

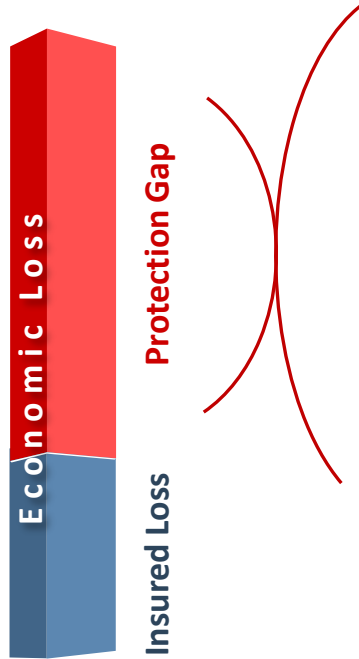
Addressing protection gap for natural catastrophes

Traditional autumn seminar

Presenter: Marie Scholer EIOPA

Date: 17 November 2022

EIOPA AIMS TO ADDRESS THE INSURANCE PROTECTION GAP

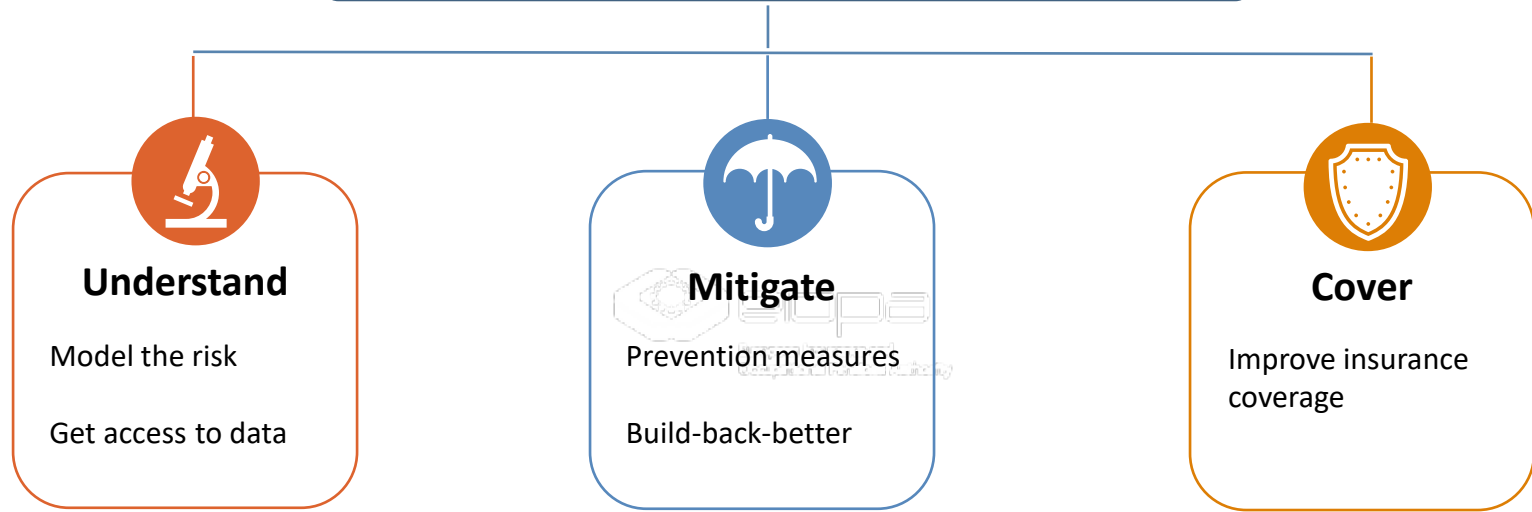


- EIOPA is concerned that affordability and insurability are likely to become an increasing concern.



- It is therefore key to understand the insurance protection gap and identify where it comes from.

How to address the protection gap?

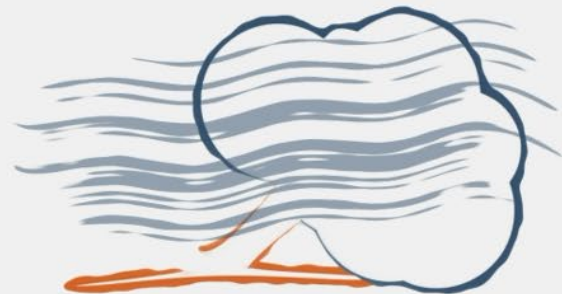


Reducing the causes of climate change and adapting to the risk is a must



COUNTRY A []

COUNTRY B []



COUNTRY A



COUNTRY B

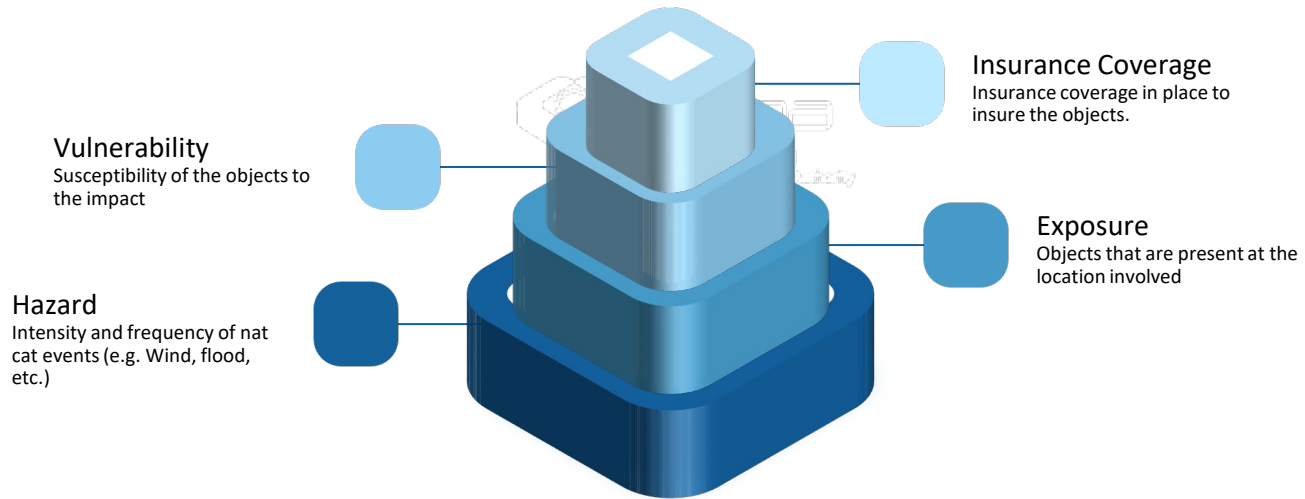




UNDERSTAND THE PROTECTION GAP



KEY ELEMENTS OF THE PROTECTION GAP



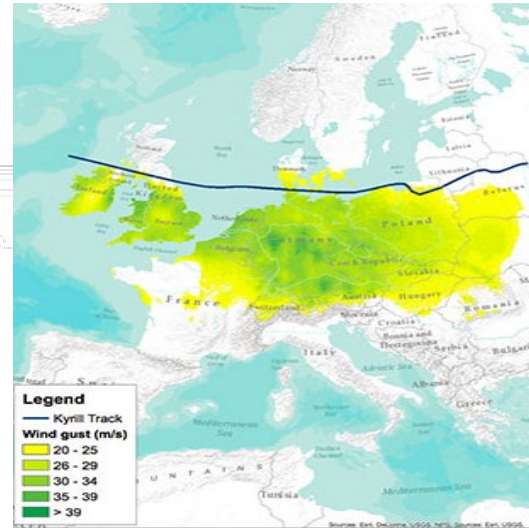
UNDERSTAND THE HAZARD

Hazard definition: A process, phenomenon that may cause loss of life, injury impacts, property damage, social and economic disruption.*

The hazard of the climate related events is generally defined by the **intensity** and **frequency** of the events.

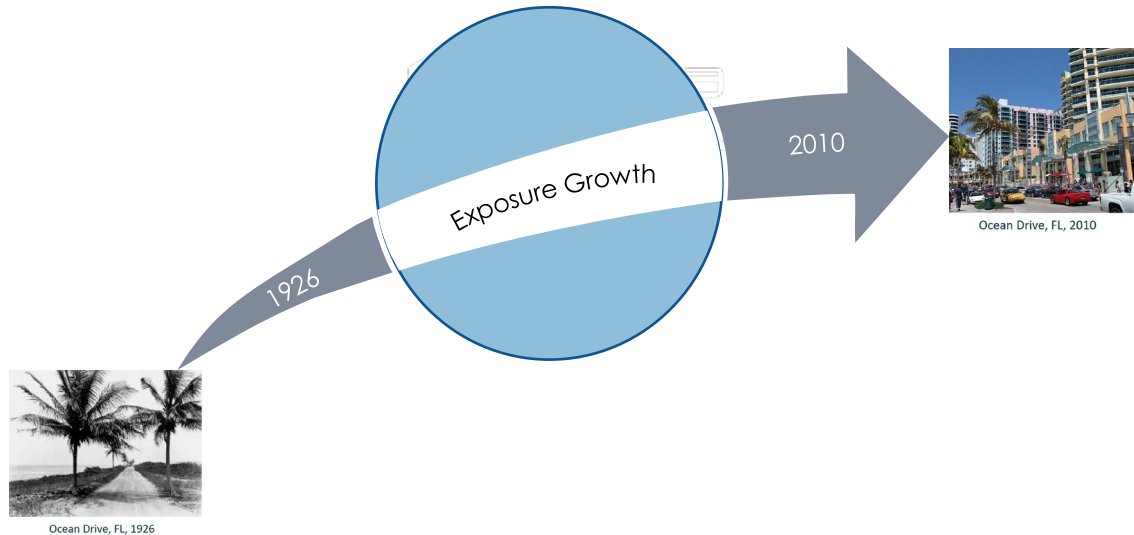
Climate change will influence the intensity and frequency of extreme weather events.

Nat Cat events do not stop at borders.



UNDERSTAND THE EXPOSURE

- Exposure definition: The people, property, systems, or other elements present in hazard zones that are thereby subject to potential losses.*
- The exposure growth is the main driver for the increase in nat cat losses.



UNDERSTAND THE VULNERABILITY

Definition vulnerability: The conditions determined by physical, social and economic factors, which increase the susceptibility of a community to the impact of hazards.*

Decreasing the vulnerability should be a key goal when addressing the protection gap.

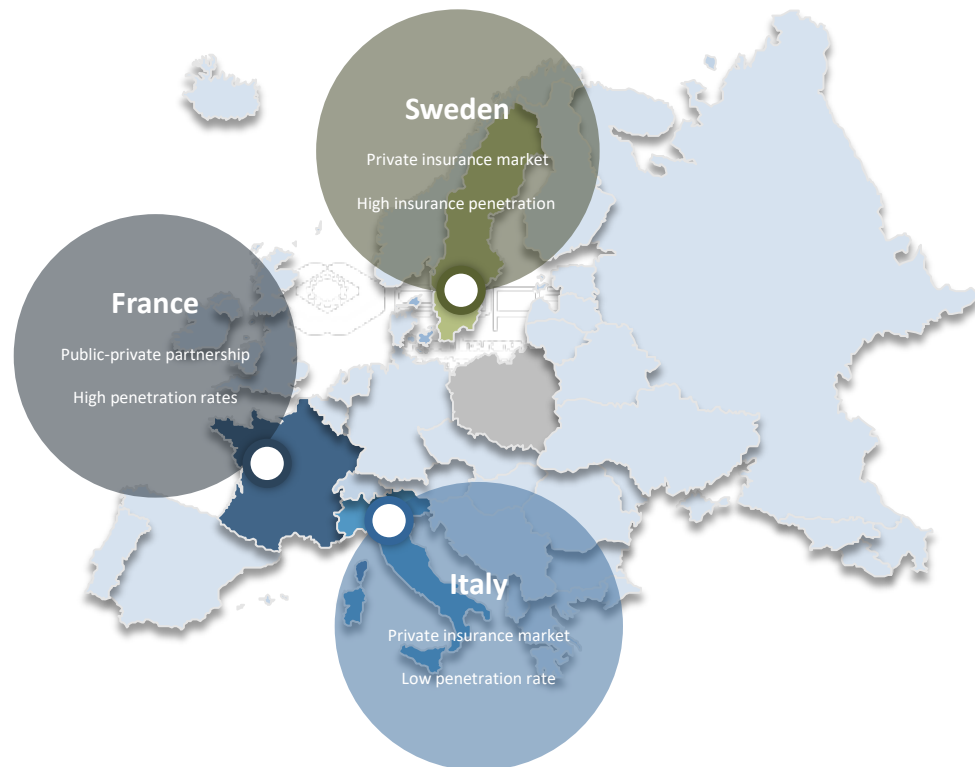


Resilience actions: Build back better, developing building codes...

Data is needed of how vulnerable assets and societies are.



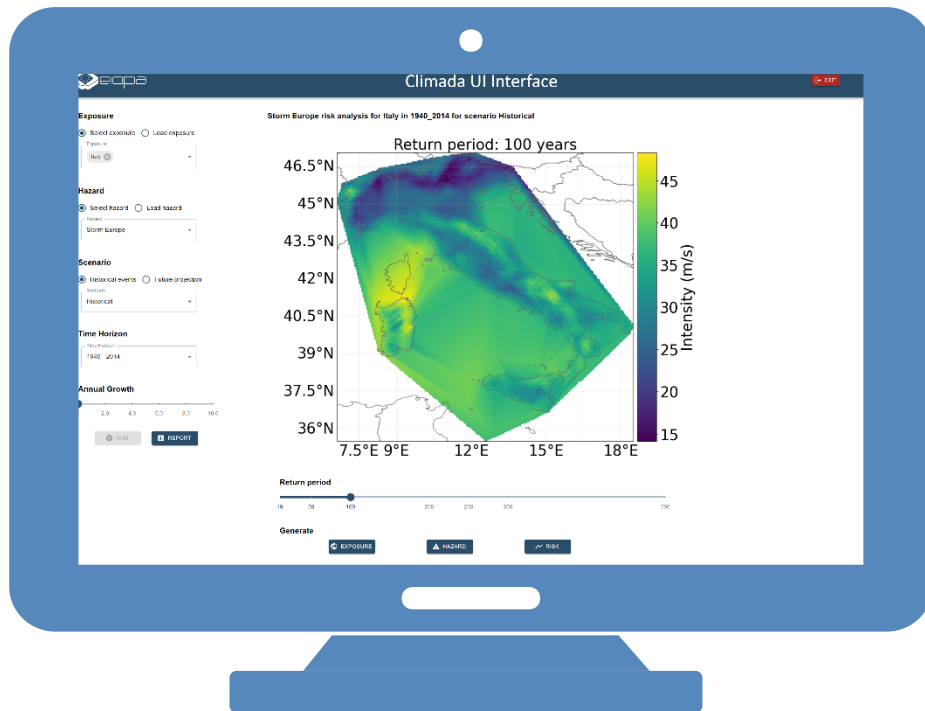
NAT CAT NATIONAL INSURANCE SCHEMES VARY SIGNIFICANTLY WITHIN THE EU





PROMOTE USE OF OPEN SOURCE MODEL AND DATA

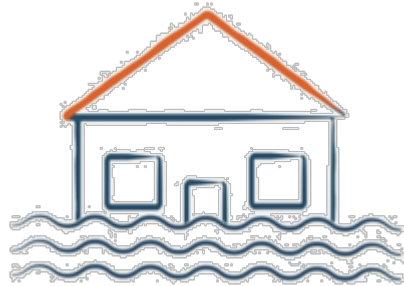
Open source



User friendly



MITIGATE THE RISK



(Re)insurers can play a proactive role to reduce climate change risks



COVER THE RISK

Need to address the demand-side issues:

- Tendency to underestimate disasters
- Important to **raise awareness** about the risks
- Promote **contract simplicity**
- Ensure a more **customer-centric approach** to the treatment of exclusions



SUPERVISORY STATEMENT ON
EXCLUSIONS IN INSURANCE
PRODUCTS RELATED TO RISKS
ARISING FROM SYSTEMIC
EVENTS

EIOPA-22/419
26 August 2022

CHALLENGES AND OPPORTUNITIES

- **Climate change is a growing risk** for the insurance sector but also creates vast opportunities for insurers, supervisors, actuaries to be **part of the solution** to address climate change risks.
- In particular, they can play a valuable role in keeping cover affordable for policyholders. Indeed, with **data, innovation and incentives**, insurers are helping businesses and people to **prepare for the future risks**.





THANK YOU!

For more information visit:
<https://www.eiopa.europa.eu>