



Ensuring the availability and affordability of insurance in light of climate change: Discussion paper on non-life underwriting and pricing

NEWS
DATE:
10 Dec 2020

Today, the European Insurance and Occupational Pensions Authority (EIOPA) has published a [discussion paper on non-life underwriting and pricing in light of climate change](#).

The discussion paper highlights challenges associated with current non-life underwriting practices and options to ensure the availability and affordability of insurance products, in the context of climate change.

Non-life undertakings tend not to include climate-related risks in their pricing methodology, because the short-term nature of non-life contracts allows them to re-price annually.

However, given that climate-related losses are expected to grow meaning premiums would likely increase, there is the risk that insurance coverage becomes unaffordable or unavailable to policyholders.

The insurance sector can address this potential protection gap not only by transferring and pooling risk, but also by implementing the concept of impact underwriting.

(Re)insurers can contribute to climate adaptation and mitigation by incentivising policyholders to mitigate insured risks via risk-based pricing and contractual terms, and consider in their underwriting strategy measures that contribute to climate change adaptation or mitigation.

The discussion paper builds on work stemming from the Opinion on sustainability within Solvency II, published in 2019, and is part of EIOPA's overall sustainable finance agenda.

EIOPA is inviting stakeholders to provide comments on the discussion paper by 26 February 2021, by filling in the survey.

[GO TO THE SURVEY](#)

EIOPA's sustainable finance agenda

The discussion paper is part of EIOPA's broader sustainability agenda to integrate environmental, social and governance (ESG) risk assessment in the regulatory and supervisory framework. EIOPA is committed to supporting the European insurance and occupational pension sectors in their transition to climate neutrality and to deliver on the 'Green Deal' initiated by the European Commission.

EIOPA's work on sustainable finance is driven by three objectives: (i) insurers should manage and mitigate ESG risks, (ii) insurers and pension funds should reflect policyholders and pension scheme members' preferences for sustainable investments and (iii) insurers and pension funds should adopt a sustainable approach to their investments based on principles of stewardship. This reflects the important role insurers and pension funds can play in enabling climate change mitigation and adaptation. A key element to foster sustainable growth and

to channel funding in economic activities enabling and contributing to environmental, social and governance-related objectives, is to improve data availability and therewith the public disclosure of relevant metrics by reporting entities as well as improving transparency on risks arising from climate change.