



Climate change and insurance protection gaps: OECD perspective

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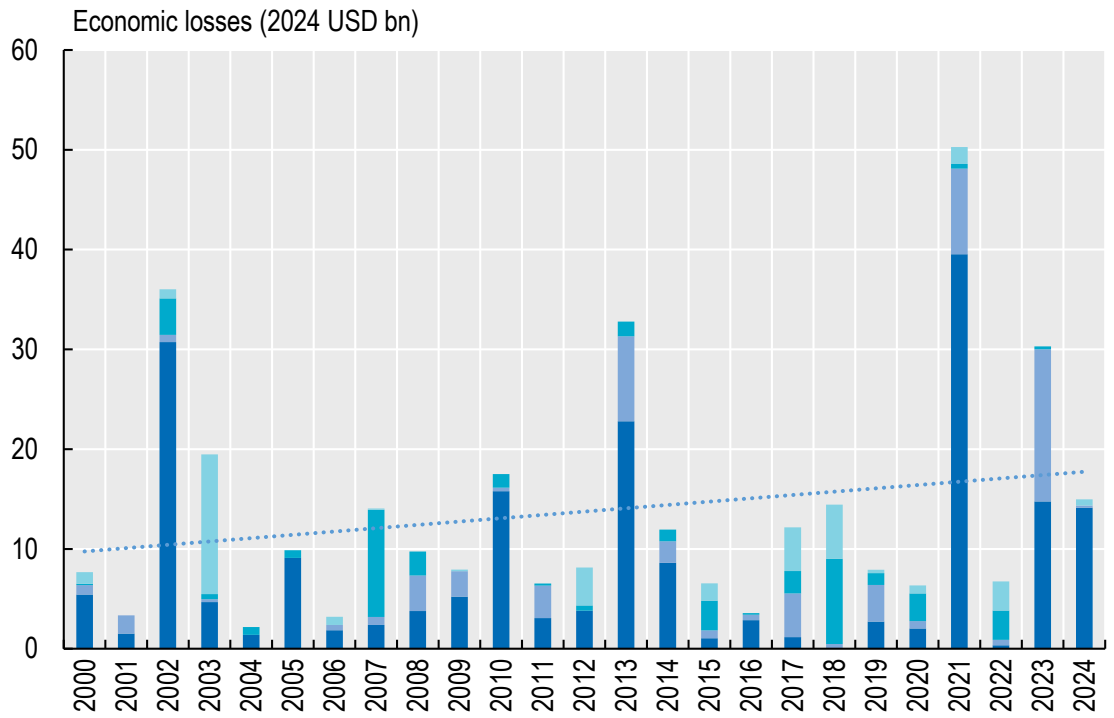
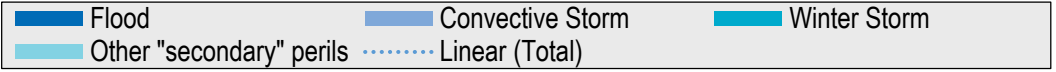
Directorate for Financial and Enterprise Affairs

Insurance Protection Gap Conference
Climate Risk in Insurance: Addressing the
Climate Insurance Gap and Using Climate Data

Bratislava, 16 April 2026

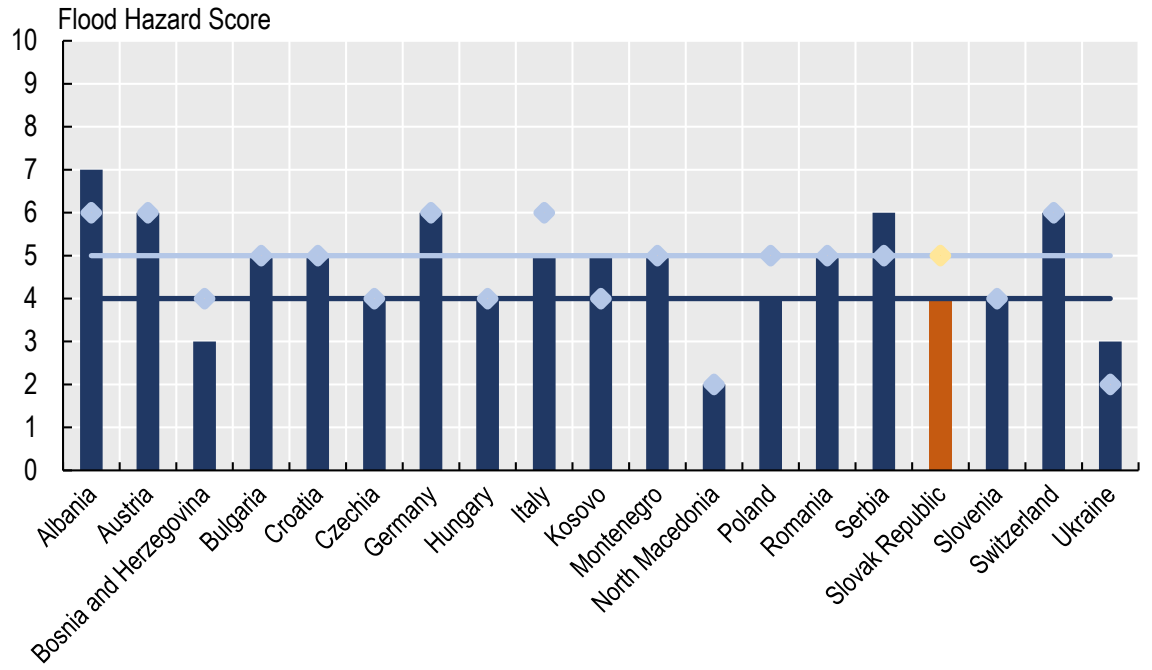
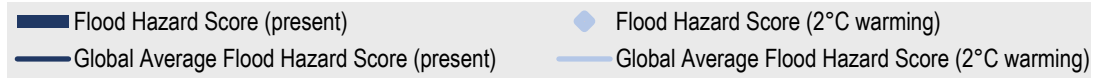
Climate-related risks are increasing across central and eastern Europe

Most losses result from floods although losses from convective storms have increased most dramatically



Source: OECD calculations using data from Swiss Re, sigma database. All rights reserved. Includes Albania, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czechia, Germany, Hungary, Italy, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovak Republic, Slovenia, Switzerland and Ukraine.

Some countries in the region face higher than average exposure to flood hazard, currently and in the future

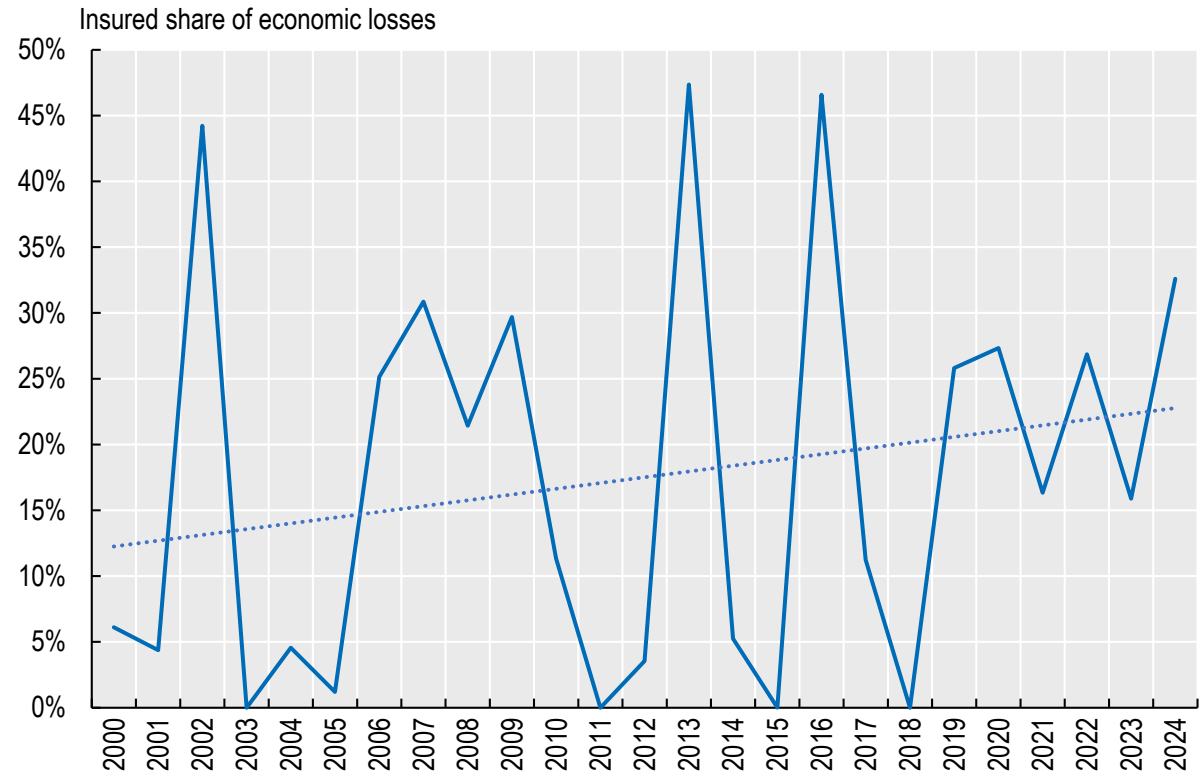
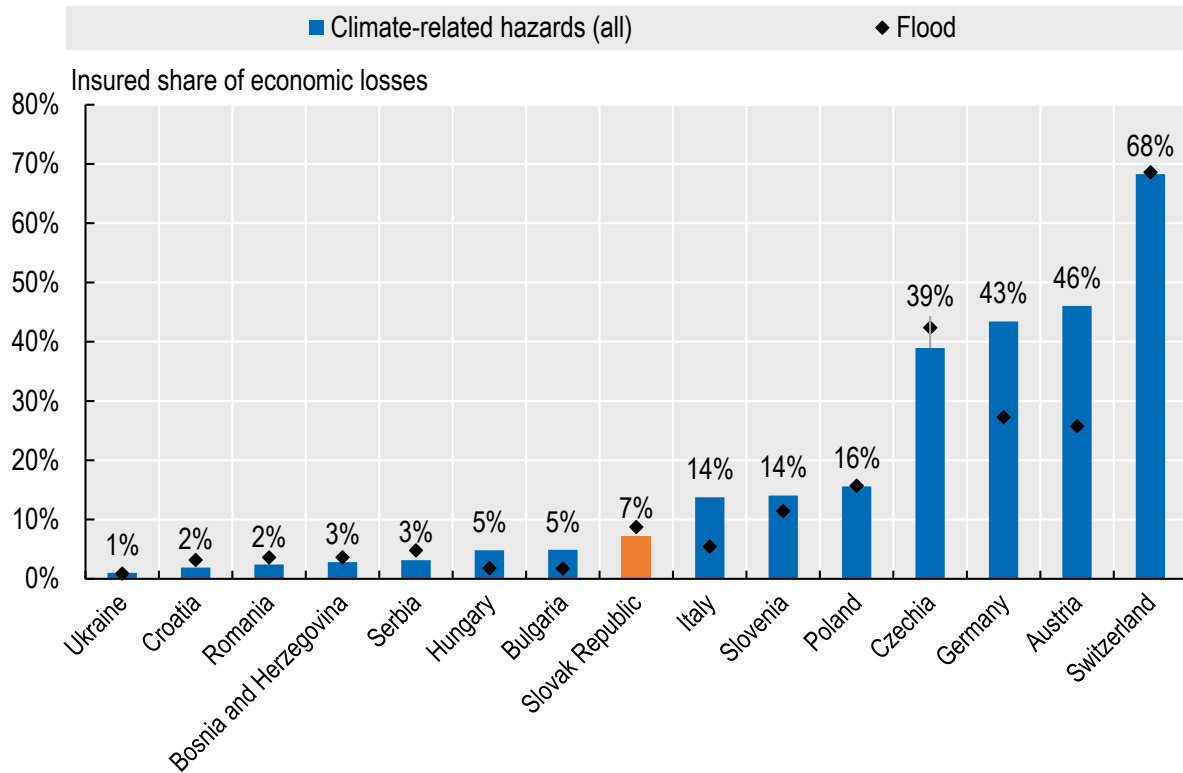


Source: OECD calculations using data from Marsh McLennan Flood Risk Index (2023). Flood Hazard Scores refer to "Total" hazard scores reported by Marsh McLennan and calculated as the average of the hazard scores riverine (fluvial), coastal, and rainfall (pluvial) flooding. Hazard scores were calculated based on 100-year return period flood maps under present day climate and different future climate change scenarios.

Many countries in central and eastern Europe face significant protection gaps for climate-related hazards

Insurance coverage for climate-related hazards is lowest in Eastern and Southeastern Europe

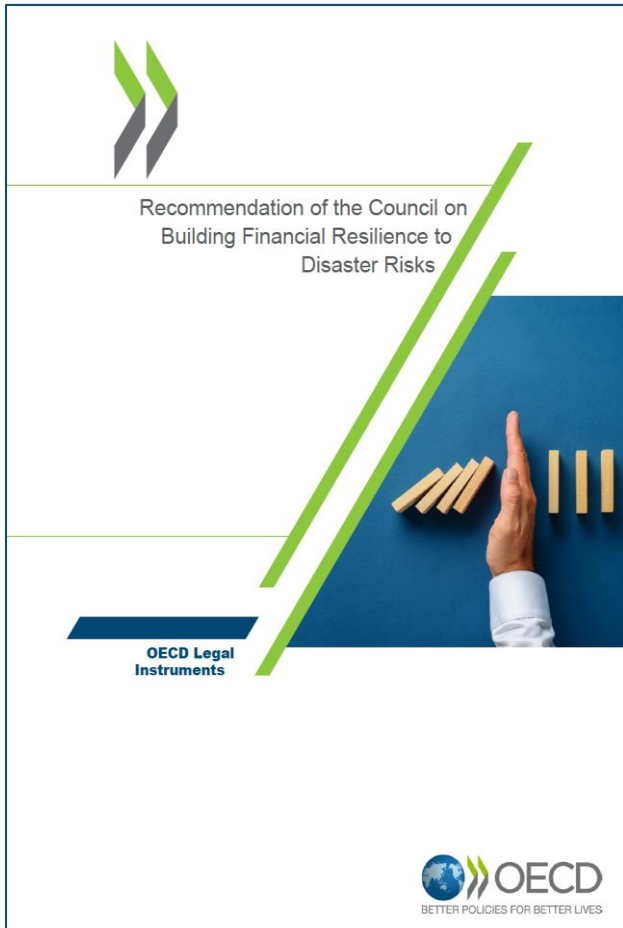
There has been some limited progress in reducing protection gaps in recent years



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OECD Recommendation on Building Financial Resilience to Disaster Risks



Develop comprehensive disaster risk assessments and identify potential financial vulnerabilities

Build financial resilience to disaster impacts through financial tools through an enabling policy, regulatory and supervisory framework

Assess and manage risks to public finances

Assessing protection gaps

Enhancing risk awareness and insurance literacy

Supporting risk reduction

Leveraging reinsurance markets

Establishing Public-Private Insurance Programmes (where necessary)

Developing strategies for mitigating public sector exposure and funding public spending needs

Assessing protection gaps

- Understanding the **share of losses that insurance markets are likely to absorb** is critical for **assessing the economic, financial and fiscal implications of natural hazard risks and identifying solutions to address protection gaps**
- Data collected through regulatory reporting by insurance companies is **not sufficient for the measurement of coverage or protection gaps**
- An increasing number of jurisdictions are implementing initiatives to **measure coverage gaps** and identify **challenges in availability, affordability and/or take-up**

Forthcoming OECD analysis will aim to identify common challenges and potential good practices

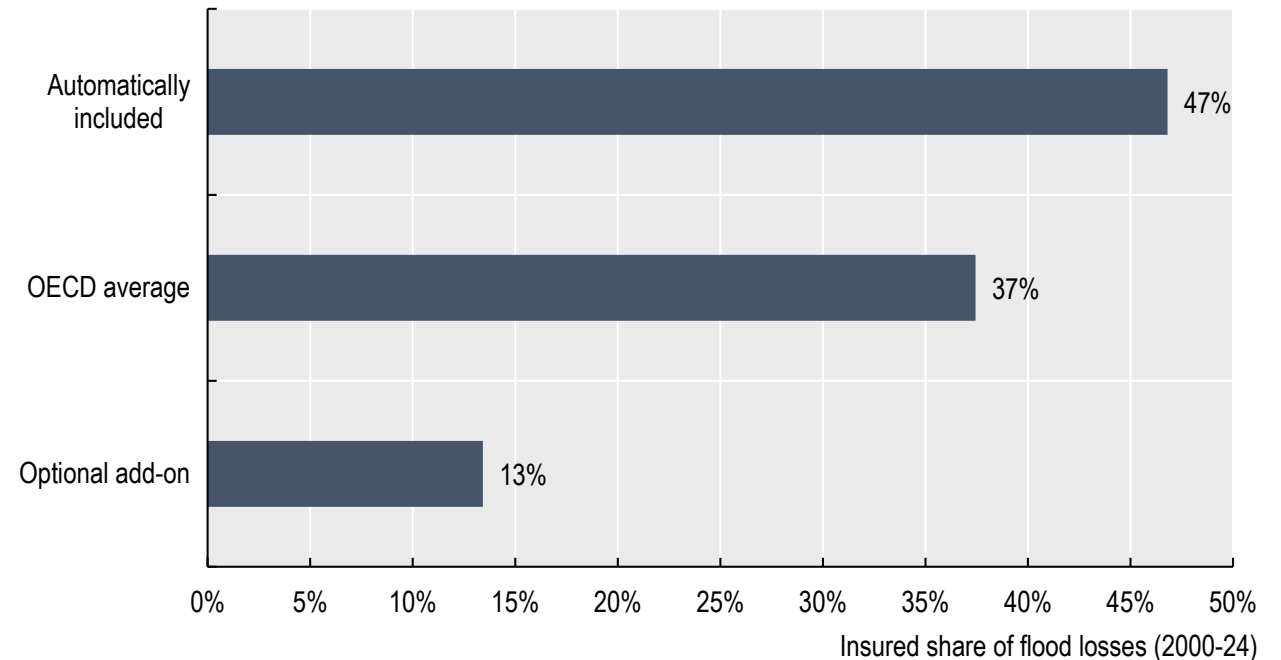
Jurisdiction	Initiative	Implementing agency
Australia	Hazard Insurance Partnership	NEMA
	Insurance Climate Vulnerability Assessment	APRA
France	Observatoire de l'assurabilité	CCR
Ireland	Flood Protection Gap Study	CBI
Italy	Natural catastrophe and sustainability risks	IVASS
	Survey on insurance coverage features	IVASS
	Monitoring of mandatory insurance requirements	IVASS
New Zealand	Natural hazard insurance monitoring	NZ Treasury
Portugal	Natural hazard insurance coverage	ASF
Sweden	Home insurance against natural damage in a changing climate	Finansinspektionen
United States	Homeowners Market Data Call	NAIC
	Natural Catastrophe Risk Dashboard	NAIC
Europe (EIOPA)	Dashboard on insurance protection gap for natural catastrophes	EIOPA
	Catastrophe data hub	EIOPA

Source: OECD (forthcoming), *Approaches to assessing protection gaps in natural hazard insurance*

Enhancing risk awareness and insurance literacy

- Motivating households and businesses to protect against the financial impacts of natural hazard risks requires high levels of **risk awareness** and **insurance literacy** in order to understand:
 - **financial exposures to natural hazard risks;**
 - **available insurance coverage** for natural hazard risks and what is **covered and excluded** under existing insurance policies;
 - limitation in the financial assistance that **could be available for uninsured losses**

How insurance is offered has a significant impact on the magnitude of insurance coverage gaps – and is likely linked to risk awareness and insurance literacy



Source: OECD calculations using data from Swiss Re, sigma database. All rights reserved. Includes Austria, Belgium, Bulgaria, Finland, France, Hungary, Ireland, Norway, Portugal, Slovak Republic, Spain, Sweden, Switzerland, United Kingdom as Automatically included and Croatia, Germany, Greece, Italy, Netherlands, Poland, Slovenia as Optional add-on.



Supporting risk reduction

Enhancing the insurance sector's contribution to climate adaptation



Opportunities

Developing climate risk analytics

Providing climate risk information and advice and expertise on effective adaptation

Incentivising adaptation by policyholders through risk-based pricing and premium discounts

Supporting resilient reinstatement (or build back better) in the aftermath of climate events

Challenges

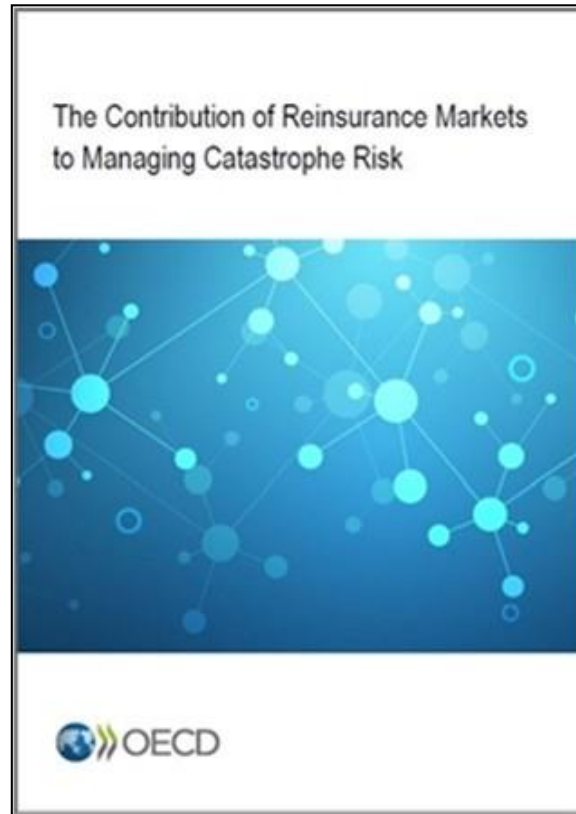
Uncertainty related to future climate risks and short-term outlook

Cost of tailored advice and policyholder receptiveness

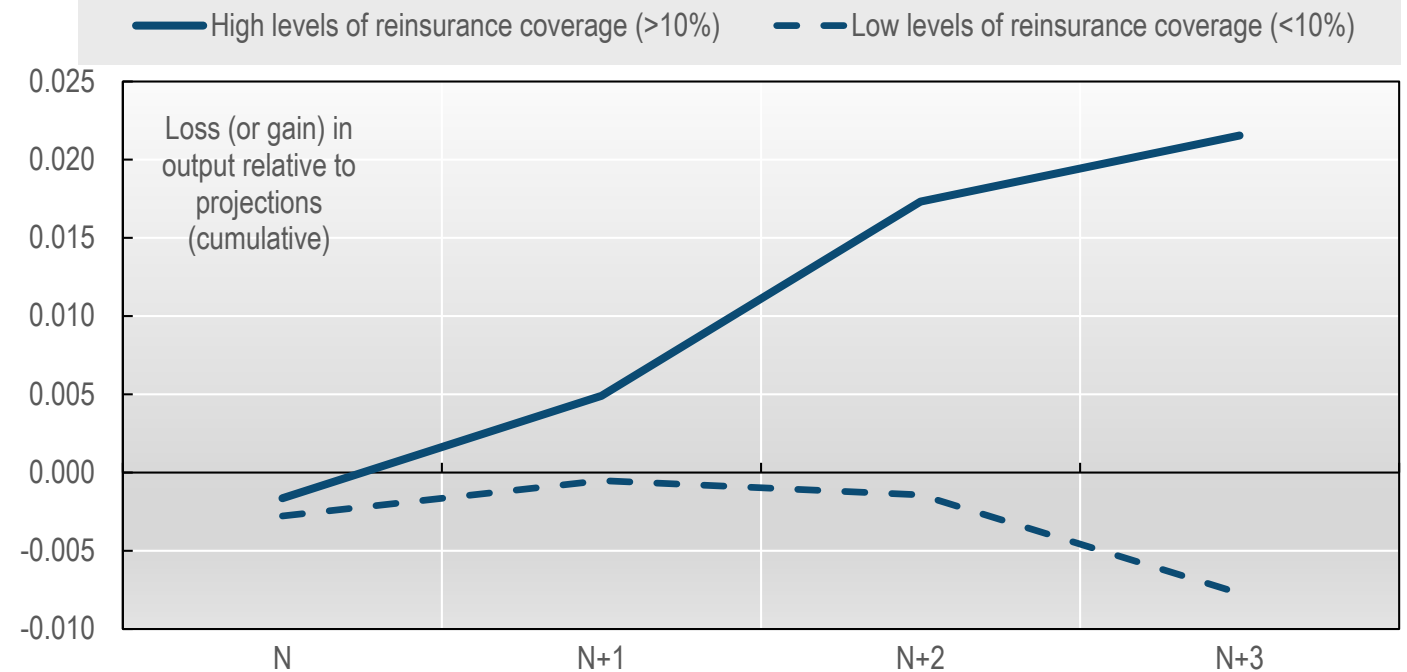
Implementation of risk-based pricing by insurers and cost of risk reduction measures

Few incentive for insurers to absorb cost of resilient reinstatement

Leveraging reinsurance markets

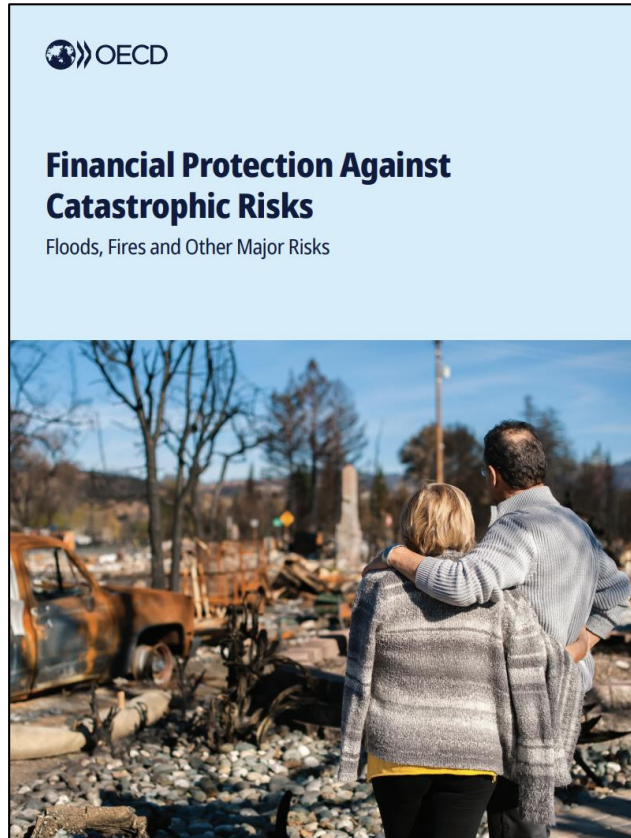


Risk transfer to international reinsurance markets diversifies risk to international markets and provides a source of external financing for recovery and reconstruction needs



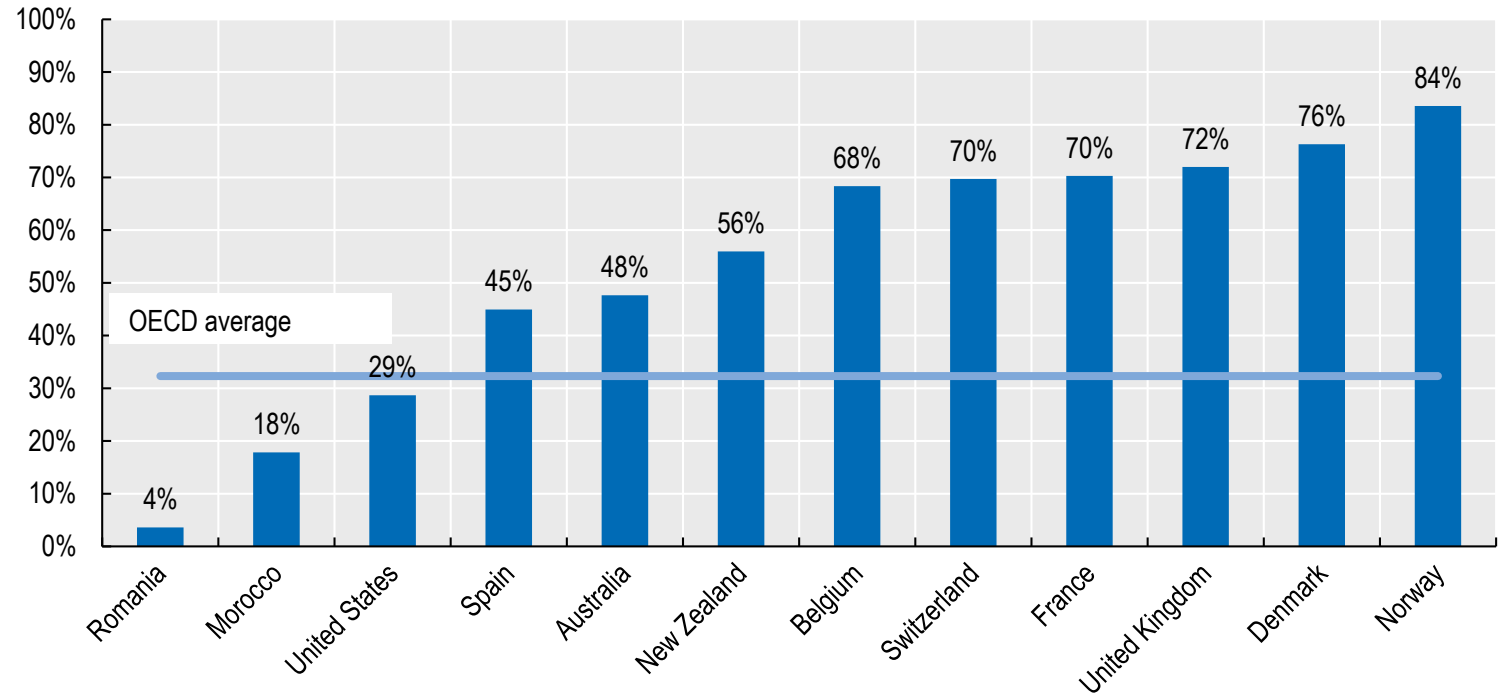
Source: OECD (2018), *The Contribution of Reinsurance Markets to Managing Catastrophe Risk*

Establishing Public-Private Insurance Programmes



Flood risk insurance programmes have supported broader coverage of flood losses, reduced overall public sector exposure and encouraged risk reduction

Share of flood losses insured (2000-24)



Source: OECD calculations using data from Swiss Re, sigma database. All rights reserved.

Developing strategies for mitigating public sector exposure to climate risks and funding public spending needs

Building Financial Resilience to Climate Impacts
A FRAMEWORK FOR GOVERNMENTS TO MANAGE THE RISKS OF LOSSES AND DAMAGES



OECD

Identify, assess and report

- **Identify extreme weather risks** and understand their components (hazards, exposure, vulnerability) and sources (water, fire, drought)
- **Assess extreme weather implications on public finances**
 - Fiscal risk assessments can be done by governments
 - Important to distinguish between explicit and implicit contingent liabilities
- **Report extreme weather fiscal risks** to promote transparency in public financial management
 - Disclosure ensures government accountability
 - Risk strategies can be integrated into budget process

Mitigate financial losses

- Promote, invest and finance risk **prevention**, risk **reduction** and **adaptation**
- Support **insurance coverage to protect households and businesses**
- Ensure **clarity in public financial assistance arrangements** for households and businesses
- **Align incentives** across levels of government
- Establish incentives for **risk reduction behaviours** by households, businesses, financial sector, and local governments

Build integrated government multipronged financial strategies

- Assess **budgetary capacities** to fund relief, recovery and reconstruction
- Assess **risk financing and risk transfer options**, including speed of access and cost
- Develop **integrated frameworks of disaster risk management and reduction**