IAIS International Association of Insurance Supervisors

PRESS RELEASE

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IAIS report examines financial stability implications from natural catastrophe insurance protection gaps

- This Global Insurance Market Report (GIMAR) special topic edition assesses the implications of natural catastrophe (NatCat) insurance protection gaps for financial stability.

- Findings underscore the critical role of insurance in mitigating economic and societal impacts of NatCat events.

- Significant portions of economic losses remain uninsured – particularly in emerging markets and developing economy (EMDE) jurisdictions – potentially exposing economies to greater risks and challenging financial systems.

- Widening protection gaps could increase financial stability risks, for instance by shifting more risks to the banking sector.

Basel, Switzerland – The International Association of Insurance Supervisors (IAIS) today released a special topic edition of the Global Insurance Market Report (GIMAR), focussing on the potential financial stability implications of natural catastrophe (NatCat) insurance protection gaps. The report draws on six detailed case studies, including historical events and forward-looking scenarios, to illustrate the diverse impacts of NatCat events on the real economy, financial sector and society.

The report examines how NatCat insurance protection gaps could pose risks to financial stability, particularly in emerging market and developing economy (EMDE) jurisdictions. It assesses the key drivers, trends and impacts of these gaps and emphasises the importance of coordinated global action.

“Natural catastrophe events are becoming more frequent and severe, with significant portions of economic losses remaining uninsured,” said IAIS Executive Committee Chair, Shigeru Ariizumi. “This report underscores the critical role of insurance in mitigating these impacts while highlighting the urgent need to address insurance protection gaps to safeguard financial stability.”

The report highlights several key findings:

- **Protection gaps remain significant worldwide**: NatCat events can have significant economic and societal impacts, disrupting the real economy, financial systems and social structures through both direct damage and broader indirect consequences.
- **Economic and societal impacts are wide-ranging**: The case studies reveal that NatCat events may disrupt critical sectors such as agriculture, housing and infrastructure, causing cascading effects on employment, income and public finances. Vulnerable groups face additional challenges, including displacement, poverty and slower recovery, further intensifying inequalities.
- **Insurance mechanisms are vital but uneven**: Insurance payouts, reinsurance and government-backed schemes help reduce financial impacts in some cases, but their availability varies significantly across jurisdictions. This uneven access raises concerns, particularly as NatCat events become more frequent and severe. A further reduction of insurance coverage in the future could increase systemic risks.

“These findings highlight the profound implications of insurance protection gaps for economies, societies and financial systems,” said IAIS Secretary General, Jonathan Dixon. “Without coordinated global action, these gaps could evolve into systemic vulnerabilities, potentially threatening financial stability in the most exposed regions.”

The IAIS has made substantial progress in elevating this conversation on the global policy agenda, bringing together insurance supervisors, the insurance industry and policymakers to highlight the role of insurance in tackling NatCat protection gaps. This includes through its recent input paper developed jointly with the World Bank Group for the G20 Finance Track.

The IAIS, with its members, will continue efforts to assess and address NatCat protection gaps and collaborate with partners to foster resilience to future risks. Key priorities for future work include advancing data collection efforts, promoting global collaboration and offering practical guidance and knowledge sharing for policymakers and supervisors.

The GIMAR special topic edition is available on the IAIS website.

About the GIMAR special topic edition

Special topic editions of the IAIS’ Global Insurance Market Report (GIMAR) delve deeper into relevant topics stemming from each year’s Global Monitoring Exercise (GME), which is the IAIS’ framework for monitoring risks and trends in the global insurance sector and assessing the possible build-up of systemic risk. The regular GIMAR, published annually, presents the outcomes of the GME.

About the IAIS

The IAIS is a global standard-setting body whose objectives are to promote effective and globally consistent supervision of the insurance industry to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to the maintenance of global financial stability. Its membership includes insurance supervisors from more than 200 jurisdictions. Learn more at www.iais.org. Follow us on LinkedIn: IAIS – International Association of Insurance Supervisors.

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