



Gaps and guidance

GFIA works on a major protection gap study and comments on supervisory guidance on climate risks

By Christian Pierotti, chair of the GFIA Climate Risks Working Group

As climate-related records keep being broken (land and sea temperatures, periods of drought and heatwaves, melting of ice caps and glaciers, frequency and severity of floods and storms), GFIA’s Climate Risks Working Group continues to promote the essential role that the global insurance industry plays in providing financial protection against climate risks as well as in fostering prevention measures. It also collaborates with international stakeholders to support the national and international transition to greater sustainability, while putting the industry’s actions and positions forward.

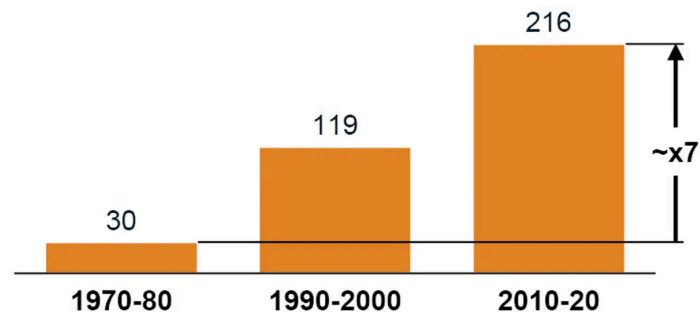
The Climate Risks Working Group concentrates on crucial climate-related issues that are vital to this transition, such as sustainable finance and building resilience through prevention, adaptation and mitigation measures. The key focuses of the work GFIA has carried out over the last year are the closing of protection gaps related to climate risks and commenting on the development of supervisory guidance on climate risks.

Closing protection gaps

As GFIA initiated a global study on the issue of protection gaps, the Working Group took the opportunity to reflect on the consequences of the increase in climate-change related events on claims and develop recommendations of the main actions that policymakers should take to close the protection gap related to natural catastrophes. These were integrated into GFIA’s study, “[Global protection gaps and recommendations for bridging them](#)”, published in March 2023, which puts the global gap in protection against natural catastrophes at US\$0.1 trillion, with around 60% of natcat losses not insured between 2011 and 2020. In addition to the financial costs, the report highlights the significant impact of natural catastrophes on peoples’ lives, wellbeing and livelihoods.

What is GFIA’s protection gaps study?

Average annual natcat losses per decade (US\$bn)



The study's seven recommendations focus especially on the need for close cooperation between the public sector and the insurance industry. They also aim to raise awareness of the importance of financial protection and the promotion of insurance products tailored to local needs. GFIA thus highlights the need for effective policies that allow insurers to play their key role in building resilience as well as in contributing to the development of appropriate solutions to close protection gaps.

While the insurance industry can contribute to reducing these protection gaps, a single stakeholder group alone cannot narrow them. Close collaboration between private and public stakeholders is necessary, as governments and other public entities can help build the appropriate regulatory environment, create fiscal incentives or conduct public awareness and prevention campaigns, among other actions.

These gaps are also being studied by the International Association of Insurance Supervisors (IAIS), which has created a special task force that examines the role of supervisors in closing them. GFIA has made two presentations of its study to the IAIS, which is expected to publish a report in November 2023 (see [IAIS opinion article](#)).

Climate risk supervisory guidance

In May 2023, GFIA responded to the IAIS's consultation on climate risk supervisory guidance, calling for a supervisory approach that is adapted to the specific characteristics of the insurance industry and respects the differences in the climate-related risks and impacts faced by entities and jurisdictions. We argued that any IAIS initiative should consist of a principle-based framework that provides guidance rather than mandates.



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Fostering dialogue

GFIA has continued its dialogue with many other stakeholders and institutions that are committed to achieving a low-carbon economy and promoting green investments.

In February 2023, GFIA met the Director of Climate and Environment and the Head of Switzerland and Liechtenstein from the Principles of Responsible Investment (PRI), a UN-supported network of investors that promotes sustainable investment through the incorporation of ESG issues into investment analysis. This conversation, focusing on the risks and opportunities for long-term investors such as insurers with regards to climate change, has provided a good basis for greater collaboration between GFIA and the PRI on sustainable investments and net-zero climate initiatives.

Beyond the protection gap issue, GFIA has also been invited by the IAIS to discuss climate disclosure standards and provide feedback on the insurance industry’s experiences of implementing the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures.

Looking ahead, GFIA will continue to foster dialogue with other stakeholders and the sharing of best practices between its members. The Working Group is already working on the issue of land-use planning and will provide a joint response to the next two IAIS consultations on climate risk supervision and the modification of the Insurance Core Principles (ICPs) that will be published by the end of the year (see [IAIS opinion article](#)).

The Working Group will also engage with and monitor the work of international organisations and standard-setting bodies such as the International Sustainability Standards Board, the FSB and the IAIS. The COP 28 UN climate conference coming up in December 2023 will be the occasion to engage with stakeholders such as the United Nations, the World Bank and the Insurance Development Forum to promote the messages of the industry.



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**Global protection
gaps and
recommendations
for bridging them**



What is GFI's protection gaps study?

Gaps in protection have major consequences for the well-being and financial resilience of individuals, businesses and society. The world's insurers have a responsibility to understand and communicate the risks that will have the most impact on people's lives. That is why GFI commissioned the first-ever study to identify and quantify the largest global protection gaps and to make recommendations for how policymakers and insurers can work together to close them.

The study, "[Global protection gaps and recommendations for bridging them](#)", was published in March 2023. It identified four gaps that have the most impact on people's lives due to their size, global presence, impact on livelihoods and expected growth. They are: gaps in pension provision (US\$1trn); cyber-risk protection (US\$0.9trn); health cover (US\$0.8trn); and protection against natural catastrophes (US\$0.1trn).