



Post-event summary:

Tackling natural catastrophe insurance protection gaps – a global imperative

The G20, International Association of Insurance Supervisors (IAIS), and World Bank Group (WBG) addressed natural catastrophe insurance protection gaps, emphasising the challenges faced by emerging markets and developing economies (EMDEs), the importance of building resilience, and the value of multi-stakeholder solutions.

On 17 July 2025, the G20 South African Presidency, in collaboration with the IAIS and the WBG, convened a side event during the G20 Finance Ministers and Central Bank Governors (FMCBG) Meeting in Durban, KwaZulu-Natal. The event brought together senior leaders from governments, central banks, international organisations, insurance supervisors and the insurance sector to address widening natural catastrophe (NatCat) insurance protection gaps. These gaps are a growing global challenge requiring urgent and coordinated action.

The urgency of addressing protection gaps

The frequency and severity of NatCat events – such as hurricanes, floods, and wildfires – are increasing, placing significant strain on economies and societies worldwide. While no region is immune, the challenge is particularly acute in EMDEs, where low insurance penetration, affordability constraints, and limited fiscal capacity may exacerbate vulnerabilities. Limited access to risk models and data further compounds the issue, leaving EMDEs disproportionately exposed to the economic and social toll of disasters.

Globally, over 50% of natural disaster losses remain uninsured, with this figure often much higher in EMDEs. This leaves households, businesses and governments exposed, compounding economic shocks and slowing development for years, even decades. As highlighted by several of the speakers, this is a core issue from a central banking and financial stability perspective. Uninsured losses from natural disasters can undermine economic stability, threaten the solvency of financial institutions, and disrupt credit flows. Moreover, when governments are forced to step in with emergency funds or debt-

financed reconstruction, it places additional strain on already limited fiscal space, reducing the ability to invest in long-term development.

The role of insurance

Insurance plays a critical role in mitigating the economic and societal impacts of NatCat events. It provides financial protection for households and businesses, enabling faster recovery and reducing economic disruption. Additionally, insurance incentivises risk reduction and preparedness, helping to limit losses before disasters strike.

Investing in pre-arranged disaster financing mechanisms has proven to be cost-effective. Evidence shows that every dollar invested in pre-arranged finance can save up to 15 in post-disaster recovery costs. However, more than 90% of international disaster-related finance is currently provided post-event, highlighting the need for a shift towards proactive measures.

That said, the private insurance sector cannot address protection gaps alone. Speakers emphasised the importance of financial literacy, risk awareness, and regulatory capacity in supporting the development of insurance markets. They highlighted that challenges such as affordability, accessibility, and the need for sustainable business models require collaborative efforts involving the public sector as well as innovative solutions such as parametric insurance and regional risk pools.

Solutions – a multi-stakeholder approach

The event emphasised the need for a global, multi-stakeholder approach to addressing protection gaps. Speakers and panellists shared ample examples of successful initiatives and solutions, and stressed the importance of leveraging public-private partnerships (PPPs), investing in risk reduction, and implementing innovative insurance solutions tailored to local contexts. Collaboration between governments, insurers, international organisations, and civil society was identified as a cornerstone for success.

The discussions focused on improving financial resilience and enhancing broader disaster risk mitigation strategies by identifying and addressing protection gaps. The [IAIS and WBG's recently published input paper](#) provided a foundation for these discussions, outlining practical steps for jurisdictions to narrow protection gaps, with a particular emphasis on EMDEs. The paper offers actionable recommendations for governments, supervisors, and the insurance industry, underscoring the importance of aligning efforts to build resilience and reduce vulnerabilities.

Key priorities for action

Key priorities identified during the event included:

- Enhancing collaboration: Strengthening partnerships between public and private sectors to pool resources, share expertise, and align incentives.
- Investing in risk reduction: Prioritising pre-disaster mechanisms and proactive risk management to reduce vulnerabilities and maintain insurability.

- Fostering innovation: Supporting the development of scalable, needs-based insurance solutions, particularly in EMDEs.

The discussion also highlighted the importance of including insurance supervisors in broader discussions on disaster risk financing and protection gap strategies. Their expertise is invaluable in designing effective public-private partnerships and ensuring that proposed solutions are both scalable and sustainable.

The path forward

The side event reinforced the urgency of coordinated action to address NatCat insurance protection gaps. By fostering collaboration, investing in risk reduction, and leveraging innovative solutions, stakeholders can build more resilient societies and economies. This global imperative requires commitment, coordination, and a shared vision for a more secure and sustainable future. As also noted in the [July G20 Communiqué Finance Ministers and Central Bank Governors Meeting](#), the IAIS and the World Bank will continue efforts to provide practical guidance and tools to assist policymakers and supervisors in addressing NatCat protection gaps.

For further details, the IAIS and WBG's input paper can be downloaded [here](#), and a recording of the discussion is available [here](#).