

Brussels, 10 June 2025

WK 7704/2025 INIT

LIMITE

EF
ECOFIN
FSC

This is a paper intended for a specific community of recipients. Handling and further distribution are under the sole responsibility of community members.

WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Financial Services Committee Financial Services Attachés

Subject:	FSC 18.06.2025 - Item 4 - EIOPA's work on exclusions
----------	--

NATURAL CATASTROPHES AND HOME INSURANCE COVERAGE

FSC Meeting, 18 June 2025

Presenter: [REDACTED]

WHAT IS IT ABOUT?



Natural catastrophes across Europe are becoming more frequent and damaging due to climate change, putting uninsured households at risk of significant losses from extreme weather events. EIOPA's statistics show that **only about a quarter of the losses stemming from natural catastrophes have been insured on the continent in recent decades** and the 2024 Eurobarometer Survey shows that **only 18% of EU consumers reported holding coverage for damage to property resulting from NatCat events**.

This large protection gap is in part due to some businesses and households opting not to purchase natural catastrophe insurance, even when available - *EIOPA's Staff Paper on demand-side factors*.

Unclear and vague information disclosures also contribute to this gap by leading consumers to mistakenly assume that they are covered against NatCat risks – a phenomenon known as the 'insurance illusion'.

To assess this, EIOPA analyzed selected Insurance Product Information Documents (IPIDs) and terms and conditions of home insurance policies.



The sample analyzed:



➤ 45 IPIDs



➤ 28 undertakings



➤ 22 terms and conditions
(provided on a voluntary basis)



➤ 8 participating Member States
(Croatia, Romania, Estonia, Italy, Greece, Latvia, Slovakia and Portugal)

KEY FINDINGS: GOOD PRACTICES



- The findings confirm that well-implemented IPIDs can be useful in helping consumers better understand the features of insurance policies. In particular, some good practices were observed that ensured consumers were given sufficient and accurate information, without overloading them.



- These include, for instance, the use of clear and non-misleading wording, a well-defined taxonomy of NatCat perils easily retrievable in the terms and conditions, a structured IPID review process and the use of digital tools to guide consumers through the purchasing process.



- The IPID can be an extremely useful tool which, if properly designed, can allow consumers to easily and quickly answer the question: **“Is your home covered for natural catastrophes?”** and **avoid the “insurance illusion”, a situation in which consumers might mistakenly believe that they are covered for NatCat events.**

KEY FINDINGS: ROOM FOR IMPROVEMENT



- Definitions of NatCat events across insurers varied greatly or were only partially explained. Some IPIDs, for instance, indicated general coverage for “flood”, but excluded all precipitation-related floods without explicitly pointing this out in the IPID.



- Add-on coverage options –which is how coverage for NatCat risks is often marketed– were sometimes not clearly presented as optional, giving consumers the false impression that NatCat risks were automatically included.



- Coverage limitations – whether geographical, frequency-related or connected to the type of hazard or the magnitude of the damage – were not always disclosed clearly either. For example, some policies only offered payouts for hail damage once every five years without specifying this condition in the IPIDs.



- EIOPA’s analysis found that a few undertakings review or update their IPIDs in response to NatCat events in a significant manner; in particular, they do not follow the POG process to review these products.

CONCLUSION

- Clearer and more consumer-friendly information is needed to prevent the 'illusion of being insured' for natural catastrophe coverage. **Insurance undertakings play a crucial role in facilitating uptake of NatCat by ensuring information on coverage and exclusions is presented in a clear and transparent manner.**
- Within its mandate, EIOPA will make use of the findings and continue to monitor market trends and developments and promote consumers' financial resilience. This could include looking at reducing the burden for consumers, insurers and intermediaries and improve consumer understanding.
- For more information, please read our report ([LINK](#))



THANK YOU!

For more information visit:
<https://www.eiopa.europa.eu>