



## Finance in Common Financial Innovation Lab

### Risk Mitigation – Insurance Working Group

The rising frequency and costs of extreme climate events have placed the insurance industry at the center of disaster risk management and climate finance. In 2024, the global insurance protection gap stood at 67 percent, with only 33 percent of USD 417 billion in natural hazard losses insured. Despite its potential to enhance financial resilience and attract investment, insurance remains underutilized due to high costs, data gaps, and challenges in product design. Public Development Banks (PDBs), with their local expertise and policy-driven mandates, can help bridge this gap by facilitating risk-transfer and risk-pooling mechanisms, supporting insurance solutions, and partnering with private insurers to de-risk climate investments, particularly in emerging markets and vulnerable economies.

**Objective:** This working group aims to build a comprehensive understanding of insurance in climate finance, exploring innovative insurance backed financial instruments, and developing actionable strategies for PDBs to integrate insurance into their operations. Through a series of structured modules and meetings, this working group will facilitate knowledge exchange, stakeholder engagement, and policy recommendations to unlock the potential of insurance as a key enabler of climate finance. Insights from the working group discussions will be key inputs into a report on the role of PDBs in the landscape of climate-related insurance, and how PDBs can use their unique position to partner more effectively with private insurance providers to scale climate finance.

**Structure:** Bringing together Multilateral Development Banks (MDBs), regional, national and sub-national PDBs, and the insurance industry, the working group will facilitate expert insights and real-world case studies that highlight successful applications of insurance in climate finance. Each monthly hour-long session will focus on both theoretical foundations and practical examples, emphasizing instances where PDBs have played—or can play—a pivotal role in leveraging insurance solutions or partner with insurers for climate resilience and investment mobilization. Each session will include a 30-minute presentation followed by a 30-minute structured discussion.

#### **Theme 1: Foundations of Insurance in Climate Finance** (May-June 2025)

- **Session 1: Introduction to Insurance and Its Role in Climate Finance** – the basics of insurance: risk pooling, risk transfer, premiums and underwriting and how insurance supports economic resilience and recovery



- **Session 2: Climate Risks and their assessment** - understanding climate risks- physical, transition and commercial. Climate risk modeling and their role in underwriting.

## **Theme 2: Insurance Products for Climate Finance** (July-October 2025)

- **Session 3: Traditional Indemnity and Parametric Insurance** - differences, advantages, and applications in climate finance, and examples of innovative applications of parametric insurance
- **Session 4: Disaster Risk Insurance** – the structure, pricing, and payout mechanisms of catastrophe bonds, sovereign risk pools
- **Session 5: Credit Enhancement Through Insurance** - how insurance-backed blended finance and risk-sharing mechanisms can mobilize private investment. Discussion on potential areas such as Debt for Climate swaps
- **Session 6: Innovative Instruments** - the role of insurance in stabilizing voluntary carbon markets, shock-resilient roles and micro-insurance

## **Midpoint Session** (November 2025)

- **Session 7:** This midpoint session will bring together Public Development Banks (PDBs) for a structured discussion on what has been effective and where key gaps remain in their engagement with the insurance sector.

## **Theme 3: Market Innovations & Emerging Trends** (December 2025-January 2026)

- **Session 8: Insurtech Solutions – Blockchain, AI, and Big Data in Insurance** - how technology is enhancing risk assessment, claims processing, and product development. Case studies of successful Insurtech applications
- **Session 9: Public-Private Partnerships (PPPs) and The Role of Reinsurance** - how partnerships between insurers, governments, and PDBs can scale insurance solutions. The role of reinsurance markets in expanding climate insurance coverage

## **Theme 4: Regulatory Framework & Policy Considerations** (February 2026)

- **Session 10: Barriers and Opportunities for PDBs in Climate Insurance** - key regulatory and market barriers for PDBs to scaling climate insurance. Policy interventions and regulatory incentives to promote insurance solutions