



COULD INSURANCE PROVIDE AN ALTERNATIVE TO FISCAL SUPPORT IN CRISIS RESPONSE?

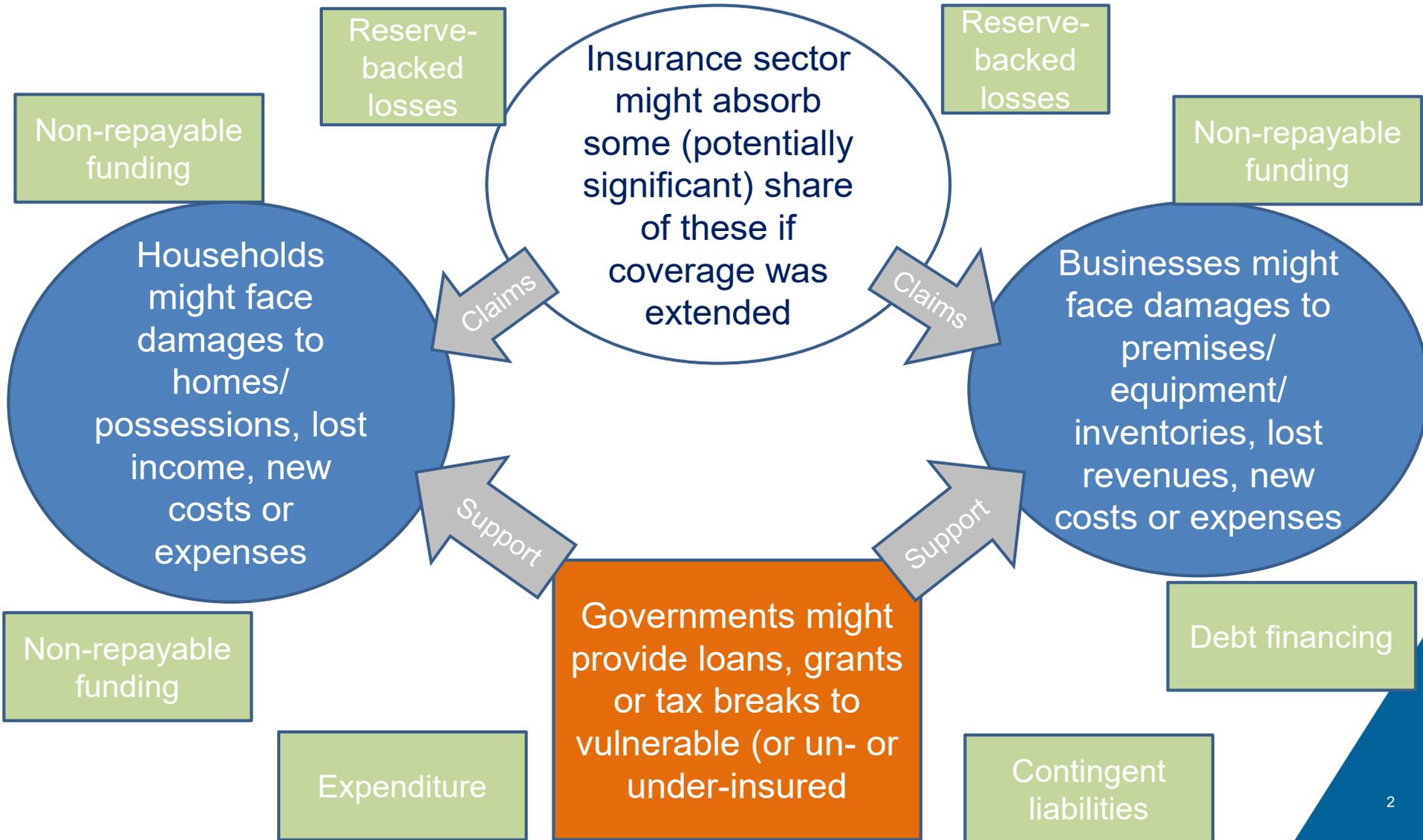
18th Annual Meeting of the Network on Fiscal
Relations Across Levels of Government

22 April 2022

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Catastrophes lead to losses that can be funded (or absorbed) in different ways





Many costs and losses from COVID-19 were funded by insurance

LINE OF BUSINESS	TYPES OF LOSSES COVERED/BENEFITS PROVIDED	POTENTIAL COVERAGE EXCLUSIONS
Life	Death benefits to beneficiaries	Cause of death exclusions are rare
Health	Expenses for testing and hospitalisation	For private systems, some as procedures are new but generally addressed
Travel	Reimbursement for trip cancellation Medical expenses abroad	Exclusions for known circumstances
Property damage	Business interruption	May require physical damage to insured property Maybe infectious disease exclusion
Workers compensation/ Employment practices	Compensation for injured employees	May only apply if employer negligence or above normal risk of exposure
Directors and officers liability	Compensation for injured shareholders	Minimal
General/public liability	Compensation to other affected stakeholders	Minimal





...although coverage for some (particularly business interruption) was limited...

Business interruption coverage triggered only where property damage

- Does presence of COVID-19 constitute property damage?

Public authority/orders coverage

- Is damage triggered as a result of property damage in the vicinity of the insured property?

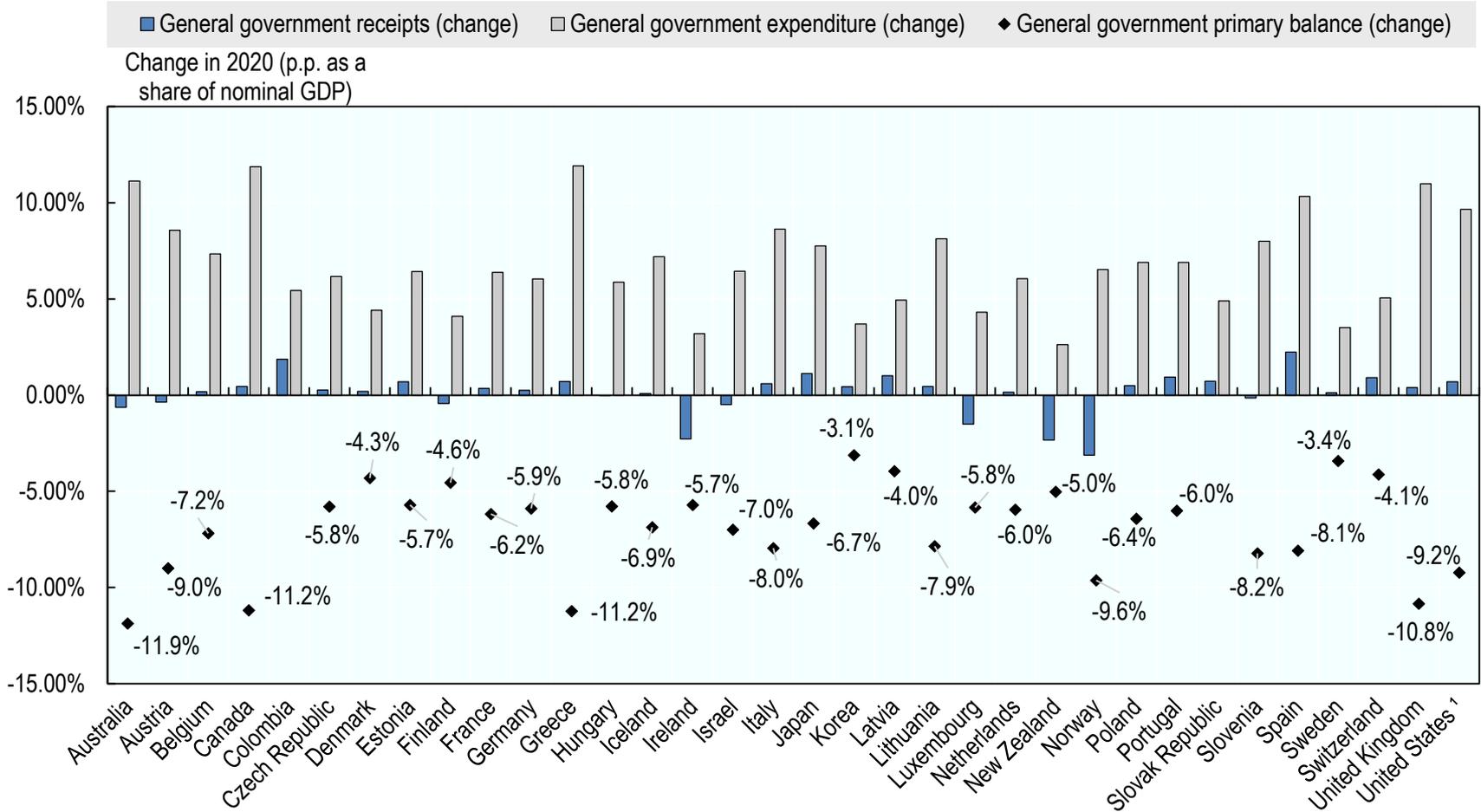
Business interruption

- Was COVID present in the vicinity of the insured property?

Virus exclusions



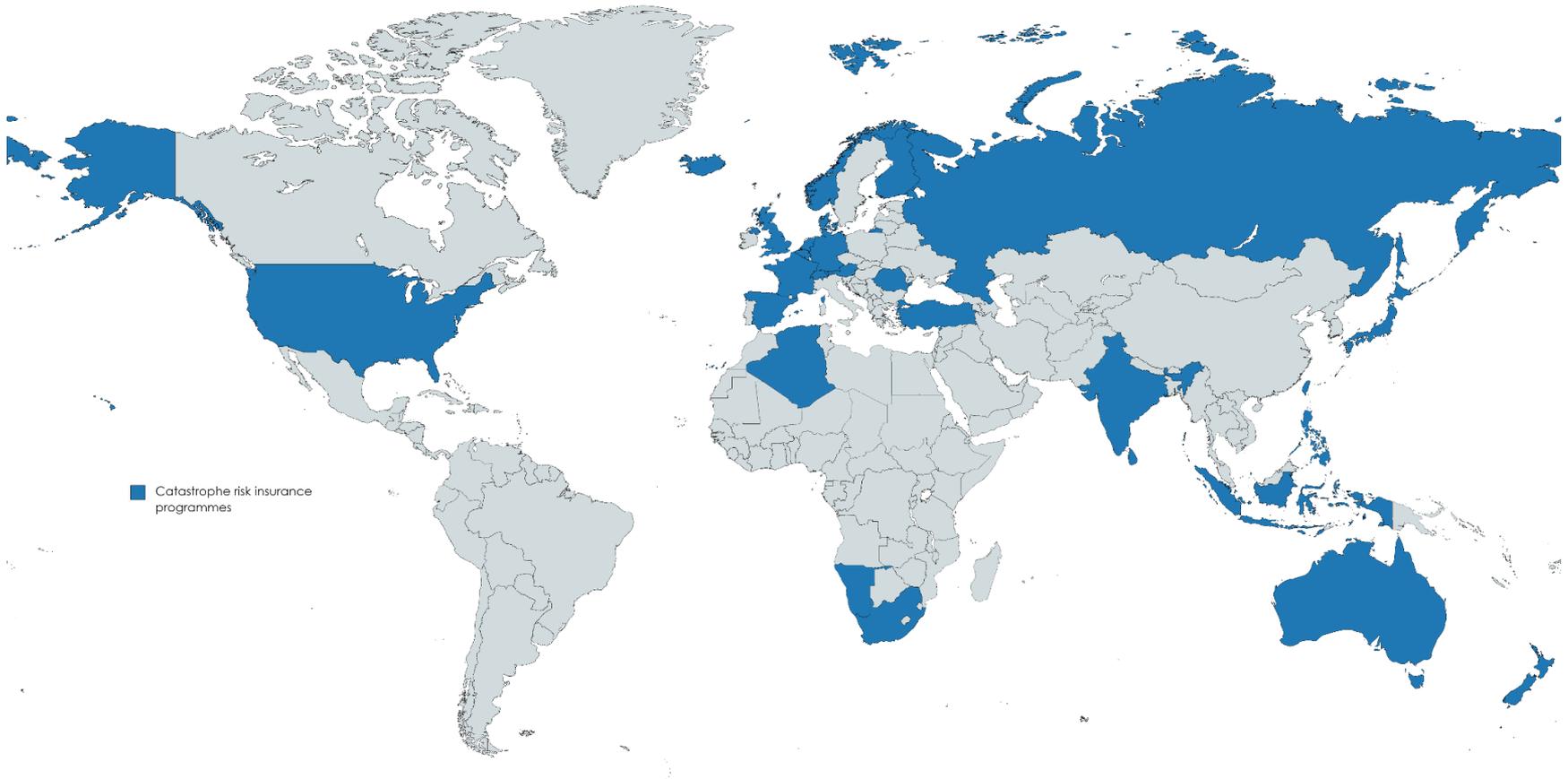
A significant portion was funded by government ...and government finances deteriorated



Source: Author's calculations based on data from OECD Economic Outlook, Volume 2021 Issue 2



Many countries have established catastrophe risk insurance programmes for large-scale risks...





Pandemic risk insurance programme proposals: key themes

Broad agreement

Some form of compulsion (offer or purchase) or incentive

Quick payment (parametric)

Significant government share of losses

Some divergence

Differential treatment of SMEs

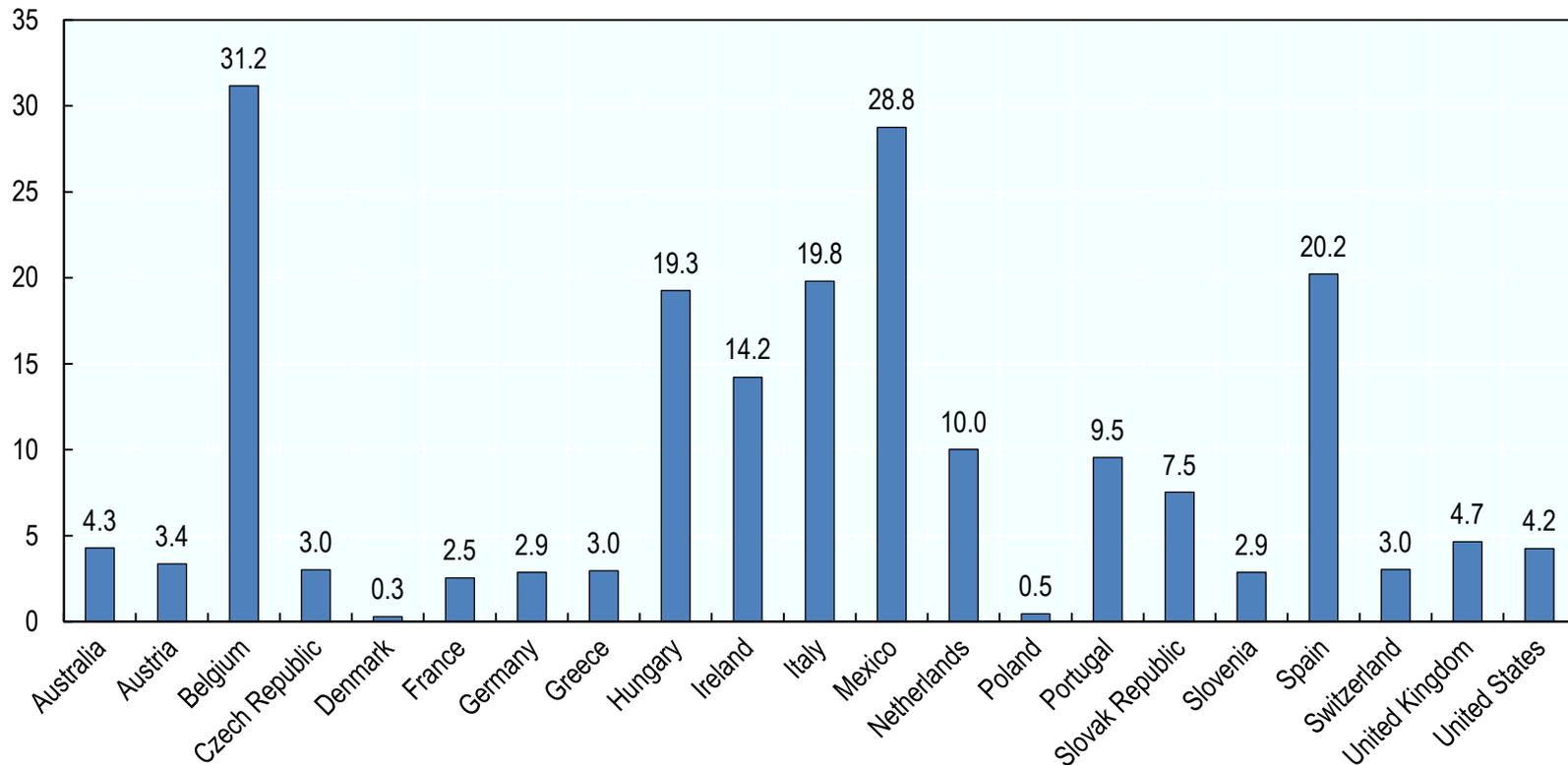
What losses should be covered (BI or broader)

What perils should be covered (pandemic or all “systemic”)



...although in many countries, COVID losses were multiples of the catastrophe losses faced by insurers in the past

Estimated COVID losses
relative to largest
catastrophe insured loss



Source: Author's calculations based on data from Swiss Re sigma on natural catastrophes and an estimate of business revenue losses derived from estimated revenue losses during strict workplace closures in Canada (Statistics Canada, 2020), OECD data on production for OECD countries (OECD, 2022), and data on the imposition of workplace closure requirements collected by the Blavatnik School of Government (Hale et al., 2021).



Could insurance be an alternative to large-scale fiscal support for catastrophes like COVID-19?

- Could an insurance programme achieve broad take-up?
- Could an insurance programme provide rapid payments to meet liquidity challenges?
- Could an insurance programme reduce public financial exposure?
- Could an insurance programme encourage risk reduction (and support employment stability)?