



## Bridging the Climate Risk Protection Gap: The Role of Public-Private Partnerships

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### EXECUTIVE SUMMARY

The climate risk protection gap, representing the disparity between insured and actual losses from climate-related events, is an escalating global issue. As climate change intensifies natural hazards, individuals, businesses and entire economies are increasingly exposed to severe economic and financial losses. According to EIOPA, only 25% of these losses are insured, leaving millions vulnerable. This widening protection gap demands urgent attention from governments, regulators, and the insurance industry.

Public-Private Partnerships (PPPs) are a vital solution to bridge this gap. By leveraging the combined strengths of the public and private sectors, PPPs can increase insurance penetration, reduce vulnerabilities and enhance financial resilience in the short and long term. Moreover, these partnerships incentivize proactive measures to mitigate and adapt to risks before disasters strike.

To establish effective PPPs, several foundational elements are crucial. Clear objectives, robust risk modeling, proactive risk prevention and a well-defined legal framework are necessary to ensure the partnership's success. Additionally, governments and the insurance industry must develop the necessary operational capacity, infrastructure, and sustainable financing to support these initiatives.

In this context, the roles of government, insurance regulators, the insurance industry and intermediaries must be clearly defined. Governments must set the regulatory framework and provide incentives, while the insurance industry develops and manages products aligned with public policy goals. Intermediaries play a crucial role in both the design and implementation ensuring adequate distribution and smooth operations to the benefit of the insureds.

By embracing PPPs and leveraging the expertise of industry stakeholders, governments can significantly impact the reduction of the climate risk protection gap, fostering sustainable economies and a more resilient society.

BVVM-UPCA is ready to contribute its expertise to this collaborative effort, ensuring a safer and more secure future for all.

Our paper is an invitation to policymakers and the insurance industry to engage with us and our members in a conversation about this topic

**For further information or to discuss this topic with us, contact**

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