

News release

Most Europeans don't have enough disability insurance to cover the financial shock of a sudden disability or critical illness

- Report finds that there is a disability income insurance shortfall of around EUR 750 billion in 13 European and Middle East countries
- Report examines how to better protect people from financial shocks of sudden disability and illness
- Increasing health care costs, gradual withdrawal of state welfare systems, an ageing population and falling fertility rates will further undermine levels of coverage
- Re/insurance industry has a role to play in helping consumers find the right levels of protection tailored to their life stage and perceived needs

Zurich, 3 June 2015 – A sudden critical illness or disability can have serious financial consequences for the individuals and families affected. However, most Europeans do not have the financial protection in place to deal with such a shock. According to Swiss Re's *European Insurance Report 2015*, people in the 13 countries surveyed for the report would currently struggle to secure 40% income replacement in case of disability. Together with the witnessed trend of the welfare state's gradual withdrawal of benefits, this is set to drop further. Already today, this amounts to a total shortfall in required disability insurance of around EUR 750 billion.

The *European Insurance Report 2015* is based on a survey of 13,000 people across 13 countries in Europe and the Middle East. It looks into attitudes towards what life and health insurance products people have in place, where the gaps are in their protection and focuses on possible solutions to help with the financial consequences of unexpected health shocks, especially for sudden disability or serious illness.

Collectively, the total level of underinsurance in the countries surveyed is currently around EUR 750 billion. Assuming that people would need a 60% replacement income if unable to work because of illness or injury, the report finds that at current levels replacement income would barely cover 40% for most people.

"Although people in the survey were aware of the potential shock that a sudden disability or illness could have for them financially, there are still many

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people without enough protection and who are reliant on state welfare," says Bruce Hodgkinson, Swiss Re's European Head of Life and Health Reinsurance. "However, states are reducing their welfare systems as ageing populations and increasing medical costs put pressure on their budgets. The insurance industry has the task to enable the shift from state provision to individual responsibility."

The *European Insurance Report 2015* also investigates the economic and demographic factors that are weighing on a protection system which is highly dependent on the state welfare. Ageing populations, lower fertility rates and expanding medical costs are adding to the challenge of maintaining the current protection systems. They also add to the need for individuals to take on more private responsibility for their health care provision, or face massive reductions in the level of service they can expect.

In order for re/insurers to step up their efforts to cover the financial risks in the European health protection market, there is a greater need for understanding how, when and why people decide to take on private cover. The report has several in-depth analyses around consumer issues such as how consumers perceive their vulnerability to illness and how to better address relevant products for people's life stages.

Jean-Jacques Henchoz, Swiss Re's Chief Executive Officer Reinsurance EMEA says: "It's not enough to understand the economic arguments for providing health protection. People don't buy on a one-size-fits-all basis throughout their lives but will want different levels of cover and have different concerns as they move through their lives. Our job as the re/insurers is to ensure that we are meeting their needs."

Notes to Editors

Swiss Re's consumer survey covers Belgium, Germany, France, Israel, Ireland, Italy, the Netherlands, Poland, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

Swiss Re

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