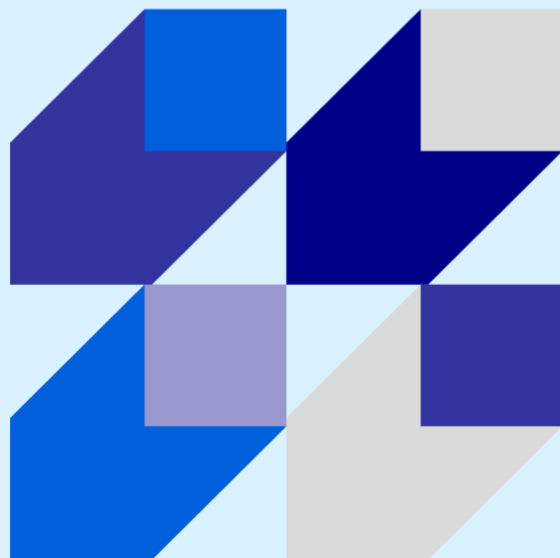


Catalysing Resilience and Well-being

*An Integrated and Holistic approach to
Protection Gaps*

Craig Thorburn

9 May 2025



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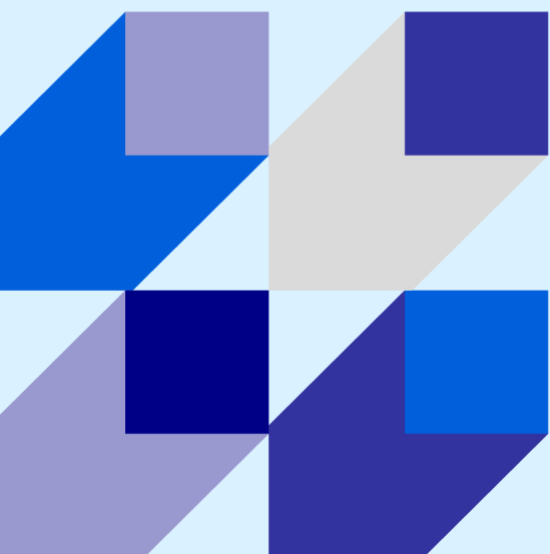
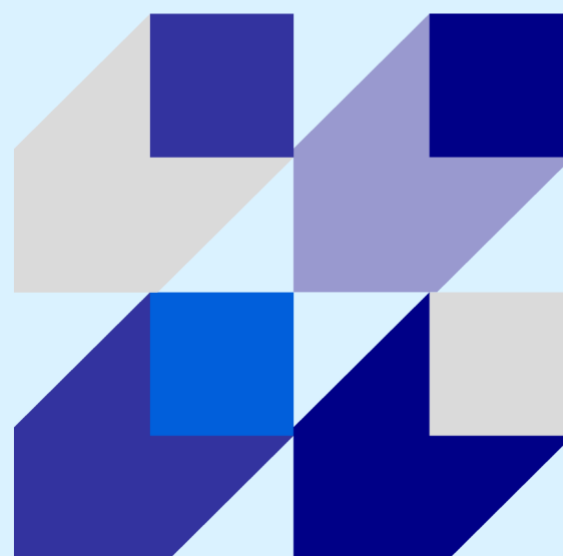


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Foreword



When we released **“About the Protection Gap”** two years ago, GAIP made the simple but urgent case for action: the scale of under-protection in Asia, the socioeconomic costs it creates, and the unique value a tripartite partnership can bring. Our follow-up study, **“The Solutions Landscape”**, surveyed the range of solutions across risk-reduction, insurance-penetration and fiscal-risk-financing tools already in use, uncovering insights and understanding what works and where the gaps lie.

Today, we publish **“Catalysing Resilience & Well-being – An Integrated and Holistic Approach to Protection Gaps”**. This paper assembles what we have learnt into an integrated framework that policymakers, regulators, the insurance sector, development partners and others in the risk ecosystem can adopt as a common blueprint for holistic strategies.

It argues that only a *joined-up* approach that deliberately weaves risk reduction, insurance and sovereign finance together can convert rising risk into rising resilience.

But the journey does not stop here. In a few weeks, we will release **“Turning intentions into resilient outcomes – Practical steps to developing integrated and holistic protection gap strategies”**, a practical guide that translates this framework into step-by-step actions: from quantifying country-specific gaps and mapping stakeholders, to designing cost-benefit driven solution menus and developing the implementation plan. These two papers form a companion set: the *why* and *how* of closing protection gaps efficiently.

This publication also marks a milestone for GAIP itself. Earlier this year, GAIP

finalised our 2025-2029 strategy, committing us to transition from a primarily research-oriented organisation into one that translates rigorous research into direct action and deeper societal impact. Guided by our Vision—*a risk-resilient and sustainable world*—and by four strategic themes:

1. An Integrated Approach to Protection Gaps
2. Addressing Health & Retirement Gaps
3. Climate Change & Insurance
4. Navigating the Technological Landscape,

we will convene our tripartite partners and other stakeholders in the risk ecosystem to turn insight into implementation, evidence into policy, and pilots into scale.

I am deeply grateful to our external expert and author of our Protection Gaps series, Mr. Craig Thorburn, for his rigorous analysis. I would also like to thank our

regulatory partners, industry partners, and development partners, whose insights shaped our papers and the GAIP Team, whose dedication turns ambition into action.

I invite you, our existing and future partners, to read, critique and, most importantly, *use* this framework. Then join us in a few weeks as we move from blueprint to toolkit. Together, we can turn protection gaps from statistics into shrinking footprints and build a more resilient, sustainable Asia.



Min Hung Cheng

CEO, GAIP

Executive Summary

Reducing the protection gap is a significant challenge. Across Asia and the world, gaps are large by any measure. Risks are increasing in frequency and intensity. Economic development, climate risks and demographic changes are just a few of the drivers that have been increasing the exposure of households, communities and whole nations to significant risk. Protection is not keeping up, so the gaps are continuing to grow.

Many policy challenges can be improved by reduced protection gaps. These policy goals are the source of motivation for policymakers as they align their objectives with the need to reduce protection gaps. Two main areas of focus summarise these goals to assist those who have a central role or a supportive role to see the benefit of engaging supportively to reduce protection gaps. These focus areas are (i) for the greater benefit of the economy and consequent fiscal resilience of the government and its policies and programs; (ii) through the lens of the Sustainable Development Goals (SDG), no matter which SDG is a focus for a particular policymaker, reduced protection gaps can play an important role in achieving better outcomes. The SDG analysis in this paper includes a particular focus on (a) Climate, (b) Poverty reduction, and (c) Sustainability and Resilience.

Our earlier papers discussed definitional issues, analysed the problem, and examined the work done across Asia to reduce the protection gap¹. Many efforts have been made with their own admirable successes. However, progress has been slower than necessary. Insurance penetration has not grown at a sufficient pace whilst protection needs have continued to grow.

So, we now turn to practical steps that can be taken to accelerate efforts.

Commitment, coordination, and leverage at levels not seen to date are key to progress. Truly, one plus one can equal much more than two. The benefits to governments, societies and the economic wellbeing of people and nations will be substantial with every successful step. Capturing the motivation across government to bring a broader policy armory to the table is one key element. Attacking interrelated risks through responses that seek to leverage interrelated solutions, and their benefits is another. Thirdly, ensuring

¹ The previous papers in the series are as follows:

- GAIP, (2023a), "About the Protection Gap: Understanding and motivating change, improving and sustaining resilience and well-being in Asia", GAIP, April 3, 2023, available at <https://www.gaip.global/publications/about-the-protection-gap/>
- GAIP, (2023b), "The Solutions Landscape: Learning from efforts to reduce the Protection Gap", GAIP, December 28, 2023, available at https://www.gaip.global/wp-content/uploads/2023/12/Protection-Gaps-The-Solutions-Landscape_Final-v5.pdf

that decisions of prioritisation are made from information that builds on synergies is important.

Our first call is for coordination and commitment to be given practical effect. Analysis of the problem and a menu of potential solutions points to a wide-ranging set of options. To illustrate, these can vary and require interaction with emergency response agencies, taxation policy, health service delivery, cyber-defence, land and building code agencies, anti-money laundering, capital market authorities, weather monitoring and measurement, social protection, retirement policy, and others even if some have a small but critical role. This list means that the role of the insurance supervisory authority and the economic and fiscal ministries cannot be relied upon without the support of a broader political mandate.

Strategies that take a view that is as integrated and holistic as possible will capture benefits and leverage complementary actions. We identify three main areas where integration is important and efforts to be selective should try to ensure that the potential benefits remain available (i) Risks are interrelated so we need to look to keep solutions that are similarly interrelated as part of the process even as we prioritise; (ii) The insurance solutions and the mitigation solutions can be interrelated to capture real benefits of leverage and should be similarly used to motivate prioritisation to avoid losing these benefits; and (iii) cost benefit analysis, albeit important, needs to be used to determine options rather than justify the decision at the end – something that is often a given. This last point we describe as “ensuring that we use cost-benefit analysis to choose rather than to justify a choice”.

To support the development and implementation of integrated strategies, we provide considerable material in complementary notes. This paper focuses on the motivations that may be useful to encourage others to join in to reduce protection gaps, and discusses why an integrated and holistic approach is valuable. It also discusses how such an approach should be implemented at a high level. In a more operational companion paper “*Turning Intentions into Resilient Outcomes: Practical Steps to Developing Integrated and Holistic Protection Gap Strategies*”², steps to develop the strategy in more detail are further supported with additional practical tools. Further details regarding particular solutions are also elaborated in separate notes as they are relevant to specific audiences and stakeholders.

² See GAIP, (2025), “Turning intentions into resilient outcomes: Practical steps developing integrated and holistic protection gap strategies”, GAIP, forthcoming.

Final recommendations in this paper emphasise:

- Implementing practical steps to accelerate efforts in reducing the protection gap.
- Fostering commitment, coordination, and leverage at unprecedented levels.
- Engaging a broader scope of motivated government agencies to bring a broader policy armory to the table.
- Addressing interrelated risks through responses that leverage interrelated solutions.
- Ensuring prioritisation decisions are based on information that builds on synergies to reduce protection gaps and considers the benefits from those synergies.
- Giving solutions that are integrated and holistic to capture benefits and leverage complementary actions a priority reflecting these benefits..
- Using cost-benefit analysis to choose options rather than to justify them post-decision.

Introduction

Introduction

The protection gap is a persistent challenge. Both the frequency and intensity of adverse events are increasing, as is the exposure of communities to them. Vulnerable communities translate to demands for responses that become national priorities. Defined as the difference between total economic losses from adversity and that which is covered by insurance³, the gap is significant, and when adversity strikes, produces negative outcomes that are **problematic at best and catastrophic more usually**.

Although many initiatives have been launched to reduce it, the gap remains significant. Our earlier papers⁴ discussed concepts, definitions, calculations, and dynamics of protection gaps and examined actions taken across Asia and more broadly.

There are clear conclusions. The gaps, regardless of whether one or all perils are considered, are large, persistent, and problematic. Efforts to address them show success but there needs to be more, bigger, and more expansive applications of these successful models. A lack of an integrated or holistic approach may have contributed to lost opportunities to maximise the benefits of investments and interventions and achieve stronger outcomes. It could be worthwhile extending the considerations to all perils at least as part of the development of responses so that priorities can be explicitly selected rather than chosen by default. Much of the discussion and the actions taken tend to focus on one or other peril, particularly natural catastrophe risks.

In Asia, it is estimated that the uninsured natural hazard gap is a massive 84% of total economic losses. Africa and Latin America and the Caribbean also have similarly high exposures. The relatively more developed markets in Europe, North America and Oceania (largely Australia and New Zealand exposures) have far lower gaps at 42% to 45%.

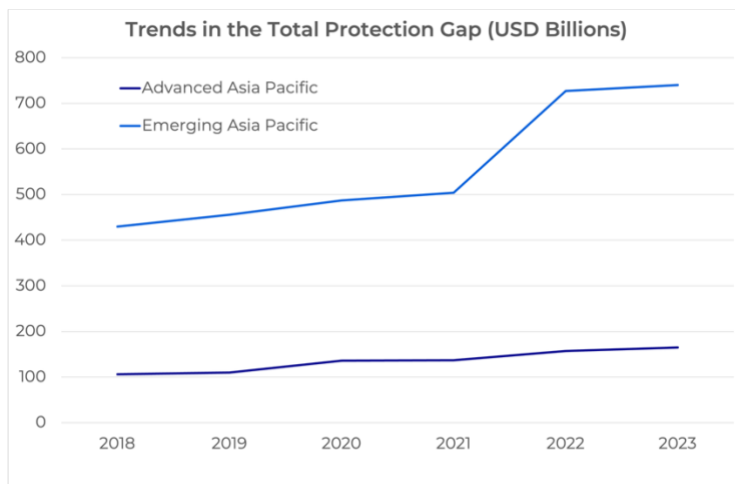
Despite initiatives to increase insurance penetration and better manage risk, the protection gap for natural hazards worldwide has showed limited progress standing at 57% in 2024 largely unchanged from the average over the last 10 years.

Further, these figures do not include shortfalls in coverage for mortality, health and morbidity (exposed by the recent pandemic experience), and retirement income security (usually measured separately) or exposure to cyber risk where uninsured exposure is well over 97% of economic losses experienced and with

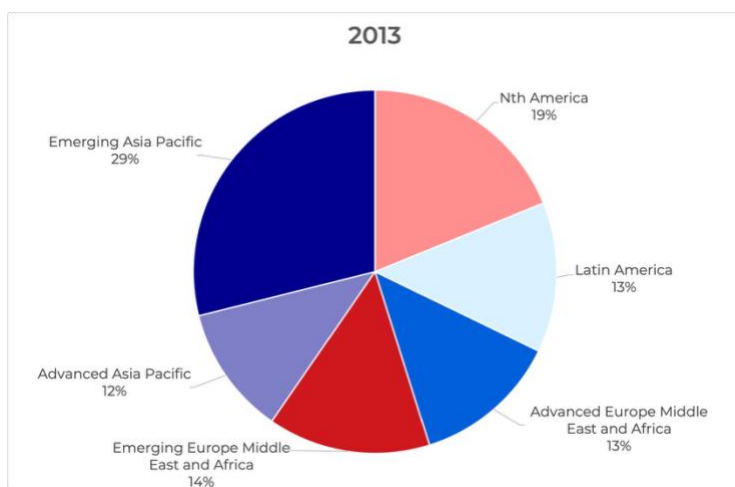
³ And resources on hand such as savings and reserves.

⁴ See GAIP (2023a) available at <https://www.gaip.global/publications/about-the-protection-gap/> and GAIP(2023b) available at https://www.gaip.global/wp-content/uploads/2023/12/Protection-Gaps-The-Solutions-Landscape_Final-v5.pdf

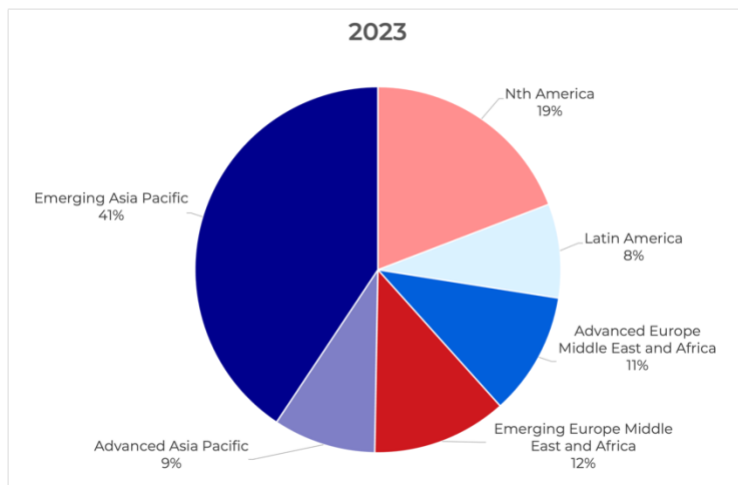
Figure 1, 2, 3: Have we been closing the protection gap?



Despite many efforts, the total protection gap has been growing in Asia, particularly in emerging markets, as development, climate and demographic change increase risk exposures and protection is not keeping up.



10 years ago, Asia represented around 40% of the global protection gaps.



In just 10 years, Asia is now 50% of the global figure.

Source: Author's analysis, Swiss Re Sigma data.

Now we look at actions to realise the vision of a response to the imperative of unacceptably large protection gaps. Our approach is structured around the potential for and challenges in developing a more integrated protection gap strategy.

First, we examine how a range of diverse motivations can be brought together to align with this goal. A seemingly varied set of policy outcomes can find support in efforts to reduce protection gaps, motivating many stakeholders to join in a common undertaking. Understanding how smaller protection gaps contribute to these policy outcomes can help to ensure the support of this range of stakeholders. It can bring alignment and shared commitment to the overall goal of reduced protection gaps through the various benefits that can result. The section also includes a discussion arguing against leaving the task to the market without government engagement.

Key to this motivation is to have a clear statement of the magnitude of the problem.

Although estimates of protection gaps are available for different risks and at different geographic levels, it is motivational for political and policy leaders in each jurisdiction to have estimates of impacts for their own case. Currently, much of the information in the public domain remains incomplete and does not have granularity at country level. We have included some the publicly available estimates in our companion paper. The GAIP is working on supporting publicly available estimates for policy support at the jurisdictional level through an online risk platform⁵ and some additional country-by-country estimates are included in the companion paper.

We then set out why an integrated strategy is beneficial, identifying key opportunities for synergies and leveraging from effort to achieve greater outcomes. In particular, the benefits of integrated approaches being the facts that (i) Risks are interrelated, so we need to look to keep solutions that are similarly interrelated; (ii) insurance solutions and the mitigation solutions can be interrelated to capture real benefits of leverage; and (iii) cost-benefit analysis, albeit important, needs to be used across the fullest possible solution set to “choose rather than to justify a choice”.

We outline the key steps to move forward in the section on how an integrated strategy can be developed. This is further elaborated in practical terms in the companion paper *“Turning Intentions into Resilient Outcomes: Practical Steps to Developing Integrated and Holistic Protection Gap Strategies”*. The companion paper includes discussions on gathering data and estimates on the magnitude of each gap; identifying key partners,

⁵ The GAIP is currently developing this platform in collaboration with ADBI.

stakeholders and target groups; developing a menu of solutions options; and approaches to prioritising and selecting options, especially to maximise the opportunities for benefit and leverage. It also discusses key implementation considerations regarding mandates for change, structures, and KPIs.

Without doubt, efforts to reduce the protection gap will deliver better well-being, resilience, and sustainability of communities throughout Asia and beyond. In support of this vision, we look to create tangible steps to making it a reality.

Motivation for Action at the National Strategic Level

Motivation for Action at the National Strategic Level

To effectively address protection gaps many partners and stakeholders⁶ need to be involved. Some are central and others less so, but all stakeholders must be motivated to support the development and implementation of the strategy and engage when they are needed⁷. A recognition that reducing protection gaps supports the various goals of different stakeholders creates a common commitment to reducing these gaps. This section addresses the diverse motivations that can lead to that common goal and purpose in reducing protection gaps.

Addressing protection gaps can motivate stakeholders with diverse priorities, both within and outside of government. This section of the paper summarises motivations, making the case for support for the development and implementation of the strategy at the political and administrative levels⁸. Support from stakeholders comes when they see that reducing protection gaps will produce outcomes aligned to their own motivations. In fact, their policy motivations may often fail to be achieved or be less effective when protection gaps remain significant.

Benefits across a range of policy objectives give confidence that, with sufficient awareness, reducing protection gaps is a unifying goal. Table 1 below summarises some motivations comparing a larger or smaller protection gap. The chapter delves further into a government's policy goals and how the protection gap delivers necessary change.

⁶ See the companion paper discussing partners and stakeholders and further information supporting the processes.

⁷ The earlier GAIP policy papers discussed the relationship (and, frequently, the disconnect) between the gap itself and the motivation of the range of stakeholders who need to act if we want to see meaningful reduction.

⁸ For a fuller resource on motivation and further references see "*Motivating Change: Why the protection gap is key to policy objectives*", GAIP forthcoming.

Table 1: Consequence of adversity when protection gaps are bigger or smaller

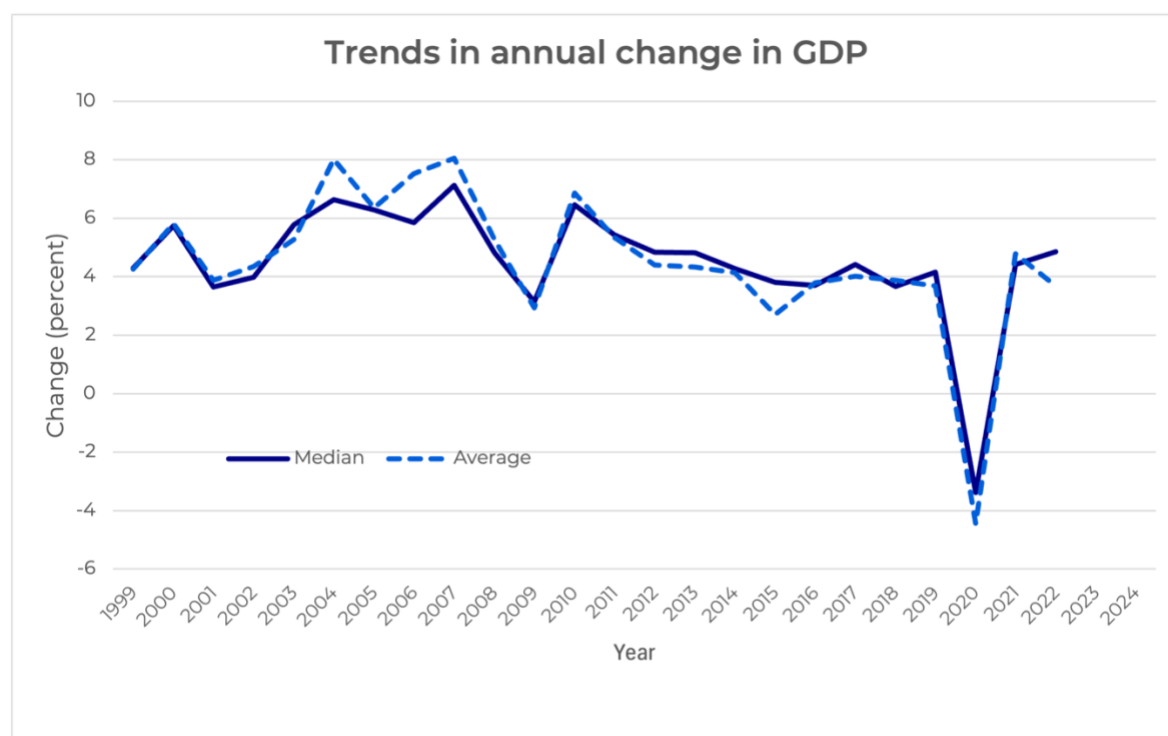
	When the Protection Gap is ...	
	bigger	smaller
GDP	Negative shocks are deeper and longer lasting.	Funds injected to support recovery reduce the adverse economic impact in both size and duration.
Education	Education participation rates can fall especially for girls.	Continuity of educational access can be better maintained.
Climate resilience	Individuals, households, communities, and nations lack resilience and are exposed to adversity from climate risks.	Resilience is improved through risk reduction, better funded and more agile responses, and improved risk management.
Poverty and hardship	More people are thrust into poverty. Negative and costly coping mechanisms have both immediate and longer-term generational consequences.	The impact on immediate poverty is reduced. Undesirable generational consequences can be avoided.
Gender parity	Women and girls can be disproportionately impacted.	Impacts on health access, education participation, and nutrition can be reduced or averted altogether.
Disaster recovery and resilience	Slower recovery magnifies adversity and hampers efforts to rebuild lives and livelihoods.	Rapid response creates opportunities to build back better.
Health access and outcomes	Adverse events constrain health service delivery and, for impacted individuals and households, resources are diminished forcing trade-off decisions that can undermine outcomes.	Total health financing is increased. Social support can be more targeted toward the most vulnerable.
Wellbeing of older people	Disruptions to services can be particularly problematic for older people, creating consequential health emergencies.	Support systems for the most vulnerable elderly are maintained through short- and long-term crisis events. Welfare security helps them to access services in and outside crisis event phases.
Food security	Agricultural risk exposures can lead to disruptions in food supply and destroy farm incomes.	Greater security for farm incomes, agricultural productivity, and shorter food supply disruptions.
Agricultural productivity and resilience	Crop diversification is a key tool, albeit less productive overall, to reduce risk.	Risk management facilitates more productive focus, access to and willingness to take credit, and increased farm incomes.
Access to finance	Fewer people have access to finance or are comfortable taking credit, with impacts productivity, incomes, and welfare.	Lower protection gaps enhance access to finance.
Insurance sector development and stability	The limited insurance role constrains the sector from fulfilling its socially desirable goals, leading to concern, mistrust, and potential instability in the sector.	As the sector plays its social role more completely, insurance literacy and trust are increased and the stability of the sector is improved.

Fiscal risk exposure

Adverse events usually demand a government response for immediate support and subsequent reconstruction. The bigger the protection gap, the bigger the exposure of the population to adversity and the greater the demands on governments. The response usually comes in a range of forms depending on the event. It can include immediate needs for community relief, support, and subsequent reconstruction needs both for public infrastructure and to assist communities. Increasingly, support is seen as “going beyond assets” and includes initiatives to facilitate the continued welfare of broader groups such as, for example, those impacted adversely but less directly⁹. The challenge of responding is relevant to finance ministries as well as all other ministries with an interest in the impact of fiscal pressures on the programs of their own ministries.

Research and experience together show that significant events can lead to disastrous economic impacts¹⁰. The more significant the event, the deeper the potential negative impact on economic growth and the longer it may take to recover. Figure 4 shows the impact seen in Asia from the Covid-19 pandemic.

Figure 4: Trends in GDP across Asia showing sharp slowdown during the Covid-19 Pandemic



⁹ For example, the recent Covid-19 pandemic preventative responses that required business shutdowns in many countries also led to government support for workers and businesses impacted by those preventative measures at considerable fiscal cost.

¹⁰ See references including, for example, IMF (2021).

Finding funds to respond is made more challenging as revenues are negatively impacted at the same time. Adverse events can lead to significant negative impacts on GDP¹¹ and inflation created by unmet demand spikes and supply shortages¹². Worse still, the bigger the disaster, the *far* bigger and longer lasting the negative GDP impact and inflationary pressures can become. This can make funding solutions even more problematic, so that interventions become, by their very nature, more costly to deliver.

Ex-post solutions are widely considered to be inadequate¹³. Reallocating funds from other budget items or external borrowing is particularly difficult when the overall fiscal balance is already taking a hit and will require repair. Initiatives to raise revenue are probably not practical at a time when calls for support are loudest, and even if it was, they would still need to overcome concerns that it may deepen the economic malaise and hardship in the face of rising prices. Borrowing, if practical, at a time when the government's fiscal situation has seen a sudden deterioration is likely to be more costly and more difficult.

Instead, a smaller protection gap will mean a smaller fiscal challenge and can even support positive impacts on fiscal and national economic conditions. Early finance can spur spending and have a positive impact on GDP and well-being. This ensures flexibility and resilience for national accounts and for governments more generally.

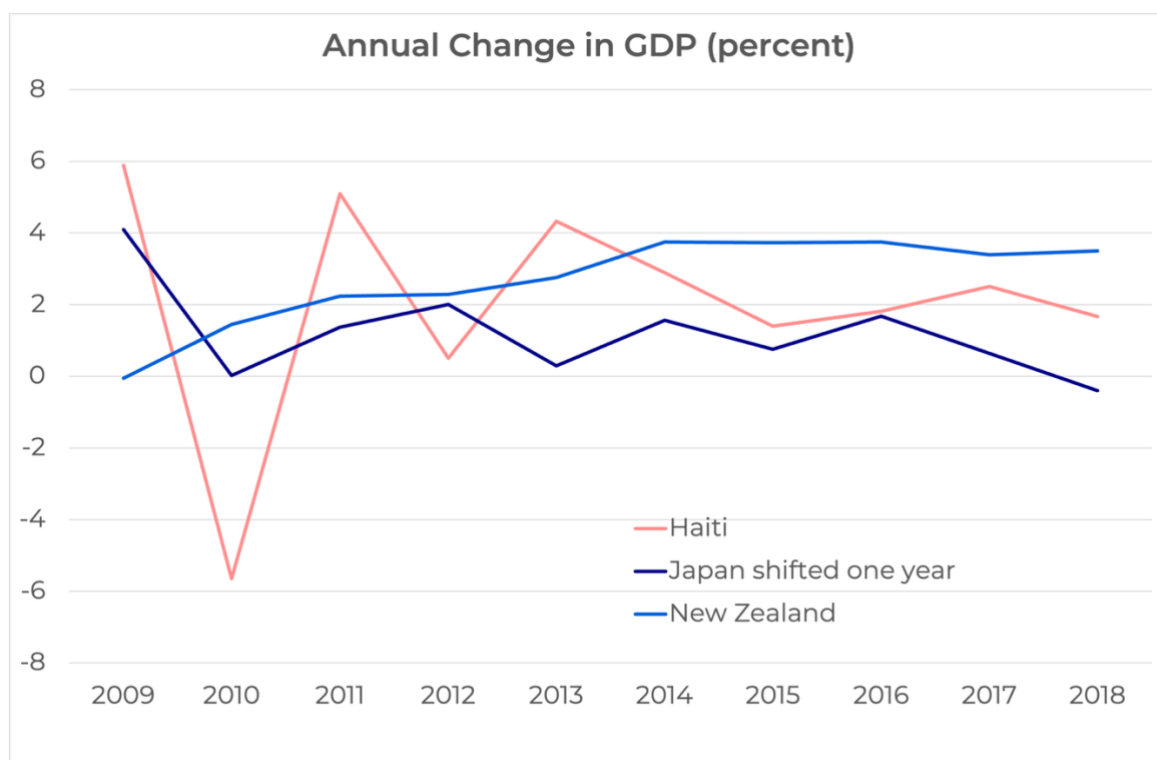
This is famously illustrated by comparisons between two very similar earthquakes. In 2010, both New Zealand and Haiti suffered earthquakes of similar magnitude, depth and proximity to major population centres. In New Zealand, the protection gap was much more limited for many of the reasons advocated in this paper. The Haitian experience with significant vulnerable populations, weak public infrastructure and a reliance on donor funds saw GDP suffer significantly. New Zealand's earthquake insurance, strong infrastructure and preparedness are considered to be key to the different result. In Figure 5 the two examples are shown along with a Japanese quake of 2011 (shifted on the scale so that the impact is on the chart as 2010 so the timing coincides with the other two cases).

¹¹ Negative GDP impacts arise from many sources but include damage or destruction of infrastructure and the consequent effect that this damage has on utilization of non-infrastructure capital. This reduces incentives to invest which compounds negative impacts further.

¹² Although broadly supported, increases in CPI are not universal in the empirical studies and several cases where they have not been evident coincide with smaller protection gaps.

¹³ For a discussion on options for governments to address a remaining fiscal exposure, and the arguments in favor of ex-ante rather than ex-post solutions, see "*The Cost of Hindsight: Prioritising Ex Ante Solutions over Ex Post Damage Control*", GAIP forthcoming.

Figure 5: GDP around Earthquake events in New Zealand, Haiti and Japan



Clearly the Haitian experience is undesirable and problematic. The New Zealand case may be optimistic for most countries to achieve. However, the Japanese case looks like a level that most countries should aspire to as an outcome of a well-functioning system.

Sustainable resilience, climate risks and poverty

By definition, adverse shocks set back government policies and initiatives promoting sustainability and resilience.

Many stakeholders are motivated by one, several or all of the Sustainable Development Goals (SDGs) adopted at the United Nations in 2015¹⁴. The adoption of the SDGs has promoted cooperative dialogue, government policy

interventions, and donor support, for example. Reducing protection gaps can be seen as directly relevant to improving performance against the SDGs, where the outcomes are

"Insurance protects lives, livelihoods and assets but it's potential goes far beyond being a safety net. Insurance is a driver of resilience, decent work, economic growth and innovation".

Amira J Mohammed, Deputy Secretary General, United Nations to IAIS Annual Conference 2024

¹⁴ A full analysis of the impact of protection gaps by each SDG is included in "Motivating Change: Why the protection gap is key to policy objectives", GAIP forthcoming. A summary is included in the Annex to this paper.

consistent. In fact, many of the SDGs benefit directly from reduced protection gaps, and some of these can be reviewed through the lens of a policy imperative:

Climate

Climate change (SDG 13) has broad implications for many policy areas. It is not surprising that SDG 13 ensures climate change and associated climate risks are top of mind. However, all SDGs are impacted by climate change in some form, and policy actions directed at each of the SDGs need to take account of climate change when they are being advanced.

The impacts of climate change are significant and becoming increasingly obvious through extreme weather events. Natural hazards are a common concern as they become more intense, more frequent, and more destructive. Public attention tends to commence with more rapid onset catastrophes and their immediate impact, focusing on deaths, injuries and damage to property. Some events that should be equally concerning can arise from the same changes in climate – for example, it is not unusual that increased severe flooding risk may occur in places that also see increased risk of heat extremes and drought.

Secondary impacts are also meaningful potential causes of adversity. Secondary impacts of weather events can lead to business interruption, disrupt service delivery, increase exposure to disease and hunger, or erode public safety, sometimes lasting far longer than desirable. Economic disruption can extend to the destruction of livelihoods, especially but not limited to agriculture, tourism, and other service sectors, with associated loss of income magnifying the loss of property.

The same changes in climate may also impact lives and livelihoods even when an event is less extreme or without a sudden onset. More frequent, although less extreme, changes in rainfall levels increase agricultural production risk if the timing is problematic. These changes can also impact natural environments in a myriad of ways leading to an increased risk of events that are adverse to health, such as heat, dehydration, dust, or cold.

Climate change also impacts health, mortality, and longevity through changes in built and natural environments, as well as their impact on the potential for endemic or pandemic disease outbreaks and disease transmission. Changes in the incidence of food

or water-borne disease can also occur, associated with event disruptions or, more generally¹⁵.

Additionally, transitions to a more resilient and sustainable future create their own set of changing risks. Although it may be important to shift, mitigate, and manage risks and reduce the potential for catastrophic outcomes, the transitions themselves are impacting many of the target SDGs. Choices made concerning actions in response to climate change can include those that have synergies or trade-offs regarding other SDGs. Research points to the main tradeoffs being choices regarding technology that have the potential to exacerbate inequality and impact biodiversity. The potential to hinder efforts in poverty reduction, food security and hunger, and well-being is also present as interventions can have costs and benefits that fall unevenly on different communities¹⁶.

The resilience of the most vulnerable is usually most at risk. Vulnerability to both event and transition risks can arise because of income, gender, disability, and types of employment. Although each underlying situation can be different, the ultimate concern from a protection gap perspective is that suitably tailored and respectful solutions can reduce this vulnerability.

Additionally, there is a concern that protection gaps may increase if insurers seek to reduce adverse exposure. Concerns include the potential for insurers to increase premiums or withdraw coverage. When insurers increase premiums, lower-risk customers may not renew insurance, forcing insurers into a continuing adverse spiral of premium increases in the face of a deteriorating risk profile. Market withdrawal can impact, for example, mortgage availability and house prices and have other economic spillovers¹⁷. Reduced competition can further increase premiums, exacerbating the cycle. For organisations and households unable to secure cover, this adds to the protection gap instead of reducing it.

Governments often intervene to resolve the challenge of market withdrawal. Public Private Partnerships are particularly relevant in such cases¹⁸. They can be part of the

¹⁵ For more on general disease and pandemic links from changes in climate see references here and in the motivations paper

¹⁶ Transition risks are those associated with the need for, pace and extent of changes to move to an economy with reduced greenhouse gas emissions and transitions to renewable energy. For an example of the discussion on trade-offs see, for example, Dagnachew, A., et. al (2021).

¹⁷ An observation from the Financial Stability Oversight Council (FSOC) Annual Report 2023, the FSOC is the committee established in the United States to consider macroprudential issues under the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act. For more information on the FSOC see <https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/fsoc>

¹⁸ For more details and examples of such government interventions see “Partnerships to address capacity challenges”, GAIP side note forthcoming.

overall protection gap solutions package. This is **one example of how coordinated holistic approaches that include all stakeholders at an early stage can avoid undesirable outcomes** and disruption.

Protection gaps directly respond to exposure and resilience in the face of risks of climate change. All three solution streams to reduce the protection gap have a role to play in increasing resilience in the face of these risks. Importantly, for those motivated by particular policy areas closely associated with one or other Sustainable Development Goal, reduced protection gaps will directly impact the SDG targets and their KPIs.

Poverty

Reducing poverty, especially creating greater resilience, is fundamental to many SDG aligned policy motivations. Reducing poverty is SDG 1 but many other SDGs are relevant. From farm incomes and food security (SDG2), health (SDG3), sanitation (SDG6), and all forms of inequality (SDG10) and opportunity (SDG4), poverty can be reduced by better performance against these SDGs.

Reducing protection gaps reduces actual poverty and poverty risk. This is delivered through all three solution categories of (i) risk reduction, (ii) the insurance mechanism, and (iii) more effective delivery of responsibilities that remain with governments.

Risk reduction supports the avoidance of risk and is widely applied directly in efforts to reduce poverty. This extends from physical risk avoidance to health interventions along with efforts to improve inequality, vulnerability, and welfare¹⁹. For example, as the impact of illness can be disproportionately high for low-income households then health education, screening and vaccination programs will have a disproportionate benefit²⁰.

Smaller protection gaps mean poverty is reduced directly when adverse events occur. The effect of the adverse event and known coping mechanisms for those who face significant gaps in protection erode any progress out of poverty for many. Instruments that reduce the protection gap will reduce exposure to risk or provide solutions when the risks occur. Either way, the potential adverse events are less perilous. It is notable that the availability of some immediate financial relief can be critical to reduce the impact of a severe event, making both the amounts and timing of funding relevant to the outcomes.

¹⁹ A series of references on the link between risk reduction and poverty is available in the forthcoming GAIP *Motivations* paper.

²⁰ Examples of physical risk interventions tend to be more specific to local risks and economic practices.

With lower protection gaps, the longer-term and generational impacts of adversity in the face of disaster are also reduced. When protection gaps are reduced, immediate poverty can be averted for many households and SME operators. However, the benefit also extends to a generational impact as, without protection, other coping mechanisms can be detrimental, particularly for health, education, equality and wellbeing which have long lasting effects.

In addition, protection is beneficial even before or without an adverse event occurring. When risk is addressed, positive steps can be taken to contribute to desirable outcomes. For example, in many situations, access to credit is enhanced when insurance is available. Credit can be used by households and enterprises to better their situation. There is also evidence that SME efficiency is increased as operations can focus on what they do best rather than seeking diversification as a risk mitigant²¹.

Putting a price on risk, and incentives for mitigation, safer practices and investment, can benefit those with and without insurance. The risk pricing incentive in the insurance mechanism provides an immediate motivation for policyholders to manage risk better. In some cases, they may even need to take this action at the request of the insurers before cover can even be extended. For example, road safety is enhanced when safe driving is rewarded with lower premiums, and workplaces are safer when mitigation is incentivised.

The investment role of insurers contributes to economic well-being. Increased insurance penetration implies additional finance contributed to the funding of services, creating a further opportunity to ensure that public funds can be targeted and achieve the policy goals. Additional economic activity also has a potential positive flow on impact to creating more secure employment both in key areas and more generally.

All of these mechanisms support the reduction of poverty and are relevant to physical risks, weather, health, and inclusive goals. When faced with adversity, the effect on vulnerable populations is often disproportionately larger, compounding the impacts of their wider protection gaps. Similarly, addressing protection gaps can give a disproportionately large benefit.

²¹ For references on the linkages between insurance and SME economic development see Lester (2014), Dercon, S., & Christiaensen, L., (2011), and others noted in the references to this paper.

Although climate and poverty reduction are often cited, sustainable resilience has been increasingly referenced as a goal. The transition in the debate has moved from restoring people and things after adversity to a previous status, to a situation where a new order of things may be different, better, and more resilient and sustainable. Resiliency reflects an enhanced ability to respond in a more agile way to future events, which was particularly evident in the recent COVID-19 experience, where workplace arrangements changed significantly and have not reverted in full to the pre-pandemic practices.

There are many linkages between the positive path from reduced protection gaps to SDG benefits and outcomes. A discussion for each SDG is in the Annex and a more detailed elaboration is presented in the longer paper on motivations. Over time, as different analyses have been completed by various analysts, the extent of linkages only gets more fully recognised. Our analysis finds that reduced protection gap policies are aligned in different ways but positively with all SDGs.

Just as climate and poverty may find a broad audience among policymakers, **the various elements of the SDGs may appeal to other policymakers more specifically.** Reducing protection gaps can, therefore, find common support as it is a helpful contribution to many of these goals. This also highlights the usefulness of a holistic approach when developing protection gap reduction strategies.

Ultimately, **by reducing protection gaps, vulnerable people find greater resilience.** The broader economy can also be more resilient, and governments and their financial stability can become more resilient. A sustainable long-term view is particularly useful. It takes the resilience of each day and turns it into secure, perpetuating, robust processes. Through the linkage to economic investment, the added security and well-being created from addressing protection gaps generate a virtuous circle.

As households, businesses and communities become more resilient, pressures on government responses reduce, reducing the fiscal risk exposures. Governments and nations become more resilient. In contrast, with significant protection gaps, the absence of resilience can undermine households, institutions, and the government themselves²².

²² For example, the OECD (2017) has identified impacts of disasters as “including public confidence, integrity of the democratic systems and community cohesion” and noted that it is considered in many country strategies as an issue for attention. These have included criticism of handling of recovery from natural disasters, concerns about interventions and lockdowns during the CoVid-19 Pandemic, and public distress regarding cyberbreaches of government agencies.

Table 2: Linkages between Insurance Processes and SDG Outcomes

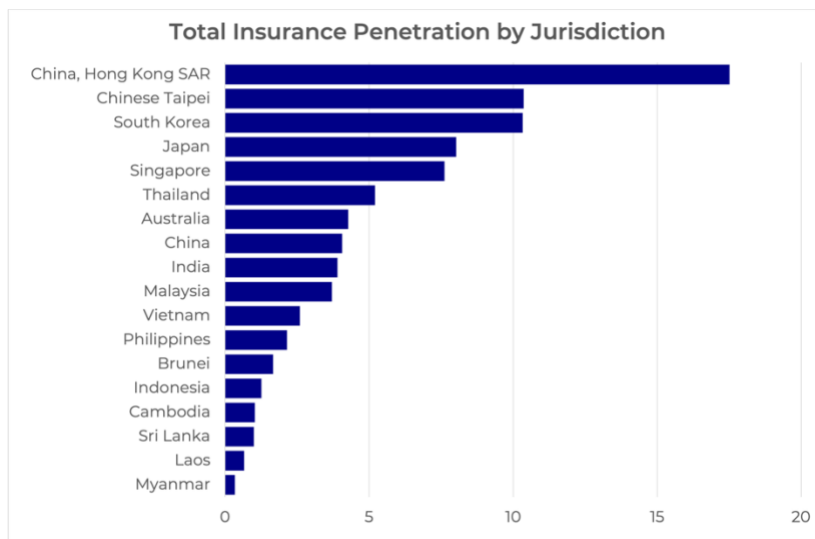
SDG	Insurance Processes (√√√ = Extremely positive, √√ = Very positive, √ = Positive)				
	Pricing	Underwriting	Claims	Access	Investment
1	√√	√	√√√	√√√	√√√
2	√√	√	√√	√√	√√
3	√√	√√	√√	√√	√√
4			√√	√√	√√
5	√		√√	√√	√√
6	√√	√√			√√
7	√√	√√		√√	√√
8	√√	√√	√√	√√	√√
9				√√	
10	√	√	√√	√√	
11	√	√√	√√	√√	√√
12	√	√		√	
13	√√	√√	√√	√√	√√
14	√	√	√	√	√√
15			√√	√	√√
16				√	√√
17				√√	

Why not let the market correct itself?

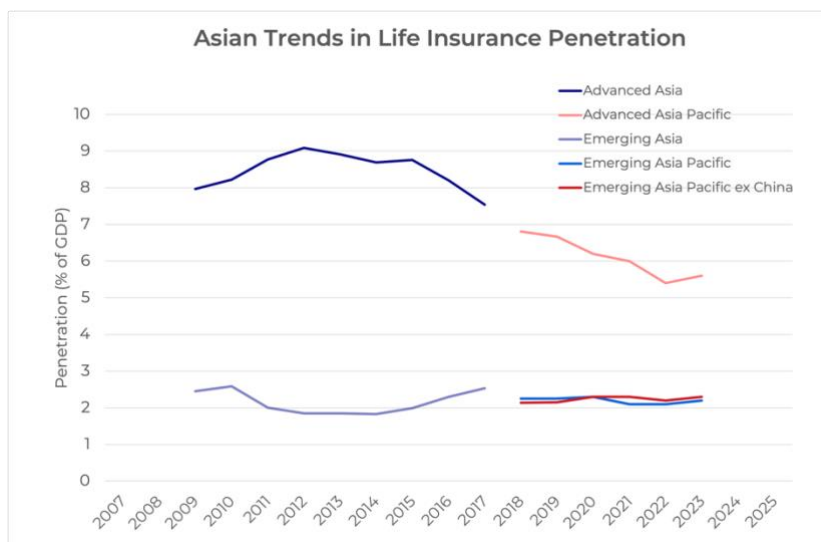
One argument for inaction is an expectation that private sector actors would engage to reduce the gap over time so the government does not need to intervene. This argument tends to reflect that the opportunity is substantial.

Unfortunately, the fact is that protection gaps remain problematic, and interventions by the private sector alone tend to be limited in scope and size, creating only a small impact relative to the very substantial gap. Figures 6, 7 and 8 show the slow progress made by less developed insurance markets as they look to “catch up” or close the gap on more developed jurisdictions. Additionally, the wide range of insurance penetration results for markets in Asia highlights the substantial opportunity in many countries. In Asia, the development of insurance penetration even to reach regional averages remains challenging.

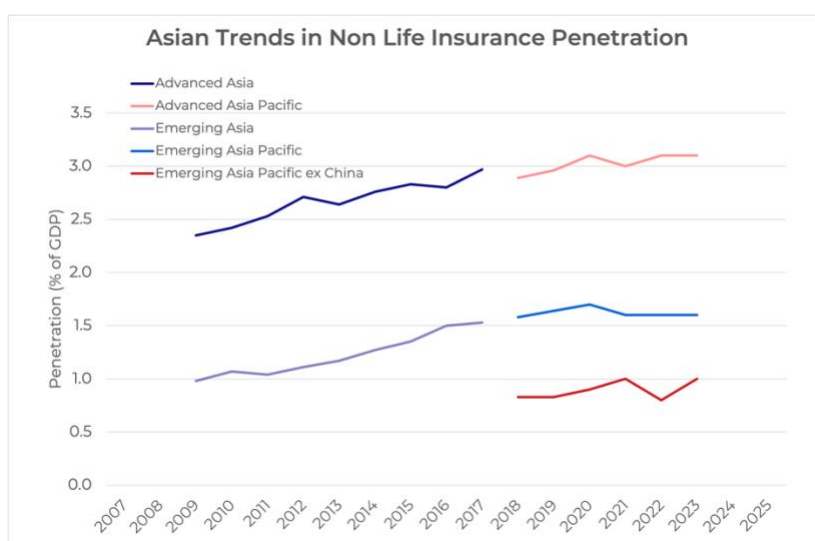
Figures 6, 7, 8: Have we been growing insurance penetration to close the protection gap?



Insurance penetration varies across Asia with Hong Kong, the highest penetration currently in the world. Savings rates have helped to make life insurance penetration more significant than other regions.



Over time, insurance penetration for life insurance has declined in Asia from high levels, largely in advanced markets. Insurance penetration in emerging markets has not moved forward materially over this period.



Non-life insurance penetration reflects growth in risk but, persistently, the Asian experience sees little progress in initiatives "catching up" lower insurance penetration jurisdictions

Source: Author's analysis, Swiss Re Sigma data. Note global figures show the same conclusions.

The reasons for limited progress and impact include:

- **Absent government leadership in some policy areas, the industry can be reluctant to invest as heavily.** The perception of risk associated with the potential that future policies may be in conflict can be a concern in an environment of uncertainty.
- **Some parts of the protection gap are uninsurable and require government intervention** to either provide protection or adjust the risk profile, so a residual gap becomes insurable.
- **In the face of increasing risk, markets may cease to function effectively**, with consequent adverse impacts on the provision of other services that require these products. When insurance is a condition for access to credit, for example, withdrawal of insurance availability impacts economic development through credit constraints.
- A purely economic theoretical approach does not apply, given that **market entry and exit in the insurance sector involve rigidities**²³.
- **Financial constraints may limit investment in innovation** for all but the larger insurers²⁴, despite agreement that “things only change if things are done differently”. As a result, more proactive intervention from governments may be required to expand innovation.

As a result, the practical evidence of this “market failure” and the fact that some interventions, by definition, require government action make a strong case for proactive policy intervention.

Additionally, governments are also part of the solution in terms of their roles in recovery, social protection²⁵ and more immediate responsive fiscal interventions. More targeted social protection can be achieved when insurance provision is coordinated with the role of social services and benefits, balancing the role of state support with that of private responsibility. This balance is struck in all areas where efforts to reduce the protection gap take into account national and local social conditions. Expectations will differ from

²³ For example, market entry and exit are subject to regulatory requirements and the nature of insurance as a product based on the credibility of the promise also makes it difficult to withdraw and return to a market.

²⁴ See discussion in “*The Innovation Imperative: How proactive should governments be?*” GAIP side note forthcoming.

²⁵ Feedback during the development of this paper has noted need for clarity on definition of target groups for social protection and the definition of the interaction between social protection and other sources that may or may not also receive political support.

country to country but opportunities to improve efficiency will likely always be available as self-provision increases²⁶.

This is not to say that non-government stakeholders do not have motivations of their own. Multinational development banks and bilateral donors tend to have interests aligned to achieving SDGs. Some have more of a focus on some of the SDGs such as the World Health Organisation, the World Food Programme, the International Labor Organisation whereas others such as the World Bank, International Monetary Fund and Asian Development Bank have broad interest in all SDGs. Bilateral donors may have a broad interest but with a focus on areas of engagement that might reflect their priorities. Similarly, NGOs and private foundations also have some focus. However, that does not preclude the usefulness of including them in the process of identifying and selecting solutions as they may be able to support as part of the overall work effort in their priority area.

The role of the private sector can offer clear positives for both the sector and government goals. Insurers and reinsurers will be part of the solution set and can also bring their expertise and data to help them understand risks at a granular level. Other private sector partners may also be important particularly to increase insurance penetration to underserved groups. Examples include innovative distribution partners, platforms that can bring technology to the challenge, scientific organisations, and payment systems operators.

It is particularly useful to ensure that these partners are aligned and, as a result, early engagement is important with those who are most critical. There may be considerable value in recruiting these key stakeholders to provide their perspectives on choices that might need to be made. Some may be able to be engaged at the initial stage and others may have to be added once it seems that they may be part of the solutions being considered.

This section has focused on information that can help the lead authorities to engage with others in areas with different expertise and focus. Understanding the value to and objectives of these stakeholders is important when developing PPP solutions. Additionally, they may become useful advocates for various initiatives. Their potential roles are discussed more fully in the companion paper. There is also a separate discussion

²⁶ Although we do not elaborate further here, see "Balancing fiscal risk and societal contracts: Implications for PPPs that address protection gaps", GAIP side note forthcoming.

on target groups in that paper, covering the analysis of various communities that are impacted by protection gaps and their solutions.

An Integrated Approach – Why

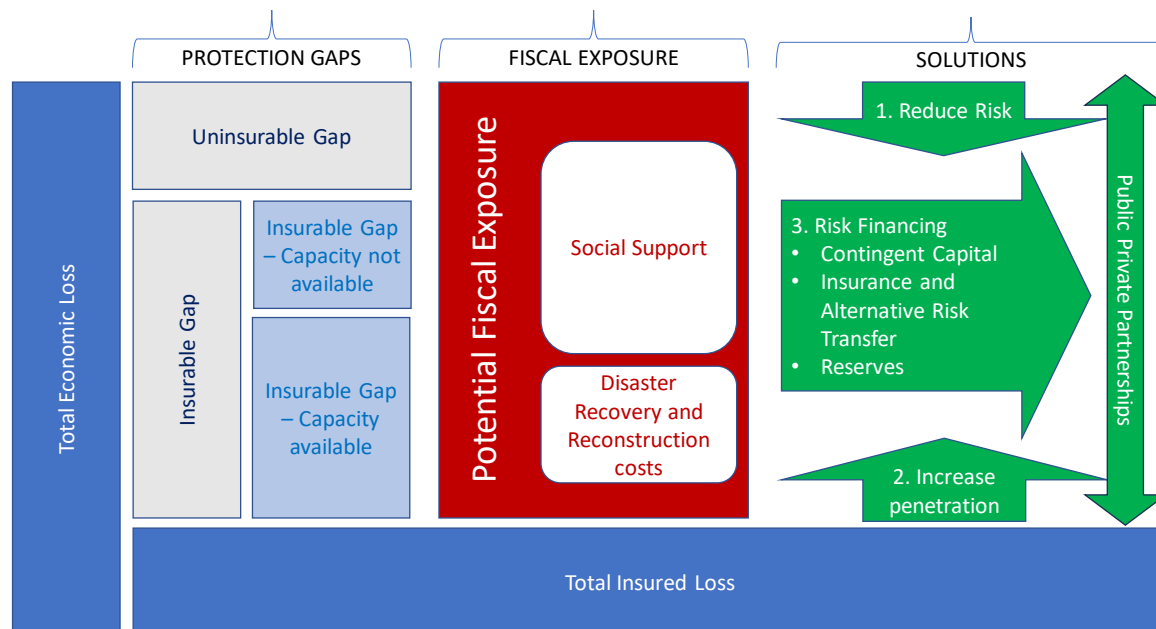
An integrated approach - Why

Many interactions reduce protection gaps, and through a more integrated approach, there is potential to leverage contributions and reflect benefits to optimise solutions.

Our second paper²⁷ noted that solutions pursued often led to positive outcomes. At the same time, the projects were not always coordinated to capture synergies and maximise commitment across stakeholder groups. Ideally, by taking a holistic approach, opportunities to leverage the value of expenditure to secure greater benefits can also follow.

Our conceptual building blocks (see Figure 9 below) examine three paradigms (definitional elements, gaps as fiscal exposures, and categories of solutions). Some solutions are more relevant for some parts of the gap, for example, for the part that is not insurable. Some solutions are more relevant for some elements of fiscal exposure, for example sovereign risk transfer. Other solutions find broad application.

Figure 9: Conceptual Building Blocks for the Protection Gap, Responses and Solutions



When risks are interconnected, solutions that consider interconnections will be most effective. Increased natural perils directly impact health and mortality risks. Changed

²⁷ See GAIP, (2023b), "The Solutions Landscape: Learning from efforts to reduce the Protection Gap".

climate risks, with or without a significant climate event, also impact vulnerability, health, and economic welfare risks.

Each risk does not occur in isolation

The first argument for a more integrated approach rests on the fact that the risks that are faced are already integrated in terms of their impact, and the corresponding solutions will also impact a range of risks.

Extremes associated with climate risks can get significant attention when events occur. This automatically can bring into focus the need to do something about natural catastrophe risks. However, the same events can cause injury, illness, death and the destruction of property and welfare. Some climate-related events can affect clean air, water and food security without a headline-grabbing event. The consequences of these events for health and well-being are equally important.

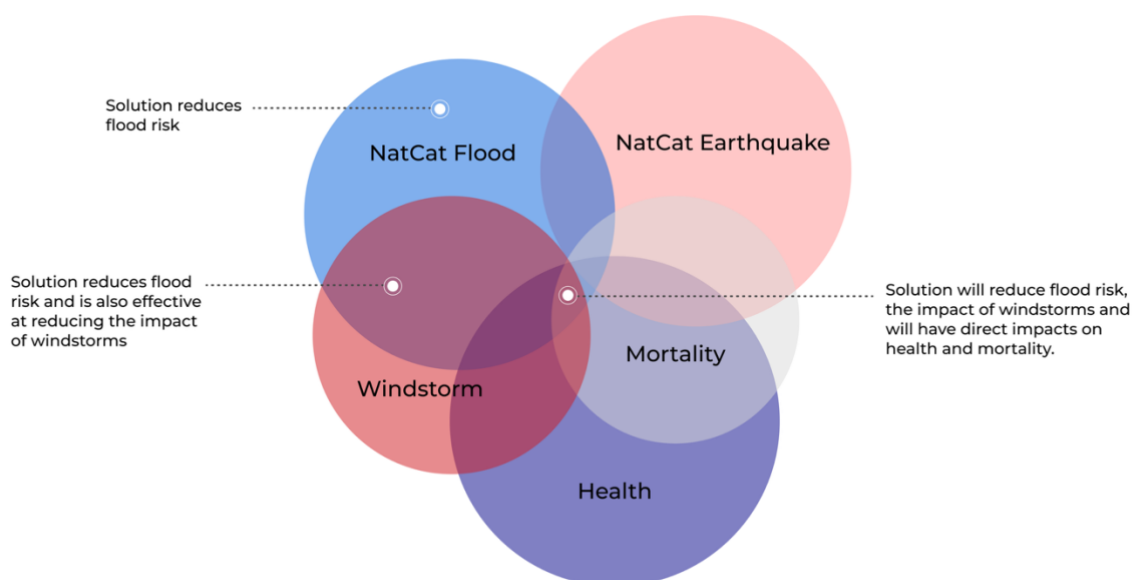
Health and mortality are clearly related. Changes to health risks and potential mortality also tend to have implications for retirement income security as they change the duration and condition of life in retirement, the need for income, and the nature of health services that are relevant in older age.

There are clear interactions between risks such as retirement security, longevity, health, old age care, and mortality. Similarly, there are clear interactions between the range of consequences of heavy rain for example including flash flooding, landslides, crop damage and loss, riverine flooding downstream, potential for waterborne disease outbreaks, soil erosion, damage to infrastructure especially roads and bridges, mold growth in buildings, interruption to transport, food supplies, and businesses, and livelihoods.

Considering more perils together will ensure that the full impacts, cascading effects, correlations, and value from interventions are recognised. When examining an initiative to reduce exposure to a particular risk, it is useful to consider whether other risks will also benefit. If so, or if securing the additional benefit only requires a small adjustment, then building these impacts and interactions in at the start of the process has a high return on that investment. This approach will also help to respond to concerns that one risk reduction may unacceptably increase another risk. Figure illustrates the potential for interrelated risks. A more comprehensive process may even lead to selecting a different intervention than would have been the case had only a single risk type approach been taken, such as the three potential solutions “A”, “B”, and “C” in Figure that

impact different perils. Considering interrelated risks encourages the consideration of solutions that offer interrelated benefits.

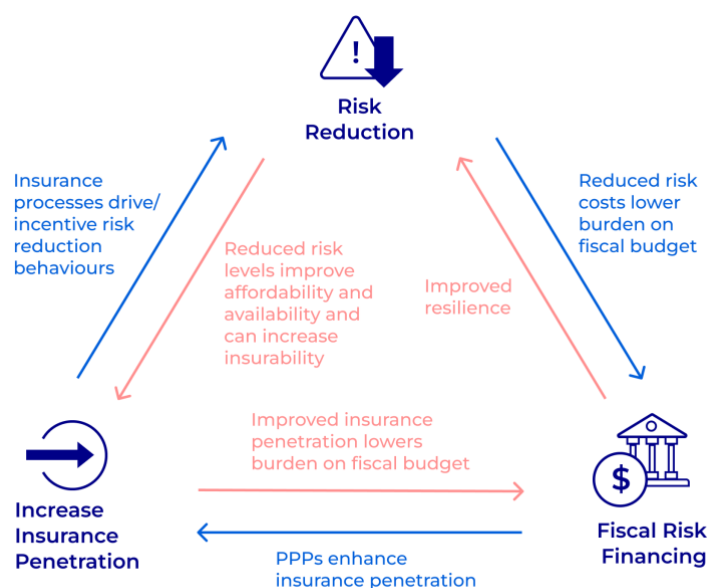
Figure 10: Some initiatives can influence more risk types



The Interaction between the three solution groups brings leverage

Secondly, **risk reduction, fiscal support and insurance penetration solutions influence each other and create the potential for a virtuous cycle** when considered more holistically. Figure illustrates examples of how this interaction works. Risk reduction, for example, reduces the burdens on sovereign fiscal budgets and also reduces risk facilitating insurability and making insurance more affordable – important barriers to insurance access and penetration. In turn, fiscal investment can contribute to risk reduction and, often through Public Private Partnerships, improved access to insurance.

Figure 11: All three solution groups influence each other



Key insurance processes powerfully contribute to the desired outcomes. These insurance processes can significantly impact the other solution areas of risk reduction and residual sovereign financial exposures.

- **Insurance claims processes** can greatly assist by providing funds in a timely manner so that households, enterprises and communities have funds to react to immediate necessities, avoiding having to resort to more negative solutions and enabling them to invest in recovery from adversity. This greatly reduces the impact of adversity and supports more resilient outcomes²⁸.
- **Insurance pricing** effectively puts a price on risk at a granular level. This incentivises risk reduction and prudence by those who are insured, improving ongoing risk management.
- The **insurance underwriting process** can incentivise very specific risk mitigation investments by making them a condition of cover. This process further multiplies the impact of investments made by the public sector into risk mitigation at a broader level.
- The **insurance investment process** also contributes to policy outcomes in many areas including directly through project funding and indirectly through providing patient capital for broader economic use which, in turn, advances broader economic goals and welfare.

²⁸ Some insurance products include benefits designed for rapid payment through, for example, benefits covering urgent needs such as temporary accommodation, partial payment of claims that may take longer to settle fully, or parametric insurances that can involve very rapid payment.

Increased **access to insurance** means that these benefits flow from a larger insured base further growing the impact of these processes.

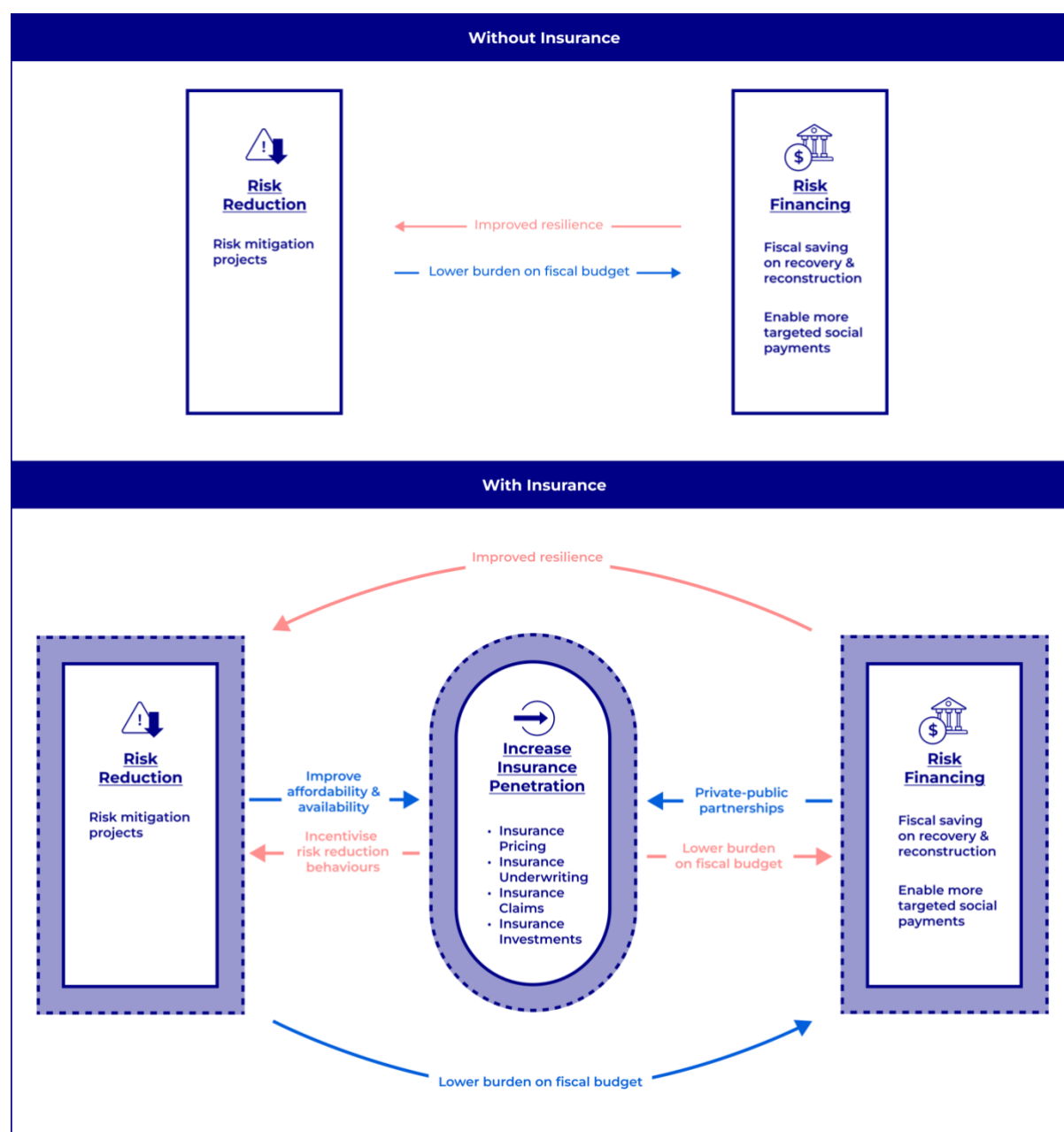
These are not just processes but pathways that connect policy goals to policy outcomes. The combined impact of these insurance processes contributes directly to reducing the need for government response and facilitate more effective targeting of that response.

One part of the interaction between public sector and private sector solutions to reducing protection gaps lies in the part of the gap described as uninsurable or not insured because of capacity constraints. When addressing these gaps, it is possible that some solutions will render more of the uninsurable risks as insurable, releasing the consequent effect of the insurance process to further reduce the gap. The interaction between insurance processes and mitigation projects can create a virtuous multiplier effect. Further initiatives to increase access to insurance, especially regarding “last mile” distribution, can then grow this impact further. This leverage of investment could be powerfully captured as long as the insurance market’s response to the public sector initiatives is considered as part of the selection process of the public intervention. This may require earlier engagement with the private sector to obtain views on alternative solutions.

As the impact of this cycle grows, and protection gaps reduce, there is scope to target government support to the remaining most vulnerable communities more effectively. This can then allow funding to improve these targeted benefits and invest in further solutions targeting mitigation and increased penetration.

Figure 12 highlights how these insurance processes play significant roles that impact and interact with the two other solution areas. The traditional approach where a risk mitigation project may be considered would certainly balance the public sector cost with the public sector benefit shown. This may well lead to a cost-justified project and for the initiative to proceed. However, other projects may behave differently, and if we insert the insurance processes (and pathways), we may find that a different solution can create additional benefits that allow the same investment to be leveraged and free up some funds for additional efforts – the virtuous cycle.

Figure 12: All solutions are interlinked: Insurance Processes build Pathways between Public Sector Interventions and Outcomes



The integrated approach to solutions is particularly beneficial when it captures this virtuous circle. The combined impact of these insurance processes contributes directly to reducing the need for government response and will **facilitate more effective targeting** of that response. Some of the benefits can be reinvested into a further cycle. Access to insurance can be advanced through PPPs that address issues ranging from overall

coverage availability to “last mile” distribution. Social support can be more effectively targeted to the remaining most vulnerable communities.

Ignoring insurance processes means opportunities for public sector investment leverage are lost, and less effective solutions may be selected. Although conceptually obvious in the approaches in this paper, many opportunities for synergies are not always captured. Some typical examples that illustrate areas where synergies can be important flow from recognising that insurance processes are a part of the solution set and have linkages with the actions of the public sector.

Cost-benefit analysis should be used to select solutions

Some PPPs have been particularly useful to address gaps whilst leveraging insurance processes

In response to challenges in coverage capacity for insurance risks, usually natural catastrophe exposures but also terrorism, then several examples of government “back stop” schemes have been introduced. This addresses the issue of market failure in providing catastrophe but it has additional benefits.

By providing for high risk covers, the balance of protection needs can still be provided by the insurance sector. This contrasts with their withdrawal from the market altogether leaving a much larger gap. The PPP facilitates not only the insurance of the extreme event – it allows insurers to provide protection for day-to-day events and ensure continuity of access to credit.

Examples include the northern Australian Cyclone Pool, China Residential Earthquake Insurance Pool, National Catastrophe Risk Pool (Thailand), Taiwan Residential Earthquake Insurance Fund, Californian wildfires, New Zealand earthquakes, or floods in several countries.

Thirdly, **a more holistic and integrated approach encourages the use of cost-benefit analysis to select solutions** rather than to add a final justification to those that were selected. Many risk reduction measures can be cost-justified on their own merits. However, when taking a more holistic approach, the scope of the benefits that would be considered is broader so the opportunity exists to use the results to select the best solutions even when most would be able to be justified. Some will be “more justified” than others, particularly when considering the broader benefits.

To that end, efforts to capture the usual and secondary benefits would consider:

- **Risk reduction:** The direct effects that reduce risk, and also the secondary risk reduction through flow on processes such as insurance sector underwriting and pricing;

- **Risk financing:** Increased access to insurance creating a larger pool of resources directed at adversity, changes to insurability increasing the risk pool, and the opportunity to better deliver effective sovereign risk transfer solutions;
- **Ex-post risk response:** opportunity for more effective rapid response and response financing reducing overall impact of adversity, reduced fiscal cost and cost pressures in the event of adversity, making for a more timely and targeted approach, reduced need for less cost-effective solutions, reducing hardship.
- **Benefits beyond adverse events:** Increased benefits from investment outside of adverse events ranging from macroeconomic (employment, productivity, investment) to ecotourism, food security, climate, welfare, etc.

Considering solutions through the lens of the first of these bullets above will likely yield different priorities to those considering all four opportunities. It will also ensure that secondary benefits are not neglected in the implementation phase and will inform the relevant KPIs to monitor.

Additionally, as these approaches are applied, the roles of some elements of design of the overall strategy will be clearer. Although elaborated elsewhere, these include:

- **Balancing state and private sector provisioning for better targeting** and efficiency in government expenditure. There is always going to be a response to unprotected risk exposure, and it is unlikely that anyone would argue that the responsibility should rest solely with a state agency, just as it is unlikely that anyone would argue that the state should have no role at all. As a result, the question of balancing these roles is important. Consequently, it makes sense that a proposal for government intervention should also consider the implications of that decision on the behaviour of private sector actors, including their potential positive response.
- **Balancing government support with PPPs** to leverage capacity challenges, distribution and administrative infrastructure, improving access and managing cost sharing.
- **Add a targeting element to the insurance sector incentives** where the policy details can ensure that the insurance benefits flow both universally and with a particular slant as may be needed to support policy-relevant target groups. This can ensure low-income, rural, remote or gender and other vulnerable groups are given particular consideration and a stronger preference where necessary and appropriate.

- **Blended finance**, leveraging government investment with private sector financing and other sources, such as philanthropic institutions and foundations, is also important. As the investment processes of insurers are part of well-designed solutions, much of this effort has focused on assets, but with a more comprehensive view, both the asset and liability sides of insurers' balance sheets can be considered.

As a result, the most beneficial analysis and strategy will consider as holistic an approach as possible to risks and solutions. Choices that make premature assumptions and decisions to limit scope will likely be inefficient. The following discussions on risk and solutions both recognise that practical constraints may require some targeting and propose some criteria, but a broad view is also desirable as far as it can be made practical.

Selecting solutions on other criteria and then ensuring that they are cost-benefit justified means that some solutions will be rejected based on criteria that do not reflect the goal of reducing protection gaps. This is likely to be one reason that progress in reducing protection gaps has been limited.

One reason for the absence of a more holistic approach may be that the mandate for action rests with one agency, and other agencies have not been engaged. This limits the solutions available as they will focus on the areas where the mandated agency has authority and responsibility. For this reason, the previous section on motivations is important to engage with other agencies and secure their contributions. Organisation and mandates are also important and are addressed in the companion paper²⁹.

²⁹ See both the companion paper, GAIP, (2025), "Turning intentions into resilient outcomes: Practical steps developing integrated and holistic protection gap strategies" and "Who leads government efforts to reduce protection gaps? On mandates for action and the role of insurance supervisory authorities" GAIP Side Note forthcoming.

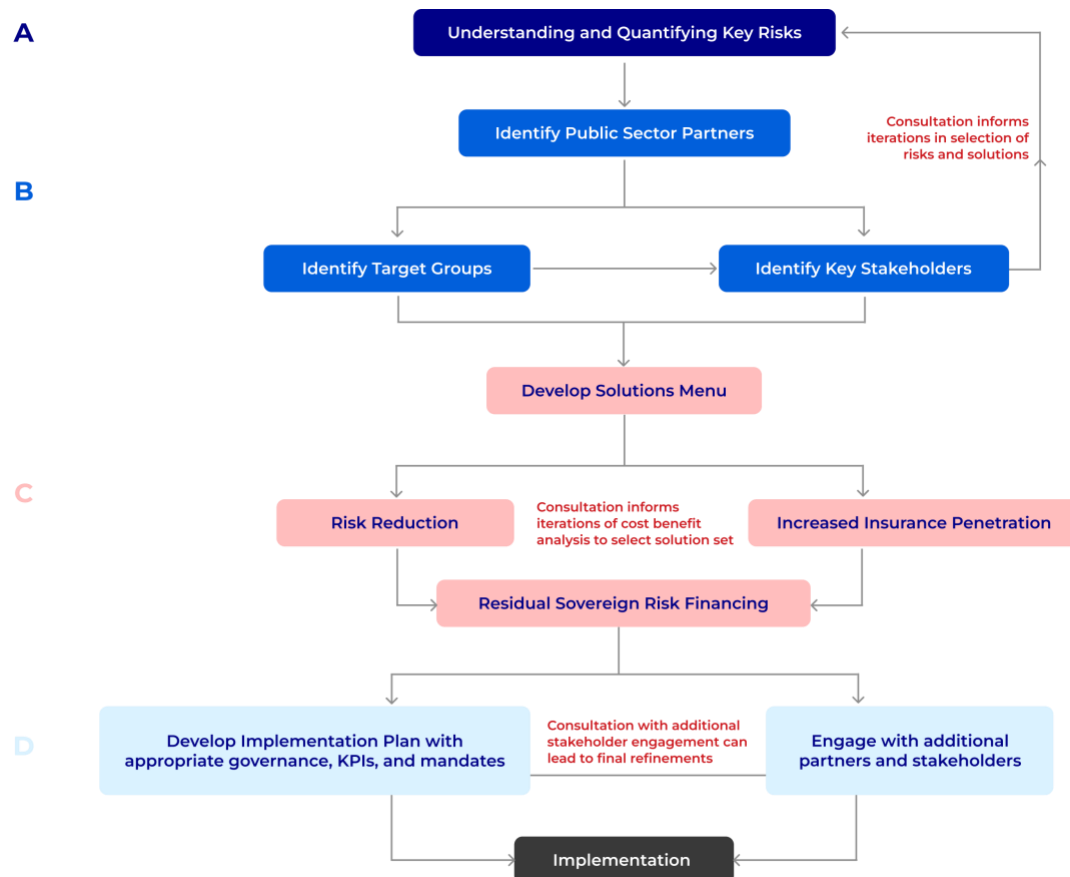
An Integrated Approach – How

An integrated approach - How

This section provides an overview to support the development of an integrated strategy. It discusses elements that may need to be developed and emphasises a holistic but iterative approach so that steps can be taken recognising that details will be refined throughout the process. A complementary paper, *“Turning intentions into resilient outcomes: Practical steps developing integrated and holistic protection gap strategies”*, provides a more detailed discussion of steps supporting practical implementation³⁰.

An iterative and consultative process is recommended. This is to reinforce that the whole government needs to be engaged but also that practicalities may mean that some focus is needed. However, this process is intended to avoid the unfortunate outcome where opportunities for leverage and cross-solution benefits are excluded too early in the effort. As shown in Figure, this may be an iterative process where quantification and engagement start at a higher level and become more detailed as the work proceeds.

Figure 13: High-Level Iterative Process



³⁰ See GAIP (2025), “Turning intentions into resilient outcomes: Practical steps developing integrated and holistic protection gap strategies”, forthcoming.

A. Understanding and quantifying key risks

An integrated policy starts with a clearly enunciated imperative for action. The problem statement and the call to action need to galvanise the case for the strategy. This would include a statement of the current situation and areas where improved results would be expected to have an impact, or observed shortcomings have been shown to be problematic. Although there is public material on the amount of protection gaps, it is not as granular as may be needed providing data for individual jurisdictions, and so to that end, some guidance in the companion paper will help.

Each jurisdiction will have a different mix of perils and different magnitudes of protection gaps.

B. Partners, Stakeholders and Target Groups

Risk identification is fundamental to identifying relevant partners, stakeholders and target groups and to motivating those partners to join the development of the strategy. The earlier discussion on motivations will greatly assist in considering the range of potential benefits.

Partners in government will be able to provide guidance based on their expertise especially when it comes to identifying additional external stakeholder groups and understanding target group challenges. Stakeholders may be able to assist with additional data and models to refine protection gap estimates.

C. The Solutions Menu

A menu of solutions is needed. Ideally this is a long list targeting the key areas identified in the first step and refined through consultation with partners and stakeholders. The list should be generated to facilitate analysis of costs and benefits including synergies. Only then is it desirable to eliminate options. The elimination process should be done reflecting the cost-benefit analysis so that the remaining projects target the protection gaps and support the target groups.

Detail on the wide range of solutions in the three main categories is provided in other papers³¹.

Again, following the iterative approach, the first effort in cost-benefit analysis may be broad and then refined over time.

There will usually be **a discussion of benefits in the written strategy**, establishing the vision and supporting prioritisation where necessary. It is particularly useful to consider a broader set of benefits, including those that deliver leverage and those that deliver advantages at times when risk events are not occurring as well as when they are. An iterative process will help to refine estimates and key partners and stakeholders who can assist.

D. Developing the implementation plan

Finally, the implementation plan needs to be developed and this will raise the question of how implementation should be led and governed, including the mandates for action, and the relevant Key Performance Indicators (KPIs) that can be monitored and reported from time to time. It would include identifying (at a high level) where any changes in regulations or supervisory practices might need to be considered and/or developed.

Given the breadth of policy areas that are likely to be involved, care needs to be taken to ensure that the leading agency has the authority to bring others to the table as needed. This may mean that the mandate is provided at a senior level or, if delegated, that the mandate of the agency needs to be clarified. Although insurance supervisory authorities often have a “development mandate”, it rarely extends to the full breadth of the policy issues impacted. Even without a “development mandate”, it is increasingly the case that financial stability and security goals are aligned with an insurance sector that is more actively fulfilling the “social purpose of insurance” as this is closely aligned to the level of trust and the reputation of the sector and, therefore, its ongoing stability.

However, if the insurance supervisory agency is not given the lead, it should have a significant role. Their technical knowledge about contingent risks, their relationships with the insurance sector, and their regulatory scope are all going to be critical regardless of the solution set that is prioritised.

³¹ The companion paper has considerable detail on solutions. Additional notes further elaborate on specific issues relevant to particular partners and stakeholders at a greater level of detail.

Summary

Our detailed guidance set out in the companion paper supports each of the steps in Figure. The process is deliberately consultative to draw on the expertise of others and to gather perspectives and commitment where necessary. Describing and quantifying the gaps helps to motivate action and allows the least significant issues to be considered for lower prioritisation. Identifying and engaging with partners in government, and stakeholders outside government as well as developing a clearer view of the target groups who are intended to benefit from the initiatives is important. This can then be followed, in consultation with key partners and stakeholders and with a view of the issues for the target groups, with the development of a long list of solutions. Solutions that reduce the protection gaps through risk reduction and increased penetration are important as they then define the expected residual risk that will need to be addressed by governments.

The companion paper takes operational staff through these steps:

- Gathering information on the nature and magnitude of each relevant protection gap in a jurisdiction.
- Identifying key partners, stakeholders and target groups and refining the considerations of the issues and dimensions of each.
- Building a solutions menu and, carefully, assessing and focusing that list.
- Considering the challenges associated with operationalising the strategy including structures, KPIs and reporting.

Overall Conclusions

Overall Conclusions

Reducing protection gaps is an important step to achieve many policy objectives but progress has been limited. A critical reason is the fact that efforts have been too limited in scale and lack the engagement of sufficiently broad partners in government. Additionally, silo approaches ignore potential leverage efficiencies, and prioritisation focuses on criteria that do not consider benefits or on only a narrow set of those benefits.

An integrated policy begins with a clear imperative for action, including a problem statement and a call to action. This must include the current situation, expected impact areas, and shortcomings. It is important to identify key risks, data, estimates, and KPIs to inform the imperative.

Understanding the motivations of others and the way that reduced protection gaps advance their goals is critical to securing their participation. Protection gaps, when they are large, constrain progress on virtually every policy goal. However, for those who are focused on those goals, their specialisation may not mean that they fully understand the linkage. Consequently, explaining this linkage is important.

To support the strategy, benefits must be discussed to establish a vision and carefully prioritise. The development process should avoid premature resolution to prevent suboptimal outcomes. Key risks and target groups should be initially scoped and refined as needed.

Solution selection should consider cost-benefit analyses beyond mere cost-justifications. Stakeholders, along with target groups, play a crucial role in supporting decision acceptance and implementation.




An implementation plan should outline key responsibilities, budget expectations, and action points, including potential regulatory or supervisory changes.




The process must be consultative, leveraging expertise and gathering perspectives to ensure commitment. Identifying and engaging with partners inside and outside the government, along with clear target groups, is crucial. This leads to developing a list of solutions to reduce protection gaps through risk reduction and increased penetration. As those opportunities are developed, the residual risk financing that falls to governments remains to be addressed through effective risk financing mechanisms.



The final plan should detail implementation leadership, governance mandates, and relevant KPIs for monitoring and reporting.




In conclusion, this paper presents an actionable approach for progress towards improved resilience, well-being, sustainability, and equality, with enhanced collaboration between governments and the insurance sector. The companion paper provides a deeper discussion of each of the key steps described in this paper and includes the operational tools to assist further.





Annex: Protection Gaps and the SDGs

	<p>End Poverty in all its forms everywhere</p>	<p>A smaller protection gap means reduced poverty when adversity strikes. This is achieved through reduced exposure, the immediate impact of finance to address the adversity, and also by avoiding negative coping mechanisms that can have generational impacts. Coverage of the population with “appropriate social protection systems and measures” is more complete (target 1.3). Through access to insurance, it is possible to unlock access to other services, ownership, and finance (target 1.4). Reducing protection gaps is critical to resilience for the poor especially to extreme events, shocks and disasters (target 1.5).</p>
	<p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	<p>Solutions that allow farmers to manage risk have been shown to improve their access to and willingness to take on credit, focus on most productive crops, and increase farm incomes. Productivity enhances food security for the whole community. Insurance can be key to these outcomes through risk transfer and resilience especially when faced with natural disasters, extremes of weather, flooding or other agricultural risks. As many countries see significant aggregate farming output from small holdings then improved outcomes have an additional benefit of supporting farm families who are otherwise at higher risk of poverty and vulnerability (targets 2.1 to 2.4. in particular). A range of other insurances are relevant throughout the food production and delivery value chain.</p>
	<p>Ensure healthy lives and promote well-being for all at all ages</p>	<p>Health coverage, access to services and health financing all benefit if protection gaps are smaller (target 3.8 and 3.c.). The financing effects help to support both readiness for and response to endemics and pandemics (target 3.d.). Other insurances contribute directly to public safety on roads (target 3.6.), in workplaces, the environment (target 3.9) and in goods and services. Good practices can be directly encouraged that reduce negative health outcomes and avoidable early death. Indirectly, because decisions made in response to unprotected health catastrophes will adversely impact this and other SDGs, health protection is critical. Health & development are inextricably linked. Healthy people are fundamental to secure and prosperous societies.</p>

	<p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p>Targets involve continued participation in and completion of education at pre-school, primary, secondary, and post secondary levels. They also highlight the aim of achieving literacy and numeracy objectives, technical and vocational skills, and the relevant support for employment and cultural and citizenship outcomes. A common coping mechanism for those with a significant protection gap is to reduce expenses and increase income. Too often, this includes taking children out of school thereby transmitting the impact of adversity from immediate to generational disadvantage. This is relevant for significant disasters, death of a breadwinner or other events of household adversity. Gender outcomes are particularly relevant as adversity can lead to negative outcomes when the education of sons is prioritised over daughters. With reduced protection gaps, school participation, completion, literacy and numeracy goals are at reduced risk.</p>
	<p>Achieve gender equality and empower all women and girls</p>	<p>Unprotected risks tend to fall unevenly on the most vulnerable, including women and girls. Reduced protection gaps support this SDG broadly as well as specifically for social protection (target 5.4.), access to health services (target 5.6), and financial services (target 5.a). Gender discrimination risks in other SDGs such as education, sanitation etc are also supported by reduced risk exposure for women and girls and for households and communities more generally. But closing protection gaps does not ensure sound gender outcomes of itself. Some initiatives to close protection gaps may need to be implemented in a way to ensure unintended adverse gender specific outcomes are avoided.</p>
	<p>Ensure availability and sustainable management of water and sanitation for all</p>	<p>The investment process of insurers can support project finance in needed infrastructure. The insurance process also supports effective risk management for new projects and existing infrastructure. Reducing the protection gap can also ensure that damaged infrastructure can be repaired and restored. Additionally, the insurance process can help to incentivise sound practices in industries and the maritime sector to reduce pollution, dumping and release of hazardous chemicals and materials (target 6.3.).</p>

<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p>The investment process of insurers can support project finance in needed infrastructure, research and technology. The insurance process also supports effective risk management for new projects and existing infrastructure. This is particularly relevant for target 7.a. that calls for promoting “investment in energy infrastructure and clean energy technology” and target 7.b. seeking to “expand infrastructure and upgrade technology”. Reducing the protection gap can also ensure that damaged infrastructure can be repaired and restored. Additionally, the insurance process can help to incentivize sound practices in industries that are expected to need to transition to cleaner energy sources through the pricing process.</p>
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>The role of increased access to insurance and other financial services as directly contributing to economic growth and development (generally and specifically for entrepreneurs, micro and small enterprises) is explicitly mentioned in target 8.3 and target 8.10. which explicitly mentions insurance “for all”. Workplace insurance can play a particular role encouraging workplace safety (target 8.8) and specific insurance solutions have ensured greater security for vulnerable groups such as migrant workers. Reducing protection gaps through insurance and risk management supports sound economic risk taking in focus areas including technology upgrades and a focus on value adding, contributing to higher productivity (target 8.2.). The insurance process has been active, and can be more so, encouraging and supporting business transition imperatives in response to climate and other environmental risks (target 8.4.). Through effective claims processes, insurers can play an active role in partnership with social services and employers to facilitate transitions between illness and accidents back to full, productive and decent employment for people with disabilities (target 8.5). Reduced protection gaps, particularly protecting households in adversity, support keeping youth in education, training and reduce the risk of youth unemployment as a result of family misfortune. (target 8.6). In addition to these target areas, Insurance plays a particular role in the economy through investment and through appropriate products that support education (see SDG4), agriculture (SDG2), trade (target 8.a.), and other economic efforts.</p>

	<p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	<p>Reducing protection gaps through increased access to insurance directly contributes to target 9.3. which calls for attention to “access for small-scale industrial and other enterprises”, Reduced risk and improved risk management are known to help with access to credit and at more affordable terms. The insurance investment process and the insurance risk management processes can both support infrastructure projects including their “quality, reliability, sustainability and resilience” (target 9.1. and target 9.4.) and industrialisation goals (target 9.2.) and the necessary “enhanced financial, technological and technical support” (target 9.a.). “research and innovation” (target 9.b.) and “access to information and communications technology” (target 9.c.).</p>
	<p>Reduce inequality within and among countries</p>	<p>Protection gap reduction strategies can be beneficial, when well designed and implemented, to fostering several of the targets under this SDG. The interventions can be direct or more broad but equally critical to success. They include Income inequality (target 10.1), Fiscal, wage and social protection (target 10.4), Properly regulated financial markets and institutions (target 10.5), Orderly and safe migration (target 10.7), and Migrant financial services (target 10.c).</p>
	<p>Make cities and human settlements inclusive, safe, resilient and sustainable</p>	<p>There are three main channels where this SDG links to reduced protection gaps:</p> <ul style="list-style-type: none"> • Resilience in the face of disasters: Disaster risk reduction is core to this SDG with specific attention in target 11.b. and target 11.5. In particular, Target 11.b. seeks to “substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels”. • Investment financing and insurances: to fund projects, ensure their risks are managed and to then secure the assets once constructed are all important for housing (target 11.1), and transport (target 11.2),

		<ul style="list-style-type: none"> • Transport: Through the insurance mechanism, support road safety (target 11.2. and SDG3)
	Ensure sustainable consumption and production patterns	Through the investment function, the insurance sector has a role in supporting the transition to more sustainable consumption and production. In addition, the insurance risk management process can assist and support more sustainable and productive primary and secondary industries.
	Take urgent action to combat climate change and its impacts	The impact of changing climate risks on events, both major catastrophes and more local events, and on health, mortality and longevity are fundamental considerations driving a desire to reduce protection gaps. Both the primary and secondary impacts of climate events and climate change are becoming ever more obvious as causes of adversity. Reducing protection gaps is a key opportunity to address the issues arising from climate change and the transition to a more sustainable condition. All targets in this SDG are relevant. In addition to the impact of climate, the transition risks arise from a move to a more sustainable position also create increasing protection gaps if not given proper attention.
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development	Several targets in this SDG are directly relevant to protection gap reduction strategies. Increasingly, the insurance mechanism is becoming relevant incentivising reduced pollution (target 14.1) and insuring marine ecosystems (target 14.2). Some efforts to reduce risk are directly related to coastal restoration in environmentally beneficial ways (target 14.5) and to take advantage of the opportunity to grow eco-tourism (target 14.7)
	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.	Reducing protection gaps especially through processes that improve risk management and recovery are critical in this SDG. These include initiatives in forestry (target 15.1 and 15.b), waterways (target 15.2), and drought and flood-impacted areas (target 15.3). Some efforts to reduce risk are directly related to environmentally beneficial options and to take advantage of the opportunity to grow eco-tourism. Given the potential need for funding, financing and investment are also relevant to many of the targets. The investment function associated with green finance is one important element but not the only route.

	<p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.</p>	<p>Reduced protection gaps reduce adversity. This ultimately facilitates more sustainable and resilient societies where peace and justice can be advanced against this stable backdrop. A more developed and well regulated insurance sector promotes ethical business conduct, sound corporate governance for itself and for those entities that it invests in, vigilance against fraud, corruption, money-laundering and a dependence on the rule of law. The insurance process promotes mitigation efforts and developments that reduce the risk of crime be it through motor vehicles that are more difficult to steal, homes and offices that have better security, or through educating their customers on safer practices to reduce exposure to cybercrimes.</p>
	<p>Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development</p>	<p>Partnerships are fundamental to reducing protection gaps. Public-private partnerships (target 17.17) are increasingly important. Some targets in this SDG give attention to mobilising resources including through taxation (target 17.1), aid (target 17.2) and investment (17.5). Others direct attention to economic activity such as encouraging exports (target 17.11), macroeconomic stability (target 17.13), and quality data (targets 17.18 and 17.19). All are relevant to reduced protection gaps either because the gaps themselves are problematic or the approach taken to reducing gaps can benefit the goals.</p>

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And the companion paper to this paper

GAIP, (2025), *"Turning intentions into resilient outcomes: Practical steps developing integrated and holistic protection gap strategies"*, GAIP, forthcoming.

The cited forthcoming notes supporting this paper in more detail are:

- **Motivating Change: Why the protection gap is key to policy objectives:** Elaborating more details on the key linkages between motivation for protection gap reduction and the goals of key partners, stakeholders and target groups. The paper also includes some practical steps on communication strategies.
- **The Cost of Hindsight: Prioritising Ex Ante Solutions over Ex Post Damage Control:** Elaborating evidence and arguments why ex ante solutions are better than ex-post solutions for sovereign risk financing solutions.
- **Healthy Outcomes with Healthy Finance: Addressing Asia's largest protection gap:** Ensuring the link between health insurance and healthy outcomes is achieved in proper partnership between insurers and governments. Critical is the need to balance the health financing challenges in the context of changing demographic transitions, whilst also taking advantage of opportunities to advance underserved target groups.
- **The Innovation Imperative: How proactive should governments be?** Facilitating change or addressing real challenges to insurer dynamism in response to opportunities. How to ensure that the clear path for change is taken up by insurers by addressing the impediments that they face.
- **Balancing fiscal risk and societal contracts: PPPs that address protection gaps** discussing the approaches to implement PPPs directed specifically at addressing concerns about risks that are difficult to insure in the private market.
- **Practical Parametrics: What to do and why to facilitate parametric insurance to reduce protection gaps** : discussing the nature of parametric insurance, regulatory solutions that may be needed to facilitate these products in line with international best practice, proportionate applications at micro, meso and macro levels, and examples of key experiences and lessons learned for each of these micro, meso and macro applications.
- **Indexed Farming: Parametric Insurance and the Agricultural Sector:** In addition to the broader parametric insurance side note, this note provides a version specifically directed at the agricultural

sector. It can then be useful for discussions with Ministries of Agriculture and the agricultural community without the unnecessary material associated with non-agricultural applications. It can also deal specifically with agricultural examples and the issue of appropriate subsidies.

- **Partnerships to improve insurance reach and delivery:** Although recent attention has been given to risk sharing partnerships, many other opportunities exist where solutions can be found to address the barriers of less than fully inclusive markets. In particular, the challenges of reaching customers in ways that are both effective and cost efficient have been key opportunities.
- **Who leads government efforts to reduce protection gaps? On mandates for action and the role of insurance supervisory authorities.** A key to success is ensuring that roles and responsibilities are clear and well organized. It has been a hinderance to progress in many cases when incomplete.

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Regional Risk Pools

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CCRIF – Caribbean Catastrophe Risk Insurance Facility

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PCRIC - Pacific Catastrophe Risk Insurance Company

- Website: <https://pcric.org/>

Southeast Asia Disaster Risk Insurance Facility – SEADRIF

- Website: <https://seadrif.org/> and, for the insurance operations, <https://seadrif.org/the-seadrif-insurance-company/>