

Insurance Europe position on the European Commission's proposal for a European Climate Law

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Summary

As the impact of climate change on the daily lives of citizens and the broader eco-system is becoming increasingly clear, the European insurance industry is ready to continue contributing to the European Union's political commitment to be climate neutral by 2050. The insurance industry can play a pivotal role in financing the transition to carbon-neutrality, resource-efficiency, and greater sustainability.

Across Europe, insurers have already launched various initiatives in support of the United Nations' Paris Agreement, for example. Moreover, leading insurers around the world have committed to implementing the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) through a partnership with the United Nations Environment Programme Finance Initiative (UNEP FI).

The insurance industry is keenly aware of the impacts of a changing climate. As an industry, we are therefore also very conscious of the importance of prevention and adaptation measures. Adaptation enhancement is a key focus of the EC proposal for a European Climate Law, and Insurance Europe is highly supportive of the EC's ambitions to step up efforts on climate-proofing, resilience building, prevention and preparedness. Given the growing importance of adaptation and the key role of the insurance sector as an investor and provider of protection, this document outlines Insurance Europe's views on several aspects of the EC proposal.

- Adaptation to climate change
 - In line with the proposal for a European Climate Law (article 4), Insurance Europe believes that national and local authorities should enhance resilience by implementing effective prevention measures. Insurance Europe also supports the development of national adaptation plans and strategies, based on comprehensive risk management frameworks (article 4.2). Furthermore, the insurance industry can play a key role in adaptation to climate change. In the European Commission's report on the implementation of the EU Strategy on adaptation to climate change [SWD(2018) 461], it

recognises that insurance markets function as a crucial adaptation tool. The industry should be a key component of these national adaptation plans, frameworks and strategies and can continue to support the EU's efforts to adapt to climate change.

- In order for the insurance industry to deliver fit-for-purpose solutions to the risks posed by climate change, it is important to ensure that the industry can benefit from a level-playing field and stable market for companies of all sizes.
- **There is no one-size-fits-all solution at EU level:** While all countries are affected by the changing climate, Member States each have different risk exposures resulting from regional environments, different levels of public awareness about potential risks, the extent of government intervention, liability regimes or adaptation practices. These factors result in a highly diverse insurance market for natural catastrophes (NatCat) across the EU. For instance, certain markets have a pool-solution in place where in others optional private market solutions are more common.
- Insurance Europe supports work of the Commission that would raise awareness of both the risks of a changing climate and of the appropriate insurance solutions.

■ European statistics and data

- Data and statistics play a key role in climate adaptation enhancement and the Commission recognises this fact in (article 7.1 c) of the proposed European Climate Law. Data analysis presents insurers and authorities alike with the opportunity to generate a better understanding of climate risks and trends and to consequently mitigate the effects associated with these.
- Several national insurance associations in Europe are already working together with public authorities to share, systemise and analyse climate-related loss data. These types of partnerships are generally tailored to local market specificities, regulations and levels of awareness and, as such, can play a pivotal role in meeting the challenge of adapting to climate change and minimising future risks.
- The European Commission should also pay due consideration to the intellectual property of insurers when considering the use of data. High-resolution datasets are intellectual property and form the basis of the insurance company's calculations.
- It should be noted that broader partnerships or fora for dialogue involving all relevant institutional players and stakeholders, are needed to address, additionally, the underlying causes of risks, and to guarantee greater resilience to climate change as a result. This would allow players to get a more holistic picture of risk and to take effective decisions accordingly, which is especially important as the effects of climate change are expected to keep evolving and to become more severe over the coming decades.
- For instance, the availability of more data on torrential rain could improve insurers' understanding of risks related to this. In this regard, more research on torrential rain must be conducted, because it is the primary loss factor in all urban areas. Authorities could consequently be encouraged to base their planning-related decisions and building requirements on this data in the future. The insurance industry can play a key role by sharing its risk management and loss prevention expertise with governments that can guide policy making but this role could be further supported with greater availability of higher quality data.