

Annex to Insurance Europe statement for COP26: The role of insurers in combatting climate change

Insurers as underwriters

Through their underwriting activities, insurers directly contribute to climate adaptation. Indeed, beyond covering, where possible, economic losses that result from natural catastrophes and events, insurers play an important role in measuring and pricing climate risk to inform the risk management of businesses and individuals. The claims data and expertise gathered by insurers over decades enables them to advise on and develop innovative adaptation solutions and to guide climate risk management. Insurers' specific focus on and expertise in measuring and pricing risks is essential, as objective assessments are necessary to inform the transition.

Insurers also use their underwriting policies to incentivise policyholders to invest in adaptation and prevention measures or in green and energy-efficient alternatives. Hence, the sector has considerable potential to shift behaviours and practices in a more sustainable direction. Examples include insurance solutions in the area of home and motor insurance, promoting energy efficiency or the use of electric vehicles.

Close collaboration between the public and private sectors can facilitate the industry's work in reducing and transferring climate risks. Also, when designing adaptation and mitigation policies at local, national or international level, public authorities should draw on insurers' expertise in climate-related underwriting and risk modelling.

Insurers are committed to working closely with public authorities to improve public understanding of climate risks and to foster more sustainable behaviour in all sectors of society, to steer adaptation measures and to contribute to the understanding of related life and health risks. European insurers therefore welcome the European Climate Adaptation Strategy as an important step towards more coordinated action.

Insurers as investors

As investors, insurers are uniquely positioned to help finance the transition to a carbon-neutral, resource-efficient and more resilient economy. As Europe's largest group of institutional investors, investing over €10trn in the economy, insurers and reinsurers support sustainability objectives and can factor in sustainability considerations when investing and when voting as shareholders.

We therefore welcome the efforts of the European Commission to ensure that standardised ESG data will be available from thousands of companies. We also welcome the recognition that improvements are needed to prudential regulation to remove unnecessary barriers to long-term investment, as this will also help boost sustainable investments.

And insurers are not only purchasers of assets that promote sustainability; they also issue sustainability-linked bonds and work with partners to finance and develop green infrastructure. Insurers can be the ideal partners in long-term projects.

Insurers' own footprint

Insurers are also taking action to measure and reduce the impact of their own operations in terms of emissions and sustainability more widely.



Cooperation and sharing of best practices

European insurers are leading and participating in sustainability-related initiatives and coalitions aimed at embedding sustainability objectives in both their investments and their underwriting. These include global frameworks, such as the UNEP FI Principles for Sustainable Insurance and Principles for Responsible Investment, as well as UN-convened alliances, such as the Net-Zero Insurance Alliance and the Net-Zero Asset Owners Alliance. Recognising the importance of such initiatives, Insurance Europe supports their contribution to the transition to a net-zero economy.

Insurance Europe is the European insurance and reinsurance federation. Through its 37 member bodies — the national insurance associations — it represents all types and sizes of insurance and reinsurance undertakings. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers pay out almost €1 000bn annually — or €2.7bn a day — in claims, directly employ nearly 950 000 people and invest over €10.4trn in the economy.