

# Scaling up insurance solutions to build resilience

Challenges and opportunities in EMDEs

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# Key Messages

1

Disaster risk finance and insurance (DRFI) solutions are at the core of countries' climate adaptation and disaster resilience efforts

2

Yet, insurance remains inadequate in most developing countries, leaving millions without protection.

3

Climate risks aggravate concerns on insurability, affordability, and the protection gap.

4

Public and private actions needed to improve insurability, affordability and reduce the protection gap.

5

There is no one-size-fits-all – PPIPs have to be adapted to individual country contexts, as part of layered DRFI strategies.

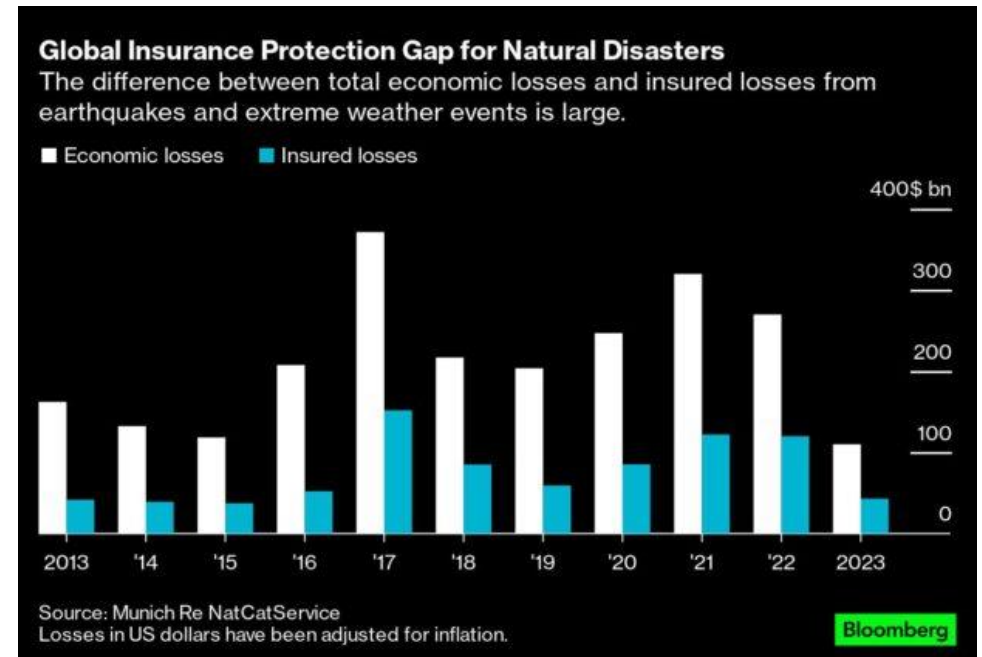
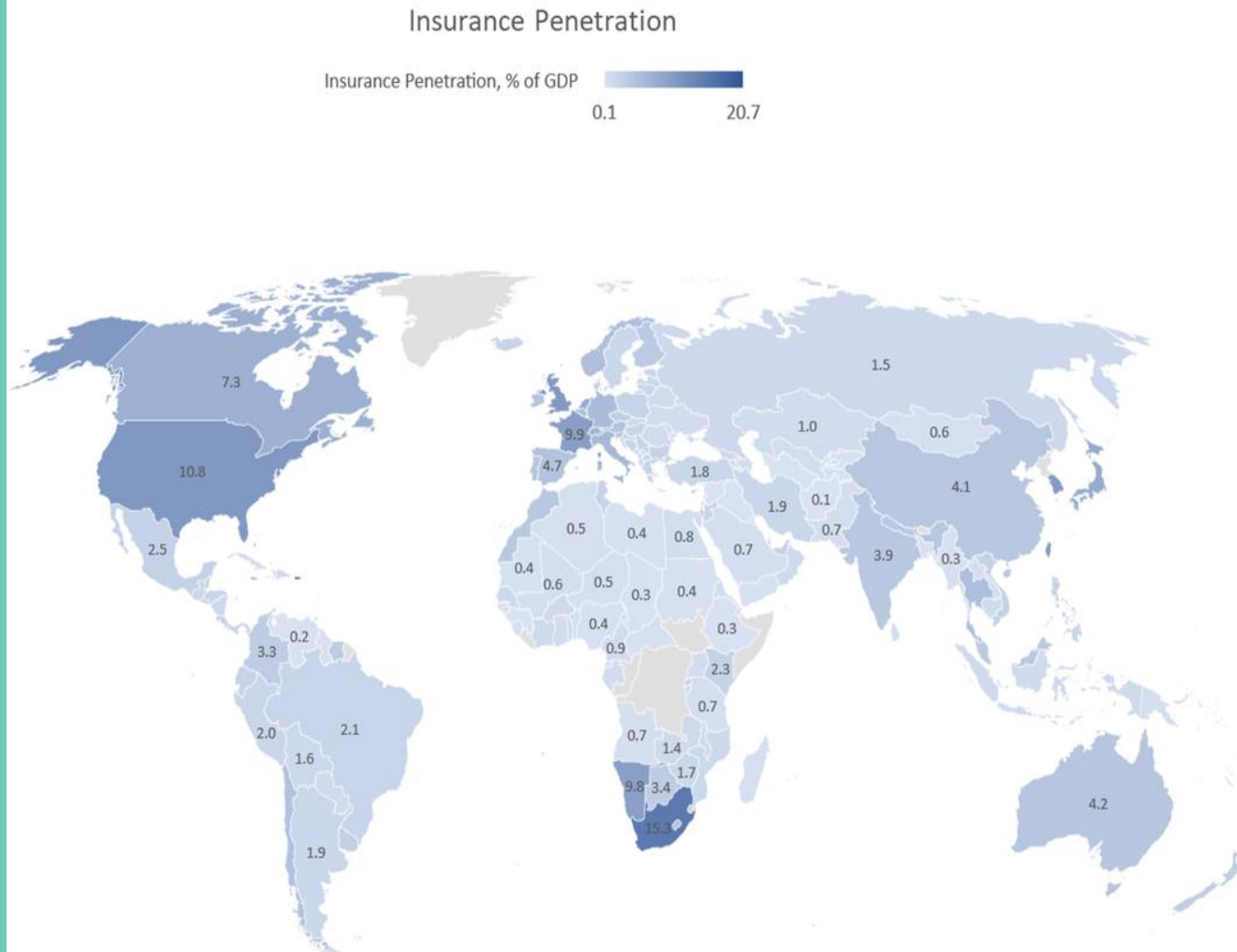
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Key global initiatives can help close the protection gap and support the broader climate adaptation and resilience agenda.

# Limited access to insurance worldwide leads to protection gaps – especially in developing countries

Domestic insurance markets are underdeveloped in EMDEs...

...leading to a substantial protection gap for disaster risks



less than  
**10%**

of catastrophic losses are insured in **developing countries**

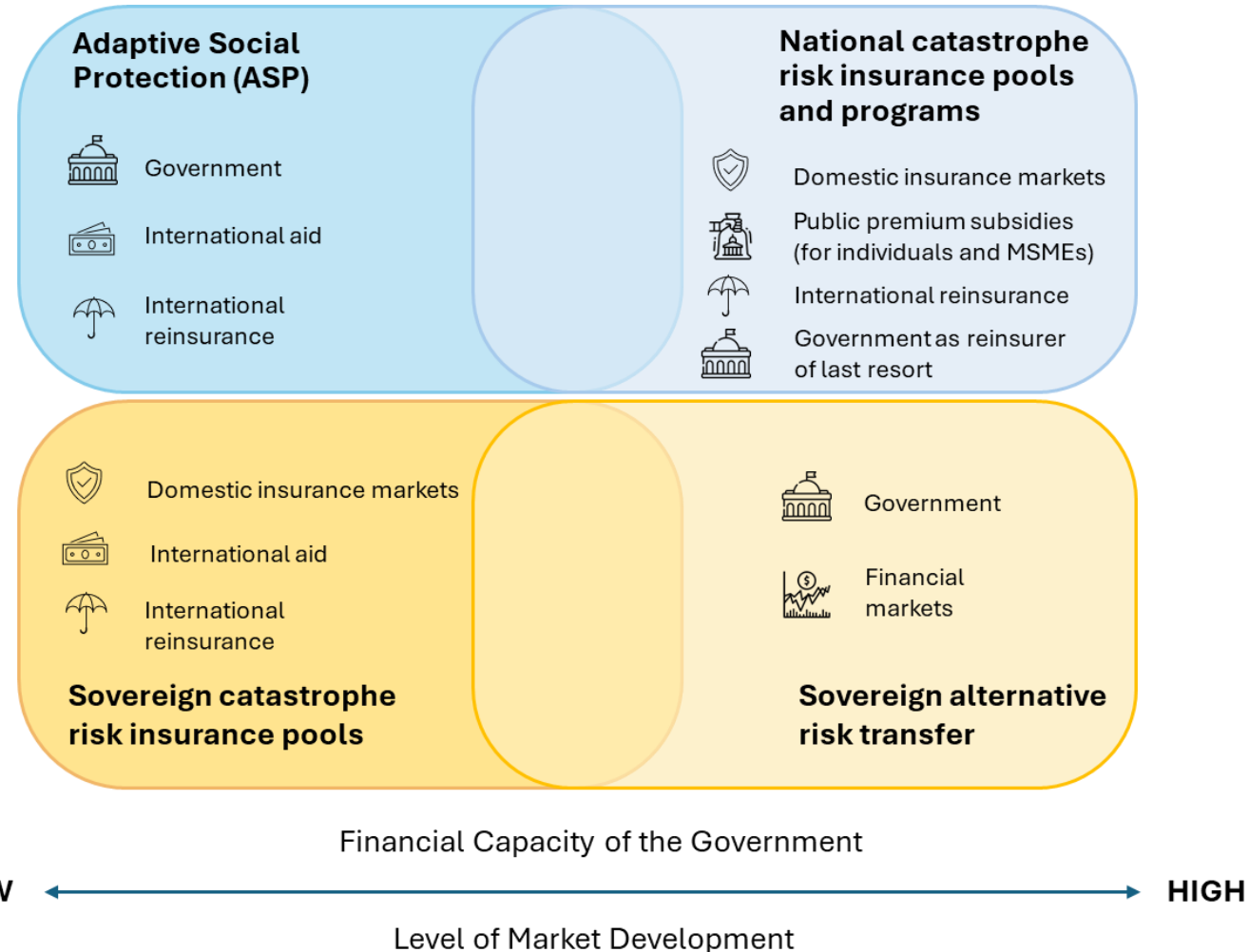
# There is no one-size-fits-all: Public-private insurance programs have to be adapted to the local context

Public-private insurance programs can take many forms, depending on

- i. **policy objectives**
- ii. **level of development of the insurance market**
- iii. **financial and institutional capacity of the government**

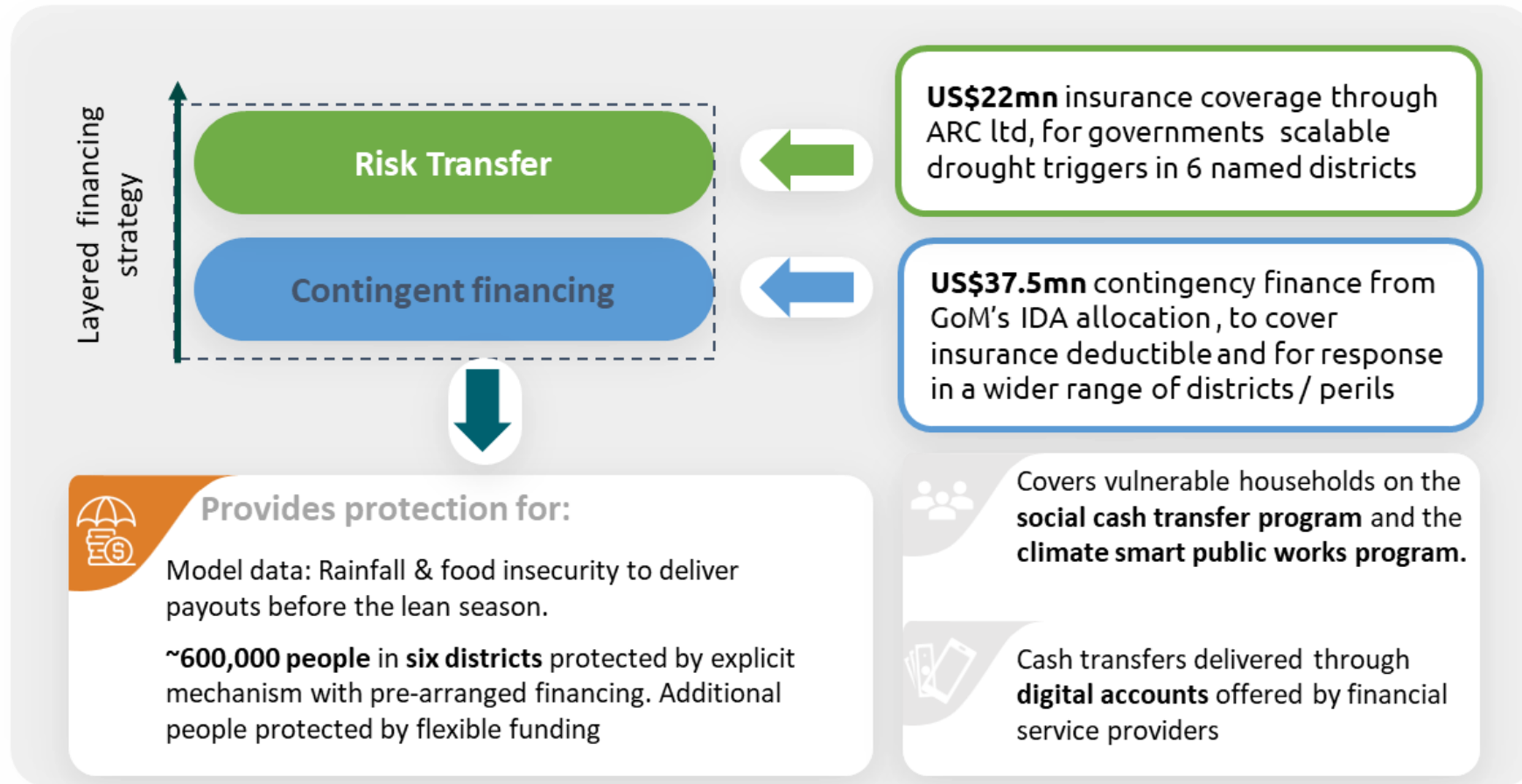
**PPIPs Targeting  
Individuals and  
(Small)  
Businesses**

**PPIPs Providing  
Coverage for the  
Central or Local  
Governments**



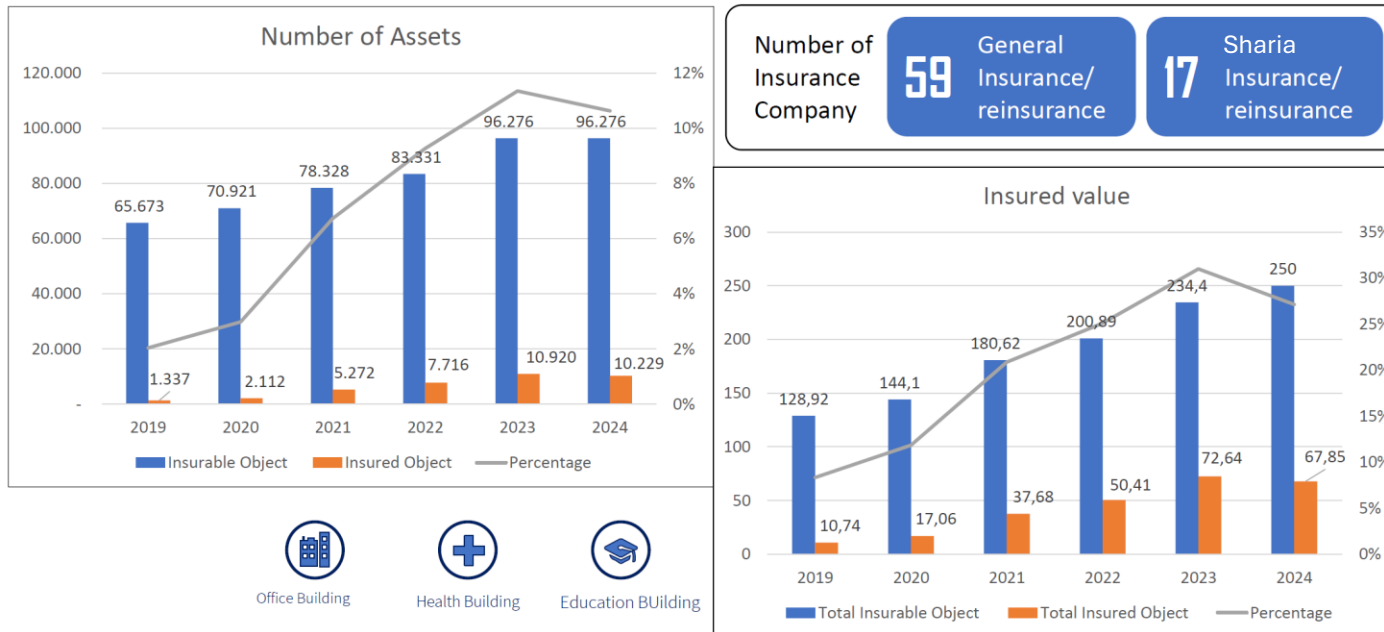


# Malawi: Adaptative Social Protection Program backed by a sovereign (parametric) insurance program



EXAMPLE

## Indonesia: leveraging domestic insurance to protect public assets and limit government fiscal exposure



- Implementation of an insurance program for public assets as part of the national DRF strategy in 2019, with 10% of assets insured in 2024
- Development of a registry of public assets
- Creation of a consortium of domestic insurers backed by international reinsurers
- Increasing number of public assets insured under this program over time.

Source: Ministry of Finance, Government of Indonesia (2024)



# Morocco: A dual approach to protect insured and uninsured households

## Catastrophe risk insurance regime (Law No 110-14)



### Building domestic catastrophe risk insurance market

**A national cat insurance program** against catastrophic events for **insured homeowners and businesses**

- Mandatory extension of guarantee in (voluntary) property/liability insurance policies
- Public-private partnership with coinsurance pool and state guarantee
- Triggered **US\$40m** insurance payouts following the 2023 Al Haouz earthquake



### Protecting the uninsured under a principle of solidarity

**A Solidarity Fund** or Fonds de Solidarité contre les Evènements Catastrophiques (FSEC), for **uninsured households**

- Funded by a parafiscal tax on insurance policies
- Risk layered strategy with reserves, contingent credit and insurance
- Triggered funding to respond to the 2023 Al Haouz earthquake: **\$275m** payout from earthquake reinsurance policy + **\$25m** reserves

**Institutional capacity strengthening** (Disaster Risk Management Unit in Ministry of Interior)

**Disaster risk reduction investments** (230+ risk reduction projects implemented by the National Resilience Fund)

**Risk Understanding** (Development of a cat risk model and associated financial risk models)

## EXAMPLE

# Regional catastrophe risk pools

- Established end 2019
- 8 ASEAN+3 countries are currently members
- First product is a parametric flood risk insurance product for Lao PDR
- US\$1.5 million in payouts to date

**CCRIF SPC**  
The Caribbean Catastrophe Risk Insurance Facility

**African Risk Capacity**

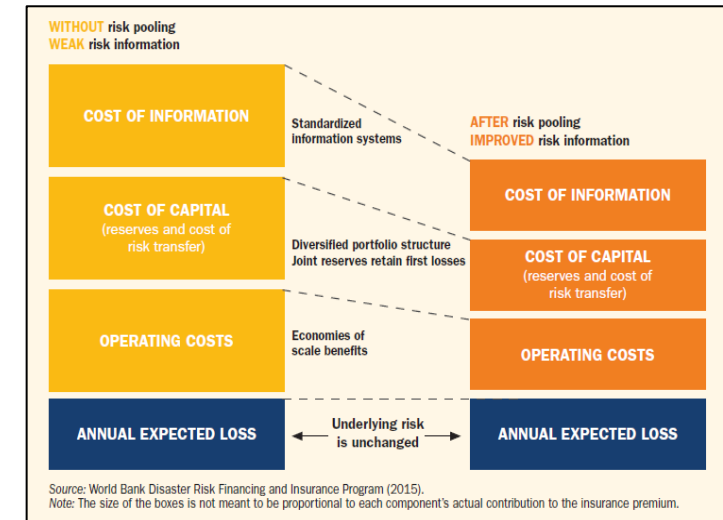
**SEADRIF**  
SOUTHEAST ASIA  
DISASTER RISK INSURANCE FACILITY

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**

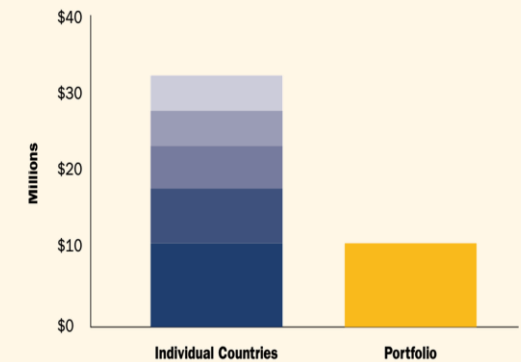
- Established in 2007
- 26 members (Caribbean and Central American countries, and Caribbean electric utility companies)
- Parametric catastrophe insurance (tropical cyclones, earthquakes, excess rainfall, the fisheries sector and the public utilities sector).
- 64 payouts to 16 members to date – approx. US\$268 million

- Specialized agency of the African Union
- 39 member states
- Parametric insurance (drought, tropical cyclones, and floods; outbreaks and epidemics)
- Over \$170 mn in payouts since 2014

- Established in 2016
- 6 Pacific nations are currently members
- Parametric catastrophe insurance (tropical cyclone and earthquake, including tsunami)
- Four payouts to date - more than US\$11 mn



**Diversification Benefits Modeled for the PCRAFI Program**  
Simple Aggregates Versus Pooled Risk for 1-in-250 Year Return Period Losses



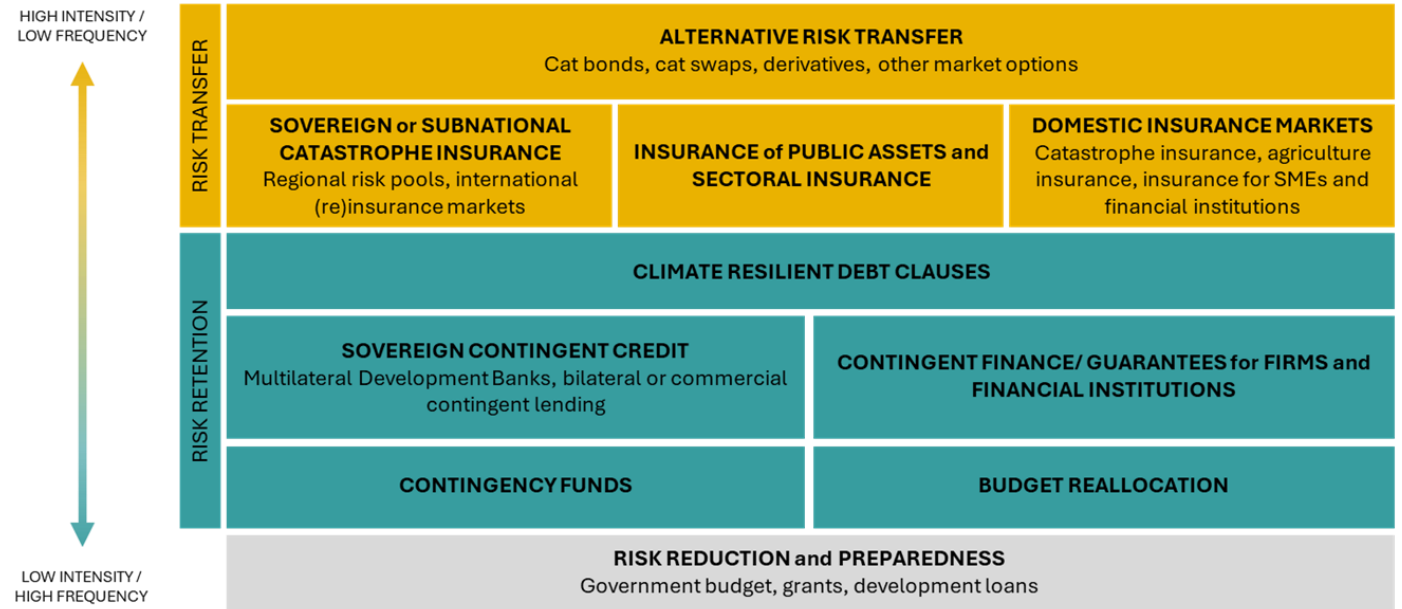
Source: World Bank and PCRAFI (2016).



# The foundations of successful PPIPs in developing countries

## 1. PPIPs are part of a comprehensive, risk-layered DRFI strategy

- Insurance is one instrument within a broader menu of options
- Risk layering helps optimize financing, ensure cost-effectiveness and timeliness of funding



## 2. Long term objectives should be considered alongside immediate needs

- Address urgent priorities (saving lives and livelihoods) while building the foundations for more sophisticated solutions
- In low-income countries donors/development community play an essential role

## 3. PPIPs require strong political commitment and ownership

- A strong champion within the government (typically within the MoF) is essential to ensure continuity and to carry through reforms

# Looking ahead: A three-pronged strategy

Reducing the disaster protection gap in EMDEs requires a three-pronged strategy:

## **PRIORITY 1**

**Scaling up PPIPs as part of comprehensive DRFI strategies**

## **PRIORITY 2**

**Promoting domestic insurance and financial markets in EMDEs**

## **PRIORITY 3**

**Leveraging insurance to incentivize risk reduction measures and investments**



## MOBILIZING PUBLIC-PRIVATE SOLUTIONS TO MANAGE THE FINANCIAL IMPACTS OF NATURAL HAZARDS IN EMERGING MARKET AND DEVELOPING ECONOMIES

Challenges and Opportunities of Operationalizing Public Private Insurance Programs

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**SCAN ME**