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Climate Insurance Protection Gaps: A demand-side challenge

According to the EIOPA Dashboard on Insurance Protection Gap¹, only around one quarter of losses from extreme events in Europe were insured between 1980 and 2024. With climate change intensifying heatwaves, floods, storms, and wildfires, citizens face growing exposure to physical climate risks. As a result, many are likely to face higher insurance premia in the coming years or bear a larger share of disaster-related costs themselves. The German Insurance Association recently warned that property insurance premia could double within a decade due to climate-driven claims². In high-risk areas, insurance (and in turn, mortgages) may even become unavailable as insurers withdraw coverage or introduce exclusions as risks escalate.

Yet, despite rising risks, insurance uptake remains low. EIOPA's 2025 Eurobarometer³ reveals only 17% of respondents hold coverage for property damage caused by natural catastrophes. To better understand these persistently low take-up rates, EIOPA conducted research into household behaviour and attitudes toward natural catastrophe

insurance⁴. Findings are consistent across Member States:

- Consumers perceive coverage as too expensive or unaffordable.
- Limited transparency on costs and coverage scope discourage engagement.
- Expectations of state compensation after disasters further reduce incentives to purchase private insurance.

In response to these behavioural and informational barriers, EIOPA has launched targeted initiatives to improve awareness on both risks and coverage, in line with the EU Climate Resilience Framework⁵. In December 2025, EIOPA proposed the development of PROTECT – a tool to help citizens better understand the potential impacts of climate change on their properties⁶.

EIOPA also examined the clarity of product information. In May 2025, it published a study assessing Insurance Product Information Documents used for natural catastrophe coverage across EU markets⁷. The key concern is the “insurance illusion” – a situation where consumers believe they are protected, only to find gaps or exclusions post-loss. The study calls for more intuitive, consumer-friendly information that supports genuine understanding rather than merely fulfilling regulatory requirements.

Consumer awareness and coverage clarity are key to closing Europe's insurance protection gap.

EIOPA also acknowledges the need to continue deploying harmonised, forward-looking tools and indicators for EU-wide climate risk assessments. Establishing an EU Observatory on Insurability could improve the systematic monitoring of insurance coverage gaps and loss ratios by peril and region, further develop resilience investment adequacy metrics (comparing adaptation investment levels to estimated needs), and integrate early-warning indicators from cross-sectoral systemic resilience assessments⁸. The Observatory could build on EIOPA's work. In addition, supervisors should use indicators that track access to insurance (and mortgages) and identify potential consumer detriment. In this context, EIOPA developed a set of retail risk indicators⁹ that could be applied specifically to insurance products covering natural catastrophe.

European coordination can also enhance the climate insurance landscape through robust frameworks to address shared challenges. On the supply-side, exploring shared reinsurance layers for catastrophic tail risks, such as the one proposed by EIOPA alongside the European Central Bank¹⁰, could add value where events exceed national capacities, provided such arrangements are carefully designed to avoid moral hazard and preserve market functioning. On the demand-side, the establishment of common harmonised coverage definitions is key to enable better comparability for consumers, facilitating informed decision-making and transparency across the EU. Together, these forms of cooperation would strengthen the economic resilience, affordability and availability of insurance protection across Europe, while supporting a more forward-looking understanding of climate risks.

1. *Dashboard on insurance protection gap for natural catastrophes - European Insurance and Occupational Pensions Authority*
2. *Klimaschäden könnten zu Verdoppelung der Prämien in der Wohngebäudeversicherung führen*
3. *EIOPA- Eurobarometer 2025: consumer trends in insurance and pension services*
4. *EIOPA - Revised Staff Paper on Measures to address demand-side aspects of the NatCat protection gap*
5. *European Commission - European Climate Resilience and Risk Management – Integrated Framework*
6. *EIOPA - PROTECT – a risk and prevention awareness tool for natural catastrophe risks and prevention measures*
7. *EIOPA - Clearer and more consumer-friendly information is needed to prevent the 'illusion of being insured' for natural catastrophe coverage, EIOPA study finds*
8. *Financing resilience: Reflection group presents final report on mobilising financing to help EU prepare for climate risks - Climate Action.*
9. *EIOPA - Retail risk indicators: methodology update*
10. *EIOPA and ECB propose European approach to reduce economic impact of natural catastrophes*