

To:

Peter Braumüller
Vice-Chairperson
European Insurance and Occupational Pensions Authority
Westhafen Tower, Westhafenplatz 1,
60327 Frankfurt am Main

IRSG-21-33
9 June 2021

Subject: IRSG call for enhancing the EU's resilience to future pandemics and other large and complex risks

Dear Peter Braumüller,

The EIOPA Insurance and Reinsurance Stakeholder Group (IRSG) is supportive of the EU's efforts to foster greater resilience at the heart of its economy, which has been damaged by the impacts of the COVID-19 pandemic. In this context, the IRSG welcomed the creation of the European Commission's inter-service working group to explore solutions to enhance protection against the damages of future pandemics.

We understand that limited progress has been made recently and that the Commission is still exploring what lessons can be drawn. While we appreciate the issue is vastly complex and multifaceted, the IRSG nevertheless wishes to reiterate its support for the topic to be discussed at EU level and for a dialogue with the key stakeholders to be maintained on how best to achieve the EU's objective of greater resilience.

The IRSG is broadly supportive of the vital groundwork EIOPA has laid on the topic of improving the insurability of business interruption risk in light of pandemics. While we acknowledge that the total losses linked to the pandemic are beyond the capacity of the insurance industry alone to bear and that pandemic risk challenges the accepted principles of insurability, we nevertheless see merit in exploring options such as a public private partnership framework to stimulate options for more insurance coverage in light of large risks, be it a pandemic or possibly also for other large and complex risks. The objective should be sustainability, the balance between economic, social and environmental factors and that is where regulations may be needed to ensure this balance is maintained in proportion to the size, nature and complexity of the risks underwritten.

The IRSG is also aware of the enormous amount of effort and resources that the Commission has devoted to the EU's economic revival with the Next Generation EU Package. While we are supportive of this, we also believe it is an opportune moment to focus on a framework that encourages prevention and *ex ante* measures, which will be vital in fostering greater resilience in the longer term. We noted as such in our advice to EIOPA and have attached the key points in annex.

INSURANCE AND REINSURANCE STAKEHOLDER GROUP (IRSG)

The IRSG in its advice to EIOPA as part of its reflections was unequivocal on the following, key point: *the COVID-19 pandemic has highlighted the need to address the major protection gap in coverage for pandemic-related business interruption losses.*

We use this letter to encourage the Commission to take forward this topic as an important element of the objective of enhancing the EU's resilience to future pandemics and other large and complex risks.

We look forward to hearing from you.

Sincerely,

(e-signed)

Michaela Koller & Paul Fox

IRSG Chairperson IRSG Vice-Chairperson

-Adopted by the IRSG on 7 June 2021-

Annex: summary of main points in IRSG advice

Annex – summary of main points in IRSG advice

Scope of cover: impact analysis of potential solutions should have significant focus on SME – access to NDBI products at the core, requiring raising awareness and monitoring of NDBI products offering to SMEs.

Modelling and data: Proposal that 'EIOPA brings expert modelling resources together from inside and outside the industry in order to improve the predictive quality of available models. To be applicable 'beyond insurance' and enabled by a public/private partnership approach.

Prevention measures: vital. However, the ability to invest in prevention measures depends on market participants' sector, size or financial capacity. Measures need to be proportionate.

Capital markets: limited capacity due to correlation between pandemic crisis and market risk. Difficulty in identifying objective and relevant parametric triggers.

Multi-peril pooling: merit to explore, but technically difficult to implement in short term. However, this is also an opportune moment to consider future systemic events, and how proactive risk transfer mechanisms may instill more resilience at the heart of this.