Insurance Europe's response to EIOPA's consultation on a blueprint for an awareness tool for natural catastrophe risks and prevention measures

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General comments

Insurance Europe welcomes EIOPA's focus on and commitment to raising public awareness about natcat risks and the importance of promoting effective prevention measures. The industry appreciates the opportunity to contribute to these discussions and, to this end, submit its response, along with some general remarks, which we kindly request be considered by EIOPA.

Promoting local risk awareness tools as a more effective and accessible solution

The industry supports the objective of the proposed tool, which is to help citizens understand the potential impacts of climate change on their properties and promote the uptake of prevention measures to reduce risk exposure. At the same time, insurers believe an EU-wide tool would not be the most effective means to achieve this goal. The significant differences in natcat risks across Europe – due to geographical differences, differences in exposure to risks, insurance penetration levels, pre-existing level of knowledge, and national/local policies in place – make a one-size-fits-all solution sub-optimal. Therefore, there is a risk that an EU-wide tool would be neither sufficiently accurate or detailed enough to provide the added value desired by citizens. Instead, emphasis should be placed on promoting the many existing good practices and local risk awareness tools that already exist (eg the HORA tool in Austria, DiGeo in Denmark, Géorisques in France, and the GOTOWI tool in Poland) or developing new tools at the local level in Member States where such tools are not in place.

Moreover, local tools are more accessible to consumers, who are more likely to engage with information relevant to their immediate environment. These types of tools can be used for increasing awareness about the risks in the local area but also about the risk reduction and prevention measures that can be taken. Local authorities and emergency services are particularly well-placed to inform citizens about risk reduction measures since their information is tailored to local needs and circumstances. Insurers also have a role to play, with many already collaborating with local services to inform citizens of both collective and individual preventive actions. Therefore, EIOPA's efforts would have a greater impact if focused on supporting and

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enhancing these local tools, which are better tailored to the specific needs in each Member State.

To complement these efforts, EIOPA could establish a centralised European platform that lists existing national tools, providing citizens with easy access to relevant resources. This approach would align with the principle of subsidiarity, enabling local tools to refer users to the European platform for cross-border information.

Concerns over data availability and reliability

A major challenge in developing an EU risk awareness tool for natcat is the lack of or the heterogeneity in availability and quality of data across and within Member States. Countries that face certain hazards more frequently tend to collect more detailed data on those risks, while others may not prioritise collecting such data because those hazards are less relevant for them. The granularity of the data and its precision also varies from country to country. Given these challenges with data availability and quality, insurers' capacity to support such a tool would be very limited. Any data-sharing requirement would also be highly inefficient, as it would impose considerable additional administrative burden for very little benefit.

Reliance on modelling is necessary and requires the contribution of public authorities. The assumptions and methodologies used in these models can vary widely from one region to another. Without careful adaptation to each country's specific contexts, these differences would compromise the reliability of the tool.

In light of these challenges, and prior to developing the tool, EIOPA should carefully assess the availability and quality of the data that would inform the risk scores. It would also be important that public authorities ensure that the data feeding the tool is reliable and reflects local conditions.

Realistic expectations are necessary on the impact of prevention investments on premiums

Citizens should be encouraged to invest in prevention measures first and foremost to, ideally, avoid being the victim of a disaster, or at least to limit the extent of their losses and their consequences (eg psychological, etc.). Raising expectations that there may be a (potentially significant) reduction in insurance premiums when citizens take preventive measures risks misleading them about the role of insurers and what is possible within a mutualised private insurance market. It should not be framed as the main benefit of investing in prevention measures. Such an approach could prove counterproductive and misleading, as the (often low-risk) premiums for natural hazards insurance mean that a reduction in premiums will in the large majority of cases not offset the cost of prevention investments. Indeed, a significant reduction in premiums could only be expected if the measures implemented also led to a substantial, permanent and measurable reduction in risk. Achieving this requires, in most cases, where permitted by local natcat regime, a considerable financial investment from the building owner, resulting in a significant reduction of an initially high risk.

In many Member States, a wide range of insurance cover is available, even in high-risk areas. As a general rule, insurance coverage is determined by the objective risk of a loss occurring and the expected cost of that loss, in accordance with regulatory requirements. However, it is always possible to adjust the policyholder's financial burden by modifying the balance between the premium, deductible and preventive measures, thereby ensuring affordability. Insurers have the discretion to apply these options as they see fit. Introducing specific requirements, frameworks, or even recommendations would undermine these principles and potentially exceed the permissible limits of competition law.

Prevention is a collective responsibility with authorities having a key role

While insurance plays a role in mitigating the consequences of disasters, it is important to acknowledge that the responsibility for taking the necessary mitigation and adaptation measures primarily rests with property owners and public authorities. Insurers can estimate and price risk as well as provide advice on possible protective measures, but private insurance cannot in itself address the risks emanating from construction in risk-prone areas or the increase in intensity and frequency of climate-related events causing losses and

damages. Insurers are not involved in granting building approvals and only step in when insurance is sought, often after a building is already in place. In such cases there is relatively little to be done about decreasing exposure to risks such as storms, cloudbursts, forest fires, hail, tornados or earthquakes. As such, when it comes to risk prevention, the primary focus should be on public infrastructure, where to build new buildings and with what methods. To this end, building regulations should be adapted to enhance resilience, rather than relying on insurance discounts to incentivise post-construction risk mitigation.

Lack of clarity about practical implementation and financing of an EU-wide tool

There is a lack of clarity in the paper about how an EU-wide risk awareness tool would operate, particularly in terms of its interaction with existing national and regional tools, and who would be responsible for its financing, operation and maintenance.

Key requirements for a risk assessment tool

A comprehensive tool should present at Member State level clear and accessible information on all relevant natural hazards, including, if applicable, snow pressure, avalanches, subsidence, cloudbursts, landslides, and, critically, torrential rain. For instance, in Germany, focusing solely on high-risk riverine areas would leave 98% of buildings exposed to natural hazards unaccounted for.[1]

To ensure consistency and usability, information on each hazard should be structured in a standardised format, offering a holistic assessment of risk at a specific location. Users should also receive initial guidance on risk mitigation, including flood-resilient construction, natural hazard insurance, and relevant regulatory frameworks.

Furthermore, the tool should incorporate systematically processed historical data, mapping past events such as storms, hail, and torrential rain. This will not only provide valuable insights into meteorological and hydrological patterns but also raise awareness of potential risks in regions previously unaffected, reinforcing the urgency of preventive measures.

Ensuring the acceptance and effective use of risk information

Providing risk information alone does not necessarily prompt action. To drive meaningful engagement, specific recommendations on prevention and insurance coverage must accompany the data. Referencing historical events enhances comprehension, as users are more likely to relate to past occurrences than to rare, unprecedented events, which may be perceived as serving commercial interests rather than conveying genuine risk.

The communication of probability metrics (eg HQ 100) is often misunderstood, leading to misinterpretation. If results indicate a "low" or "very low" risk, users are unlikely to take preventive action. Crucially, the nature of extreme events – being rare but highly destructive – is not always intuitively recognised.

The tool's primary objective should be to provide accessible and comprehensible information on all relevant natural hazards.

Crucially, the tool must remain free from commercial influence. The commercial use of data risks undermining its credibility and may impose limitations on its accessibility within the public sector. Furthermore, a non-commercial, public-interest approach is likely to align more favourably with General Data Protection Regulation (GDPR) requirements, facilitating the provision of neutral, publicly available information on natural hazards.

[1] According to risk zoning tool *ZÜRS Geo* - *Zonierungssystem für Überschwemmung, Rückstau und Starkregen*.

Responses to the EIOPA's survey questions on risk awareness tool

Discussion on possible methodologies

- Option 1: enter the address of the location where the user wants to analyse the risk. This address would then need to be geocoded.
- Option 2: enter the street name and postal code of the location where the user wants to analyse the risk. This would then need to be geocoded.
- Option 3: enter less granular information such as a postal code. This would also need to be geocoded for the rest of the analysis.
- Option 4: the tool would not ask the user to enter any address, but the user could scroll on a map to see its risk view.

Q1a. *Do you have other suggestions in addition to the ones already proposed? Please explain further*.

No.

Q1b. *Do you have other arguments that could support or invalidate any of the options proposed?*

Entering less detailed information could compromise the tool's scope, making it either ineffective or imprecise.

Q1c. *In your experience, which option do you consider will bring more benefits for the outcome of the tool?*

Option 1.

Information that is not granular enough will compromise the quality of assessments for perils such as flooding. Overlooking relevant local hazards (eg cloudbursts) will likewise undermine the value of any tool.

Risk score

Discussion on the time horizon of the risk assessment

- Option 1: a score for the current risk exposure.
- Option 2: a score for the future risk view.
- Option 3: a view of historical losses (economic and insured losses).
- Option 4: a combination of different perspectives (past, present, future).

Q2a. *Do you have other suggestions in addition to the ones already proposed? Please explain further.*

No.

Q2b. *Do you have other arguments that could support or invalidate any of the options proposed?*

No.

Q2c. *In your experience, which option do you consider will bring more benefits for the outcome of the tool?*

Given the different needs of stakeholders who may use the tool, Option 4 would offer the most balanced approach. Specifically, insurance companies would prioritise Option 1 because they focus on current risk exposure for their annual insurance contracts and acknowledge that historical data is becoming progressively less insightful due to the effects of climate change. Banks, on the other hand, need a long-term view, which Option 2 addresses. However, it should be noted that future views on climate are uncertain with consequences on the reliability of the risk assessment. As such, while Option 4 seems to be the most balanced and

comprehensive approach, it should be stressed that it is also subject to data limitations and complexity in implementation.

Finally, it is important to stress that assessing risk at a European level could be challenging because it might not fully capture the detailed historical data specific to each country or region. Therefore, the subsidiarity principle suggests that national tools are more accurate and relevant.

Discussion on possible methodologies to derive scores

- Option 1: a score based on hazard information where the intensity is not considered but only the frequency.
- Option 2: a score based on hazard information where the hazard intensity and frequency are considered.
- Option 3: a risk score - for natcat the risk is defined as a combination of hazard, exposure and vulnerability.

Q3a. *Do you have other suggestions in addition to the ones already proposed? Please explain further.*

No.

Q3b. *Do you have other arguments that could support or invalidate any of the options proposed?*

Option 3 would be complex to implement and costly to maintain. It also presents practical challenges in ensuring all necessary certifications are issued on time. Additionally, risks evolve over the long term, such as those linked to climate change, meaning certifications would need to be renewed periodically.

Q3c. *In your experience, which option do you consider will bring more benefits for the outcome of the tool?*

Option 3 would provide the most comprehensive risk assessment by considering hazard, exposure, and vulnerability, offering good insights for protection and adaptation. However, its implementation would be too complex due to the need for individual property inspections by certified inspectors during property sales, construction approvals, etc. Such inspections would need to be carried out regularly and would involve considerable costs. Option 2 could be a feasible alternative, as it considers only hazard intensity and frequency and would therefore be easier to implement than Option 3, while still providing valuable insights. Meanwhile, Option 1 may be simpler and more intuitive for users, but it lacks precision by only focusing on frequency, which would lead to underestimating the actual risk.

Discussion on possible ways to disclose the risk score

- Option 1: uses a numerical score with colour coding, offers clarity and is easy to understand, but could confuse users due to the need to map numbers to colours.
- Option 2: visualising risk levels on a map, helps users understand spatial risk but lacks granularity, possibly giving a misleading impression.
- Option 3: a bar visualisation of risk levels, is simple to interpret but may oversimplify risk exposure, making it difficult to assess the materiality of the risks.
- Option 4: using a familiar energy-efficiency style categorisation, enhances trust but offers limited granularity, which may not fully reflect the risk levels.

Q4a. *Do you have other suggestions in addition to the ones already proposed? Please explain further.*

N/A

Q4b. *Do you have other arguments that could support or invalidate any of the options proposed?*

No.

Q4c. *In your experience, which option do you consider will bring more benefits for the outcome of the tool?*

Options 1 and 2 are considered the best in terms of user experience. At the same time, the information should be disclosed in different formats depending on who is requesting it. The property owner should have full access to inspection results, while third parties should only receive more general and limited information about the property's condition. In this sense, Options 1 or 4 could possibly be achieved by using a traffic light system for basic information. If a stakeholder requires more detailed information, it can be provided voluntarily by the property owner. This approach addresses both security concerns and GDPR compliance.

Prevention measures

General information

- Option 1: the tool could provide a number of general recommendations, such as how to create emergency plans, sign up for alerts, and prepare emergency supply kits. These recommendations are seen by EIOPA as straightforward and easy for users to apply but must be carefully presented to avoid overwhelming the user.

Q5a. *Do you have other suggestions in addition to the ones already proposed? Please explain further.*

No.

Q5b. *Do you have other arguments that could support or invalidate any of the options proposed?*

No.

However, it is important to note that creating emergency plans is the responsibility of municipalities, rescue services, and authorities, while the government provides the necessary guidelines and legislation. From an insurance perspective, these emergency plans should be clear and well-communicated, as only under these circumstances can insurance companies voluntarily adjust their policies to align better with such plans.

Insurance-related information

- Option 1: involves providing country-specific information on natcat insurance, such as public-private partnerships (PPPs).
- Option 2: provide basic information regarding insurance such as "know what your insurance covers", create a home inventory etc.
- Option 3: insurance literacy (explaining deductibles, exclusions, limits, etc.).

Q6a. *Do you have other suggestions in addition to the ones already proposed? Please explain further.*

No.

Q6b. *Do you have other arguments that could support or invalidate any of the options proposed?*

If a tool for raising awareness of natural catastrophe risks is introduced, it should not include information about insurance. This is not the primary aim of the tool, and including such details would make it harder to understand. Moreover, insurance conditions can change over time, creating a risk of misleading information,

while they also depend on the specific property being insured. The tool should focus solely on identifying and communicating natural catastrophe risks.

Information about insurance conditions has to be communicated by each individual insurance company, as not all insurance policies are the same. Providing such information is already a responsibility of insurance companies, and some Member States, such as Sweden, have established specific information centres for this purpose.

Q6c. *In your experience, which option do you consider will bring more benefits for the outcome of the tool?*

If insurance-related information is introduced into the tool, Options 1 or 2 would be preferable, as Option 3 is too overwhelming.

Discussion on possible ways to disclose insurance-related information

- Option 1: together with a list of prevention measures, a list of measures to take regarding insurance-related actions could also be provided.

Q7a. *In your experience, which option do you consider will bring more benefits for the outcome of the tool?*

Including a list of general prevention measures to accompany the tool is fine. However, it should remain fairly broad. Ultimately, after taking into account local regulations that may require specific prevention measures, it is the responsibility of the property owner to determine which measures are most appropriate for their property.

Prevention measures on buildings

Q8. *Are you aware of any open-source database regarding risk prevention measures in the context of natural catastrophes?*

In Spain, a public platform provides basic information about buildings and individual houses (eg year of construction).

It is important to note, however, that an open-source database provides a broad overview of risks in an area, but it does not offer individual-level insights. Measures to reduce risk may often involve actions on the property itself or in collaboration with the municipality, making it necessary for property owners and local authorities to work together for effective adaptation.

Additionally, EIOPA notes that a categorisation of measures, with regard to costs and effectiveness, for example, could be useful to further guide homeowners. However, obtaining data for accurate categorisation is challenging and should remain high-level for general guidance.

Q9. *Would you categorise risk prevention measures, and if so, along which dimensions? Please explain.*

It should be taken into account that there could be difficulties in getting reliable estimation of cost and risk level. If done, it should be very high-level.

Discussion on possible ways to disclose the information

- Option 1: interactive visualisation
- Option 2: list

Q10a. *Do you have other suggestions in addition to the ones already proposed? Please explain further.*

The most important aspect of disclosing information is ensuring it is adequate for the stakeholder. In some cases, this may require technical details. Oversimplifying information could lead to misinformation and improper handling.

Q10b. *Do you have other arguments that could support or invalidate any of the options proposed?*

No.

Q10c. *In your experience, which option do you consider will bring more benefits for the outcome of the tool?*

Option 1, despite requiring higher IT effort, is considered more useful for user experience.

Impact of prevention measures view

Discussion on possible methodologies

- Option 1: provide some high-level messages on how prevention measures can impact availability and affordability of insurance.
- Option 2: provide some illustrative examples on how prevention measures can impact premiums.

Q11a. *Do you have other suggestions in addition to the ones already proposed? Please explain further.*

No.

Q11b. *Do you have other arguments that could support or invalidate any of the options proposed?*

N/A

Q11c. *In your experience, which option do you consider will bring more benefits for the outcome of the tool?*

N/A

Discussion on possible ways to disclose the information

- Option 1: interactive tool to play with different options.
- Option 2: a simplified illustrative example.

Q12a. *Do you have other suggestions in addition to the ones already proposed? Please explain further.*

No.

Q12b. *Do you have other arguments that could support or invalidate any of the options proposed?*

Information should be disclosed by the municipality or public authority. This can include sending a letter to individual property owners with information and a code on how to log in to a site that holds the risk information. In some countries (eg Sweden), it is not possible to estimate the premium for natcat, as it is part of the bundled property insurance. The premium is the result of a number of factors.

Q12c. *In your experience, which option do you consider will bring more benefits for the outcome of the tool?*

See above.

Raising awareness in the purchasing process, taking actions and measuring the impact

Raising awareness in the purchasing process

- Option 1: a link could be added in the insurance product information document (IPID) for the policyholder to check its natcat risks and related prevention measures
- Option 2: the insurer should provide the risk scores as well as the list of recommendations obtained from the tool with any insurance contracts.
- Option 3: the risk scores as well as the list of recommendations obtained from the tool should be published on any web portal selling houses.

Q13a. *Do you have other suggestions in addition to the ones already proposed? Please explain further.*

No.

Q13b. *Do you have other arguments that could support or invalidate any of the options proposed?*

Option 1 (mentioning a link in an IPID), would unnecessarily overload a document that is intended to describe the essential characteristics of an insurance product.

Prevention measures should be prioritised to avoid disasters or mitigate their impact and consequences. The potential reduction in insurance premiums should not be presented as the primary benefit of investing in prevention. Such an approach could be counterproductive, as in the majority of cases, any premium savings are unlikely to offset the cost of preventive measures.

Option 2 would represent an additional layer of information that will not be taken into account by subscribers in the purchasing process of an insurance product that already requires a great deal of attention.

It is the task of the tool to provide this information which will be properly understood by the citizens when they consult the tool on purpose.

Q13c. *In your experience, which option do you consider will bring more benefits for the outcome of the tool?*

Insurance Europe believes that none of the proposed options are ideal.

Taking actions

- Option 1: the tool could propose easy recommendations such as contact the insurer or make sure an emergency kit is ready.
- Option 2: add link to national insurance associations.
- Option 3: add links to insurance providers.

Q14a. *Do you have other suggestions in addition to the ones already proposed? Please explain further.*

No.

Q14b. *Do you have other arguments that could support or invalidate any of the options proposed?*

Clear recommendations should be provided by the municipality or authority when disclosing the results to the individual property owner. Insurance companies do not have the capacity to offer such detailed information. Additionally, providing good information to customers is also a matter of competition between insurance companies.

Q14c. *In your experience, which option do you consider will bring more benefits for the outcome of the tool?*

Option 3. It is considered beneficial if a link to insurance providers is shown.

Measure the impact of the tool

- Option 1: monitor insurance penetration.
- Option 2: monitor the uptake of prevention measures on private houses.
- Option 3: monitor the number of people using the tool.
- Option 4: conducting regular surveys with users.

Q15a. *Do you have other suggestions in addition to the ones already proposed? Please explain further.*

No.

Q15b. *Do you have other arguments that could support or invalidate any of the options proposed?*

No.

Q15c. *In your experience, which option do you consider will bring more benefits for the outcome of the tool?*

Option 3, and depending on the market considered, Option 1, can be used to measure effectiveness. However, for Option 3, a significant impact can only be proven when a large number of people use the tool over an extended period. Options 2 or 4 could be considered, but they are more challenging to implement.