance), "contributory" funding based on contributions by beneficiaries, and "non-contributory" funding based on state benefits and indirect taxation.

The system involves contributions from beneficiaries, but only employees contribute, while employers are exempt from charges.

In theory, members of the system (whose contributions are calculated at a rate of 7% of their taxable income) can choose to participate in one of two parallel social protection systems:

A **public system**, the National Health Fund (FONASA), one-third of which is financed by workers' contributions and the remainder by the state and municipalities. FONASA has a theoretical obligation to cover vulnerable and poor populations.

A **private system** made up of Provident Health Institutions (ISAPRE), which are funded by the same employee contributions. This system is complemented by a network of private health operators (hospitals, clinics, specialists) who treat the beneficiaries of both the private and public systems (and who are thus also financed by the public system).

If the beneficiary chooses the public FONASA system (which is the case for nearly 80% of the population, whose income does not allow them to afford the rates charged by the private system), they have access to a basket of public or private services at an additional cost. The "public basket" includes a comprehensive basic package, but its scope is smaller than that of the private package (level of reimbursement, financial cover, type of treatment and healthcare providers, etc.). Chronic underfunding in recent years has led to a deterioration in the infrastructure and services offered.

If the beneficiary chooses the ISAPRE system, their health contract (setting out the definition and choice of risks covered) will be renewed every year in order to adjust prices according to their age, health risks and gender. Members of the private system spend an average of 10% of their taxable income on the health plans of their choice.

The Chilean pension system is based on individual and private capitalisation, with the worker's compulsory contribution (10% of income) as the basis for funding. The private portion is managed by pension fund administrators, who invest the funds on the financial markets.

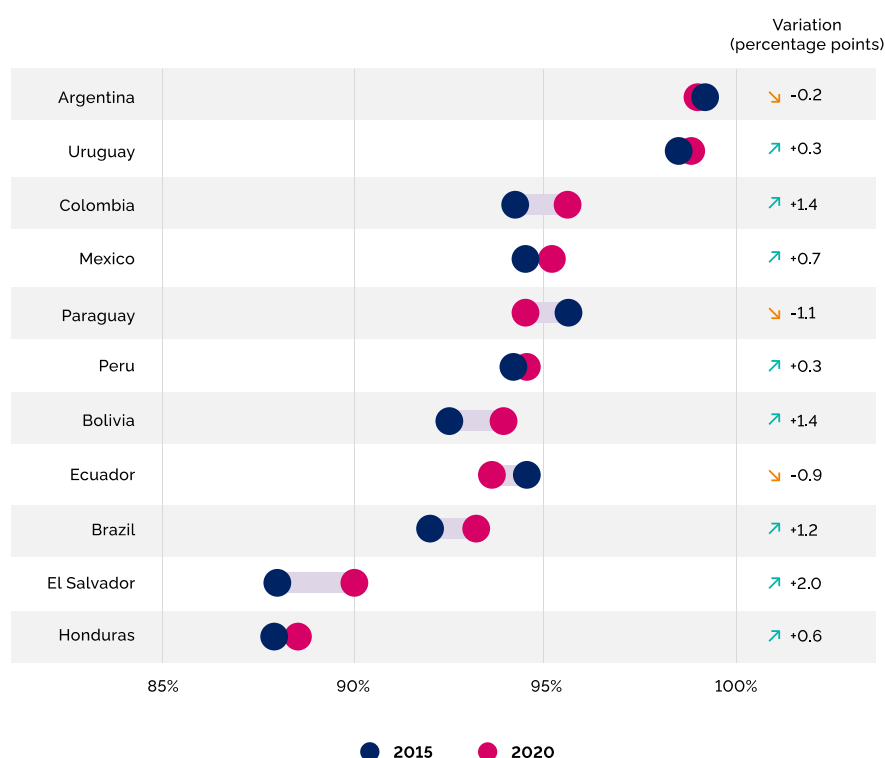
3. Education: A silent crisis

Major trends

Over the last 20 years, the proportion of the Latin American population with secondary education has risen from a third to almost half, and almost one in five people has gone on to higher education (an increase of 7 points in 20 years). Nevertheless, the region's overall level of education remains low, leading the

Economic Commission for Latin America and the Caribbean (ECLAC) to speak of a "silent crisis" in education.¹⁰³ It is estimated that half of all primary school leavers are unable to read and understand a simple text,¹⁰⁴ and pupil attainment has deteriorated further in the wake of the Covid-19 crisis.¹⁰⁵

Proportion of adults (aged 15 and over) who can read and write, in 2015 and 2020



Source: <https://es.statista.com/grafico/28177/tasa-de-alfabetizacion-de-adultos-en-america-latina/>

One of the major causes of this low level of education is the lack of investment in education: on average, Latin American countries devote just over 4% of their GDP to education, a proportion that varies across the region from 1% (Venezuela, Haiti, etc.) to over 5% (Argentina, Brazil, Chile, etc.).¹⁰⁶ One of the main consequences of low levels of education is the lack of qualifications among the adult population, which is reflected in a number of ways:

- Although it has fallen slightly, informal work still concerns almost six out of ten workers.

- According to the World Bank, between the ages of 15 and 25, one young person in five (or 20 million people) is neither in training nor in employment (the NEET phenomenon – "not in education, employment or training").¹⁰⁷ Two-thirds of these people are women, almost all from disadvantaged social backgrounds, and very often already mothers.
- Labour productivity is historically low, and has risen only slightly over the last 30 years.¹⁰⁸

¹⁰³ <https://repositorio.cepal.org/handle/11362/48518>

¹⁰⁴ <https://elpais.com/america/termometro-social/2022-04-26/latinoamerica-vive-la-crisis-educativa-mas-grave-de-los-ultimos-100-anos.html>

¹⁰⁵ <https://openknowledge.worldbank.org/handle/10986/35276?locale-attribute=es>

¹⁰⁶ <https://datos.bancomundial.org/indicador/SE.XPD.TOTL.GD.ZS?locations=ZJ>

¹⁰⁷ <https://www.bancomundial.org/es/news/feature/2016/01/20/20-millones-de-jovenes-latinos-ni-estudian-ni-trabajan>

¹⁰⁸ <https://www.bancomundial.org/es/news/press-release/2021/04/26/mejorar-la-productividad-clave-para-desatar-el-crecimiento-sostenible-en-america-central>

Outlook to 2040 and impact on people's needs from insurers

The educational shortcomings of the Latin American population are a major brake on the region's development, which can only be overcome with massive investment. However, given the inertia inherent in this area, it will be difficult to overcome these shortcomings in the next 15-20 years, since the children being educated today will be the citizens and consumers of 2040.

There is therefore a risk of a growing tension between the low levels of education in these societies and, on the other hand, the increasing complexity and modernity of those same societies, which would in turn increase demands for highly educated workers and lead to the omnipresence of digital technologies.

As a result, many people will find themselves very vulnerable in their daily lives: particularly single mothers and insecure and informal workers, but also elderly people with little education.

The need for protection is considerable. For insurers, this situation is likely to result in a two-tier market: with one group making considerable demands on the services on offer, and another group that is generally poorly informed and has difficulty in finding out about and understanding documents such as insurance policies.

4. Some populations and territories are exceptionally exposed to climate change

Major trends

According to the UN, Latin America is already one of the regions most affected by the impacts of climate change and extreme weather events.¹⁰⁹ Currently, 13 of the 50 countries considered by the OECD to be the most vulnerable to climate change are in Latin America.¹¹⁰ Yet the region is responsible for only 8% of global greenhouse gas emissions.

Many different impacts of climate change have already been observed: rising temperatures, reduced rainfall, fires, rising sea levels, cyclones, etc.¹¹¹ They are already causing annual costs equivalent to 1% of the region's GDP, and even 2% in some Central American countries.¹¹² They are also directly affecting at least 8 million people. Over the past 25 years, the impacts of climate change have been responsible for more than 310,000 deaths and have affected nearly 300 million people.¹¹³

According to the UN, the region suffers from an underdevelopment of early warning systems to anticipate such events and prepare populations.

The challenge in this area lies in the ability of public and private actors to invest in measures to adapt to the impacts of climate and environmental change.

However, the immaturity of these countries' tax systems means that they are unable to mobilise the funds needed to finance adaptation measures. To compensate for this lack of resources, more and more Latin American countries are banking on the potential of "green" investments.¹¹⁴ They are increasingly issuing "green, social, sustainability and sustainability-linked bonds" (GSSS). These bonds enable governments to borrow money to finance projects that contribute to the ecological transition. While almost no GSSS bonds were issued in 2015, in 2021 new bonds were issued with a value of almost US\$41,000 million.

¹⁰⁹ <https://news.un.org/es/story/2021/08/1495582>

¹¹⁰ <https://www.oecd-ilibrary.org/sites/f2f0c189-es/index.html?itemId=/content/publication/f2f0c189-es>

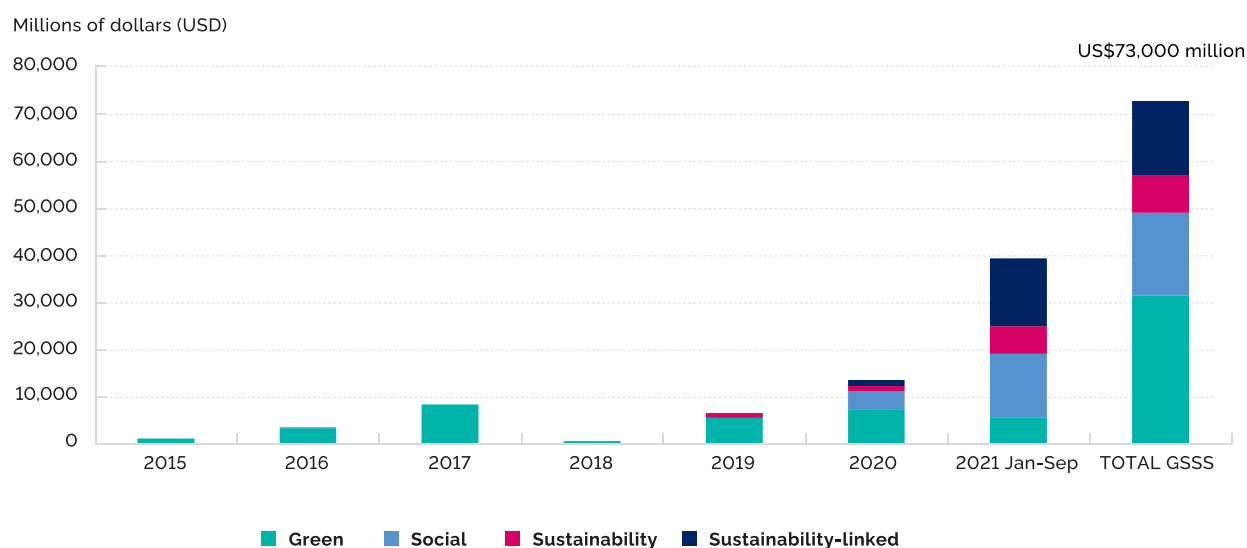
¹¹¹ <https://news.un.org/es/story/2021/08/1495582>

¹¹² <https://www.bancomundial.org/es/news/press-release/2022/09/13/banco-mundial-accion-climatica-urgente-america-latina-caribe-acelerar-transicion-bajas-emisiones-de-carbono>

¹¹³ <https://news.un.org/es/story/2021/08/1495582>

¹¹⁴ <https://blogs.worldbank.org/ppps/latin-american-green-bonds-are-resurging>

Total issuance of GSSS bonds on international markets by type of instrument



Source: <https://www.cepal.org/es/publicaciones/48426-perspectivas-economicas-america-latina-2022-transicion-verde-justa>

The main issuers of GSSS bonds in Latin America are the Banco de Desarrollo de América latina and the Banco centroamericano de integración económica (BCIE). Insurers

currently account for only around 1% of all green bonds issued worldwide, but they are increasingly present in this market.¹¹⁵

Outlook to 2040 and impact on people's needs from insurers

According to the World Bank, nearly 6 million Latin Americans could fall into extreme poverty as a result of climate change by 2030, and more than 17 million people could be forced to abandon their homes by 2050. More than a quarter of the population lives in coastal areas, and between 6% and 8% of the population face a high or very high risk of climate change impacts on their living environment (rising sea levels, erosion, etc.).¹¹⁶ A 1.5°C rise in temperature would increase the number of people exposed to flooding by between 100% and 400%.¹¹⁷ As a result, climate-related migration could also increase substantially, particularly in Central America.

Climate change will also lead to a reduction in agricultural yields, particularly for maize, soya and rice, which are the mainstay of people's diets. This could jeopardise access to food for millions of people.

Climate change is therefore a major challenge for Latin American societies, as it will exacerbate the inequalities and vulnerabilities that already exist. The complexity of climate change lies in the fact that it will result in both occasional, unpredictable crises (extreme weather events) and more gradual but inexorable transformations (rising sea levels, water stress, etc.). It will require unprecedented financial resources, which most of the countries in the region will struggle to afford.

In this context, the strategies of insurers will be just as complex: will they choose to expand their range of products and services to protect the most vulnerable populations, even if this means they are not profitable? Could they be compelled by public authorities to protect certain populations? Or will they refocus their offerings on the risks they consider most insurable?

¹¹⁵ <https://www.ostrum.com/en/news-insights/news/transition-net-zero-carbon-economy-how-insurers-contribute-green-finance>

¹¹⁶ <https://storymaps.arcgis.com/stories/b9e1619f4897444babf79b21907b7910>

¹¹⁷ <https://theconversation.com/los-impactos-del-cambio-climatico-en-america-central-y-del-sur-178089>

5. Societies suffering from a lack of trust

Major trends

Latin American countries have a very low level of social capital, characterised by a high level of mistrust of others and of the tax system, a feeling that living standards are falling, and a perception that there is a high and growing level of corruption. Over the last ten years or so there has been a significant decline in people's trust in politicians and, more generally, in democracy. Less than a third of citizens say they trust their government, compared with half of adults in the OECD area.¹¹⁸

This crisis of trust affects all domains, including scientific and even religious institutions, even though the latter have historically been major sources of order in the region. In Chile, the proportion of adults who say they trust the Catholic Church

has fallen by 40 points to around 30%. In Latin American societies there has historically been a large prevalence of authoritarian institutions, which subject individuals to their decisions while acting with impunity and harbouring corruption. Some institutions (such as the judiciary, political parties and the police), who should in principle reinforce the legitimacy of the public authorities, contribute on the contrary to increasing mistrust because they are seen as unreliable or even corrupt. Consequently, in international surveys, Latin American citizens are the most likely to declare that they do not respect certain rules of life in society (such as paying their taxes or fares on public transport) and to claim government benefits to which they are not entitled.

Country focus – Colombia: A culture of mistrust¹¹⁹

Colombia is one of the five countries in the world with the highest levels of mistrust, both towards others and towards institutions. Only 4% of Colombians say they trust others. The level of trust in institutions is also very low, which makes it difficult for the state to collect taxes: public authorities are perceived as being mostly corrupt, and citizens feel that they can expect nothing from them.

In Latin America, only 10% of adults consider that they can trust others, a proportion that has halved over the last 30 years, and which is four times lower than the worldwide average.

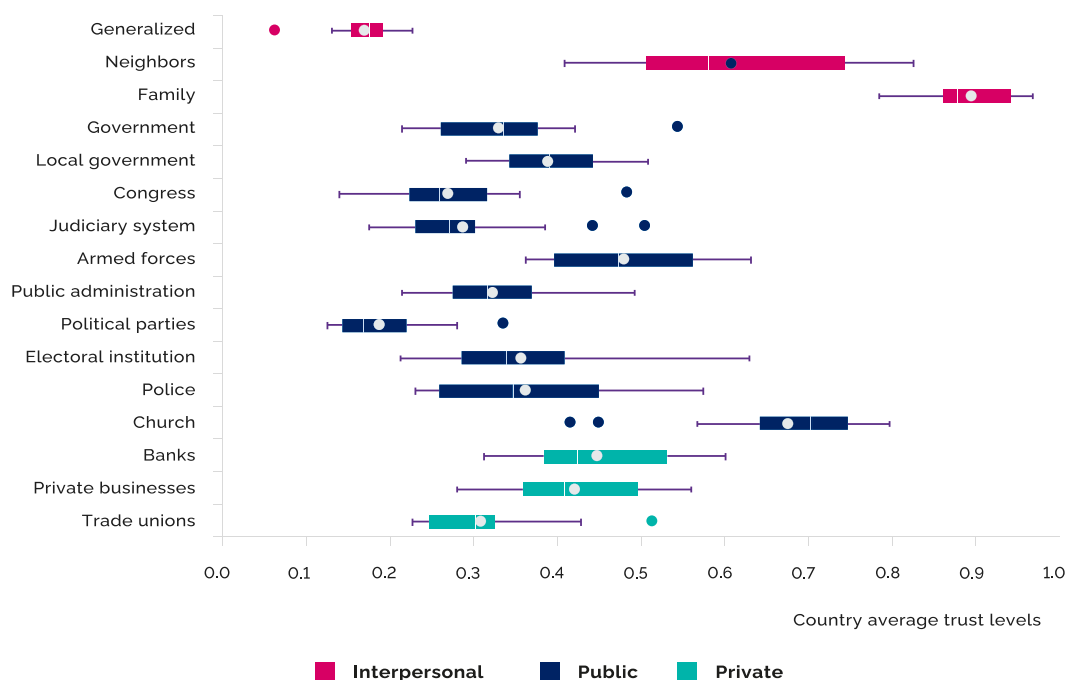
This widespread lack of trust also affects businesses, and is having a negative impact on investment and the entrepreneurial freedom of the private sector. According to the Inter-American Development Bank (IDB), the corollary of

societal mistrust is much more stringent and restrictive regulation for businesses. This mistrust of institutions is a major challenge for Latin American societies, both because it limits their legitimacy and room for manoeuvre, and because it threatens their cohesion. According to the IDB, societies with a high level of mistrust have lower average rates of economic growth than others (particularly compared with Asian countries).

¹¹⁸ <https://www.worldvaluessurvey.org/wvs.jsp>; <https://publications.iadb.org/es/confianza-la-clave-de-la-cohesion-social-y-el-crecimiento-en-america-latina-y-el-caribe-resumen>

¹¹⁹ <https://www.worldvaluessurvey.org/wvs.jsp>; <https://publications.iadb.org/es/confianza-la-clave-de-la-cohesion-social-y-el-crecimiento-en-america-latina-y-el-caribe-resumen>; <https://contrial.co/barcas4/>; <https://mascolombia.com/en-latinoamerica-la-desconfianza-afecta-el-crecimiento-economico>

Trust Levels by Type of Institution and Business



Source: <https://publications.iadb.org/es/confianza-la-clave-de-la-cohesion-social-y-el-crecimiento-en-america-latina-y-el-caribe-resumen>

Outlook to 2040 and impact on people's needs from insurers

The culture of mistrust among Latin American citizens has, and will continue to have two major impacts on insurers:

- Mistrust undermines the principles of mutualisation and risk pooling.** According to a survey carried out in the region, people who claim to have a low level of trust in institutions also say they are in favour of lowering taxes currently allocated to public spending on education, therefore leaving households to shoulder these costs themselves. It therefore follows that many Latin American citizens are likely to question the very principle of certain types of insurance, and to prefer the use of individual or community savings to deal with certain risks.
- People who take out insurance will be increasingly demanding.** This will apply to the transparency of offerings, communication and claims management.

With the exception of Puerto Rico (16%), insurance penetration rates are very low in Latin American countries, ranging between 1% and 3.6%, whereas it is close to 10% in European countries.¹²⁰

The main markets for insurers in Latin America are Brazil, Mexico, Puerto Rico, Argentina and Chile.

One of the unusual features of the region is the high level of group life insurance, mainly taken out by companies for their employees.

In the future, the ability of public institutions to strengthen their legitimacy while addressing multiple collective challenges will be crucial. Meanwhile, insurers will have to redouble their efforts in these countries.

¹²⁰ <https://stats.oecd.org/Index.aspx?QueryId=25444&Lang=fr>; Source: Mafpre, Economics Mercado America latina 2021.

What if, by 2040, several Latin American states went bankrupt and could no longer provide a social protection system for their inhabitants?

According to the IDB, the amount of debt owed by Latin American countries has almost doubled in 15 years. It now represents 117% of the region's GDP.¹²¹ In particular, debt increased substantially during the Covid-19 crisis and has been exacerbated by rising interest rates since 2022. In addition, several countries in the region are facing social crises, with populations bearing the full brunt of the impact of the Covid-19 crisis and inflation.

If significant measures are not taken, several countries could find themselves in a situation of near-bankruptcy in the future. The countries most exposed to this risk are Venezuela (where debt has reached 300% of GDP), El Salvador, Honduras, and possibly Argentina and Bolivia. These countries would no longer be able to cover their current level of expenditure or finance their social protection systems.

These financial difficulties are likely to be combined with a growing lack of confidence in social protection systems and a refusal to pay contributions. Individuals would increasingly turn to informal, local and/or private mutualisation systems. This situation would have dramatic consequences for populations and would call for the involvement of many actors, especially international organisations and insurers.

¹²¹ <https://www.iadb.org/fr/infos/une-etude-de-la-bid-fait-des-recommandations-aux-pays-pour-la-reduction-de-la-dette>

Africa

1. The development of social protection systems is being hampered by immature tax systems

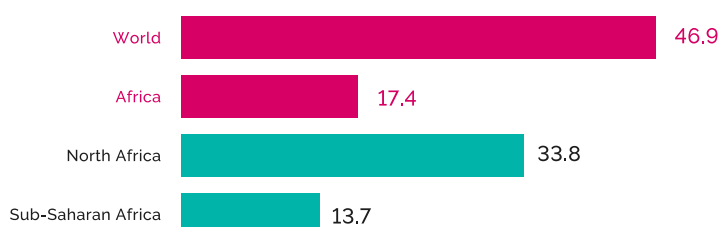
Major trends

There is a low level of coverage in Africa in terms of the number of people insured by each scheme, the number of risks and contingencies covered, and the adequacy of benefits for meeting the needs of the population.¹²²

The average rate of effective social coverage across Africa remains low (17.4%), although levels of coverage vary widely

between sub-regions. Contributions also remain low overall, accounting for less than 10% of tax revenues and less than 2% of the continent's GDP. The differences between countries in spending on social protection systems reflect the inequalities in development across the continent.

Proportion of the total population covered by at least one social protection scheme (effective cover), 2020



Source: https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/documents/publication/wcms_828410.pdf

This low level of coverage prevents populations from benefiting from the added value that social protection would provide for their development, such as its potential to reduce poverty and vulnerability, formalise informal workers and eliminate forced labour and child labour.¹²³ In the absence of effective cover, 11 million Africans fall into poverty every year because of healthcare costs.¹²⁴

The weakness of these systems is largely a consequence of the fragility of the tax systems in these countries, since a robust tax system is a prerequisite for the development of both public and private social protection systems.¹²⁵ The existence of substantial, long-term tax revenues enables governments to guarantee the funding of certain services that are essential to economic and social development. This need for dependable revenue is not satisfied by taxes from the exploitation of natural resources, since these are too volatile. The preponderance of the agricultural sector, the size of the informal sector and the opacity of tax systems in the region are major obstacles to the maturity and full effectiveness of African tax systems.¹²⁶

Nevertheless, there have been real improvements over the last ten years. The growth in fiscal resources in Africa has been among the highest in the world. As a result of fiscal reforms supported by international financial institutions, tax revenue as a percentage of GDP increased in 25 African countries between 2010 and 2020, although it decreased in 6 other countries.¹²⁷ These reforms have mainly concerned VAT and personal income tax:¹²⁸ between 2010 and 2020, the level of personal income tax increased significantly both as a proportion of GDP and as a proportion of total taxation, becoming higher than the level of business tax as a proportion of GDP.

Although there are some encouraging prospects for increasing tax revenues and financing protection systems, the political instability and debt burden of many African states are major factors limiting their ability to allocate resources to health and social infrastructure. In December 2022, 22 countries in the region had a high risk of external debt distress or were already in a situation of debt distress.¹²⁹

¹²² <https://www.issa.int/fr/analysis/extending-and-maintaining-social-security-coverage-africa>

¹²³ https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/documents/publication/wcms_828410.pdf

¹²⁴ <https://www.scidev.net/afrique-sub-saharienne/opinions/pour-une-couverture-sanitaire-universelle-pour-tous-en-afrique/#:~:text=r%C3%A9duire%20ces%20in%C3%A9galit%C3%A9s,-,C'est%20le%20seul%20moyen%20d'offrir%20%C3%A0%20tous%20les,de%20vie%20d'un%20enfant>

¹²⁵ <https://hal.science/hal-03098710/document>

¹²⁶ https://archive.uneca.org/sites/default/files/PublicationFiles/era2019_french-20190501_rev_23may.pdf

¹²⁷ <https://www.oecd.org/fr/fiscalite/politiques-fiscales/brochure-statistiques-des-recettes-publiques-afrique.pdf>

¹²⁸ <https://www.oecd.org/fr/fiscalite/politiques-fiscales/brochure-statistiques-des-recettes-publiques-afrique.pdf>

¹²⁹ <https://www.banquemondiale.org/fr/news/press-release/2023/04/05/afriques-growth-remains-low-region-looks-to-tap-resource-wealth-for-sustainable-development-and-transition-to-low-carbon>

Outlook to 2040 and impact on people's needs from insurers

The low level of coverage of African populations represents a major challenge for the future. By 2040, the increase in the proportion of both young people and elderly people in populations will mean that there will be a significant need for social protection. Today, less than 10% of Africa's working-age population contributes to a pension scheme. Over the next 30 years, pension contributions could double or even triple if protection systems develop, supported by mature tax systems.

The issue of tax collection will remain complex. Over and above the obstacles mentioned above, climate change will exacerbate tensions over food and access to water, and will very probably exacerbate the risk of geopolitical destabilisation of entire sub-regions.

The development of social security mechanisms could be a starting point and encourage the emergence of an insurance sector that supports the public authorities in their mission to provide protection in a context of emerging needs.

2. Problems in access to education and entry into the workforce for a young and growing population

Major trends

Africa's youth is a major asset for the continent. Around 62% of the population is under 25, compared with 44% in developing countries and 27% in developed countries.¹³⁰ This demographic specificity of Africa represents a major economic potential, but also poses a challenge in terms of education and the integration of young people into the workforce.

In recent decades, access to basic education has grown rapidly, but remains lower than in other regions of the world. Between 2000 and 2019, for example, the proportion of primary school-age children out of school was halved, from 35% to 17%.¹³¹ In 2019, there will be around 105 million out-of-school children of primary and secondary school age in Africa, which amounts to 41% of the worldwide total.¹³² As for secondary education, only 41% of children in a cohort complete lower secondary education, and only 23% complete upper secondary education.¹³³ The number of children excluded from the education system or leaving it prematurely remains high.

A complex, multi-factorial problem of under-education

Above all, the problem of under-education is the result of a massive shortfall in the necessary public investment. African countries now devote an average of just 4% of their GDP to education, whereas, according to UNESCO, at least 6% is needed.¹³⁴ The lack of appropriate facilities close to the population (particularly in rural areas), the lack of competent staff and overcrowded classrooms are all challenges that make access to basic education more difficult.¹³⁵

Under-education is strongly linked to the economic context and the political and institutional instability of states. These contexts favour the development of the informal sector on the continent, which accounts for more than 80% of jobs, according to the ILO.¹³⁶ One of the problems in this sector is the extent of child labour, which is sometimes seen as an essential additional source of income for households. The ILO estimates that around 168 million children work in Africa, a figure that remains high despite a 30% reduction in 20 years. Of these, 59 million are involved in hazardous work.¹³⁷

Cultural practices are also important factors in understanding this issue. The Beninese practice of "vidomègon" is a particularly good example: poor parents place their children with wealthy families, in the hope that they will be educated. However, this practice, which has been widely abused since the 1990s, is more akin to forced labour in the majority of cases. The UN Humanitarian Emergency Fund for Children (UNICEF) estimates that around 200,000 children, mainly girls, are affected by similar practices in West Africa.¹³⁸

In addition to the huge problem of access to primary and secondary education, there is a mismatch between the small proportion of workers with higher education qualifications and the needs of the job market. As a result, the proportion of young people not in education, employment or training (NEETs) is particularly high.¹³⁹ This situation affects one in five young Africans (between 15 and 24 years of age).¹⁴⁰

¹³⁰ <https://www.vie-publique.fr/parole-dexpert/269994-croissance-demographique-de-lafrique>

¹³¹ <https://fr.statista.com/infographie/27647/nombre-moyen-annees-enseignement-sui-vi-dans-les-pays-afrique-evolution-depuis-1990/#:~:text=Significant%20progress%C3%A8s%20in%20mati%C3%A8re,as%20reported%20by%20UNICEF.>

¹³² <https://www.unicef.org/media/106911/file/Africa%20Education%20Report%20Summary%20FR%20.pdf> consulted on 11/04/2023

¹³³ *Ibid.*

¹³⁴ <https://unesdoc.unesco.org/ark:/48223/pf0000381101>

¹³⁵ <https://news.un.org/fr/story/2012/05/246612>

¹³⁶ https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_627201/lang--fr/index.htm#:~:text=En%20Africa%2C%2085%2C8%20for,Europe%20and%20in%20Asia%20central

¹³⁷ <https://www.ilo.org/ipec/Regionsandcountries/Africa/lang--fr/index.htm>

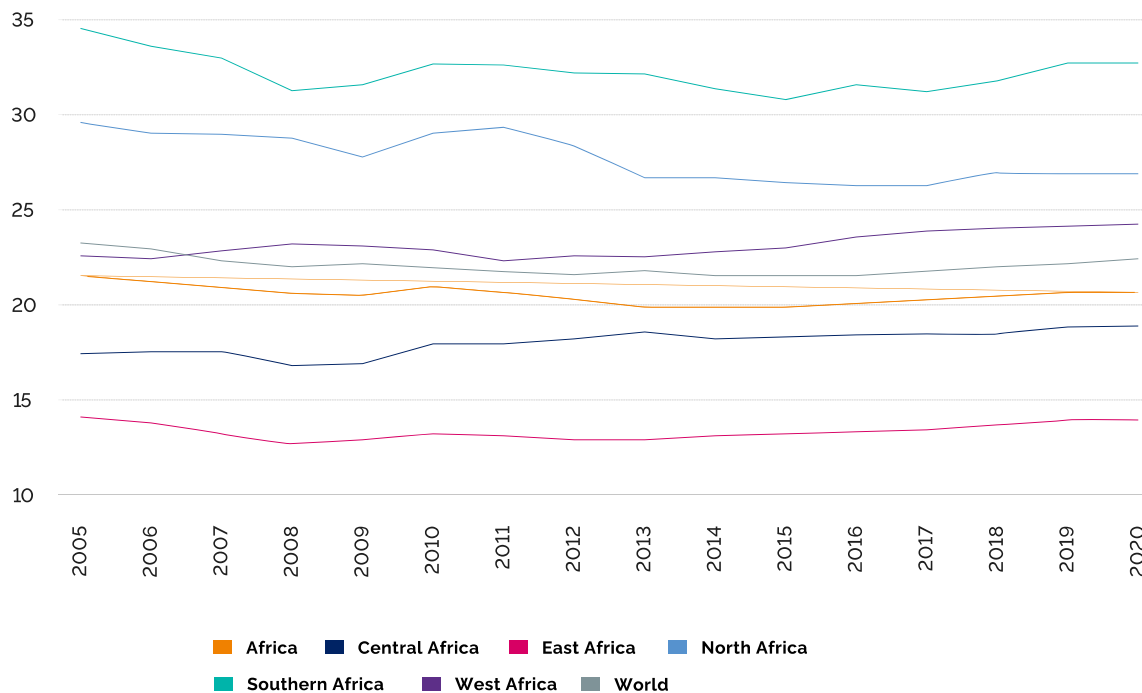
¹³⁸ https://www.lemonde.fr/afrique/article/2021/08/13/benin-le-travail-des-enfants-places-entre-tradition-et-exploitation_6091377_3212.html

¹³⁹ https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/documents/publication/wcms_761156.pdf

¹⁴⁰ <https://unesdoc.unesco.org/ark:/48223/pf0000384481>

¹⁴⁰ https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/documents/publication/wcms_761156.pdf

Rates of young people not in education, employment or training (NEET) in the world, and by African sub-region



Source: https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/documents/publication/wcms_761156.pdf

In 2020, Africa had 53.5 million young people classified as NEETs, or 20.7% of the relevant population, a rate slightly below the global average, but which obscures major disparities between sub-regions.

This indicator casts light on the problem of entry into the workforce for young people. It includes some unemployed people, while also addressing the issue of education. This is why this indicator has come to replace the use of the unemployment rate in assessing progress towards sustainable development objectives related to decent work. According to estimates by the International Labour Organization there will be 12.4 million

unemployed young people in Africa in 2020, i.e. four times fewer than the number of young NEETs.

There are several reasons for the poor development of the unemployment insurance system. The size of the informal sector creates a risk of individuals receiving unemployment benefits while also receiving remuneration linked to undeclared employment. It is difficult to keep track of who is working, who is unemployed, and how much each person should receive in benefits. Furthermore, the weakness of administrative and fiscal institutions means that such a system cannot be set up on a sustainable basis.

Outlook to 2040 and impact on people's needs from insurers

By 2050, half the population of Africa will be under 15, and a third of the world's children will live in Sub-Saharan Africa. According to some projections, by this date the continent will be home to 25% of the world's workforce.

Although there are already large numbers of young Africans outside the formal labour market – either unemployed or engaged in informal work – in the future their numbers could double or even triple. Welcoming millions of new entrants to the labour market represents a major challenge for African

countries. This could increase the risk of unemployment and precarious work, while slowing down the region's economic development.

Addressing the issues of under-education and informal and vulnerable work will be essential for responding to the changing demographic situation. To achieve this, robust insurance mechanisms will need to be developed to protect workers who are particularly vulnerable to accidents or illness.

3. Rapid urbanisation is producing serious social and environmental consequences

Major trends

Africa is the most rural continent in the world, but is undergoing rapid urbanisation. Over the last 30 years, the number of cities on the continent has doubled, and the urban population has increased by 500 million people.¹⁴¹ Today, almost half of the continent's inhabitants are urban (40% in Sub-Saharan Africa), three times more than 60 years ago.¹⁴² There are 52 African cities that contain more than one million inhabitants.¹⁴³ This urbanisation is increasingly taking place in the context of metropolises, whose extremely rapid growth has been accompanied by a lack of infrastructure, or the existence of undersized or even inappropriate infrastructure.

This urban development is being accomplished by means of a variety of interlocking approaches: the construction of large private projects (such as Eko Atlantic City in Lagos), government social housing programmes that often fail to live up to their professed social objectives, and above all the informal city, built on the outskirts by residents themselves. In these informal cities, in the absence of infrastructure and public networks, neighbourhood-based approaches dominate, often giving rise to higher costs for accessing basic services, compared with the situation in formally organised neighbourhoods.¹⁴⁴

There is a spectrum of such informal cities, ranging from makeshift shelters made of salvaged materials to concrete constructions. The main issue for these neighbourhoods is their degree of recognition by the public authorities. This often begins with the mapping of these unplanned spaces, before the public authorities gradually undertake the upgrading of these neighbourhoods through the installation of public services and the renovation and amalgamation of buildings. This process has taken place, for example, in certain townships close to cities in South Africa.¹⁴⁵

According to the World Bank, half of the urban population of Sub-Saharan Africa was living in a shanty town in 2020, a proportion that is now falling (it was 65% in 2002).¹⁴⁶ The prevalence of informal housing can be explained by the gap between the rate of urbanisation and available incomes. When the North Africa/Middle East region reached a 40% urbanisation rate in 1968, GDP per capita was US\$1,800 (adjusted to the value of USD in 2005). When the East Asia/Pacific region crossed this threshold in 1995, GDP per capita was US\$3,600. In Sub-Saharan Africa, GDP per capita was only around US\$1,000 in 2017.¹⁴⁷

¹⁴¹ <https://www.afdb.org/fr/documents/dynamiques-de-lurbanisation-en-afrique-2022-le-rayonnement-economique-des-villes-africaines>

¹⁴² <https://donnees.banquemondiale.org/indicateur/SP.URB.TOTL.IN.ZS?locations=ZG> ; https://www.lemonde.fr/afrique/article/2021/12/02/les-villes-d-afrique-face-a-leur-avenir_6104456_3212.html

¹⁴³ <https://www.cairn.info/revue-population-et-avenir-2018-4-page-14.htm>

¹⁴⁴ <https://www.futuribles.com/effets-de-la-mondialisation-et-inegalites-vus-depu/>

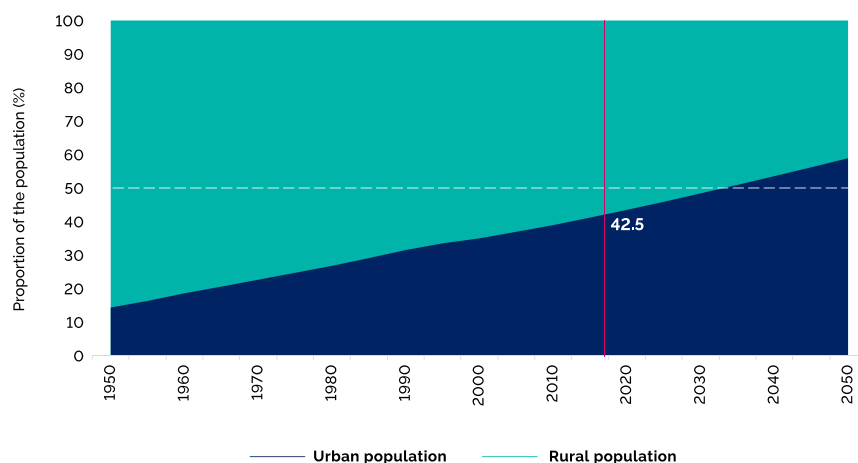
¹⁴⁵ <https://ecarts-identite.org/Bidonvilles-et-townships-en-Afrique-du-Sud>

¹⁴⁶ The World Bank defines a slum household as "a group of individuals living under the same roof lacking one or more of the following conditions: access to improved water, access to improved sanitation, sufficient living area, housing durability, and security of tenure". Source:

<https://donnees.banquemondiale.org/indicateur/EN.POP.SLUM.UR.ZS?locations=ZF-ZQ>

¹⁴⁷ <https://www.banquemondiale.org/fr/news/press-release/2017/02/09/world-bank-report-improving-conditions-for-people-and-businesses-in-africas-cities-is-key-to-growth>

Urban and rural populations as a proportion of the total population in Africa, 1950-2050



Source: <https://population.un.org/wup/publications/Files/WUP2018-Highlights.pdf>

One of the main impacts of this rapid urbanisation is the increased risk of congestion in African metropolises, which is leading to a large increase in the number of road accidents. The average mortality rate is estimated at 27.5 per 100,000 inhabitants, more than three times higher than in high-income countries.¹⁴⁸ Road accidents are also the leading cause of death among children and young adults aged between 5 and 29.

Urbanisation is increasing the number of vehicles on the road, particularly individual motorised vehicles. In some countries, the proportion of motorised vehicles increased by 250% or more between 2005 and 2015.¹⁴⁹ This is leading to an increase in emissions of greenhouse gases, fine particulates and harmful air pollutants such as nitrogen dioxide and carbon monoxide.¹⁵⁰

Air pollution has a harmful impact on people's health and the environment.

The challenges of urbanisation are compounded by the impact of climate disruption, particularly owing to the location of cities, which may make them particularly vulnerable to flooding, coastal erosion, heatwaves, water-borne diseases, etc.¹⁵¹ At present, 79 African capitals are deemed by the UN and Verisk Maplecroft to be "at extreme risk" from climate change. African cities seem to be more exposed than those on other continents to damage to infrastructure and property, epidemics, and more indirect impacts such as civil unrest, an increase in crime, and an acceleration of the rural exodus, which could lead to rural areas becoming uninhabitable or impossible to farm.

Outlook to 2040 and impact on people's needs from insurers

African cities could be home to almost a billion more people by 2050.¹⁵² And according to the UN, a 1% increase in the continent's urban population would increase the number of slums by 2.3%.¹⁵³

Rapid urbanisation in Africa, combined with its impact on road safety and the environment, the lack of road infrastructure (roads, pavements, cycle paths, etc.) and the large number of older vehicles on the road, is giving rise to new needs.

Access to decent housing and safe, sustainable transport is essential if cities are to become more appealing places in which to live and work. Government initiatives to make car insurance compulsory constitute an important step. Protection mechanisms tailored to local realities will also need to be devised in order to strengthen the resilience of populations in the face of environmental risks.

¹⁴⁸ https://www.lemonde.fr/afrique/article/2023/01/12/les-accidents-de-la-route-en-afrique-une-question-de-sante-publique-majeure-mais-negligee_6157636_3212.html

¹⁴⁹ <https://tcc-gsr.com/global-overview/afrika/>

¹⁵⁰ <https://tcc-gsr.com/global-overview/afrika/>

¹⁵¹ <https://www.afd.fr/fr/ciclia-le-climat-au-coeur-du-developpement-des-villes-africaines> ; https://www.google.com/url?sa=i&rc=1&q=&esrc=s&source=web&cd=&ved=0CAIQw7AJahcKEwjY5u3w8vv-AhUAAAAAHQAAAAQAg&url=https%3A%2F%2Fwww.cluva.eu%2FCLUVA_publications%2FCLUVA_Changements-climatiques-et-vulnerabilite-des-villes-africaines-Research-briefs.pdf&psig=AOvVaw3t6bZN5AXNMZY9t77XlThD&ust=1684396825156048

¹⁵² <https://www.afdb.org/fr/documents/dynamiques-de-lurbanisation-en-afrique-2022-le-rayonnement-economique-des-villes-africaines>

¹⁵³ <https://unstats.un.org/sdgs/report/2022/goal-11/>

4. Health: Existing problems are being exacerbated by climate change

Major trends

Urban areas, where populations are concentrated and where infrastructure may have been built with little or no planning, are particularly vulnerable to health crises linked to climate change. In recent years, public health crises in Africa have been compounded by climate-related crises. According to the World Health Organisation (WHO), nearly 56% of the 2,121 public health events recorded in the African region over the last 20 years were climate-related.¹⁵⁴

For example, flooding caused by storms and cyclones can sometimes take a long time to subside, while contaminating drinking water sources and increasing the risk of disease (diarrhoeal diseases such as cholera, malaria, etc.).¹⁵⁵

More generally, some aspects of climate change, such as rising temperatures and variations in rainfall, can encourage the proliferation of disease vectors such as mosquitoes. This leads to an increase in the number of cases of malaria, dengue fever, yellow fever and chikungunya, all of which have a significant impact on the health of African populations.¹⁵⁶

These disasters are putting pressure on public health infrastructures that have already been weakened by lack of resources, dilapidation, lack of training for healthcare staff and inadequate access to care.

The risk of health care issues being compounded by the increasingly pressing issue of environmental health represents a major challenge for the continent.

Inadequate hygiene conditions in the affected regions are worsening the socio-economic situation of the most vulnerable populations, sometimes forcing them to migrate. Together with the destruction of infrastructure itself, the experience of migration following natural disasters can have a major psychological impact on displaced persons.¹⁵⁷ The movement of climate-displaced people in search of better and safer living conditions can lead to socio-economic and political tensions in the host countries, thereby increasing the risk of violent conflict.¹⁵⁸

Country focus: The impact of Cyclone Freddy in Malawi and Mozambique

In February-March 2023, Cyclone Freddy killed more than 1,000 people and destroyed thousands of homes.¹⁵⁹ It was one of the longest cyclones ever recorded in the southern hemisphere. In Malawi, it affected more than 2.5 million people and forced almost 700,000 to flee their homes.¹⁶⁰

The cyclone exacerbated cholera epidemics that were already underway. Cases of cholera more than doubled in Mozambique. In Malawi, almost 60,000 cases were recorded in April 2023.¹⁶¹

Outlook to 2040 and impact on people's needs from insurers

Combined with hygiene problems in shanty towns, the increasingly frequent occurrence of extreme weather events and the degradation of ecosystems (pollution, deforestation) will have an even more devastating impact on populations.

By 2040, the resurgence of certain diseases and the emergence of new ones will increase the vulnerability of populations, and could lead to major migratory movements.

There will be a huge need for individual protection, and it is unlikely that the public authorities in the countries concerned will be able to provide the necessary coverage, given the cost.

For insurers, the challenge will be to identify the populations living in the most disadvantaged neighbourhoods (sometimes without any administratively recognised address) and to understand their specific needs so as to offer them products that are also adapted to their financial situation. For example, it is not obvious how to insure informal housing in a shanty town. In addition, insurers could play a major role as investors in high-quality infrastructure projects, which are designed to be resilient, especially against the impacts of climate change.

¹⁵⁴ <https://www.afro.who.int/news/africa-faces-rising-climate-linked-health-emergencies>

¹⁵⁵ <https://news.un.org/fr/story/2023/03/1132822>

¹⁵⁶ https://www.iris-france.org/wp-content/uploads/2020/09/202009-changement_climatique_risques_sanitaires_climat_defense-BC11-1.pdf

¹⁵⁷ Morisod, K., Vann, M., Bodenmann, N., S., e., P. (2022). "Migration forcée, crise climatique et équité en santé: quels enjeux?" in *Santé et environnement*.

¹⁵⁸ <https://www.cairn.info/revue-l-information-geographique-2011-4-page-86.htm>

¹⁵⁹ <https://news.un.org/fr/story/2023/04/1134037>

¹⁶⁰ <https://www.iom.int/fr/news/un-demi-million-de-personnes-deplacees-par-le-cyclone-au-malawi-les-besoins-humanitaires-augmentent-massivement>

¹⁶¹ <https://www.unicef.org/malawi/responding-cholera-outbreak-malawi>

5. Digitisation of developing economies

Major trends

By 2021, 55% of adults in Sub-Saharan Africa had a bank account – a figure which includes the 33% of the population with a mobile money account.¹⁶² This proportion of the population using mobile money accounts is the highest yet recorded in the world, and more than three times higher than the global average (around 10%).

The region contains the 11 economies with the highest share of adults with a mobile money account rather than an account with a financial institution.¹⁶³ Although online mobile banking accounts are still underdeveloped, they are a growing channel for accessing credit.¹⁶⁴

Mobile money has become a preferred means of financial inclusion for people who do not have a bank account or are excluded from the traditional banking system. By giving them access to basic financial services such as payments, money transfers and savings, mobile money helps to integrate more people into the formal economic system.

The mechanism used enables other transactions to be carried out using a basic mobile phone, such as the payment of TV subscriptions, water and electricity consumption or, in some cases, school fees.¹⁶⁵

There are still major obstacles to the development of mobile money, such as the low rate of adoption of internet-enabled smartphones owing to their cost, the lack of digital skills, and above all the absence of a solid telecommunications infrastructure and reliable connectivity.

An estimated 900 million people in Africa still do not have an internet connection.¹⁶⁶ For those who do have access, prices are often high and bandwidth is severely limited in many sub-regions. According to the European Investment Bank (EIB), only 0.4% of Africa's population subscribe to fixed broadband services, and the vast majority of internet users rely on mobile broadband.

Outlook to 2040 and impact on people's needs from insurers

According to the Global System for Mobile Communications Associations (GSMA), smartphone adoption in Sub-Saharan Africa could reach 87% by 2030.¹⁶⁷ It is therefore essential to invest in infrastructure development and extend connectivity to enable widespread use of mobile money.

Mobile money would enable underinsured or uninsured populations to have access to various types of cover and to pay their insurance premiums quickly and securely via their phones, thereby reducing obstacles and making it easier to manage contracts.

¹⁶² <https://fr.statista.com/infographie/27895/part-de-la-population-avec-compte-argent-mobile-afrique-utilisateurs-mobile-money/>

¹⁶³ <https://thedocs.worldbank.org/en/doc/218f3a2e2012ff80d993e7e2f66919d7-0050062022/original/Executive-Summary-French.pdf>

¹⁶⁴ <https://blocnotesdeleco.banque-france.fr/billet-de-blog/afrique-subsaharienne-la-fracture-financiere-entre-hommes-et-femmes>

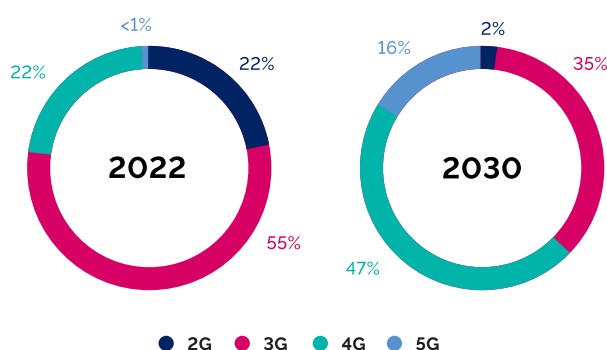
¹⁶⁵ <https://www.cairn.info/afrique-positive-impact--9782376873976-page-287.htm>

¹⁶⁶ <https://www.eib.org/fr/essays/african-digital-infrastructure>

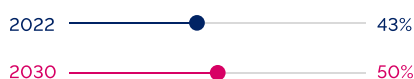
¹⁶⁷ <https://www.gsma.com/mobileeconomy/wp-content/uploads/2023/03/270223-The-Mobile-Economy-2023.pdf>

Technology mix and market penetration for internet connection and smartphone ownership in Sub-Saharan Africa, 2022-2030

Technology mix



Market penetration for internet connection



Market penetration for smartphone ownership



<https://www.gsma.com/mobileeconomy/wp-content/uploads/2023/03/270223-The-Mobile-Economy-2023.pdf>

What if, by 2040, Africa adopted a single healthcare system?

It is possible to imagine the creation of a single healthcare system that would make national systems interoperable among the states of the Economic Community of West African States (ECOWAS). Given its projected demographic growth, the African continent is going to have to respond to the growing need to protect its populations, which is made all the more pressing by the effects of climate change on various health issues. The emergence of new diseases and the resurgence of others will lead to massive population movements towards the continent's major urban areas, particularly in West Africa.

By 2040, the adoption of a single healthcare system for the ECOWAS zone could guarantee access to healthcare for all African citizens, regardless of their country of residence in Africa. In the event of a crisis, it would enable a rapid and coordinated response in order to prevent and manage epidemics.

Implementing such a system would involve complex coordination between different healthcare policies, and overcoming technical challenges linked to standardising information systems and medical practices across different national contexts. Through the use of technological solutions and various regional integration processes, the interoperability of national healthcare systems would make it possible to track patients who move from one country to another. Furthermore, such a system would make a huge contribution to the development of local expertise, particularly through teleconsultation.

Asia

1. Ageing populations and inadequate access to healthcare

Major trends

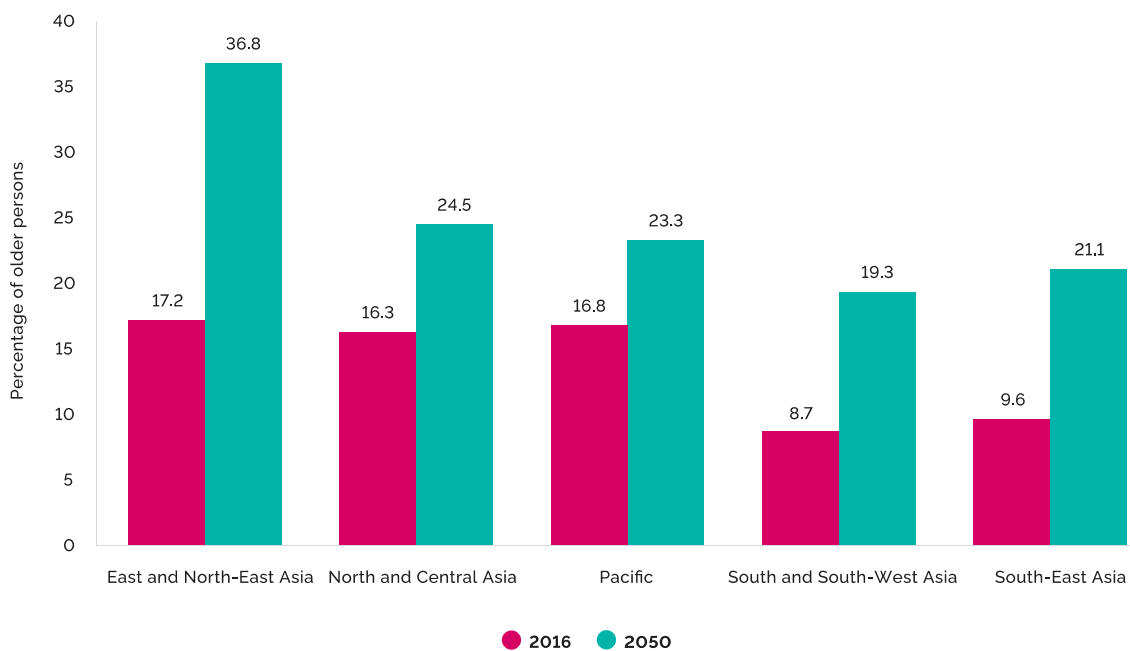
The Asian continent contains large disparities in terms of demographic growth. It includes “young” countries such as India and the Philippines, and countries experiencing significant demographic ageing. The latter is particularly characteristic of North-East Asian countries such as Japan and China. This demographic ageing is due to a fall in the birth rate combined with an increase in life expectancy, with major disparities between sub-regions. In South Asia, average life expectancy rose from 59 years in 1990 to 70 years in 2020, while in East Asia and the Pacific it rose from 68 years to 77 years.¹⁶⁸

Rapid changes in demographic structure pose new challenges in terms of economic support, protection of rights, and access

to health and care infrastructures for the elderly. In large parts of the region, a demographic decline is resulting in greater demand for medical protection.

Faced with these demographic changes, most Asian countries guarantee adequate health cover for the entire population, based on various combinations of revenue through taxation, a social health insurance system, private health insurance and cost sharing. While the majority of countries provide a minimum level of universal health cover, the quality of services and people’s access to healthcare facilities vary significantly from one country to another.¹⁶⁹

Proportion of total population aged 60 or over in 2016 and 2050 by ESCAP subregion



Source: ESCAP statistical database – 2016 (<https://www.unescap.org/sites/default/files/SDD%20Ageing%20Fact%20Sheet%20Overview.pdf>)

¹⁶⁸ <https://donnees.banquemondiale.org/indicateur/SP.DYN.LE00.IN?locations=Z4-8S>

¹⁶⁹ <https://www.undp.org/publications/inequality-and-social-security-asia-pacific-region>

Country focus: The Childfree movement in China

After China's population fell by 850,000 in 2022 – the first such decrease since the Great Famine of 1958-1961 – the year 2023 marks China's entry into a period of demographic decline.

The causes appear to be structural and deep-rooted. Despite the end of the one-child policy in 2015 (which had been in force since 1979), the female fertility rate has continued to fall, reaching 1.3 children per woman in 2020.

Despite the government's authorisation from 2015 onwards to have two children, and then three children from 2021, the rising costs of education and housing for children and the lack of social benefits are continuing to limit couples' fertility. A survey of 20,000 people (mainly urban women aged between 18 and 25) shows that two-thirds have a "low desire to have children".¹⁷⁰

In response to this challenge, the Chinese government has offered subsidies and tax breaks for parental leave and childcare, although these policies have so far produced no significant results.¹⁷¹

Outlook to 2040 and impact on people's needs from insurers

According to the Asian Development Bank,¹⁷² by 2050 one in four people in Asia and the Pacific will be over 50 years old. Generally speaking, health insurance for the elderly is linked to the pension system, although there are more and more private insurance schemes for wealthier people.

Most countries in the region offer health insurance schemes to which employees in the formal sector contribute. Some countries experience difficulties in collecting premiums, which is exacerbated in cases where there is also a large proportion of workers in the informal economy, who are effectively excluded from public social security systems. As a result, less than a third of the working population contributes to a pension scheme in Asia.¹⁷³

Healthcare products on most markets offer age-related tariffs, whereby the cost of care rises exponentially as people get older and sicker, with 25% of medical costs incurred in the last three years of life.

The issue of access to healthcare for these ageing and vulnerable populations will be crucial in the future, and could lead to some of them living in precarious conditions.¹⁷⁴

Asia's greatest challenge is to provide more inclusive insurance and care for older people who are at risk or ill.¹⁷⁵

¹⁷⁰ https://mp.weixin.qq.com/s/IHPk-5600_hmjzpkSfUOgw

¹⁷¹ <https://www.theguardian.com/world/2023/jan/20/the-last-generation-young-chinese-people-vow-not-to-have-children>

¹⁷² <https://www.adb.org/what-we-do/themes/social-development/overview/aging>

¹⁷³ https://asiapacific.unfpa.org/sites/default/files/pub-pdf/Perspectives%20on%20%20Population%20Ageing%20Report_for%20Website.pdf

¹⁷⁴ *Ibid.*

¹⁷⁵ <https://www.rgare.com/knowledge-center/media/articles/moving-from-aging-to-aged-populations-in-asia-challenges-and-opportunities-for-the-insurance-industry>

2. Families and the status of women

Major trends

According to the World Economic Forum (WEF), South Asia is currently the region with the highest levels of gender inequality, and one of the only regions where inequalities are not decreasing in the three areas studied: political life, the labour market and education. The majority of Asian countries do not achieve the median score for gender equality set by the WEF. Gender inequalities are particularly pronounced in South Asia, where more than half of the countries studied are among the twenty with the greatest gender inequalities worldwide.¹⁷⁶

Although most Asian societies have experienced societal change and sustained economic growth, women have generally benefited less than men from the corresponding social advances (access to education, employment, individual rights and freedoms, etc.). Cultural traditions still exert a strong influence on the status of women, particularly in East and South Asia, despite the differences in culture and religion between these two sub-regions. An increase in access to education and

higher incomes for women in these sub-regions has not necessarily been accompanied by an improvement in their family and social status, or in their recognition within society.

It is a paradox of patriarchal societies that an educated woman with a high income is not necessarily more emancipated in the home than a poorly educated woman with limited means. Indeed, in the latter case, because of financial constraints the woman may have to play a more important and independent role in order to provide for herself and her family.

According to the ILO, women do four times as much unpaid work per day as men. In addition, women with caring responsibilities for their families are more likely to be self-employed or to work in the informal economy (which employs 64% of women in the region),¹⁷⁷ and are therefore less likely to contribute to social security.¹⁷⁸

Recent developments

The Covid-19 pandemic has been a catalyst in increasing gender inequalities in Asia. Women have seen their economic vulnerability compounded, with a lower capacity to save in the short term. Many women working in the informal sector have been excluded from the world of work, with no access to social protection or financial support linked to employment.

Women are over-represented in the health, service, hospitality and education sectors. They have had to cope with a disproportionate increase in family care responsibilities, including looking after the elderly and children at home.

In the countries of the Association of Southeast Asian Nations (ASEAN),¹⁷⁹ one woman in three has experienced an increase in

unpaid domestic work, compared with 16% for men, since the start of the lockdowns put in place between 2020 and 2022. This has led to an increase in physical and mental exhaustion among women, particularly poor women living in rural areas and those unable to work from home, who have often been forced to give up their jobs to look after children.

The Covid-19 crisis has also led to an increase in mental health problems in Asian societies, accompanied by greater alcohol and drug consumption. This has led to an increase in risk factors for domestic violence against women. In Japan, consultations for domestic violence increased by 160% in 2020 compared with 2019.¹⁸⁰

Outlook to 2040 and impact on people's needs from insurers

Reducing gender inequality is a long and complex process, since it requires action on a number of levers – particularly cultural, economic and regulatory ones. It is unlikely that Asian societies will be able to meet this challenge by 2040.

According to the WEF, at the current rate of reduction in inequalities between women and men in South Asia, it would take almost 200 years to completely eliminate them in three areas: political life, the labour market and the education system. This timeframe also obscures major disparities between countries.¹⁸¹ Even though certain sub-regions of Asia score higher in terms of equality, they too will need more than 150

years to achieve complete equality, compared with 60 years in Europe.

Women may remain highly vulnerable to the economic climate, but also to the impact of technological advances. According to Ernst & Young, Filipino and Vietnamese women are twice as likely as men to work in jobs with a high risk of automation.

Numerous studies have already shown that women, particularly in Asia, are and will continue to be the most vulnerable to the impacts of climate change. This is due in particular to their over-representation in agricultural activities and in the collection of raw materials such as water and firewood.¹⁸² According to the

¹⁷⁶ https://www3.weforum.org/docs/WEF_GGGR_2022.pdf

¹⁷⁷ https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-bangkok/documents/publication/wcms_645601.pdf

¹⁷⁸ *Ibid.*

¹⁷⁹ ASEAN comprises ten countries: Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Burma and Cambodia.

¹⁸⁰ <https://www.adb.org/sites/default/files/publication/758581/adbi-brief-women-economic-empowerment.pdf>

¹⁸¹ <https://www.adb.org/sites/default/files/publication/758581/adbi-brief-women-economic-empowerment.pdf>

¹⁸² <https://www.onufemmes.fr/nos-actualites/impactees-par-le-changement-climatique-les-femmes-ont-construit-les-luttes-ecofeministes>

UN, women and girls are 14 times more likely to die during a climate disaster. It is estimated that 70% of the victims of the tsunami that hit the region in 2004 were women.¹⁸³ According to the UN, women also account for 80% of people displaced by climate-related disasters.

However, Asian women are mobilising to cope with and anticipate the impacts of climate change for themselves and their families. The Bangladeshi government has set up a programme to prepare 4,000 women to respond in the event

of a cyclone.¹⁸⁴ The programme includes investment in infrastructure and has reduced the ratio of female to male victims of cyclones by two-thirds.

More programmes of this type could be developed in the future, but governments will not be able to act alone, given the scale of these risks and the associated financial needs. Insurers could play a decisive role as direct partners of government institutions to better prevent these systemic risks and support women in the event of a crisis.

3. Grassroots mobilisation in response to environmental problems

Major trends

The demographic and economic development of Asian societies has produced large effects on the environment. As a result, environmental degradation and pollution is already having a dramatic impact on people's health.

In the Asia-Pacific region, around 4 billion people are exposed to levels of pollution that pose a significant risk to their health. These factors already cause 4 million premature deaths a year, mainly in China and India. The region is also facing significant water pollution, mainly caused by agriculture (from increased consumption of agrochemicals) and industry (waste dumping).

Awareness of these health and environmental issues is growing in Asian countries. This is reflected in the increasingly active mobilisation of citizens, led in particular by environmental NGOs, aimed at encouraging public authorities to take action. This is particularly true in China. Between 2000 and 2013, more than half of all demonstrations of more than 10,000 people concerned the fight against pollution, and the government is

relatively tolerant of this type of protest. Chinese citizens are also more critical of major infrastructure projects (chemical plants, incinerators, etc.) that seem to risk producing harmful effects on the environment and on their health.

A particular characteristic of this citizen mobilisation in China, and to some extent in other Asian countries, is that the environment is seen as a "common good" that must be defended in the name of the general interest. Governments are called upon first and foremost as guarantors of public health. In China, for example, demonstrations act as a watchdog, calling on the government to ensure the proper application of laws at the local level.

However, there is a lack of institutionalisation of citizen participation, which takes place on an ad hoc basis, including in the case of action by NGOs, despite the existence of significant mobilisation on social networks.¹⁸⁵

¹⁸³ <https://www.stimson.org/2022/women-are-key-to-climate-action-in-southeast-asia/>

¹⁸⁴ <https://blogs.worldbank.org/endpovertyinsouthasia/putting-women-heart-climate-action-across-south-asia>

¹⁸⁵ <https://www.novethic.fr/actualite/environnement/pollution/isr-rse/en-chine-500-manifestations-quotidiennes-contre-la-pollution-143976.html>

Demonstration in Jinshan, Shanghai district, 23 June 2015, against the public health risks of a proposed paraxylene (PX) plant.



Photo credit: Vicente Miña / AFP

Outlook to 2040 and impact on people's needs from insurers

In the future, the economic cost of environmental degradation will increase (health costs, natural disasters affecting agricultural and industrial activities, etc.). According to the OECD, atmospheric pollution in Asia could cause damage resulting in a loss of between 1% and 2.5% of GDP by 2060.¹⁸⁶ In particular, by 2050, between 600 million and one billion people on the Asian continent could be living in regions that experience potentially fatal high-humidity heatwaves.¹⁸⁷

According to the WHO, nine out of ten people are now breathing polluted air, a problem that affects more cities in Asia than anywhere else in the world. For insurers, pollution represents a major health risk in the region by making

populations more vulnerable to non-communicable diseases at a level similar to tobacco consumption (strokes, lung cancers, cardiovascular diseases, etc.) and by causing an increase in mortality in cases of accumulated and/or prolonged exposure.¹⁸⁸

Another consequence of climate change is that, according to the World Bank, more than 7 million people could fall into poverty by 2030.¹⁸⁹

With regard to health, the risks from environmental degradation will compound one another and pose a challenge in terms of insurance cover.

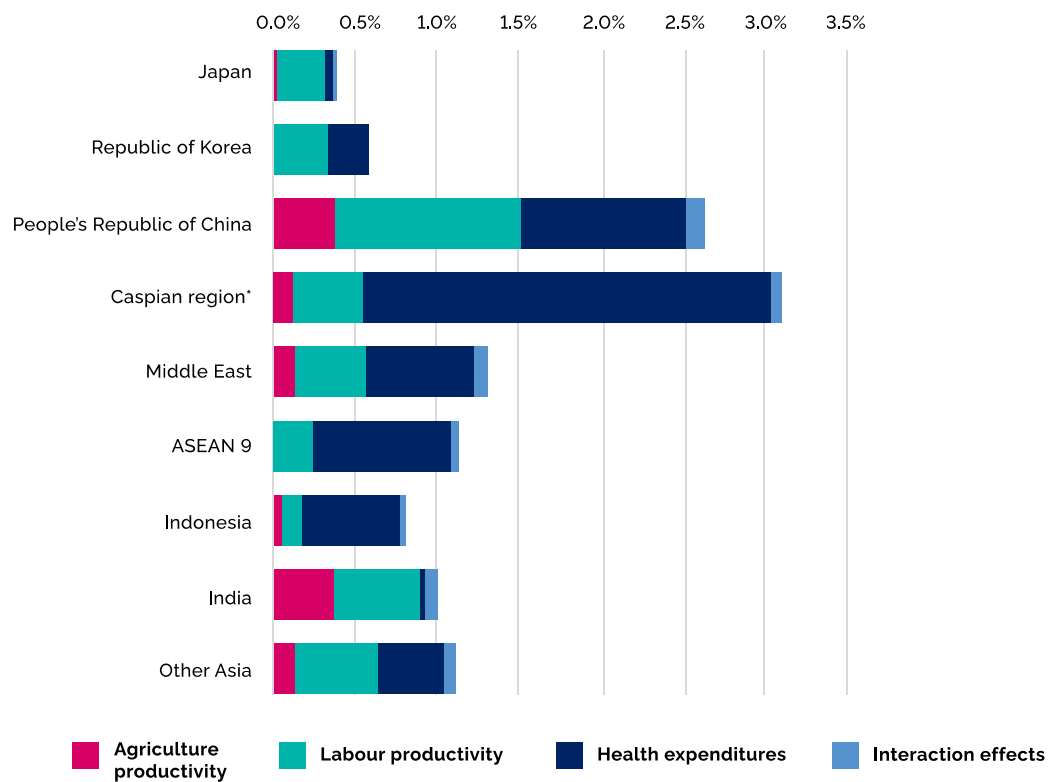
¹⁸⁶ <https://www.adb.org/sites/default/files/publication/780921/air-quality-asia.pdf>

¹⁸⁷ <https://www.mckinsey.com/capabilities/sustainability/our-insights/climate-risk-and-response-in-asia>

¹⁸⁸ <https://www.reuters.com/article/us-asia-pollution-health-idUSKCN1R90Z2>

¹⁸⁹ <https://www.worldbank.org/en/region/eap/brief/climate-and-development-in-east-asia-and-pacific-region>

Projected Impact of Air Pollution on GDP in 2060



Source: OECD – 2016 (<https://www.adb.org/sites/default/files/publication/780921/air-quality-asia.pdf>)

4. Migration within the region

Major trends

According to the International Organization for Migration (IOM), Asia was the continent with the second highest number of migrants in 2020 (after Europe), with 85.6 million international migrants recorded, representing around 30% of the world's migrant population. Around 80% of these movements are internal to the continent.

The number of migrants has increased in all regions of the world, but Asia has seen the greatest growth since 2000, with an increase of 74% (or 37 million migrants).¹⁹⁰ The economic development of certain countries in the region has resulted in increasing movements of workers.

More than 40% of the world's migrants were born in Asia.¹⁹¹ These migratory movements generate significant financial flows via remittances to the countries of origin. In 2020, India was the leading recipient of remittances with \$US83.2 billion, followed by China with \$US59.2 billion and, in fourth place, the Philippines with \$US34.9 billion (World Bank figures are very likely to be underestimates).

In the absence of a generalised free trade area, these movements of people generally depend on bilateral agreements, which have different criteria depending on

national priorities. The Association of Southeast Asian Nations (ASEAN) has had a free trade agreement in place since 2015 within its Economic Community, but the movement of people is limited to a restricted number of highly qualified socio-professional categories. Meanwhile, the Asia-Pacific Economic Cooperation (APEC) introduced a business travel card in 1999, replacing the use of visas and allowing long stays, since intra-regional migration is mainly motivated by work.

Waves of accelerated development have been followed by waves of severe labour shortages, which have necessitated the use of generally low-skilled migrant workers. Today, Malaysia, Thailand and Singapore are the main receiving countries for skilled migrants in the region, while Indonesia, the Philippines and Nepal are the main sending countries. Japan and South Korea have policies restricting the permanent immigration of low-skilled workers and receive relatively limited flows compared with other OECD countries.

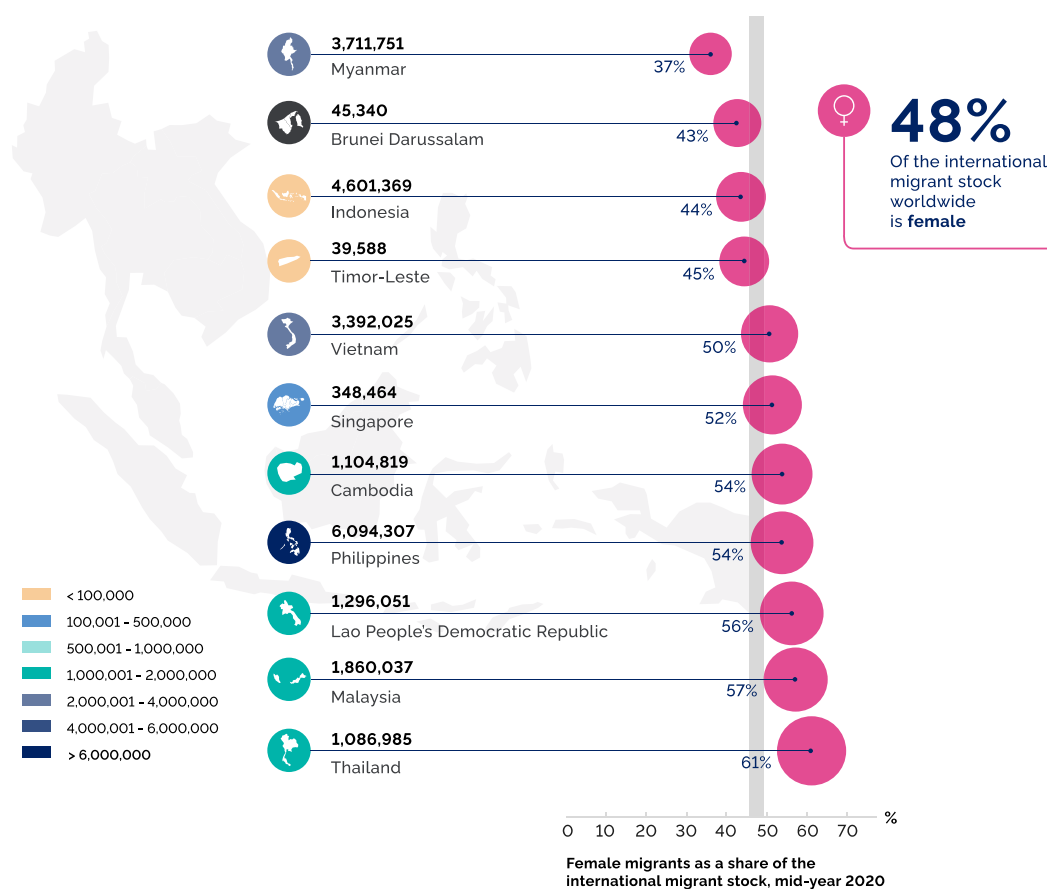
As a result of the growing demand for domestic and care work in South-East Asia, women now make up the majority of contract migrant workers. Indonesia and the Philippines are the leading countries in terms of female labour migration, which mainly concerns care work.¹⁹²

¹⁹⁰ International Organization for Migration, *World Migration Report 2022*. URL: <https://publications.iom.int/books/world-migration-report-2022>

¹⁹¹ *Ibid.*

¹⁹² *Les migrations en Asie du Sud-Est : essor et féminisation – Asie – Pacifique : itinéraires de recherche*.
URL: <https://asie-oceanie.cnrs.fr/exposition/asie/migrations-asie-se/>

International migrants from the country, both sexes combined, mid-year 2020



Source: <https://www.migrationdataportal.org/fr/node/3120>

Marriage is another factor in migration. In some developed countries in East Asia (South Korea, Taiwan, Japan), women who come to marry constitute the largest group of new immigrants (with the exception of temporary labour migrants). They come mainly from China and South-East Asia. Most instances of family reunification in Asian countries are organised around marriage migration. As a general rule, men from more developed

economies marry women from less developed economies. There are specific integration policies adapted to this situation.

Profound changes are likely to affect the marriage market and migration movements in Asia in the years to come, owing to the growing shortage of marriage partners, which is exacerbated by the practice of prenatal sex selection in favour of boys.

Outlook to 2040 and impact on people's needs from insurers

As in the rest of the world, the factors aggravating the risks of forced migration are leading to fears of massive population movements. Asia is particularly vulnerable to extreme climatic events such as floods and hurricanes, and both the frequency and intensity of these events will increase sharply. Asia will see its habitability challenged most of all by rising sea levels, the possible disruption of the monsoon cycle (floods and storms were responsible for 80% of climate-related displacements between 2008 and 2020) and, in its south-eastern part, episodes of deadly high-humidity heat.

This vulnerability is reinforced by the low capacity for adaptation and low resilience of a very large proportion of the disadvantaged population. The phenomenon of "climate mobility"¹⁹³ will increase in three forms: planned relocation, when the movement is proactively instigated by the state; migration, when the movement is more or less voluntary; and displacement, when people are forced to leave their homes.

225.3 million internal displacements caused by natural disasters were recorded between 2010 and 2021 in the Asia-Pacific region. The countries with the highest incidence of climatic

¹⁹³ https://www.iom.int/sites/g/files/tmzbd486/files/migrated_files/pbn/docs/Human-Mobility-in-the-context-of-Climate-Change.pdf

displacement in 2021 were the Philippines (5,681,000), Indonesia (749,000), Vietnam (780,000) and Burma (158,000).¹⁹⁴

As migratory movements become easier and increase in the face of an uncertain future, the question of the insurability of migrant populations will become more pressing. The issue calls for a broad coalition of public, private and voluntary actors.

If insurance is to be universal and inclusive in the future, it must rise to this challenge. In order to protect people with these new life paths, it will be necessary to use innovative solutions such as cross-border health cover, particularly for the benefit of people whose uncertain legal status prevents them from accessing decent healthcare.¹⁹⁵

5. Education: Inequalities and hyper-competitiveness

Major trends

Enrolment in higher education has increased massively owing to high birth rates, rising enrolment rates and the importance attached to education by families. However, access to higher education remains highly unequal across social groups owing to the cost of education. Public investment in higher education varies from country to country and is generally insufficient to meet demand. Private higher education and distance learning have seen record growth. East and South-East Asia are now the world's leading regions for distance learning.

According to UNESCO, in 2019, almost 130 million children were out of school on the Asian continent, which amounts to half of the out-of-school children in the world, and this figure has increased with the Covid-19 pandemic.¹⁹⁶ Among those who do have access to education, there are inequalities in terms of the quality of teaching received and the ability of families to support their children's schooling. For example, UNICEF estimates that, in some South-East Asian countries, only 2% of pupils achieve a basic level of literacy and mathematics. Nearly half of the world's illiterate young people live in the Asia-Pacific region.

The meritocratic system that has developed in most Asian countries has encouraged inequalities between students, particularly through the privatisation of education, which has led to a transfer of part of the costs to students and their families. This financial pressure is combined with intense academic pressure on students. The Asian "kiasu" mentality,¹⁹⁷ the burden of tests and the lack of individual attention given to students are all aggravating factors in the stress that weighs on students' mental health and academic results. Asia has the highest student suicide rates in the world, with particularly high rates in Japan, China, India and South Korea.

Asian societies are becoming more aware of this issue, particular as a result of media coverage of tragic events such as the waves of suicides that take place during exam periods.¹⁹⁸ Singapore has abolished examinations for students under the age of 12. Japan has set up psychological support systems for young people. But these are isolated measures and are still not enough to curb a phenomenon that has become widespread and symbolic of the values of competition, individual success and striving to perpetually better oneself.

¹⁹⁴ https://www.ipsnews.net/2023/02/climate-displacement-migration-south-east-asia/?utm_source=rss&utm_medium=rss&utm_campaign=climate-displacement-migration-south-east-asia

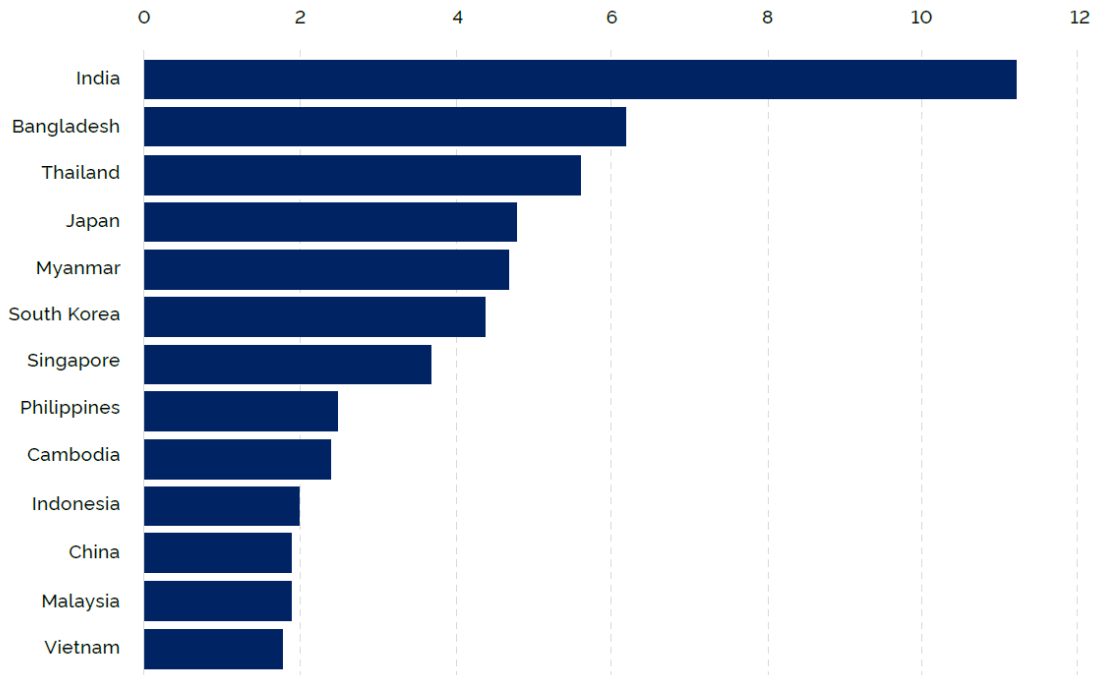
¹⁹⁵ <https://blogs.adb.org/blog/rising-migration-demands-roaming-health-coverage-0>

¹⁹⁶ <https://www.unicef.org/rosa/press-releases/future-800-million-children-across-asia-risk-their-education-has-been-severely>

¹⁹⁷ "Kiasu" can be translated as "fear of losing face", but it encompasses any form of competitive or selfish behaviour driven by the desire to achieve one's goal and outdo others.

¹⁹⁸ <https://www.weforum.org/agenda/2022/10/japans-challenges-in-making-mental-health-more-accessible/> ; <https://asianyouthact.org/2021/01/20/academic-pressures-on-asian-students/>

Teenage suicide rates in Asia (deaths per 100,000 in 2016)



Source: <https://thediplomat.com/2019/10/confronting-southeast-asias-big-education-challenge/>

On the Asian continent as a whole, private higher education as a proportion of all higher education is comparable to the global average: around one-third of students, or 70 million people. This ratio varies considerably from one country to another, depending on the ability or willingness of governments to invest in a public higher education system.¹⁹⁹

For example, the socialist economies (China, Vietnam) have maintained essentially public systems, with less than 14% of students in private education. In contrast, in Japan, South Korea, Indonesia and the Philippines, the majority of students are enrolled in private institutions, some of which are of comparable quality to the largest public institutions.

Outlook to 2040 and impact on people's needs from insurers

Access to education and the acquisition of basic skills will be essential if Asian countries are to combat poverty and socio-economic inequalities. However, for the time being, most Asian countries seem ill-equipped to deal with the multiple challenges of education.

According to UNICEF, fewer than one in four young people in South Asian countries today complete secondary education and have the expected level of skills at the end of their schooling.²⁰⁰ This proportion could double by 2030, but would still be very low compared with some other regions.

By 2040, Asia is expected to be the continent with the highest growth in the number of students in higher education.²⁰¹ The challenge for these countries will be to offer these students high-quality, affordable education that matches the skills expected by the labour market, while ensuring their well-being.

Several countries are banking on digital technology to reduce the cost of education and increase pupil numbers. However, the varying level of mastery of technological educational tools could itself become a source of inequality between pupils.²⁰²

The development of digital technology in education presents new challenges and risks for insurers, who need to take into account the impact of these technologies on the physical and mental health of younger generations. These impacts include the risks associated with sedentary lifestyles from an early age, musculoskeletal disorders and social isolation. In addition, the risk of cyber-bullying will increase with the more widespread use of online education, and its management will require a legislative framework at national or even regional level to support insurers in dealing with it.

¹⁹⁹

https://unesdoc.unesco.org/in/documentViewer.xhtml?v=2.1.196&id=p:usmarcdef_0000380093&file=/in/rest/annotationSVC/DownloadWatermarkedAttachment/attach_import_d5e9b1d8-4967-40e0-a0e6-014edc572e77%3F_%3D380093eng.pdf&locale=fr&multi=true&ark=/ark:/48223/pf0000380093/PDF/380093eng.pdf#%5B%7B%22num%22%3A17%2C%22gen%22%3A0%7D%2C%7B%22name%22%3A%22XYZ%22%7D%2C119%2C474%2C0%5D

²⁰⁰ <https://www.unicef.org/press-releases/more-half-south-asian-youth-are-not-track-have-education-and-skills-necessary>;

<https://www.wiley.com/en-us/network/education/instructors/trending-stories/asia-s-higher-education-enrollment-trends-2030>

²⁰¹ <https://www.wiley.com/en-us/network/education/instructors/trending-stories/asia-s-higher-education-enrollment-trends-2030>

²⁰² [https://www.oecd.org/education/2030/E2030%20Position%20Paper%20\(05.04.2018\).pdf](https://www.oecd.org/education/2030/E2030%20Position%20Paper%20(05.04.2018).pdf)

What if, by 2040, part of the Asian continent were to experience a generational divide, leading to a halt in the funding of pension systems?

Demographic ageing is a widespread phenomenon across Asia, but it is occurring more rapidly in certain economies, including Japan, China, South Korea and Singapore. This trend is already causing social upheavals, which are likely to become more severe in the decades to come as the burden of supporting dependent older people increases. This phenomenon will weaken societies, and will be compounded by several factors, including territorial disparities (demographic ageing is progressing faster in urban areas), gender imbalances (women live longer and will become more numerous than men in their cohort as they grow older), and the difficulty of deducting sufficient contributions from salaries in societies where informal work is prevalent.

In this difficult context, there could be a reduction in the prevalence of pension coverage through contribution-funded, redistributive systems, which are even now far from universal. This risk could be exacerbated by changes in family values, the rise of individualism, growing financial difficulties for young adults, and a refusal on the part of younger generations to finance the pensions of their elders. Under these conditions, public pension systems would no longer be able to pay full pensions to retirees, and could even go bankrupt.

In this worsening context, inequalities and vulnerabilities would be exacerbated. On the one hand, the most affluent elderly people would be able to rely on their wealth to live comfortably and benefit from high-quality care. On the other hand, the most vulnerable elderly people would have to work longer, which could prove difficult or even impossible for those suffering from long-term illnesses. This prospect presents an opportunity for the insurance industry to develop more inclusive funded pension schemes and micro-insurance to cover the health costs of older people.

POSSIBLE LEVERS FOR ACTION FOR REINVENTING THE SOCIAL ROLE OF INSURANCE AND MEETING THE CHALLENGES OF THE FUTURE

The analyses in this report demonstrate the scale and diversity of the challenges facing societies and individuals. To meet these challenges, they will increasingly call on the insurance industry, which will also have a proactive role to play in supporting people and complementing the actions of the public authorities. To this end, we have identified three possible levers for action, accompanied by specific recommendations. These will all provide food for thought in our attempts to reinvent the social role of insurers.

Lever 1: Rethink inclusion mechanisms in order to meet the needs of the most vulnerable groups

The three key principles of inclusive insurance

The concept of inclusive insurance covers very different approaches and products, aimed at individuals who have little or no insurance cover, but who are particularly vulnerable to certain risks and are therefore ill-equipped to deal with them.

The term "inclusive insurance" applies to two main categories of product:

- Micro-insurance for people on very low and/or informal incomes.
- New products and services aimed at the middle classes in emerging economies who are not yet covered by traditional insurance.

Inclusive insurance is based on several principles.²⁰³ Insurance is both a duty and a right, and as such should be accessible to as many people as possible. This principle of accessibility, which applies to all types of insurance and in particular insurance against natural disasters,²⁰⁴ has three main dimensions:

- **Affordability**, meaning that it is offered at low cost for the most vulnerable members of the public.
- **Adaptation or customisation** of products and services for traditionally neglected groups, especially the most vulnerable, women and young people (in the case of motor

insurance). Some insurers have also developed provident products for people suffering from serious illnesses such as cancer. Others have removed health criteria from their loan insurance offers. Adaptations are also required for some products offered in developing countries that were originally designed for European or American audiences, and do not reflect the realities experienced by the individuals concerned, e.g. an accident insurance policy in India or the Philippines that excludes ice skating, which is virtually non-existent in these countries.²⁰⁵

- **Physical accessibility of insurance products:** the aim is to diversify the channels through which people can obtain information and take out insurance products. Those channels can then be adapted to the needs of the most disadvantaged groups.

Accessibility also involves simplifying insurance products, which should be as transparent as possible, with as few clauses and conditions as possible, in order to make them understandable to as many people as possible.

Inclusive insurance products must therefore meet a number of criteria: they must be inexpensive, provide very specific, generally short-term cover, contain few exclusion clauses linked to individual profiles, etc. They must include simple and rapid processes for handling compensation claims, and checks to prevent fraud.

²⁰³ See, for example: <https://www.ceres.org/resources/reports/inclusive-insurance-roadmap>

²⁰⁴ <https://www.centerforfinancialinclusion.org/inclusive-insurance-closing-the-protection-gap-for-emerging-customers-2>

²⁰⁵ Source: AXA, *Rapport sur l'assurance inclusive*. URL: <https://www.axa.com/fr/insights/l-assurance-inclusive-un-outil-au-service-de-la-resilience-sociale>

The aims of inclusive insurance

According to the World Bank, 1.2 billion people, or 20% of the world's population, live on less than a dollar a day, in extreme poverty. A further 1.8 billion, or 30% of humanity, live on between one and two dollars a day. Of this half of humanity, it is estimated that less than 3% have access to insurance products, even though they are particularly vulnerable to a number of major risks: accidents, illness, damage to their means of earning a living (particularly livestock or fields), extreme climatic events, etc.²⁰⁶

Because of their living and working conditions (prevalence of accidents and illnesses, poor access to healthcare, precarious material conditions, etc.), these populations may be more exposed to certain risks, while also being more vulnerable to them because of their lack of financial resources and, often, knowledge of the solutions available.

From this point of view, inclusive insurance can make it possible to **establish greater equity** in societies by compensating for financial losses linked to a risk and by contributing to the stability of economic development, particularly in rural areas (where agricultural activities dominate economic activity), **while promoting practices of prevention** aimed at these same risks.

Finally, inclusive insurance can make it possible to **improve information about the role of insurance for people on the margins of society**. A poor understanding of the role of insurance can be compounded by beliefs and preconceptions based on cultural factors or word of mouth. For example, in some superstitious societies, the very fact of talking about a risk can be seen as making it more likely to occur in reality. The image of insurance and insurers can also be tarnished by people's bad experiences (compensation not received, the bankruptcy of a local insurer, etc.), thereby fuelling distrust of insurers for many years.²⁰⁷

Inclusive insurance can strengthen the resilience of societies

Various studies have shown that countries with a high level of insurance penetration are generally more resilient to crises.²⁰⁸ Insurers therefore have a major role to play in strengthening the resilience of societies.²⁰⁹ The natural disasters of the early twenty-first century have demonstrated the resilience of insurance and reinsurance systems. For example, Hurricane Katrina in 2005, the costliest natural disaster on record, did not result in the bankruptcy of a single insurance company.²¹⁰ By the same token, **after a major crisis** (such as the Covid-19 pandemic or a natural disaster), we often see an increase in the number of insurance policies taken out, particularly life insurance, which is a sign of growing interest in these products.

This role of insurance can even go beyond simply aiming to return to the situation before a disaster. For example, **insurers may develop new offerings for risk coverage based on past crises**. The common feature of the new risks we are facing is their systemic nature. Their impact extends far beyond their original "scope", as demonstrated by the global Covid-19

pandemic, which had health, economic, social and geopolitical consequences. These new risks can affect all populations and call into question certain values and even the very foundations of societies. Once again, this was demonstrated by the Covid-19 crisis, which gave rise to debates about individual responsibility in the face of collective risk (wearing a mask, getting vaccinated), individual freedoms and collective surveillance. Similarly, risks that directly affect one section of the population (poverty, illness, climate disasters) will in fact have repercussions for society as a whole, in terms of public expenditure, social cohesion, solidarity, etc.

Insurers have a major role to play in strengthening the resilience of societies, since inclusiveness is part of their *raison d'être*. Nevertheless, the transformations analysed in this report show the need to strengthen this commitment, in order to **cover ever larger populations with ever more complex and interconnected needs**.

²⁰⁶ <https://www.frontiersin.org/articles/10.3389/fpubh.2022.890507/full>

²⁰⁷ <https://www.iaisweb.org/uploads/2022/01/151111-Issues-Paper-Conduct-of-Business-in-Inclusive-Insurance.pdf>

²⁰⁸ See, for example: <https://www.swissre.com/dam/jcr:261d5610-d798-4706-849f>

²⁰⁹ A society's resilience can be defined as its capacity to cope with external shocks, which may be massive, and to repair the resulting damage.

²¹⁰ https://www.swissre.com/dam/jcr:638f00a0-71b9-4d8e-a960-dddaf9ba57cb/150_history_of_insurance.pdf

A wide range of initiatives

There are now many inclusive insurance products available across the world, mainly in developing countries.

In 2022, more than 200 million people worldwide were covered by a micro-insurance product in around thirty developing countries in Africa, Asia and Latin America.²¹¹ This represents around 8% of the population of these countries. Total micro-insurance premiums doubled between 2020 and 2021, and are currently estimated at over \$US60 billion. Thanks to these products, more than 100 million people in developing countries are now protected against the risks of health and illness. They help to improve access to healthcare, particularly for women, who are as well covered as men overall. In addition, 170 million people now have life or accident micro-insurance, 13 million are covered against certain climatic risks and 8 million against agricultural risks. These figures are rising rapidly, but are still very low given the scale of these risks.

To meet the needs of the populations who are least well covered by insurance, the United Nations Development Programme (UNDP) set up the InsuResilience initiative in 2019, in partnership with various insurance companies. It is aimed in particular at the poorest households that are exposed to environmental and climatic risks.²¹² The ILO and the Agence Française de Développement (AFD) have also formed a partnership to develop inclusive insurance products, aimed in particular at small and medium-sized enterprises (SMEs) and low-income households in developing and poor countries.²¹³

Beyond these global initiatives, the principles of inclusive insurance can be applied differently in different countries, depending on their level of development, their socio-economic context, their culture and their regulations.

In **Brazil**, insurance products for the most vulnerable households constitute a fast-growing market, with total premiums increasing by almost 80% between 2021 and 2022.²¹⁴ The products on offer are not designed to guarantee assets, but to ensure the livelihoods of households, even in the event of an accident. Insurers in Brazil offer micro-life insurance policies at a low monthly cost, providing compensation of up to 15,000 reais (around €2,700). This makes it possible to deal with life's accidents and prevent families from falling into poverty in the event of the death of one of their members. The potential of inclusive insurance (particularly micro-insurance) appears to be very great in Brazil, given the number of households in a situation of financial precarity: in 2021, almost 30% of Brazilians

were considered to be poor, meaning that there are almost 63 million potential beneficiaries of micro-insurance.²¹⁵

In **Africa**, inclusive insurance most often takes the form of micro-insurance aimed at illiterate or poorly educated people, and which can draw on both traditional practices (such as tontines) and technology. For example, the "insurtech" company Baloon offers simplified processes for subscribing to its products, to make them accessible to as many people as possible, including the illiterate. These feature low cost offerings, the use of contact by telephone, communication based on photographs rather than text, partnerships with intermediaries to facilitate contact with people who are situated far from services (from local business providers to major groups such as TotalEnergies), etc.

In **Europe**, inclusive insurance may mean retaining traditional distribution channels (such as physical shops) so as not to restrict access to those who are most comfortable with digital technology. Inclusive insurance can also be aimed at vulnerable groups who are not adequately covered by social protection systems. In France, the company Wakam offers inclusive micro-insurance in the form of group policies that companies take out for their employees at very low prices. The aim is to enable the most precarious employees to maintain a balanced budget in three areas: mobility, work and home.²¹⁶ The policies have been designed in partnership with the not-for-profit association Crésus, which helps people with excessive debt.

The inclusive insurance sector is also being boosted by partnerships between insurers and companies from other sectors. In Morocco, for example, the Bel group has launched a partnership with the insurer Saham to offer health and professional cover to 27,000 independent retailers.²¹⁷

In addition, the inclusive insurance sector is marked by the arrival of new actors, mainly start-ups in the field of "insurtech" (by analogy with "fintech"). The sector is conducive to innovation, and there are lower barriers to entry (particularly financial, but also in terms of trust) than there are in traditional insurance. This allows small actors to position themselves in niche markets, and to use the potential of technology to offer personalised solutions. It is therefore possible that, in a few years' time, the inclusive insurance sector could undergo major changes, with a consolidation phase marked by the takeover of start-ups and the growth or disappearance of others.

²¹¹ <https://microinsurancenet.org/the-landscape-of-microinsurance>

²¹² <https://irff.undp.org/publications/insuresilience-global-partnership>

²¹³ <https://www.afd.fr/fr/actualites/communique-de-presse/groupe-afd-oit-acces-plus-vulnerables-assurance-inclusive>

²¹⁴ <https://www.revistaapolice.com.br/2023/02/populacao-de-baixa-renda-tem-acesso-a-protecao-com-o-microseguro/> ; <https://cnseg.org.br/conheca-a-cnseg/mercado/seguros-inclusivos-microseguros/o-que-sao-seguros-inclusivos.html>

²¹⁵ <https://www.tresor.economie.gouv.fr/Articles/980ce4fb-6c81-4a7d-b2ce-9ccfb2cccb93/files/b404c0fb-7aa1-4827-bdfc-0da22f6bd9d>

²¹⁶ <https://www.wakam.com/produit/assurance-inclusive/>

²¹⁷ <https://www.lereporter.ma/inaya-saham-assurance-partenaire-de-linitiative-de-bel/> ; <https://www.groupe-bel.com/fr/ils-font-la-vache-qui-rit-aux-quatre-coins-du-monde/>

Expert analysis: Marcio Coriolano, member of the Advisory Board of CNseg (Brazilian National Insurance Confederation)

The outlook for inclusive insurance in Brazil

The reality in Brazil is no different from that of many countries with significant socio-economic disparities. Statistics show that more than two-thirds of the population have a monthly family income of less than two minimum wages, or around US\$540. After deducting expenditure on food, transport, clothing and basic services, the amount available for spending on private insurance in the current format is low. This is the main challenge to including more citizens in insurance.

The debate on inclusive insurance in Brazil can be traced back to micro-insurance experiments, sponsored by the World Bank, in India, the Philippines, Indonesia, Ghana and other countries. Although Brazil has long adhered to the general principles of the financial initiative of the United Nations Environment Programme (UNEP), there are substantial differences here due to the presence of the state in sectors of insurance such as unemployment, social security and health. In this context, and following the innovative regulations initiated in 2011, the National Council of Private Insurance (CNSP) – the governing body of general insurance in Brazil – issued its Resolution No. 409 in 2021, aimed at improving the regulatory environment in order to encourage inclusive solutions.

This new environment should lead to advances such as the launch of flexible products, adapted to the low incomes of new segments of the population, particularly insurance against fire, accident and miscellaneous risks, which are the risks to which the low-income population is most exposed.

With regard to health insurance, which is regulated separately from general insurance, the current challenge is to make the legal framework, which is 25 years old, more flexible, to allow segmentation of cover and offer additional access to care to a greater number of people.

Recommendations

The aim is to strengthen and extend the implementation of the principles of inclusive insurance to meet the needs of the most vulnerable groups. Several recommendations can be made to make the most of the potential of inclusive insurance in the future.

1. Simplify insurance contracts to make them understandable to everyone

The complexity of insurance contracts can make them difficult to access and understand. Simplification would involve not only improving the wording of contracts, but also terminating and

regrouping contracts, and making it possible to easily obtain an overview of the cover and services available to each individual.

2. Adapt regulations and ensure that they are compatible with inclusive insurance offerings

According to the Access to Insurance Initiative (A2ii), 35 countries have specific regulations in place for inclusive insurance, and this number has been rising steadily in recent years.

In 2021, Brazil overhauled its regulations relating to micro-insurance. In this regulatory framework, micro-insurance is defined as insurance for low-income groups, micro-entrepreneurs and small businesses, and which adheres to the following principles: inclusivity, simplicity, customer focus,

accessibility, transparency, proportionality, sustainability, financial education and innovation.

Regulations can also prove restrictive for insurers wishing to develop inclusive insurance offerings. For example, a ruling by the Court of Justice of the European Union deemed it discriminatory to adjust the amount of a person's insurance premium according to their gender. While this decision aims to ensure fairness in terms of pricing, it may in fact penalise a category of the population whose behaviour is less risky.

3. Develop relationships with the actors best placed to distribute inclusive insurance products

Inclusive insurance, particularly micro-insurance, can be provided by a wide variety of actors. In Africa, agents and brokers are the main distributors of micro-insurance, particularly health insurance, while in Asia the main distributors are mobile network operators, and in Latin America, financial institutions.

In some countries, consumer protection associations play an important role in providing information and allowing customers to compare insurance offerings. It is therefore in insurers' interests to work closely with these actors who are already strongly connected to consumers.

4. Make use of the potential of digital tools to promote inclusive insurance

Digital tools can provide very effective channels for improving access to certain insurance products. On the other hand, the need to use digital platforms or the telephone can create obstacles for certain groups who do not have access to them, or who do not know how to use them, or who prefer face-to-face contact.

In addition, because of their simplicity of access, micro-insurance offerings can be very vulnerable in terms of cyber security (fraud, identity theft, etc.).

5. Provide inclusive insurance offerings in line with the demands of the ecological transition

The ecological transition has a large number of aims, some of which are very difficult to achieve. They may represent high or even insurmountable costs for low-income households, such as energy-efficient home renovations or the purchase of an electric vehicle. The need to speed up collective changes in practices could justify the use of increasingly restrictive measures, such as a ban on the use of combustion-powered vehicles, or constraints on the resale of uninsulated housing or housing that is highly vulnerable to the impacts of climate change, etc.

The concept of inclusive insurance could logically be extended to people at risk of exclusion owing to the ecological transition, in order to support them in their sustainable investments or to continue to protect them even if they are not able to invest.

Insurers will also have to decide whether or not to continue to insure people who are highly vulnerable to certain risks (climatic, environmental, etc.) and who do not have the financial means to change their place of residence.

Lever 2: increase responsible investment and public-private partnerships to tackle new vulnerabilities

Helping society through responsible investment

Responsible investment seeks to combine profitability with a positive social, societal and/or environmental impact. It can therefore cover a wide range of areas (combating climate change, protecting biodiversity, improving access to education and employment, etc.) and benefit a wide variety of actors, including SMEs, associations, local authorities, etc.

Insurers are among the largest institutional investors in Europe and, as a result, major actors in the financing of the economy. As pioneers and major actors in responsible investment, they are playing a key role in the transition to a low-carbon economy and in building a society that is more resilient in the face of climate risks. By the end of 2021,²¹⁸ insurers' green investments had increased by 22.5% over the preceding year to €141 billion. Green investments now represent 6.3% of the assets managed by insurers, excluding unit-linked products.

French insurers now have a very low direct financial exposure to thermal coal, which represented just 0.6% of assets under management at the end of 2021, or €14 billion, after divesting

€2.5 billion over the course of 2021.²¹⁹ For the first time, the French insurance sector has also measured its direct exposure to oil and gas, which is low: 1.2% of assets under management at the end of 2021, or €27 billion, down 4% over the preceding year.

Nonetheless, responsible investment assets still represent a minority of total investment, and in light of the scale of the societal needs identified in this report, their potential for development is very high. These needs are also accompanied by the growing expectations of public opinion, which is increasingly critical of investments aimed at financing activities that are harmful to the environment (fossil fuels, activities contributing to deforestation, urban sprawl, etc.).

The development of responsible investment will require the removal of certain obstacles, which vary from country to country. These obstacles may be regulatory, cultural (such as companies' knowledge of these mechanisms) or technical (such as the ability to measure the impact of financing).

Supporting public actors by financing public works traditionally supported by the state

Contractual relations between private companies and public authorities structure many areas of the economy, such as when "public undertakings" build or operate public services or offer private services subsidised by public authorities. In the fields of transport, energy, telecommunications and water it is common for local authorities to call on private service providers to undertake at least some of these activities. One of the reasons given for this is to optimise the value of these services for taxpayers, but these activities can also be provided directly by public authorities.²²⁰

Faced with new needs and environmental challenges, and particularly following the example of the telecommunications sector, it is proving increasingly important to ensure complementarity or substitutability between public and private actors in order to support economic transition and/or accelerate the development of major prevention and protection projects. The implementation of such projects could require

substantial investment, which the state may not have the resources to take on easily and efficiently.

This interaction between public and private actors was noted as early as 2009 by the European Commission²²¹ and raises both the question of appropriate sectoral regulation and that of the type of powers that should be granted to public actors at the local level.

These investments should be encouraged by national and EU regulation, even if in some cases their profitability is uncertain. The state could provide a simplified legal framework, adapted to the context and accompanied by tax incentives to encourage private actors to carry out projects that serve the greatest number of people and the common interest. New regulatory environments should be developed in order to support the sorts of public-private partnerships that are needed to better anticipate, prevent and respond to emergency situations.

²¹⁸ <https://www.franceassureurs.fr/espace-presse/les-communiqués-de-presse/chiffres-cles-2021-assurance-finance-durable-assureurs-francais-renforcent-investissements-economie-bas-carbone/>

²¹⁹ <https://www.franceassureurs.fr/espace-presse/les-communiqués-de-presse/chiffres-cles-2021-assurance-finance-durable-assureurs-francais-renforcent-investissements-economie-bas-carbone/>

²²⁰ Source: Jullien, Bruno, Jérôme Pouyet, Wilfried Sand-Zantman. "Quel rôle pour les acteurs publics dans l'incitation privée aux investissements?", *Revue économique*, vol. 69, no. 6, 2018, pp. 985-1007.

²²¹ See European Commission, *Community Guidelines for the Application of State Aid Rules in Relation to Rapid Deployment of Broadband Networks*, 2009, http://ec.europa.eu/competition/consultations/2009_broadband_guidelines/. In the French context, see the discussions between operators and the government around the France Très Haut Débit plan ("SFR justifie le plan très haut débit du gouvernement", *Le Monde*, 19 July 2017).

What if, by 2040, it became compulsory to have insurance to cover all the risks associated with individual behaviour, or those that governments do not wish to cover?

Given the proliferation of risks and individual vulnerabilities, a number of countries (particularly in Europe) could become increasingly demanding in terms of the level of protection that individuals are required to have against certain risks. For example, individuals who are unable or unwilling to change their behaviour to reduce their exposure to certain risks could be obliged to take out specific insurance to compensate for that risk. Such requirements could also apply in the case of global risks that governments are no longer willing or able to cover.

For example, households could be obliged to take out insurance against cyber risks alongside their internet subscription. Certain types of insurance could be made compulsory for people who engage in activities or make choices that are deemed to be harmful to them and the community, even though it is avoidable, such as smoking, refusing to be vaccinated, or inhabiting homes located in areas that are highly vulnerable to natural disasters. These obligations would result in a shift in the burden of risk, which would increasingly be borne by individuals and insurers, and less by social protection systems.

The issue of allocating the burden of risk will be raised more and more frequently within societies: in what circumstances and under what conditions can risk be assumed by the state, via social protection systems? In what cases is the role of insurers essential? How accessible (particularly financially) are public and private mutualisation systems? To what extent will companies agree to make cover against major risks a market almost like any other (as is already the case with cat bonds)? What are the risks that cannot be pooled, or that the actors concerned do not want to bear, and which may end up being borne entirely by individuals? Will this distribution of responsibility (always) be the subject of collective debate and choice? Or will it be determined by default for certain risks and/or in certain regions?

Recommendations

3. Extend the current legal framework to facilitate useful and responsible investment

Direct investment in public infrastructure. Insurers could invest in essential infrastructure projects (roads, bridges, hospitals, schools, etc.) alongside the state, thereby financing all or part of projects that are currently the sole responsibility of the public authorities. These investments would contribute to the economic and social development of a region or country, create jobs and enhance the quality of life of communities.

Investment in renewable energies. Insurers could significantly increase their investments in renewable energy projects, such as solar, wind and hydro power. These investments would accelerate the transition to cleaner, more sustainable energy sources, helping to reduce greenhouse gas emissions and combat climate change.

Investment in environmental projects. The sector could facilitate and support the financing of projects related to the environment, biodiversity conservation, waste management, energy efficiency or water treatment. Insurers could encourage their customers to invest in these projects by directing them towards participative financing platforms or by creating their own platforms.

Investment in R&D. The sector should also continue its efforts to fund scientific and technological research, particularly in the areas of environmental transition, health, safety and risk prevention. These investments could support innovative projects aimed at improving quality of life, reducing accidents and preventing disasters.

4. Increase investment aimed at preventing and/or reducing vulnerability in society

The insurance sector could strengthen certain strategic investments as a way of reinforcing its essential social role in preventing and reducing vulnerability within society.

Risk prevention. The sector could fund initiatives to raise awareness of the risks associated with environmental change, and programmes to help prevent accidents, property damage and loss of life.

Adaptation to climate change. The sector could invest in projects to help communities adapt to the effects of climate change, build resilient infrastructure, develop early warning systems for natural disasters, and undertake water management projects. These measures would help to reduce

economic losses and protect populations from extreme weather events.

Partial or complete subsidising of insurance cover for low-income populations in return for community service. The sector could develop affordable and inclusive insurance products tailored to low-income populations, reducing their financial vulnerability in the event of unforeseen events such as illness, accidents or property loss. In return, beneficiaries would have to contribute to a prevention system (awareness campaigns, forest protection, social projects, etc.) or give up their time to help the most vulnerable people (the elderly, the excluded, dependents, family carers, etc.).

Lever 3: Push back the limits of insurability through renewed and holistic risk governance

Harnessing collective intelligence to achieve greater efficiency

The risk governance tools that have been developed and tested over previous decades have proved their effectiveness in periods of limited turbulence. But in the world of emerging and systemic risks that lies ahead, approaches to governance need to be revisited in order to incorporate the findings and key messages of this foresight analysis of the social role of insurance up to 2040.

Faced with repeated global crises, most of which have taken organisations by surprise, we must question our ability to detect future crises. The aim of this third lever is to strengthen and extend the risk governance framework beyond the prudential regulatory framework. In particular, this involves adopting a deliberately pragmatic and operational approach, based on collective action and collective intelligence.

The search for resilience in organisations and populations requires new ways of bringing stakeholders together to understand and prepare together for systemic, varied and interconnected threats (cyber, climate, access to resources, geopolitics, security, etc.), which may also be amplified by media pressure.

Where are we starting from? The current approaches of some organisations are poorly adapted to emerging and systemic risks.

The succession of recent crises that have taken organisations by surprise raises the legitimate question of our ability to detect future events, to accept them as likely, and so to prepare for them. How can we explain the surprise, or even shock that some organisations have experienced, even though most of them have departments devoted to risk management?

How can we explain why these complex crises come as a surprise, as well engendering a sense of disorientation, uncertainty and ambiguity?

A number of factors contribute to this situation:

- In all societies, the influence of the past affects our attitude towards the future. In order to think in terms of a break with the past, we need to make an effort to overcome our individual and collective cognitive biases. Considerable work

is required to inform people, share new risks and convince people that those risks pose a plausible threat. Organisations are not designed to anticipate change, but rather to improve processes and satisfy stakeholders.

- The second factor is connected to the persistence of risk analysts in considering frequency (or rate of occurrence) as the determining factor in risk. But, as we have seen, while it is certain that many disruptions will occur in the coming decades, we do not know when they will happen, or on what scale. The problem lies in the validity of using the available data (necessarily from the past) to determine future risks.
- A third factor is that risks are considered individually rather than as an ecosystem. Risks come in clusters, and the accumulation of those risks leads to the emergence of systemic crises, as the Covid-19 crisis amply demonstrated. What began as a health crisis quickly also became a mobility crisis, then an economic crisis (which is still not over), and a geopolitical crisis, leading in turn to political and social upheavals.

What will the risk governance of the future look like?

For many years, there has been considerable debate on the need to rethink the way governance works, with a particular focus on international institutions.²²²

For the insurance sector, the Solvency II directive seems to have strengthened risk governance, while also making management methods more complex, since this norm is open to interpretation. By 2040, the central role of risk governance should no longer be just a requirement imposed by regulators.

This third lever involves the implementation of holistic resilience systems, combining:

- Broad-based collective action.
- Regulatory reforms aimed at encouraging social development.
- The use of technological innovations.
- Mutualisation of risks over time as well as space, with a more forward-looking approach and bold cooperative ventures.

²²² See in particular: OECD (2018): "Assessing Global Progress in the Governance of Critical Risks, OECD Review of Risks", OECD Publishing, Paris. Available online: https://read.oecd-ilibrary.org/governance/assessing-global-progress-in-the-governance-of-critical-risks_9789264309272-en#page4; and Lopez-Claros, A, Dahl, A.L., Groff, M. (2020): "Global Governance and the Emergence of Global Institutions for the 21st Century", Cambridge University Press.

Recommendations

1. Encourage an approach based on collective intelligence by mobilising a wider range of actors (private, public, associations, etc.)

Understanding systemic crises through a wider variety of analyses

The reality of future crises is far too complex to be understood by a single actor. The sheer number of parameters influencing each other makes it impossible for experts and professionals from just one sector to fully comprehend events and their causes. The presence of cognitive biases is also inherent in all forms of human organisation. It is possible to mitigate the effect of these biases by using a range of different analytic approaches, by incorporating findings from independent entities (observers present from the start of the events, devoted

to the sole task of observation) and by coordinating conversation and debates.

Not only managing risk, but also building resilience in people and organisations

In an increasingly unstable environment, the various actors involved need to make a collective commitment to building resilience and managing major shocks. These constitute important strategic levers for mitigating the impact of crises that threaten societies and even the continuation of their activities.

Collective intelligence: Aristotle's perspective

The question of collective intelligence goes back as far as antiquity, and was notably addressed by Aristotle: "The view that the ruler should be the masses rather than the elite minority of the best would seem to resolve the question, and, despite some difficulties, to offer some truth. It is in fact possible that the majority, even though not every member is virtuous, once gathered together is better than the elite, not separately but collectively, in the same way that meals organised together are better than those organised at the expense of a single person. Since there are many of them, each holds a share of virtue and wisdom, and, from this coming together, the mass becomes like one person, with many feet and many hands, and endowed with many sensations, and the same is true of its character and intelligence." (Aristotle, excerpt from *Politics*, Book III, Chapter XI)

Public participation

In the field of risk and risk management, the centralised model organised at state level (as seen in France in particular) leaves little room for public participation. If this model continues to be used, it will have negative consequences for the future of society. The public is not calling for the absolute elimination of risk, but above wishes to be respected, listened to, and to be involved as a stakeholder in decision-making.

The centralised model needs to be opened up, to enable the broad collective mobilisation that is needed to encourage and facilitate large-scale prevention/safety initiatives, and to guide and organise investment (in prevention systems, infrastructure to protect the environment, etc.).

2. Encourage regulatory reforms to facilitate social development and decision-making at grassroots level

Getting closer to day-to-day experience and local realities

As social and economic organisations have become more complex, risk has become less tangible, less comprehensible and less controllable by the individual. Diffuse anxiety leaves people feeling powerless. It is important to make risk more comprehensible so that it is less a matter of belief and more a matter of rationality. A rational approach to risk needs to be encouraged, to give people a greater sense of control and responsibility.

More flexibility

The complexity engendered by new risks (climate, health, cyber, geopolitical, etc.) must be counterbalanced by a simplification of the rules, leading to greater flexibility. This will allow companies to adapt more quickly to constantly changing environments. This also applies to new risks, especially risks and issues associated with corporate social responsibility (CSR), which must be addressed by governance bodies in an informed manner.

3. Extend the principle of risk pooling to include the temporal dimension, with a more long-term approach

The current practice of risk pooling – which is currently conceived within regulation as a spreading of risk across geographical space and across numerous actors – is no longer sufficient when risks reach extreme peaks. It is necessary to add a principle of risk pooling over time, in order to smooth out the costs of disasters over the long term, including between generations. This addition of temporal risk pooling will involve moving from an annual approach to a multi-year approach to absorb certain major risks, particularly systemic and/or new risks. This new conception of risk pooling will also require a review of current accounting and solvency standards, since the adoption of a more long-term perspective constitutes a paradigm shift for these standards.

An effective approach to dealing with the major uncertainties of the future could involve the construction of foresight scenarios and analysis of the implications of those scenarios (the "so what?" approach). These processes should be adopted by organisations with forward-looking governance. Foresight analysis is particularly useful for anticipating and preparing for major trends, uncertainties and disruptions in the medium and long term. Foresight analysis makes it possible both to construct scenarios to illustrate the range of possible futures, and to work more specifically on disruptive scenarios and their potential implications (the "how to?/what if?" approach). Incorporating foresight analysis seems essential for effective and resilient governance.

4. Support governance through the positive use of technological innovations

The development of digital technologies has made the world more volatile, more prone to crises, more frighteningly immediate, and more vast. Yet there seems to be no sign that we want to slow down the great digitalisation of reality. The use of data and artificial intelligence (data-AI) provides valuable

opportunities to better anticipate, prevent and manage risks. Such practices must also be the subject of education from the earliest age, developing critical thinking and scientific culture so that individuals can use technology rather than becoming an object for that technology.

5. Strengthen the social role of insurance by extending risk governance through bold international cooperation in the service of citizens

In order to address major systemic risks, further international initiatives similar to the Climate Overshoot Commission should be developed.

As our interviews confirmed, citizens measure the social role of insurance by the capacity of insurers to address the same

problems for which they are providing coverage. We therefore need to envisage a system of extended collaboration at national, or even international level in order to provide citizens with a one-stop shop for risk cover at each point of contact between the insured and their insurer.

POSTFACE



What social role do we want insurance to play by 2040? This was the question addressed by the teams of the CNP Assurances Research and Strategic Foresight department, in partnership with Futuribles.

This third edition of the CNP Assurances Foresight Report is the result of six months' work, including interviews with experts and surveys of insurance actors on four continents. Workshops with the general public also made it possible to measure people's perception of the usefulness of insurance within society, to analyse the risks and transformations underway, and to identify people's needs and their expectations towards insurers.

The originality of this work lies in its three-pronged approach to the transformations underway: a systemic approach, so as to take account of their interdependence; a foresight approach, so as to understand their outlook in the medium and long term; and an international approach, so as to take a holistic view.

After a brief history of the social role of insurance, this report presents the major challenges facing this role in four major regions of the world, and three levers for action: rethinking inclusion mechanisms to meet the needs of the most vulnerable groups, strengthening responsible investment and public-private partnerships to deal with new vulnerabilities, and pushing back the limits of insurability through renewed and holistic risk governance. These levers for action are supported by concrete recommendations aimed at both public and private actors, particularly those in the insurance sector.

Sonia Barrière, Head of Strategic Transformation at CNP Assurances

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