

## Public consultation on the Staff Paper on Measures to address demand side aspects of the NatCat protection Gap

### Resolution Table

No	Stakeholder	Response to the public consultation question	EIOPA's comments
1.		Section 1. Demand-side Factors Affecting NatCat Insurance Uptake. Para 1. Consumers' understanding of insurance products and (perceived) affordability as a barrier to uptake and the extent to which affordability could be considered a major barrier to Natcat uptake	
2.	Insurance Europe	<p>As is the case across most European markets, today affordability is not a major barrier to nat cat insurance uptake, as current market pricing levels are generally reasonable for most risks. The exception are those with very high hazards, such as construction located in a very high hazard zone or very poor built.</p> <p>In fact, Insurance Europe believes the main challenge does not lie in the actual cost or the transparency of premiums, but rather the lack of awareness/knowledge on risk levels and on the need for personal NatCat coverage, as well as misunderstanding of the pricing levels (see below).</p> <p>That said, the topic of affordability does merit further debate and investigation giving further consideration to issues such as types of risks or national circumstances. However, in examining affordability and capacity related to climate-related insurance products and services, it is important to distinguish between real affordability</p>	<p>EIOPA agrees that it is important to distinguish between real affordability determined based on objective criteria, and perceived affordability which may be based on misperceptions or lack of awareness on behalf of policyholders. Therefore, there is a need for targeted measures and targeted communication.</p> <p>Also, aspects like ensuring the right level of coverage, adequate coverage for the right type of risk, monitoring over insurance should be taken into account.</p> <p>At the same time, an integrative approach and the "leaving no one behind" principle shall guide the</p>

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		<p>determined on the basis of objective criteria, and perceived affordability which may be based on misperceptions or lack of awareness on behalf of policyholders.</p> <p>When addressing the issue of real affordability (i.e. low-income households with limited ability to purchase insurance), it is important to delve deeper into the "leaving no one behind" principle and to identify effective strategies that can provide robust protection for these vulnerable households in the face of NatCat events.</p> <p>In this context, the conversation should extend beyond considering private insurance as the sole solution. And instead encompass a broader array of stakeholders and measures. For instance, support mechanisms such as premium vouchers or tax incentives may be used, especially for low-income areas with high risk due to high vulnerability. However, such measures must avoid attracting new risk into high hazard areas. Subsidies should not hide the true level of risk but need to gradually move to risk-based pricing by using the subsidies to address risk. In general, pricing must reflect the underlying risk to avoid free riding and moral hazard.</p> <p>Finally, it is crucial to engage in a thoughtful examination of why low-income individuals may find themselves residing in high hazard zones. This holistic approach would ensure that no segment of our society is left exposed to the devastating impact of catastrophic events.</p> <p>Moreover, it is essential for both private and public sectors to collaborate in raising awareness among consumers regarding the actual and potential impact of NatCat events.</p>	<p>development of effective strategies to ensure vulnerable households are not facing more hardships. The aspect of affordability can evolve, meaning that premium increases following an event could push more consumers out of the market where finances are already strained by other external forces, e.g., cost of living, inflation, etc.</p> <p>We noted your proposal for support mechanisms such as premium vouchers or tax incentives, especially for low-income areas with high risk due to high vulnerability. These are aspects explored in the Paper; however, it is important to understand and distinguish what is/what is not in the supervisory remit.</p>
3.	Lloyd's Market Association	<p>Affordability is a wider concern and barrier to insurance in general and a driver of protection gap within the market. Where people are not purchasing a home product, they are unlikely to access NatCat as a stand-alone product.</p> <p>We also believe affordability will depend on the level of risk posed by NatCat events within the area of the insured property. As pointed out in the Staff Paper the most</p>	<p>EIOPA agrees that measures should focus on targeting consumers awareness on the risks they are facing, as most likely they will not access NatCat as a stand-alone product, especially if they are not purchasing a home insurance product in</p>

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		<p>vulnerable often will be most exposed with poor quality housing, however there will also be factors such as consistently bad weather or geological events that would make effective risk pooling through the open market difficult.</p> <p>The fact that application of IDD varies across the EU makes it difficult to offer an EU wide product so makes supply of a product more complicated and expensive than if an insurer was able to offer a uniform product. This might be addressed in a review of IDD.</p> <p>Examples where affordability and price proved a barrier to uptake in a mature market would be</p> <ul style="list-style-type: none"> <li>•UK Flooding: Flood Re was required within the UK market has been needed to ensure availability of affordable consumer flood cover for the most vulnerable.</li> <li>•Florida Windstorm: Premiums for NatCat regularly exceed that of the normal underlying perils such as fire. Here “state wind pools” have been needed alongside the private market.</li> <li>•Natural Disasters in France: CCR Cat: Established in 1982 to cover natural disaster perils due to lack of availability in the open market.</li> </ul>	<p>the first place unless they are fully aware of the risks.</p> <p>We also note your comments in relation to the IDD review – as the IDD review is currently still not planned, we will re-assess your comments in due time.</p> <p>We also note your examples of product availability, however this is mostly concerned with the supply side and the paper focusses on the demand side.</p>
4.	Actuarial Association of Europe	<p>As stated in the staff paper, NatCat uptake is directly linked to “personal characteristics and individual situations” which encompasses policyholder income level and financial resources to absorb the premium, which is “amongst the most important factor” (section 1.12.). These factors would indeed define the policyholders “budget” for insurance coverage and more specifically, they should have the financial appetite and risk culture /risk awareness, for NatCat products.</p> <p>Affordability is a major barrier with a strong dimension of cognitive bias towards NatCat prices (see section 1.17 to 1.19) which are in many cases perceived as too expensive whatever the underlying risk is.</p>	<p>Thank you for your suggestions on other barriers than the premium, EIOPA included some elements in the staff paper and will explore others further as relevant in other work.</p>

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		<p>Some regions in the world (e.g. Florida, California) are currently seeing massive increases in premiums, which creates affordability issues in the absolute, not just in relation to cognitive biases or terms &amp; conditions.</p> <p>We would like to highlight that the staff paper, in particular section 1.1.1., has a major focus on premiums but needs to mention the following barriers linked to affordability:</p> <ul style="list-style-type: none"> <li>• coverage options in product structuring (some NatCat cover may exclude some specific perils)</li> <li>• affordability through higher deductibles and co-pay features (which could be implemented in NatCat products)</li> <li>• socioeconomic inequalities correlate with location in high-risk and disadvantaged areas.</li> </ul> <p>Actuaries could help to clarify the fairness of the products and to improve the general understanding what insurance prices mean.</p>	
5.	Federation of European Risk Management Associations (FERMA)	<p>FERMA believes affordability is a barrier to NatCat uptake. It is also important here to emphasise that the “affordability” barrier also applies to SMEs, mid-corps and even to some extent large corporates, as well as consumers/households.</p> <p>To elaborate on this a bit further, we would say that the volatility in price, coupled with changings in policy wordings and conditions are really fundamental issues for insurance buyers.</p> <p>On price, FERMA understands from one corporate insurance manager, for example, that their broker has advised them to prepare for a 10-15% increase on rates year-on-year, which is difficult to justify to the company CFO when that increase is already on an increasing trend, and possibly the coverage will have changed, too (for example wordings point to tighter restrictions, sub-limits change, and so on). Another interesting perspective FERMA might add to this point on affordability is the seeming discrepancies in pricing of the risk across markets. An exposure can be assessed to be</p>	EIOPA thanks you for the comments. While EIOPA agrees that policy wordings and conditions are fundamental issues for insurance buyers, and that some trends can indeed be extrapolated, (such as the knock-on impact), the scope of this paper is the demand-side for consumers.

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		<p>the same in Spain and Portugal, for example, but the premium in Spain would often be much lower for the same risk due to the existence of El Consorcio de Compensación de Seguros.</p> <p>One final point here is that we as corporate clients of insurers are painfully aware of the issues related to the tightening of the reinsurance market due to NatCat claims and the unfortunate knock-on impact this will have for us in terms of prices.</p>	
6.	Lloyd's Insurance Company S.A.	<p>The EIOPA Staff Paper rightly mentions affordability and pricing distortion as one of the key cause for the existing protection gap. Proposed solutions are mostly comparison tools and incentives (tax, prevention/mitigation measures).</p> <p>Despite the importance of the demand side to tackle concerns about affordability, we believe the primary obstacle to the uptake of NatCat insurance is rooted in the supply side rather than the demand side. Increasing the NatCat insurance capacity available in the EU is a more efficient way to improve affordability.</p> <p>Affordability as a barrier could be overcome, for instance, with public policies promoting open reinsurance markets, and facilitating international investors to support the introduction of innovative NatCat insurance products and services to European customers at competitive rates.</p> <p>In addition, to ensure a fair pricing, we believe the paper would also benefit from exploring the need for insurers to obtain more delineated data on retail vs. commercial insurance.</p> <p>If retail and commercial insurance business were more clearly delineated at European level in legislation and regulation, European insurers would be better equipped to price more accurately increasingly frequent and intense climate-related events and mitigate the risk to see such insurance becoming unaffordable.</p>	Thank you for your comments some of the comments have been taken into the Feedback statement, (for example, increasing risk awareness, diversification of the supply side and data availability).

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		<p>Indeed, like in any industry, a better appreciation of the volumes of relevant insurance business for specific markets like NatCat has a positive impact on the innovation and the affordability, leading to an increased take up of NatCat insurance.</p> <p>As a consequence, with larger volumes, the law of large numbers can better apply and a better mutualization can be reached. Systemic risk can be better fought over time when reserves have been built over a large population of insureds.</p> <p>More premium volumes also means:</p> <ul style="list-style-type: none"> <li>• More investments from the insurance industry in the economy and notably the green transition, with positive impact on reducing the impact of climate change.</li> <li>• An increase of the availability of data which has numerous positive impacts of which better pricing which leads to notably a better affordability and better prevention.</li> <li>• A higher awareness in terms of prevention, since insurance fosters prevention which decreases occurrence and severity. With more people and businesses purchasing NatCat insurance, more investment in mitigating/ adaptation measures can be expected to reduce the level of risk, driving costs down and lead to more affordability. Education on the positive impact of deductibles is a key element here to incentivise the mitigation measures for the risks exposed to the deductible layers.</li> </ul>	
7.	BIPAR	<p>In an uncertain economic context, marked by the rise in interest rates, high energy prices and significant inflationary pressure, consumers may have to make choices, and these can influence the decision not to take out a policy against NatCat.</p> <p>We understand from our members' input that the main issue is however not always affordability, but often a lack of awareness (see more on this below and on the importance of assistance in gaining awareness on risks and guarantees).</p> <p>Also, for other risks than NatCat, there are still many differences between members states in terms of consumers being willing to / interested in buy(ing) insurance. In the</p>	<p>EIOPA agrees that inflation can further limit the uptake of NatCat insurance. This is explored in detail, in EIOPA's 2023 Consumer Trends Report.</p> <p>As laid out in the paper, lack of awareness is addressed as one of the measures to bridge the NatCat protection gap.</p> <p>In addition, EIOPA agrees that more solutions need to be developed, to raise awareness –</p>

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		<p>reflections about this issue, it may be useful to differentiate between “historically” existing NatCat risks (areas) and “new NatCat risks (areas). (Floods are more frequent or cause more damage, fires are now in areas which were less exposed in the past).</p> <p>Information campaigns and incentives could help raise awareness. In some markets there are initiatives which help “uninsurable risks” to find insurance.</p> <p>As a starting point, it is important to recognise the differences between countries. In some markets an ex-ante compensation is defined; others have pools or pool-like solutions; in some PPP solutions may be used; whereas in still others, governments may not prepare for NatCat at all. In some countries NatCat risks are included (compulsory or not) in household or “house” insurance. In some markets people count upon the government (state) to compensate loss after major events.</p> <p>The answers are also probably different when looked at from a private consumer point of view compared to a business point of view. Within business lines a further distinction should probably be made depending on the sector (for ex agriculture being probably very specific in terms of NatCat insurance).</p>	<p>solutions include information campaigns and other incentives.</p> <p>EIOPA also notes the examples of possible solutions.</p>
8.	AMICE	<p>There is no doubt that affordability can be a major barrier to Natcat uptake, but it would be simplistic to separate out affordability from the multiple and often complex considerations undertaken. This paper explores the varied factors which contribute to consumers' decisions to purchase coverage, and the emphasis on each of these factors within the buying decision is influenced by cultural, societal and political aspects. Further, there is a sliding scale of affordability versus a consumer's own financial health, which is a crucial factor in such decision-making, in the circumstances that the individual consumer is themselves aware of the risk exposure and the need to purchase appropriate cover. This, of course, is also a variable insofar as the shifting nature of Natcat exposure in the context of climate change may also be identified as a barrier.</p>	<p>EIOPA agrees that financial health, which can also be related to other factors, can play a role in the affordability and uptake of the NatCat insurances. The paper highlights other factors, other than affordability, that play a role in the NatCat uptake.</p>

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9.	Marsh & McLennan Companies	<p>(Copied from a statement)</p> <p>Protection gaps</p> <p>Despite the importance of insurance, many households and businesses at risk from disasters around the world are uninsured.</p> <p>Our report <i>Staying Above Water: A Systemic Response to Rising Flood Risk</i> explores the existing flood insurance gap.</p> <p>It highlights that flood insurance is not available in all geographies, and where it exists, it tends to be underutilized and not designed for changing risk levels. Significant protection gaps exist, even in mature insurance markets. Asia has the largest flood protection gap in the world, and rapid population growth and economic growth are exacerbating the challenges in closing the gap. In such regions, many insurers lack the analytical tools and data on hazard levels and historical losses needed to assess risk, causing a mismatch between their technical and financial capacities.</p> <p>Access to insurance can be limited due to affordability problems, especially in low-income countries. This is also of concern in mature markets, where premium hikes are common in the face of losses and mounting risks. For example, in northern Australia, disasters triggered price hikes of over 200% for building only insurance between 2007 and 2022, compared to around 120% for the rest of the country. Changing risk levels can also discourage reinsurers from offering cover. The Task Force on Climate-Related Financial Disclosures (TCFD) reports from leading insurers describe the impacts of climate change on their financial exposures. These documents reveal that growing levels of catastrophe accumulation and volatility are discouraging some insurers from covering flood risks, while others are planning to adopt tighter underwriting strategies or to withdraw from certain geographies entirely.</p> <p>This is already a reality in Florida, where recurrent catastrophes amplify challenges for the state's volatile property insurance industry. Private insurers have begun to withdraw from the homeowner market, and some smaller insurers have been forced into insolvency. In Australia, the number of uninsurable properties in the country will grow by 24% in the next 30 years, with 1 in 25 buildings not having access to coverage.</p>	<p>EIOPA notes your comments on the interlinkages between geo-location, premiums and tightening of underwriting policies. The evidence you have brought in is interesting and will be considered as relevant in EIOPA's work.</p>



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		<p>In addition, as highlighted by the Marsh McLennan Flood Risk Index the threat of flooding is increasing due to climate change and socioeconomic drivers, leaving a growing percentage of global population and assets at risk.</p> <p>[text copied into other columns]</p>	
10.	IRSG	<p>The cost of Natcat insurance as a barrier to uptake, should be closely monitored. Today it varies depending on the region, but in the near future, it can be a common issue. Therefore, measures increasing resilience to climate change impact are crucial to ensure that natural catastrophe risks remain insurable and affordable. Furthermore, it is important to increase the awareness of people about their risk exposure and the need for natural disaster insurance coverage. Awareness campaigns and financial education are key in this regard. Additionally, sharing historical loss data from natural disasters to show the severity of losses and the importance of having insurance coverage could help.</p> <p>This of affordability is rising in high-risk areas, like flood zones, but only—strong winds and hail are spread all over the countries. Present data show that the increase in claims due to climate change-related perils such as floods or drought on housing will justify very soon increases in premiums (either in particular areas or throughout entire countries, depending on the system in place), and will raise some doubts on the ability of the private sector to cover certain risks, in certain areas, at affordable prices in the near future.</p> <p>Irrespective of whether there is a problem of affordability or not, it is also important to keep in mind that this question is relevant not only for households but also for the business sector, in particular SMEs.</p>	<p>EIOPA agrees that the cost of NatCat insurance as a barrier to uptake, should be closely monitored, considering that an increase in claims due to climate change-related perils might affect the ability of the private sector to cover certain risks, in certain areas, at affordable prices in the near future. Measures increasing resilience to climate change impact are crucial to ensure that natural catastrophe risks remain insurable and affordable.</p> <p>At the same time, it is important to increase the awareness of consumers about their risk exposures and the need for natural disaster insurance coverage though awareness campaigns and financial education. While EIOPA underlines the importance of general insurance requirements, business sectors and SMEs are not the scope of this staff paper.</p>
11.		<p><i>Section 1 Demand-side Factors Affecting NatCat Insurance Uptake. Para 1. Consumers' understanding of insurance products and (perceived) affordability as a barrier to uptake. 2. What are your views in relation to making consumers more aware of the price of Natcat insurance, whilst avoiding an over-emphasis on price?</i></p>	

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12.	Insurance Europe	<p>One way to raise awareness on the price of nat cat insurance without over-emphasising it, is to present the cost in small daily amounts (e.g. "XX cents per day") to demonstrate its affordability, while highlighting that a major disaster has the potential to cause significant losses. Moreover, it is important consumers better understand the relationship between the probability of damage and size of potential damage, and the corresponding insurance premium.</p> <p>However, the focus should not solely be on the price, as this will not substantially improve the situation.</p> <p>Instead, the insurance industry, consumer organisations and the public sector should work together to raise awareness of the benefits of and need for natural hazards / climate-related insurance overall. This would involve emphasising the relevance of hazards - including those perceived as unlikely to materialise such as earthquakes in areas not frequently affected by such perils - the risks they pose to consumers, and the appropriate (combination of) measures to respond to them, including prevention, climate change adaptation and insurance as one risk transfer option.</p>	<p>EIOPA also considers that joint efforts that bring together the insurance industry, consumer organisations and the public sector could prove the most efficient in raising consumers' awareness.</p>
13.	Lloyd's Market Association	<p>We agree there is an asymmetry of information that drives the lack of awareness and risk perception by consumers. Education of consumers through wider awareness campaigns, possibly by public bodies, are likely necessary.</p>	<p>EIOPA agrees with the necessity of launching wider awareness campaigns, and it is looking into ways on how this could be incentivized and implemented.</p>
14.	Actuarial Association of Europe	<p>Policyholder tailor-made information about Natural Catastrophe needs to be simplified and vulgarized when policies are:</p> <ul style="list-style-type: none"> <li>• Promoted in a widely readable language to demonstrate the level of recoveries in case of NatCat claims with simple use cases and demonstration on the premium/deductibles add-on linked to the coverage to avoid the misperception effect of NatCat products as shown in the EIOPA study (1.14)</li> <li>• Underwritten with additional documentation about NatCat coverage ideally linked to concrete perils to which the location of the policyholder is exposed to. There is no need to add too many technical details to avoid creating disparities for policyholder who have less insurance products' knowledge</li> </ul>	<p>EIOPA welcomes your suggestions on tailored communication – this is something EIOPA may explore in future work.</p> <p>EIOPA is cognizant of the fact that a one-size-fits-all, will not be applicable to possible measures to address NatCat. From various stakeholders' comments compulsory measures can have important pros and cons, hence, EIOPA agrees that this merits further research. Other aspects such as improving, diversifying, and adapting the</p>

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		<ul style="list-style-type: none"> <li>• Terms, clauses, definitions, and exclusions of perils should be formulated in a simple and understandable way, and should be easy to find in the insurance contract.</li> </ul> <p>This information needs to be aligned with the policyholder context (for example information would be linked to a specific peril depending on the location to be more relevant).</p> <p>The simplification and vulgarization also need to be aligned to the current tools available (Open AI, automated chats etc..) and partly and fully digitalized when possible (to reach different type of communities).</p> <p>This would mechanically foster the global education of policyholder on NatCat risks, products, and recoveries' mechanisms.</p> <p>On page 5, second bullet point, there seem to be some thoughts about having a simple product as one-size-fits-all (with the possibility of having extra). One needs to ask who would design such a cover (due to competition legislation, insurers certainly must not agree on such an approach). If there were such cover, would there be pressure to make it (semi-)compulsory, at least in the sense that providers would be obliged to give anybody such cover?</p>	<p>NatCat coverage to the particular market situation shall be jointly considered with the supply-side aspects.</p>
15.	Federation of European Risk Management Associations (FERMA)	<p>From our perspectives of risk managers and corporate insurance buyers, the pricing of exposures is fundamental to better understanding potential impacts of risks materialising. We appreciate there is a fine-balance to be achieved here. Perhaps a nice comparator would be to put the price of insurance against the price of inaction. Another idea here might be for insurers to be more persuasive on the services offered in addition to the price for the product.</p>	<p>EIOPA welcomes your suggestion. Indeed, one of the messages that could be conveyed is through comparing insurance price against the price of inaction in price comparison tools which can be motivated through a behavioural approach. EIOPA is looking into possibilities of further testing suggested measures.</p>
16.	Lloyd's Insurance Company S.A.	<p>Awareness raising and education initiatives targeted at consumers are necessary but not sufficient when addressing protection gap concerns. Such initiatives have often been tried before and their extension represents more a continuation of important, ongoing efforts than a bold new solution that is capable of bringing much-needed material change in the short term.</p>	<p>EIOPA welcomes your suggestions for awareness campaigns that are more ambitious and frequent and targeted to the most exposed regions.</p>

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		<p>To face the reality of climate change, awareness campaigns should increase in volume and ambition, targeted to the most exposed regions, similar to what is done in public health environment. The role of insurance needs to be embedded in more educational channels, targeting both individuals and businesses.</p> <p>Prices of Natcat insurance is not the only focus and education should also emphasise the psychological and recovery aspects of NatCat.</p>	
17.	BIPAR	<p>Consumers' education on the real extent of NatCat risks can probably be the lever that allows them to understand the real content of contracts in which the "price" aspect must become just one of the factors involved, proportionate to the intrinsic value of the coverage and the level of protection.</p> <p>One of the issues is that not every consumer/ asset is exposed to NatCat risks to the same extent. The solution is therefore often based upon a political decision that in one way or another imposes some level of "solidarity" and/ or "mutualization".</p> <p>Mitigation or prevention also requires sometimes very difficult political decisions: prohibitions to rebuild in high-risk zones, imposing certain (expensive) building techniques. As mentioned above, in the question and the answer there should be made a difference between private consumers and commercial activities (and the indirect effects of a NatCat on consumers who are dependent on these commercial activities) (flights cancelled, temporarily unemployed, ... health and safety issues). Then there is the aspect of the "unknown"/ reasonable risk ...? Who would 8 years ago have taken out insurance against a pandemic?</p> <p>The lack of prevention and adaptation can lead, over time, to a progressive un-insurability of some risks with costs deriving from inaction that gradually become unsustainable. (Some American companies (California) for example no longer insure fire risks.)</p>	<p>EIOPA agrees that more initiatives shall be put in place to require the industry to inform consumers on how to interpret the price in relation to the value of the coverage and the level of protection.</p> <p>Awareness amongst relevant stakeholders is also needed as regards the potential un-insurability of some risks with costs deriving from inaction and a lack of prevention and adaptation measures.</p>

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18.	AMICE	<p>The paper shares some valid insights into the reasons behind consumers' lack of awareness of the need for Natcat insurance, and this needs to be addressed before the "awareness of price" element is seriously tackled. Awareness is a vital contributor to the buying decision, and the paper clearly indicates that prior experience of a Natcat has a huge influence on subsequent purchase of Natcat cover - as does the individual's understanding of what, in fact, constitutes a Natcat. Further, there are good insights in the paper into the huge variations in insurance penetration in different Member States, albeit from a small sample size which could result in wide generalisations which do not reflect the true reality. It could be extrapolated that at the lowest end of the insurance penetration spectrum, there are more pressing insurance protection gaps in certain Member States than Natcat.</p>	<p>The data presented in the Paper derives from two studies conducted in eight Member states. Further desk research has formed the content of the paper. More information can be accessed in the annexes of the paper.</p>
19.	Marsh & McLennan Companies	<p>(copied from statement)</p> <p>Community-based catastrophe insurance</p> <p>One innovative approach to boosting insurance purchasing that Marsh McLennan is involved in is known as community-based catastrophe insurance (CBCI). Essentially, CBCI provides disaster insurance arranged by a local government, quasi-governmental body, or community group to cover a group of properties. The benefits of CBCI fall into three main areas: enhancing financial resilience; providing affordable coverage; and creating incentives for risk reduction at the community and individual level.</p> <p>This type of program is flexible, and can be created to cover a single hazard or a range of natural disasters for a given community, including flood, but also wildfire, earthquake, and others. Such broad applications can further incentivize a community's risk management efforts — risk reduction, risk communication, and risk transfer — across multiple perils. For flood risk, this could mean levee improvements and/or ecosystem-based interventions, including wetlands enhancements, and more.</p> <p>[image cannot be inserted]</p>	<p>EIOPA takes note of your proposal, however, this paper is focussed on the demand side.</p>
20.	IRSG	<p>Insurance is not an intuitive mechanism, and different approaches can be taken.</p>	<p>EIOPA welcomes your suggestion on how possible messages, such as the price of inaction vs. the</p>

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		<p>The pricing of hazards and risks is essential to understanding the risks. But there also has to be a fair presentation of the price of inaction. Explain that the cost per day is small in order to put the cost of insurance in perspective could be also a solution. The value of an average claim could also work.</p>	<p>insurance cost per day, through more research and possibly through consumer testing.</p>
21.		<p>Section 1 Demand-side Factors Affecting NatCat Insurance Uptake. Para 1. Consumers' understanding of insurance products and (perceived) affordability as a barrier to uptake. 3. What are your views as to how can product simplicity/consumers' understanding be improved, without impacting the level of coverage offered?</p>	
22.	Insurance Europe	<p>Product disclosures are often imposed by the EU and/or national regulation (e.g. IPID under the IDD). A good way to ensure they are understandable and usable by consumers is to consumer-test the disclosures before they are adopted, streamline regulatory disclosures and remove any duplicative disclosures to avoid information overload and consumer confusion.</p> <p>To enhance consumers' understanding, using data from past events can be valuable to showcase the rising frequency and severity of losses experienced. For instance, sharing average loss figures and ranges from low-impact to high-impact realistic events such as floods, storms and earthquakes, can help consumers grasp the significance of having adequate coverage.</p> <p>However, similarly to the answer to the question above, this should be part of a broader awareness raising campaign emphasising the importance of the product beyond just its price, as well as raising customers' awareness of their exposure to risks. Without this comprehension, the simplicity of products alone does not hold the value needed to address all the issues concerning insurance gaps. Consumer understanding can be improved through increasing risk awareness via financial education and literacy campaigns run by authorities, industry, the academic world and/or consumer organisations. EIOPA could further promote and support such initiatives in the nat cat area.</p>	<p>EIOPA welcomes your suggestions and considers also that a holistic approach covering various aspects highlighted in this paper is to be envisaged. EIOPA will continue working on different initiatives.</p> <p>EIOPA considers that simplicity is a factor not sufficiently considered by the sector. As the paper is focused on the demand side, EIOPA will consider the comments with regard to how the simplification of product disclosures could help increase the uptake of NatCat insurance.</p>

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		<p>With regards to product simplicity, product design is subject to the IDD product oversight and governance (POG) requirements, and any products proposed must be consistent with the demands and needs of the customers. Product simplicity should not be an objective per se: what is more important is that products meet the needs and demands of consumers – which can vary significantly depending on various factors such as local market conditions and risk to cover.</p>	
23.	Lloyd's Market Association	<p>“Wider coverage will often lead to greater simplicity/consumers understanding as complexity is often driven by exclusions and warranties. Customer testing and customer understanding testing would be applicable in local markets to better understand what customers need.</p> <p>However, we reflect that cover is often restricted based on the capacity of individual insurers to accept large wide area NatCat events onto their balance sheets. Therefore, underlying availability and terms of reinsurance available may be a significant influence on the terms, cover and costs to the consumer. Therefore, open reinsurance markets could increase the availability and affordability of NatCat insurance.</p> <p>It is sometimes challenging to simplify language within a narrower contract of insurance as this may need to mirror the reinsurance terms available.</p> <p>It may also be that a parametric market product would assist with this – payment would be triggered by the occurrence of an event and the amount of payment is agreed in advance – “agreed value”. This can be a relatively simple product to understand. However, there are different approaches in different EU jurisdictions to this kind of product so more conformity and guidance as to the treatment of parametric products might assist with EU wide distribution. If this kind of product was to be offered, it would require reinsurance at a rate where the premium offered to customers is at a reasonable rate. Therefore, as is true with many other specialist insurance products, reinsurance is key, and there should be as few barriers as possible in relation to the provision of such reinsurance. An additional benefit of a parametric product along the lines of the above is that it would diversify the insurer / reinsurer pool as different</p>	<p>Thank you for stressing that indeed, complexity could be driven, amongst other things, by exclusions and warranties. EIOPA considers that aspects such as risk of un-insurability, raising premiums linked to more frequent risks as well as available coverage for different types of risks shall be closely monitored. EIOPA agrees that language simplicity is a factor to be considered in further research and forward guidance.</p> <p>EIOPA also notes your suggestion for a parametric insurance product, as well as other product suggestions – however, this is related to the supply side, while this paper focuses on the demand side.</p>

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		<p>capital providers. Furthermore, it may also be the case that if the product could be offered on a standard basis across the EU it would be possible to cross subsidise areas of lower risk or areas subject to risk from different Natcat perils.</p>	
24.	Actuarial Association of Europe	<p>"As stated in the previous answer, pricing needs to be made transparent and tailor-made information needs to be provided to the policyholder through simple examples, detailed risk factors, detailed options and how it responds to the policyholder needs. In this context, we note that bundle type products can be a barrier to NatCat product uptake (see sections 1.22 and 1.23).</p> <p>Although bundles might have disadvantages, they have some benefits too. We are not so sure that customers find it easy to construct their cover from smaller pieces themselves. Usually bundle type products are simple to the consumer and might even be good to incentivise taking cover against infrequent perils. In general insurance admin costs eat a quite substantial part of the premium. This is exacerbated in relation to the premium when the premium is small. Often bundled products take lower admin costs and they can make economic sense. The idea that digitalisation and AI will lower the admin costs to near zero regardless of whether products are bundled, is currently not realistic.</p> <p>In some countries (e.g. France) insurance payouts may be contingent on public authorities declaring a specific event as a natural catastrophe. If such conditions are attached to a NatCat cover, they should be made very explicit to consumers.</p> <p>Policyholder education through better policy wording and tailor-made documentation should emphasis on the role of insurers as expert on risk mitigation and potential support to increase their community resilience to climate change and natural catastrophe thanks to incentives to develop individual adaptation measures, if possible, financially. Actuaries could play a specific role here.</p> <p>Used terms and definitions should be simplified and explained and can be found on one single place in the contract.</p>	<p>EIOPA acknowledges that pricing needs to be made transparent, and that policyholder's comprehension could be improved through simple examples, detailed risk factors, detailed options and how they respond to the policyholder' needs. While this has been explored in EIOPA's supervisory statement on exclusions, there seems to be a further need to carry out work in this area and EIOPA may explore this in the future.</p>



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25.	Federation of European Risk Management Associations (FERMA)	<p>Again, from our perspective as risk managers and corporate insurance buyers the level of coverage offered being impacted by simplicity/complexity is a very important topic. What we find, time and again, is that there are moves by the insurance industry to adjust policy wordings, which will impact upon customers detrimentally both in terms of actual coverage (limits) offered and the 'clarity' – or lack thereof – we have as clients about what will actually be covered in event of a loss. There is definitely some work for insurers to do here with customers, where they must better explain the product (and services) they are offering, and what coverage the customer has in event of a loss, before the event actually takes place (if it does).</p> <p>Put another way, FERMA wants to underline the fact that this is not one-way traffic, and that it is not always a case of poor understanding on part of the customer, it can often be down to lack of clarity from the insurer (and can be both at the same time...)</p>	<p>EIOPA supports measures that address both the clarity of the policy wording and clarity of coverage, as well improved consumers' understanding. While this has been explored in EIOPA's supervisory statement on exclusions, there seems to be a need to carry out further work in this area and EIOPA may explore this in the future.</p>
26.	Lloyd's Insurance Company S.A.	<p>"In the context of NatCat, the level of coverage offered does not necessarily correlate to the product simplicity, unlike some other risks. An increased insurance capacity is more likely to succeed in proposing simpler and innovative products without impact on the level of coverage.</p> <p>Indeed, the offering of innovative products for NatCat risks, which are simpler to understand for the consumers, require the participation of more and new market participants with the adequate risk appetite and particular expertise to propose this type of products. European markets need to be more attractive for insurance capacities."</p>	<p>Noted. EIOPA agrees that innovation plays a role – however your comments relate to the supply side.</p>
27.	BIPAR	<p>"The simplification, or rather trying to make the added value of insurance understandable, is a subject of continuous attention since many years and not only in relation to NatCat. It may have to be studied in how far the complexity of the society and of the legal system contributes to the complexity of insurance contracts.</p> <p>Since many years BIPAR promotes that insurance policy wording has to be as clear as possible. For instance, insurance companies could prepare a clearer information set that includes sample cases relating to both exclusions and events entitling to claims</p>	<p>EIOPA agrees on the importance of "insurance or risk culture" and that the solution to insurance product simplification could imply a mix of measures and one of them could be for insurance companies to prepare a clearer information set that includes sample cases relating to both exclusions and events entitling to claims settlement. This could be explored in future work.</p>

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		<p>settlement. We recognize that some insurers in some contracts have made great progress in this field. This being said, insurance remains a contract in very complex society in a legal system. In order to have a good debate about NatCat and insurability this aspect needs to be admitted in the discussion.</p> <p>Furthermore, before going into the detail of this consultation it may be useful to make some political choices: there may be a need for a discussion about whether or not everything should be or can be (privately) insurable (at a realistic price) and what the mechanisms should be.</p> <p>Insurance techniques and know-how can be useful at for example national or government level schemes to study alternatives to private insurance for certain risks. BIPAR remains at the service of EIOPA to assist in discussing this further and/ or in helping EIOPA to identify experts in the intermediation sector.</p> <p>Insurance product simplification is not the answer to a complex problem. The solution will probably be a mix of measures in which insurance and insurance/ risk related know-how may play a role.</p> <p>One of the issues lies with awareness and perhaps something we can call “insurance or risk culture”. This needs further study but there are differences in this respect in the various Member States.</p> <p>The aspect of balancing out certain risks in a cover is sometimes a solution in areas where none of the insured assets are overly exposed to one of the risks. For example, in a home insurance package that covers fire, lightning, explosion, theft, flood, impact, etc, “bundling” of some risks in a cover definitely improves penetration and possible affordability of cover for customers. We refer here to point 1.22 of the staff paper: “1.22. Beyond complexity per se, the way in which NatCat products are sold also plays an important role. In fact, the sale of NatCat coverage bundled with household insurance is often a common practice and bundling and tying practices tend to increase</p>	<p>We also take note of your proposal to study alternatives to private insurance for certain risks, however this is not the focus of this Staff Paper.</p>

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		<p>information asymmetry and complicate price comparisons, to the detriment of consumers".</p> <p>BIPAR recalls that it is against tying practices, but agrees that in some cases, bundling can be beneficial or necessary. In terms of protecting a "home" it may be useful to have a protection against a bundle of perils.</p> <p>Finally, promoting sustainable behaviour with reward systems could perhaps be a way to achieve the goal of increasing understanding of this type of coverage.</p>	
28.	AMICE	<p>Section 1 Demand-side Factors Affecting NatCat Insurance Uptake. Para 1. Consumers' understanding of insurance products and (perceived) affordability as a barrier to uptake. 3. What are your views as to how can product simplicity/consumers' understanding be improved, without impacting the level of coverage offered?</p> <p>There are significant responsibilities when it comes to explaining products to consumers. It is vital that consumers understand what they are buying, and why it is an important coverage to them, and to this extent clear language including definitions is important. This is not, however, purely an insurer's responsibility, insofar as there are legislative and legal requirements to be fulfilled.</p>	<p>Noted. However, EIOPA is of the opinion that the onus should not be completely put on the consumer – the industry needs to ensure through adequate POG that consumers are correctly onboarded in NatCat purchasing processes. EIOPA does share the opinion that product language complexity can be an issue and needs further research.</p>
29.	Marsh & McLennan Companies	No answer	N.A.
30.	IRSG	<p>Understanding of insurance products can be improved through financial education initiatives.</p> <p>The focus should not be solely on simplification. When it comes to Natcat insurance, policyholders' needs may differ given the different market dynamics and the specific risks they may face. Therefore, it is important that Natcat insurance products meet these specific consumer needs.</p> <p>Related to the above, there should be a more straightforward way of 'pricing' or quantifying losses. If the insurer/broker is for example better able to show or help the client understand what the possible losses might be in specific scenarios this could improve the understanding. From a customer point of view, however, there will always</p>	<p>EIOPA welcomes your suggestion to for a strong POG implementation and ensuring that the product meets consumers' needs and contribute to good consumer outcomes.</p> <p>EIOPA also welcomes your comments on pricing – this could be further assessed through behavioural and/or consumer testing – it is important not only to know which incentives work, but what measures may cause opposite effect.</p>

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		<p>be the concern that if the risk is well-known the pricing of it will almost act as a disincentive.</p> <p>Appropriate enforcement of POG could be helpful. Product adjustment to the insurance needs is critical here, also taking into account geographical location. The coverage of insurance products should take into account local high Natcat risks. Definitions of particular perils can influence the coverage, like the speed of wind. It does not restrict the exclusion of coverage but requires information that the product does not include important risk.</p> <p>To avoid potential downsizing of insurance coverage, complaints and lack of trust in the future, particular risks' definitions, as a reference point (not as a required coverage) can be helpful. Those definitions might be worked out by public authorities, academia and the insurance industry.</p>	<p>EIOPA also notes your proposals to commonly develop particular risks' definitions, as a reference point in a joint effort by public authorities, academia and the insurance industry.</p>
31.		<p>Section 1 Demand-side Factors Affecting NatCat Insurance Uptake. Para 2. Previous experience with insurance and social norms as a barrier to uptake. 4. To what extent do you agree that previous experience and social norm can have a significant impact on uptake of insurance products?</p>	
32.	Insurance Europe	<p>Insurance Europe agrees that previous experience and social norms can significantly influence the uptake of insurance products. Therefore, positive experiences from nat cat events should be emphasised to encourage uptake. Such experiences include cases where insured individuals received indemnities quickly compared to those relying on state subsidies or other intervention, and/or where insurance coverage ensured a catastrophic financial consequence was avoided, such as illiquidity due to the loss of an uninsured house on a mortgage. Testimonials from satisfied clients can be utilised to achieve this goal.</p>	<p>EIOPA notes your suggestion for possible re-enforcing messages, such as testimonials from satisfied clients, case studies where insured individuals received indemnities quickly compared to those relying on state subsidies or other intervention, and/or where insurance coverage ensured a catastrophic financial consequence was avoided, such as illiquidity due to the loss of an uninsured house on a mortgage.</p>
33.	Lloyd's Market Association	<p>"The UK is an example of a mature market with significant market penetration. However, there is still a material protection and perception gap. The prevalence of mortgages, and associated insurance conditions, within the UK property markets drives</p>	<p>EIOPA agrees that where insurers and distributors invest in significant advertising and marketing to attract market share, this increases the perception</p>

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		<p>significant insurance uptake. However, insureds are generally not tied to their mortgage providers' preferred insurer - this separation drives competition.</p> <p>Where insurers and distributors (brokers) invest in significant advertising and marketing spend to attract market share, this increases the perception of social normalcy and increases general awareness.</p> <p>Where there is not an effective local market, leading to poor uptake, it may be appropriate for local public bodies to undertake general awareness campaigns. In addition, there should be encouragement for international insurers to participate.</p>	<p>of social normalcy and increases general awareness.</p> <p>EIOPA also agrees that insurance uptake could be driven by insurance conditions related to mortgages, if these do not tie the insurance policy to the mortgage providers' preferred insurer in order to drive competition and ensure a better offers for consumers.</p>
34.	Actuarial Association of Europe	<p>"The uptake of Nat Cat insurance products is indeed strongly linked to previous individual experience of a claim rejection or a complicated client's journey to obtain recoveries that would hinder the policyholder's attraction to such coverage and shape their perception of the need for insurance. Should difficulties to obtain recoveries fairly and timely impact several people, the potential impact on the community can be material. It may impact the society level of skepticism and deter individuals from purchasing insurance, particularly, when accompanied by media or social media coverage of on difficulties obtaining claims payments.</p> <p>Social norms are also crucial to drive Nat Cat insurance uptake since communities, cultural factors and peer influence will build a community's perception of insurance standard practices. Should insurance be perceived by a community as not likely to provide benefits (recoveries in case of Nat Cat) despite costs for the community then the community's trusts towards insurance and Nat Cat coverage will decrease."</p>	EIOPA takes note of your comments and agrees that teachable moments in the consumer's journey need to be studied in more depth. If negative consumer's experience is broadly shared, it might disincentivize further NatCat uptake.
35.	Federation of European Risk Management Associations (FERMA)	To a large extent. Also, worth arguing here that this norm-barrier applies across the range of customers of insurers—to corporates as well as Households/consumers.	Please note that the focus of this Staff Paper is on individual costumers.

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36.	Lloyd's Insurance Company S.A.	<p>"Previous experience matters, but less so with insurance and more with anticipation that there will be public help/funding compensating for losses, leading to a situation where low insurance take up becomes the social norm.</p> <p>Also, as mentioned above, more education on the deductibles would improve the insurance experience which often relate to small damages that customers could often afford, leading to less misunderstandings of what is covered and value for money."</p>	Noted. EIOPA agrees that value for money is an important aspect promoting a customer-centric approach. EIOPA may further explore this in the future.
37.	BIPAR	<p>"The demand for insurance or the demand for "security" is a very complex issue. To answer basically the question 4: Both play an essential role in determining the level of (demand for) coverage of citizens.</p> <p>Unfortunately, experience plays a role, since there is often a surge in new contracts only after extreme events have occurred in some areas.</p> <p>We will have to overcome the concept of 'risk' by allocating it, also in view of recent damaging events, to the principle of 'social risk management'.</p> <p>The social changes underway (sustainability, attention to the environment, etc.) can influence the coverage offered and demanded."</p>	EIOPA acknowledges the importance of the principle of 'social risk management' applied through prevention and mitigation measures to promote risk taking, with particular focus on more vulnerable groups.
38.	AMICE	The paper is clear on the impact that social norms and previous experience of losses generally have on the uptake of insurance products. It is likely that this is particularly true of insurance products such as Natcat when individual perceptions of the risk exposure are not generally based on an accurate judgment of the true level of risk.	Thank you for your comment.
39.	Marsh & McLennan Companies	No answer	N.A.
40.	IRSG	Generally, we agree. Therefore, positive experience with private Natcat coverage, where insured individuals received payouts quickly compared to those relying on state intervention, should be emphasised. Of course, appropriate attention should also be given to the negative previous experiences in order to be fair.	Thank you for your comment. EIOPA indeed agrees that the effect of previous negative experiences should also be further assessed, such as delays or other elements in the customer journey.

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		<p>To a large extent. It is also worth arguing here that this norm-barrier applies across the range of customers of insurers. The delays in settling the claims can also be a criterion. Research at Warsaw School of Economics confirmed that experience is more positive if a policyholder faces a claim process. For this reason, the adequacy and understanding of coverage and quality of the complaint process are critical to avoid a bad reputation</p>	
41.		<p>Section 1 Demand-side Factors Affecting NatCat Insurance Uptake. 2. Previous experience with insurance and social norms as a barrier to uptake. 5. In your views, what can be done to increase trust in the insurance sector? In particular, stakeholders' inputs as to which measures could be put in place by the industry would be highly appreciated</p>	
42.	Insurance Europe	<p>The insurance industry can increase trust by further offering their expertise and advice on nat cat hazards (i.e, by leveraging market statistics on insured losses), as well as in terms of risk prevention and reduction, thus demonstrating a commitment to helping customers reduce potential risks.</p> <p>Communicating to the public about the actions undertaken by insurance companies to expedite claims processing, can underscore the industry's commitment to promptly assisting policyholders during challenging times.</p> <p>In addition, it is worth noting that many insurance companies made significant progress in developing analytical tools that enable them to act proactively and enhance their ability to respond swiftly and effectively in times of crisis.</p> <p>Lastly, to enhance disaster response and early recovery, it is imperative to establish robust cooperation between insurance companies, public authorities responsible for crisis management, and supervisory agencies. This collaboration is especially critical in scenarios involving very significant damages.</p>	<p>EIOPA welcomes any initiative that the industry is willing to take, that could leverage on their expertise on NatCat hazards, in terms of risk prevention and as well as reduction.</p> <p>It also agrees that collaboration between insurance companies, public authorities responsible for crisis management, and supervisory agencies is crucial and could go beyond enhanced disaster response and early recovery.</p>
43.	Lloyd's Market Association	<p>"We believe a clearer distinction in legislation and regulation between consumer, SME and large risk insurance would help all market participants to better understand the specific features and needs of each market but will also provide legal certainty and therefore trust.</p>	<p>Please note that the focus of this Staff paper is on individual costumers.</p> <p>While this is outside the scope of EIOPA, we welcome your suggestion for appropriate wider</p>

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		Appropriate wider public policy protections such as clear ombudsman and compensation schemes could increase trust in financial services, and consistency of these schemes across the EU. "	public policy protections such as compensation schemes that could be consistent across EU as well as clearer redress mechanisms.
44.	Actuarial Association of Europe	<p>"The following measures could be put in place by the industry to increase trust in the insurance sector:</p> <ul style="list-style-type: none"> <li>• Increase transparency in products, terms and guarantees, vulgarized pricing and claims' settlement with more information provided to policyholder and tailor-made use cases</li> <li>• Prompt claims settlement to support post disaster recovery (which is mentioned in the EU Taxonomy's insurance-specific criteria)</li> <li>• Invest in policyholders' and more largely communities' trainings on insurance products, guarantees, mechanisms to build insurance knowledge with the help of government and non-profit associations. This can be done through more digital means using for example social media</li> <li>• Invest in customer support through multi channels (phone, emails, online chats, physical meetings)</li> </ul>	EIOPA welcomes your suggestions.
45.	Federation of European Risk Management Associations (FERMA)	<p>From FERMA members we hear generally positive reactions to premium rebates designed to stimulate investments into prevention measures, so this is a good practice of the insurance industry that we feel, as corporate clients, as a good measure to increase trust in the (re)insurance sector.</p> <p>We have also heard some good practice in the form of some insurers sending their own risk engineers/inspectors to the sites of corporates, who take the time to speak to the client, understand the client, as well as make an effort to see how the client has followed-up on previous site inspections—we understand this might not be applicable to private homes but their might be a less-invasive way for insurers to offer a similar service to households.</p> <p>Furthermore, there have also been initiatives in other markets outside the EU where insurers would share their flood maps with customers before contracts were signed, and these helped customers take a look at their risks, but also left customers with a more positive opinion of their insurer.</p>	EIOPA welcomes initiatives where insurers would share their flood maps with customers before contracts are signed, to help customers have a better understanding of their risks and any other initiatives where (re)insurance industry would share information and data with their clients.



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		<p>Another point in general, from our perspective as risk managers and corporate insurance buyers, is that there is a perception the (re)insurance industry is generally reluctant to share good information with their clients in the same way brokers are, for instance, so there might be something more for the (re)insurance industry to think about, and follow-up on here, in terms of sharing information and data with their clients.</p>	
46.	Lloyd's Insurance Company S.A.	<p>"A clearer distinction in legislation and regulation between retail and commercial insurance would help all market participants to better understand the specific features and needs of each market.</p> <p>While maintaining a high level of protection to consumers under the current regime, a new and distinct market for businesses and SMEs would allow for a more proportionate treatment, providing more clarity to all market participants and therefore trust.</p> <p>As highlighted above, education should include a part dedicated to deductibles and their impacts on premium and level of coverages, with a better understanding of insurance value for money.</p> <p>Trust in the insurance sector can be improved by focusing on the positive contributions of insurance, including:</p> <ul style="list-style-type: none"> <li>• impact of prevention on the level of premium;</li> <li>• benefits of higher level of coverages;</li> <li>• benefits of parametric covers ;</li> <li>• impact on national budgets in relation with public money compensating for low level of insurance; and</li> <li>• possibility to reinvest premiums in the economy.</li> </ul>	<p>EIOPA welcomes your suggestions aimed at increasing trust in the insurance sector. Whilst your comments on legislation are noted, these will be reassessed in due time when the relevant framework will be under review. Please note that the focus of this Staff paper is on individual consumers. Comments regarding development of other products are not the scope of this paper.</p>
47.	BIPAR	<p>"We do not believe there is necessarily a general trust issue with the insurance sector. There is clearly room though for more awareness and "tutoring" and a debate about what is insurable.</p> <p>We also refer back here to our response to Q 3 and that more can possibly be done with regard to the clarity of (pre)contractual information. Insurers could for instance</p>	<p>Noted. EIOPA agrees that more clarity and expectation management vis-à-vis the consumer during assistance of a NatCat can help the consumer become aware of the actions that need to be taken.</p>

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		also provide evidence on settlement times and ensure that there is a comprehensive request for the documentation needed for settlement of the claim in the pre-claim stage. We recognize though that some insurers in some contracts have made great progress in this field.”	
48.	AMICE	There is a patchwork of experience in this area, some of which is highlighted in the report. Paradoxically, mandatory insurance requirements can lower trust in the insurance sector, whereas positive claims experiences and insurer supports are instrumental in increasing trust. In this respect, education and communication are vital.	Noted.
49.	Marsh & McLennan Companies	No answer	
50.	IRSG	Provide advice on NatCat hazards and preventative measures that can be implemented by policyholders to decrease their risk exposure.  Be fast and effective with claims management in times of crisis.  Acts of goodwill, such as sharing e.g. flood risk maps with ideas of pricing to help guide customers/municipalities  Real cases are always useful. However, if this is a rare but severe event, the story will repeat, or come back to the past event, like the flood in Poland in 1997.	EIOPA welcomes your suggestions, in particular the reference to the acts of goodwill.
51.		Section 1 Demand-side Factors Affecting NatCat Insurance Uptake. Para 3. Risk perception and expectations on public support as a barrier to uptake. 6. Are you aware of any initiatives aimed at enabling consumers to properly assess the type of risks they are exposed to?	
52.	Insurance Europe	Yes, there are several initiatives aimed at helping consumers properly assess the risks they are exposed to. Communication efforts, such as user-friendly hazard and risk maps, are available in several countries across Europe. Some examples include:	Noted. Thank you for highlighting those.

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		<ul style="list-style-type: none"> <li>• In Austria, a partnership between the government and the insurance industry led to the development of a digital hazard map called HORA -Hochwasserrisikozonierung (Flood Risk Zoning) Austria. This map highlights potential hazards such as floods, earthquakes, storms, hail, and snow, and aims to increase public awareness about these risks.</li>   <li>• The French Ministry for Ecological Transition and Territorial Cohesion and BRGM, the French public institution for the application of Earth sciences, have set up a publicly accessible database (<a href="https://www.georisques.gouv.fr">https://www.georisques.gouv.fr</a>) which can be used to identify natural hazards such as flooding, landslides and the shrinking and swelling of clays, using an address.</li>   <li>• The German Insurance Association's (GDV) online tools Hochwasser-Check (Flood Check) and Naturgefahren-Check (Nat Cat Check) aims to raise homeowners' awareness and empower them to proactively take precautionary measures. They have been developed in response to the lack of a comprehensive nationwide public platform offering easily accessible information on natural hazards and preventive actions.</li>   <li>• GDV collaborates with local governments in 11 out of Germany's 16 federal states to conduct awareness campaigns on natural catastrophes (Elementarschadenkampagnen). These campaigns aim to inform the public and enhance their awareness of natural catastrophes.</li>   <li>• The Flood Competence Center (HKC) in Germany has developed the Hochwasserpas (Flood Label). The Flood Label isn't simply a certificate, but a multi-stage concept with the aim of raising public awareness, especially among land and homeowners for both existing properties or planned developments, about the significance of flooding-related issues and promoting the implementation of preventive measures. This includes addressing various flood-related hazards such as river flooding, heavy rainfall and flash floods, canal backwater, and groundwater flooding.</li> </ul>	

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		<ul style="list-style-type: none"> <li>• The Hellenic Association of Insurance Companies is currently developing a nat cat insured losses dashboard, which will enable consumers to assess the vulnerability of their region.</li>   <li>• The Polish Chamber of Insurance has developed two educational reports on climate change's impact on social and economic security. The latest one, entitled "Climate of Growing Losses: The Role of Insurance in Climate Protection and Energy Transformation" was published in July 2023. The reports aim at informing the authorities and the public about the link between risks and insurability.</li>   <li>• In Spain, Agroseguro, El Consorcio de Compensación de Seguros, and the Spanish Insurance Association have collaborated to create a website called Naturalmente protegidos. This website provides essential information for citizens and helps raising public awareness about the importance of being insured. Among the information provided, the website includes insurance coverage details, contact information for nat cat-related damage, and other valuable resources.</li>   <li>• In Spain, there is a cartographic viewer of flood zones called Sistema Nacional de Cartografía de Zonas Inundables (National System of Flood Zone Mapping), which is publicly available.</li>   <li>• Zurich Insurance offers self-assessment tools, including the "Natural Hazards Radar" and Zurich's Self- Risk Assessment for SMEs, to assist consumers in evaluating their risks.</li> </ul>	
53.	Lloyd's Market Association	<p>"In the UK, consumers who take out home insurance are required to enter the estimated cost of rebuilding their house. With few exceptions, consumers are directed to a website which calculates the rebuilding costs which the consumer then provides to the insurer. Similarly, the Flood Re scheme (set up with the UK Government) publishes a risk checker <a href="https://check-long-term-flood-risk.service.gov.uk/">https://check-long-term-flood-risk.service.gov.uk/</a> and mapping tool. This allows consumers to check their own flood risk based on their general area, but is not specific to their property.</p>	Thanks for highlighting this.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
54.	Actuarial Association of Europe	<p>"Such initiatives are very heterogeneous across the EEA zone and depend on the actual objective for example :</p> <ul style="list-style-type: none"> <li>- Risk mapping, online platforms in France and other countries :                             <ul style="list-style-type: none"> <li>o Through CCR (private-public partnership - <a href="https://catastrophes-naturelles.ccr.fr/">https://catastrophes-naturelles.ccr.fr/</a>)</li> <li>o Through a government portal (<a href="https://www.georisques.gouv.fr/">https://www.georisques.gouv.fr/</a>)</li> <li>o In Austria: <a href="https://hora.gv.at/">https://hora.gv.at/</a></li> </ul> </li> <li>- Services in risk management by insurers and reinsurers :                             <ul style="list-style-type: none"> <li>o <a href="https://www.generali.fr/professionnel/dossier/catastrophes-naturelles-decembre-d1/">https://www.generali.fr/professionnel/dossier/catastrophes-naturelles-decembre-d1/</a></li> <li>o <a href="http://www.axaprevention.fr/fr/article/georisques-plateforme-prevention-risques-naturels-industriels">http://www.axaprevention.fr/fr/article/georisques-plateforme-prevention-risques-naturels-industriels</a></li> </ul> </li> </ul> <p>We would suggest that EIOPA looks which EEA countries DON'T have such initiatives, and to which extent the EU could play a subsidiary role here to fill the gap (e.g. with EIOPA's own protection gap dashboard)</p>	Thanks for highlighting these initiatives. EIOPA agrees that the focus should be on EEA countries which do not have such initiatives; however, also non-European approaches may be explored.
55.	Federation of European Risk Management Associations (FERMA)	FERMA hears from its members that Brokers/intermediaries are helpful in this regard as brokers work with the enterprise to map out the Expected Maximum Losses of the clients in a bid to inform the client what they then seek to get in terms of coverage for the market.	Noted.
56.	Lloyd's Insurance Company S.A.	<p>"The following initiatives are worth mentioning here:</p> <ul style="list-style-type: none"> <li>•Startups have developed applications assessing:                             <ul style="list-style-type: none"> <li>o Whether customers do not already have a cover in another insurance contract; and</li> <li>o What are the most frequent claims in a given neighborhood: more directed at burglary but could be relevant for NatCat (floods,...).</li> </ul> </li> </ul>	Noted.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		<ul style="list-style-type: none"> <li>•Cities and regions have develop digital tools (websites, apps) including all relevant information about local frequent perils, in order to inform customers on the need to take insurance cover.”</li> </ul>	
57.	BIPAR	<p>"In Germany, BIPAR member association BVK reported an alignment of its members with the UN action lines related to natural disasters.</p> <p>Other BIPAR member associations are also involved in existing or upcoming initiatives and we will keep EIOPA informed accordingly.</p> <p>We are aware that also some professional insurers' associations from various countries (GDV in Germany, the Swiss Association, France Assureurs in France, Ania in Italy) have also begun to intervene with consumers to promote prevention activities.</p> <p>For example, the French insurers' preventive initiative to protect individual houses against drought: France Assureurs, CCR et la Mission Risques Naturels lancent « Initiative Sécheresse » - France Assureurs</p>	Noted.
58.	AMICE	There are multiple initiatives by insurers towards their policyholders to assist them in risk assessment, some of which include Natcat exposures. The engagement models of mutual insurers lend themselves naturally to the approach of assisting their member/policyholders in understanding their risks and exposures.	Noted.
59.	Marsh & McLennan Companies	No answer	Noted.
60.	IRSG	There are initiatives available in several countries across Europe (e.g., Germany, Austria, France, Spain, Switzerland, Poland, etc.) that aim at enabling consumers to properly assess the risks they are exposed to. Such initiatives include hazard and risk maps, as well as educational material for policyholders regarding their Natcat coverage. But they are barely known. There is a need to make it popular within local communities.	Noted. EIOPA agrees on the need to advertise such initiatives.
61.		Section 1 Demand-side Factors Affecting NatCat Insurance Uptake. Para 3. Risk perception and expectations on public support as a barrier to uptake. 7. To what	

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		<p>extent would you agree that there is often a misperception between when and how public authorities would intervene and their actual interventions?</p>	
62.	Insurance Europe	<p>There is often a significant mismatch between the expectations of consumers and the actual interventions of public authorities following an event. While it is reasonable to expect the state to provide immediate aid, consumers often expect the state to fully restore their losses after an event, leading to an overreliance on public financial compensation. However, the state's ability to offer free subsidies for reconstruction depends on factors including the magnitude of the event and the available budget. Combined with the public sector's lack of the necessary tools and expertise to efficiently manage insurance claims, overreliance on the state leads to inefficiency and disappointment by the public.</p> <p>In fact, insurance has several benefits compared to ad hoc and often uncertain and delayed government intervention. In particular, an insurance contract is a more secure and timely means of coping with disasters, offering rapid payouts and prompt assistance to affected populations. Insurance can also render clients more credit worthy, and thus promote investments in productive assets and higher-risk/higher-yield activities, in turn reducing disaster-related poverty traps. Finally, and importantly, insurance can encourage risk reduction, catalyse risk assessment, and drive more structured decision-making around ex-ante risk management.</p> <p>The concern is that such expectations may limit the perceived need to buy cover against nat cat events.</p> <p>Therefore, the focus has to be on pre-arranged mechanisms, including insurance, which offer clearer and more reliable compensation options compared to uncertain ad-hoc agreements post-event. Public authorities could also facilitate increased uptake of private insurance for nat cat events by clearly indicating that they will not reimburse nat cat incidents for people that can afford private insurance.</p>	<p>Thank you for your comments. EIOPA notes the need of speedy assistance in the event of a NatCat. It is often the case that it is not clear which institution will coordinate the pay-outs, private (governments) or commercial insurers.</p> <p>It is important that where the insurance sector is in the lead, expectation management towards consumers is always clear, consistent, and straight forward. EIOPA agrees that pre-arranged mechanisms are important, however this should not come at the cost of good consumer outcomes.</p> <p>While the role of public institutions is important, it is currently not the scope of the paper.</p>

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		Furthermore, public authorities should take proactive measures, including the implementation of appropriate planning policies, adherence to relevant construction standards, and the collection of data related to climate conditions, hydrological patterns and building structures.	
63.	Lloyd's Market Association	"This may be driven by media coverage of events and an expectation that senior leaders from public authorities will attend the scene of an event. Interventions are then expected and perceived to be taking place after the visit. Public pooling of risk that is only available through the purchase of private insurance backed by should reduce the risk that public authorities are expected to step into the protection gap as insurer of last resort.	Noted. Media coverage can play a role in raising consumer awareness; however this is outside EIOPA's scope.
64.	Actuarial Association of Europe	"The extent of the misperception about public authorities' real intervention would be very heterogenous across the EEA zone. If there was a misperception it is usually due to: - insufficient public awareness especially in time of crises - complexity of the public authority's intervention and communication in time of crises - media and social media coverage that can feed this misperception.  We would expect that the public sector would maintain the infrastructure to minimize losses and should define ex ante the cover that citizens can expect in case a catastrophe occurs.	EIOPA notes your remark on the upkeep of public infrastructures, however, this is outside the scope of the paper.
65.	Federation of European Risk Management Associations (FERMA)	Based on feedback from the FERMA members, there is indeed a fairly widespread perception that Municipalities will intervene at some stage. However, there seems to be little or no clarity on when, how or to what extent they would intervene, nor what their actual interventions would look like. It is therefore probable more work/information is needed in this area.	While this is outside EIOPA's scope, EIOPA agrees that more work/information is needed in this area.
66.	Lloyd's Insurance Company S.A.	"For countries with low NatCat coverage, policymakers should avoid reinforcing the consumer expectations that the state will step in. On the contrary, such schemes should aim to drive more uptake of private insurance.	EIOPA agrees that more work/information/awareness is needed on how and when each State will intervene (or not) in the event of a NatCat disaster.



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		<p>In that respect, public authority interventions related to NatCat coverage should be contingent with the presence of a greater private sector involvement in providing insurance against NatCat incidents. For example, policy measures might incentivise private insurance through tax measures (e.g. tax rebates) or setting private insurance cover as a pre-condition to access public cover. Thus, moving from a vicious circle to a more virtuous circle.</p> <p>Such virtuous circle would increase volumes with positive impacts on a number of aspects as explained further above (affordability, data,...). This "skin in the game" approach from a customer perspective is also more virtuous than only mandating insurance without any other incentives, like the guarantee of an additional cover. Private insurance has a positive impact on incentivising people to change behaviour to increase safety and resilience, and it eventually prevents taxpayers across Europe from having to cover all of the costs of natural catastrophes.</p> <p>This "layered" approach that encourages private insurance to be Europe's first line of defence against natural catastrophe risks is in line with the proposals made in the EIOPA/ ECB Discussion Paper issued last April (Policy options to reduce the climate insurance protection gap). In this paper, public interventions were presented as being best restricted to covering only the highest loss layers related to low frequency/ high impact losses.</p> <p>We believe that this "ladder approach to catastrophe insurance" previously proposed by EIOPA could help correct the misperceptions around public intervention on NatCat issues.</p> <p>Finally, the EIOPA Staff Paper could be further completed by including a comparative analysis of the effectiveness of previous NatCat insurance coverage initiatives led by public authorities.</p> <p>Such analysis could track the main characteristics of these prior initiatives as well as their track record, and successes and failures in encouraging customers to purchase insurance and implement risk prevention and mitigation measures.</p>	<p>EIOPA agrees that further research could be conducted regarding the coverages offered by public initiatives to also determine what needs to be complemented; however, it is also important to reflect on what is / is not in EIOPA's remit.</p> <p>EIOPA agrees with the ladder approach to catastrophe insurance and will take steps to put this further in place when relevant to applying to the demand side.</p>

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		<p>A set of case studies that describe how such initiatives have performed against real-life catastrophes would also provide greater insight to drive adequate policy solutions to this pressing problem.</p> <p>A good comparative analysis of catastrophe risk insurance schemes was conducted and published in 2021 by the OECD, entitled "Enhancing financial protection against catastrophe risks: the role of catastrophe risk insurance programmes". EIOPA could build on this analysis, aided by real-life case studies, to further assess the role of catastrophe risk insurance schemes in addressing demand (and supply) side causes of Europe's catastrophe protection gap.</p>	
67.	BIPAR	<p>"The entire discussion re NatCat is very complex. We appreciate the effort of EIOPA to try and break it down and provide a set of more pragmatic "questions and answers". BIPAR is of the opinion that there are no simple answers but with our answers we try to contribute to a debate that needs to be much wider and that requires in the first place difficult political decisions.</p> <p>Regarding "state pools", it is necessary to study the issue of "moral hazard". We believe it is wise for a state to have a reinsurance facility of last resort for exceptional circumstances. Insurance intermediaries can bring insurance technique and risk expertise to governments.</p> <p>There should be a debate – probably including regional and national level politicians - about whether less severe disaster claims should be catered for by the general insurance market with recognition and rewards given to those customers who act to mitigate their risks by purchasing insurance.</p> <p>We believe that in many cases there is indeed a misperception in terms of public intervention. The will or initiative of public intervention may be a political rather than rational decision. Also, the question may be asked whether "public infrastructure" or lack of "public infrastructure" is partly responsible for private individual loss. After a loss (for example in case of flood...) is it "politically", socially and or "technically" correct to allow rebuilding?</p>	<p>We thank you for your comments.</p> <p>EIOPA agrees that more work/information/awareness is needed on how and when each State will intervene (or not) in the event of a NatCat disaster.</p> <p>We have taken your comments on board regarding moral hazard and state interventions. We understand the need for more public debate – if necessary EIOPA will play a role, but currently this is outside the scope of the paper. However, the role of public intervention is an element that needs to be studied further, as it has multiple impact on consumers and directly affects NatCat uptake.</p>

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		<p>It is clear that public intervention after a natural catastrophe mostly does not cover the full damage. There are caps for the losses in households and it can be that only those damages will be compensated that are necessary for daily life (clothes, kitchen items, basic furniture), but not for example your collection of jewellery.</p> <p>In Germany, the compensation for a destroyed house, at the last catastrophe 2 years ago, is limited to 80 % of the costs to repair / rebuild your building.</p> <p>Also, often the expectations of the victims and of the population who witness the consequences of catastrophic events, regarding the response times and recovery of the damage by the authorities are not met and they remain frustrated by the slowness of the interventions.</p> <p>It is therefore very important that public authorities are more active in terms of informing the population about the possibilities and difficulties of concrete intervention. This can limit "moral hazard" and instead raise awareness about the need to insure and help people turn to insurance where this proves fit to provide coverage in this area effectively and efficiently.</p>	
68.	AMICE	<p>This factor is a political variable across different administrations, as well as in different Member States. Particularly with severe Natcats, there appears to be a perception that governments will always intervene where there are extreme impacts. This perception may sometimes be amplified by misunderstanding of some of the state mechanisms in place to respond to certain exposures.</p>	<p>EIOPA agrees that the role of public intervention is an element that needs to be studied further, as it has multiple impact on consumers and directly affects NatCat uptake. However, it is also important to reflect on what is/is not in EIOPA's remit.</p>
69.	Marsh & McLennan Companies	<p>No answer</p>	<p>N.A.</p>
70.	IRSG	<p>We agree. There is often a misperception of the level and speed of state intervention following a Natcat event. To avoid public frustration and increase the uptake of private Natcat insurance, it should be clearly communicating if, how and when the state will intervene (or not) in the event of a Natcat disaster.</p>	<p>EIOPA agrees that more work/information/awareness is needed on how and when each state will intervene (or not) in the event of a NatCat disaster. However, it is also</p>

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		<p>From a short discussion with Risk Managers in the FERMA Sustainability Committee there is indeed a fairly widespread perception that Municipalities will intervene at some stage. However, there seems to be little or no clarity on when, how or to what extent they would intervene, nor what their actual interventions would look like. It is therefore probable more work/information is needed in this area.</p> <p>Unfortunately, sometimes such public intervention is a part of a political campaign and makes the situation of the insured even worse (i.e. public intervention is dedicated in the first place to those without any other coverage).</p>	<p>important to reflect on what is / is not in EIOPA's remit.</p>
71.		<p>Section 1 Demand-side Factors Affecting NatCat Insurance Uptake. Para 4. The insurance purchasing process as a barrier to uptake. 8. To what extent do you agree that the purchasing buying process can be a barrier? And if so, in which way?</p>	
72.	Insurance Europe	<p>Insurance Europe agrees that the purchasing process can be a barrier. One of the possible causes can be the lack of digitalisation. By firstly digitalising and simplifying the process through a helper for assets' valuation (building and contents), secondly leveraging public data to reduce the number of risk assessments questions asked to the consumer, and finally by making existing regulatory requirements related to disclosures and advice digital by default (while those in the Insurance Distribution Directive (IDD) are currently paper-based) and digital-friendly (for instance by allowing the layering of information), improvements can be achieved in streamlining the process, making it more engaging for consumers.</p> <p>However, it is important to note that there are limits in this streamlining process, particularly for complex insurance types such as building insurance, as well as an inherent tension between streamlining and offering tailor-made and more detailed risk information, as already highlighted in our general remarks.</p>	<p>EIOPA agrees that there are limits in streamlining digital disclosures particularly for complex insurance products. Tailor-made solutions and providing more detailed risk information are also a solution.</p> <p>EIOPA notes your comments and will take them into account in relevant work.</p>
73.	Lloyd's Market Association	<p>"In mature markets, there is a greater prevalence of online comparison, this can lead to a race to the bottom and a hollowing out of products, to achieve a competitive price point.</p> <p>An over emphasis on price by distributors could highlight that there are still issues within markets of distributors proposing a contract of insurance inconsistent with the customer's insurance demands and needs. The process needs to be carefully managed to ensure needs are thoroughly considered. "</p>	<p>EIOPA agrees that an overemphasis on price by distributors could highlight that there are still issues within markets of distributors proposing a contract of insurance inconsistent with the customer's insurance demands and needs</p>

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74.	Actuarial Association of Europe	<p>"Probably in a lesser magnitude than affordability, the complexity of the buying process is a barrier to the Nat Cat Uptake in particular:</p> <ul style="list-style-type: none"> <li>- in case of a lengthy and tedious application process requiring too many documents</li> <li>- in case of lack of accessibility to insurance providers or insurance brokers in some regions reducing any access to details on the products, conditions and guarantees</li> <li>- where insurance salespersons are not properly trained to inform the client about the exact characteristics of the natcat coverage (especially where natcat is bundled together with other risks)</li> </ul>	Noted. EIOPA agrees that different moments of the purchasing process need to be further researched.
75.	Federation of European Risk Management Associations (FERMA)	From the point of view of corporate clients of insurers, we do agree that the purchasing process can be a barrier, but we caveat that with the observation that there will be differences across markets in the EU. Our members have the impression that the buying process can be very questionnaire-driven and that these data points might not even be useful for the insurer. Increasingly, insurers are asking ESG- related questions but the relevance of the customers' responses remains unclear to the customer (possibly even to the insurer and broker, too).	EIOPA acknowledges that there are differences across markets in the EU.
76.	Lloyd's Insurance Company S.A.	No answer	N.A.
77.	BIPAR	<p>"BIPAR strongly disagrees with the statement made in points 1.42 and 1.43:</p> <p>"1.42. The perception that finding the right type of coverage is a resource intensive activity deters the uptake of home insurance with NatCat coverage: the effort itself acts as an extra cost which, once added to the financial cost of insurance can reduce consumers' perceptions on the benefits of insurance.</p> <p>1.43. Finally, the limited use of digital channels where the purchasing process tends to be more user-friendly and less resource intensive (as opposed to visiting distributors' offices) may be hindering a higher uptake. For instance, EIOPA's study on demand-side barriers showed that online purchasing of home insurance was predominant in the Member State, within the sample, with the second to highest coverage uptake and the lowest in the Member State with the lowest coverage uptake."</p>	<p>Many thanks for your comments. The papers reflects findings from the studies carried.</p> <p>The paragraphs have been revised as follows:</p> <p>"1.42. The perception that finding the right type of coverage is a resource intensive activity deters the uptake of home insurance with NatCat coverage: the effort itself is perceived by consumers as an extra cost which, once added to the financial cost of insurance can reduce consumers' perceptions on the benefits of insurance.</p>

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		<p>In particular in those cases where a lack of uptake is seen – as is the case for NatCat - the role of an intermediary should not be underestimated. The paper states that visiting distributors' offices is resource-intensive. First of all, intermediaries are offering hybrid services: in person combined with digital. Secondly, having an intermediary explaining the needs/characteristics of NatCat protection to the customer will definitely not be more resource-intensive than having the customer informing him/herself alone and digitally – on the contrary.</p> <p>Insurance Intermediaries are at the forefront of facilitating the development of knowledge of climate risks and finding solutions to cover their clients in an optimal way. They combine the best of technology with a human touch. With this dual approach, they can ensure real inclusion and transition in access to insurance services and products, both for “hyper-connected” clients and for those who are less connected.</p> <p>Intermediaries can for example help alerting insured people regarding the level of risk associated with the location of the property they wish to purchase or regarding the deductibles they will have to pay in the event of a NatCat claim. In France for instance, NatCat deductibles are set by the public authorities and intermediaries can help looking into preventive quotations to make people aware of the total amount they will have to pay in the event of a NatCat claim.</p> <p>Educational actions can be useful to develop a spirit of prevention and risk awareness among insured people.</p> <p>We also wish to point out that there are numerous examples of recent NatCats (e.g. the 2021 floods) where the intermediaries were the first ones on the spot, to provide their clients with hands-on assistance for their claims.</p>	<p>1.43. Finally, for some consumers the limited use of digital channels where the purchasing process tends to be more user-friendly and less resource intensive (as opposed to visiting distributors' offices) may be hindering a higher uptake amongst younger consumers. For instance, EIOPA's study on demand-side barriers showed that online purchasing of home insurance was predominant in the Member State, within the sample, with the second to highest coverage uptake and the lowest in the Member State with the lowest coverage uptake. Having said this, it is also important to reflect on the role which intermediaries play in helping insurance identifying the coverage which best suits their needs”.</p>
78.	AMICE	<p>This question is best addressed to those directly engaged with consumers and those on the demand side of the relationship. Anecdotal evidence would suggest that most consumers find the purchase of most financial services products a challenging process,</p>	<p>Noted.</p>

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		<p>a situation not limited to Natcat cover, let alone insurance. This implies that there are more fundamental issues in play here.</p>	
79.	Marsh & McLennan Companies	<p>Important innovations for addressing the protection gap</p> <p>The role of parametric insurance. A form of alternative risk transfer that is growing in demand as a tool to improve climate resilience, parametric insurance solutions deploy a measurable index with predefined triggers that can pay out once those metrics are reached.</p> <p>Unlike most forms of traditional property insurance, pricing is based primarily on the probability of the loss indexed being triggered rather than the specific risk of damage suffered by the benefits recipients. This is particularly effective where it is either not possible, feasible, or desirable to assess the underlying exposed interests.</p> <p>Parametric solutions offer a more expedited contract payout, typically getting funds into the hands of those who have suffered loss in a matter of days, which can accelerate recovery. We outline the key features of parametric insurance in greater detail in: Parametric Insurance: A Tool to Increase Climate Resilience, and Triggering Change: Parametric Solutions for Climate Resilience.</p>	<p>Thank you for your comments – the development of parametric products concerns the supply side, and therefore not in scope of this paper.</p>
80.	IRSG	<p>The purchasing process can indeed be a barrier, to a certain extent. The purchasing process is regulated by EU legislation, in particular by the Insurance Distribution Directive (IDD), and by national requirements. Therefore, the steps to be followed and the information to be provided to consumers (including contents, format, terminology, etc) depend to a large extent on the relevant regulations in place. Therefore, there are limits to the initiatives that insurers can take to simplify the purchasing buying process, while authorities and legislators can play an important role in streamlining the requirements. For example, in some cases, the process could be digitalised and perhaps further simplified. This may require digitalising existing paper-based regulatory requirements, such as those in the IDD, and making them more user-friendly. Certainly, it can be from the point of view of corporate clients of insurers. Increasingly, insurers are asking ESG-related questions, but the relevance of the customers' responses remains unclear to the customer (possibly even to the insurer and broker). In some very limited, individual, strange cases, ESG arguments led to a denial of insurance</p>	<p>A digital fit all approach might have its limitation particularly for complex insurance, tailor-made solutions and providing more detailed risk information, as well as for adopting an inclusive approach and considering the more vulnerable groups of people.</p> <p>EU legislation, and in particular the IDD provides minimum safeguards requirements. Insurers have the freedom to design the purchasing process, provided they take consumers' interest into account.</p> <p>At the same time, EIOPA welcomes your suggestions for innovative solutions.</p>

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		<p>coverage, whereas overall, the topic has only been perceived as an administrative burden.</p> <p>Simplification of the purchasing process requires work at the stage of POG. Default coverage based on geolocation could make things easier. If data on risks allows identifying major NatCat perils in a particular area, Default coverage should cover these perils. For example, the coverage depends on the ZIP code. The accuracy of the coverage can be reviewed by a distributor if different from an insurer. Regulatory and supervisory sandbox should allow insurance companies and insurtechs to test such products.</p>	
81.		<p>Section 1 Demand-side Factors Affecting NatCat Insurance Uptake. Para 4. The insurance purchasing process as a barrier to uptake. 9. In your views, what measures could be put in place to facilitate the purchasing process?</p>	
82.	Insurance Europe	<p>Insurance Europe believes that several measures can be implemented to facilitate the purchasing process for insurance:</p> <ul style="list-style-type: none"> <li>• Making it clear from the outset the need for critical and potentially financially “lifesaving” insurance products, such as nat cat insurance, and to communicate how they differ from optional or less crucial policies. This will also positively impact the perceived affordability and perceived cost of risks;</li> <li>• Enhancing the role of insurance in making customers more aware of the risk by integrating risk awareness into customer interactions, including sales or offer processes;</li> <li>• Simplifying and streamlining the terms and conditions for nat cat insurance can be beneficial, but customers must also be willing to invest time and attention to understand the topic. This is where creating clarity and relevance around climate risks again becomes crucial.</li> <li>• Digitalisation can facilitate access to information, products and services. Policymakers and supervisory authorities should adapt existing rules to digital</li> </ul>	<p>EIOPA welcomes your suggestions for measures that could be implemented to facilitate the purchasing process.</p> <p>With respect to the NatCat index, please refer to EIOPA's <a href="#">NatCat dashboard</a> which incorporates some of the elements mentioned.</p> <p>EIOPA agrees that a multi-disciplinary approach is needed - these suggestions will be further explored.</p>



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		<p>developments and allow insurers to deliver smarter and more effective information that is clear and engaging.</p> <ul style="list-style-type: none"> <li>• Insurance companies require comprehensive data on real estate, including buildings and farms. To fully comprehend the associated risks, having information about all damages, not just those that are insured, is extremely important. By comparing the database of insured buildings with that of all structures, insurers can gain insights into who remains uninsured, where these gaps lie, and the reasons behind them. This analytical approach helps devise strategies to streamline the purchasing process and effectively minimise the insurance gap.</li> <li>• The creation of a Natural Catastrophe (Nat Cat) index specific to each location, segmented by categories such as flood, hail, earthquake, windstorm, and flash flood. This index could then be made accessible to all citizens.</li> </ul>	
83.	Lloyd's Market Association	Greater market competition may increase the availability and uptake of NatCat insurance. Facilitating the wide use of digital channels from independent distributors would improve customer choice and reduce the friction associated with local offices and agents.	Noted.
84.	Actuarial Association of Europe	<p>The customer journey needs to be fully audited/tested in each member state since there could be a certain heterogeneity in the sources of potential issues linked to the insurance purchasing process.</p> <p>Potential measures that could be put in place are:</p> <ul style="list-style-type: none"> <li>- An improvement of the customer journey depending on the profile through online platforms and marketplaces (for younger age classes) or accessible insurance providers with details about terms and guarantees (coverage, pricing, claims' processes, comparisons between products)</li> <li>- A development of simple natural catastrophe risks evaluation tools at individual level (depending on the location) linked to insurers' information to compare the level of protection.</li> <li>- Potentially also by integrating the purchasing process into other aspects of property owning (e.g. financing or taxes), so that people are automatically made aware of it.</li> </ul>	EIOPA welcomes your suggestions and will assess these in the next steps. EIOPA is also in agreement that further research into the customer journey should be carried out by the insurance providers.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
85.	Federation of European Risk Management Associations (FERMA)	More accessible information about how to quantify risks or hazards, which would help the customers have a head start in negotiations about transferring part (or all) of the risk.	Noted.
86.	Lloyd's Insurance Company S.A.	<p>For climate change risks (e.g. floods), better organized and delineated (sub)markets, defined by participants (carriers, brokers, types of customers) clearly identified (and potentially accredited) could foster demand and also supply.</p> <p>If well-communicated and explained, these markets could facilitate the journey of a customer seeking NatCat insurance, notably by channelling the demand more efficiently to the relevant market participants.</p> <p>The purchasing process could be further enabled by digital exchange platforms where demand could meet supply in a more efficient way. Such structure would also ease data aggregation and disclosures.</p>	Noted. EIOPA is also in agreement that further research into the customer journey should be carried out by the insurance providers.
87.	BIPAR	<p>As mentioned before, more awareness is needed, and this will already facilitate the purchase process. Insurance intermediaries have a long-lasting relationship with their clients and support them in case of an insured event. Intermediaries who show their clients the importance of uptake of a comprehensive NatCat-package, are likely to be listened to.</p> <p>This should be accompanied as mentioned before by awareness-raising campaign on this insurance risk, first and foremost by the state authorities, stating the reasons that should stimulate all individuals (natural persons and businesses), to take out insurance cover.</p>	Noted.
88.	AMICE	This question is best addressed to those directly engaged with consumers and those on the demand side of the relationship.	Noted.
89.	Marsh & McLennan Companies	No answer	N.A.

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Public consultation on the Staff Paper on Measures to address demand side aspects of the NatCat protection gap

No	Stakeholder	Response to the public consultation question	EIOPA's comments
90.	IRSG	<p>The sales process is regulated by EU legislation (ie., IDD) and by national requirements. Therefore, the steps to be followed and the information to be provided to consumers (including contents, format, terminology, etc) depend to a large extent on the relevant regulations in place. Therefore, there are limits to the initiatives that insurers can take to simplify the purchasing process, while authorities and legislators can play an important role to streamline the requirements.</p> <p>Digitalisation of the process, to facilitate access to information, products and services is crucial. This will require updating the existing regulatory framework (see above on IDD) to accommodate innovations in the digital space.</p> <p>Insurers could raise awareness about policyholders' risk exposure during the buying process. Better access to information about how to quantify risks or hazards, which would help the customers have a head start in negotiations about transferring part (or all) of the risk, is also important. The purchasing process could/should be linked to the claim process, especially within digital channels.</p>	<p>EIOPA welcomes your suggestions, in particular as regards to raising awareness about policyholders' risk exposure during the buying process.</p> <p>EIOPA agrees that measures should focus on targeting consumers awareness regarding the different NatCat risks and the different (digital) tools that can be addressed.</p>
91.		<p>Section 1 Demand-side Factors Affecting NatCat Insurance Uptake. Para 4</p> <p>10. How can the benefits of coverage be presented to consumers in a way which does not portray them as an unnecessary obligation that comes with a mortgage?</p>	
92.	Insurance Europe	<p>Presenting examples of past losses, which in many cases would be impossible to cover by homeowners themselves and emphasising the value of "peace of mind", are crucial in showcasing the benefits of insurance coverage.</p> <p>In this context, it is important to underline that property insurances that are included as part of a mortgage bundle typically focus solely on covering the real estate itself. However, natural hazard events can result in damages to the equipment and personal belongings housed within the building as well. Instances like wildfires and floods serve as examples where the impact extends beyond the structure itself to the contents within it.</p>	<p>EIOPA welcomes your suggestions. We also take note of your proposal to study alternatives to private insurance for certain risks, however this is not the focus of this Staff Paper. With respect to the NatCat index, please refer to EIOPA's <a href="#">NatCat dashboard</a> which incorporates some of the elements mentioned.</p>

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		Finally, it is important to highlight to policyholders their exposure to risk. For example, this can be achieved by linking the nat cat index - mentioned in the previous answer - directly to properties. This could be done by ensuring that every homebuyer obtains the index through a specialised technician during the home-purchasing process.	
93.	Lloyd's Market Association	This would likely require wider awareness campaigns to be put in place by central and public authorities. The UK regulators have recently run general awareness "scam smart" campaigns using TV and social media aimed at educating consumers.	Noted.
94.	Actuarial Association of Europe	"Insurers and governments could invest in education and awareness training campaigns to better educate policyholders on the risk levels associated with an insurance coverage. Within these campaigns, cost benefits analysis should be introduced to allow policyholder to increase their awareness to natural catastrophe risks.  Digital online platforms should be developed, and present simple use cases or damage simulations related to the policyholder locations to allow them to understand risks (which peril they are exposed to) and the utility of the cover if ever their home is located in a risky area.	EIOPA welcomes your suggestions.
95.	Federation of European Risk Management Associations (FERMA)	Insurers need to innovate and focus on the additional services they might add to a coverage. This is especially so in the SME segment, where many SMEs could perceive insurance as a tax. If a SME is paying premium for NatCat coverage in their property insurance, they might not perceive a 'benefit' to the coverage unless there is actually an (unfortunate) event. This would therefore imply that for a SME to feel more 'value-added', as part of the coverage could come some advisory / guidance on adaptation measures, etc.	Noted. Please note that the focus of this Staff Paper is on retail consumers.
96.	Lloyd's Insurance Company S.A.	See previous answer on education (prevention, impact of mitigating measures on premium, impact of deductibles,..).	Noted.
97.	BIPAR	In this respect, we remind EIOPA that BIPAR is against tying practices where the customer is forced to get his/her insurance from the mortgage provider/bank. Choice is needed of where and how the consumer gets his/her insurance and more awareness is needed on the benefits of getting insurance. See also our response to question 3.	Noted.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
98.	AMICE	This question is best addressed to those directly engaged with consumers and those on the demand side of the relationship.	Noted.
99.	Marsh & McLennan Companies		N.A.
100.	IRSG	<p>One way is to illustrate the magnitude of past losses.</p> <p>Insurers could consider innovation and additional services to add to a coverage. This is especially so in the SME segment, where many SMEs could perceive insurance as a tax. If a SME is paying premium for NatCat coverage in their property insurance, they might not perceive a 'benefit' to the coverage unless there is actually an (unfortunate) event. This would therefore imply that for a SME to feel more 'value-added', as part of the coverage could come some advisory / guidance on adaptation measures, etc.</p> <p>There should be more focus on preventive measures/services providing a kind of general risk management for households and SME.</p>	Noted. Please note that the focus of this Staff Paper is on retail consumers.
101.		<p>Section 1 Demand-side Factors Affecting NatCat Insurance Uptake Para 4</p> <p>11. In your view can improved product oversight and governance requirements assist in ensuring product are better designed and coverage is better conveyed to consumers to avoid insurance is perceived as an obligation?</p>	
102.	Insurance Europe	<p>The IDD rules on POG are well-developed and ensure that:</p> <ul style="list-style-type: none"> <li>i) products are compatible with the needs, characteristics and objectives of the customers belonging to the target market;</li> <li>ii) distributors receive all the necessary information;</li> <li>iii) products are regularly reviewed.</li> </ul> <p>The IDD Level 1 and Level 2 rules on POG are accompanied by extensive guidance, including the recent EIOPA "Supervisory statement on exclusions in insurance products related to risks arising from systemic events" (August 2022, link: <a href="https://www.eiopa.europa.eu/publications/supervisory-statement-exclusions-insurance-products-related-risks-arising-systemic-events_en">https://www.eiopa.europa.eu/publications/supervisory-statement-exclusions-insurance-products-related-risks-arising-systemic-events_en</a>) which expresses EIOPA's</p>	Thank you for your comments on POG – EIOPA agrees that it is important that POG is adequately implemented. EIOPA also agrees on working towards consumer-friendly policies, as well as the need to develop solutions in order to raise awareness.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		<p>expectations on the treatment of exclusions in POG and in the communication with customers.</p> <p>What can be improved is the accessibility of the information provided to consumers, for example making better use of the opportunity offered by new technologies. There is also room to make policy terms and conditions more friendly. As mentioned above, a good way to ensure that pre-contractual information is understandable and usable by consumers is to test any new requirement with consumers, streamline regulatory disclosures and remove any duplicative disclosures so as to avoid information overload and consumer confusion.</p> <p>Financial literacy and insurance awareness also need to be promoted to overcome certain misconceptions or behavioural biases that affect the demand side of nat cat products.</p>	
103.	Lloyd's Market Association	<p>Yes, effective product governance implementation would likely drive wider coverage with NatCat being a standard cover within the market. It is difficult to observe that consistently excluding NatCat from products would effectively consider the objectives, interests and characteristics of customers within the target market.</p> <p>Ensuring product governance is proportionate with emphasis on consumer business could allow more focus on the outcomes for the most vulnerable customers.</p>	Noted.
104.	Actuarial Association of Europe	<p>An improved product oversight and governance requirements would be beneficial to avoid insurance being perceived as an unnecessary obligation, however improved transparency, better risk awareness through seem to be a better solution. But it is questionable whether such measures are sufficient to reach a majority of consumers.</p>	We note your comments on improved transparency and will assess this further.
105.	Federation of European Risk Management Associations (FERMA)	<p>There is a risk that any move towards a standardisation of coverage, or any more stringent requirements on product design or specifications on how coverage would look, would end up in more exclusions/more restrictive coverage for the customer.</p>	EIOPA agrees that standardisation of coverages needs to be assessed further in particular to make sure standardization efforts do not lead to higher gaps. However, this is not the scope of the paper

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
			as the paper focuses more on how coverage is presented to consumers.
106.	Lloyd's Insurance Company S.A.	<p>Product Oversight and Governance (POG) requirements are already in force and applied to ensure a design and a coverage that match the demands and needs of a consumer.</p> <p>As mentioned in previous answers, the delineation and recognition in the legislation of the specific features of the retail and the commercial markets would help channel the insurance capacity available and allow certain market participants to address either the particular needs of consumers or only the commercial customers in respect of the for NatCat risks.</p>	Noted – EIOPA agrees that good consumer outcomes are important in the POG process and that NatCat products should not be excluded from a good process.
107.	BIPAR	<p>Product oversight and governance are fundamental in the distribution of products that are truly adequate to cover risks and this is especially true for NatCat products, in which the initial assessment process must be particularly accurate and tailor made but, above all, followed carefully to adapt to rapid changes of all the factors that can affect the risks from natural disasters. Indeed, regular updating of the insurance product, together with supervision of risk-taking and claims handling mechanisms, undoubtedly allows for a more consumer-friendly approach.</p> <p>Where this process is offered to clients with specific, detailed and personalised advice/guidance, it becomes easier for them to understand the importance of the coverage and not have the perception of an unnecessary obligation.</p>	Noted.
108.	AMICE	This question is best addressed to those directly engaged with consumers and those on the demand side of the relationship.	Noted.
109.	Marsh & McLennan Companies	No answer	N.A.
110.	IRSG	Streamlining regulatory disclosures and removing duplicative disclosures could improve accessibility of the information provided to consumers and avoid information overload and confusion.	EIOPA agrees that standardisation of coverages needs to be assessed further in particular to make sure standardization efforts do not lead to higher gaps. However, this is not the scope of the paper

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		<p>There is a risk that any move towards a standardisation of coverage, or any more stringent requirements on product design or specifications on how coverage would look, would end up in more exclusions/more restrictive coverage for the customer. In the case of POG, enforcement is rather more important than details.</p>	<p>as the paper focuses more on how coverage is presented to consumers.</p>
111.		<p>Section 2 Para 1. Options to address barriers at the pre-purchase stage 12. In your views, what other additional measures could be implemented in the pre-purchase phase to raise awareness about risks?</p>	
112.	Insurance Europe	<p>Insurance Europe is of the view that presenting clear and transparent information about the hazards and their relevance is key. To this end, there is a need for a broad risk awareness mechanism that could include among others:</p> <ul style="list-style-type: none"> <li>• education campaigns that are conducted by the state and/or insurance companies;</li> <li>• continuous education at schools;</li> <li>• supporting the use of or already pre-outline the hazard levels for customers at the offer stage.</li> </ul> <p>Furthermore, discussions about insurance and interactions with insurance companies on risk management and insurability often come at a late stage where the risk already exists, and the purchase of insurance comes as an afterthought. Having insurance integrated into a more pro-active risk management approach by society and individuals alike will help encourage proactive action and will address the issues of insurance attractiveness, risk understanding, and perceived/real affordability in one go. Examples of this are so-called “greenfield risk assessments”, where risk managers and insurers are involved at the project stage to conduct risk assessments of potential locations before they are selected, as part of an ever-increasing number of climate risk assessment and resilience services.</p>	<p>EIOPA welcomes your suggestions. EIOPA welcomes solutions to raise awareness, and that information campaigns and incentives are amongst these solutions.</p> <p>EIOPA also agrees with the need to develop more pre-emptive approaches and it is exploring this through its impact underwriting work and in the paper by exploring how can these be better communicated to consumers.</p>
113.	Lloyd's Market Association	<p>Appropriate implementation of demands and needs journeys would drive better outcomes with only products consistent with the customers' demands and needs being presented.</p>	<p>Noted.</p>



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No	Stakeholder	Response to the public consultation question	EIOPA's comments
114.	Actuarial Association of Europe	<p>In the current paper, EIOPA has identified the following options:</p> <ul style="list-style-type: none"> <li>- Raise awareness with risk probability and potential losses information depending on the location potentially creating a virtuous cycle leading to incentives to individual adaptation measures. This can be done with online public zoning tools, more sophisticated tools using policyholders' inputs providing outputs in a quantitative and qualitative manners (with traffic lights views or damage simulations for example)</li> <li>- Develop communication campaigns on Nat Cat coverage from insurers and/or public authorities. Feedbacks need to be targeted prior and following Natural Catastrophe events to each policyholder (location, risks)</li> <li>- Reduced/No premium taxes for NatCat coverage</li> <li>- Tax Rebates for insurers underwriting proper insurance coverage</li> </ul> <p>Premium incentives in case of investment in adaptation measure could be a way to reduce risk exposures (with less potential recoveries). As stated with AAE (ECB-EIOPA Discussion Paper/Policy options to reduce the climate insurance protection gap, April 2023) extra care needs to be taken to avoid inappropriate insurance structures.</p>	Noted. EIOPA welcomes your suggestions. EIOPA welcomes solutions to raise awareness in relation to risk mitigation, and that information campaigns and incentives are amongst these solutions.
115.	Federation of European Risk Management Associations (FERMA)	<p>More accessible information on how to better quantify risks—especially for SMEs and households. As a broader point, and point of comparison, when a company is purchasing insurance for, say, property damage when caused by fire, the relevant prevention measures and 'good practice' are all quite clear and accessible for the insured. The same is not true about the NatCat insurance context in the pre-purchase phase. So, maybe some good practice, 'standards' or 'customs', even guidelines may be useful?</p>	Noted.
116.	Lloyd's Insurance Company S.A.	See previous answer.	Noted.
117.	BIPAR	<p>Risk awareness and advice remain the core of the process. An in-depth ESG analysis is a primary tool for raising awareness.</p> <p>We are not in favour of standardization of products with standard coverage, exclusions and similar pricing processes as proposed in point 2.11.</p>	Noted.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		We also do not believe that PEPP should be taken as an example or best practice – taking into account the very limited uptake of this product.	
118.	AMICE	This question is best addressed to those directly engaged with consumers and those on the demand side of the relationship.	Noted.
119.	Marsh & McLennan Companies	<p>Building Resilience</p> <p>In partnership with the UN Race to Resilience Initiative, the UN High-Level Champions, and the Adrienne Arsht – Rockefeller Foundation Resilience Center, and Marsh McLennan, the report Fulfilling a Legacy of Societal Risk Management showcases the many approaches already being pursued by insurance sector pioneers to deploy core capabilities in ways that advance pre-event climate risk reduction including with local communities.</p> <p>Our report Staying Above Water: A Systemic Response to Rising Flood Risk also showcases innovative strategies to reduce risks, limit damage, and facilitate recovery in the aftermath of flooding events.</p> <p>An additional report, The Burning Issue: Managing Wildfire Risk, looks into similar examples for wildfires.</p> <p>However, it is important to keep in mind that insurance is but one piece of a resilience strategy, along with investment in disaster protection and resilience, enhanced access to risk data, and smarter planning.</p> <p>[image cannot be inserted]</p> <p>Our latest report Building Confidence in the Future explores how governments can best assess whether their resilience efforts are well deployed and whether, at national level, enough is being done against the backdrop of a complex and changing risk landscape. Undertaken in partnership with the UK's National Preparedness Commission and drawing on different country practices, the report sets out various lenses that support a broad view of national ambitions, capabilities, and mobilisation towards resilience outcomes. It additionally highlights seven approaches that can be deployed in combination with each other to generate insights into performance and progress.</p>	Noted. Thank you for your references.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
120.	IRSG	Raising awareness about risks in the pre-purchase phase requires a comprehensive approach, which could encompass continuous education at schools, awareness campaigns and advice on hazard levels for customers at the offer stage. That is why accessible information on how to quantify risks—especially for SMEs and Households are of critical importance.	Noted.
121.		Section 2 Para 2. Options to address barriers at the purchase stage – act on the buying process 13. In your views, which specific measures could be further explored and tested by EIOPA?	
122.	Insurance Europe	EIOPA should further explore and test two measures: <ul style="list-style-type: none"> <li>• government-initiated information and educational campaigns; and</li> <li>• curriculum-based educational initiatives in schools.</li> </ul> Product insurance is often unpopular and perceived as a "necessary but undesirable obligation". Therefore, it is of paramount importance for individuals to acquire a more comprehensive understanding of financial principles, encompassing the fundamental role of insurance as a mechanism for risk transfer.	Noted. EIOPA supports your comments but EIOPA's mandate in relation to financial education is limited.
123.	Lloyd's Market Association	The staff paper touches on data, pricing and insurability, but it does not discuss the role that technology, deep-tech risk modelling and other forms of insurtech offerings could play in fast tracking some of the measures discussed in the paper.  Further exploring the role of these technologies could be very valuable whether in the context of risk assessment, prevention, product design and risk transfer.	The aspects you refer to relate more to the supply side, while the focus of this paper is on the demand side.
124.	Actuarial Association of Europe	The role of Public-Private-partnerships, mandatory insurance and public sector relationships could be further developed.	Noted. The role of public intervention is an element that needs to be studied further, as it has multiple impact on consumers and directly affects NatCat uptake.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
125.	Federation of European Risk Management Associations (FERMA)	To be discussed with all stakeholders from the (re)insurers to the brokers, to the customers.	Noted.
126.	Lloyd's Insurance Company S.A.	The paper addresses issues related to data, pricing and insurability, but it does not discuss the role that technology, deep-tech risk modelling and other forms of insurtech offerings could play in fast tracking some of the measures discussed in the paper. Further exploring the role of these technologies could be very valuable whether in the context of risk assessment, prevention, product design and risk transfer.	The aspects you refer to relate more to the supply side, while the focus of this paper is on the demand side.
127.	BIPAR	No answer.	N.A.
128.	AMICE	This question is best addressed to those directly engaged with consumers and those on the demand side of the relationship.	Noted.
129.	Marsh & McLennan Companies		N.A.
130.	IRSG	<ul style="list-style-type: none"> <li>Government-led informational campaigns and school-based educational programmes to help individuals acquire a more comprehensive understanding of financial concepts, including the role of insurance as a risk transfer mechanism.</li> </ul>	Noted.
131.		Section 2 Para 2. Options to address barriers at the purchase stage – act on the buying process 14. How can the purchase process be simplified?	
132.	Insurance Europe	<p>See above.</p> <p>Technology can also help improve the speed and efficiency of transactions, with the potential for lower costs. It makes it possible to reach a wider section of the public, such as younger “digital natives”, which would lead to higher levels of financial inclusion in the population as a whole.</p> <p>New technologies also offer the possibility of developing more tailored products, providing faster services (e.g. speedier claims-handling and claims-related services,</p>	Noted.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		<p>better fraud detection, etc.), and so enhancing insurability and risk prevention (e.g. through personalised advice or premium discounts rewarding virtuous behaviour, etc.).</p> <p>However, this requires an EU regulatory and supervisory framework that is conducive to innovation and enables consumers and companies to benefit from the opportunities that technologies can offer.</p>	
133.	Lloyd's Market Association	See previous answers under section 4 - greater use of digital channels would improve availability and reduce frictional costs. This could increase affordability.	Noted.
134.	Actuarial Association of Europe	<p>In the current staff paper, the following actions should be taken:</p> <ul style="list-style-type: none"> <li>- promoting consumers' journey simplicity through digital channels</li> <li>- increase in the amount and quality of information available</li> <li>- improve the way information is presented to consumers</li> <li>- avoid issues relating to mismatch between expected and actual coverage with more detailed information including exclusions and coverage limits</li> <li>- make NatCat purchase mandatory for example with a focus on a lowest price</li> </ul> <p>Process could be simplified in case of further standardization of NatCat coverages across all member states related to the 5 points listed above. Although that could be difficult to implement as due to competition legislation insurers cannot agree among themselves of something like this.</p> <p>As stated with AAE (ECB-EIOPA Discussion Paper/Policy options to reduce the climate insurance protection gap, April 2023) the pros of mandatory insurance should be further explored in more details and with more balance. (2023-06-13-AAE-Comments-on-ECB-EIOPA-Discussion-Paper-on-protection-gaps-FINAL.pdf (actuary.eu)).</p>	EIOPA agrees that a multi-disciplinary approach is needed – the suggestions will be further explored. EIOPA agrees that measures should focus on targeting consumers awareness on the risks they are facing.
135.	Federation of European Risk Management Associations (FERMA)	There must be joined-up thinking on part of the insurers where there is an attempt at gaining a holistic understanding of the company's risk profile, so that when the company goes to the insurer for insurance there are relatively few surprises. The (re)insurers' models are also a concern for clients of insurers so perhaps there is some work to be done in this area.	Noted. EIOPA agrees with the holistic approach and will assess this further.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
136.	Lloyd's Insurance Company S.A.	No answer	N.A.
137.	BIPAR	<p>We disagree with the suggestion in point 2.14 that “In particular, the development of more consumer-friendly approaches with less touchpoints in the purchasing process (i.e., digital channels) can reduce consumers’ efforts on the product buying process and, hence, lead to overall lower transaction costs.” Digital channels do not equal cheaper or simpler results.</p> <p>We agree however with the second suggestion: “Moreover, an increase in the amount of and improvement in the quality of information provided – i.e., make it more personal, appealing, etc. – by insurance manufacturers and distributors about NatCat offer can lead to increase in uptake.”</p> <p>We note in this respect that this is one of the only places in the staff paper where distributors and their possible contribution to the uptake of NatCat products is mentioned and recognized.</p>	<p>EIOPA also agrees that digital channels do not equal cheaper or simpler products/results and the text of the revised paper will be changed to clarify your observation.</p> <p>There was less reference in this Staff Paper on actions to be taken by the distributors as it mainly focuses on the demand side aspects. However, demand and supply side factors are interlinked and EIOPA agrees distributors play a key role.</p>
138.	AMICE	This is a very complex question, bearing in mind that the purchase process is highly regulated. In answering this question, many elements need to be considered and impacts identified, and this would need detailed scrutiny and analysis.	Noted.
139.	Marsh & McLennan Companies	No answer	N.A.
140.	IRSG	<p>Digitalisation has the potential to enhance transaction speed, efficiency, and accessibility, potentially lowering costs. This requires an EU regulatory and supervisory environment that fosters innovation.</p> <p>Standard risk definition and default coverage based on geolocation (described above) can be also helpful.</p>	Noted.
141.		<p>Section 2 Para 2 Options to address barriers at the purchase stage – act on the buying process</p> <p>15. Do you think POG can be used as a tool to ensure manufacturers put in place a purchasing process which is in line with consumers’ needs?</p>	

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
142.	Insurance Europe	The IDD POG rules already ensure that the distribution strategy is in line with consumers' needs. Manufacturers are required to carefully select the distribution channels that are appropriate for the target market, taking into account the particular characteristics of the relevant insurance products. They are also required to provide insurance distributors with all appropriate information on the insurance products.	Noted.
143.	Lloyd's Market Association	<p>Effective product governance should increase the availability of products that are consistent with the objectives, interests and characteristics of customers within the target market.</p> <p>Appropriate guidance on the expectations of POG and the concepts of significant covers being sold as add-ons would give greater clarity to expectations.</p>	Noted.
144.	Actuarial Association of Europe	<p>Treating governance as a formal obligation doesn't seem to be an optimal solution. Manufacturers can react on stricter requirements in different ways which are not all supporting the purpose.</p> <p>Some players will want to reinternalize product design in order to gain complete control over governance. This defensive scenario could lead to a reduction in supply, and in particular to the abandonment of niche products for reasons of efficiency. Conversely, others may be tempted to defer all responsibility to their partners through clauses. This scenario could result in very heavy obligations for brokers and disincentivize them to sell such covers. A third, more virtuous scenario is to approach product co-design and co-governance at a very early stage.</p> <p>For this 3rd option, new obligations would indeed be opportunities to improve practices, develop more effective products and even develop new commercial levers. For example, product testing or compliance certification by a third party, or even by consumers themselves could be considered.</p> <p>The challenge will be to transform compliance into customer value to improve the demand side.</p>	Many thanks for your comment. EIOPA shares your views and the approach presented does not exclude co-manufacturing which is fully envisaged within POG.
145.	Federation of European Risk Management	See response in section 4	Noted.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
	Associations (FERMA)		
146.	Lloyd's Insurance Company S.A.	Product Oversight and Governance (POG) requirements are already applied to ensure a design and a coverage that match the demands and needs of a consumer.	Noted.
147.	BIPAR	See response to question 11	Noted.
148.	AMICE	No answer	N.A.
149.	Marsh & McLennan Companies	No answer	N.A.
150.	IRSG	The IDD POG already ensures that the distribution strategy aligns with the needs of consumers. See response above in section 4	Noted.
151.		Section 2 Para 2 Options to address barriers at the purchase stage – act on the buying process 16. In your views, which specific measures could be further explored and tested by EIOPA?	
152.	Insurance Europe	N/A	N.A.
153.	Lloyd's Market Association	The purchasing process could be further enabled by digital platforms/tools, and such structure would also ease data aggregation and disclosures. Facilitation of comparison service where there is not an existing open market solution.  In that respect, in terms of innovation, the insurtech offerings would be also worth exploring. Not only to assess the availability of innovative products but to determine what the drivers are for insurtech to grow and access markets in Europe and respond to the need for innovation as one way to solve the identified protection gaps.	Noted. EIOPA takes note of your proposal to further explore solutions proposed by InsurTechs.
154.	Actuarial Association of Europe	EIOPA should continue to push towards education campaigns for policyholders from insured and public authorities to push for more risk-based pricing to improve product simplicity and transparency – potentially with particular focus on EEA countries where such campaigns are currently absent.	Noted.
155.	Federation of European Risk Management	Exploration thematically of 'other options' such as ILS, CatBonds, parametric cover— while not necessarily a 'measure' for EIOPA, it is more about allowing space for market-led innovation in some instances.	Noted.



Resolution of comments

Public consultation on the Staff Paper on Measures to address demand side aspects of the NatCat protection gap

No	Stakeholder	Response to the public consultation question	EIOPA's comments
	Associations (FERMA)		
156.	Lloyd's Insurance Company S.A.	<p>The purchasing process could be further enabled by digital platforms/tools, and the deployment of new digital tools could also ease data aggregation and disclosures.</p> <p>In that respect, in terms of innovation, the insurtech offerings would be also worth exploring in such paper. Not only to assess the availability of innovative products but to determine what are the drivers for insurtech to thrive in Europe and respond to the need for innovation as one way to solve the protection gaps.</p> <p>EIOPA and national authorities can play a key role as convenors to reference the relevant solutions proposed by InsurTechs and other innovative insurance companies, but also to develop regulatory environments (sandboxes) where experimentation can be conducted.</p> <p>Many InsurTechs become Managing General Agent (MGA), vested with an underwriting authority from an insurer.</p> <p>These are key players on which carriers and brokers can rely upon. In that respect, the MGA status, especially in the context of commercial insurance should be further improved, in particular in terms of authorisation regime and distribution rules (e.g. Freedom to Provide Services, ability to cover European multinationals of all sizes (SMEs and corporates)).</p>	Noted. EIOPA takes note of your proposal to further explore solutions proposed by InsurTechs.
157.	BIPAR	No answer	N.A.
158.	AMICE	Much more fundamental consideration of the implications of this question needs to be undertaken before recommendations could be made.	Noted.
159.	Marsh & McLennan Companies	No answer	N.A.
160.	IRSG	We suggest exploration thematically of 'other options' such as ILS, CatBonds, parametric cover—while not necessarily a 'measure' for EIOPA, it is more about allowing space for market-led innovation in some instances.	Noted.

Resolution of comments

Public consultation on the Staff Paper on Measures to address demand side aspects of the NatCat protection gap

No	Stakeholder	Response to the public consultation question	EIOPA's comments
		There are also other measures, like mock-up product testing, especially the digital version.	
161.		<p>Section 2 Para 2 Options to address barriers at the purchase stage – act on the buying process</p> <p>17. In your views, how can it be ensured that the implementation of mandatory coverage does not lead to an over-focus on price/perception of insurance as an obligation rather than a benefit?</p>	
162.	Insurance Europe	<p>It is essential to consider the specific context and market conditions (e.g. divergence in size, construction, quality of building materials, equipment, and technical condition of properties), as mandatory coverage may be suitable in some cases but be counter-productive in others.</p> <p>In addition, it is important that before enforcing mandatory insurance in a market, the state takes the following actions:</p> <ul style="list-style-type: none"> <li>• educate consumers about the risks they face;</li> <li>• inform consumers of the solidity of its insurance market;</li> <li>• consider the provision of tax incentives to those who insure their property;</li> <li>• decide and clearly communicate to citizens the level of post-event aid and any limitations that may apply.</li> </ul> <p>In cases where mandatory insurance is considered necessary, taking into account socio-economic conditions and market factors like public attitudes, it is crucial that the implementation includes all key stakeholders – private insurers, various levels of public authorities and policyholders – ensuring everyone has a vested interest in the process.</p> <p>At the same time, it must be stressed that (mandatory) nat cat insurance plays an important role in holistic risk management. By financially compensating for damages that were unavoidable despite consumers' risk-appropriate behaviour, nat cat insurance is one among several necessary measures, such as structural building prevention, that can jointly mitigate the negative impact of natural catastrophes on consumers' lives.</p>	Noted. EIOPA agrees that measures should focus on targeting consumers awareness on the risks they are facing. As stated already, comments regarding mandatory insurances is related to the supply side and is outside the scope of this paper.

Resolution of comments

Public consultation on the Staff Paper on Measures to address demand side aspects of the NatCat protection gap

No	Stakeholder	Response to the public consultation question	EIOPA's comments
163.	Lloyd's Market Association	<p>Some markets have a prevalence for all risks cover. This comes at a price point that reflects the risks. However, the costs associated with distributing a simple less comprehensive product are proportionally higher. Appropriate assessment of the objectives, interests and characteristics of customers would likely result in there being a greater emphasis on customer outcomes with products designed to meet risks faced by the customers.</p> <p>Greater testing of customer communications and understanding would benefit the customer.</p>	Noted.
164.	Actuarial Association of Europe	<p>As stated with AAE (ECB-EIOPA Discussion Paper/Policy options to reduce the climate insurance protection gap, April 2023) the pros of mandatory insurance should be further explored in more details and with more balance to avoid any moral hazard. (2023-06-13-AAE-Comments-on-ECB-EIOPA-Discussion-Paper-on-protection-gaps-FINAL.pdf (actuary.eu))</p>	Noted.
165.	Federation of European Risk Management Associations (FERMA)	<p>The concept of mandatory insurance should be considered with caution as it may not be well-tailored to each client, and it may also disincentivise customers to take out all preventive and risk mitigating measures.</p>	Noted.
166.	Lloyd's Insurance Company S.A.	<p>See previous answer on the link between requesting private insurance coverage only as a pre-condition to have access to additional public covers, which is different from mandating.</p>	Noted.
167.	BIPAR	<p>Tailor-made insurance products in a non-mandatory framework are possibly the best way to cover natural risks as they take into account national and local specificities and risks.</p> <p>BIPAR does not believe that a mandatory insurance scheme is the best way to minimise the problem of economic losses due to natural disasters.</p>	Noted.

Resolution of comments

Public consultation on the Staff Paper on Measures to address demand side aspects of the NatCat protection gap

No	Stakeholder	Response to the public consultation question	EIOPA's comments
		Information campaigns on the increasing impacts of extreme NatCat, especially in certain areas, together with prevention interventions, should create the right context for increasing people's awareness.	
168.	AMICE	Mandatory coverage always runs the risk of being perceived as a tax rather than a protection.	Noted.
169.	Marsh & McLennan Companies	No answer.	N.A.
170.	IRSG	<p>The concept of mandatory insurance should be considered with extreme cautious as it may not be well-tailored to each client, and it may also disincentivise customers to take out all preventive and risk mitigating measures.</p> <p>Considering the diverse market conditions within the EU (eg risk exposure, market penetration, traditions), it is important to avoid a one-size-fits-all approach. Mandatory coverage may be appropriate in certain markets but not in others.</p>	EIOPA also agrees that pros and cons of mandatory insurance should be duly explored. In fact, while it can close gaps it could also leads to situation where products are not well-tailored. It could also disincentivise customers to buy the cheapest product regardless of coverage.
171.		Section 2 Para 3. Options to address price and insurability – reducing the price and risk 18. In your views, which price reduction mechanisms can be more effective?	
172.	Insurance Europe	Those that link a reduced premium to reasonable prevention measures.	Noted.
173.	Lloyd's Market Association	<p>It is unclear whether either strategy proposed in 2.17 would be effective.</p> <p>The challenge to mitigation is whether consumers consider the discount worth the outlay for risk mitigation which would be significant. As seen with Fire Safety Sprinkler Systems, whilst seen as very effective in controlling fires, the initial cost and ongoing maintenance costs can far exceed the saving in insurance premiums.</p> <p>Discounts would also need to be in respect of recognised third party accredited and certificated products to ensure a consistent level on both the mitigation in use and its associated installation servicing/maintenance.</p>	Noted.
174.	Actuarial Association of Europe	Among the list of mechanisms proposed in this staff paper the 2 following measures seem to be the most virtuous:	Noted.

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Public consultation on the Staff Paper on Measures to address demand side aspects of the NatCat protection gap

No	Stakeholder	Response to the public consultation question	EIOPA's comments
		<ul style="list-style-type: none"> <li>- tax rebate for investing in risk mitigations measures (in turn reduce the risk for insurers)</li> <li>- premium discounts in case for taking risk mitigation measures (reducing damages)</li> </ul>	
175.	Federation of European Risk Management Associations (FERMA)	Some form of premium reward (reduction) for the client(s) going over and above a basic level of risk mitigation. Or, we also understand that while not an overall price reduction measure that some clients are positively disposed to the idea of a premium rebate that is offered back from the insurer to the customer in order for the customer to use that money towards preventative measures.	Noted.
176.	Lloyd's Insurance Company S.A.	Price reductions can depend on: <ul style="list-style-type: none"> <li>• The size of deductibles</li> <li>• Prevention and mitigating measures</li> <li>• Building back better after NatCats</li> </ul>	Noted.
177.	BIPAR	The pricing mechanism should follow the customization of the policies and take into account the "virtuous" behaviour of the policyholders. Risk prevention and mitigation activities should be considered to reduce the cost of coverage. A better distribution of risk, through a bigger uptake by the population, allows a reduction in the insurance premium and greater flexibility in claims procedures.	Noted.
178.	AMICE	In general, rewarding risk mitigation behaviour encouraged by mechanisms such as premium reductions can be effective in multiple ways including encouraging policyholders to better understand the true risk exposure.	Noted.
179.	Marsh & McLennan Companies	No answer	N.A.
180.	IRSG	Some form of premium rebate for the client going over and above a basic level of risk mitigation etc.	Noted.
181.		Section 2 Para 3. Options to address price and insurability – reducing the price and risk 19. While not explored in this paper, as it focuses on demand-side aspects, mandatory coverage can also reduce the price by further mutualizing the risks. Do	

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Public consultation on the Staff Paper on Measures to address demand side aspects of the NatCat protection gap

No	Stakeholder	Response to the public consultation question	EIOPA's comments
		you see demand-side related barriers and risks with mandatory coverage? If so which ones?	
182.	Insurance Europe	<p>Yes, when implementing mandatory coverage, it is essential to apply mutualisation principles by smoothening the price range.</p> <p>A higher number of insurance policies in a particular area may not actually lead to mutualisation - in the sense of lowering insurance premium for a single insured entity - but rather to higher total loss exposure, for instance if a severe nat cat event affects a wide area. In such cases, according to the Solvency II rules, insurance premiums could remain at the same level or even increase. Notwithstanding this, in some countries, such as Spain, the diversification of risks and zones allows offering coverage at affordable prices.</p> <p>In addition, since there is no reliable estimate of the development of the intensity, frequency, and spatial distribution of nat cat in the coming years, a supportive intervention by the state in the event of a catastrophic accumulated loss (stop-loss regulation) is essential in order to limit the impact on the market. The occurrence threshold of this rule is high and no ad hoc state subsidy is required.</p>	Noted.
183.	Lloyd's Market Association	<p>Mandatory coverage would reduce overall pricing by widening the mutualisation of risk and reducing selection against.</p> <p>However, mandatory coverage may discourage some insurers from participating in the market if this would be inconsistent with their wider risk appetite. This could reduce local access for non NatCat covers if there is no ability for other insurers or reinsurance to fill this gap.</p>	Noted. EIOPA agrees that the pros and cons of mandatory coverage should be duly explored.
184.	Actuarial Association of Europe	Mandatory coverage should not be counted out. Although in the mandatory model we lose also something. Insurance premium would probably then not be a price signal leading to more sustainable behaviour but also considered an unpleasant duty. Private insurance should be the preferred option where it works best, and mandatory on the other hand in areas where it works best.	EIOPA agrees that elements of mandatory insurance can be further explored in more detail, with a focus on good consumer outcome.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		<p>As already stated with AAE (ECB-EIOPA Discussion Paper/Policy options to reduce the climate insurance protection gap, April 2023) the pros of mandatory insurance should be further explored in more details and with more balance to avoid any moral hazard. (2023-06-13-AAE-Comments-on-ECB-EIOPA-Discussion-Paper-on-protection-gaps-FINAL.pdf (actuary.eu)).</p>	
185.	Federation of European Risk Management Associations (FERMA)	<p>Mandatory coverage is complicated since it may disincentivise proper risk management, and may end up in providing a coverage that does not suit all the clients. FERMA would like to explore this issue further in due course with all the relevant stakeholders.</p>	<p>Noted. EIOPA agrees that the pros and cons of mandatory coverage should be duly explored.</p>
186.	Lloyd's Insurance Company S.A.	<p>It is more appropriate to link the take up of private insurance cover to the obtention of additional covers through public schemes. This would indeed increase premium volumes with many benefits, including mutualization as highlighted in section 1.</p>	<p>Noted.</p>
187.	BIPAR	<p>As mentioned above (question 17), we do not believe that a mandatory insurance scheme is the best way to minimise the problem of economic losses due to natural disasters.</p> <p>We understand that for instance in Germany, the discussion on the introduction of a mandatory NatCat coverage scheme is still going on and the Ministry of Justice's latest findings are that the additional financial burden coming with such a scheme would in times of inflation and high energy prices be unaffordable for low-income households.</p> <p>The pooling of risks inevitably produces a reduction in prices but what should be avoided, in the event of the introduction of compulsory policies, is a massive standardization of products. The distribution of risk over a large number of policyholders should not make us lose sight of the particularity of catastrophic risks, the substantial diversity between the types of adverse events and the difference in customer behavior. On the customers' side, by introducing more or less standard compulsory policies, it could reduce the level of attention precisely because of the existence of the cover.</p>	<p>Noted. EIOPA notes that mandatory cover might not yield the results of a balanced solution and could also bring more detrimental effect to low-income households. These issues should be further explored. Standardisation of insurance policies should be implemented in a way it does not prevent good consumer outcomes.</p>

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Public consultation on the Staff Paper on Measures to address demand side aspects of the NatCat protection gap

No	Stakeholder	Response to the public consultation question	EIOPA's comments
		Personalization, public interventions and private risk reduction and mitigation activities must work in synergy, creating effective and efficient coverage and affordable prices even where coverage would be mandatory.	
188.	AMICE	On the demand side, mandatory coverage has the potential to mutualise risk which can be beneficial. However, for small, localised insurers this could result in deleterious risk concentrations. Much consideration would need to be given to the structure and requirements of a mandatory scheme.	Noted.
189.	Marsh & McLennan Companies	No answer	N.A.
190.	IRSG	<p>More policies in one area may not necessarily reduce individual premiums. For instance, if a major Natcat event impacts many policyholders in a wide geographical area, it could cause significant losses for the insurers concerned. This means that for mutualisation to work in practice, it has to be ensured that there is true risk diversification. At the same time, due consideration needs to be given to the importance for the premium paid to reflect the risk being underwritten.</p> <p>Mandatory coverage is complicated since it may disincentivise proper risk management and may end up in providing coverage that does not suit all the clients.</p>	Noted.
191.		Section 2 Para 3. Options to address price and insurability – reducing the price and risk 20. How do you think the perception of insurance as a more affordable product can be improved?	
192.	Insurance Europe	<p>The price of insurance products could be put into perspective. For example, comparing the price of an insurance product to the price of other products, such as, for instance the price of streaming platform subscriptions or food take-out/delivery.</p> <p>A more general point that should be stressed, is that recent inflationary trends in Europe coupled with escalating nat cat risks, have put significant pressure on insurers. To remain resilient and reliable partners for their clients in the face of these challenges, insurers must adjust pricing for nat cat products. For this reason, it is crucial to increase efforts to limit natural hazard events and their impact that turn them into disasters. This requires stepping up efforts to drastically and urgently reduce greenhouse gas</p>	Noted.



Resolution of comments

Public consultation on the Staff Paper on Measures to address demand side aspects of the NatCat protection gap

No	Stakeholder	Response to the public consultation question	EIOPA's comments
		emissions as well as for society to step up their adaptation efforts to climate change, notably in the residential housing area.	
193.	Lloyd's Market Association	<p>Emphasising to the customer that the product has undergone a rigorous assessment for fair value within the POG process.</p> <p>Compulsory disclosure of the fees and commissions of all parties in the distribution chain would also ensure that there is understanding as to what is being paid for the product to which party and may encourage more competition amongst distributors on price.</p>	Noted. As long as costs are due and proportionate in relation to the services/products sold to the consumer.
194.	Actuarial Association of Europe	<p>As stated in the previous questions, insurance perception can be improved with enhanced transparency on products terms and guarantees, develop risk mitigation incentives, improve policyholders' awareness possibly through digital platforms fostering products comparability similar to the Homeowner Insurance comparison tool in California.</p> <p>(<a href="https://interactive.web.insurance.ca.gov/apex_extprd/f?p=111:20">https://interactive.web.insurance.ca.gov/apex_extprd/f?p=111:20</a>)</p>	Noted.
195.	Federation of European Risk Management Associations (FERMA)	<p>There is a widespread perception among corporate insurance buyers that there is a trend towards more restrictive coverage at a higher price. It is clear climate change is influencing losses, which are more frequent and more severe, and therefore that coverage becomes more expensive, but we also observe restrictions, more restrictive policy wordings, and even in many cases changes in limits, sub-limits than when presented as a whole just underline the hard market conditions, which make matters complicated for corporate insurance buyers. There could be some work done by the (re)insurance industry to accompany their customers on a journey where there is a sense of reward embedded in the client, so that their efforts can be acknowledged by the insurer and that this work can be recognised in better terms and conditions, for example. Lastly, it is also on the (re)insurance industry to offer more in their services to the clients.</p>	Noted.
196.	Lloyd's Insurance Company S.A.	See previous answers on the education aspect.	Noted.
197.	BIPAR	See above, in particular questions 2, 11 and 17	Noted.
198.	AMICE	Awareness of the true risk will assist in improving the perception of what is affordable.	Noted.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
199.	Marsh & McLennan Companies	No answer	N.A.
200.	IRSG	We propose comparing the cost of insurance products with other products, such as fast food. Some more accessible information about what the price of inaction/uninsured is, can be also useful.	Noted.
201.		Section 2 Para 3. Options to address price and insurability – reducing the price and risk 21. What can be explored/done, in your views, to provide more information and clarity on the value/utility products offer in a way in which consumers can understand the benefit of insurance?	
202.	Insurance Europe	See examples quoted in answers to previous questions.	Noted.
203.	Lloyd's Market Association	Data collection that differentiates between product classes at a more granular level, aligned to consumer products, with aggregate premium and claims data published at a local level.  There is non-life premium data published by local regulators across Europe. These datasets provide a breakdown by class of business, but they do not provide enough granularity. For example, they do not provide additional insight as to the type of policyholder purchasing the cover (e.g. an individual or an organisation) – an example of this is property which combines private homes and large factories.  Furthermore, please see our comment about disclosure of fees and commissions in our response to the previous question regarding the perception of insurance.	Noted. EIOPA is generally supportive of accurate, proportionate, and meaningful data collection to gain more insights into consumer trends.
204.	Actuarial Association of Europe	As stated in the previous questions, information and clarity on the utility products can be improved with enhanced transparency on products terms and guarantees, develop risk mitigation incentives, improve policyholders' awareness possibly through digital platforms fostering products comparability similar to the Homeowner Insurance comparison tool in California and simulations of potential damages to the property (e.g. on a website or app)  ( <a href="https://interactive.web.insurance.ca.gov/apex_extprd/f?p=111:20">https://interactive.web.insurance.ca.gov/apex_extprd/f?p=111:20</a> )	Noted.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
205.	Federation of European Risk Management Associations (FERMA)	Insurers already present it in such a way that 1 euro invested in insurance may help you save X euros of investment in case of event, so this needs to continue. There could also be some non-pecuniary elements embedded into the product offerings that somehow assist clients.	EIOPA welcomes your suggestions.
206.	Lloyd's Insurance Company S.A.	<p>The establishment and delineation of recognized retail and commercial markets would improve the availability of aggregated dedicated data that would foster product innovation and client awareness.</p> <p>The current absence of a formal recognition of retail and commercial markets, is undermining legal clarity and certainty, and is leading to inefficiencies as well as unnecessary costs and burdens, especially in relation to conduct rules, underwriting, and supervision.</p> <p>Dedicated market structures for retail and commercial markets could help market participants to access relevant data in order to understand and analyse these markets, thus supporting more innovation.</p> <p>There is non-life premium data published by local regulators across Europe. These datasets provide a breakdown by class of business, down to a different level of granularity, yet they do not provide additional insight as to what constitutes commercial or retail, nor do they provide any information on the type of policyholder purchasing the cover (e.g. an individual or an organisation). For example property combines private homes and large factories.</p>	Please note that the focus of this Staff Paper is on retail consumers.
207.	BIPAR	See above, in particular questions 2, 7, 11 and 17	Noted.
208.	AMICE	No answer	N.A.
209.	Marsh & McLennan Companies	No answer	N.A.
210.	IRSG	Insurers already present it in such a way that 1 euro invested in insurance may help you save X euros of investment in case of an event, so this needs to continue. Some	EIOPA welcomes your suggestions and may explore this in future work.

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Public consultation on the Staff Paper on Measures to address demand side aspects of the NatCat protection gap

No	Stakeholder	Response to the public consultation question	EIOPA's comments
		<p>non-pecuniary elements could also be embedded into the product offerings that somehow assist clients.</p>	
211.		<p>Section 2 Para 3. Options to address price and insurability – reducing the price and risk 22. In your opinion, what could be more effective to address the protection gap while taking into account the affordability issue: a reduction in the risk-based premium following the implementation of risk mitigation measures, or a cheaper by default flat rate premium for all perils introduced as a mandatory offer (to increase uptake by consumers?)</p>	
212.	Insurance Europe	<p>As an overarching principle, pricing must reflect the underlying risks to avoid masking the true costs and inducing moral hazard. Therefore, a reduction in the risk-based premium following the implementation of risk reduction measures would be the preferable option.</p> <p>Some forms of financial support to preserve the affordability of the insurance policies such as the introduction of mandatory coverage with an element of mutualisation, could be explored. For instance, it could be assessed in areas of lower-income levels and/or high exposure to risks, in order to ensure that insurance also caters for the more vulnerable and following the principle of “leaving no-one behind”. However, such “subsidies” or financial aids should not hide the true level of risk, but help customers afford the corresponding premiums such as through vouchers or tax incentives. There also must be a mechanism in place alongside this to ensure how the actual risk can then be reduced, and the subsidy/support be removed. Such as, for example the original principles of when “FloodRe” in the UK was established – to return to true actuarial rates that reflect risk in a given time period.</p> <p>That said, it is important to emphasise once again that price isn't the primary issue when addressing the protection gap. Customers are more likely to buy nat cat insurance when they recognise the actual risk, its potential occurrence, and when the premium aligns with that risk. Existing customers who have not experienced nat cat events in years often deny being at risk, seeing intermediary advice as economically driven, resulting in low sign-up rates. However, well-informed consultations can</p>	Noted.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
		convince even sceptical customers, increasing willingness to buy. New customers investing heavily in properties assess risk objectively, making them more receptive to information, and leading to higher sign-up rates.	
213.	Lloyd's Market Association	<p>This will depend on the perils and risks associated with a particular insured. Some fundamental risks within the protection gap are difficult to mitigate. For example, an individual consumer is unlikely to be able to take material affordable action in relation to wildfire, flood or windstorm risks.</p> <p>A reduction in premium based upon risk mitigation measures is probably easier for commercial insurers to implement provided that competition law issues are addressed if this is to be used a market wide solution.</p> <p>We would discourage as far as is possible the adoption of any mandatory scheme reliant upon flat rates. This is unlikely to increase the supply of insurance as it is likely to be attractive (if at all) to a very small number of insurers with the scale sufficient to provide such a solution.</p>	Noted.
214.	Actuarial Association of Europe	<p>Mandatory coverage would by definition plug the protection gap.</p> <p>Some countries apply efficiently a default flat rate premium approach for certain perils (flood, hail, drought) while some perils are excluded. This mechanism allows an optimization Nat Cat insurance uptake impacted by insurance perception and social norms. However, this requires heavy discussion on the fixation of the rate. This rate could be adapted to the level of risk based premium and the effective application of risk mitigation measures.</p> <p>We also want to highlight that the two suggestions could be combined, they are not mutually exclusive.</p>	EIOPA considers that the pros and cons of mandatory coverage should be further explored.
215.	Federation of European Risk Management	The reduction in premium offer would be more persuasive to our Membership right now. FERMA stands open to discuss the other option with EIOPA and all the key stakeholders.	EIOPA has taken note of your proposal; however, reduction of premium should always ensure premiums are risk-based.

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No	Stakeholder	Response to the public consultation question	EIOPA's comments
	Associations (FERMA)		
216.	Lloyd's Insurance Company S.A.	See above in the previous responses.	Noted.
217.	BIPAR	We believe it is more effective to carry out a reduction in the risk-based premium following the implementation of risk mitigation measures.	Noted.
218.	AMICE	No answer.	N.A.
219.	Marsh & McLennan Companies	No answer.	N.A.
220.	IRSG	There are opinions that a reduction in premium offer would be more persuasive. However, it is crucial that pricing reflects accurately the actual risks, in order to prevent hiding the real costs and encouraging moral hazard. Considering the various market conditions in Europe, one-size fits all approach should be avoided. It is necessary to continue the research.	EIOPA agrees that it is necessary to further explore these issues and that a one-size fits all approach might not work in practice and it is, indeed, to be avoided.