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NOVEMBER 2025

INSURING THE CIRCULAR ECONOMY:

Redefining Risk for Growth

The Cyber Insurance Market: Growth, Risk, and What's Next

Navigating the Web of Risk: How Captives Can Manage Connected Risks

Insights from COP30: Insurance's Role in Climate Change

Editor's Note

Dear Readers,

As 2025 draws to a close, it's clear that risk is becoming more interconnected and complex. This month's Brighton INSIGHTS explores how businesses and insurers are adapting to these shifts, with a focus on agility, collaboration, and innovation in risk management.

In *Navigating the Web of Risk: How Captives Can Manage Connected Risks*, we explore how captives are adapting to handle not only traditional risks but also the impacts of interconnected global threats.

This theme extends into *Insights from COP30: Insurance's Role in Climate Change*, where we discuss the insurance industry's critical role in climate action. COP30 emphasised the need for insurers to lead in resilience, transition planning, and bridging the growing insurance protection gap.

The article on *The Cyber Insurance Market: Growth, Risk, and What's Next,* examines the evolving cyber insurance landscape. Insurers must balance growth with risk management in the face of increasing sophisticated cyber threats, necessitating innovation for stability in the digital realm.

Finally, *Insuring the Circular Economy: Redefining Risk for Growth* delves into how insurers can reshape risk models to promote a circular economy. With rising material consumption and low circularity, insurers can mitigate systemic risks and explore new growth opportunities.

As we reflect on the changing landscape, one thing is clear: addressing today's interconnected risks requires collaboration, adaptability, and forward-thinking strategies. The future of risk management focuses on not only protection against threats but also on fostering a more resilient and sustainable world.

Annie Undikai

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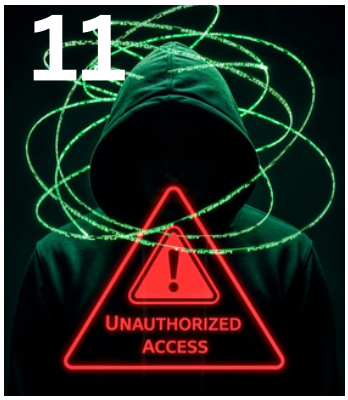

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INSURING THE CIRCULAR ECONOMY:

Redefining Risk for Growth

How insurers can shape systemic resilience, unlock economic value, and navigate the new risk landscape of a resource-conscious world.

The pressure on global ecosystems has reached a point where the costs can no longer be dismissed as environmental externalities. They show up in the balance sheets of insurers, in business-interruption claims, in disrupted supply chains and in the rising volatility of climate-related losses. After decades of running a linear economic model built on extract, produce, and discard; we're now facing the consequences in plain sight.

Once treated as a niche sustainability concept, the circular economy is now recognised as a practical framework for managing resources more intelligently. Rather than tying economic expansion to the consumption of virgin materials, a circular model keeps resources in use for as long as possible through reuse, repair, refurbishment, and recycling.

This shift has profound implications for insurers. It changes the profile of risk, alters the vulnerabilities of business models, and creates new opportunities for underwriting and investment.

Rethinking Systems and Exposures

The circular economy challenges fundamental assumptions about product design, resource flows, and waste management. It requires policy incentives that reward durability and reuse, while consumers adopt longer-lasting products. For insurers, this systemic shift changes the types of claims they face and the distribution of risk across sectors.

Firms reliant on virgin materials or rapid product cycles are more exposed to supply shocks, price volatility, and environmental liability. Conversely, businesses that are built on modular design, remanufacturing, or shared-use models are more resilient, representing lower-risk profiles for insurers.

Data underscores the scale of the challenge. The Circularity Gap Report 2025 shows that only 6.9% of the 106 billion tonnes of materials consumed annually are from recycled sources. Even aggressive recycling would lift global circularity to just 25%, as many materials are costly to recover.

The Circularity Gap Report 2025 shows that only 6.9% of the 106 billion tonnes of materials consumed annually are from recycled sources.

What Is Circular Economy?

A circular economy is an economic system that aims to eliminate waste and pollution by keeping products, materials, and resources in use for as long as possible. This means designing quit, waste and pollution, keeping products and materials in use, and regenerating natural systems.

KEY PRINCIPLES

- ✓ DESIGN FOR LONGEVITY
- ✓ MAINTAIN VALUE
- ✓ REGENERATE NATURAL SYSTEMS

Investment in circular business models rose from $10 billion in 2018 to $28 billion in 2024. Yet most of these investments still focus on recycling infrastructure, which, while essential, cannot alone close the loop. These data points signal a shifting risk landscape for insurers. As circular practices expand, companies embedded in linear systems may face increasing vulnerability.

At the policy level, similar imbalances persist. The OECD's 2025 review of resource-efficiency instruments criticises the dominance of waste-management policies over measures encouraging upstream design changes. Regulatory frameworks still often reward disposal over longevity, and incentives for modular product design or secondary material use remain limited. Insurers engaging with policy makers have an opportunity to influence frameworks that can mitigate systemic risk while promoting resilience through circularity.

Urban centers illustrate the scale and opportunity of this transition. Cities generate most global waste but also offer the conditions to implement circular solutions such as repair hubs, modular housing, shared mobility, and decentralized renewable energy grids. The OECD estimates that circular urban systems could unlock up to $4.5 trillion in economic value by 2030.

From a risk standpoint, urban circularity decreases vulnerability to fluctuating material markets and at the same time lessens infrastructure risks. This transformation makes urban systems more insurable while opening up avenues for innovative insurance products.

The Pivotal Role of Insurance

Insurance sits at the nexus of risk, capital, and long-term asset management, giving the industry a unique role in shaping the circular economy. Adjusting underwriting terms to reward circular business models, pricing risks based on exposure to resource scarcity, and embedding circular criteria in risk assessment are critical tools. Insurers can influence corporate behaviour faster than regulation. This create incentives for durability, reuse, and systemic resilience.

Capital deployment is equally important. Insurers control vast investment pools and they can direct funds toward regenerative manufacturing, secondary-material markets, and circular infrastructure. These investments reduce exposure to volatile material prices, regulatory shifts, and environmental liabilities, while strengthening financial returns.

Policy engagement further reshapes the risk landscape. Advocacy for repair subsidies, resource-use taxes, or mandatory recycled content requirements not only accelerates circular adoption but also stabilizes systemic risk for insurers. Aligning with UNEP's Principles for Sustainable Insurance ensures that risk management evolves alongside changing economic structures.

Data, Technology, and Risk Insights

The next phase of circular economy implementation hinges on data and analytics. Traditional metrics undervalue the benefits of product longevity, reuse, and increased utilisation. AI-driven models and knowledge graphs introduced in 2025 now allow insurers to map material flows, anticipate exposure changes, and evaluate which circular interventions reduce systemic risk.

Better data transforms uncertainty into actionable insight, enabling insurers to design policies and investment strategies that manage risk proactively rather than reactively.

By incorporating data on circular practices, insurers gain visibility into emerging vulnerabilities and opportunities. They can quantify resilience, anticipate regulatory shifts, and assess the risk-reduction impact of adopting circular strategies. Such precision is crucial for pricing, capital allocation, and portfolio management in a world where linear risk models are increasingly insufficient.

The next phase of circular economy implementation hinges on data and analytics.

A Strategic Imperative

Transitioning to a circular economy goes beyond being a mere sustainability initiative. It fundamentally transforms the way value is created and alters the risk landscape. As material consumption continues to increase and global circularity remains low, the involvement of the insurance industry becomes crucial. By influencing pricing, strategically deploying capital, and shaping policy, insurers have the potential to mitigate systemic risk while capitalising on economic benefits.

Research from UNEP's International Resource Panel estimates that smarter material and energy use could contribute up to $2 trillion to the global economy by 2050. The broader opportunity includes avoided losses, increased resilience, and more predictable exposures. Insurers that act now will not only manage emerging risks more effectively but also help guide markets toward a system where value circulates, risks are manageable, and growth is sustainable.

By 2026, the challenge is no longer one of awareness but one of execution. Insurers who move early will not only manage risk more effectively, they will shape the next generation of economic activity. In doing so, they can help steer global markets away from extraction and waste, toward a model that keeps value in circulation for as long as possible.

Embracing circular economy principles helps insurers shift from a linear model to one focused on resource efficiency, waste reduction, and longer product life cycles. This redefines their market roles, driving innovation and sustainability while mitigating long-term risks.

THE CYBER INSURANCE MARKET: GROWTH, RISK, AND WHAT'S NEXT

In the past decade, cyber insurance has quietly shifted from a niche offering favoured by early-adopter technology companies into a financially central, capital-intensive pillar of the broader insurance industry. Once regarded as a specialist coverage line, cyber insurance now carries the weight of systemic exposure, complex accumulation risk, and global regulatory pressures.

For insurers and reinsurers, navigating this maturation means rethinking how they underwrite, diversify risk, and allocate capital. As cyber risk grows ever more interconnected, the decisions made today will define solvency and profitability for years to come.

Changing Geography of Cyber Exposure

Cyber insurance's rapid evolution is particularly visible in its geographic transformation. For years, the US dominated the landscape in terms of policy adoption and concentration of risk. However, this dominance is shifting. According to Guy Carpenter's 2025 Behind the Firewall report, global cyber insurance premiums reached an estimated $16.6 billion in 2024, with North America contributing about $10.5 billion. Europe accounted for $3.9 billion, Asia-Pacific for $1.7 billion, and the rest of the world the remaining share.

This trend doesn't come by accident. In Europe, regulatory momentum has surged. The Digital Operational Resilience Act (DORA), which came into force in early 2025, imposes stringent ICT-risk management, incident reporting, and third-party resilience testing on financial institutions and their service providers.

At the same time, proposed legislation such as the EU Cyber Resilience Act would mandate security standards for digital products. These regulatory developments are not just pushing compliance; they are sending a signal that cyber risk is a board-level financial concern, not a purely technical one.

Meanwhile, Europe's cyber insurance market is anticipated to experience rapid growth. The European cyber insurance sector is projected to grow at a compound annual growth rate (CAGR) of 38.2% from 2023 to 2029. This is driven by increased cybersecurity adoption and heightened regulatory demands. Additionally, Munich Re indicates that Europe's share of global premiums is set to rise further, estimating it will account for 24% of the global market by 2027, while the Asia/Oceania region could reach 8%.

This geographic diversification is critical. As exposure spreads beyond the US, underwriting models must account for different regulatory regimes, security maturities, and event correlations. The risk aggregation dynamics in Europe or Asia may differ markedly from those in America. This implies that carriers and reinsurers need more sophisticated tools to manage cross-border systemic risk.

Systemic Risk: Cyber as a Catastrophe

The most striking challenge in cyber insurance today is the increasing recognition that cyber risk behaves more like a catastrophe risk than a series of independent incidents. A single, major cyber event can trigger a chain reaction affecting numerous firms, sectors, and regions.

Nation-state attacks or a ransomware campaign that disrupts a vital software supplier can result in correlated losses on a scale that few traditional business interruption or property insurers have experienced.

The systemic nature of cyber risk is deeply unsettling for capital providers. Guy Carpenter's analysis reveals that modelled 1-in-200-year loss scenarios could reach between $20 billion and $46 billion, depending on the model and assumptions used.

These kind of aggregation losses imply extreme loss ratios, ranging from 120% to 277%, as per the modelling. This means that insurers must prepare not just for incremental claims, but for catastrophic tail events that could stress their balance sheets in ways more familiar to catastrophe underwriters.

To address this challenge, insurers are adopting catastrophe-style modelling for cyber risks, conducting stress tests and simulating malware outbreaks. This approach uses probabilistic loss models, similar to those for natural disasters, and has become essential for capital planning, reinsurance purchasing, and risk retention strategies.

Capital markets are also waking up. Although still in their early stages, cyber catastrophe bonds and alternative risk transfer structures are emerging to mitigate extreme cyber risks. Leveraging the wider capital markets, insurers can effectively diversify tail risks and prevent the over-concentration of losses within the traditional reinsurance framework.

Rebalancing the Portfolio

Considering the systemic nature of cyber risk, diversification has evolved beyond simply spreading across industries. It now demands a thoughtful approach to capital structure, layered coverage, and proactive mitigation strategies.

From a portfolio perspective, insurers are constructing layered risk structures that resemble catastrophe towers. These include primary retention, several reinsurance layers, and potentially capital market triggers.

This multi-tiered strategy effectively mitigates various levels of loss while allowing carriers the flexibility to manage accumulation. Some reinsurers are even exploring event-specific coverage or parametric triggers. The latter refers to contracts that provide payouts based on predetermined criteria (such as widespread malware exploitation or a coordinated mass outage) rather than solely relying on loss assessments.

But diversification isn't just about financial structuring. It requires a strong commitment to underwriting discipline. Insurers are now incorporating cyber hygiene directly into their underwriting criteria. Rather than depending solely on basic questionnaires, many are now demanding real-time security metrics, threat intelligence data, and ongoing monitoring.

Hence, underwriting is shifting from a static process to a dynamic one, with insurers focusing on "just-in-time" evaluations. This involves continuously monitoring risks and adjusting ratings based on changing security conditions and threat landscapes.

Although still in their early stages, cyber catastrophe bonds and alternative risk transfer structures are emerging to mitigate extreme cyber risks

Understanding Security Posture

At the heart of cyber underwriting is a fundamental truth: the security posture of the insured matters deeply. Companies that invest in real resilience tend to perform better, with fewer and less severe losses. But to underwrite these risks properly, insurers need a way to measure posture at scale, in real time, and with predictive value.

While frameworks such as the NIST Cybersecurity Framework and the ISO/IEC 27001 remain useful, they only scratch the surface. Forward-looking insurers are increasingly integrating API-based security data, threat-intelligence feeds, as well as continuous vulnerability scanning to develop richer, more dynamic risk profiles.

Such data enables underwriters to categorise insured individuals into distinct cohorts. For instance, they can differentiate between “high hygiene, low risk” and “emerging controls, medium risk,” which allows them to price and allocate capital appropriately.

The implications for capital are substantial. Insurers have the ability to categorize insured entities based on their security maturity, enabling them to maintain lower capital buffers and reduce reinsurance needs for secure groups. Conversely, riskier groups may necessitate more conservative capital approaches. This segmentation results in more efficient capital allocation, improving returns on risk and decreasing costs associated with tail protection.

Role of Regulations

Regulation has become central to cyber insurance. In Europe, DORA and other regulatory measures are not merely compliance challenges; they serve as catalysts that transform how businesses, insurers, and governments approach cyber resilience.

For instance, DORA mandates financial institutions to ensure digital operational resilience, test ICT frameworks, report incidents, and manage third-party risks. These requirements are prompting organisations to prioritise cyber insurance in their resilience strategies.

There is increasing dialogue on public-private risk sharing to address potential tail losses, as private capital may be inadequate. Suggested models, similar to terrorism pools or catastrophe funds, involve government support for extreme cyber events. These frameworks aim to reassure capital providers, enhance access, and boost market confidence in managing systemic risks.

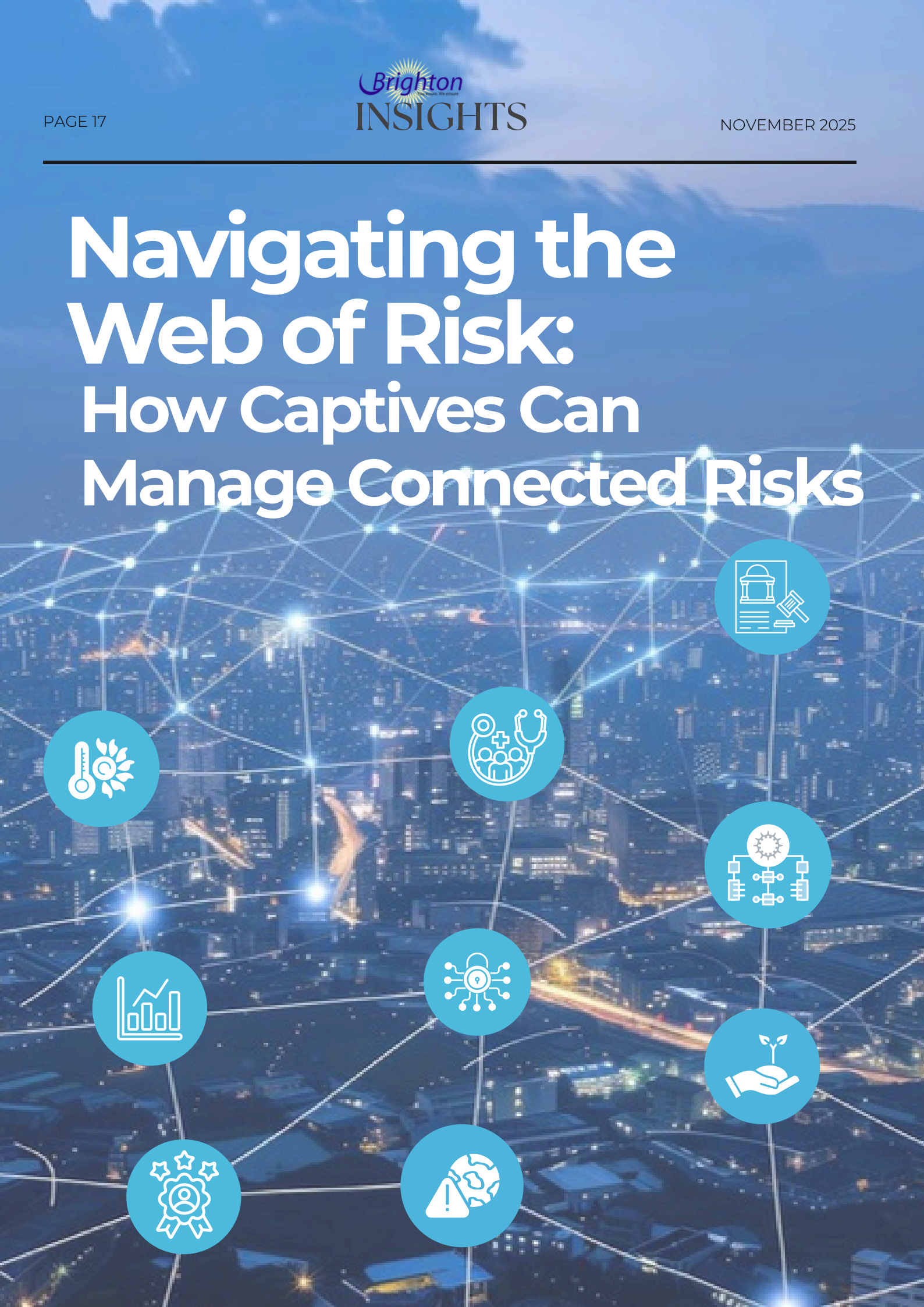
Strategic Implications

Insurers and reinsurers should reconsider the integration of cyber risk into their overall risk strategy. A successful approach may involve a hybrid model that includes deep risk analytics, continuous underwriting, capital layering, and risk-sharing partnerships. It's essential for underwriters to incorporate cyber hygiene and threat intelligence throughout their processes.

Capital teams should perform forward-looking stress tests and create layered reinsurance or capital market structures to manage tail risk. Collaborating with cybersecurity firms, MSSPs, and threat intelligence platforms can enhance operations, serving as both risk mitigation strategies and allies in pricing and portfolio management.

Policymakers should promote transparency in cyber risk reporting, support public-private risk sharing, and incentivise firms to adopt resilience measures. Backstop mechanisms may be necessary to enhance capital-market capacity and ensure equitable access to cyber protection, particularly in underinsured areas.

Navigating the Web of Risk: How Captives Can Manage Connected Risks



In today's hyperconnected world, the idea of risk is no longer confined to isolated events. Risks no longer occur in a vacuum; they are interconnected, feeding into one another, creating a cascading effect that businesses must understand and manage. This phenomenon is referred to as connected risk: a concept that captures the complex relationships between different risk factors and highlights the new challenges businesses face in managing them.

Connected risks arise when one event triggers or exacerbates another, creating a chain of consequences that is often difficult to predict or control. Understanding this interconnected web of risks is crucial for businesses that want to maintain resilience in an increasingly volatile and uncertain global landscape.

Understanding Connected Risk

The concept of connected risk has gained even more relevance in the wake of the COVID-19 pandemic. The global health crisis was not merely a health issue; it triggered a series of economic, social, and environmental consequences that continue to reverberate through the global economy.

The pandemic intensified pre-existing challenges and introduced new risks, which have become increasingly intricate as the world begins to recover. For example, while the global economy attempts to stabilise, carbon emissions have spiked, further amplifying the dangers posed by climate change.

The conflict in Ukraine had exacerbated the situation by disrupting energy supplies and leading to food shortages. These interconnected risks have triggered a worldwide food crisis, pushing inflation to heights not witnessed in decades. Moreover, the geopolitical tensions in Europe drove up energy prices, which placed additional pressure on businesses already facing soaring operational expenses.

Connected risks arise when one event triggers or exacerbates another, creating a chain of consequences that is often difficult to predict or control.

These interwoven risks are creating new challenges for companies, as the fallout from one event can trigger a cascade of additional risks. The World Bank warned that the global food crisis would likely result in a protracted period of economic instability, with food prices expected to remain high for years.

The effects of this crisis are not only felt at the consumer level but also by businesses that rely on stable food and energy prices. As food and energy prices soar, inflationary pressures increase, exacerbating the global cost-of-living crisis. This leads to social unrest, political instability, and labor market disruptions, further complicating the landscape for businesses.

Climate change is becoming increasingly severe, leading to more frequent and intense natural disasters. In 2024, a devastating earthquake in Morocco killed over 3,000 people and disrupted local economies. Severe flooding in India and Pakistan also led to mass evacuations and increased food insecurity.

The 2025 wildfires in California caused substantial damage and resource shortages, while Typhoon Doksuri in the Philippines highlights the rising threat of extreme weather. These intertwined environmental, social, and economic risks create challenges for businesses in an unpredictable landscape.

Connected Risk in Business Strategy

As connected risks increase in both complexity and frequency, businesses are finding it harder to predict their impacts using traditional risk management frameworks. The cascading effects of interconnected risks can cause long-term damage to profitability, employee well-being, and supply chain stability. For example, businesses that have a global supply chain, especially those operating in regions prone to conflict or natural disasters, are more vulnerable to disruptions.

Failure to adapt to climate change can result in property damage, higher operational costs, and economic downturns due to recovery expenses. Additionally, businesses face challenges in insurance markets, with rising premiums and reduced coverage availability stemming from inflation and uninsurable risks.

As a result, many companies are exploring alternative risk management strategies, such as captives, to achieve better control over their risk exposure and alleviate the financial impact of interrelated risks.

Managing Connected Risk

Captives offer an increasingly relevant solution to the growing problem of connected risk. By utilising captives, businesses can customise their risk management strategies to address both insurable and uninsurable risks, including connected risks that are difficult to cover through traditional insurance.

One of the key advantages of captives is their ability to manage uninsurable risks. Traditional insurance markets often exclude certain types of risk, such as systemic supply chain failures or the indirect effects of geopolitical conflicts. Captives can be tailored to provide coverage for these uninsurable risks, offering businesses more comprehensive protection.

Captives also provide businesses with greater financial flexibility. By pooling risk within the captive, companies can mitigate the financial impact of connected risks and avoid the sudden shock to their balance sheet that would result from an unexpected event. This helps businesses manage the broader implications of connected risks, ensuring that they can continue to operate effectively even in the face of significant challenges.

By utilising captives, businesses can customise their risk management strategies to address both insurable and uninsurable risks, including connected risks that are difficult to cover through traditional insurance.

Captives play a crucial role in offering stability and reassurance to stakeholders through proactive risk management. This readiness fosters trust and confidence in a business's capability to navigate potential crises, which is essential in an ever-more uncertain world.

Embed Connected Risks

To manage connected risks in a captive effectively, businesses should follow a methodical approach starting with risk identification. This involves mapping out both insurable and non-insurable risks and understanding their interconnectedness and potential impact on the business.

Once risks are identified,businesses must quantify them by assessing financial exposures and potential impacts on operations. This process may include scenario and “what-if” analyses to evaluate consequences of different risk events.

The final step is to define the captive's purpose and coverage, focusing on scope, risk triggers, and a customised insurance program. High-risk businesses might require coverage for supply chain failures, while tech or service companies may emphasise employee well-being and mental health support.

Navigating Uncertainty with Captives

As the world grows more interconnected, businesses need to evolve their approach to risk management. The emergence of connected risks is transforming the business environment, making traditional risk management strategies inadequate. Embracing captives allows companies to take charge of their risk exposure, reduce the financial impact of interconnected risks, and promote stability and resilience in an uncertain future.

The use of captives allows businesses to proactively manage both insurable and uninsurable risks, from supply chain disruptions and climate change adaptation failures to the broader economic impacts of geopolitical conflict and inflation.

In doing so, businesses can protect their profitability, safeguard their employees, and secure their long-term viability. The journey to managing connected risk through captives is not without its challenges, but with careful planning, it offers a pathway to greater certainty, stability, and longevity for businesses in an increasingly complex world.

INSIGHTS from COP30

Insurance's Role in Climate Change

The global insurance industry is facing a crossroads. As climate change accelerates, insurers must evolve from risk managers to architects of systemic resilience. At the 30th Conference of the Parties (COP30), it became abundantly clear that the insurance sector is no longer a peripheral player in the global climate conversation—it is at the heart of climate action and development.

To drive forward the global climate agenda, insurers must leverage their unique position as risk carriers, capital providers, and institutional investors to accelerate the transition to a more resilient and sustainable world.

Lead the Climate Agenda

COP30 marked a significant moment in the evolution of the insurance sector's role in climate action. The consensus was clear: insurers must take on a leadership role in the global climate agenda. With their expertise in risk modelling, capital allocation, and long-term planning, insurers are essential for driving national adaptation strategies.

However, while the tools to tackle climate risks already exist, such as nature-based insurance, blended finance, captives, and sovereign risk tools; the challenge lies in scaling these solutions and ensuring coordinated action across sectors.

As climate change accelerates, insurers must evolve from risk managers to architects of systemic resilience.

The demand for systemic resilience is urgent. Insurers must go beyond traditional risk management to create comprehensive solutions that not only manage risk but also proactively build resilience into communities and economies.

Insurance for Climate Adaptation

At COP30, nature-based insurance was identified as a significant area for growth. Ecosystems like wetlands, mangroves, and forests are essential in diminishing the effects of extreme weather events, including floods and hurricanes.

However, as emphasised by Butch Bacani, Head of the UN Environment Programme (UNEP), the importance of valuing nature in risk models is frequently neglected by insurers. By failing to integrate the protective advantages of nature into underwriting practices, insurers hinder their capacity to effectively manage climate-related risks.

The UNEP-managed V20 Sustainable Insurance Facility (SIF) also underscored the importance of creating pre-arranged solutions for climate-vulnerable Micro, Small, and Medium Enterprises (MSMEs). These businesses, often the backbone of developing economies, face heightened exposure to climate-related risks yet rarely benefit from the same insurance protections as larger firms.

SIF's study revealed a significant spike in loan restructures and defaults among MSMEs after extreme weather events. The solution, according to SIF, lies in offering climate-smart financial services including adaptation advisory, recovery loans, and insurance products that are tailored to the unique needs of these businesses. The final report will be released in Q1 2026, providing a roadmap for insurers to scale these solutions.

Integrating Climate Goals

The call for transition planning in the insurance sector has never been more urgent. A report by the Finance Initiative of the United Nations Environment Programme (FIT) proposed a set of principles for insurers and brokers to develop credible transition plans.

These plans should encompass both underwriting and investment portfolios, ensuring alignment with net-zero targets and a low-carbon future. Insurers must integrate climate resilience into their core business strategy, linking it to long-term financial health, solvency, and sustainable growth.

FIT's guide provides insurers with a framework to incorporate climate action into their operations, focusing on a unified strategic vision, consistent measurement, and collaborative efforts. The upcoming second phase in 2026 will offer detailed guidance, practical metrics, and examples to help insurers implement these principles effectively.

Solutions for Regenerative Agriculture

A significant topic at COP30 was the impact of regenerative agriculture on mitigating environmental degradation. A report by Howden Insurance highlighted the necessity for insurance products that promote sustainable practices, particularly in the realm of regenerative farming.

Incorporating insurance at the farm and development stages enables insurers to reduce risk and optimise financing for climate-friendly agricultural initiatives. This approach highlights the necessity for insurers to collaborate with developers, farmers, and financiers early in the project lifecycle, ensuring that risks are effectively identified and mitigated.

International Taskforce on Climate Resilience and Transition Insurance

The call for a global taskforce on climate resilience and transition insurance resonated strongly at COP30. Proposed by Dyogo Oliveira, President of the National Confederation of Private Insurance (CNseg), this initiative aims to unite insurers, scientists, governments, and civil society ahead of COP31 in Turkey. The taskforce's goal is to galvanise the insurance sector's efforts to lead, rather than merely participate, in climate discussions and actions on the global stage.

The taskforce will focus on bridging the gaps between risk managers, academia, governments, central banks, and the real economy, creating a cohesive framework for transforming knowledge into action. Such collaborative approach is crucial to ensuring that insurers are not just reacting to climate impacts but are proactively shaping the transition to a low-carbon, climate-resilient economy.

Widening Insurance Protection Gap

COP30 also highlighted the growing insurance protection gap, particularly in the wake of increasingly severe climate events. As extreme weather events become more frequent, insurers are struggling to absorb the growing risks. In the US, for example, homeowners' insurance premiums have risen 38% since 2019, and in Europe, only 20% of catastrophe losses are insured. This widening gap means that governments are increasingly stepping in as insurers of last resort, a trend that further strains public budgets.

The call for a global taskforce on climate resilience and transition insurance resonated strongly at COP30.

The Insurance Development Forum (IDF) echoed these concerns in its latest report. It revealed that more than $180 billion in annual disaster losses are not covered by insurance, with emerging markets and developing economies experiencing the most significant impact from this coverage gap.

The report calls for urgent action to enhance insurability, including investments in risk reduction, stronger public-private partnerships, and the creation of innovative insurance products tailored to local needs. Governments, insurers, and regulators must work together to address these gaps and ensure that climate-vulnerable populations have access to affordable insurance coverage.

A Call to Action

COP30 was pivotal for the insurance industry, emphasizing its crucial role in combating the climate crisis. Insurers can lead the transition to a resilient, low-carbon future by adopting nature-based solutions, incorporating climate action into business strategies, and developing innovative products for vulnerable populations.

But this is not a task that insurers can take on alone. Collaboration across sectors, between governments, civil society, and financial institutions; is essential for building the systemic resilience needed to tackle climate change. As the insurance industry steps into a leadership role, the world will be watching to see if it can rise to the challenge and secure the future of a more resilient and sustainable global economy.