

RESOLUTIONS TABLE

on the consultation of the discussion paper on
non-life underwriting and pricing in light of
climate change

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Question 1: Do you agree that climate change could lead to increasing premiums and wider exclusions, potentially negatively impacting the affordability and availability of insurance covers over the long term?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
1.	Insurance and Reinsurance Stakeholder Group	Yes	<p>Yes.</p> <p>Risk-based underwriting adjusts for changes in frequency and severity of events, whether they are random and diversifiable and depending on whether preventing measures exist to limit the costs within the insurance market capacity. As a result, the non-life insurance sector is not exposed to climate change the same way as businesses and individuals. (Re)insurers have effectively the possibility to adjust their risk exposure via the level of premiums, deductibles, exclusions, limits corresponding to their risk appetite and solvency constraints to the point where they can indeed exit the lines of business or geographies most impacted.</p> <p>From a climate change adaptation standpoint and all other things being equal, where risks are deemed to increase it is fair to assume that premiums will follow a similar path.</p> <p>The affordability and availability issue is real and needs to be tackled primarily via public policies in terms of prevention (e.g. flood defences) and, where relevant, building standards, tax incentives and/or subsidies e.g. scrappage scheme for high emission vehicles.</p> <p>Long term impacts of climate change are very uncertain, so that the extent, duration and location of impacts cannot be predicted. For instance, Increases could happen at a steady pace or in step changes, driven by availability and increases in cost of reinsurance following severe weather events. To the extent that climate is ultimately a self-regulating system, then short run effects may be more devastating in certain places, until new equilibrium is reached.</p>	Agreed.
2.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts	Yes	I agree, climate change could increase premiums and reduce coverage offer and availability of insurance covers not only over long term, but also in short-medium term	Agreed.

3.	Unipol Group S.p.A.	Yes	<p>Unipol Group welcomes EIOPA's opportunity to discuss the paper on Non-life underwriting and pricing practices in light of climate change. Sustainability factors are already at the core of insurance sector underwriting strategy and will have an increasingly important impact on the future business; for this reason we deem as necessary to establish a continuous dialogue between regulators and industry in order to pursue climate change adaptation and mitigation objectives without undermining the base of a sound and resilient insurance activity.</p> <p>Notwithstanding the fact that climate change projections still remain highly uncertain, the effects of climate change are already observable on the amount of annual aggregated losses borne by insurers. This aggregated losses indicate an increase of NatCat risks which will have an impact on premiums. For this reason we share the EIOPA's concern on the fact that climate change could negatively impact the affordability of insurance contracts.</p> <p>However, Unipol Group wants to stress that this evidence should not be used to suggest solutions that are not fully in line with actuarial risk based principles. From insurers point of view, the main issue remains the adequate pricing of risks. Risk management and pricing should remain risk based in order to be meaningful, and this principle should always remain at the very center of insurance business.</p>	Noted. Agreed on the uncertainties related to projections, observable climate effects today . Also agreed on the need for risk-based approach.
4.	PIU - Polish Chamber of Insurance	Yes	<p>It is quite difficult to answer the question directly due to the way it is asked. Nevertheless it seems to be clear that climate change in the future may negatively impact the affordability and availability of insurance protection for certain risks in the future. In PIU opinion focusing exclusively on pricing and deductibles will not solve the issue.</p>	Noted.
5.	AMICE	Yes	<p>Yes but mostly from a climate change adaptation standpoint.</p> <p>All other things being equal, where risks are deemed to increase it is fair to assume that premiums will follow a similar path.</p> <p>Moreover, if a limit of affordability and/or premium increase is reached for the subscription to an insurance guarantee, it would mean that solutions for acceptability of prices would have to be found around exclusions, deductibles and other limits or reductions of risk exposure through adaptation and prevention measures.</p> <p>Climate change projections still remain highly uncertain. But the effects of climate change are already observable on the amount of annual aggregated losses borne by insurers. Climate-related property damages are expected to increase, as the French Insurers Association FFA indicated when it published its White Paper in 2015, with the losses expected to almost double by 2040. This increase in claims could in fact mechanically lead to increasing premiums and/or to the identification of areas that would become uninsurable.</p> <p>Looking at climate change mitigation, insurers should be cautious in taking the path of underwriting and pricing with that sole objective in mind. This would lead to wider exclusions and affordability issues, while in many cases insurance is mandatory. This may derive as such from government interventions and policies, but proper warnings should be raised on their effects and the need for graduation and transition.</p>	Noted. Differentiation between adaptation and mitigation has been further clarified in the report.

			That does not preclude insurers to take adequate measures in terms of communications, incentives, ad-hoc discounts...	
6.	Actuarial Association of Europe	Yes	<p>The effects of climate change can have an impact on the affordability and availability of insurance cover in the long term. This applies both to changes in the actuarial expected value of the insured risks and to the frequency and severity of accumulative events and large losses. Ultimately the situation depends also on the availability of capacity in the global reinsurance market.</p> <p>Actuarial calculations of premium increases and exclusions will not necessarily happen gradually, but could instead come in the form of a series of abrupt step changes, particularly in the availability and cost of reinsurance, following very severe weather events. We can already see this effect in the USA.</p> <p>Some locations that are currently lower risk may be expected to experience an increase in weather events. It is possible that such areas could face similar issues with the availability and affordability of insurance as areas that are currently high risk. It is likely that demand for insurance coverage would increase in such areas.</p> <p>Even if climate goals are achieved, further preventive measures will be necessary to reduce risks in order to ensure permanent insurability. We doubt whether this will be possible and sensible due to regional differences, at least as long as no further preventive measures are taken, such as for example technical flood protection.</p> <p>However, the decision as to whether a customer makes use of the insurance cover offered is always an individual economic decision. The insurance gap mentioned is therefore not only a question of supply. In Germany, for example, the insurability against flood is significantly higher than the insurance density.</p> <p>While Insurers can play a role in identifying preventive measures in order to ensure availability of insurance cover, wider Societal efforts will be required to mitigate the risk resulting from climate change.</p> <p>One point we missed from the discussion paper is the ability for building planning laws to influence the future exposure to climate change risks. Planning restrictions should be put in place to reduce the risk of buildings being built in areas that are likely to become higher risk areas in future. Additionally, construction of defences should be studied to mitigate against future increased risks, Poor planning could lead to an unnecessary increase the insurability gap.</p>	Noted. Welcome reference to consumer behaviour, and efforts needed from society at large, incl. the setting of building planning laws.
7.	Fédération Française de l'Assurance	Yes	<p>The French (re)insurers agree with the fact that climate change (CC) will lead to increasing premiums and wider exclusions. The effects of CC are already observable on the amount of annual aggregated losses borne by insurers. In October 2015, FFA published a study on the impact of CC on insurers' compensation costs by 2040. This was the first study to attempt to quantify both the overall cost of "climate" compensation that French insurers will have to pay in 25 years' time as well as focusing on the impact of CC on this total cost. This study coupled a modelling of the evolution of climatic hazards with a projection to 2040 of the socio-economic</p>	Noted. Welcome reference to observable climate effects today, role of public policies and solutions for protection gap.

		<p>stakes. It concluded that the cost to insurers caused by the damaging consequences of climatic hazards will almost double (92 Md € for the period 2015-2040 vs 48 Md € for the period 1988-2013). While the main explanatory factor is the French growth (increase in wealth and displacement towards high-risk areas), the second factor is the direct impact of CC for 13 billion € of the 44 billion € increase, i.e. 30% of this amount. FFA's study identified marine submersion and drought (subsidence) among the most likely perils to generate additional compensation costs related to . This increase in claims could mechanically lead to increasing premiums and/or to the identification of areas that would become uninsurable.</p> <p>The non-life insurance sector is not exposed to CC the same way as businesses and individuals. (Re)Insurers have in theory the possibility to adjust their risk exposure via the level of premiums, deductibles, limits corresponding to their risk appetite and solvency constraints to the point where they can exit the lines of business or geographies most impacted. The affordability and availability issues are thus real.</p> <p>However, French (re)insurers believe the risks on insurance affordability and availability need to be tackled primarily via public policies in terms of prevention (e.g. flood defenses) and building standards preventing the impact of natural perils, tax incentives and/or subsidies either to protect houses against natural perils or to limit the impact the CC such as scrappage scheme for high emission vehicles.</p> <p>French (re)insurers believe this issue should also be tackled to an important extent via private-public partnerships such as the French regime on natural catastrophes events covering floods, drought, earthquakes, ground movements avalanche, volcanism and cyclonic winds. By mutualizing risks and enabling solidarity between territories, the surcharge of premium to cover NatCat related perils amounts to the same percentage for all. The potential increase is therefore more bearable for policyholders. It allows better risk diversification among territories, limiting the risk on the lack of the availability of insurance covers.</p> <p>FFA has identified three cases where the EIOPA's analysis on insurance affordability and availability is especially relevant for the French market, even regarding the solidity of the French regime:</p> <ul style="list-style-type: none"> - First, the capacity of the French regime to tackle the peril of drought in the future in France is questioned. The regime should be reviewed to enable better resilience of new constructions. The costs of the subsidence claims are rising and more and more areas in France are exposed to this risk. The ELAN French law voted in 2018 requires building company's in areas exposed to subsidence risk to realize a preliminary geotechnical study of the soil before the construction of new buildings. However, the building standards are not adjusted to include specific prevention measures to improve resilience and limit future claims on new buildings. Preventive measures do however exist. - Then, agricultural assurance, which is not covered by the NatCat regime, is at risk in light of CC. The protection gap is already very high (only 30 % of farms are insured against NatCat) and could keep increasing. Adaptation, prevention and protection measures are not sufficient to guarantee agricultural sustainability. The increase in frequency and intensity of natural 	
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8.	Insurance Europe		<p>Firstly, the wording of the question is misleading as it seems to imply that there are no measures beyond pricing and deductibles to sustain the availability of insurance, when prevention, notably plays such a crucial role.</p> <p>Having said this, without the necessary action regarding both mitigation and adaptation, and from a purely financial perspective, climate change is indeed expected to negatively impact the affordability and availability of insurance for certain risks over the long term. However, focusing exclusively on pricing and deductibles does not reflect the way the insurance business functions, and it ignores the crucial role played by public authorities in adopting the necessary legislation for mitigation and prevention/adaptation.</p>	<p>Noted. EIOPA is supports the central role of prevention measures – impact underwriting aims at embedding this in product design, pricing and underwriting. Deductibles can be a means, to act as price-signal.</p>
9.	FERMA: Federation of European Risk Management Associations	Yes	<p>We as the representatives of corporate insurance buyers are indeed concerned that protection from some of the damages associated with climate change will only be available at very high prices, or in contracts with many exclusions. A parallel can be drawn to other large and potentially catastrophic risks, eg the pandemic. FERMA would absolutely welcome further interaction with EIOPA on this important issue!</p>	<p>Noted.</p>
10.	Covéa	Yes	<p>COVEA welcomes EIOPA's initiative to discuss how insurance companies can take into account climate change in underwriting and pricing.</p> <p>As the paper concludes : "Impact underwriting is a nascent field, and more new ideas can be expected in the future".</p> <p>In that context, as an overarching issue, we would like to underline that the paper appears to merge two objectives, climate change adaptation and climate change mitigation. These are two distinct issues (clearly separated for instance in EU's taxonomy). A clear differentiation would be needed in the paper.</p> <p>Insurance companies are direct enablers in the context of adaptation to climate change. While</p>	<p>Noted. The report distinguishes clearer between adaptation and mitigation strategies.</p>

		<p>underwriting extreme events, the risks are directly related to climate change (including reinsurance). Insurers are therefore directly involved, be it by underwriting and preventing these risks. This is a key stake looking forward.</p> <p>While in the context of climate change mitigation, insurance companies are mostly in the position of accompanying policyholders in their choices. They may also have to follow government policies or decisions. Insuring in that context needs to be undertaken without undermining sound risk-based underwriting as well as any possible final benefits of the policyholders.</p> <p>In other words, among the actions that may be considered beneficial to limit climate risk, it is crucial to clearly distinguish between those for which insurers may have a role to play as insurers and those that are not in the direct remit of their activities and responsibilities, but that they can accompany. Hence the focus of the paper may appear to try to achieve several targets that can be deemed in large respects incompatible to assemble together.</p> <p>Furthermore, as a general introductory comment, we would like in that respect to underline that :</p> <ul style="list-style-type: none"> Ø Insurers can certainly play a significant role in incentivizing the decisions of policyholders through adequate communication to raise risk awareness, foster resilient behavior, favor a responsible behavior and eventually, in the context of an accident or disaster event, assist adapted behavior. Ø But overall the instrumental role as regards climate change remains that of governments (European, national, local) towards setting adequate measures such as aids, subventions, tax reliefs as well as regulatory requirements. <p>The full spectrum of the specificities of non-life insurance activities needs to be taken into account. This includes :</p> <ul style="list-style-type: none"> Ø A significant part of non-life insurance is covered on a mandatory basis. There is a risk of developing “off-shore” solutions if the selection from “mainstream” companies as a result of public policies based on climate change adaptation or mitigation is too stringent. Ø Mandatory insurance bears some social accountability. Ø Inequalities among policyholders, including from a social standpoint, can become unsustainable. Ø As a result, it is absolutely critical to maintain a significant degree of mutualization (limiting thereby the degree of selection). <p>Against this background, we wonder whether the paper sufficiently bears in mind that for insurers the issue at stake remains the adequate pricing of risks.</p> <p>Impact underwriting can be important and an impactful way of dealing with risks and pricing, mostly in the factoring of adaptation and prevention measures (eg building norms).</p> <p>-----</p> <p>Yes, but mostly from a climate change adaptation standpoint.</p> <p>All other things being equal, where risks are deemed to increase it is fair to assume that premiums will follow a similar path.</p>	
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11.	Reale Mutua di Assicurazioni	Yes	<p>Climate Change has had a strong impact on the Insurance Market over the last years. In particular, windstorms, hailstorms and flood events have become more frequent and destructive, causing many more losses than in the past. Due to this situation, Insurance Companies need to be more selective in underwriting risks and have to increase premiums/deductibles in order to face the consequences (loss ratio) of the Climate Change in their portfolio.</p>	Noted.
12.	German Insurance Association (GDV)		<p>The German Insurance Association (GDV) welcomes the fact that EIOPA is working intensively on the issue of climate change and the protection against the resulting risks. From a purely “financial viewpoint”, the answer to this question could be “yes”. Along with global climate change might come a geographically specific intensification of risk exposure. This could lead to increasing prices.</p> <p>But ultimately, we don’t agree with the statement in Q1, because there are still measures beyond pricing and deductibles such as prevention to sustain individual availability.</p> <p>To put it upfront: In our perception, the structure of this questionnaire does not reflect the principles of operation of insurance as it is today. “Pricing” is just one piece of the puzzle. We do not support the assumption that, on the basis of the risk-based premium calculation, the insurance industry is in a threatening spiral of rising damage caused by climate change and rising insurance premiums.</p> <p>This could be understood when only the interplay of monetary elements such as premiums and deductibles is considered. But such a view corresponds neither to insurance practice nor to the legal situation in Germany.</p>	Noted. Final report adds the GDV perspective with regards to flood insurance.

		<p>Every policyholder in Germany is legally obliged to avert or reduce damage (§ 82 Insurance Contract Act, VVG). This obligation has existed since the first version of the Insurance Contract Act from 1908 (there § 62 VVG). This obligation is accompanied by numerous legal regulations that specify this obligation for individual perils, e.g. § 5 (2) of the Water Resources Act (WHG). This means that insurance and prevention have been a unit in Germany for more than 100 years: the policyholders - regardless of their insurer, their premiums or their ideas about risk reduction - have a legal obligation to reduce their risks to a minimum. Since it is a legal obligation, the legislator also fulfills the task of adapting these regulations to the development of the risks in the course of climate change. In the area of flood risk, this was last done in 2017 through the "Law for the Further Improvement of Flood Protection and the Simplification of Flood Protection". The German insurers therefore do not underwrite any risk that increases in an uncontrolled manner due to climate change. The risk is much more limited to a sustainable level by the statutory provisions and their regular updates.</p> <p>In this respect, we consider the conclusion by Schwarze and Wagner from 2007 to be wrong: The NatCat insurance penetration in Germany did not decrease after the flood in 2002, it has increased from year to year. The tightening of the prevention requirements and the improvement of the flood data situation through the EU Flood Directive 2006 were decisive for this. Please refer to the data on page 36 in GDV's NatCat-Report 2012 ("Naturgefahrenreport"): https://www.gdv.de/resource/blob/63646/8773773d8c7ee6f705a146eaa9bba54c/publikation--naturgefahrenreport-2012-data.pdf</p> <p>Against this background, we would answer the question with a "no". Only if one should focus solely on the calculation and development of the premium and disregard all other factors, would more and more policyholders no longer be able to afford insurance cover in the event of unrestrained climate change. A +4°C world would probably no longer be insurable against natural hazards at all. The extent and frequency of losses should then have reached an extent to which the collective private-sector risk compensation no longer works - neither per insurance company, nor in a pool or similar. That is why the German insurance industry is clearly behind the Paris climate goals. Limiting the increase in the global average temperature to +1.5 to +2.0° C combined with a corresponding adjustment of the statutory prevention regulations can ensure that insurance protection against natural hazards remains available and affordable for society and the economy in the foreseeable future.</p> <p>"Bridging the protection gap" is therefore not just an invitation to the insurance industry to maintain the risk transfer. At the same time, it is a warning to politicians and legislators in all EU countries to reduce greenhouse gas emissions and to comply with prevention regulations - e.g. in the area of new buildings or building renovations - to adapt to the development of natural hazards. Because the insurance industry pays close attention to preventive measures and makes its own suggestions, does not mean it can or should even replace either the legislature or the executive. In the area of prevention regulations in particular, it cannot replace the role of the legislature. This would also be a highly undemocratic development if insurers had to determine in future how society should behave.</p>	
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13.	EY	Yes	Unmitigated climate change will almost certainly exacerbate existing protection gaps, across a wide range of risk protection types (not just physical risk/natural catastrophe) ; At this point in time Nat Cat protection gaps as referenced to GDP are perhaps lower down the order of gaps that are currently experienced falling somewhat behind the gaps in healthcare, pensions and even cyber protection. As such there are a wide range of social issues today that need attention and that will be adversely affected not just by the frequency and severity of physical events but the overarching economy as well as the ecosystem. It is for these reasons the first line of defense to mitigate protection gaps is the underlying policy of mitigating climate change. The second line of defense, when we specifically look at the area of physical risks as a result of climate change is the preparatory work and investment to mitigate or abate the consequence of climate change. It is solely as a third line of defense the transfer or risk through insurance protection come into full force. In the context of unmitigated climate change and risk impacts that are not abated by infrastructure, planning and technology then we will have a very different context to that which applies today. In this context the role of private insurance will be ancillary to what will likely be predominantly social schemes in partnership with others.	Noted.
14.	Benpower	Yes	insurance/reinsurance markets will be driven toward technical underwriting approach to keep capital remuneration; deterioration of uw technical results due to increase of loss ratio on LOB impacted from climate change will drive premium increase and shrinking in capacity and hardening on contract terms and conditions	Noted.

Question 2: Do current underwriting and pricing practices already take into account the expected impact of climate change?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
15.	Insurance and Reinsurance Stakeholder Group	Yes	Yes, partially. This is particularly the case where insurance covers perils where climate change is already causing changes in the underlying risks, especially tail risks. Underwriting practices primarily focus on the current risk profile, with less regard for future expected effects materially beyond a 1 year time horizon. Commercially it is for each insurer to decide if it makes sense to avoid writing business or to charge higher premiums in areas that are expected to be higher risk in the future. Setting plans and strategies for the evolution of risks and portfolio exposures is within the scope of the ORSA and wider strategy setting. Premium levels are unlikely to move in exact step with rising risk levels as the pace of increase in risk may not be fully anticipated. Despite a number of data and methodological constraints, forward-looking analysis is also	Noted. We welcome the reference to forward-looking analysis and the importance of prevention measures, and role of open source modelling tools.

			<p>increasingly used in combination with historical assessments based on up-to-date data. This is focused on expected changes in frequency and severity of certain events which are relevant for pricing yearly guarantees and adjust periodically their conditions.</p> <p>One important element of underwriting and pricing involves imposing certain conditions on contracts, such as prevention measures. These conditions are not necessarily based on past events but can also be the result of trends forecasting, and increasingly over the longer term. This is clearly an example of the future/expected impact of climate change being incorporated in the underwriting/pricing process.</p> <p>The effect of adjustments in reinsurer pricing will impact on prices to insurance customers. Reinsurers use Nat Cat Models which are continuously updated to allow for emerging climate trends. Over time certain risks are excluded and policy terms and conditions are tightened in response to climate events.</p> <p>As explained in the general comments, It is inaccurate to say that the models supporting the repricing cycle are backward-looking. Model calibration uses past events to identify the pattern of variability and the distribution of severity but it is also adjusted to capture trends when the signals are clear and evidenced. However, for several perils it is the science itself rather than (re)insurer's modelling which has not settled on the impact of climate change on hazard parameters relevant to non-life underwriting. Insurers take a holistic view of risk management across their processes and core business, and the monitoring of past climate change related events and losses is just one of the instruments used in the underwriting and pricing process. EIOPA should refrain from setting expectations in terms of pricing which would not be supported by scientific literature. On the other hand, EIOPA promote the role that open source loss modelling tools can have to better integrate climate-related risks in insurance underwriting. There are many perils in Europe not covered by traditional vendor models for lack of commercial incentives. Open platforms, such as OASIS, can fill these gaps and provide transparent modelling capacities available to re/insurers, academics or supervisors. Pooling resources and sharing insights via a European integrated open source loss modelling platform can make a real difference in the understanding of climate change impacts for insurance underwriting. It could also serve other purposes such as updating the NAT CAT parameters of the standard formula or calibrating supervisory stress tests in a transparent and evidence-based manner.</p>	
16.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts	Yes	Partially, because just few (re)insurance companies have models to capture expected impact on climate change and future scenarios will be harder to predict and more volatile. In addition insurance companies adopt short-term pricing that can partially cover increases in frequency, severity and volatility of risks and that cannot create the conditions for a long-term sustainability	Noted.

17.	Unipol Group S.p.A.	Yes	<p>For what concerns the annual repricing, Unipol Group specifies that this practice is connected to the Non-Life insurance contract term boundaries, which is an intrinsic characteristic of this line of business. Non-Life policies usually cover a period of one year and allow insurers to adjust the pricing regularly and smoothly following risk based principles. Moreover, insurers' pricing processes are based in particular on past claims history. This makes it possible to observe long-term averages and trends (around 10 - 15 years) but also to incorporate possible accelerations in trends (e.g. over the last 3-5 years). Changes in pace could be integrated into the pricing process on top of a long-term trend via hypotheses of anticipated claims development.</p> <p>Notwithstanding this, repricing is not the only strategy used by insurers to capture the evolutions in insured risks due to climate change. Insurance sector pricing already considers in many cases the impact of climate change, and in many policies the underwriting strategy provides incentives to mitigate insured risks in conjunction with the achievement of climate change adaptation and mitigation objectives.</p> <p>For example Unipol Group integrates the achievement of 4 million black boxes installed on vehicles with the Motor Vehicle TPL policy. This means that the black box can record vehicle speed and the Km/h driven by each policyholder, and allows the Group to propose a "pay as you drive" tariff which by fostering a better driving behavior leads at a risk reduction (compensated with a premium rebate) and to also pursue the climate change mitigation objectives (thanks to a reduction of gas emission related to a lower speed driving or less mileage). This is just an example of an underwriting practice that connect risk reduction and climate change impacts.</p>	<p>Noted. The argument related to lack of climate change capture in short term contracts has been evidenced in the analysis for EIOPA's Opinion on sustainability in Solvency II (2019).</p> <p>The final report also reflects the useful distinction between technical pricing and wider underwriting policy. Example of pay-as-you drive is included in the report.</p>
18.	PIU - Polish Chamber of Insurance	Yes	<p>First of all, PIU would like to highlight the difference between the climate change and weather - related damages which are subject of insurance. Not all the impacts on the societies, economies will directly impact the insurance companies.</p> <p>Apart from the above, even if a lot has been done already, the pace of climate change and its impact is not yet fully clear and we are missing key data, analyses and models.</p> <p>Currently the key role in underwriting and pricing process plays the historical data. Observed trends reflected on an on-going basis in insurers business models, underwriting and pricing.</p> <p>Available forward-looking studies on climate change due to their long-term nature are rather factored in the ORSA processes, in particular within the stress scenario testing. And this is a practice which is developing now.</p>	<p>Noted. We welcome the reference to long-term nature analysis of risks in ORSA.</p>
19.	AMICE	Yes	<p>Yes with respect to climate change adaptation. Evolutions in insured risks due to climate change are already noticeable and to this extent they are taken into account in underwriting and pricing practices.</p> <p>Indeed, for the majority of non-life insurance contracts, the period of cover is one year, which allows insurers to adjust regularly and smoothly.</p> <p>We disagree with the following statement "3.1 The fact that non-life insurance contracts are</p>	<p>Noted. The argument related to lack of climate change capture in short term contracts has been</p>

			<p>short-term contracts and can be annually re-priced has been presented as one of the main reasons to not capture climate change in the actuarial pricing". In reality, insurers are already capturing climate change in their pricing.</p> <p>Indeed, insurers' pricing processes are based in particular on past claims history. This makes it possible to observe long-term averages and trends (around 10 - 15 years) but also possible accelerations in trends (e.g. over the last 3-5 years). Changes in pace can thus be integrated into the pricing process on top of a long-term trend via hypotheses of anticipated claims development.</p> <p>As regards climate change mitigation, the impact of the premium can be on the opposite side (reduction), as a result for instance from discounting, sales or targeted policies. As an example, premium discounts are offered to low-emission vehicles although those reductions are not technically justified. Another example is the premium discount applicable to private houses with the highest energy performance levels, which is not justified through lower frequencies or severities.</p>	<p>evidenced in the analysis for EIOPA's Opinion on sustainability in Solvency II (2019).</p> <p>We welcome the distinction between rebates based on reduced insured risk and those based on wider underwriting considerations.</p>
20.	Actuarial Association of Europe	Yes	<p>The impact of climate change is already taken into account, to the extent that insurance covers perils where climate change is already causing changes in the underlying risks, especially tail risks. As most P&C Insurance contracts are short term, underwriting practices primarily focus on the current risk profile, with less regard for future expected effects materially beyond a 1-year time horizon,. This means underwriting and pricing consider expected climate change risk to a degree possible and visible at this point of time. The cost of extreme events is allowed for as part of the cost of reinsurance. In turn, reinsurers use Nat Cat Models which are continuously updated to allow for emerging climate trends.</p> <p>With views changing over time on the likelihood and magnitude of certain insured events driven by climate change, insurance prices will change. The level of change will likely be higher in some parts of the business (e.g. Agriculture, Reinsurance on Tropical Cyclones, Motor Hull, etc.) and lower on others (e.g. Personal Liability insurance). One-year contracts allow insurers to take these effects into account gradually and in a controlled way. However, for some risks, in particular transitional risks, it is very likely that their expected impact is not fully taken into account yet, or even cannot be taken into account properly due to their nature.</p> <p>Commercially it is for each insurer to decide if it makes sense to avoid writing business or to charge higher premiums in areas that are expected to be higher risk in the future. Setting plans and strategies for the evolution of risks and portfolio exposures is within the scope of the ORSA and wider strategy setting.</p>	Noted.
21.	Fédération Française de l'Assurance	Yes	<p>The FFA disagrees with the following statement "3.1 The fact that non-life insurance contracts are short-term contracts and can be annually re-priced has been presented as one of the main reasons to not capture climate change in the actuarial pricing". In reality, insurers are already capturing climate change in their pricing to a certain extent.</p> <p>The models take into account forward-looking analysis which is increasingly used in</p>	Noted. The argument related to lack of climate change capture in short term

			<p>combination with historical assessments based on up-to-date data. Indeed, model's calibration uses past events to identify the pattern of variability and the distribution of severity, but it is also adjusted to capture trends when the signals are clear and evidenced. Past claims history makes it possible to observe long-term averages and trends (around 10 - 15 years) but also possible accelerations in trends (e.g. over the last 3-5 years). Changes in pace can thus be integrated into the pricing process on top of a long-term trend via hypotheses of anticipated claims development. The annual repricing of non-life contracts allows to adjust premiums to the current level of climate-related risks and to keep regular and smooth pace with the evolution of climate.</p> <p>However, for several perils, the science itself has not settled on the impact of climate change on hazard parameters relevant to non-life underwriting. For instance, the impact of climate change on storms is not clearly established and differ based on the model used. EIOPA should refrain from setting expectations in terms of pricing which would not be supported by scientific literature.</p> <p>The FFA would encourage EIOPA to promote the role that open source loss modelling tools such as OASIS can have to better integrate climate-related risks in insurance underwriting. There are many perils in Europe not covered by traditional vendor models for lack of commercial incentives. Tools such as the OASIS platform can fill these gaps and provide transparent modelling capacities available to re/insurers, academics or supervisors. Pooling resources and sharing insights via a European integrated open source loss modelling platform can make a real difference in the understanding of climate change impacts for insurance underwriting.</p>	<p>contracts has been evidenced in the analysis for EIOPA's Opinion on sustainability in Solvency II (2019).</p> <p>We welcome support for open source loss modelling tools.</p>
22.	Insurance Europe	Yes	<p>The impact of climate change is often not fully clear, and in some instances data trends might not even matter as singular weather events cannot be linked to specific trends. The analysis of historical data therefore plays a large role in the underwriting and pricing process, and through this the impact of climate change is factored into insurers' business a posteriori.</p> <p>However, insurers take a holistic view of risk management across their processes and core business, and the monitoring of past climate change related events and losses is just one of the instruments used in the underwriting and pricing process.</p> <p>Despite a number of data and methodological constraints (and the challenges in quantifying and analysing the long-term effect of climate change on pricing and resilience in business models), forward-looking analysis is also increasingly used in combination with historical assessments based on up-to-date data. This is focused on expected changes in frequency and severity of certain events which are relevant for pricing yearly guarantees and adjust periodically their conditions.</p> <p>One important element of underwriting and pricing involves imposing certain conditions on contracts, such as prevention measures. These conditions are not necessarily based on past events but can also be the result of trends forecasting, and increasingly over the longer term. This is clearly an example of the future/expected impact of climate change being incorporated</p>	<p>Noted. We welcome the reference to forward-looking analysis, which can inform prevention measures.</p>

			<p>in the underwriting/pricing process.</p> <p>Finally, insurers' investment strategies have an effect on the underwriting/pricing process, and these investment decisions most definitely take into account sustainability risks and the expected impact of climate change in general, also by means of significant sustainable investment and energy transition commitments.</p>	
23.	FERMA: Federation of European Risk Management Associations		Cannot comment on this with a definitive yes or no. Happy to discuss it further with EIOPA.	Noted.
24.	Covéa	Yes	<p>Yes, with respect to climate change adaptation. Evolutions in insured risks due to climate change are already noticeable and to this extent they are taken into account in underwriting and pricing practices.</p> <p>Indeed, for the majority of non-life insurance contracts, the period of cover is one year, which allows insurers to adjust regularly and smoothly.</p> <p>We disagree with the following statement "3.1 The fact that non-life insurance contracts are short-term contracts and can be annually re-priced has been presented as one of the main reasons to not capture climate change in the actuarial pricing". In reality, insurers are already capturing climate change in their pricing.</p> <p>Indeed, insurers' pricing processes are based in particular on past claims history. This makes it possible to observe long-term averages and trends (around 10 - 15 years) but also possible accelerations in trends (e.g. over the last 3-5 years). Changes in pace can thus be integrated into the pricing process on top of a long-term trend via hypotheses of anticipated claims development.</p> <p>As regards climate change mitigation, the impact of the premium can be on the opposite side (reduction), as a result for instance from discounting, sales or targeted policies. As an example, premium discounts are offered to low-emission vehicles although those reductions are not technically justified. Another example is the premium discount applicable to private houses with the highest energy performance levels, which is not justified through lower frequencies or severities.</p>	Noted. The argument related to lack of climate change capture in short term contracts has been evidenced in the analysis for EIOPA's Opinion on sustainability in Solvency II (2019). We welcome the distinction between rebates based on reduced insured risk and those based on wider underwriting considerations.
25.	Reale Mutua di Assicurazioni	Yes	For cat nat risks (earthquake, flood, windstorm, hailstorm...) Reale Mutua uses some tools developed together with the Reinsurers that help underwriters to find out the riskiness of the area in which the risks the company is asked to insure are located. All information is based on historical data. The rapid climate change in recent years has modified the affordability of such tools for some natural events, windstorms in particular. That's why it is not easy to take into account all the factors that can be related to climate change and translate them quickly in the rating tools of the Company.	Noted.

			We're increasing average premiums for property policies in order to enable our portfolio to sustain the consequences of the climate change in terms of losses.	
26.	German Insurance Association (GDV)	Yes	Time series of claims play a central role in the determination of our risk models and thereby our pricing. The property & casualty (P&C) insurance actuaries take climate change into account when determining such claim trends. Contributing to this are the findings from GDVs projects on climate change and the assessment of natural hazards. But we would like to remind that some risks are uninsurable even as of today and some might become uninsurable in the future, for instance houses close to the coast or hardly above sea level.	Noted.
27.	EY		The answer is "it depends"; The pricing of risks is linked to the risk cover period and the respective contract boundaries. As such longer term coverages have longer term consideration of factors not yet in the data but based on outlooks and expectations (based on a range of methods) ; The corollary of this is that contracts that do not have long boundaries will tend to focus on the near term outlook for risk and pricing. This reflects that the cost of uncertainty is higher than the cost of volatility as such the cost of pooling near term risks is low as compared to the long term cost of taking a position in uncertainty. In between the book ends of short boundary and long boundaries there are matters of renewability and optionality and in this case the value of the option may have some regard to future risks. As will be addressed elsewhere, planning considerations will take a longer horizon than specific contract boundaries wherein views will be taken on where to position capacity and capital and that will likely have regard to evolving climate and wider socio economic considerations.	Noted.
28.	Benpower	No		Noted.

Question 3: What are in your opinion the main obstacles to maintaining insurability and affordability in the context of climate change?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
29.	Insurance and Reinsurance Stakeholder Group		The insurability of risks can only be maintained if the occurrence of the risk remains random and the risk itself is diversifiable. Climate change raises fears of disappearance of randomness because the risk could occur systematically (the hazard would be very frequent) and with lack of diversification because it would affect a very large proportion of insurance contracts simultaneously. The overall insurance model is not designed to respond to this type of risk. The consequences would be the impossibility for insurers to price insurance coverage at an affordable level or to offer insurance covers at all.	Noted. Welcome reference to prevention and adaptation being instrumental for risk to remain insurable. We

		<p>The intensity of damage is another obstacle to insurability. Prevention and adaptation will be instrumental to inform a workable and competitive pricing of insurance. Prevention and adaptation will mitigate the risk so that it may remain insurable at a reasonable price. This price will form the standard new normal on which add-ons could also be applied where adaptation and prevention measures fail to be in place up to the point of non-insurability (eg policyholders cannot afford the cover or insurers would not even be able to price extreme risks situations through increments). Conversely, we do not favour applying discounts to premiums as an incentive towards adaptation as these would fail to compensate the costs of adaptation and prevention measures on the one hand, and discounts would also require the ability to determine a fair non discounted premium in the first place on the other hand which may be impossible where adaption and prevention are not in place.</p> <p>Without the necessary mitigation and adaptation measures promoted by public authorities, insurers can only act within the confines of the basic insurance principles and regulatory framework, including solvency rules designed themselves to protect those same consumers seeking protection from natural catastrophes.</p> <p>Finally, where risks would remain too systemic or intense, shared solutions such as capital markets approaches and/or public-private nat cat schemes will be indispensable approaches by which mandatory insurance (or widely spread) will be instrumental features to avoid antiselection and enable adequate risk sharing and mutualisation (see answer under Q4). There is a need to shift from a mainly reactive approach to (climate-change related) natural catastrophes to a more proactive approach that also prioritises prevention, risk reduction and resilience building.</p> <p>While it is primarily the responsibility of public authorities to take action in this area in terms of prevention, e.g. flood defences, and, where relevant, tax incentives and/or subsidies, the insurance sector has the ability and willingness to contribute to the process of adaptation. A significant part of non-life insurance is covered on a mandatory basis. This means that insurance contracts are needed regardless of climate change adaptation and mitigation. There is a risk of developing “off-shore” solutions if the selection from “mainstream” companies is limited as a result of too stringent public policies based on climate change adaptation or mitigation. Underwriting contracts based on climate change may imply a selection process that could become socially unfair if insurance becomes unaffordable. As a result, it is absolutely critical to maintain a significant degree of mutualization (limiting thereby the degree of selection).</p> <p>Against this background, we wonder whether the paper sufficiently bears in mind that for insurers the issue at stake remains the adequate pricing of risks. Risk management and pricing should remain risk based in order to be meaningful. With respect to climate change adaptation, it will increasingly be a prerequisite to render risks measurable, manageable and insurable. Prevention and adaptation will be instrumental to inform a workable and competitive pricing of insurance. If adaptation and prevention measures fail to be in place, we</p>	<p>agree with the need for risk-based solutions.</p>
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			could reach the point of non-insurability (eg policyholders cannot afford the cover or insurers would not even be able to price extreme risks situations through increments).	
30.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts		Climate change challenges require wider and more widespread public-private alliances, a wider insurance market and greater integration between the insurance and financial markets.	Noted.
31.	Unipol Group S.p.A.		For what concerns insurance contracts affected by climate change events the major obstacles to insurability and affordability are the insufficient mutualization and diversification of risks. The insurability of risks can only be maintained if the occurrence of the risk remains random and the risk itself is diversifiable. Climate change risks could appear without randomness because the risks occur systematically each year, and could not be diversifiable because it would affect a very large proportion of insurance contracts simultaneously. The overall insurance model is not designed to respond to this type of risk. The consequences would be the impossibility for insurers to price insurance coverage at an affordable level or to offer insurance covers at all. For this reason, beyond adaptation and prevention, it is key to maintain a significant degree of mutualization; otherwise, if insurance premiums are stripped down to an individual insured own cost, insurance is not effective anymore and it becomes down to each individual to face his own cost.	Noted, also the reference to the need for mutualisation of the risk.
32.	PIU - Polish Chamber of Insurance		Mitigation and adaptation to climate change is a key. Without the necessary adaptation measures and metrics, which should be taken by public authorities, insurers can only act within the basic insurance principles and regulatory framework, which requires that insurance premium adequately reflect the risk, which is insured. The proposed by EIOPA differentiation may limit solidarity between high-risk groups and seems to act contrary to the aims, namely may lead to unaffordable premium for certain risk groups. Some solutions would be necessary to mitigation or co-financing effects of mass losses related to climate changes (drought, mass flooding and other)	Noted, also the reference to the need for mutualisation of the risk.
33.	AMICE		As regards climate change adaptation and mitigation, insufficient mutualization and diversification, selection of risks are major obstacles that will generate uninsurability and unaffordability. On the side of climate change adaptation, this will be emphasized by lack of risk awareness, deficient adaptation and prevention measures. The lack of mutualization appears already as an issue in certain areas very exposed to climatic and natural risks such as tropical islands, where the insurance offer is already lacking (as a result of risk selection) (e.g. Guadeloupe and	Noted, also the reference to the need for mutualisation of the risk.

		<p>Martinique after hurricane IRMA in the context of the French market).</p> <p>One of the most paramount obstacles though remains the hazard and mutualization aspect. Beyond adaptation and prevention, it is key to maintain a significant degree of mutualization. Otherwise, if and when insurance premiums are stripped down to an individual insured own cost, insurance is not effective anymore and it becomes down to each individual to face his own cost.</p> <p>The insurability of risks can only be maintained if the occurrence of the risk remains random and the risk itself is diversifiable. Climate change raises fears of both disappearance of this random dimension because the risk could occur systematically each year and of its diversifiable nature because it would affect a very large proportion of insurance contracts simultaneously. The overall insurance model is not designed to respond to this type of risk. The consequences would be the impossibility for insurers to price insurance coverage at an affordable level or to offer insurance covers at all.</p>	
34.	Actuarial Association of Europe	<p>The main obstacles are</p> <ul style="list-style-type: none"> • Actuarial Insurability and Economic Insurability as defined in sections 2.10 and 2.11 of the discussion paper. • the inherent uncertainty (and the lack of data) about breadth and magnitude of climate change in the medium term. • the interaction of each (re)insurer’s underwriting risk appetite with more frequent and/ or more severe loss events and uncertainty about whether, or by how much, the underlying risk has changed because of climate change. It may not be possible to maintain insurability (for high probability of correlated events) or desirable to maintain affordability (construction in floodplains). • the inability to diversify and cede risk. The nature of private sector capital flows into the reinsurance industry means that price of the risk, and the capital available to support it, fluctuates substantially over time. Reinsurance capital provided by the public sector in addition to the private sector would be one way to stabilise reinsurance pricing. In Spain, for example, there is a public entity called “Consortio de Compensación de Seguros” [Insurance Compensation Consortium] that provides reinsurance capacity and reinsurance capital and that stabilizes reinsurance prices and insurance prices.) <p>EIOPA has noted “The willingness of consumers to pay for an insurance policy should exceed the premium level for which insurers are willing to accept the risk transfer.” This is the basic premise of insurance which is founded on risk aversion and allows for a system where risk transfer is provided and rewarded. This near-term risk aversion should not be conflated with longer-term risk aversion especially where the risks are uncertain or unclear. A case in point is the provision gap in pensions where there is no lack of ambiguity over the need for future provision but there remains a clear unwillingness to fund for the same today. Similarly, in non-life underwriting there was limited demand to purchase explicit pandemic business interruption cover, but once the need became obvious the demand for cover increased</p>	Noted, also the point regarding demand for products.

			<p>significantly.</p> <p>Climate change risk is similar and unless demand is stimulated through a legislative requirement with appropriate framework it might not be commercially viable to provide it. On the whole, measures beyond the influence of the insurance industry are necessary to ensure the affordability and availability of insurance cover in the long term (see answer to Q1). Risk-minimising measures are needed to minimise impacts. It is necessary in the private as well as the public sector that such measures are taken proactively and not only after damage has occurred. The risk remains that sufficient risk capital may not be available to cover the increasing amount of large and accumulation losses. Private-public partnerships could be considered to overcome this obstacle.</p> <p>Climate change can lead in the future to regional or local adverse situations, e.g. buildings and factories have to face a significant claims probability or even significant claims expectation. In this situation, risk-based pricing will have an impact and can support climate change adaption: insurance will become expensive, non-affordable or even unavailable.</p> <p>The problem of uninsurable risks is exacerbated in the context of a competitive market where insurers naturally seek to select the best risks and avoid the worst risks.</p> <p>Also, the more sophisticated that insurers pricing models become, the less attractive the poorer risks are from an insurer's perspective, thus further increasing the problem of uninsurability.</p>	
35.	Fédération Française de l'Assurance		<p>1) The affordability and availability issue needs to be tackled primarily via public policies in terms of prevention (e.g. flood defenses) and, where relevant, tax incentives and/or subsidies. Main obstacle to maintaining insurability and affordability in the context of CC is also the lack of building standards dealing with resilience of construction and renovation.</p> <p>Although strong public prevention tools have been developed (such as the Flood Directive for instance), insurers, when carrying out their mission of compensating the victims of natural hazards, observe shortcomings in the concrete application of prevention policies</p> <p>A first example in France is the need for a stepping up of action on the issue of the withdrawal of coastline. In December 2014, France has implemented the national strategy for coastline management. The aim is to anticipate the evolution of the coastline by making appropriate urban planning and development choices so to conduct a genuine sustainable development policy. The coastline management is above all a matter of a sustainable land use planning policy, which must consider the fragility of coastal ecosystems, the continuous demographic pressure on the coast and the multiplicity of issues at this interface of land and sea. In that regard, protecting and restoring the proper functioning of coastal ecosystems should be a European priority. Any future public policy or strategy on adaptation should consider carefully the costs (private and societal) of assets relocation along the coastline: a rule of equal treatment for EU citizens and economic actors should be defined and a compensation fund put in place where this is relevant.</p> <p>Another example in France would be the peril of drought. The better resilience of buildings to</p>	Noted. It can be discussed whether prevention measures which increase the value of property/or reduce insured risks would not fall under the compensation principle.

		<p>natural hazards and especially drought is essential in the context of climate change. An improved integrated commitment of builders along with financial services would help customers (public or private ones) to assess their exposure to take measures for existing buildings and to design resilient new buildings. The concept of Build Back Better can be adapted to existing buildings affected by subsidence. The Build Back Better policy will however induce additional costs which cannot be covered by the insurance policies without a significant increase of the premiums. This would also be in contradiction with the “compensation principle” in French insurance law that states that the compensation should not exceed the value of the insured property. State subsidies will therefore be required for this policy to be viable. In addition, the adaptation of building codes applicable to all new buildings erected in subsidence prone areas will contribute to a decrease of the risk on new constructions.</p> <p>Other actions to be strengthened would relate to the culture of risk in financial education actions. In order to raise awareness on natural hazards, citizens must have efficient access to their exposure to risk, regardless of their location, as well as to all related prevention information. The international day for disaster risk reduction (13 October) could be used to share and promote such prevention information.</p> <p>2) Insufficient mutualisation and diversification are also major obstacles to insurability and affordability. If the policyholders bear the cost of its own risk, the principle of mutualisation does not work anymore, which can be the case with the increase climate change risk. Climate change can – and most-likely will – lead to the decrease of the random dimension of climate risks. The risk could occur systematically each year and would affect a very large proportion of insurance contracts simultaneously. This could affect the diversifiable dimension that allows the insurability of the risk. The overall insurance model is not designed to respond to this type of risk. The consequences would be the impossibility for insurers to price insurance coverage at an affordable level or to offer insurance covers at all. It is already the case for agriculture insurance despite the subsidies of this type of insurance. This questions the financing and ability to subsidize insurance when insurers are not able anymore to propose affordable coverage.</p> <p>In summary, maintaining insurability and affordability in the context of climate change does not rely only on insurers but also on the preventive actions, plans, subsidies and public policies implemented by the public authorities.</p>	
36.	Insurance Europe	<p>The lack of adequate action on mitigation and adaptation is the main obstacle to maintaining insurability and affordability in the context of climate change.</p> <p>Focusing on natural catastrophes, it is essential for policymakers to not only take measures to mitigate the effects of climate change, but also to focus on adapting to its consequences. This means shifting the focus from reacting to (climate-change related) natural catastrophes to a more proactive approach that prioritises prevention, risk reduction and resilience building. This will in turn help maintain the insurability and affordability of these natural catastrophe as they</p>	<p>Noted. We welcome the support for mitigation and adaptation, and need for proactive measures. Noted</p>

			<p>become more frequent and severe because of climate change. While it is primarily the responsibility of public authorities to take action in this area, the insurance sector has the ability and willingness to contribute to the process of adaptation.</p> <p>Without the necessary adaptation measures promoted by public authorities, insurers can only act within the confines of the basic insurance principles and regulatory framework, including solvency rules designed themselves to protect those same consumers seeking protection from natural catastrophes.</p> <p>Collaboration between public authorities and companies can take place in many areas, such as for instance data enhancement and data exchange, which can facilitate the vulnerability assessment towards climate change, eg on the resilience of real estates.</p> <p>In this respect, it is also noted that EIOPA proposes to improve differentiation and therefore limit solidarity between high-risk groups. Such a practice could indeed lead to unaffordable premium for certain risk groups as each risk groups ends up paying for its own risk.</p>	also is the reference to the need for mutualisation of risk.
37.	FERMA: Federation of European Risk Management Associations		<p>Broadly speaking 'climate change' impacts insurability and affordability of cover in two ways. 1) there is the very real 'physical' threat of more and more severe impacts. And, 2) there is the increasing regulatory and public scrutiny of the topic.</p>	Noted.
38.	Covéa		<p>As regards climate change adaptation and mitigation, insufficient mutualization and diversification, selection of risks are major obstacles that will generate uninsurability and unaffordability.</p> <p>On the side of climate change adaptation, this will be emphasized by lack of risk awareness, deficient adaptation and prevention measures. The lack of mutualization appears already as an issue in certain areas which are very exposed to climatic and natural risks such as tropical islands, where the insurance offer is already lacking (as a result of risk selection) (e.g. Guadeloupe and Martinique after hurricane IRMA in the context of the French market).</p> <p>One of the most paramount obstacles though remains the hazard and mutualization aspect. Beyond adaptation and prevention, it is key to maintain a significant degree of mutualization. Otherwise, if and when insurance premiums are stripped down to an individual insured own cost, insurance is not effective anymore and it becomes down to each individual to face his own cost.</p> <p>The insurability of risks can only be maintained if the occurrence of the risk remains random and the risk itself is diversifiable. Climate change raises fears of both disappearance of this random dimension because the risk could occur systematically each year and of its diversifiable nature because it would affect a very large proportion of insurance contracts simultaneously. The overall insurance model is not designed to respond to this type of risk. The consequences would be the impossibility for insurers to price insurance coverage at an affordable level or to offer insurance covers at all.</p>	Noted. Noted also is the reference to the need for mutualisation of risk.

39.	Reale Mutua di Assicurazioni		Quick climate mutations, lack of data, cost of Reinsurance.	Noted.
40.	German Insurance Association (GDV)		<p>Please refer to our answer to Q1:</p> <ul style="list-style-type: none"> - If one should try to maintain and manage climate change adaptation solely through the amount of the insurance premium or the deductibles. - If the legislature fails to fulfill its task of adapting prevention regulations to climate change. - If the executive should fail to follow up on and enforce the prevention regulations in practice - possibly with coercion (fines). <p>The P&C insurer will always try to sustain affordability regardless of the underlying challenges. The increase in risk is to be expected to be steady over the years allowing the insurance industries to adjust. For the reasons outlined in Q1 it can be expected that there will be no material effect on the affordability and availability of property insurance.</p>	Noted. Gradual impact on pricing can also be material over time, and climate change impact can happen sudden and with high severity.
41.	EY		There are a myriad of themes wrapped into this question however the primary question may be a consideration of funding versus risk transfer. In the context of climate change we are considering the degree to which we need to fund for an as yet uncertain but likely adverse future state where the probabilities of adverse outcomes are less than remote, there is a reasonable degree of likelihood absent mitigation. The arrival of the adverse outcomes will be emergent, notwithstanding tipping points will arise, as such the question is whether and how we prefund for the potential future adverse outcome to either mitigate the cost of as yet uncertain future risk environments or devote attention to the mitigation and abatement of the same which itself will require resources and investment. As such the decision is perhaps not solely an insurance sector decision around where to divert funds but an economy wide decision over where the buyers of insurance protection would rather direct their premium flows.	Noted.
42.	Benpower		wide competition and huge capacity available to market, huge presence of "cash flow" undewriters, solvency II rules, role and negotiation "power" of broker on insurers, good level of ROE for insurance business so far in respect to lower financial performances from other markets.	Noted.-

Question 4: Do you see a role for coordinated industry solutions or Public-Private Partnerships to maintain availability and affordability of insurance covers?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
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43.	Insurance and Reinsurance Stakeholder Group	Yes	<p>Yes.</p> <p>Coordinated industry solutions and PPPs can and already do play a role in maintaining the availability and affordability of insurance in the context of climate change. Insurers participate in PPPs to build community resilience which in turn helps maintain insurance affordability and availability. Member states can also actively promote insurance in order to ensure adequate protection for their citizens. The nature of these solutions/partnerships and their roles vary according to the areas/risks they relate to. As there is no such “one size fits all” solution applicable at European level, they should be defined at national level. In any event, this will never be sufficient, and it is ultimately for governments to take the necessary and decisive actions to enhance adaptation and address the protection gap.</p> <p>The primary policy focus should be on mitigating the drivers of climate change and establishing a second line of defence through harm reduction and abatement. There is a need to consider and plan for coordinated Public-Private Partnerships to address unaddressed residual risks. One Bulgarian example in that direction was the push by the general public and some insurers to have river beds corrected and the condition of dams improved after the catastrophic floods in certain parts of Bulgaria during the last couple of years. Such initiatives should also seek to broaden awareness of the issues among the public, and potentially extend to enabling community reporting on relevant issues such as car emissions.</p> <p>Public-Private Partnerships (PPPs) to maintain availability and affordability of insurance covers are also critical, e.g. when a risk because of its intensity or frequency becomes beyond the capacities of private insurance, e.g. Flood Re in the UK. Such entities can enable monitoring of changes in risk over time and provide information on mitigation strategies to reduce insurance gaps caused by climate change. Based on our experience to date, such private-public partnerships also bring the benefit of fostering alignment of action and interest between the parties.</p> <p>Such PPPs would have the advantages of</p> <ul style="list-style-type: none"> • Providing a mechanism for the socialisation of losses above a threshold • Leveraging established insurance industry mechanisms, and • Leveraging existing ability to discern risk at a granular level <p>There are some cons which need to be considered. PPPs would be complex to establish and monitor and the costs involved are likely to be high. Underwriting standards may be loosened in order to accommodate public demands. Also, (re)insurers could become over reliant on the public authorities and the state in general.</p>	Noted. We note that there may be scope however for promoting practices at EU level. See EIOPA’s publications on ‘shared resilience solutions’ (2020, 2021)
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44.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts	Yes	<p>I see.</p> <p>It is necessary to address the problem both, on the supply and demand side.</p> <p>The public and private sectors should promote risk awareness initiatives among the population and companies. In addition, insurance companies should set up product and service offerings that encourage correct and risk-averse behaviour as discussed below.</p> <p>The current market for climate change risks is still rather limited and requires greater awareness and investment in safety by companies. This is also a fundamental prerequisite for the economic sustainability of insurance coverages.</p> <p>By supply side it's necessary to develop a broader alliance also with the financial markets to transfer, split and place financial needs in a wider market, also transforming the maturities of financial needs.</p> <p>From a global perspective, even in the most developed countries, coverages of climate-related damage are little spread and sometimes absent.</p> <p>It's necessary to intervene on several fronts:</p> <p>a) on prevention, favoring pricing and forms of coverage that discourage moral hazard and encourage the correct and safe behaviors of people and companies, the use of non-polluting vehicles or other assets that mitigate climate risk.</p> <p>b) by acting on insurance principles by increasing risk fragmentation among more insurers worldwide and particularly in high-risk areas. In this respect, it is necessary to promote not only reinsurance, but also co-insurance. In that sense, the involvement of medium-sized enterprises in climate change sectors should be promoted by increasing risk fragmentation and by promoting greater dissemination of supply. All this could be supported by product package offerings that combine the coverage of higher risks, with that of lower exposure guarantees</p> <p>c) creating greater integration between direct underwriting and traditional and financial forms of reinsurance. In other words, it is necessary to increase the overall capacity to absorb and finance risks. In this sense, it would be better to promote not annual, but multi-year pricing of premiums because, in the face of a dynamic of increased volatility and difficulty in predicting frequency and severity of damages, sustainability is sought in the medium-term and through the contribution of financial returns as well.</p> <p>d) forms of alliances to create big data to capture large phenomena and high frequencies localized and classified by territories and type of risk exposure.</p> <p>These interventions also require Private-Public Partnerships, as they are present in some countries, with the expectation that the State may also finance, even in the second instance, the damage related to the risks. In this sense it could be very important to share the skills and capabilities of the public and private sectors to identify and implement new solutions to the challenge of climate change</p> <p>In addition, the Public Sector could provide tax benefits for prevention covers and capital invested in risk financing and hedging.</p> <p>The above measures present two difficulties: the high articulation of initiatives and the risk of reducing competition between companies and encouraging oligopolistic behaviour to the</p>	Noted. We welcome the ideas presented. For reference, on some of the areas, EIOPA has identified issues and options in its publications on 'shared resilience solutions' (2020, 2021).
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			detriment of customers, but the importance of the challenges requires decisions involving all stakeholders and medium- to long-term choices.	
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45.	Unipol Group S.p.A.	Yes	<p>Unipol Group believes that implementation of public/private partnership will become crucial for major/systemic events and risks related to climate change. Public/private partnership should be implemented in that cases in which risks are not diversifiable and are, at the same time, characterized by high frequency and intensity of claims that could not be covered by a single insurer.</p> <p>Public/private partnership is necessary for many reasons.</p> <p>First, mandatory (or widely spread) insurance is an important instrument to avoid antiselection of insurance contracts. It enables adequate risk sharing and mutualization as well as affordability.</p> <p>Second, public/private partnership could improve social acceptability of insurance contracts and insurance education in a context in which climate change increases the risks due to extreme events.</p> <p>Third, public-private partnerships are to be favored in order to maintain a resilient insurance sector. A partnership for specific extremum event due to climate change could help to share the risks, improve the solvency of insurance sector and close the insurance protection gap. Unipol Group wants to stress than any kind of public incentives (taxes, subsidies, bans, etc.) should be designed taking into account the peculiarity of risks and the possible consequences (selection of risks, mutualization...) on pricing and underwriting. Risks pricing needs to remain at the cornerstone of insurance policies.</p> <p>Different kind of partnership (for example coordination of private industry solution - co-insurance, reinsurance, etc.) may be considered in the case of coverage of a single risk with rare occurrence and only when the risk is of such magnitude that it cannot be provided by a single insurer.</p>	Noted. For reference, on some of the areas, EIOPA has identified issues and options in its publications on 'shared resilience solutions' (2020, 2021).
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46.	PIU - Polish Chamber of Insurance	Yes	<p>Coordinated industry solutions and Public-Private Partnerships to maintain availability and affordability of insurance covers should be further investigated to solve the challenges related to climate change. It is important to build community resilience, which would also help on insurance affordability and availability.</p> <p>In PIU we believe that the only effective solution against climate change is a coherent disaster risk management strategy, taking into account the role of central administration, local governments and the private sector. Such a strategy must be developed on the basis of the following assumptions:</p> <ol style="list-style-type: none"> 1. Preventing further increase of exposure, i.e. increase in the number of inhabitants and value of property exposed to cataclysms and extreme weather events, in particular on storms, flash floods, floodplains and areas threatened by landslides. The state must limit temporary ex post measures and place more emphasis on developing long-term solutions, effective in terms of costs and benefits, in cooperation with the insurance sector. 2. Local risk management plans should be created in cooperation with inhabitants, the business sector and NGOs, according to the recommendations of the Sendai Framework. 3. The legislator should analyse current provisions and other social and economic factors that affect the quality and reach of applicable spatial development plans. 4. There needs to be an increase in expenditure on informational and educational activities, which improve social awareness both in the area of threats related to natural disasters as well as possible measures for risk reduction. 5. There is a need to develop a systematic, uniform approach to statistical data collection, enabling the measurement of exposure, vulnerability and sensitivity to natural events in social, economic and structural terms. This type of data (at least at municipality level) can be collected and regularly made accessible by the Central Statistical Office as part of the existing Local Data Bank. 6. State authorities should obligatorily publish cyclical and special reports containing an estimation of losses caused by natural disasters, together with a precise specification of the geographic area. For extreme events, the report must specify the precise course of events on the basis of reports of services, the injured and other entities (e.g. entities recording a given event). 7. More integration of activities is required, as well as an improved flow of information between state institutions and agencies, private entities, NGOs and the scientific environment. The current (silos) approach limits the ability to effectively reduce risk and remove the effects of cataclysms. 8. One urgent and important task is to develop a risk management plan at a national level, which will contain not only a diagnosis of catastrophic risk, but will also define current administrative and organisational capabilities, as well as available technical and financial resources. 	Noted. We welcome the reference to disaster risk management, as an example for public private cooperation opportunity.
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47.	AMICE	Yes	<p>Yes, as regards climate change adaptation, public/private coordination is indispensable. Firstly, from a regulatory standpoint, it appears that mandatory insurance (or widely spread) is an instrumental feature to avoid antiselection. It enables adequate risk sharing and mutualization as well as affordability.</p> <p>Secondly, shared solutions such as public-private nat cat schemes appear adequate approaches to major/systemic events and risks. While a coordinated private industry solution (co-insurance, reinsurance, etc.) may be considered in the case of coverage of a single risk, it occurs rarely and only when the risk is of such magnitude that it cannot be provided by a single insurer. Such mechanisms already exist (for instance co-insurance for large industrial risks). But in the case of risks related to climate change, such solutions do not seem conceivable. For example, the Caribbean Islands are very exposed to the risks of hurricanes, volcanoes and earthquakes. In some cases (e.g. Guadeloupe and Martinique as regards the French market), the withdrawal of some insurance companies is explained by the fact that the risk is very high (high intensities and frequencies). Yet, maintaining an insurance offer is essential and is indeed possible thanks to a public-private partnership whereby the reinsurance system is public and it shows its effectiveness. The latter is particularly facilitated by a state backstop beyond the remits of insurers and policyholders capacity.</p> <p>Based on our experience to date, it is also very important to note that such private-public partnerships foster alignment of action and interest.</p> <p>Finally, such a system is fair from a social standpoint. Social acceptability and recognition is crucial in the context of climate change and the multiplication of extreme events.</p> <p>Overall, public-private partnerships are to be favored in order to maintain a resilient insurance sector. The French mechanism that governs natural catastrophes regime is an example of this.</p> <p>Thirdly, upstream of a public-private partnership, possible new rules on equalization provisions could be implemented with a smoothing mechanism over ten years for example (to be calibrated). This type of solution should then be developed at national level through the local GAAP rules because each country is not affected in the same way by climate change (drought in some, flooding in others).</p> <p>As regards climate change mitigation, from a regulatory standpoint, all attempts from the public authorities to send a signal (taxes, subsidies, bans...) should take into account, as discussed above, possible consequences (selection of risks, mutualization...) on pricing and underwriting, including fairness on the social front. Risks pricing needs to remain the cornerstone of insurance policies. That does not preclude cooperation as regards communication and prevention (the example of such partnership already exists in France for road prevention).</p>	<p>Noted. For reference, on some of the areas, EIOPA has identified issues and options in its publications on 'shared resilience solutions' (2020, 2021).</p>
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48.	Actuarial Association of Europe	Yes	<p>We see basically two ways to maintain affordability:</p> <p>(i) reduce the underlying risk or</p> <p>(ii) subsidise the higher risks by charging more to lower risk customers to compensate.</p> <p>(i) Reduce the underlying risk: This option is clearly preferable. The risk can be reduced via two mechanisms</p> <p>(a) halt or stem the drivers of climate change and</p> <p>(b) discourage further investment in risks likely to prove uninsurable.</p> <p>Approach (a): This clearly requires a wider societal response. The question is how insurers can play their part. We can already observe various “green” initiatives by insurers to support environmentally friendly solutions (e.g. not-supporting coal-based energy plants, incentivizing energy efficient houses or low-emission cars).</p> <p>Insurers have the ability to react to new trends very quickly and can adapt their portfolio to stop supporting traditional/less environmentally friendly risks due to the fact that majority of non-life policies are underwritten on annual basis.</p> <p>It is a societal responsibility to ensure that there is enough capacity, insurance-based solutions for traditional sources to smooth the transition to new options and offerings. Any changes in available insurance capacity should be closely monitored to provide enough time for reaction, which could lead to some public solution. Such PPPs do work, for example Flood Re in the UK, and as such, they can help monitor changes in risk over time and inform governments on mitigation strategies to reduce insurance gaps caused by climate change.</p> <p>Approach (b) is clearly possible for insurers.</p> <p>New uninsurable risk will be discouraged by higher premiums and tighter terms and conditions. In fact, if premium rates did not increase, or if policy terms and conditions were not tightened, insurers could be blamed for not passing the correct price signals in response to climate change.</p> <p>To be considered: There are many already existing risks which will in time become uninsurable. Individual insurers in a competitive market cannot solve the problem of uninsurability for these risks. Some form of state/government led pooling of risks becomes necessary.</p> <p>(ii) Subsidise higher risks: This approach diverges from risk-based pricing and is problematic in a competitive market. State/governmental oversight needed to form a pooling arrangement. It would be important with such a pooling scheme, not to unintentionally encourage inappropriate investment in new risks, which would be uninsurable in the absence of the pool. Risk and reward are potentially misaligned, e.g. charging lower risks a higher premium than actuarially justified could discourage investment in risk mitigations by policyholders. A well-crafted pooling system could buy society some time and offer price stability while wider society addresses climate change. We have identified 4 areas to maintain availability and affordability of insurance covers:</p> <p>1) Raising transparency and understanding the risk</p> <p>To achieve this, data and models are indispensable. To have a complete data set, a</p>	Noted.
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		<p>coordinated industry solution and/or public private partnership is favourable. Many shareholders have data which may contribute to understand the impact of climate change, the risk exposure of single risks and the impact on potential claims. A better understanding of a risk can result in a lower margin for uncertainty and support affordability and availability. Publicly available data and models can also support local governments (e.g. in developing building zones, maintaining pipe system, ...) as well as individual private and commercial customers in avoiding and preventing risks.</p> <p>2) Support for heavy tail There is a big and growing uncertainty regarding the frequency and severity of extreme weather events. These events can cause tremendous losses, which cannot be covered by the insurance industry solely. Governmental guarantees, pool solutions for events leading to losses which exceed a threshold, could help to maintain affordability and availability of insurance covers.</p> <p>3) Subsidizing premiums The effect of climate change can increase the risk in specific locations, e.g. especially exposed to river flooding or to avalanches. These locations face strong increases of their premium. Some owners of private or commercial premises may not be able to afford the cover. A systematic cross-subsidising among policyholders towards these more exposed risks is not fair and risk adequate. Other possibilities beyond insurance could be considered. Indian crop insurance may be an example how to organize such a system in case of a specific market niche.</p> <p>4) Risk prevention Intensified risk prevention will be key in the future. The ability to cope with effects resulting from climate change can be improved by appropriate investments in infrastructure. Public private-partnerships with the insurance industry can help to accelerate this. Protection and risk prevention lower the risk and can reduce the price.</p>	
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49.	Fédération Française de l'Assurance	Yes	<p>Firstly, from a regulatory standpoint, it appears that mandatory insurance (or widely spread) is an instrumental feature to avoid antiselection. It enables adequate risk sharing and mutualization as well as affordability.</p> <p>Secondly, shared solutions such as public-private nat cat schemes appear adequate approaches to major/systemic events and risks. For instance, France has developed an insurance scheme against natural disasters since 1982 (“Régime Catnat”) covering floods, drought, earthquakes, ground movements avalanche, volcanism and cyclonic winds . This regime is based on a compulsory cover imposed in all property damage insurance and motor contracts with a single and modest surcharge rate set by the State (respectively 12% and 6%). It fulfils a function of national solidarity to face extreme climatic events. This national solidarity is reflected into the payment of a single premium surcharge rate, regardless of the exposure degree to the natural disasters risk. This additional premium rate is obligatorily added to the basic contribution of the property damage or business interruption insurance policy taken out by a policyholder. In return, the insured automatically benefits from the natural disaster coverage. From an insurance point of view, the strong pooling of risks between policyholders regardless of their risk exposure level, guarantees a high degree of geographical solidarity.</p> <p>A special feature of the system is the public-private partnership. On the one hand, it is based on the expertise of the insurance sector for the distribution of the guarantee and the management of claims. On the other hand, it is based on the State for the definition of the characteristics of the scheme and its solvency via the public reinsurance offered to insurers by the Central Reinsurance Fund (Caisse Centrale de Réassurance, or CCR) that reassures NatCat risks through a compulsory 50 % quota-share.</p> <p>Such private-public partnerships foster alignment of action and interest and is are fair from a social standpoint.</p>	Noted.
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50.	Insurance Europe	Yes	<p>Coordinated industry solutions and PPPs can and do play a role in maintaining the availability and affordability of insurance in the context of climate change. Insurers participate in PPPs to build community resilience which in turn helps maintain insurance affordability and availability. Member states can also actively promote insurance in order to ensure adequate protection for their citizens. The nature of these solutions/partnerships and their roles vary according to the areas/risks they relate to. As there is no such “one size fits all” solution applicable at European level, they should be defined at national level. In any event, this will never be sufficient, and it is ultimately for governments to take the necessary and decisive actions to enhance adaptation and address the protection gap.</p> <p>Floods are a good example in this respect. National and local authorities should enhance resilience by implementing effective prevention measures: requests to build on flood plains should be denied (land-use planning), while flood defences for vulnerable areas should be maintained and reinforced and building codes adapted (eg building elevation). Flood Re in the UK has been set up to help to close the protection gap and reduce impacts of future volatility from changes in climate risk [link].</p> <p>Public authorities also have a key role to play in tackling underinsurance of natural catastrophe risks in countries where the protection gap is significant, and this can indeed be done through PPPs in certain areas or simply the active promotion of insurance for natural perils in other areas.</p>	Noted. We note that there may be scope however for promoting practices at EU level. For reference, on some of the areas, EIOPA has identified issues and options in its publications on ‘shared resilience solutions’ (2020, 2021).
51.	FERMA: Federation of European Risk Management Associations	Yes	<p>Yes, we do see a role for coordinated industry solutions and Public-Private Partnerships to maintain availability and affordability of insurance.</p> <p>Our strong belief is that, despite the obvious and many complications involved with coordinated or public-private solutions, they merit further work and investigation on the pressing issues of our time, such as climate change.</p> <p>It is clear that systemic risks exceed the capacity and capabilities of the private insurance sector alone. But it is also true that tax-payer led bailouts post-event also create disincentives for companies (and public authorities) to invest in preventive and adaptation measures that could somehow act to minimize the impact. What we see as a key next step is to look at ex ante funding mechanisms more comprehensively to see how we can help organisations build up more financial resilience to be better able to deal with the next shock.</p>	Noted.

52.	Covéa	Yes	<p>Yes, as regards climate change adaptation, public/private coordination is essential. Firstly, from a regulatory standpoint, it appears that mandatory insurance (or widely spread) is an instrumental feature to avoid antiselection. It enables adequate risk sharing and mutualization as well as affordability.</p> <p>Secondly, shared solutions such as public-private nat cat schemes appear adequate approaches to major/systemic events and risks. While a coordinated private industry solution (co-insurance, reinsurance, etc.) may be considered in the case of coverage of a single risk, it occurs rarely and only when the risk is of such magnitude that it can not be provided by a single insurer. Such mechanisms already exist (for instance co-insurance for large industrial risks).</p> <p>But in the case of risks related to climate change, such solutions do not seem conceivable. For example, the Caribbean Islands are very exposed to the risks of hurricanes, volcanoes and earthquakes. In some cases (e.g. Guadeloupe and Martinique as regards the French market), the withdrawal of some insurance companies is explained by the fact that the risk is very high (high intensities and frequencies). Yet, maintaining an insurance offer is essential and is indeed possible thanks to a public-private partnership whereby the reinsurance system is public and it shows its effectiveness. The latter is particularly facilitated by a state backstop beyond the remits of insurers and policyholders capacity.</p> <p>Based on our experience to this day, it is also very important to note that such private-public partnerships foster alignment of action and interest.</p> <p>Finally, such a system is fair from a social standpoint. Social acceptability and recognition is crucial in the context of climate change and the multiplication of extreme events.</p> <p>Overall, public-private partnerships are to be favored in order to maintain a resilient insurance sector. The French mechanism that governs natural catastrophes regime is an example of this.</p> <p>Thirdly, upstream of a public-private partnership, equalization provisions could be encouraged to enable a smoothing mechanism over ten years for example (to be calibrated). As regards climate change mitigation, from a regulatory standpoint, all attempts from the public authorities to send a signal (taxes, subsidies, bans...) should take into account, as discussed above, possible consequences (selection of risks, mutualization...) on pricing and underwriting, including fairness on the social front. Risks pricing needs to remain the cornerstone of insurance policies. That does not preclude cooperation as regards communication and prevention (the example of such partnership already exists in France for road prevention).</p>	Noted.
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53.	Reale Mutua di Assicurazioni	Yes	Pros: availability and affordability of insurance cover for policyholders; good opportunity for Insurance Market; a good way for the Government to share risks with private market. Cons: difficulty for the Government to make insurance cover for natural hazards mandatory. Difficulty to put in place the deal because there are too many natural risks to cover in the Italian territory (earthquakes, floods, volcanoes, landslides, avalanches, coastal storms...) and little historical data regarding some natural events (i.e. landslides) to assess risks and loss-expectancy and to create rating tools.	Noted.
54.	German Insurance Association (GDV)	Yes	A risk pool or even a public-private partnership should only ever be used when all other options have been exhausted. We refer once again to our remarks on Q1 and Q3. We are firmly convinced that the legislative and executive branches in most EU member states have not exhausted their options for controlling climate change adaptation by adapting the regulations. In addition, neither a risk pool nor a public private partnership can prevent damage from occurring in the first place. You can only redistribute the amount of damage - from one insurer to another or from the private insurance industry to a state budget. In the end, the damage has to be paid for: through an insurance premium or government tax revenue. In this respect, this idea only leads to taking the money out of the right pocket instead of the left. Only prevention measures really prevent losses from occurring or significantly reduce the amount of damage. Prevention is therefore the only effective means of keeping the financial burden on private individuals and the economy within an affordable range.	Noted.
55.	EY	Yes	There is a clear role for public private partnerships in mitigating protection gaps, not just in the future but today. As such the mechanics and infrastructure for how public and private funding can come together to provide better access to financing and risk protection is a key opportunity for the insurance sector and the wider financial services sector. This is a key aspect of sustainable finance that can be further evolved and developed as we move into a post pandemic world where there is a clearer understanding of the limitations of private capital and a greater acceptance of a need to build a better social protection net.	Noted.
56.	Benpower	Yes	I do believe that potential huge effect of climate change on finance market, needs to be adressed and handled through insurance public-private partnership	Noted

Question 5: Do you think that insurers developing impact underwriting would impact positively or negatively the availability and affordability of insurance?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
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57.	Insurance and Reinsurance Stakeholder Group	No	<p>No.</p> <p>As noted above, we consider the term “impact underwriting” to be too loosely defined to be specifically addressed.</p> <p>How the non-life insurance sector can meet the adaptation objective is defined and specified by the Taxonomy regulation. EIOPA should acknowledge this at the start of its paper to avoid confusion with the separate definition of “impact underwriting”. Furthermore, we would suggest to refer to “ESG” or “sustainability” phrasing, instead of “impact underwriting”, as there are globally shared concepts which are also embedded in the EU regulation.</p> <p>As regards climate change adaptation, insurers already play a positive role in ensuring that the insurance market remains available and affordable. They carry out prevention and awareness campaigns to prevent damage from occurring or to limit the damage once occurred. For commercial lines on site risk control visits are developed. In the event of a total loss, they provide advice on reconstruction to make buildings more resilient. Insurers are very present in organizations setting building standards. They actively contribute to the knowledge of risks and provide data, models and studies. They are facilitators for their policyholders to help them get access to national mechanisms or initiatives to finance preventive adaptation of housing to enhance resilience.</p> <p>But there are limits. Insurers cannot indemnify the costs of repair or reconstruction based on new standards. This would lead to additional costs being taken into account in the pricing and would lead to an explosion in premium levels.</p> <p>The (re)insurance industry is contributing through its activities from a societal standpoint in respect of education, sustainability, and overall higher environmental awareness of the policyholders.</p>	<p>Noted. We clarified in the report the scope of impact underwriting and the definition, making a clearer distinction between the climate adaptation objective and the climate mitigation objective.</p> <p>Impact underwriting, in its aim to support climate change adaptation is consistent with the EU taxonomy which provides for the eligibility of (re)insurance activity for taxonomy compliance, based among others, on criteria related to incentives for risk reduction.</p> <p>The report acknowledges while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved</p>
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				through private insurers without coordinated industry initiatives and/or further enabling measures from public authorities.
58.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts	Yes	The answer is yes if the measures above described will integrate the choices and behaviour of the individual insurer.	Noted.
59.	Unipol Group S.p.A.	Yes	Unipol Group believes that “impact underwriting” plays a positive role in improving availability and affordability of insurance. Nonetheless, it is important to underline that different practices are already implemented by insurance undertakings (see Q2).	Noted. We clarified in the report the scope of impact underwriting and the definition, making a clearer

				distinction between the climate adaptation objective and the climate mitigation objective.
60.	PIU - Polish Chamber of Insurance	No	The definition for impact underwriting is not very clear to us. Therefore, it is difficult to assess the impact of the proposed solution. Nevertheless, as mentioned before, underwriting and pricing of any risk should remain the risk-based, and the price need to be adequate to the insured risk. Any change to underwriting/pricing practices would require the significant change in a regulatory framework.	Noted. We clarified in the report the scope of impact underwriting and the definition, making a clearer distinction between the climate adaptation objective and the climate mitigation objective.

61.	AMICE	No	<p>As regards climate change adaptation, we think that impact underwriting is already well under way. Insurers already play a positive role in ensuring that the insurance market remains available and affordable. Insurers already intervene in many ways before and after extreme events. Here are some concrete and effective examples:</p> <ul style="list-style-type: none"> • They carry out prevention and awareness campaigns among their policyholders to prevent damage from occurring or to limit the damage once it occurred. In the case of commercial lines business insurance, on site risk control visits are a privileged moment for this type of action. • In the event of a total loss, they provide advice on reconstruction to make buildings more resilient. Insurers are very present in the organizations defining the building regulations. • They actively contribute to the knowledge of risks and provide data, models and studies to improve the knowledge of the risks, for both their policyholders and public authorities. • They are facilitators for their policyholders to take the necessary steps to demand help from national mechanisms or initiatives to finance preventive work on their homes (eg the Barnier Fund in France). For example, areas at risk of flooding can benefit from subsidies to carry out prevention work and make houses resilient. The role of the insurer is to support policyholders in the process to benefit from these funds and better protect themselves against risks. • Finally, insurers raise public awareness of the new construction standards and techniques that contribute to the resilience of new buildings, through communication or advertising actions notably in favor of organizations specialized in these new standards. This type of action fosters risk awareness and propagates a risk culture that will lead to enhanced resilience of future insurable material. <p>On the other hand, it is noteworthy that they are some limits to impact underwriting: Insurers cannot indemnify the costs of repair/construction at these new standards. This would lead to those additional costs being taken into account in the pricing and would lead to an explosion in premium levels.</p> <p>A compensation that takes into account the new standards would risk doubling the cost of the premium. Doubling the premium would make access to insurance products difficult for certain territories and certain populations now covered by a contract. More could be done obviously as regards impact underwriting. For instance, in some extreme situations, the threat of exclusions could be an educative tool to foster adaptation and prevention. Coverage by insurers, for instance, cannot be blindly provided in situations where the risk is certain (for instance grounds declared unbuildable). This issue appears to be quite different as regards climate change mitigation. As already mentioned, the consequences of impact underwriting have to be carefully reviewed. What may seem to be true for an individual policyholder may be at the expense of other policyholders (see answers to the questions above).</p>	<p>Noted. The report acknowledges that while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved through private insurers without coordinated industry initiatives and/or further enabling measures from public authorities.</p>
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62.	Actuarial Association of Europe	Yes	<p>Insurance and availability of insurance plays an important part in our decision-making process. Impact underwriting as such can have both positive and negative impacts on availability and affordability of insurance.</p> <p>Fundamentally, price and availability of insurance is driven by two main components: risk and capacity. Impact underwriting as such might have some effect on risk, but more importantly it will have significant effect of capacity and product offerings. We can already see some significant shifts by many insurers, which no longer provide protection for coal-power plants, various mining explorations or provide incentives for ecological and sustainable alternatives (e.g. electric car / internal combustion engine (ICE) cars). As such the lack of capacity/willingness of insurers to write such business will drive the price up and ultimately such cover might no longer be affordable.</p> <p>There are unquestionably many positive effects of impact underwriting from societal standpoint in respect of education, sustainability, and overall higher environmental awareness of the policyholders.</p> <p>However, we need to ensure that the effects of impact underwriting are gradual and supported by some hard evidence of risk mitigation and that there is still a competitive market and capacity for traditional solutions. (e.g. we still need cover for nuclear / coal power plants as they are balancing out variable energy output from renewable sources of energy, such as wind and solar. Ultimately a reduction in the availability of insurance cover for traditional solutions could lead to market distortions in some areas where (re)insurance capacity becomes limited and/ or expensive for activities deemed to promote the climate change and be detrimental to society).</p> <p>We must consider the question of whether insurance is the right medium to drive the positive change via impact underwriting. One of the main principles of insurance is provide stability to the businesses, where risk is analysed, and any findings are supported by evidence and data. It will remain risk-based, i.e. based on the expected claims amount and also based on the volatility of the risk insured. Thus underwriting must always avoid uninsurable risk and must reliably price risk, which may inevitably have a negative impact on the availability and affordability of insurance. The main challenge of impact underwriting is to apply then the right degree of robustness, which is not easily swayed by social media and current moods within a society.</p> <p>A further issue to consider regarding impact underwriting, in a competitive market, is that insurers are not permitted to work in concert as this would breach competition law. However, if they apply impact underwriting in isolation, they may risk losing business. In the extreme this could lead to less availability of insurance rather than more.</p> <p>Each undertaking will need to take its own decision on business strategy when it comes to impact underwriting. While some undertakings will not see much relevance, others might need to manage their sustainable-oriented shareholders. Hence, we can only name possible examples:</p> <ul style="list-style-type: none"> • No underwriting of coal / fossil fuel-based power plants 	Noted. The report clarifies the difference between impact underwriting and net-zero underwriting strategies.
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			<ul style="list-style-type: none">• Premium reduction for the prevention of claims caused by climate change (e.g. flood)• Insurance of buildings: Allow for reconstruction of damaged buildings at a place more suitable w.r.t. climate change• Foster repair/replacements by more sustainable parts/items.• Liability insurance: Premium differentiation based on carbon footprint (cf. litigation risk)• Non-life insurance based on green assets: as sustainable assets contribute to ESG objectives, a reduction could be offered for long-tail business• Non-financial report / Taxonomy: Insurance undertakings could have the objective to reach a certain quota of sustainable products – and therefore offer a reduction for the insurance of sustainable items.	
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63.	Fédération Française de l'Assurance	No	<p>It is difficult to assess how the development of impact underwriting practices by insurers will impact positively or negatively the availability and affordability of insurance as it depends of many other factors. As mentioned in question 3, the FFA believes the main obstacles to maintaining insurability and affordability rely essentially on prevention public policies.</p> <p>Adaptation and implementation of prevention measures represent indeed additional costs that must not be supported only by the policyholders and could not be only driven by insurance premium reduction. Premiums, because of their relatively low amount compared to the high costs of adaptation or mitigation measures, are rarely a strong enough incentive for customers. Public authorities have a duty to plan and organise the adaptation to climate change on local territories. Indeed, global prevention measures, that are not directly linked to an insurance contract, could sometimes be more impactful: for instance, land use planning and actions at a watershed level regarding floods. These type of prevention actions cannot be implemented by insurers. Likewise, in agronomic practices, changes towards systems more adapted to the new climatic conditions (as well as protection/prevention policies) are to be carried by public authorities and public policies, as the reduction of premiums will not be able to finance these systems.</p>	<p>Noted. The report acknowledges that while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved through private insurers without coordinated industry initiatives and/or further enabling measures from public authorities.</p>
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64.	Insurance Europe		<p>The definition for impact underwriting remains too vague to be able to state the extent to which it could impact the availability and affordability of insurance in the context of climate change. Its effect on the availability and affordability of insurance can therefore not be assessed, while the positive impact of prevention and adaptation in this respect is confirmed. As evidenced by responses to the other questions, insurers already practise impact underwriting to an extent: they do not only transfer and pool climate change related risk, but also contribute to reducing exposures to climate risks. This is clear with climate change mitigation and adaptation where this is achieved through the features of their products or their investment strategies.</p> <p>However, the assessment and pricing of any risk that the insurer is requested to cover must be exclusively risk-based at all times. Any change to underwriting/pricing practices must take place within the given regulatory framework, Solvency II in particular. Should this not be the case, the balance between risk-based premium income and claims payments as a foundation for financial market stability would be severely jeopardised. Other, non-risk-based aspects regarding sustainability should therefore be taken into account before or after the underwriting process.</p> <p>In any event, developing impact underwriting would certainly not impact the availability and affordability of insurance in a way that would dispense public authorities from taking the necessary actions in terms of adaptation (and mitigation).</p>	Noted. Agree on the need for risk-based solutions.
65.	FERMA: Federation of European Risk Management Associations	Yes	<p>From the point of view of the corporate insurance buyer, a qualified Yes. We posit that it is very early to be able to accurately assess whether it is more one or the other.</p> <p>From the point of view of the captive insurer, FERMA believes that within the concept of “impact underwriting”, it is important to consider the underwriting concentration of captive (re)insurance companies, i.e. the fact that their strategic objective is to (re)insure only risks arising from their group’s activities. As such, they heavily rely on the sustainability profile of their group’s activities and should not be negatively impacted beyond the requirement of additional capital, if and where required.</p>	Noted.

66.	Covéa	Yes	<p>As regards climate change adaptation, we think that impact underwriting is already well under way.</p> <p>Insurers already play a positive role in ensuring that the insurance market remains available and affordable.</p> <p>Insurers already intervene in many ways before and after extreme events. Here are some concrete and effective examples :</p> <ul style="list-style-type: none"> • They carry out prevention and awareness campaigns among their policyholders to prevent damage from occurring or to limit the damage once it occurred. In the case of commercial lines business insurance, on site risk control visits are a privileged moment for this type of action. • In the event of a total loss, they provide advice on reconstruction to make buildings more resilient. Insurers are very present in the organizations defining the building regulations. • They actively contribute to the knowledge of risks and provide data, models and studies to improve the knowledge of the risks, for both their policyholders and public authorities. • They are facilitators for their policyholders to take the necessary steps to demand help from national mechanisms or initiatives to finance preventive work on their homes (eg the Barnier Fund in France). For example, areas at risk of flooding can benefit from subsidies to carry out prevention work and make houses resilient. The role of the insurer is to support policyholders in the process to benefit from these funds and protect themselves better against risks. • Finally, insurers raise public awareness of the new construction standards and techniques that contribute to the resilience of new buildings, through communication or advertising actions notably in favor of organizations specialized in these new standards. This type of action fosters risk awareness and propagates a risk culture that will lead to enhanced resilience of future insurable material. <p>On the other hand, it is noteworthy that they are some limits to impact underwriting :</p> <p>∅ Insurers cannot indemnify the costs of repair/construction at these new standards. This would lead to those additional costs being taken into account in the pricing and would lead to an explosion in premium levels.</p> <p>∅ A compensation that takes into account the new standards would risk doubling the cost of the premium. Doubling the premium would make access to insurance products difficult for certain territories and certain populations now covered by a contract.</p> <p>More could be done obviously as regards impact underwriting. For instance, in some extreme situations, the threat of exclusions could be an educative tool to foster adaptation and prevention. Coverage by insurers, for instance, cannot be blindly provided in situations where the risk is certain (for instance grounds declared unbuildable).</p> <p>This issue appears to be quite different as regards climate change mitigation. As already mentioned, the consequences of impact underwriting have to be carefully reviewed. What may seem to be true for an individual policyholder may be at the expense of other policyholders (see answers to the questions above).</p>	<p>Noted. The report acknowledges that while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved through private insurers without coordinated industry initiatives and/or further enabling measures from public authorities.</p>
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67.	Reale Mutua di Assicurazioni	Yes	It depends on the features of the premises that must be insured and on the prevention measures set up by the policyholder. If the risk is considered well protected, there would be a positive impact in terms of availability and affordability of insurance; otherwise not.	Noted.
68.	German Insurance Association (GDV)		<p>It will always be in the interest of a private insurer to keep the likelihood of damage occurring low. He will manage his business accordingly. Any “impact solutions” should therefore ultimately be rewarding to the customer. The customer should clearly see a benefit, e. g. a distinctly lowered risk by implementing prevention measures.</p> <p>However, the possibilities of an insurer to demand preventive measures from the policyholder will only ever be able to move in the immediate vicinity of what the legislator requires of preventive measures. Otherwise, the policyholder will forego insurance coverage or find an insurer who does not take preventive measures - practice shows. Above all, especially in the European internal market in free competition, there is always a risk taker who will place lower demands on prevention in order to win customer relationships.</p> <p>The key element for sustainable risk transfer is therefore not the (self-evident) requirement of an insurer for prevention, but the adaptation of statutory prevention regulations to climate change. The legislature and not the insurance industry is responsible for this.</p>	Noted. The report acknowledges that while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved through private insurers without coordinated industry initiatives and/or further enabling measures from public authorities.
69.	EY		The answer is "it depends" and it will require courage, competency and understanding to enable Impact Underwriting to play its role in providing for a just transition. In this regard it is clear that strict avoidance policies could have both intended and unintended consequences (for example in withdrawing cover for a sector do you withdraw cover for the employees of a sector?) however it is also clear that sectorally that as a source of investment funding and risk financing insurers can and do need to apply the sectors resources in a way with a force and a pace that change happens. Within this environment of transition there will be near term lost opportunities and opportunities gained and at the same time there will be accusations of moving too fast and too slow. All of these point to the need for clarity of strategy and courage of conviction to execute a transition plan. The requirements of disclosure can and will support this goal and in particular the evolution of TCFD requirements from voluntary towards mandatory standing, as well as the application of wider Non Financial Reporting Directives and the application of the Sustainable Financial Reporting Directive as part of the Action Plan will create a framework and pathway for such change.	Noted.
70.	Benpower	Yes		Noted.

Question 6: Are you aware of other measures such as tax rules or local GAAP which could improve the availability of insurance cover for climate risks?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
71.	Insurance and Reinsurance Stakeholder Group	Yes	<p>Yes</p> <p>Equalization reserves may provide a means to factor longer term increases in claims and costs, hence contributing to climate change adaptation. We note that while these would apply for tax or GAAP rules, they are not currently a feature of the Solvency II regime.</p> <p>For countries where premiums are subject to insurance taxes, taxes could be dramatically decreased or suppressed to help dampen increases in premiums because of climate change. Alternatively the amounts of insurance taxes that could be released may be redirected to deal directly with climate issues.</p> <p>In the Netherlands, agricultural insurance cover for weather-related perils (lato sensu) is exempt from insurance tax as well as subsidised by the government.</p>	Noted.
72.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts	Yes	<p>Equalization reserves may provide a mean to factor longer term increases in claims and costs, hence contributing to climate change adaptation.</p> <p>In addition, in countries where premiums are subject to insurance taxes, the tax rate on premiums exposed to climate risk could be dramatically decreased or suppressed.</p> <p>As noted above, equalization provisions can play an interesting role in maintaining an affordable and available insurance market. With regard to tax rules, it may be appropriate to explicitly redirect the amounts collected towards actions that promote the resilience of the insured risks.</p>	Noted.
73.	Unipol Group S.p.A.			/
74.	PIU - Polish Chamber of Insurance	No		Noted.
75.	AMICE	Yes	<p>Equalization reserves may provide a mean to factor longer term increases in claims and costs, hence contributing to climate change adaptation.</p> <p>In addition, in countries where premiums are subject to insurance taxes, the tax rate on premiums exposed to climate risk could be dramatically decreased or suppressed.</p> <p>As noted above, equalization provisions can play an interesting role in maintaining an affordable and available insurance market. With regard to tax rules, it may be appropriate to explicitly redirect the amounts collected towards actions that promote the resilience of the insured risks.</p>	Noted.

76.	Actuarial Association of Europe	No	We note the reference to equalization reserves which could serve to improve the availability of insurance. We note that while these would apply for tax or GAAP rules, they are not currently a feature of the Solvency II regime.	Noted.
77.	Fédération Française de l'Assurance	Yes	<p>Equalization provisions or the accumulation of reserves as in the case of the Consorcio de Compensacion de Seguros (Spain) are measures that improve the availability (through pre-financing) and the adequacy of compensation for catastrophic claims to come.</p> <p>In the French GAAP, equalization reserves may provide a mean to factor longer term increases in claims and costs, hence contributing to climate change adaptation. However, equalization reserves are currently not applicable to climate risks in IFRS or Solvency 2 Balance sheet. Allowing the insurers to constitute equalization reserves also for NatCat events will allow to create financial buffers to pay out claims during years presenting higher NatCat claim events. These equalization reserves on NatCat events, if implemented, should be deductible and recognized in the prudential treatment.</p> <p>In addition, in countries where premiums are subject to insurance taxes such as France, the tax rate on premiums exposed to climate risk could be dramatically decreased or suppressed. As noted above, equalization provisions can play an interesting role in maintaining an affordable and available insurance market. With regard to tax rules, it may be appropriate to explicitly redirect the amounts collected towards actions that promote the resilience of the insured risks.</p>	Noted.
78.	Insurance Europe	Yes	In the Netherlands, agricultural insurance cover for weather-related perils (lato sensu) is exempt from insurance tax as well as subsidised by the government.	Noted.
79.	FERMA: Federation of European Risk Management Associations			/
80.	Covéa	Yes	<p>Equalization reserves may provide a mean to factor longer term increases in claims and costs, hence contributing to climate change adaptation.</p> <p>In addition, in countries where premiums are subject to insurance taxes, the tax rate on premiums exposed to climate risk could be dramatically decreased or suppressed. As noted above, equalization provisions can play an interesting role in maintaining an affordable and available insurance market. With regard to tax rules, it may be appropriate to</p>	Noted.

			explicitly redirect the amounts collected towards actions that promote the resilience of the insured risks.	
81.	Reale Mutua di Assicurazioni	Yes	In Italy coverages for earthquake are free of taxes for private premises. Furthermore all structural works for improving the resistance of private buildings to earthquake paid by the owners are returned by the Government.	Noted.
82.	German Insurance Association (GDV)	No	We are not aware of such measures yet but tax rules are a good approach and should be taken into consideration.	Noted.
83.	EY	Yes	Not Answered; The scope of the question and range of answers is not amenable to answering within the format of this discussion.	Noted.
84.	Benpower	Yes	with reference to property LOB there are various solutions already operating in EU for cat perils (NL, ES, FR, D, ecc) these would be a starting point to build up new insurance instruments	Noted.

Question 7: Should underwriting and pricing practices make allowance for wider climate change considerations that go beyond direct impacts on the insured risk?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
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85.	Insurance and Reinsurance Stakeholder Group	Yes	<p>Yes, subject to appropriate business practices.</p> <p>The IRSG believes underwriting and pricing practices could in theory make allowance for wider climate change considerations that go beyond direct impacts on the insured risk but only to the extent public authorities have set rules to make this compulsory at market level. By way of illustration, a motor vehicle policy can stipulate that replacement car after a crash can only be an electric vehicles. Such policy could accelerate dramatically the exit of internal combustion engines. However to be viable in a competitive market, this replacement rule must be either embedded in the regulation or tax incentivised.</p> <p>Again, these actions need to be carefully considered. As indicated in the consultation, modulating insurance premiums to favour policyholders who have invested in so-called "green" houses, in construction techniques that are more resilient in the face of various natural perils or in vehicles with low GHG emissions is:</p> <ul style="list-style-type: none"> - On the one hand little incentive because the reduction that can be granted on the premium in relation to the underlying investment is too small; we don't believe it will make policyholders change their behaviours - On the other hand, potentially too remote from the actuarial considerations necessary for a good measure of risk. In the context of climate mitigation premium discounts are not related to reduced risks (contrary to pricing in the context of climate adaptation as explained under answers to Q3 & Q5) - While in the meantime there is a risk of greenwashing, consisting in using those price reductions as a marketing tool while their impact on the climate is limited. Proposing premium reductions based on green criteria associated with the insurable matter may appear to be a commercial argument in line with the insurer's strategy, while being a marginal measure favouring adaptation to climate change. <p>Insurance could have a role to play in accelerating transition to lower carbon technologies where the behaviour of the insured can be influenced (e.g. offering a discount for electric vehicles where that discount is subsidised by petrol vehicles). However, competitive forces and the need for society to transition at certain pace may limit the extent to which this is possible. Ultimately a rush to reduce availability of insurance cover for traditional activities could be detrimental to society.</p> <p>Extreme care should be taken in going beyond direct impacts in this way. It would be important not to move away from the fundamental tenet of pooling risk, and charging appropriate risk-based prices for these risks, which characterises insurance.</p> <p>As a result of the above and of the IRSG answers to other questions of this consultation, notably under Q3, Q5, Q13 and Q14, it is clear that non-life pricing and underwriting mainly has an adaptation role by which prevention is effectively a key operational topic. The environmental objective of climate change mitigation cannot be the focus of non-life pricing</p>	<p>Partially agreed.</p> <p>There could be demonstrable indirect impacts on the risk insured (e.g. through a potentially different driving behaviour from electric car owners).</p> <p>It is useful to make the distinction between the technical pricing itself and the wider underwriting policy (which can be driven by other factors).</p> <p>The report acknowledges that while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved through private insurers without coordinated industry initiatives and/or further enabling measures</p>
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			and underwriting which must remain risk based, and supportive of good risk management and supervision.	from public authorities.
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86.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts	Yes	<p>it is essential that we start from the actuarial bases for the evaluation of risks to measure exactly the value and frequency of the expected damage.</p> <p>At the same time intervention on a single lever cannot be sufficient because these exposures to risk are not sustainable by activating a single lever.</p> <p>Then, there are some options, some of which must be activated at the same time:</p> <ul style="list-style-type: none"> a) to provide tax deductions so as not to burden customers with the surplus premium that they cannot bear, b) to involve the State in the remuneration of the surplus, c) to identify systematic forms of mutualization of risks by providing mandatory cover for all those exposed to risks d) promoting wider diversification and fragmentation (geographical and for types of exposures) of risks by insurance companies e) to integrate the coverage of tangible and intangible risks related to climate change with the partial or total transfer to financial markets. 	Noted. Consistently with actuarial risk-based principles, EIOPA will explore the potential appropriateness for a differentiated risk-based prudential treatment of insurance products related to climate change adaptation, based on evidence to be further collected.
87.	Unipol Group S.p.A.	No	<p>In paragraphs 3.14 - 3.15 EIOPA provides examples of insurance contracts in which premium discounts “would not be based on risk reduction”. Examples are based on insurance contracts with green characteristics (for example motor insurance to low emission vehicles – electric, hybrid, gas power) that does not directly affect the insured risk, and on behavioural policyholder characteristics (“For example, some insurers noted that commercial property owners and homeowners who carry out green practices are more risk-management-minded and tend to be in lower risk categories”).</p> <p>Unipol Group believes that underwriting and pricing practices should be unequivocally connected to risk-based actuarial principles. We believe that all the indirect impacts (defined in footnote 28) of insurer’s contribution to climate change adaptation or mitigation on the insured risks cannot be incorporated in pricing and underwriting design of an insurance contract. Long term climate change issues are beyond insurers’ reach under standard business strategic planning, pricing and underwriting processes, and the medium-long term impact of a single contract in terms of climate risk reduction is unmeasurable.</p> <p>Impact underwriting should address those specific practices that are able to mitigate the insured risk in a measurable and direct way.</p>	Partially agreed. There could be demonstrable indirect impacts on the risk insured (e.g. through a potentially different driving behaviour from electric car owners). We agree on the need for risk-based solutions.
88.	PIU - Polish Chamber of Insurance	Yes	PIU would like to highlight that decrease in risk as a result of more sustainable behaviours needs to be carefully assessed and reflected in the insurance approach. A discount on some products/exposures can only be provided if there is an evidence that the insured risk is lower than in other cases.	Agreed. There could be demonstrable indirect impacts on

				the risk insured (e.g. through a potentially different driving behaviour from electric car owners). We agree on the need for risk-based solutions.
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89.	AMICE	<p>Long term climate change issues (multi decennial time horizons) and considerations are beyond insurers' reach under standard business strategic planning and pricing and underwriting processes. This does not mean that insurers do not consider climate issues. On the contrary, insurers are well aware of climate issues but to the extent that the impacts are in the remit of their business models in terms of risk profile, granularity and time horizons. To a significant extent, claims data already capture climate change impacts from which trends can be derived and pricing can be adapted in time (see answer to Q2).</p> <p>In that context, we want to make a comment on the first bullet point of article 3.5. It states that in France premiums for Nat Cat coverage are restricted by legislation, since they are a flat 12% surcharge on property insurance. It is to be noted that the flat percentage is set on an actuarial basis and notably since it is applied to insurance premiums that are themselves determined on a strong actuarial basis. For instance, for risks in a flood zone, the insurer can increase the underlying property insurance premium, hence mechanically also increasing the nat cat premium of 12%.</p> <p>As indicated in the consultation, modulating insurance premiums to favor policyholders who have invested in so-called "green" houses, in construction techniques that are more resilient in the face of various natural perils or in vehicles with low GHG emissions is:</p> <ul style="list-style-type: none"> ∅ On the one hand little incentive because the reduction that can be granted on the premium in relation to the underlying investment is too small ; we don't believe it will make policyholders change their behaviors ; ∅ On the other hand, potentially too remote from the actuarial considerations necessary for a good measure of risk (since premium discounts are not related to reduced risks) ; ∅ While in the meantime there is a risk of greenwashing, consisting in using those price reductions as a marketing tool while their impact on the climate is limited. Proposing premium reductions based on green criteria associated with the insurable matter may appear to be a commercial argument in line with the insurer's strategy, while being a marginal measure favoring adaptation to climate change. <p>We would instead support the prevention measures outlined above can be a real lever in the hand of insurers to participate in climate change adaptation.</p>	<p>Partially agreed.</p> <p>There could be demonstrable indirect impacts on the risk insured (e.g. through a potentially different driving behaviour from electric car owners). We agree on the need for risk-based solutions.</p> <p>It is useful to make the distinction between the technical pricing itself and the wider underwriting policy (which can be driven by other factors).</p>
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90.	Actuarial Association of Europe	No	<p>There is a slight difference between underwriting and pricing practices. From the pricing perspective we cannot see any reason why there should be wider consideration beyond direct impact on the risk as, based on the actuarial principles, the pricing should be purely based on the view of the risk, evidence, data and any other effects such as rewarding good behaviours should not be considered if they do not directly impact the risk. However underwriting principles can, and often do, take other indirect effects into consideration. We can already see many companies to change their underwriting strategy in order to support and promote socially responsible behaviour. A shortage of insurance offers for coal plants can already be observed. Such underwriting initiatives are driven by management/investors to be considered as good corporate citizen and avoid bad press. They are not directly linked to actuarial considerations. Such withdrawal of insurance protection may have a strong impact.</p> <p>Principally, every business should look after its market and ensure long term sustainability and profitability. In other words, there might be an incentive to provide benefits to sustainable solutions in one line of business as it might have long-term positive effect of another line of business. E.g. Provide benefit to electric cars over internal combustion engine cars insurance as it might have positive effects on emissions/climate change and long-term impact on property market (floods, droughts etc.). However, this long-term cross-impact view is not widely considered, and any potential cross-segment subsidy should be considered very carefully to ensure smooth transition and minimize potential distraction due to sudden changes in availability and affordability of cover.</p> <p>If climate change is a systemic risk to the financial system and an existential risk to society then there is an argument that underwriting and pricing practices should make allowance for wider climate change considerations that go beyond direct impacts on the insured risk. While there is a desire amongst underwriters to “do the right thing” in managing their reputation risk, problems arise where such a wish conflicts with their need to achieve target profitability. If underwriting and pricing is based on something that is not directly related to the risk, it does not conform to risk based actuarial principles. However, as seen with something like the gender directive in motor insurance pricing, insurers can adapt pricing structures if there is a legal requirement to do so. Pricing which is not based on the underlying risk could lead to distortions in the market.</p> <p>Insurance could have a role to play in accelerating the transition to lower carbon technologies where the behaviour of the insured can be influenced (e.g. offering a discount for electric vehicles where that discount is subsidised by petrol vehicles). Insurers could consider the impact of climate change on every product and check if there is room to integrate aspects of climate change considerations into the underwriting guidelines. However, competitive forces may limit the extent to which this is possible.</p> <p>Disruption is an additional risk linked to non-eco-friendly activities or products. Transition to a carbon-neutral economy may include sudden bans of certain products, production processes, transportation. A default of certain industries or corporates could be the consequence.</p>	<p>Agreed.</p> <p>It is useful to make the distinction between the technical pricing itself and the wider underwriting policy (which can be driven by other factors).</p> <p>The report acknowledges that while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved through private insurers without coordinated industry initiatives and/or further enabling measures from public authorities.</p>
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			Such risks need appropriate consideration in underwriting and pricing decisions. This will have an impact on the availability and pricing of insurance covers potentially affected by such bans.	
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91.	Fédération Française de l'Assurance	Yes	<p>Insurers should be able to consider both direct and indirect impacts in their underwriting and pricing practices. However, to comply with risk-based actuarial principles, these indirect impacts must be linked to the insured risks. The example given in the questionnaire of the consultation (considering that offering insurance coverage for photovoltaic panels contributes to climate change mitigation) could only be considered in the underwriting and pricing practices for an insurance coverage on natural events. It does not necessarily work for other types of cover such as fire insurance for instance as there is no link between climate change mitigation and fire risk of a building. Thus, when there is a bundling of risks within the insurance product, such kind of indirect impacts should be considered with caution. French insurers believe the link between “green” activities or “green” behavior and lower risks is not systematically obvious. Therefore, there should not be an automatic consequence of insuring a green infrastructure or behaviours considered as ecologically virtuous without a careful risk-based analysis. In some cases, when the indirect impact is demonstrated, an impact on the underwriting and pricing practices is justified. For instance, it has been demonstrated that eco-driving leads to a speed reduction and better compliance with the highway code and safety distances, and thus that eco-driving reduces the risk of road accidents. In other cases however, such link is not always demonstrated. For instance, low-emission vehicles do not show lower frequencies or severities.</p> <p>The FFA believes underwriting and pricing practices could make allowance for wider climate change considerations that go beyond direct impacts on the insured risk but only to the extent public authorities have set rules to make this compulsory at market level.</p>	<p>Partially agreed. There could be demonstrable indirect impacts on the risk insured (e.g. through a potentially different driving behaviour from electric car owners). We agree on the need for risk-based solutions.</p> <p>The report acknowledges that while private insurance can play an important role in the fight against climate change, but there are limitations to what can be achieved through private insurers without coordinated industry initiatives and/or further enabling measures from public authorities.</p>
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92.	Insurance Europe	Yes	<p>Insurers' underwriting and pricing practices already make allowances for wider climate change considerations that go beyond direct impacts on the insured risk, as evidenced by the examples provided in the questionnaire. That being said, actuarial risk-based principles remain key and there must therefore still be a link between the reason for the discount and the risk insured. The photovoltaic panels example is only relevant for natural catastrophe cover (which are made worse by climate change), and does not necessarily work for other types of cover (eg fire insurance cover for buildings). The calculations will also be complicated by the fact insurance covers are often bundled.</p> <p>Furthermore, there is no systematic decrease in risk as a result of more sustainable behaviours, and a careful risk analysis is therefore still necessary. A discount on motor insurance for driving an electric car should only be provided if there is evidence that the insured risk is lowered one way or the other, even if just indirectly.</p>	<p>Partially agreed.</p> <p>There could be demonstrable indirect impacts on the risk insured (e.g. through a potentially different driving behaviour from electric car owners).</p> <p>It is useful to make the distinction between the technical pricing itself and the wider underwriting policy (which can be driven by other factors).</p>
93.	FERMA: Federation of European Risk Management Associations		<p>Cannot comment extensively at this stage. However, it must be stressed that to build up the capabilities and knowledge to take into account all considerations related to sustainability will take a significant amount of time and data. Enterprise Risk Management as a framework and contribution to governance can certainly help to provide companies with an enterprise-wide approach to assessing all risks!</p>	<p>Noted.</p>

94.	Covéa	No	<p>Long term climate change issues (multi decennial time horizons) and considerations are beyond insurers' reach under standard business strategic planning and pricing and underwriting processes. This does not mean that insurers do not consider climate issues. On the contrary, insurers are well aware of climate issues but to the extent that the impacts are in the remit of their business models in terms of risk profile, granularity and time horizons. To a significant extent, claims data already capture climate change impacts from which trends can be derived and pricing can be adapted in time (see answer to Q2).</p> <p>In that context, we want to make a comment on the first bullet point of article 3.5. It states that in France premiums for Nat Cat coverage are restricted by legislation, since they are a flat 12% surcharge on property insurance. It is to be noted that the flat percentage is set on an actuarial basis and notably since it is applied to insurance premiums that are themselves determined on a strong actuarial basis. For instance, for risks in a flood zone, the insurer can increase the underlying property insurance premium, hence mechanically also increasing the nat cat premium of 12%.</p> <p>As indicated in the consultation, modulating insurance premiums to favor policyholders who have invested in so-called "green" houses, in construction techniques that are more resilient in the face of various natural perils or in vehicles with low GHG emissions is :</p> <ul style="list-style-type: none"> ∅ On the one hand little incentive because the reduction that can be granted on the premium in relation to the underlying investment is too small ; we don't believe it will make policyholders change their behaviors ; ∅ On the other hand, potentially too remote from the actuarial considerations necessary for a good measure of risk (since premium discounts are not related to reduced risks) ; ∅ While in the meantime there is a risk of greenwashing, consisting in using those price reductions as a marketing tool while their impact on the climate is limited. Proposing premium reductions based on green criteria associated with the insurable matter may appear to be a commercial argument in line with the insurer's strategy, while being a marginal measure favoring adaptation to climate change. <p>We would instead support the prevention measures outlined above can be a real lever in the hand of insurers to participate in climate change adaptation.</p>	<p>Partially agreed. There could be demonstrable indirect impacts on the risk insured (e.g. through a potentially different driving behaviour from electric car owners). We agree on the need for risk-based solutions.</p> <p>It is useful to make the distinction between the technical pricing itself and the wider underwriting policy (which can be driven by other factors).</p>
95.	Reale Mutua di Assicurazioni	Yes		Noted.

96.	German Insurance Association (GDV)	No	Insurance companies should encourage climate responsible behavior in product offering and also in pricing and underwriting – as long as it is financially wisely “digestible” and is not in fundamental conflict with the rule only to price and underwrite based on risk-oriented principles	<p>Agreed. We agree on the need for risk-based solutions.</p> <p>There could be demonstrable indirect impacts on the risk insured (e.g. through a potentially different driving behaviour from electric car owners).</p> <p>It is useful to make the distinction between the technical pricing itself and the wider underwriting policy (which can be driven by other factors).</p>
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97.	EY		<p>If climate change is a systemic risk to the financial system and an existential risk to society then there is an argument that underwriting and pricing practices should make allowance for wider climate change considerations that go beyond direct impacts on the insured risk. The question does however come back to whose resources are being spent in achieving those outcomes? If we hold the paradigm that insurance premiums are Claims + Expenses + Profit for Risk and Services and that the policyholder pays the premium; (setting aside that the shareholders of insurance companies may be differing horizons). In this model it is not clear how to hold such indirect transfers within the insurance system where there is discrimination between policyholders at a point in time with regard to risks that will occur over time, for other than a modest level. In which case the risks and challenge of whether or not the effects are largely window dressing and in the limit contribute to a new form or conduct risk with the emerging label of Greenwashing. For a meaningful deployment of price adaptation it would likely need to be market wide (again setting aside the definition of market for now). For example where premiums are adapted not to reflect adapted risk profiles within the boundary of the contract but to reward the holders of adapted properties or risks at the cost of penalising others then the question the insurer could act in the role of agent rather than principle. In this case some element of transparency of the nature of the price adaptation and the destination of the funding for the same will be required. For example if insurance premiums are used as a vehicle to reference a levy or incentive, and the levy is calibrated to the attributes of the reference object of insurance then we are discussing the role of insurance as an agent within a public private ecosystem for climate risk.</p>	<p>Noted.</p> <p>The report acknowledges that while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved through private insurers without coordinated industry initiatives and/or further enabling measures from public authorities.</p>
98.	Benpower	Yes	<p>this would be helpful, but needs to be handled through a "coordinated approach" in terms of rules to avoid possible distortions (i.e. competition, capital requirements, etc)</p>	<p>Noted.</p>

Question 8: What role do you see for direct risk prevention measures (at policy level) in insurance underwriting within the context of climate change?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
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99.	Insurance and Reinsurance Stakeholder Group		Risk prevention at policy level is already a feature of non-life underwriting, irrespective of climate change. Risk prevention in the underwriting process is relevant for every risk covered. However, there are limitations in what can be achieved at policy level, notably if consumers' preference is for cheaper insurance. on the other hand, the role of governments and local authorities in prevention measures at local and national level is even more critical in a climate change context. This question is also addressed in the response to Q5 above.	Noted.
100.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts		At policy level I see providing for very strict regulations and sanctions on compliance with building safety standards, emission containment reducing the impact on the environment and exposure to risk to homes and people's lives in the presence of disaster events.	Noted.
101.	Unipol Group S.p.A.			/
102.	PIU - Polish Chamber of Insurance		It is already a current practice. Prevention measures are already an integral part of insurance contracts. In PIU's opinion the concepts of the current climate situation and climate change are confused here. Underwriting relates to the insurance period. Therefore, for example: the client can receive a discount for the building structure adapted to the climatic conditions; a farmer can insure crops adapted to the current soil and climatic conditions. The client can also pay more for insuring the building located in the high probability flood zone. However, when determining the premium, insurers examine how these preventive actions will work during the insurance period. The character of insurance contracts that address the climate change risk is up to 3-5 years so the assessment of the preventive actions in 30 years' time horizon would be inadequate. Premium and underwriting needs to be related to the risk exposure.	Noted.
103.	AMICE		Please see Q5.	Noted.

104.	Actuarial Association of Europe	<p>There are numerous examples in the paper in respect of the direct risk prevention measures at policyholder level. The main challenge in respect of prevention measures is education and the link between the prevention measure and some financial gain. As noted in the paper many policyholders may underestimate the level of risk or not be aware of certain risks, which makes them vulnerable and at disadvantage. Another issue is that many insurance pricing practices do not consider all the risk specifics (limited amount of risk factors) and by adopting some risk prevention measures policyholder may not see the financial gain (reduction of insurance premium).</p> <p>There are two types of risk prevention measures:</p> <ul style="list-style-type: none"> • Retrospective. There are prevention measures to deal with the effect of climate change, such as higher frequency/severity of flood. It is critical that these prevention measures are taken into consideration by the insurer in their risk-based pricing and that there is significant amount of education of policyholders in respect of the risk they are facing and potential sources of mitigation. • Prospective. These are prevention measures to ensure that the speed of climate change is reduced (e.g. energy efficient houses, using low emission cars). These do not directly impact the risk (from the short-term horizon – 1 year) and as such are not considered in the risk-based pricing, but insurance companies can offer policyholders some level of incentive. These prospective risk prevention measures are often supported by governments via financial incentives / subsidies. There could be higher cooperation between governments and insurers in respect of forward-looking views of the risk and potential sources of mitigation to ensure stability of the market and continuous availability of commercial insurance solutions. <p>Concerning prevention:</p> <p>We realise that the role of insurance is limited to cases where there is alignment between climate change behaviours and reduced insurance risk. As such, risk prevention measures at a policy level are unlikely on their own to achieve a significant impact on the wider mitigation issues relating to climate change. Such measures need to be applied at the widest possible level to have an impact.</p> <p>Nevertheless such measures are highly important to avoid uninsurability in some areas, for example in highly climate-change risk-exposed industrial insurance.</p> <p>The insurance industry is experienced in the development and implementation of risk prevention measures. There is a long-established proceeding in several lines of insurance business.</p> <p>Example: Activities of the insurance industry have led to the establishment and broad usage of many technical risk prevention measures in the past e.g. sprinkler systems in fire insurance; immobiliser systems in motor car insurance.</p> <p>Prevention or lowering the impact of climate related risks could be supported by similar processes.</p>	<p>Agreed.</p> <p>It is useful to make the distinction between climate adaptation (where prevention measures embedded in the insurance product can have a direct impact on the risk) and climate mitigation (where the focus is usually more long-term and on the insured object).</p> <p>The report acknowledges that while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved through private insurers without coordinated industry initiatives and/or further enabling measures from public authorities.</p>
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105.	Fédération Française de l'Assurance		<p>Direct prevention measures are already an integral part of insurance policies and reflected as such in the underwriting process. There is a real role for these measures in the context of climate change, but not one that could in any way allow to shift the focus away from the need for action, primarily by public authorities, on adaptation, prevention and increasing resilience. All actors should be involved in prevention from the State to local government. FFA supports a participative governance between all categories of involved stakeholders (Aarhus convention). It is indeed a crucial requisite that could be based on creating the appropriate local governances in charge of both design and implementation, at relevant risk basin level, of the appropriate risk management policies, projects and capacity building actions to enable participative governance.</p>	<p>Agreed.</p> <p>The report acknowledges that while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved through private insurers without coordinated industry initiatives and/or further enabling measures from public authorities.</p>
106.	Insurance Europe		<p>Direct prevention measures are already an integral part of insurance policies and reflected as such in the underwriting process. There is a real role for these measures in the context of climate change, but not one that could in any way allow to shift the focus away from the need for action, primarily by public authorities, on adaptation, prevention and increasing resilience.</p>	<p>Agreed.</p> <p>The report acknowledges that while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved through private insurers without coordinated industry initiatives and/or further enabling measures from public authorities.</p>

107.	FERMA: Federation of European Risk Management Associations		In principle, as the federation representing professional risk managers, we are absolutely in favour of more prominence being given to encouraging a strong risk-awareness and risk-based culture at the heart of organisations. We also see that the relationship between the insurer and the insured can be mutually reinforcing with regards to prevention measures. The paper correctly highlights that there is a problem of monitoring and compliance-checking in this area. If regular validation is needed, who bears the cost. FERMA welcomes further dialogue with EIOPA on this topic.	Agreed.
108.	Covéa		Please see Q5	Noted.
109.	Reale Mutua di Assicurazioni		Insurers can incentivize those policyholders who accept to set up loss prevention measures oriented to mitigate the impact of climate change risk to their premises, with benefits like: premium reduction and/or lower deductibles and/or higher limits. Insurers can also act as consultants in order to suggest which measures should be set up and plan a progressive reduction of the costs of the policy based on the status of working progress.	Agreed.
110.	German Insurance Association (GDV)		Risk prevention is already in the focus of each P&C insurer regardless whether the underlying risks are due to climate change or not. We refer once again to our remarks on prevention in Germany (Q1). Investing in risk prevention measures will be more beneficial than relying on insurance cover. Policyholders should always be incentivized to mitigate risks themselves by reflecting such measures in the premiums (by means of deductibles, bonuses, rebates etc.).	Partially agreed. Including climate risk considerations in pricing and/or embedding climate risk prevention measures in product design is not done systematically by all insurers.
111.	EY		The role of insurance is limited to cases where there is alignment between climate change behaviours and reduced insurance risk. As such, risk prevention measures at a policy level are unlikely on their own to achieve a significant impact on the wider mitigation issues relating to climate change. Such measures need to be applied at the widest possible level to have an impact.	Agreed. The report acknowledges that while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved through private insurers without

				coordinated industry initiatives and/or further enabling measures from public authorities.
112.	Benpower		would be important but needs to be handled again in a coordinated approach in terms of rules	Agreed. The report acknowledges that while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved through private insurers without coordinated industry initiatives and/or further enabling measures from public authorities.

Question 9: Do you think that considering long-term insurance contracts (similarly to what is done for life insurance) could help insurers maintain availability and affordability of insurance in light of climate change?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
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113.	Insurance and Reinsurance Stakeholder Group	No	<p>No.</p> <p>As mentioned in the general comments, the IRSG appreciates that EIOPA pros and cons analysis of multi-year non-life covers shows that annual contracts are generally better suited to the needs of consumers, re/insurers and supervisors. It also clearly shows that the affordability issue is not linked to the duration of the contract. Making non-life covers affordable in spite of climate change is firstly a matter of good public policy in terms of prevention and subsidization. Furthermore, multi-year contracts require more capital than one year policies, as they generate more risk and uncertainty for the writer, and this capital needs remunerating, leading to higher premiums.</p> <p>The IRSG highlights that the annual repricing of non-life contracts allows to adjust premiums to the current level of climate-related risks and to keep pace with the evolution of climate. It is inaccurate to say that the models supporting the repricing cycle are backward-looking. Model calibration uses past events to identify the pattern of variability and the distribution of severity but it is also adjusted to capture trends when the signals are clear and evidenced. However, for several perils it is the science itself rather than (re)insurer's modelling which has not settled on the impact of climate change on hazard parameters relevant to non-life underwriting. EIOPA should refrain from setting expectations in terms of pricing which would not be supported by scientific literature.</p> <p>Multi-year premiums would also deprive insurers of a critical ability to continuously adapt to risks and exposures in a sound, meaningful and safe manner. Without the possibility to annually review the premiums, mispricing becomes more probable and could even lead to insolvency.</p>	Noted.
114.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts	Yes	<p>I generally think so, but for non-life business it's necessary to integrate financial returns with mutuality coming from risk fragmentation and diversification as pointed at answer to Q4. Non-life and life business have different ways of covering risks and different volatility; at the same time non-life business has a payback period got longer for the slower times of claims settlement of cat events.</p> <p>The function of compensation for damages of non-life contracts based on frequency and severity also requires the guarantee of capital not directly related to liabilities.</p> <p>In that sense investments in financial assets related to ESG activities are more sustainable for insurance companies. In fact companies could invest in bonds related to infrastructure investments that are stable in their repayments and guaranteed by regulation as in the utilities sector.</p>	Noted.

115.	Unipol Group S.p.A.	No	<p>Unipol Group disagrees with the application of multi-year contract scheme to increase the term of non-life insurance contracts.</p> <p>The disadvantages listed by EIOPA in paragraph 3.22 are eloquent and affect both insurers and policyholders.</p> <p>We would like to highlight that multi-year contracts imply lower flexibility and choices for policyholders; in a multi-year scheme policyholders could not renew or renegotiate contracts or to switch after the year to an alternative insurer. Moreover, multi-year contract would deprive insurers from the critical ability to continuously adapt to risks and exposures in a sound, meaningful and safe manner. Mispricing becomes more likely without the possibility to annually review the premiums, and could even lead to an unintended increase in the underwriting risk since there is no opportunity to adapt premiums to the changing nature of risks (and this implies that premiums are not more risk-based).</p> <p>Multi-year contracts implies also higher premiums. If the contracts time horizon would increase, insurers would in turn incorporate an additional risk premium to take into account the increased uncertainty, and this would translate in higher costs for policyholders.</p> <p>Reinsurance would also pursue on an annual risk endorsement term that would not fit the multi-year stance of ceding insurance undertakings, hence requiring an additional risk premium. Higher premiums determine lower incentives to policyholder in order to adopt risk-reducing behavior.</p>	Noted.
116.	PIU - Polish Chamber of Insurance	No	<p>Short-term insurance contracts are there for a good reasons. Long-term insurance contracts would have a huge impact on weaken the financial stability of the non-life sector, as well as would limit the possibility of clients to easily swich to another provider. Such approach would limit the current good practice in underwriting and pricing, which requires continuous reassessment of the risks.</p>	Noted.

117.	AMICE	No	<p>We stand against a proposal to increase the term of non-life insurance contracts. We think this would deprive insurers from a critical ability to continuously adapt to risks and exposures in a sound, meaningful and safe manner. Without the possibility to annually review the premiums, mispricing becomes more probable and could even lead to insolvency.</p> <p>If the terms of contracts were to increase, insurers would in turn incorporate an additional risk premium to make up for increased uncertainty. This would translate in higher costs for policyholders.</p> <p>It is also likely that the prudential costs through capital requirements would increase, which in turn would be passed onto insurance premiums costs.</p> <p>Reinsurance would also pursue on an annual risk endorsement term that would not fit the multi-year stance of ceding insurance undertakings, hence requiring an additional risk premium.</p>	Noted.
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118.	Actuarial Association of Europe	No	<p>Long term contracts will not of themselves address changes in the underlying risk or the relatively high levels of associated uncertainty. Long term policies increase risk for insurance companies significantly and are not consistent with the prudential management of risk. We do not believe that, in isolation, multi-year contracts can serve to reduce the underlying risk or the insurability of higher risks. In addition, it could materially impact the solvency of insurers. A key issue for primary insurers would be the need for corresponding multi-year reinsurance cover.</p> <p>Using multi-year contracts in the face of growing climate risks could result in large step-changes in premium at the end of each multi-year contract or following a major climate related event. Insurers would need to set higher premiums in order to compensate for greater uncertainty over long term of multi-year contract and to allow for the risk of anti-selective cancellations by lower-risk policyholders. The inability to adjust the price if it is too low from the insurer's perspective or too high from the policyholder's point of view make such policies unattractive to insurers and policyholders. Additionally, given that the cost of insurance is likely to increase over time, a multiyear premium will be higher, at the outset, than a stream of annual policies. This is likely to make the product unattractive to policyholders.</p> <p>There is also a question about how such multi-year contracts would be promoted / encouraged.</p> <p>Multi-year cover could introduce moral hazard by disincensitising policyholders from investing in climate mitigation solutions in a timely manner, because they could rely on cover provided on favourable terms over a multi-year period. New customers could end up subsidizing existing customers because insurers could not increase premiums to match the risk for those existing customers.</p> <p>Long-term insurance contracts seem to guarantee stable premiums and thus ensure enduring insurability during the evolving climate change. But insurance companies have to consider a number of factors for such contracts and include them in the premiums (if possible at all).</p> <p>1.) The insurance companies themselves face the uncertainty of the consequences of climate change, which at present can hardly be calculated on a long-term basis. Through long-term contracts, unseen developments resulting from climate change could put an excessive burden on the insurance companies. An example, in life insurance the burden of long-term high-yield contracts can currently be seen quite frequently.</p> <p>2.) Uncertainty also exists with regard to political decisions on climate protection measures, which have a significant impact on claims requirements and thus on premiums.</p> <p>3.) The capital requirements according to Solvency II are based on the one-year underwriting risk, including in particular the premium and catastrophe risk. Within the one-year period considered in Solvency II, these capital requirements quantify the risk of error, change and random fluctuations. Due to possible dynamic development of climate change, long-term contracts would imply a significantly higher risks of error and change, and thus lead to an increasing capital requirement and associated capital costs.</p> <p>4.) For primary insurance companies, the underwriting risks are usually only bearable if</p>	Noted.
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			<p>corresponding reinsurance cover for (natural) catastrophes can be obtained. Reinsurance contracts are usually only offered for a one-year period, and the reinsurance premium depends significantly on catastrophe events having recently occurred. For long-term primary insurance contracts, either long-term reinsurance contracts would have to be agreed or the reinsurance premiums would no longer be calculable as a cost component.</p> <p>To summarize, long term contracts would lead to higher risks and therefore higher premiums (if calculable at all) and so to less affordability for the majority of the policy holders. In addition, it could provide little incentive for the policyholder to reduce risk.</p>	
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119.	Fédération Française de l'Assurance	No	<p>It is clear from the discussion paper itself that the disadvantages of long-term non-life insurance contracts far outweigh the advantages. It also clearly shows that the affordability issue is not linked to the duration of the contract. For these reasons, we stand against a proposal to increase the term of non-life insurance contracts. We think this would deprive insurers from a critical ability to continuously adapt to risks and exposures in a sound, meaningful and safe manner. Without the possibility to annually review the premiums, mispricing becomes more probable and could even lead to insolvency. In the end, such multi-year insurance could lead to an inappropriate consideration of climate change impacts and could go against the “impact underwriting” concept.</p> <p>As underlined by EIOPA in the discussion paper, lots of insurance products cover a bundle of risks. For instance, in France, the guarantee against natural catastrophes of the public-private partnership regime is included in home insurance or motor insurance. Developing long-term insurance in light of climate change would limit the ability of the insurer to reassess and adapt properly the coverage and pricing to the policyholders needs and risks on other perils (fire, accidents, etc.) which could lead to under-priced policies in the end.</p> <p>Moreover, long term non-life insurance goes against what has been done on the last years to ensure consumers’ protection. It will limit flexibility and choice for the consumer.</p> <p>If the terms of contracts were to increase, insurers would in turn incorporate an additional risk premium to make up for increased uncertainty. This would translate in higher costs for policyholders. It is also likely that the prudential costs through capital requirements would increase, which in turn would be passed onto insurance premiums costs.</p> <p>Reinsurance would also pursue on an annual risk endorsement term that would not fit the multi-year stance of ceding insurance undertakings, hence requiring an additional risk premium.</p>	Noted.
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120.	Insurance Europe	No	<p>It is clear from the discussion paper itself that the disadvantages of long-term non-life insurance contracts far outweigh the advantages. The short-term duration of non-life insurance contracts is also envisaged for the protection of consumers. Retail customers are mostly looking for short-term 1-year contracts rather than long-term contracts as customers want to be able to switch between companies. By locking consumers in, these contracts also result in decreased competition between insurers. Such desire for short-term contracts is a general market trend and can also be seen in eg the electricity market. Long-term contracts would make insurers' situation also more fragile from a financial viewpoint, increase the chances of insolvency and negate any potential benefit in terms of insurance availability in the long run. Such contracts are incompatible with the nature of non-life insurance which requires a regular re-assessment of risks (including climate change related risks) and is often bundled, especially property insurance. There were attempts to have 3 years MTPL contracts in some markets which ended in failure for these reasons. Such long-term insurance would require estimating such risks in another timeframe than what is currently envisaged under Solvency II for short-term duration. Finally, this would come with a number of serious operational implications and data issues.</p>	Noted.
121.	FERMA: Federation of European Risk Management Associations	Yes	<p>A qualified yes. Our answers at this stage would be purely speculative. We welcome further engagement with EIOPA on this issue.</p>	Noted.

122.	Covéa	No	<p>We stand against a proposal to increase the term of non-life insurance contracts. We think this would deprive insurers from a critical ability to continuously adapt to risks and exposures in a sound, meaningful and safe manner. Without the possibility to annually review the premiums, mispricing becomes more probable and could even lead to insolvency.</p> <p>If the terms of contracts were to increase, insurers would in turn incorporate an additional risk premium to make up for increased uncertainty. This would translate in higher costs for policyholders.</p> <p>It is also likely that the prudential costs through capital requirements would increase, which in turn would be passed onto insurance premiums costs.</p> <p>Reinsurance would also pursue on an annual risk endorsement term that would not fit the multi-year stance of ceding insurance undertakings, hence requiring an additional risk premium.</p>	Noted.
123.	Reale Mutua di Assicurazioni	Yes	We are not experienced on this kind of covers.	Noted.

124.	German Insurance Association (GDV)	No	<p>The key element for maintaining availability and affordability of insurance is to keep the vulnerability as low as possible. This can mainly be achieved by prevention. We have described the legal responsibilities for prevention in Germany above. We do not see any advantages in a longer-term contract - neither for the policyholder nor for the insurer. The same as already stated applies here: A longer contract does not prevent a single damage. Any (theoretical) cost or premium advantage that could result from a longer term can never achieve the same leverage effect as targeted preventive measures that specifically reduce the damage or prevent it entirely. Due to the business, insurers are interested in improving the resistance and resilience of the insured properties and transitioning from claims reimbursement to claims prevention – independent on the duration of contracts. Obviously, the insurance industry wants to maintain availability and affordability of insurance.</p> <p>Another important component is to create awareness to ensure the protection of consumers. Knowledge on climate change and on potential damages could keep policyholders from cancelling or not renewing contracts if no losses have occurred.</p> <p>Long-term insurance contracts that are subject to dynamic claims development due to climate change would become incalculable. There is no way of probabilistically calculating the impact of climate change for decades in advance. It must be ensured that insurance companies are able to adjust their premiums and contract risks to a changed risk situation (actuarial principle of equivalence of contributions and benefit must be guaranteed over the longer contract period). Short-term contracts are sine qua non for adjustments to changing climate and extreme weather events. Thus, if insurance companies are forced to long-term covers, they might rather decide against offering these policies because of the incalculable character. Affordability of insurance in light of climate change might be compromised because of potentially rising premiums (see Q10 and Q12 for detailed reasoning).</p> <p>The policyholders will continue to value their freedom to change their policy to their needs over the security of long-term insurability. Thereby this idea contradicts customer-oriented products and creates more uncertainty in the pricing process.</p> <p>In Germany, for example, it is an outstanding achievement of consumer protection that the duration of insurance contracts has been severely limited. The legislature follows the primacy that the customer can terminate an unfavorable contract at short notice.</p> <p>In summary, long-term insurance contracts would not help maintaining availability and affordability of insurance, but rather cause the opposite. Long-term covers are clearly not attractive to customers and further contradict the intention of the German legislator regarding consumer protection.</p>	Noted.
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125.	EY	No	This is unlikely to be a suitable response and is more likely rather than less likely to contribute to an increase in the protection gap. Specifically the increase in premiums to reflect uncertainty over an extended horizon, the increased costs and limitations of investing through insurance structures rather than unbounded outside of the insurance ecosystem not to mention the impacts on customer and market behaviours and conduct.	Noted.
126.	Benpower	No	current trend in terms of climate change is pushing capital market (insurers/reinsurers) to provide short period of exposures; coordinated private e public approach could change this trend	Noted.

Question 10: Do you think that the development of long-term insurance contracts to deal with climate change would require specific regulatory treatment, for example for future premiums?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
127.	Insurance and Reinsurance Stakeholder Group	Yes	Yes. See above for consideration of this issue.	Noted.
128.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts	Yes	Yes; some non life contracts and investments related to them could benefit from lightening in solvency capital requirements especially if they are employed in activities guaranteed by regulation and able to give stable returns as we say at answer to Q9.	Noted.
129.	Unipol Group S.p.A.	No	From a theoretical point of view, a longer contract term means increased uncertainty towards climate risks and, consequently, higher risk calibration and associated requirements. This implies an additional risk premium to make up for increased uncertainty and consequently higher costs for policyholders that lower incentives to adopt risk-reducing behavior.	Noted.
130.	PIU - Polish Chamber of Insurance	Yes	It is difficult to answer this question directly. The climate change can be observed over several dozen years. When issuing an insurance policy, insurers calculate the premium for the insurance period. Even if we were talking about a five-year period, that is too short perspective to talk about climate change.	Noted.

131.	AMICE	No	See Q9 All other things being equal, a longer term means increased uncertainty towards climate risks, so higher risk calibration and associated requirements.	Noted.
132.	Actuarial Association of Europe	Yes	<p>Long term policies are not consistent with the prudential management of risk in insurance companies and it is not clear that there would be a benefit of investigating this avenue. In Germany, multi-year-contracts were even banned a few years ago for customer protection reasons.</p> <p>Multi-year contracts are generally the exception in non-life insurance. Although the current regulatory treatment can allow for some multi-year contracts, we believe that if they were to become the norm that this would require a thorough review of regulations.</p> <p>For example, capital requirements for non-life business are generally calculated using the Solvency II Standard Formula. The Standard Formula is designed for one-year risks with multi-year risks being the exception. The current approaches around cancellation, lapse risks etc would need to be reconsidered.</p> <p>Another example is IFRS accounting, in particular the new IFRS17 standard for technical provisions. Many more insurers would be required to adopt the more complex Building Block Approach, instead of the simpler PAA approach which can be used for one-year business. This would introduce additional costs for insurance industry which would inevitably be passed on to policyholders</p> <p>Other problems to be addressed would be</p> <ul style="list-style-type: none"> • the correlation over time in climate exposed risks • the need for reinsurance contracts to be overhauled to match the changes in primary insurance contracts. 	Noted.
133.	Fédération Française de l'Assurance	Yes	<p>As stated in question 9, we do not believe long term insurance is an appropriate lever to tackle the risks associated to climate change.</p> <p>In the case of the development of such practices, a longer term longer-term means increased uncertainty towards climate risks, so higher risk calibration and associated requirements. It would also be necessary to ensure the provisions rules would be the same for each actor, even for insurers that operate under the freedom to provide services, to guarantee the level-playing field.</p>	Noted.

134.	Insurance Europe	Yes	Given the volatility, in for example property business, the ability to provision funds and tie losses to a given policy period could create huge run-off liability exposures and the need for substantial capital to be held on account to meet potential liabilities: this would require specific regulatory treatment.	Noted.
135.	FERMA: Federation of European Risk Management Associations	Yes	Same as above	Noted.
136.	Covéa	Yes	See Q9 All other things being equal, a longer term means increased uncertainty towards climate risks, so higher risk calibration and associated requirements.	Noted.
137.	Reale Mutua di Assicurazioni	Yes	We assume that some rules have to be defined in order to guarantee technical sustainability of loss-ratio.	Noted.
138.	German Insurance Association (GDV)	Yes	We are convinced that long-term contracts are no solution. From a purely theoretical standpoint: Long-term contracts lead to a significant increase of the volume measure for premium risk. Consequently, the risk factors of the premium risk need to be recalibrated. If these factors refer to a longer time period, uncertainty gets larger by considering the development of climate change. Further, insurers need to hold extra claim provision against claim inflation and regulation on the earned interest rate. The previously mentioned would lead to an increase of the solvency capital requirement. Thus, it is likely that the additional capital costs lead to higher premiums for the policyholders. Further, the contracting parties must retain the right to cancel the policy after the occurrence of an insured event. Suppressing this right would lead to moral hazard.	Noted.

139.	EY	Yes	Long term non life policies targeting the establishment of reserves to maintain capacity for non life protection in the light of uncertain climate change are not consistent with the prudential management of risk in insurance companies; As such a significant reassessment of regulatory treatment would be required noting the existence of a framework for both short term and long term risks already exist under solvency ii;	Noted.
140.	Benpower	Yes	see above; role of scientist and actuaries would be much more important	Noted.

Question 11: Do you see potential solutions to the lower flexibility for the insurer and less efficient use of capital as a consequence of long-term non-life insurance contracts? Please explain.

Number	Name Stakeholder	Response	Comment	Proposed Resolution
141.	Insurance and Reinsurance Stakeholder Group		No. See above for consideration of this issue.	Noted.
142.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts		It's possible to provide lower flexibility for insurer but it can just partially ensure availability and affordability of insurance in light of climate change and can affect the correct development of competition and the level of pricing for policyholders as we say at answer to Q12.	Noted.
143.	Unipol Group S.p.A.			/
144.	PIU - Polish Chamber of Insurance		It is difficult to answer this question directly. The climate change can be observed over several dozen years. When issuing an insurance policy, insurers calculate the premium for the insurance period. Even if we were talking about a five-year period, that is too short perspective to talk about climate change.	Noted.
145.	AMICE		See Q9 & Q10	Noted.
146.	Actuarial Association of Europe		Please see also our answer to Q9 above. We do not see such a solution.	Noted.

147.	Fédération Française de l'Assurance		No. FFA believes the disadvantages and risks of developing long-term insurance do not make this option viable.	Noted.
148.	Insurance Europe		None specifically.	Noted.
149.	FERMA: Federation of European Risk Management Associations			/
150.	Covéa		See Q9 & Q10	Noted.
151.	Reale Mutua di Assicurazioni			/
152.	German Insurance Association (GDV)		No. Please refer to Q9 and Q10.	Noted.
153.	EY		No;	Noted.
154.	Benpower		through coordinated private-public approach	Noted.

Question 12: In your view, what would be the pros and cons for policyholders if they were offered multi-year contracts?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
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155.	Insurance and Reinsurance Stakeholder Group	<p>Sections 3.17-3.22 of the discussion paper cover a number of these pros and cons. We would add the following additional considerations:</p> <p>Multi-year contracts could link customers to insurance companies for a long period and potentially provide them with a false sense of security that their insurance problems have gone away for a number of years. They could also cause customers to be inactive, and not to protect their own interests by being open to alternatives.</p> <p>Over the course of, say, a 5-year policy new risks or coverages could emerge, which become market standard, but existing multi-year policyholders would not be covered. Similarly, new exclusions or restrictions in cover could also emerge over time. Such changes could affect the propensity for policyholders to selectively cancel their contracts, further increasing the premium required for multi-year contracts.</p> <p>Normally intermediaries would receive commission at the beginning of multi-year contract. There is then a risk that, after the first year has expired, intermediaries would incentivize cancelations if there are not effective commission clawback arrangements.</p> <p>In some markets policy holders are now allowed to cancel policies any time after the first year of insurance or even during the first year for some (motor, housing and health insurance). Long term contracts would go a long way against this flexibility and certainly spark resistance and disbelief. In order to increase competition in the insurance sector, consumer associations have been asking the right to change insurer at any time.</p> <p>In general, we do not believe that majority of policyholders would opt for long-term cover for climate risk, although some segments could be encouraged by appropriate marketing and promotion. There is a risk that those opting for longer term cover would be self-selecting. Introducing multi-year insurance would not solve the problems of climate change or of the affordability of insurance. Instead, multi-year contracts could distort the market, creating longer renewal cycles, prolonging the problems and deferring application of real solutions.</p>	Noted.
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156.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts		As a pro, insured persons may obtain stability in the premiums paid annually in multi-year contracts. As cons they may pay higher prices than are necessary to cover the risk on the date of first conclusion of the contract and, when renewing, they may pay too high prices or not find the required insurance coverages.	Noted.
157.	Unipol Group S.p.A.		As stated in Q9 in our Opinion the cons are larger than the pros.	Noted.
158.	PIU - Polish Chamber of Insurance		In PIU's opinion disadvantages far outweigh the advantage. Such a solution would definitely have a negative impact on consumer protection and competition.	Noted.
159.	AMICE		Policyholders would be linked to their insurers for a long period of time. It will reduce awareness to risk change and adaptation. Most prevention efforts would hereby be undermined. One should note that renewal processes in France for motor and household insurance are legally defined and changed a few years ago: policy holders are now allowed to cancel policies any time after the first year of insurance. Resistance to change this rule would by all means come from a large area of stakeholders, including consumers. In order to increase competition in the insurance sector, consumer associations have been asking the right to change insurer at any time, eve during the first year for some type of contracts (motor insurance, home insurance, health insurance).	Noted.

160.	Actuarial Association of Europe	<p>Sections 3.17-3.22 of the discussion paper cover these pros and cons very well.</p> <p>In addition, we would add the following additional considerations:</p> <p>Over the course of, say, a 5-year policy new risks or coverages could emerge, which become market standard, but existing multi-year policyholders would not be covered. Similarly, new exclusions or restrictions in cover could also emerge over time. Such changes could affect the propensity for policyholder to selectively cancel their contracts, further increasing the premium required for multi-year contracts.</p> <p>Normally intermediaries would receive commission at the beginning of multi-year contract. There is then a risk that, after the first year has expired, intermediaries would incentivize cancelations if there are not effective commission clawback arrangements.</p> <p>In general, we do not believe that majority of policyholders would opt for long-term cover for climate risk, although some segments could be encouraged by appropriate marketing and promotion. There is a risk that those opting for longer term cover would be self-selecting</p> <p>Introducing multi-year insurance would not solve the problems of climate change or of the affordability of insurance. Instead, multi-year contracts could simply prolong the problems and postpone insurers and insureds from addressing them.</p> <p>Advantages:</p> <ul style="list-style-type: none"> • Transfer very significant risk in insurance companies • Certainty over the future price of insurance regardless of any claims. If it formed part of an insurance contract taken out at the same time as a mortgage it would just form part of the underlying cost of purchasing a house and regular mortgage repayments. <p>Disadvantages:</p> <ul style="list-style-type: none"> • High cost • Reduced competition, depending on the nature of the market • Insurance company providing the guarantee may be insolvent when you need to claim • Unable to change insurer if the service is poor, or if a better price becomes available on the market (depending on the nature of the market) <p>Actually, section 3 of the discussion paper notes a number of advantages and disadvantages for policyholders quite well.</p> <p>In fact, a multi-year contract as such does not change any of the annual expected claims cost compared to shorter term contracts and therefore does not resolve any climate change related risks or affordability of insurance.</p> <p>Potential administration cost savings within a multi-year contract are likely negligible compared to increased risk premiums required for multiyear contracts. These have to be charged due to increased uncertainty loadings, due to likely self- or anti-selection of policyholders.</p> <p>Moreover, policyholders may be excluded from any (necessary) adjustments in coverage due to new risks evolving over time or due to transitional risks emerging in the course of climate change mitigation.</p>	Noted.
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			Multi-year contracts may “fix a risk situation as is” and therefore even prevent from timely implementing risk mitigation measures.	
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161.	Fédération Française de l'Assurance		We believe multi-year contracts go against the principles of protection of policyholders that have been developed since several years. Such practices will limit their flexibility to change their insurance's provider and could also lead to inadequate coverage if there is no possibility to consider the evolution of their needs and risks. Long-term insurance contracts could also lead to higher exclusion and even increase the issue of insurability and affordability in high-risk areas.	Noted.
162.	Insurance Europe		Here, too, the disadvantages far outweigh any hypothetical advantage. The short-term duration of non-life insurance contracts if a first and foremost a consumer protection provision, allowing contractual freedom and competition.	Noted.
163.	FERMA: Federation of European Risk Management Associations		Again, it is a speculative answer to a degree but in principle at least a multi-year contract may help the insured with its planning purposes. Conversely, the insured may suffer from being locked-in, or the contract not meeting its risk appetite. Again, further exploration is needed.	Noted.
164.	Covéa		Policyholders would be linked to their insurers for a long period of time. It will reduce awareness to risk change and adaptation. Most prevention efforts would hereby be undermined. One should note that renewal processes in France for motor and household insurance are legally defined and changed a few years ago : policy holders are now allowed to cancel policies any time after the first year of insurance. Resistance to change this rule would by all means come from a large area of stakeholders, including consumers. In order to increase competition in the insurance sector, consumer associations have been asking the right to change insurer at any time, even during the first year for some type of contracts (motor insurance, home insurance, health insurance).	Noted.
165.	Reale Mutua di Assicurazioni		Pros: Stability, partnership among policyholder and insurer. Link between pricing and loss prevention measures set up by the policyholder. Cons: market less competitive	Noted.

166.	German Insurance Association (GDV)		<p>It could be seen as advantageous that policyholders would have the security of insurance covers guaranteed for some more years if they were offered multi-year contracts. However, this pro does not hold after the expiration of the contracts. If risks become uninsurable, it is questionable whether the cover of a few more years makes up for the disadvantages that come along with multi-year contracts.</p> <p>Thus, the damage incurred in a defined period must be borne by the insurance collective. Whether this period be one year, 5 years or 10 years. The fact that a contract runs for one year, 5 years or 10 years does not change the probability of the occurrence of a loss. This means that the risk-based premium required to compensate for the losses does not change either. However, this holds only without the consideration of the growing uncertainty due to the longer time period. Including the increase of the uncertainty in the calculations it will likely result in a safety margin and thus higher premiums in the end.</p> <p>Mandatory longer insurance contract durations would considerably restrict consumer protection: Customers could not participate in the open market any longer. Hence, the policyholder would be deprived of his freedom of disposition during the long contract period. It wouldn't be possible to change insurance contracts to better / cheaper ones for a long time or to drop coverage entirely. This is particularly problematic if the policyholder's income situation deteriorates (e.g. unemployment). (See in detail the BGH judgment of 13.09.1994).</p> <p>Additionally, binding policyholders to contracts for a long time could lead to competition restrictions (see also the BGH judgment of 13.09.1994). Ultimately, this could result in higher premiums.</p> <p>Further, cost advantages (especially administrative costs) that could result from longer-term contracts do not represent a lever in relation to the amount of losses. This becomes clear in comparison to real loss prevention measures. Assumption: The insurer has 15% costs, i.e. 85% of the premium is reserved for compensation. A saving of 5% in costs has an effect of -0.75% on the premium. In contrast, a 5% saving in claims means a premium reduction of 4.25%. This simple example stresses the importance of prevention.</p> <p>Binding policyholders to contracts for a long time could lead to competition restrictions (see also the BGH judgment of 13.09.1994). Ultimately, this could also result in higher premiums.</p>	Noted.
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167.	EY		<p>Advantages:</p> <ul style="list-style-type: none"> • Transfer very significant risk in insurance companies • Certainty over the future price of insurance regardless of any claims. If it formed part of an insurance contract taken out at the same time as a mortgage it would just form part of the underlying cost of purchasing a house and regular mortgage repayments. <p>Disadvantage</p> <ul style="list-style-type: none"> • High cost • Reduced competition, depending on the nature of the market • Insurance company providing the guarantee may be insolvent when you need to claim • Unable to change insurer if the service is poor, or if a better price becomes available on the market (depending on the nature of the market) 	Noted.
168.	Benpower		multiyear policy in the expected trend on climate change, should give policyholder certainty of terms, conditions and costs.	Noted.

Question 13: How could insurers quantify in their underwriting and pricing practices the incentives on the risks insured, and any wider incentives to reduce greenhouse gas emissions?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
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169.	Insurance and Reinsurance Stakeholder Group	<p>Several industry bodies and initiatives are addressing the issue of quantifying scope 3 emissions. The CRO Forum in particular has published in April 2020 a paper on carbon footprinting for underwriting portfolios.</p> <p>Pricing, underwriting, reserving and more generally risk management should remain “risk based” in order to be meaningful. In that context, one has to be careful therefore in the quantification process (see answer to Q3).</p> <p>For instance, pricing discounts as such could fail to compensate the costs of new technology and adaptation and prevention measures (see answer to Q7).</p> <p>Premium discounts for low mileage policies, for clients holding an annual public transportation pass, for drivers having an eco-responsible driving style, etc are useful, as long as the level of the reduction is in line with the claims behavior of the policies. Insurance of new technology in favor of the climate (photovoltaic energy facilities, geothermal installations,...) should be clearly covered in the insurance policies.</p> <p>Each insurer could design its own version of impact underwriting and could design ways to measure its effectiveness. However, an aggregate quantification of impact underwriting would require a common approach to defining, and measuring the extent and effectiveness of impact underwriting across the market.</p> <p>Any insurance incentives aiming to reduce greenhouse gases need to be very carefully designed so as to have an authentic and measurably positive effect and not to have unintended consequences on the existing insurance market.</p> <p>Besides underwriting and pricing, non-life insurers contribute to a higher awareness of climate risks through their claims handling process. For instance by proposing repair solutions instead of replacement solutions in case of a claim, by proposing eco-friendly car paints, by contracting with glass breakage repairers that respect green charts, by proposing car wreck disposal solutions respecting strict ecological norms, etc.</p>	<p>Noted.</p> <p>We welcome the comments on the common approach that would be required for an aggregate quantification across the market.</p>
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170.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts		They have to offer to policyholders covers and level of pricing that can stimulate correct and risk-averse behaviors, however, starting from exclusively actuarial evaluations and, having these as the basis, providing for tax benefits or other forms of financing by the State. For catastrophic events, as pointed out before, diversification and fragmentation of risks can be increased in order to reduce price levels while leaving their determination to market rules. One way could be to provide for the mandatory provision of insurance cover in order to allow a lowering of prices thanks to mutuality.	Noted.
171.	Unipol Group S.p.A.		Impact underwriting is an important and impactful way of dealing with risks but, as stated in Q7, pricing and more generally risk management should remain risk based. There are specific insurance contracts in which the incentives to reduce insured risks have a direct impact on the greenhouse gas emissions. Premium discounts for “pay as you drive” motor insurance contracts could be an example of these contracts as long as the level of the reduction of greenhouse gas emission is in line with the claims behavior of the policies.	Noted.
172.	PIU - Polish Chamber of Insurance		Quantifying any reduction of GHG emissions as a result of pricing or underwriting would be simply not feasible to do. Insurers do not collect data, which would allow them to easily translate that to the reduction of GHG emissions. To address that subject, there should be close partnership with the institution (state agencies, enterprises and NGOs) if they collect the data, which could be used by the insurers.	Partially disagreed. Efforts should be made in quantifying the impact on the risk insured and the overall risk faced by the insurers.. The reference to a close partnership with other stakeholders has been noted.

173.	AMICE		<p>Impact underwriting is an important and impactful way of dealing with risks, but pricing and more generally risk management should remain “risk based” in order to be meaningful. In that context, one has to be careful therefore in the quantification process.</p> <p>For instance, pricing discounts as such could fail to compensate the costs of new technology and adaptation and prevention measures, but could rather develop premium add-ons where such adaptations fail.</p> <p>Yet, the way we see the factoring of adaptation and prevention measures (eg building norms) is that a competitive pricing would lead to a standard base price that would then be increased where adaptation and prevention measures fail to be in place up to the point of non-insurability.</p> <p>Premium discounts for low mileage policies, for clients holding an annual public transportation pass, for drivers having an eco-responsible driving style, etc are useful, as long as the level of the reduction is in line with the claims behavior of the policies. Insurance of new technology in favor of the climate (photovoltaic energy facilities, geothermal installations,...) should be clearly covered in the insurance policies.</p> <p>Besides underwriting and pricing, non-life insurers contribute to a higher awareness of climate risks through their claims handling process. For instance by proposing repair solutions instead of replacement solutions in case of a claim, by proposing eco-friendly car paints, by contracting with glass breakage repairers that respect green charts, by proposing car wreck disposal solutions respecting the stricted ecological norms, etc</p>	Noted.
174.	Actuarial Association of Europe		<p>We expect that insurance undertakings will continue with their risk-based pricing and therefore apply usual actuarial pricing techniques to quantify also the incentives used in impact underwriting. Any insurance incentives aiming to reduce greenhouse gases need to be very carefully designed so as not to have unintended consequences on the existing insurance market.</p> <p>As each insurer could design its own version of impact underwriting and could design ways to measure its effectiveness, an aggregate quantification of impact underwriting is difficult and would require a common approach to defining, and measuring the extent and effectiveness of impact underwriting across the market. Significant judgement would be required. Consistent incentives across insurers would likely be very difficult.</p> <p>In some cases, incentives will be based on strategic decisions (reputation, need to manage shareholder expectations, CSR, ...). In this situation, pricing will be rather individual.</p> <p>A reduction in premium is not the only way to offer incentives. Other options are reduced/no deductibles under certain conditions (e.g. new fossil-free heating) or support in transition to carbon-reduction like offering consultancy on measures or financing.</p>	<p>Noted.</p> <p>We welcome the comments on the common approach that would be required for an aggregate quantification across the market.</p>

175.	Fédération Française de l'Assurance		<p>Pricing and risk management should remain risk based. Reduction of premiums for policyholders adapting their behavior in the light of climate change is however efficient when this discount is in line with the claims behavior of the policies.</p> <p>The question should be more on how insurers could quantify the impact of the underwriting and pricing practices rather than the incentives. Several industry bodies and initiatives are addressing the issue of quantifying scope 3 emissions. For instance, the CRO Forum in particular has published in April 2020 a paper on carbon footprinting for underwriting portfolios. However, the link between the incentives and the effective impact would be hard to demonstrate.</p>	Noted.
176.	Insurance Europe		<p>Quantifying any reduction of GHG emissions as a result of pricing or underwriting is not only too complex, but it also requires necessary data and scientifically proven methods for it to even be feasible. Such prerequisites are hardly available.</p> <p>Insurers can only measure factors which happen to have an impact on GHG emissions, such as the number of kilometres driven per year to adapt the premium calculation for vehicle insurance. This particular data is available with increased granularity thanks to the development of telematics.</p>	Noted. Efforts should be made in quantifying the impact on the risk insured and the overall risk faced by the insurers.
177.	FERMA: Federation of European Risk Management Associations			/

178.	Covéa		<p>Impact underwriting is an important and impactful way of dealing with risks, but pricing and more generally risk management should remain “risk based” in order to be meaningful. In that context, one has to be careful therefore in the quantification process.</p> <p>For instance, pricing discounts as such could fail to compensate the costs of new technology and adaptation and prevention measures, but could rather develop premium add-ons where such adaptations fail.</p> <p>Yet, the way we see the factoring of adaptation and prevention measures (eg building norms) is that a competitive pricing would lead to a standard base price that would then be increased where adaptation and prevention measures fail to be in place up to the point of non insurability.</p> <p>Premium discounts for low mileage policies, for clients holding an annual public transportation pass, for drivers having an eco-responsible driving style, etc are useful, as long as the level of the reduction is in line with the claims behavior of the policies. Insurance of new technology in favor of the climate (photovoltaic energy facilities, geothermal installations,...) should be clearly covered in the insurance policies.</p> <p>Besides underwriting and pricing, non-life insurers contribute to a higher awareness of climate risks through their claims handling process. For instance by proposing repair solutions instead of replacement solutions in case of a claim, by proposing eco-friendly car paints, by contracting with glass breakage repairers that respect green charts, by proposing car wreck disposal solutions respecting the stricted ecological norms, etc</p>	Noted. We agree on the need for risk-based solutions.
179.	Reale Mutua di Assicurazioni		<p>There are no statistics so far, therefore it won't be easy to quantify the impact on rating. Initially insurers can evaluate case by case if the measures taken by the policyholder can be effective to prevent/reduce some kind of risks in terms of frequency and/or magnitude of losses.</p>	Noted. Efforts should be made in quantifying the impact on the risk insured and the overall risk faced by the insurers.

180.	German Insurance Association (GDV)		The quantification of any reduction of emissions as an impact to our pricing level is too complex and thus not feasible. Neither the necessary basic data nor scientifically proven algorithms are available. Only secondary effects, such as the number of kilometers driven per year, can be measured and are already taken into account in the premium calculation for vehicle insurance. Telematics tariffs in motor vehicle insurance offer more granular analysis options.	Noted. Efforts should be made in quantifying the impact on the risk insured and the overall risk faced by the insurers.
181.	EY		There is a clear role for impact underwriting and that will start with transparency over the emissions and other contributory factors of both the insured and the activities of the insured in question. These are matters of a screening nature in the first instance and would require the underwriting seeks insights on the same and then has a clear policy on how to respond to the same. As such the primary tools of insight and engagement will be the primary tools to overlay to the direct pricing of risks. Within this it is also clear that the entire area of litigation risk as manifest in liability covers will go directly to the heart of the matter. This is a clear area where underwriting risk assessments and policyholders scope and materiality come together in the underwriting and pricing process.	Noted.
182.	Benpower		through various scientific indicators already available for consumer/commercial businesses (on property, construction material, efficiency, use of green energy, etc)	Noted.

Question 14: In which ways could indemnification promote climate resilience by going beyond simple 'like-for-like' replacement of vulnerable properties? Please provide examples (either from real experience or as potential product ideas) and elaborate on the pros and cons to going in this direction.

Number	Name Stakeholder	Response	Comment	Proposed Resolution
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183.	Insurance and Reinsurance Stakeholder Group		<p>See also response to Q7. Replacements and repairs after damages can go a long way in adapting to and mitigating climate change as it can enable energy-efficient choices. However, this would mean incorporating public policy (either rules or incentives or both) into insurance contracts.</p> <p>Compensation for loss needs to remain based on loss effectively encountered and cannot finance the entire costs under new technologies or building norms, since this could lead to price increases. Yet the compensation can be used by the policyholders to partially finance reconstruction under new norms, the remaining gap being borne by the policyholder and or state aids/subsidies.</p> <p>An alternative approach could involve the insurer indemnifying to the value of like-for-like replacement but only on condition that the insured applies a climate resilient repair and covers the additional cost of that repair. In turn the insurer could offer a discount on the standard rate at each subsequent renewal so that the insured gets a pay-back for the additional repair costs over time and continues to have insurance coverage. This would work for the insurer as they create a long-term relationship with the insured while avoiding the guarantees and capital requirements of multi-year insurance contracts. The insured is able to retain insurance cover after a climate event, with the prospect of pay-back for the additional cost of the climate resilient improvements they have funded.</p>	<p>Noted.</p> <p>We welcome the reference to the partial financing of reconstruction under new norms and the pay-back for additional repair costs over time in a long-term relationship between insurer and insured.</p>
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184.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts		<p>It is a question of including in the products and services offered by insurance companies the skills and data acquired over time by insurance companies. In the path indicated before, in the services offered by reinsurers.</p> <p>These services should accompany the provision of cover and should be offered to customers on the basis of what they implement the measures indicated by the insurers.</p> <p>The two most important areas are prevention and crisis management. As far as prevention is concerned, the experience of insurers, as is already the case in some property coverages, must provide policyholders with protocols of measures useful to verify all forms of ex ante checks and the adoption of tools to reduce the potential frequency of harmful events.</p> <p>Second, many studies on disaster events and property damage often indicate that direct damage caused by the event is often the smallest component of the overall damage.</p> <p>The most significant part in terms of tangible damage to assets and physical damage to people is caused by the lack of adequate crisis management and the non-rational behaviour of the people involved who are unable to take the right decisions to mitigate the impact of harmful events.</p> <p>On these aspects, insurance companies could systemize their statistics and experiences first and most of all with regard to customers and, above all, companies.</p> <p>At the same time they could create alliances with State Bodies, universities and research bodies, professional associations such as those of actuaries, engineers, to spread the culture of prevention and crisis management and to create practices and protocols to be systematically adopted by companies and population.</p>	Noted.
185.	Unipol Group S.p.A.		<p>One way in which non-life insurers contribute to a higher awareness of climate risks is through their claims handling process. For instance, insurers could propose repair solutions instead of replacement solutions in case of a claim, eco-friendly car paints, commercial agreement with glass breakage repairers that respect green charts, car wreck disposal solutions respecting the stricter ecological norms, etc.</p> <p>It is crucial to specify that these solution should not increase medium cost of claims.</p>	Noted.

186.	PIU - Polish Chamber of Insurance		<p>Some insurers already promote climate resilience through indemnification. For example fire insurance offers in case of a total loss, the option for the property to be rebuilt according to the energy efficiency rules in force at the time, regardless of whether the lost property had such energy efficiency before.</p> <p>Nevertheless, it should be noted that the insurance needs to be adequate to risk. An electric car, which should be regarded as greener, however if there is a fire of it is happening with a much higher temperatures which causing the bigger damages (last year in Poland such an accident caused in a garage of block of apartments caused that the whole building was no longer available for people who have lived in it due to significant changes in construction of the building).</p> <p>Currently insurers already do a lot to limit the risk and promote the resilience. Advice for farmers on new varieties of plant crops resistant to climate change is given. Insurers conduct audits and issues recommendations for various kinds of enterprises in terms of improving security in terms of property, downtime, people and the environment. The industry cooperates with universities and develops knowledge for example in the field of energy engineering. Using modern technologies, clients with property insurance are provided with a system of weather alerts. Customers receive an SMS with a warning and a link to the website, where they can find out, among others how to protect themselves against the negative effects of individual weather events.</p>	Noted. The examples have been taken into account.
187.	AMICE		<p>Compensation for loss needs to remain based on loss effectively encountered and cannot finance the entire costs under new technologies or building norms, since this would again induce considerable price increases. Yet the compensation can be used by the policyholders to partially finance reconstruction under new norms, the remaining gap being borne by the policyholder and or state aids/subsidies.</p>	Noted. We note that as long as incentive practices are defined on risk-based principles, the compensation will effectively be based on the loss amount in the example provided.

188.	Actuarial Association of Europe		<p>We see this as a key area where insurers are already active e.g. buildings destroyed by fire are replaced with buildings using green technologies. Indemnification beyond 'like-for-like' replacement could promote climate resilience. We name a few examples:</p> <ul style="list-style-type: none"> • Allow for or foster CO2-neutral indemnification and claims adjustments; • A replacement by environmental-friendly, climate protective materials/items/machines, could be supported through e.g. <ul style="list-style-type: none"> o prefer repair over replacement with new item (if the new item would have a similar carbon footprint than the old item); o prefer replacement with carbon-free new item over repair of fossil-driven old item; <p>where 'prefer' can mean specific conditions (obligation, allowance) in insurance contracts and/or financial incentives during loss adjustment;</p> <ul style="list-style-type: none"> • Buildings: allow rebuilding at other, more resilient locations, etc... <p>Pros:</p> <ul style="list-style-type: none"> • This could have a considerable positive impact on climate change risks and resilience • Insurance undertakings could promote itself as being supportive to sustainability • Depending on circumstances, the premiums could even decrease as new sustainable items may have lower claims expectation as old ones <p>Cons:</p> <ul style="list-style-type: none"> • Depending on circumstances, 'green' incentives might come with additional costs which either need to be priced in or subsidized by other means. <p>See also our remarks on Q5 and Q15/16</p>	Noted. Examples and comments have been taken into account.
189.	Fédération Française de l'Assurance		<p>The expertise delivered after a disaster could propose several options for reparation/reconstruction including a resilient option and a "green" option (ideally a combination of both). It is of course in the interest of both policyholders and insurers that indemnification promote climate resilience. However, the financing of the extra-costs necessary to reach such resilience should not rely on insurance indemnification. This will induce additional costs which cannot be covered by the insurance policies without a significant increase of the premiums. State subsidies will therefore be required for this policy to be viable.</p>	Noted. We note that as long as incentive practices are defined on risk-based principles, the compensation will effectively be based on the loss amount in the example provided.

190.	Insurance Europe		<p>Many insurers already promote climate resilience through indemnification:</p> <ul style="list-style-type: none"> - “Build back better” options in building and content insurance <ul style="list-style-type: none"> o In the Netherlands, greenhouses which were damaged in the 2016 hail event were repaired/rebuilt with tempered glass rather than the original float glass in order to reduce the vulnerability to further hail events. o In Belgium, fire insurance offers in case of a total loss, the option for the property to be rebuilt according to the energy efficiency rules in force at the time, regardless of whether the lost property had such energy efficiency. - Additional cost clause in insurances for residential buildings, to ensure special circumstances can be dealt with during repairs and reconstruction. - Household contents insurance also may include clauses to replace a device that has been destroyed with a more energy efficient one. - Circular loss adjustment has become an important instrument used by insurance companies when settling claims by repairing instead of replacing a product. <p>It should be noted that greener materials may also actually present a higher risk: straw or timber may be greener and lower cost than cement or steel but it also has higher fire loads than either of the other less green materials. Any notional saving and increased green credentials may therefore be offset by higher risk and this has to be duly taken account of during the decision-making process.</p> <p>Potential products ideas include:</p> <ul style="list-style-type: none"> - Endorsements on motor insurance policies that allow hybrid replacement: optional coverage whereby, after a total car loss, the insured can replace his or her traditional automobile with a comparable hybrid vehicle. - Eco-friendly replacement materials endorsements in home insurance, allowing the insured to replace or rebuild with more sustainable materials, practices and products (with due consideration to other risk factors, as explained earlier). 	Noted. Examples have been taken into account.
191.	FERMA: Federation of European Risk Management Associations			/

192.	Covéa		Compensation for loss needs to remain based on loss effectively encountered and can not finance the entire costs under new technologies or building norms, since this would again induce considerable price increases. Yet the compensation can be used by the policyholders to partially finance reconstruction under new norms, the remaining gap being borne by the policyholder and or state aids/subsidies.	Noted. The remark has been taken into account. But as long as incentive practices are defined on risk-based principles, the compensation will effectively be based on the loss amount in the example provided.
193.	Reale Mutua di Assicurazioni		Indemnification could promote climate resilience by putting in property policies some clauses that incentivize policyholders to rebuild damaged premises in a different way than before the loss, more resilient to climate changes, with ecological materials and oriented to a zero emission impact.	Noted.
194.	German Insurance Association (GDV)		Many insurers are already doing this, for example in the building and content insurance ("Building back better"): Insurances for residential buildings regularly contain an additional cost clause so that special circumstances can be dealt with during repairs and reconstruction. Household contents insurance also may include clauses to replace a device that has been destroyed with a more energy efficient one. More ideas for the future: - Endorsements that allow hybrid replacement. That is optional coverage whereby, after a total car loss, the insured can replace his or her traditional automobile with a comparable hybrid vehicle. - Eco-friendly replacement materials endorsements, which could be offered on some standard homeowners' policies. After a loss, these allow the insured to replace or rebuild with more sustainable materials, practices and products.	Noted. Examples have been taken into account.
195.	EY		We see this as a key area where insurers are already active e.g. buildings destroyed by fire are replaced with buildings using green technologies.	Noted.
196.	Benpower		needs a different approach to the one have been driving our mindset so far; this is involving the way we handle global economy.	Noted.

Question 15: Are you aware of other insurance products not mentioned in this paper and which would fit with the definition of impact underwriting?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
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197.	Insurance and Reinsurance Stakeholder Group	No		Noted.
198.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts	Yes	The list of types of products presented is quite exhaustive. They could be combined with the prevention and crisis management services mentioned in answer to Q14.	Noted.
199.	Unipol Group S.p.A.			/
200.	PIU - Polish Chamber of Insurance	Yes	Insurers mainly contribute to the climate change mitigation and adaptation through the features of their products and additional services.	Noted.
201.	AMICE	No		Noted.
202.	Actuarial Association of Europe	Yes	e.g. For third party liability a “pollution” clause / exclusion (litigation as a consequence of activities linked to the carbon-footprint) could lower the risk for insurance companies and raise awareness as well as stipulate change. We recommend a survey of insurance companies to identify current products and those currently in development.	Noted.
203.	Fédération Française de l'Assurance	Yes	Lots of insurers promote the reuse of car parts after an accident Some insurers propose to their policyholders to replace a broken device by a refurbished one.	Noted.

204.	Insurance Europe	Yes	<p>As stated earlier, insurers already practise impact underwriting to an extent: they do not only transfer and pool climate change related risk, but also contribute to climate change mitigation and adaptation through the features of their products or their investment strategies.</p> <p>Examples of such products or product features include:</p> <ul style="list-style-type: none"> - Motor insurance policies allowing/encouraging to use a bicycle for free during car repairs in Sweden; - Interpolis green roofs (adaptation) discount on premium for property insurance in the Netherlands [link]; - Products that support sustainable mobility with reduced environmental impact (eg insurance policies for shared vehicles and multimodal mobility); - Upgrade to green commercial fleets in Germany: products which offer an option to upgrade the company's fleet to hybrid vehicles for new vehicle replacement as part of an endorsement to the policy. 	Noted. Examples have been taken into account.
205.	FERMA: Federation of European Risk Management Associations			/
206.	Covéa			/
207.	Reale Mutua di Assicurazioni	No		Noted.
208.	German Insurance Association (GDV)	Yes	<p>Products that support sustainable mobility with reduced environmental impact (e.g. covers for Shared Vehicles, multimodal mobility coverage)</p> <p>Upgrade to Green Commercial Fleets. This type of product offers an option to upgrade the company's fleet to hybrid vehicles for new vehicle replacement as part of an endorsement to the policy.</p>	Noted. Remark has been taken into account.

209.	EY		We anticipate that insurance company respondents will add specific detail of their products in response to this question. We recommend a survey of insurance companies to identify current products and those currently in development similar to the survey identified by EIOPA and contained in the Discussion paper. The inventory of current products continues to evolve as such the database would benefit from being maintained as a live environment rather than as a point in time assessment.	Noted.
210.	Benpower	No		Noted.

Question 16: Are you aware of other insurance services not mentioned in this paper and which could contribute to climate change adaptation or mitigation?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
211.	Insurance and Reinsurance Stakeholder Group	Yes	Yes Other insurance services contributing to climate change adaptation or mitigation include: - Providing advice and support to policyholders on risk engineering, environmental liability, sustainable building, CO2 reduction, heat isolation, sensor technology, smart meters etc.; - Installation of green roofs, solar panels, insulation and even vouchers for climate-adaptative gardens as a service (eg replacing asbestos-containing roofs with solar panels-equipped roofs); - Advising municipalities and real estate investors on the risk of (pluvial) flood and heat stress, as well as early warning system for extreme weather events.	Noted. The examples have been taken into account.
212.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts		Some of them are already mentioned in the reinsurance section with regard to prevention; could be integrated with protocols and tools that can strengthen the ability to better manage the phase of the crisis, as we mentioned in answer to Q14.	Noted.
213.	Unipol Group S.p.A.			/
214.	PIU - Polish Chamber of Insurance	Yes	Insurers provide a lot of insurance services contributing to the climate change adaptation or mitigation like providing advices and support during the precontractual phase on proper risk management, environmental liability, sustainable building, CO2 reduction, heat isolation, and other environmental important matters.	Noted.

215.	AMICE	No		/
216.	Actuarial Association of Europe	Yes	<p>We recommend a survey of insurance companies to identify the full range of insurance services currently provided or in development.</p> <p>Some possible services below:</p> <ul style="list-style-type: none"> • For business interruption and transportation, a global understanding of the Nat Cat risk is more and more important. An analysis of the value chain to support the non-retail customer in its own risk assessment may be helpful (tools available in the market) • Risk management is a key capability of the insurance industry and could be offered as a fee-based service. • Warnings, guidance and support in the case of extreme weather events (e.g. public insurers, Germany). • Claims settling with a carbon footprint optimization (reuse, repair, local craftsmen), Relocation of buildings, premises, etc. away from risky locations in collaboration with local governments. • Combination of insurance and savings. Savings to enable the customer to renew and maintain buildings, transportation (especially cars) eco-friendly. • IOT (Internet of things) for early warning in the case of events (e.g. flooding in commercial buildings) • Energy-reduction insurance in combination with IOT (optimizing energy-consuming machines, light, etc.). 	Noted. The examples have been taken into account.
217.	Fédération Française de l'Assurance			
218.	Insurance Europe	Yes	<p>Other insurance services contributing to climate change adaptation or mitigation include:</p> <ul style="list-style-type: none"> - Providing advice and support to policyholders on risk engineering, environmental liability, sustainable building, CO2 reduction, heat isolation, sensor technology, smart meters etc.; - Installation of green roofs, solar panels, insulation and even vouchers for climate-adaptative gardens as a service (eg replacing asbestos-containing roofs with solar panels-equipped roofs); - Advising municipalities and real estate investors on the risk of (pluvial) flood and heat stress, as well as early warning system for extreme weather events; - Measuring GHG in the claims handling of buildings to be able to use best technique, methods and materials when repairing; - Reviewing entrepreneur's mileage and vehicles fuel consumption, independently from underwriting or premium considerations. 	Noted. The examples have been taken into account.

219.	FERMA: Federation of European Risk Management Associations			/
220.	Cov�a			/
221.	Reale Mutua di Assicurazioni	Yes	Service advisory about environmental risks.	Noted.
222.	German Insurance Association (GDV)	Yes	There are quite a few important insurance services, e.g. consulting and warning clients on risk engineering, sustainable building, CO2 reduction, heat isolation, sensor technology, smart meters etc. Furthermore, insurers do operate with environmental engineers to consult costumers in liability Insurance.	Noted.
223.	EY		We anticipate that insurance company respondents will add specific detail of their services in response to this question. We recommend a survey of insurance companies to identify current services and those currently in development similar to the survey identified by EIOPA and contained in the Discussion paper. The inventory of current products continues to evolve as such the database would benefit from being maintained as a live environment rather than as a point in time assessment.	Noted.
224.	Benpower	Yes	property restoration services which could have impact on claims with methodology that allows to improve the climate change mitigation through matrial and procedures. this would be a very important part of the insurance process	Noted.

Question 17: Do you have any other comments on the draft paper?

Number	Name Stakeholder	Response	Comment	Proposed Resolution
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225.	Insurance and Reinsurance Stakeholder Group	Yes	<p>General comments</p> <p>The IRSG supports the EU’s Green Deal agenda and believes the insurance sector plays an important role in its achievement. The IRSG appreciates that EIOPA’s paper tries to address the issues of protection gap and affordability of non-life insurance if an increase in severity and frequency of climate-related perils entails higher premiums and deductibles or lower limits and exclusions.</p> <p>The IRSG stresses that the instrumental role as regards climate change remains that of governments (European, national, local) towards setting adequate measures such as aids, subventions, tax reliefs as well as regulatory requirements, potentially including requirements for public reporting, e.g. for car emissions, and penalties for non-conformance with standards. Public policies regarding risk prevention - not necessarily linked with insurance - can also remove limitations and provide the base for increasing insurance underwriting by, for instance, encouraging investment in sustainable assets (such as green houses, electric vehicles equipped with sensors to prevent various hazards), by enhancing financial literacy and risk awareness, through the dissemination of risk information, and creating stable and effective legislative regimes and consumer protection.</p> <p>The IRSG questions the need for bringing a new concept, “impact underwriting”, into the discussion. The important issue, which we support, is to promote and develop sustainable underwriting. EIOPA has not explained why a new name is required and how “impact underwriting” would articulate with the Taxonomy regulation. The new concept would bring confusion, e.g. as to whether a non-life underwriting activity deemed taxonomy-compliant is mechanistically in the scope of impact underwriting.</p> <p>The IRSG would also appreciate a clarification of the objectives pursued by EIOPA with the concept of “impact underwriting”. It is currently unclear whether this paper aims at stewarding the insurance market (in which case EIOPA should elaborate on how this fits into its mandate), setting supervisory expectations in terms of pricing and market conduct (in which case understanding the legal basis would be useful), or any other goals to be specified. The IRSG highlights that several initiatives identifying and promoting industry best practices with respect to ESG goals, including on underwriting, are on-going and that the EU insurance sector is effectively engaged in a market-driven transition.</p> <p>Beyond the adaptation objective, the EIOPA paper also addresses the mitigation objective. It would be useful that the paper makes a clearer distinction between those two objectives in terms of issues at stake and options available to tackle them. While the IRSG believes that there is a role for sustainable underwriting to mitigate climate change in the same manner as sustainable finance on the other side of insurers’ balance sheet, there are clear limitations in what can be achieved at individual (re)insurer level. In other words, among the actions that may be considered beneficial to limit climate risk, it is crucial to clearly distinguish between those for which insurers may have a role to play as insurers and those that are not in the direct remit of their activities and responsibilities. Hence the focus of the paper may appear to try to achieve targets beyond its reach.</p> <p>Aside underwriting and pricing, insurers can play a significant role in incentivising policyholders towards climate adaptation through adequate communication to raise risk awareness, foster resilient and responsible behaviour and eventually adapted behaviour in the midst of an accident or of a disaster event.</p>	<p>Partially agreed.</p> <p>In the final report we make a clearer distinction between climate adaptation (where prevention measures embedded in the insurance product can have a direct impact on the risk) and climate mitigation (where the focus is on the insured object, often more in the realm of net-zero underwriting).</p> <p>Impact underwriting, in its aim to support climate change adaption is consistent with the EU taxonomy which provides for the eligibility of (re)insurance activity for taxonomy compliance, based among others, on criteria related to incentives for risk reduction. EIOPA has a mandate to take into account sustainable business models and integration of ESG related factors in the areas of its competence [Art. 1(3) and 8(1a) EIOPA Regulation 1094/2010</p>
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226.	Professor of Accounting at University of Perugia Italy, member of Italian Association of Financial Analysts	No		
227.	Unipol Group S.p.A.	No		Noted.
228.	PIU - Polish Chamber of Insurance	No		Noted.
229.	AMICE	No		Noted.
230.	Actuarial Association of Europe	No		Noted.

231.	Fédération Française de l'Assurance	Yes	<p>Mitigation and adaptation appear to be treated on the same level on the discussion paper: it would be useful that the paper makes a clearer distinction between those two objectives in terms of issues at stake and options available to tackle them.</p> <p>The contribution of insurers to adaptation is direct and is supported by the fact non-life insurance have been recognized as an activity enabling adaption to climate change in the EU Taxonomy. Prevention and protection measures are directly linked to the insured risks regarding climate-related perils.</p> <p>On the other hand, the relation between mitigation of climate change and risks reduction is indirect and the impacts less obvious. Further research, academic work and sharing from insurers is needed on the role they can play to incentivise policyholders on mitigation and especially the impact the incentives have on the insured risk. The FFA believes that there is a role for sustainable underwriting to mitigate climate change in the same manner as sustainable finance on the other side of insurers' balance sheet. However, there is clear limitations in what can be achieved at individual re/insurer level. To make an impact, public authorities need to step in to set appropriate land planning and provide incentives.</p> <p>Finally, we fully acknowledge the caution taken by EIOPA in its conclusion on the fact "impact underwriting can be recognised as positively contributing to climate change mitigation and adaptation while recognising that further works is needed to reach a common understanding on the scope of impact underwriting."</p> <p>The FFA would also appreciate a clarification of the objectives pursued by EIOPA with the concept of "impact underwriting". It is currently unclear whether this paper aims at stewarding the insurance market – in which case EIOPA should elaborate on how this fits into its mandate –, to set supervisory expectations in terms of pricing and market conduct – in which case understanding the legal basis would be useful –, to set up new regulation – in which case the articulation with the existing Taxonomy regulation needs to be elaborated – or any other goals to be specified. The FFA highlights that several initiatives identifying and promoting industry best practices with respect to ESG goals, including on underwriting, are on-going and that the EU insurance sector is effectively engaged in a market-driven transition.</p>	<p>Partially agreed.</p> <p>It is useful to make the distinction between climate adaptation (where prevention measures embedded in the insurance product can have a direct impact on the risk.</p> <p>Impact underwriting, in its aim to support climate change adaption is consistent with the EU taxonomy which provides for the eligibility of (re)insurance activity for taxonomy compliance, based among others, on criteria related to incentives for risk reduction.</p>
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232.	Insurance Europe	Yes	<p>On insurers taking climate change considerations into account: It is simply incorrect to state that insurers do not include climate change-related risks in their pricing methodology, as the discussion paper does. Insurers have factored climate change considerations into their business for a long time. This is based on materiality considerations and happens already, through the analysis of historical data. This factors in the way climate change makes natural catastrophic events more frequent and more severe over the long-term. Climate change-related risks are then indeed reflected gradually over time through the annual adjustment of policy terms and conditions (as the paper states, in fact). While not as straightforward, the future impact of climate change is also already accounted for to an extent, through other means which are all related to the underwriting/pricing process. Insurers take a holistic view of risk management across their processes and core business, by assessing all risks and their relations to each other, and not focussing on a single risk source insofar as possible. While the risks associated with each insurance contract are considered individually before the contract is concluded, general long-term considerations applicable across a risk portfolio also come into play when deciding the conditions of each contract. This holistic view has always included prevention measures and it is therefore disappointing to note the discussion paper seems to imply insurers have yet to really do this. Insurers already actively contribute to climate adaptation by incentivising policyholders to mitigate insured risks via risk-based pricing and contractual terms and considering measures that contribute to climate change adaptation or mitigation. This also plays an important role in raising awareness of climate change related risks. The lack of public awareness in long-term land planning is a significant concern: sea levels are expected to rise for many hundred years by several meters, yet governments, authorities and municipalities still allow new buildings close to the sea. Insurers therefore seek to help policymakers with tools such as risk zoning and mapping, land-use planning and building codes as well as by providing advice to public authorities on projects such as building and maintaining flood defences. Insurers contribute to a better understanding of risk, for example by developing forward-looking risk models. They are updating their risk assessment and underwriting policies to improve how long-term changes in climate are taken into account, often via innovative solutions. This, in turn, helps insurers develop tailor-made products for consumers with different risk profiles. Finally, insurers' underwriting and pricing practices cannot be considered separately from their role as Europe's largest institutional investor. Through this role the insurance industry already helps to finance the transition to carbon-neutral, resource efficient and more sustainable economies. On mitigation and adaptation: The discussion paper appears to put mitigation and adaptation on the same level when discussing the role of insurers. The two concepts are different and deserve a better distinction. As explained earlier, insurers' contribution to adaptation efforts is evident and confirmed by the fact non-life insurance has been recognized as an activity enabling adaption to climate</p>	<p>Partly agreed. Including climate risk considerations in pricing and/or embedding climate risk prevention measures in product design is not done systematically by all insurers.</p> <p>It is useful to make the distinction between climate adaptation (where prevention measures embedded in the insurance product can have a direct impact on the risk.</p> <p>Impact underwriting, in its aim to support climate change adaption is consistent with the EU taxonomy which provides for the eligibility of (re)insurance activity for taxonomy compliance, based among others, on criteria related to incentives for risk</p>
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		<p>change in the EU Taxonomy. Prevention and protection measures have a direct impact on the insured risk as far as climate-related perils are concerned.</p> <p>The relation between mitigation of climate change and risks reduction is not as obvious, and further research is needed on the role insurers can play to incentivise policyholders on mitigation, and the impact on the insured risk.</p> <p>The discussion paper should therefore have emphasised the distinction between mitigation of and adaptation to climate change more (eg paragraph 3.26 which is true for adaptation only, not mitigation).</p>	<p>reduction.</p> <p>The report acknowledges that while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved through private insurers without coordinated industry initiatives and/or further enabling measures from public authorities.</p>
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233.	FERMA: Federation of European Risk Management Associations	Yes	As previously stated in several answer boxes, FERMA stands ready to provide any follow-up information and would welcome further engagement with EIOPA on this important topic.	Agreed.
234.	Covéa	No		
235.	Reale Mutua di Assicurazioni	No		
236.	German Insurance Association (GDV)	No		
237.	EY	Yes	<p>We believe that the insurance industry has a critical leadership role in supporting society in responding to the challenge of climate change, particularly in the following areas:</p> <ul style="list-style-type: none"> • Supporting research, driving policy, leading debate and outlining solutions not just for insurance but for society in response to anthropogenic change • Supporting the transition to a low carbon economy, including promoting international efforts for greater climate change disclosures by companies • Continuing to provide cover for risks which increase as a result of climate change and decarbonisation, working within an evolving ecosystem of public and private partners to ensure that capacity can be accessed and maintained and extended to ensure that protection gaps are not increased and in fact are reduced • Providing insurance to facilitate and accelerate growth in new sectors which mitigate climate change, despite challenges of risk assessment, the absence of historical experience and pricing uncertainty • Influencing policyholder behaviours that facilitate climate change mitigation and adaptation by rewarding behaviours that both reduce insurance risk and reduce emissions <p>However:</p> <ul style="list-style-type: none"> • Uninsurable niches are inevitable: some risks will inevitably become uninsurable, where the probability of occurrence is very high, events are highly correlated or the skew of the underlying distribution is extreme e.g. insuring a property in a floodplain against flood. Guaranteeing insurance for such risks will be expensive and divert insurance capacity from elsewhere. In these cases private solutions will not be possible; however the industry can work with public partners to facilitate solutions. • The cost of insuring climate risk is highly uncertain: data and models are not well developed for most climate related risks. Even the best cat models available today in Ireland, for all of their data and complexity, often perform very poorly in terms of loss prediction. Therefore, any quantification of the current and future impact of climate will be highly uncertain. That said there is sufficient decision grade modelling to identify that the effects of adverse climate change are adverse and likely to drive higher claims volatility. A corollary of this is that, for a 	<p>Noted.</p> <p>The report acknowledges that while private insurance can play an important role in the fight against climate change, there are limitations to what can be achieved through private insurers without coordinated industry initiatives and/or further enabling measures from public authorities.</p>

			<p>functioning regulated private insurance market, the concept of limits on cover must always be retained. As such mitigation of expanding protection gaps are unlikely to be resolved by the private sector and within our current regulatory context and frameworks; to eliminate the “protection gap” in the face of unmitigated climate change would appear to be an untenable goal within the private sector.</p> <ul style="list-style-type: none"> • There may be unintended consequences: The use of insurance markets as proxies for government action would be inefficient at best and at worst may result in unintended consequences that could hasten uninsurability. Examples of potential unintended consequences include the withdrawal of insurance companies from a certain line of business, potentially increasing the protection gap; increasing the capital costs for underwriting risk, and so companies may avoid them altogether for capital efficiency purposes and moral hazard whereby insurance may inadvertently facilitate inappropriate behaviours e.g. construction in a floodplain. • Insurance markets are competitive: if a segment of the market is willing to pay a premium for insurance cover from a “green” insurance company then the market will fill that gap. On the other hand, premium discounts for risk features that do not relate to underwriting risk is not sustainable in a competitive market in the long run, though it may be applied temporarily, such as for marketing purpose. 	
238.	Benpower	No		/

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