



## Climate protection gap

### ■ Why does it matter to intermediaries?

Given the increase in the severity and intensity of climate related events, public authorities are mainly responsible for climate change adaptation. However, insurance intermediaries play a pivotal role in contributing to climate adaptation, as many have expertise in the modelling of climate risk and the development of resilient and sustainable business models. Intermediaries also have a role in raising awareness of climate risks, in covering new risks (especially for SMEs), preventing a possible “protection gap/insurance gap” by developing adapted and innovative insurance solutions.

### ■ State of play

#### Natural Catastrophes

In February 2024, and following consultation of stakeholders in which BIPAR participated, EIOPA published a revised Staff Paper: “*Measures to address demand side aspects of the natcat protection gap*”. This Paper explores the barriers that keep consumers from buying insurance against natural catastrophes. It also proposes a number of consumer-tested solutions to overcome these challenges and in so doing, bolster European households’ and businesses’ resilience to extreme weather events. It looks, amongst others, at the distribution of NatCat products and how the sales process can be improved.

The Staff Paper aims at complementing EIOPA’s previous work on addressing the NatCat protection gap (on **supply-side** constraints: see Insurance Protection Gap Dashboard, Impact Underwriting and Supervisory Statement on Exclusions), and now focuses on the **demand** side (causes and solutions).

The **factors** EIOPA considers to be contributing to a low uptake of NatCat insurance products (even if products are available) are linked to:

- 1) understanding of insurance products and (perceived) affordability;
- 2) previous (negative) experience with insurance and social norms;
- 3) risks perception and expectations on public support;
- 4) the insurance purchasing process.

EIOPA considers that to tackle these barriers, **drivers** for **uptake** can be:

- 1) pre-purchase: raise awareness on risks/offers/benefits;
- 2) purchase: act on the buying process;
- 3) price and insurability: reducing the price and risk.

#### EU Climate Resilience Dialogue

The Climate Resilience Dialogue is a forum set up by the European Commission (its two Directorates-General FISMA and CLIMA) at the end of 2022. Their primary task is “*to exchange views on how to address the losses incurred from climate-related disasters and to identify how the insurance industry can contribute more to climate adaptation, from actions that increase the penetration of climate risk insurance for industry and all of society, to making the conditions right for more investment in good adaptation solutions*”.

The objective of the Climate Resilience Dialogue is to create a forum for discussion that will strengthen the collective understanding of insurers, reinsurers, intermediaries, businesses, consumers and other stakeholders about the climate protection gap. The climate protection gap is the share of non-insured economic losses caused by climate-related disasters. The launch of the Climate Resilience Dialogue was announced in the Commission’s 2021 EU Strategy on adaptation to climate change, as well as in its 2021 Strategy for Financing the Transition to a Sustainable Economy.

BIPAR (represented by experts) welcomes the initiative and is a member of the Climate Resilience Dialogue.

In July 2023, an Interim Report was released. It outlines the work carried out by the members of the Dialogue since its inception. The Report indicates the focus areas and gaps for the Dialogue’s future work, the emphasis of which will be on the identification of solutions to specific climate protection gaps in the EU. Finally, it presents preliminary observations of the Group on some of those focus areas and gaps.



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### ■ BIPAR's position / key messages

#### Natural Catastrophes

In its response to the EIOPA consultation on its draft revised Staff paper on "*Measures to address demand side aspects of the natcat protection gap*", BIPAR, amongst others, pointed at the **wider uncertain economic context**, and that the main issue is not always affordability, but often a **lack of awareness** of the actual risks some consumers may face as well as of the existence of NatCat coverage. In this respect, BIPAR highlighted the **role of the intermediary** and disagreed with the draft paper's statement that visiting distributors' offices is resource intensive. BIPAR stressed that intermediaries are offering hybrid services and having an intermediary explaining - using digital tools - the needs/ characteristics of NatCat protection to the customer will not be more resource-intensive than having the customer informing him/herself alone and digitally – on the contrary.

Regarding **mandatory coverage**, BIPAR stated that tailor-made insurance products in a non-mandatory framework are possibly the best way to cover natural risks as they take into account national and local specificities and risks.

#### EU Climate Resilience Dialogue

The work of the Climate Resilience Dialogue has been divided into 9 focus areas, including one on risk awareness led by BIPAR experts. In their work on risk awareness, BIPAR experts underline that risk awareness can be defined as a pre-condition for any actions to address the climate protection gap. Risk awareness enables preparedness and enhanced resilience and provides the necessary information for decision-making and long-term planning. They further explain that informing households and businesses about the climate risks they are exposed to can lead to behavioural changes and positive uptake of preventive risk reduction measures and insurance. Intermediaries play an important role in this respect.

### ■ Links

- [EIOPA's revised Staff Paper: "\*Measures to address demand side aspects of the natcat protection gap\*"](#)
- [EIOPA's Insurance Protection Gap Dashboard](#)
- [EIOPA's Impact Underwriting](#)
- [EIOPA's Supervisory Statement on Exclusions](#)
- [Climate Resilience Dialogue interim report](#)
- [EIOPA's and ECB's joint discussion paper](#)
- [EIOPA's sustainable finance agenda](#)

### ■ Next steps

#### Natural Catastrophes

EIOPA will continue working with its members to address aspects in its supervisory remit whilst also continuing to raise awareness.

#### Climate Resilience Dialogue

The conclusions of the Dialogue will be published in a report mid 2024. The report will contain practical good practices and recommendations, with a view to accelerating Europe's adaptation to climate change.