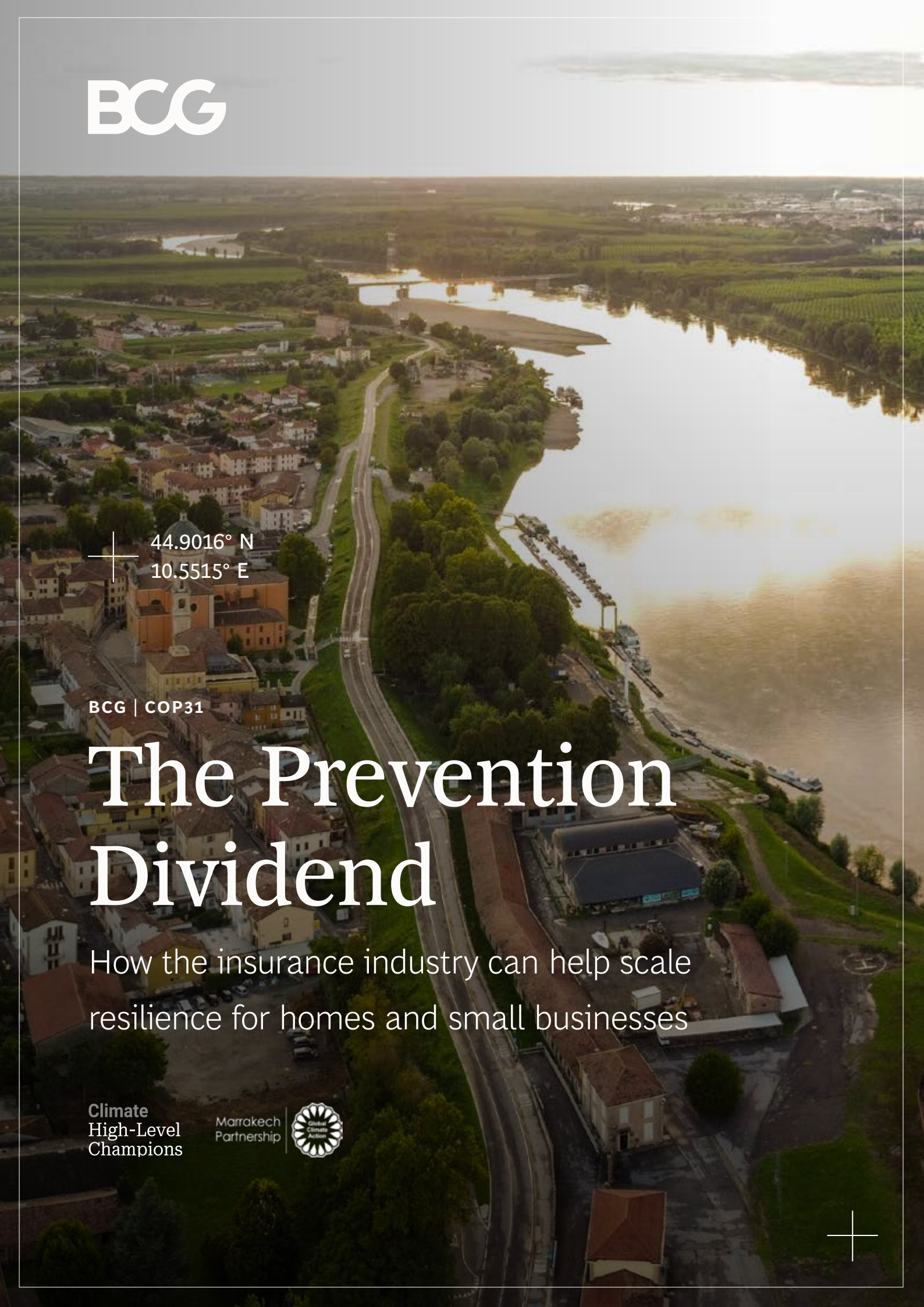


BCG | COP31

The Prevention Dividend

How the insurance industry can help scale resilience for homes and small businesses

Climate High-Level Champions

Marrakech Partnership

Foreword

From repair to prevention.

Climate risk becomes harder to manage once it exceeds what homeowners and small businesses can absorb or insure. Reducing it requires containment, resilience, and adaptation measures. As climate shocks intensify globally and locally, insurance is becoming unaffordable or unavailable. Affected properties often lose value, businesses can fail if they lose access to their premises for just a few weeks, and employees can lose their jobs.

Prevention has become a central climate action strategy to keep homes insurable and mortgageable, and businesses operating, while promoting sustainable socioeconomic development.

The tools exist to promote prevention as a climate solution. Insurers can now use low-cost AI-powered tools to assess the risk of each individual property, for example. But knowing the risk doesn't make anyone act. Owners pay for the work, yet the gains are shared: insurers pay fewer claims, lenders are better protected, and governments spend less on recovery.

Insurers and lenders both gain when a property's risk falls, so insurers should factor verified improvements into cover, and lenders into credit. Governments should help owners who cannot afford the work while funding measures, such as improved drainage, that protect whole communities. When solutions are available, and competitively priced, adoption rises.

The Global Climate Action Agenda can help align these interests,[1] and the Plans to Accelerate Solutions is how we strengthen, and scale cross-sector initiatives to improve resilience in cities, communities, and countries.[2]

With the new architecture of the Global Climate Action Agenda that emerged in Belém, our focus must be on accelerating the implementation of solutions on the ground with speed and scale. That means more properties protected, more small businesses still operating after climate disasters, and prevention models that can be scaled across markets.

That is what implementation looks like in practice, 365 days a year, 24 hours a day.



Dan Ioschpe
Climate High-Level Champion, COP30



Executive summary

Insurance is a key enabler of a prevention dividend that many stakeholders will share. Scaling it means connecting those who benefit.

Prevention can help homes and small businesses remain insurable

Extreme weather is leading to increasing financial and material losses, presenting a challenge to the ongoing insurability of homes and small businesses. In 2025, natural catastrophes caused approximately $220 billion of economic losses. Roughly half of this loss was uninsured, with the figure rising as high as 80–90% in many emerging economies.[3]

Natural catastrophe prevention measures can narrow the gap between losses and cover, paying back the costs involved several times over. In the United States, every $1 spent on federally funded hazard mitigation saves around $6 for society as a whole.[4] Where prevention measures are implemented to a recognised standard, the effect shows up directly in the quantity and cost of claims. For instance, homes with FORTIFIED roofs record approximately a third fewer claims in the aftermath of a hurricane, and the claims that are recorded are less severe (Section 2.1).[5,6] Yet these measures rarely reach the homes and small businesses that need them.

The insurance industry enables the prevention dividend, but reaping the full benefits requires partnership with other actors.

At the level of society as a whole, the economic case for prevention is strong. Everyone gains when a loss is avoided. Owners keep their homes and businesses insurable, insurers pay fewer and smaller claims, lenders protect the value of their collateral, and governments spend less on emergency response and reconstruction.[7] However, at present the upfront cost usually falls on the owner, and future discounts on insurance premiums do not provide an immediate solution.

The solution involves bringing together the different actors, each of whom already holds a piece of the puzzle. Insurers interviewed for this white paper reported that they assess risk at the level of the individual property and many already take account of prevention measures in their policy terms and pricing.[8] Insurers are in contact with homeowners and SMEs at the point of policy renewal and after claims are filed, which makes them a natural starting point for the self-reinforcing cycle of loss prevention. However, insurers cannot play this role alone. Lenders, public programmes, and contractors also play key roles in completing the circle, by assisting with the finance needed to support owners and by delivering the work itself. At present, the connections required for effective collaboration between these actors are often loose or absent.

Interviews with insurance industry players and non-insurance organisations across different regions give a directional view of where insurers stand today:

- Prevention is becoming part of the core business of insurers. Most of those interviewed already use it in underwriting and in setting prices or policy terms, and all plan to embed it more systematically in their business over the next three to five years.
- The full end-to-end prevention business case has not yet been implemented. Insurers can show lower claim costs for some measures, but none has quantified the wider value, including the benefits for insurability and growth.
- The link with finance is still weak. None of the insurers interviewed yet offers an established proposition that connects owners with lenders or public finance.

Partnerships with lenders and the public sector are therefore the clearest opportunity to help more owners act.

A five-step loop, run using shared standards, can turn a distributed dividend into a working market for prevention

Because the benefits are spread across many actors, few can justify the upfront cost alone.[7] This paper proposes a five-step loop, with each step being associated with the actors best placed to lead it. The loop works best when actors agree on shared standards. When insurers, lenders, and public programmes recognise the same verified standards, the value of prevention measures travels with the property rather than being recognised only by a specific insurer. Preserving insurability will require insurers, lenders, governments, cities, standard-setters, and contractors to work together on converging standards and common approaches to assessment, as well as on finance and delivery. The Climate Champions support this work by enabling structured exchanges between these actors and by promoting initiatives that bring standards and measurement together.

The five steps are:

1. **Target** exposed and vulnerable properties. Insurers identify the properties at risk; public authorities or independent bodies set common standards for which measures count; and whoever has the most direct channel to the owner at the moment of decision (insurer, lender, municipality, contractor, or alert provider) engages them.
2. **Plan** targeted measures for each property, led by insurers or qualified advisers, and taking account of cost and available resources. Cities and local partners can identify community measures in cases in which a single property cannot be protected on its own.
3. **Fund** the work through owners, with lenders spreading the cost over time, other stakeholders contributing in proportion to what they gain, and support by the public sector where affordability issues or shared community risks require. Insurers contribute through the provision of better terms and, after a claim, by part-funding a stronger repair. Where insurance reaches few people, microfinance institutions can provide the credit needed.[9]
4. **Deliver** through qualified contractors, including resilient repair after a claim.
5. **Prove and Reward** the result, so that insurers, lenders, and public programmes recognise the same verified measures, with reflection of these measures in property valuations as a further aim.[10]

Measuring what changes, including how many homes and businesses keep, gain, or lose cover, closes the loop and sharpens the next round of targeting. No actor can run the loop alone. Where few people are insured, as in much of the emerging world, the same loop applies but is more often led by lenders, public programmes, and communities than by insurers. Working together, they can accelerate prevention at scale.



EXHIBIT 1

The prevention loop: five steps and a feedback mechanism.

Illustrative: who leads each step varies by market. The feedback mechanism turns results into better targeting.



No actor can run the loop alone. Together, they can accelerate prevention at scale.

Source: BCG analysis based on interviews with insurance industry players and non-insurance organisations, 2026.



SECTION 01

Reframing: Loss of insurability often starts with a prevention gap

When homes and small businesses lose cover, the damage impacts mortgages, property values, and public budgets.

Losses from natural catastrophes are rising, and a growing share of the cost falls on ordinary homes and small businesses. Because prevention reduces losses at the source and helps keep homes and SMEs insurable, the role of insurance is shifting from paying for losses to helping prevent losses in the first place. This shift is now shaping whether households and local economies can adapt to climate change.

Rising losses and shrinking cover

The losses that matter most for households and small businesses come from frequent, local perils such as wildfires, severe storms, and flooding. In 2025, natural catastrophes caused around $220 billion in economic losses, of which a record share of around 49% was insured. Wildfire and severe convective storms were responsible for a significant majority of insured losses. The Los Angeles fires alone set a wildfire record at around $40 billion, and wildfire is the fastest-growing peril.[3]

Since 2000, global insured natural catastrophe losses have quadrupled.[11] Over that period, reinsurance capacity has grown more slowly than losses. Capital is not, however, what holds cover back today. Reinsurance capital reached a record high in 2025, growing faster than reinsurers' revenues, and reinsurers now report difficulty deploying it.[12] The constraint is insurability: many homes and small businesses remain uninsured because their risk cannot be covered at a price their owners can pay. Prevention can help bring some of these risks back to levels that insurers are willing to cover.

The affordability and availability of cover are already under pressure for ordinary policyholders, and the least wealthy and most vulnerable are also the most exposed. In the United States, home insurance premiums rose from approximately 7–8% of mortgage costs in 2013 to 20% in 2022, with the share of uninsured homeowners roughly doubling, from around 5% in 2015 to 12% in 2023.[13] In many emerging economies, 80–90% of catastrophe losses are uninsured, while some 75% of natural catastrophe losses have historically been uninsured in the European Union. On a forward-looking basis, it is estimated that around $424 billion was needed in 2025 to fill the global protection gap: the difference between the premiums written today and those that would be needed to insure all expected natural catastrophe losses.[14] Vulnerability is concentrated among lower-income households, microenterprises, and highly exposed communities with limited capacity to absorb or finance a shock.

When insurance providers retreat, the effects spread beyond the policyholder. Lack of insurance cover can reduce the availability of mortgages and the stability of the financial system more broadly, while rising insurance costs linked to extreme weather losses are associated with higher mortgage delinquencies as borrowers struggle to sustain their repayments.[15] In the United States, a recent increase in homeowner insurance premiums was associated with nearly 150,000 mortgages becoming delinquent within a year.[11] Property values, local tax bases, and household wealth are also exposed. These factors can combine to create a self-perpetuating spiral in which disasters erode access to insurance, add to public debt, and increase reliance on humanitarian aid.[16]

Why homes and small businesses matter

Specialist loss engineering – on-site advice from engineers on how to reduce risk – has long been concentrated in the management of large corporate risks, because their insured values justify regular inspections, detailed modelling, risk-improvement plans, and direct negotiation with underwriters. The economics of homes and small businesses operate on a different scale. Premiums are smaller, decisions need to be faster, property data are rarely complete, and providing advice for each property can cost more than the immediate value it creates for the insurer.

The consequences of a loss also differ. While households and small businesses should not be treated as a single market, they both sit within the underserved last mile of loss prevention. Homeowners and SMEs have fewer resources for absorbing the effects of natural catastrophes than do large organisations. Severe damage to a home means the residents risk losing their shelter, their most valuable asset, and often the collateral for a mortgage. Small businesses may lose the premises and equipment that they need to ensure ongoing cash flow, meet contractual obligations, and sustain employee jobs, also creating significant costs across the local community and supply chain. Yet they rarely receive an end-to-end solution that turns knowledge of their risk into a prioritised, affordable plan that can actually be implemented.

Prevention helps protect insurability

For most households and small businesses, climate risk becomes a concrete issue that requires a decision only once a year, at renewal, when the policy is repriced and its terms are set. The premium reflects expected losses, which depend on how often hazards strike, how many people and assets sit in their path, and how well buildings withstand them. When expected losses outpace adaptation, premiums rise until cover becomes unaffordable or is withdrawn.

Prevention breaks this cycle by reducing expected losses, which keeps cover available at a price people can afford to pay. Insurability is one of the first areas in which the cost of limited adaptation becomes visible and where the benefit of prevention can be priced. That makes it a useful indicator of adaptation progress.

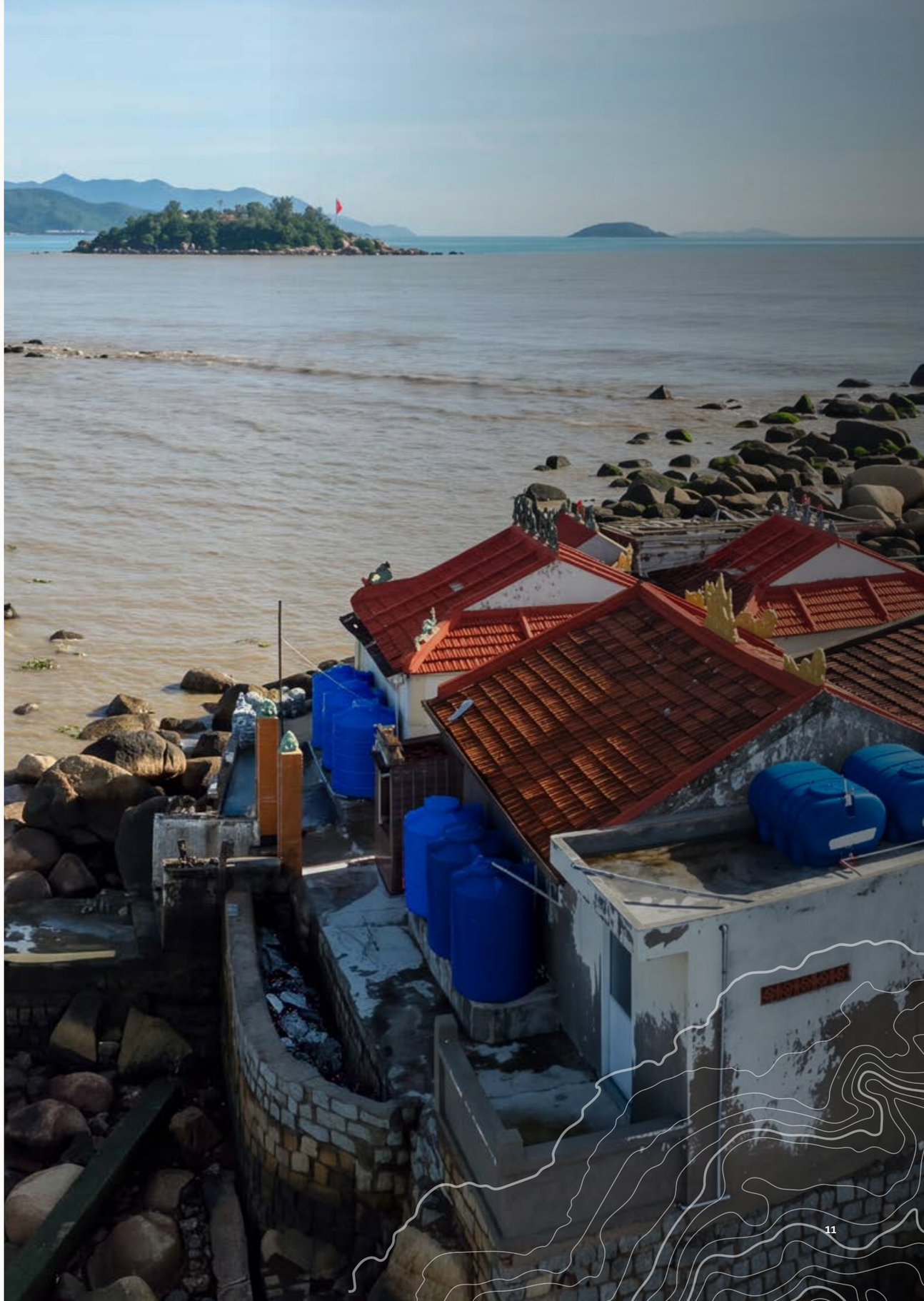
Where few people are insured, rising losses do not show up in increased premiums. Instead, they impact families and small businesses directly through lost income, while governments are affected through unplanned spending requirements and communities through slow recoveries. Increasing the reach of insurance will not stop rivers from flooding or roofs from failing. But the data insurers gather can help steer prevention measures by showing where losses are accumulating, which buildings are most vulnerable, and where investment in resilience would have the greatest effect.

In many cases, a protection gap begins as a prevention gap, because the measures that reduce damage exist but do not reach the people who need them.[17]

Why COP31 is the right moment

The Global Climate Action Agenda is moving from setting goals to implementing them. The 2026 work programme aims to help governments, businesses, cities, investors, and delivery partners remove barriers, track progress, and scale up what works, with real-world results at its centre.[1]

Moving towards COP32, loss prevention provides a business-led approach to resilience that delivers visible outcomes. It protects buildings and infrastructure, which supports Axis 4 of the Global Climate Action Agenda on resilient buildings, cities, and water systems. It preserves livelihoods and local economies, supporting Axis 5 on human and social development, and by making adaptation easier to invest in, it supports Axis 6 on finance and other enablers.[2] The models that matter most at COP31, and on the road to COP32, are those that show who acts, who pays, how the work is delivered, and which outcome is measured, because it is these models that will turn adaptation from a broad social need into investment decisions and markets for prevention services. Section 2 of this paper sets out what the market study found about building such models for ordinary homes and small businesses.





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117.043087° W

SECTION 02

The market study: Insurers enable the prevention dividend; other actors are needed to scale it

What industry interviews reveal about prevention for homes and small businesses.

The insurance market does not lack ideas. Research has identified more than 200 adaptation and resilience measures used by insurers across areas including risk transfer, incentives, advisory services, partnerships, and investment.[18] The task now is to turn this catalogue of possibilities into an offer that can be delivered to homeowners and SMEs at scale.

This section draws upon interviews with a broad range of insurance industry players, including both insurers and brokers, as well as non-insurance organisations working across a variety of regions on climate innovation, adaptation finance, disaster-risk finance, and resilience delivery.[8] The section first looks at the value that prevention already creates and who shares in it, before turning to the role of insurers and the other actors needed to scale prevention.

2.1 Prevention is already creating measurable value

The clearest evidence of value can be found in the effect of prevention measures on claims. Most of the insurers interviewed recorded lower claim severity as a result of selected measures; fewer have seen an effect on claim frequency. Whether an effect on severity or frequency dominates depends on the peril and the measure. A flood barrier or a warning that allows stock to be moved usually reduces the damage once water arrives, so the effect of the measure shows up mainly in reduced severity. A certified roof, by contrast, can in many cases keep a home below the threshold at which a claim is made at all, impacting the frequency of claims.

Public programmes show both how this value can be captured and how substantial it can be. Flood Re's Build Back Better scheme allows eligible households in the United Kingdom to include up to £10,000 of property flood-resilience measures in repairs after a flood.[19] In North Carolina, the state's coastal insurance pool funds FORTIFIED roof upgrades through grants, with homeowners receiving credits towards their insurance premium after the work is independently verified. After four hurricanes, homes with a FORTIFIED roof recorded about 35% fewer claims, and those claims were about 23% less severe (Exhibit 7).[5] In Alabama, a study of Hurricane Sally found that homes built or retrofitted to the FORTIFIED standard recorded 55–74% lower loss frequency, 14–40% lower claim severity, and 51–72% lower loss ratios, depending on the level of certification and the method of analysis.[6] The evidence becomes thinner as the outcome moves further from the claim (Exhibit 2).

Customer retention and preserved insurability matter strategically, but insurers can rarely separate them from the effects of pricing and market conditions. The strongest evidence interview participants reported concerned lower claim costs, but none had a business case that brought together avoided claims, customer growth, retention, cost to serve, implementation support, and effects on capital.

This gap in measurement does not mean that prevention lacks value. Lower claims, the first part of the prevention dividend, are well evidenced for specific measures such as FORTIFIED roofs. Other components still need to be measured, which will require tracking physical and commercial outcomes in parallel.

Prevention also benefits households, small businesses, lenders, and governments. A business case that counts only the insurer's savings will often appear too small to justify the cost of the measures. Counting the wider benefits shows who gains from prevention, and therefore who could share the cost.

2.2 The prevention dividend is distributed across many stakeholders

A lower premium can signal reduced risk to the owner, but it rarely provides the money to pay for the work. Depending on the market and the peril, verified resilience can also influence:

- whether a risk is accepted.
- the deductible, limits, or other policy terms.
- the stability of cover over time.
- the treatment of a roof or other building component at claim.
- access to grants, credit, or finance for resilience.
- the ability to rebuild to a stronger standard after a loss.

Half of the insurers interviewed say they already accept risks they would otherwise decline if mitigation measures have been verified and half say they would set a lower deductible. However, some insurers do not see a premium discount as the right reward at all (Exhibit 3).

This wider view matters because each party gains something different. A household may keep its shelter, avoid uninsured damage, and preserve the value of its property, while a small business protects its revenue, contracts, and employees. The insurer may avoid claims while the lender protects its collateral and the borrower's ability to pay. At the same time, government can avoid part of the cost of emergency response and reconstruction while communities preserve jobs, services, and tax revenues.

However, at present costs are not distributed in proportion to gains. Instead, the upfront costs typically fall on the property owner, while the benefits are spread across institutions and over time. The consequence is that a resilient investment can offer an attractive total return and still be difficult for the individual homeowner or SME to finance.

Annual insurance contracts deepen this mismatch. An insurer that supports a long-lived measure may lose the customer at the next renewal while another insurer captures the benefit. Where public bodies hold risk over the long term, or insurers have stable relationships with property owners, the longer exposure can justify co-funding prevention that might otherwise be unavailable.

EXHIBIT 2

The evidence thins as it moves away from the claim.

What insurers have observed about the effect of loss prevention on their Home and SME business

What we asked: What effects of loss prevention have you observed on claim severity, claim frequency, and customer retention, and have you quantified the full business case?



Where effects were measured

They were reported for selected measures and portfolios, and varied widely by peril, geography, and measure. Effects on severity were larger and more common than effects on frequency.

Each bar has ten segments; shading shows the share of insurers interviewed giving that answer.

Source: Interviews with insurers on their Home and SME business, 2026; BCG analysis. Findings are directional and not statistically representative.

EXHIBIT 3

Verified prevention already decides who gets cover, not only what it costs.

How insurers reward verified mitigation in their Home and SME business

What we asked: Do you pass part of the prevention benefit to clients as a premium discount? Beyond price, what else changes when verified mitigation is in place?

Lower price

Premium discount or better risk rating



Most

Risk accepted instead of declined

Cover offered where it would otherwise be refused



Half

Lower deductible

A smaller share of each loss borne by the owner



Half

Better cover

Wider cover or a more favourable claim valuation, e.g. a stronger roof paid at full replacement cost, not depreciated value, for more years



Some

Not everyone rewards on price

Some insurers do not see a premium discount as the right reward. They prefer rewards linked to the loss itself, such as a lower deductible or a payment when a loss is avoided.

Each bar has ten segments; shading shows the share of insurers interviewed giving that answer. More than one answer was possible.

Source: Interviews with insurers on their Home and SME business, 2026; BCG analysis. Findings are directional and not statistically representative.

2.3 Insurers are already enabling prevention, from risk insight to reward

For most of the insurers interviewed, prevention already influences underwriting, pricing, or policy terms, in selected cases or systematically. What they reward, however, is mainly the existing features of a property. When it comes to new measures, prevention is still largely a matter of general advice to homeowners and SMEs on how to protect their property. The most advanced insurers go further. They verify a property's features when quoting (for example by checking a recognised certification), let those features shape price, acceptance, and policy terms, and tailor warnings and advice to each address. All the insurers interviewed described either an explicit plan for addressing prevention, a plan for increased investment, or a new offer under development for implementation in the next three to five years (Exhibit 4).

Despite these different starting points, the direction of travel is consistent, and several insurers are improving property data or building partnerships with providers. Although their products differ, insurers share the view that prevention must become part of the core decision-making process in relation to underwriting, pricing, and claims rather than being siloed in a separate sustainability programme.

Risk intelligence, meaning the assessment of hazard and vulnerability for individual properties, is the most developed part of the market. All the insurers interviewed assess property or hazard intelligence by combining hazard maps, weather models, satellite imagery, and external property data, and in several markets this process is systematic or close to automated.

The next frontier involves assessing the vulnerability of each building and prioritising measures. While the hazard data reveals which buildings are exposed to flood or wind, it tells an insurer nothing about the condition of the building's roof, the location of electrical equipment, where stock is kept, or whether a protective measure is already installed. Yet these details all determine which actions are required to reduce the loss and whether these measures make economic sense. Remote inspection and AI can reduce the cost of assessment, but input from property owners, engineering expertise, and local knowledge remain important. Better data may preserve insurability for some risks while showing that others may depend on public intervention, conditions on cover, or a different appetite for risk.

The further a step sits from the core insurance proposition, the larger the gap. While insurers can increasingly reflect a property's existing features in the price and terms they offer, they still depend on the owner for the implementation of additional measures. In turn, the owner relies on other actors to support this adaptation work, for instance by providing tailored recommendations, financing, or proof that the work was done. These connections remain the weak links in the chain.

Technology is therefore necessary but it is not enough on its own. AI, for instance, can lower the cost of serving each customer, identify who needs to act and when, and choose the right channel through which to reach them. Its near-term value is operational rather than predictive, and it becomes material only when linked to a trusted channel, a specific action, and, where needed, finance.

Claims are one of the clearest moments of opportunity for implementing loss prevention measures. Most of the insurers interviewed have a process for building resilience into repairs or rebuilding after a claim, although this approach remains less mature than prevention at underwriting. Where it works, it relies on proactive contact with the customer, certified providers, and selection of appropriate cases in which the extra cost will earn itself back.

Using the five steps and the feedback mechanism described in Section 3 as a lens helps show where the gaps lie. Insurers are strongest at assessing risk and rewarding verified features. The weakest links are their connections to the lenders and public programmes on which funding depends, their connections to the providers who deliver the work, and their ability to prove that new work was carried out. At present, none of the insurers interviewed systematically tracks how losses change after measures are installed (Exhibit 5).



EXHIBIT 4

Prevention is becoming part of core insurance decisions, and every insurer interviewed plans to do more.

What insurers told us about loss prevention in their Home and SME business today and over the next three to five years

Does loss prevention influence underwriting, price, or policy terms today?

Yes, in selected or systematic cases

Most

Do you plan to expand loss prevention over the next three to five years?

Yes, with an explicit plan, more investment, or a new offer

All

Each bar has ten segments; shading shows the share of insurers interviewed answering yes.

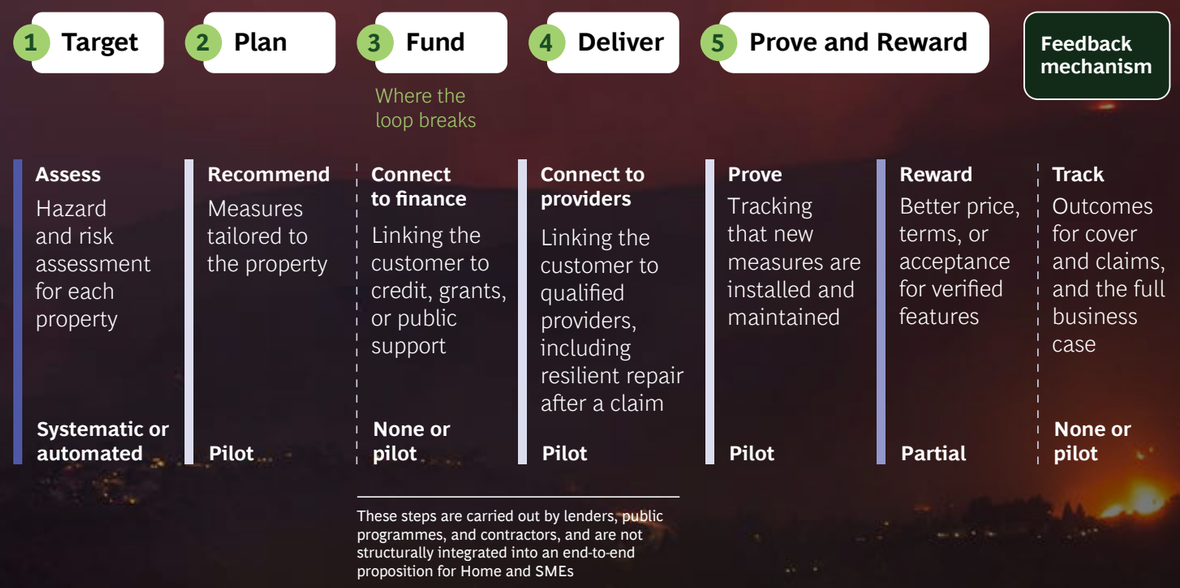
Source: Interviews with insurers on their Home and SME business, 2026; BCG analysis. Findings are directional and not statistically representative.

EXHIBIT 5

Insurers already assess and reward risk; connecting owners to finance, contractors, and verification is the weak link.

Maturity of insurers' capabilities in their Home and SME business, mapped against the steps of the prevention loop. Where a step depends primarily on other actors, the capability shown is the insurer's ability to connect customers to the actors in question.

What we asked: How mature is each of these capabilities in your Home and SME business today: none, pilot, partial, systematic, or automated? Reward and Track also draw on questions about incentives and evidence of impact.



Each step shows the typical answer of the insurers interviewed, on the same scale as the question.

Insurers can already reward the features a property has. Their links to the lenders, public programmes, and contractors who fund and carry out new work, and proof that the work was done, are the weakest.

Source: Interviews with insurers on their Home and SME business, 2026; BCG analysis. Findings are directional and not statistically representative.

2.4 Lenders, public programmes, and contractors can deliver the missing steps

Most of the steps that turn a risk assessment into completed work are the responsibility of actors other than insurers. Access to capital is only part of the solution. A resilience loan does not make a property more resilient if the owner does not know which measure to buy, cannot find a qualified provider, or cannot prove the work was done. The interviews point to a common set of conditions, one for each step of the loop:

- **Target** a trusted channel that reaches the homeowner or SME.
- **Plan** a prioritised set of technical measures.
- **Fund** grants, credit, or blended finance (public and private money combined) where needed.
- **Deliver** qualified providers and clear standards.
- **Prove and Reward** independent verification and maintenance, and recognition by insurers, lenders, and public programmes.

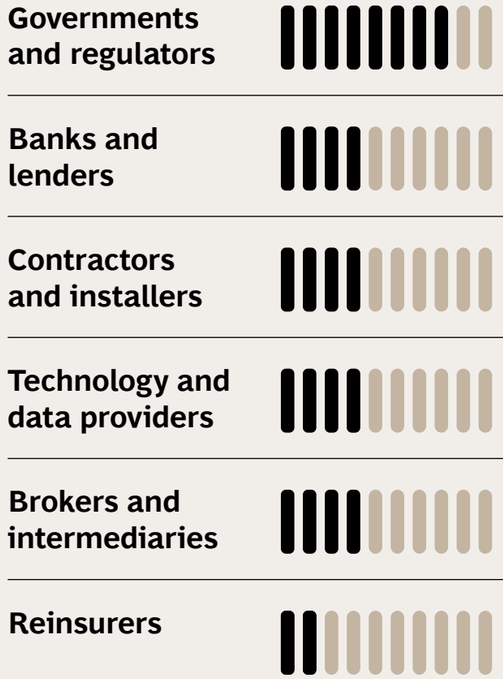
All of the insurers interviewed said that owners often or always need to invest money upfront if they are to act on the prevention advice they receive. Where credit is available, it is provided on standard terms and only to owners who have the resources and credit ratings to meet lenders' requirements. Few insurers see public support as being widely available.

EXHIBIT 6

Insurers see governments and regulators as the partner they need most.

Partners named among the three most critical to scaling loss prevention for Home and SME

What we asked: Which partners are most critical to scaling loss prevention for Home and SME? Rank your top three.

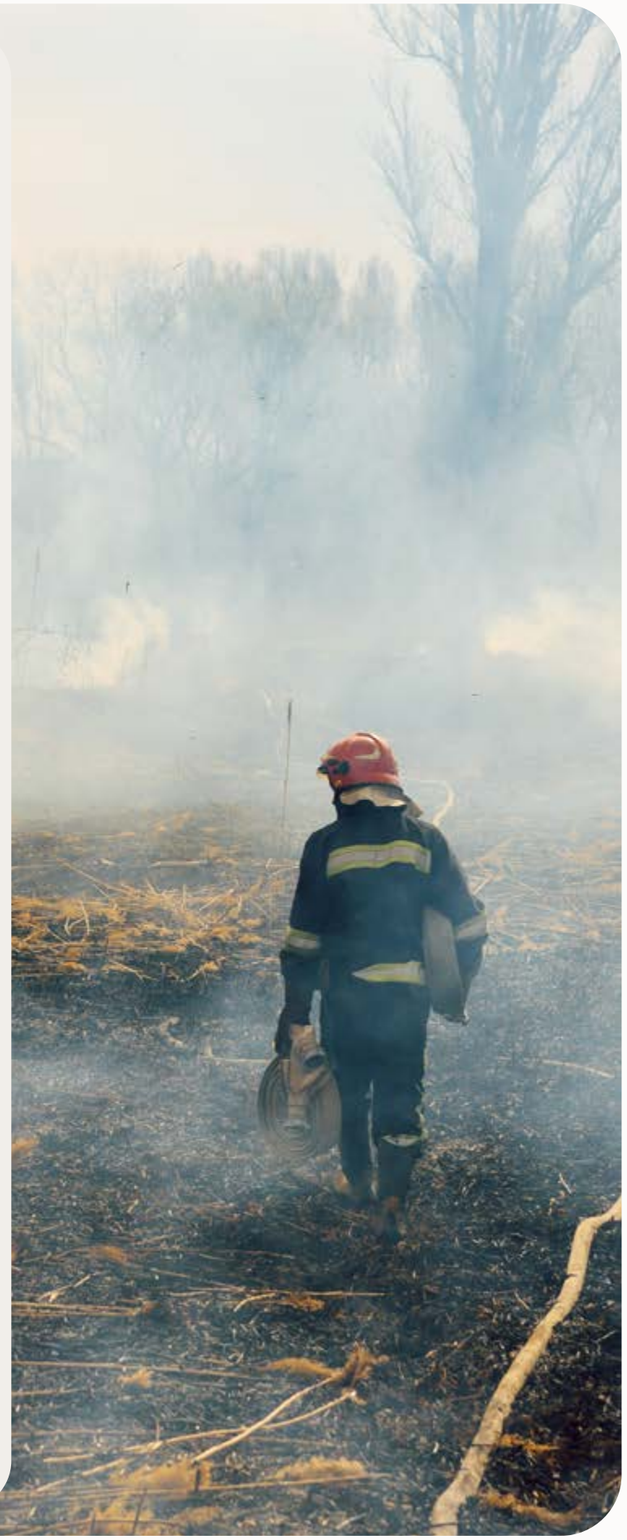


A policy question as much as a financial question

Governments and regulators are the only partner named by most insurers. No other partner stands out, and banks and lenders were named only half as frequently.

Each bar has ten segments; shading shows the share of insurers that ranked their partners. Up to three answers per insurer.

Source: Interviews with insurers on their Home and SME business, 2026; BCG analysis. Findings are directional and not statistically representative.



Low adoption of prevention measures should therefore be interpreted carefully. A warning, a risk score, or an unaffordable list of recommendations is not a complete solution, and inaction on the part of a homeowner or small business can be rational when the benefits are uncertain and the route to implementation is unclear. Adoption improves when the offer tells the homeowner or SME what to do, what it will cost, who will pay, who will deliver the work, and what value it will bring. North Carolina shows what this kind of integrated loop looks like in action (Exhibit 7).

Who runs the loop differs by market. In mature insurance markets, insurers and lenders can connect underwriting, lending, grants, and contractor networks, and public-private insurance programmes such as North Carolina's can achieve more by rewarding risk reduction than by paying claims alone.[20] Where few people are insured, several interviewees saw partnerships as the more workable route: lenders who serve micro-entrepreneurs, municipalities, and community organisations aggregate demand while public or philanthropic programmes fund the measures. In Kenya, for example, an early-warning provider interviewed for this paper sends flood alerts with practical advice to the borrowers of a microfinance institution. Survey evidence from urban Ethiopia suggests why financial channels matter. Among 800 women micro-entrepreneurs, those who received an early warning were far more likely to recover within a month of a climate shock (83%) than those who had not (46%). Those with a financial account were nearly four times as likely to receive a warning, yet only 0.1% had any business or asset insurance.[21]

EXHIBIT 7

CASE IN FOCUS | NORTH CAROLINA, UNITED STATES

A complete prevention loop around a stronger roof.

Grants, a verified construction standard, and insurance credits work as one offer for coastal homeowners.

Sources: North Carolina Department of Insurance, press release of 17 July 2025, citing research by the Institute for Advanced Analytics, North Carolina State University (Hurricanes Matthew, Florence, Dorian and Isaias); North Carolina Insurance Underwriting Association, producer bulletin, 2025; North Carolina General Statutes, Chapter 58, Article 45.

1 Target
Coastal homes insured by the state's Beach Plan (NCIUA) in hurricane-exposed counties

2 Plan
One priority measure for a known peril: an IBHS FORTIFIED Roof

3 Fund
Grants of up to $10,000 on the Outer Banks and Barrier Islands, or up to $6,000 elsewhere on the coast, funded by NCIUA (2025)

4 Deliver
Roofers install to a common construction standard

5 Prove and Reward
An independent evaluator verifies the roof, which then earns insurance credits

FEEDBACK MECHANISM **Claims data show the roof works, and the programme has grown**

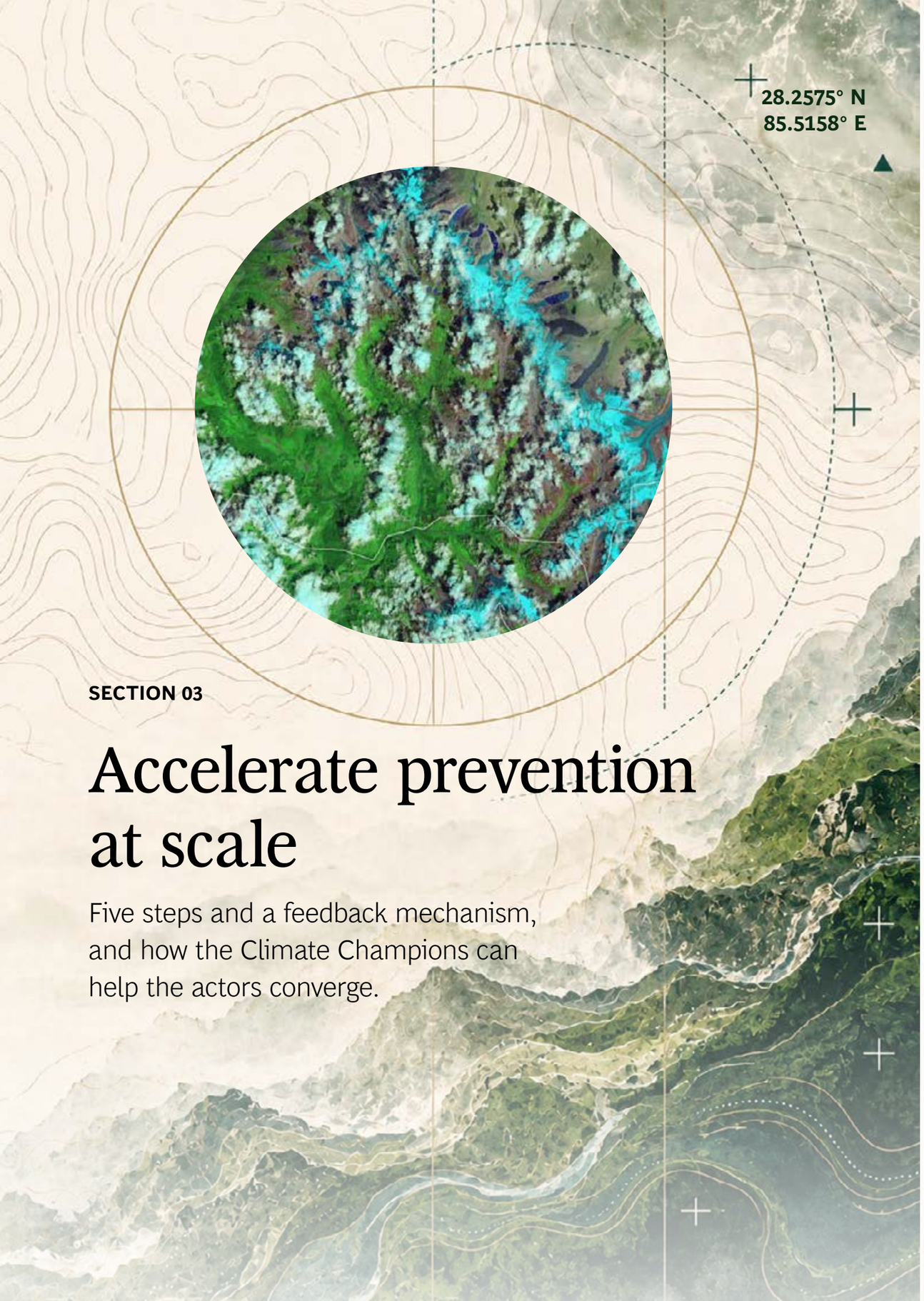
~35%
fewer claims after four hurricanes

~23%
less severe damage when claims occurred

63%
fewer claims from non-named storms, compared with standard roofs

18,000+
policyholders supported with FORTIFIED roofs since 2016

Why the insurer pays: NCIUA, the state-created insurer of last resort for the coast, runs programmes that represent more than $120 million invested in FORTIFIED roofs between 2016 and July 2025, including two $20 million grant programmes launched in 2025. As a long-term holder of coastal risk, it benefits directly from fewer and smaller claims.



SECTION 03

Accelerate prevention at scale

Five steps and a feedback mechanism, and how the Climate Champions can help the actors converge.

Preserving the insurability of homes and small businesses requires coordinated action. No single actor can be responsible for every step of the prevention loop. Rather, each holds a distinct piece of the puzzle. Scaling prevention requires convergence in several key areas: common standards and shared approaches to verification; quantification of avoided losses and the frequency with which cover is retained; the linking of finance to verified measures; and the capacity to deliver the work.

The Climate Champions support this convergence. Through the Global Climate Action Agenda, they can enable structured exchanges among these actors, facilitate dialogue between them, and promote initiatives supporting common standards and measurement.[1]

The five steps below illustrate the distinct stages in the loop and identify who may be best placed to lead at each stage.

1. Target exposed and vulnerable properties using a common standard

Targeting exposed and vulnerable properties involves three distinct roles. Insurers are best placed to identify the properties at risk: they already assess hazard and exposure property by property. Deciding which preventive measures should be applied requires a view that goes beyond individual insurers, since common standards are needed to ensure that measures are recognised across the market. Public authorities or independent bodies are best positioned to take the lead here. These shared standards then define what is planned (Step 2) and what is proved and rewarded (Step 5). The most appropriate way to reach the owner of the property will vary depending on the situation and context. In some cases, such as at renewal or after a claim, the insurer will be best placed to encourage the implementation of prevention measures. The lender will have the most direct channel when the owner is seeking a mortgage or loan, the municipality or contractor during a renovation, and the alert provider ahead of a forecasted hazard.

2. Plan targeted measures for each property, with their cost and the support available

Each assessment should identify targeted priority measures, their expected benefit for resilience, the indicative cost, the support available, and the route to a qualified provider. Where no measure is viable at the property, the plan should identify the community or public intervention required. For SMEs, plans to keep the business running should sit alongside physical measures. Moving critical equipment, diversifying suppliers, protecting data, and preparing temporary trading options can preserve operations where the hazard cannot be fully controlled.

Insurers and technology providers can make this process faster and more precise. AI can reduce the cost of targeting and serving homeowners and SMEs, but expert validation remains essential when it comes to setting thresholds and reflecting local feasibility. Cities, public agencies, and local partners can ensure that recommendations reflect local infrastructure, building practices, and social vulnerability.

3. Fund the work

The cost of prevention should be borne by those who benefit from it. Owners can contribute, but insurers, lenders, governments, and other long-term holders of risk can take part where they capture meaningful value. The payer need not be the property owner. A lender, for example, may fund protection because it carries the risk that the borrower cannot repay. Banks can build the lower credit risk of resilient properties into their lending policies, reflecting it in how they price mortgages and SME loans, and can offer financing products designed specifically to pay for resilience measures. Insurers can contribute through better terms and, after a claim, by part-funding a stronger repair.

Public funds can be targeted and designed to jumpstart markets. They can make early programmes affordable and create enough demand to support the development of contracting and verification services. Rather than a permanent blanket subsidy, the aim is a functioning market for resilience in which public money addresses affordability and risks shared by whole communities, and private actors compete to assess, finance, deliver, and maintain effective measures.

4. Deliver through qualified contractors

Delivery matters as much as finance. Programmes may depend on a pool of qualified contractors, appropriate certification schemes and quality control, and help for homeowners and SMEs in choosing the right measures. Finance that is not paired with the capacity to carry out the work will not reduce physical risk. Resilient repair after a claim is one of the clearest opportunities for installing effective prevention measures.

5. Prove and Reward the result

Verified measures should be visible in underwriting, claims, lending, and public support. Recognition may mean a lower premium, better terms, a lower deductible, continued access to cover, a stronger claims settlement, or better treatment in credit decisions.

Common standards and evidence of the work done are essential. A prevention measure that has been completed should not have to be reassessed from the beginning whenever a homeowner or SME changes insurer or lender. The verification should instead stay with the property, subject to maintenance and renewal. In the United States, for instance, insurers can check when providing quotes whether a home has been independently certified as meeting the FORTIFIED Home standard.

Feedback mechanism: Track what changes

The amount of capital mobilised and the number of homeowners and SMEs contacted are useful indicators of effort, but the primary goal is a reduction in physical risk. A practical set of indicators might include:

- the number of properties and businesses receiving a prioritised action plan.
- the number of measures financed, completed, verified, and maintained.
- the reduction in expected annual loss, claim severity, and repeat losses.
- the number of homes or businesses that retain or gain insurability.
- the number of days of business interruption avoided.
- the number of vulnerable households and microenterprises reached.

This evidence can strengthen underwriting, reinsurance, lending, and public investment, and can inform the next generation of offers.



The Global Climate Action Agenda: Near-term opportunities towards COP32

The Global Climate Action Agenda aims to advance climate solutions across sectors by supporting collaboration across the ecosystem. Insurance plays an essential role in many of these solutions.

The findings of this market study on loss prevention offer practical insights for initiatives across the Global Climate Action Agenda and for real-economy actors. Key near-term opportunities for all relevant stakeholders include:

- **Aggregating demand:** going beyond isolated projects to coordinate on similar needs across sectors and types of actors.
- **Aligning the market:** insurers, lenders, public authorities, contractors, technology providers, and companies working together on loss prevention.
- **Building evidence:** advancing indicators and assessments of physical climate risk, so that these risks become more visible to public-sector actors, capital providers, and insurers.
- **Scaling delivery:** promoting leading examples, connecting implementation partners, and supporting replication.

Conclusion

The evidence indicates that the prevention dividend could offer significant benefits to individuals and businesses. Insurers are already building prevention into their underwriting, pricing, and response to claims, but the lack of a route to finance the work and the absence of an implemented end-to-end business case are holding it back. The prevention loop illustrates how both gaps could be closed (Exhibit 1).

Insurers can lead in the ***Target*** and ***Plan*** steps, using the risk data they already hold to reach exposed and vulnerable owners at the moment they make decisions, and pointing them to measures defined by shared standards. ***Fund*** is the stage at which the loop currently breaks, and it could involve lenders and public programmes, alongside home and small business owners, sharing the costs in proportion to what each gains. In ***Deliver***, qualified contractors carry out the work, and in the ***Prove and Reward*** *step*, insurers, lenders, and public programmes recognise the same shared standards. Finally, tracking what changes provides the feedback that closes the loop by providing insurers with the business case they currently lack and sharpening the next round of targeting.

COP31 is the moment to start, and COP32 the moment to show progress. The actors who share the prevention dividend each have a part to play in finance, delivery, and the convergence of standards and measurement. By working together, with support from the Climate Champions, they can make prevention part of everyday decisions for homes and small businesses, helping to preserve insurability where it is most at risk.

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About Climate High-Level Champions

The Climate High-Level Champions, mandated at COP21 and appointed annually by COP Presidencies, drive ambitious climate action by connecting governments with voluntary solutions led by cities, regions, businesses, investors, Indigenous peoples, and civil society. They oversee delivery of the Marrakech Partnership five-year plan, and now the Global Climate Action Agenda – a unified roadmap aligning non-state actors around delivery of the Global Stocktake outcomes. Mr. Dan Ioschpe and Mr. Samed Ağırbaş serve as the current Climate High-Level Champions for COP30 and COP31 respectively. For more information, visit climatechampions.net.

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Notes

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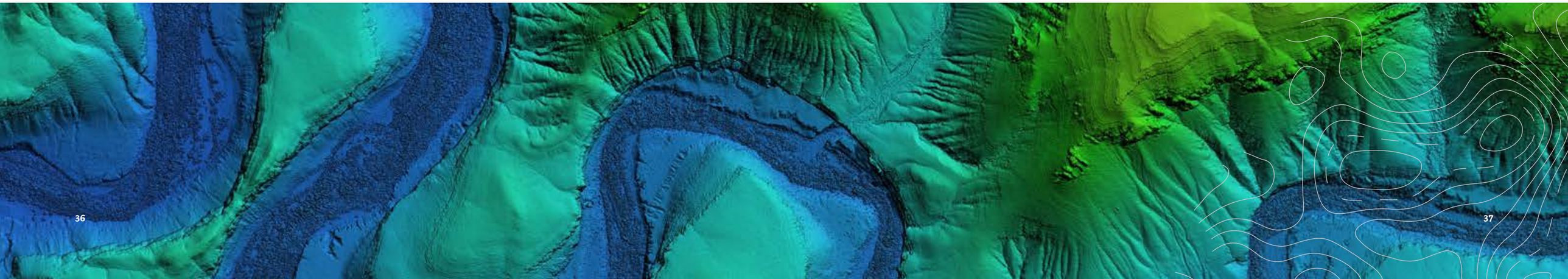
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