



The impact of adaptation to climate change on liability insurance

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Insurance Europe

Who?

- European insurance and reinsurance federation, founded in 1953

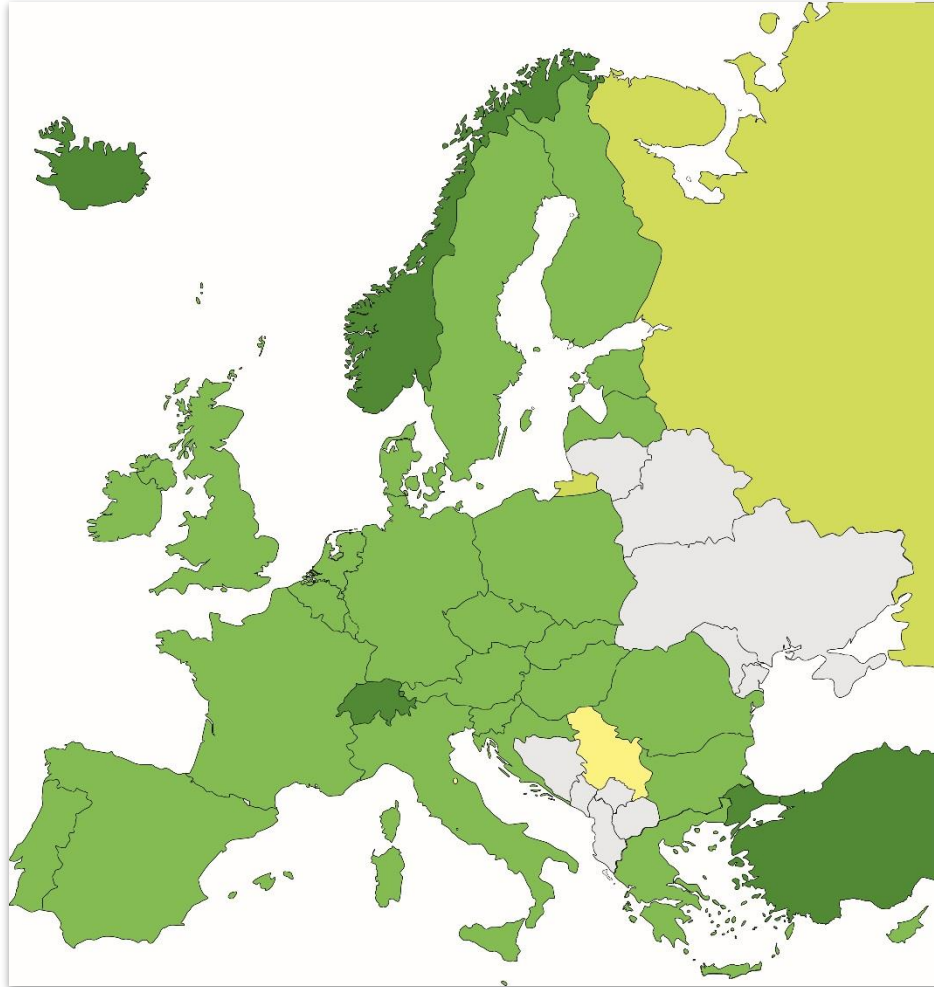
What?

- Represents around 95% of European insurance market by premium income

Why?

- Committed to creation of favourable regulatory and supervisory framework for insurers at European and international level.

Members



34 national associations

 **27 EU member states**

 **5 non-EU markets**

*Switzerland, Iceland, Norway,
Turkey, Liechtenstein*

 **2 associate members**

Serbia, San Marino

 **1 partner**

Russia

Contribution to the economy



Insurance Europe represents more than 5 000 European (re)insurers, which:

- generate premium income of almost €1 170bn

- employ over one million people

- invest nearly €9 900bn in the economy

Basics of liability insurance

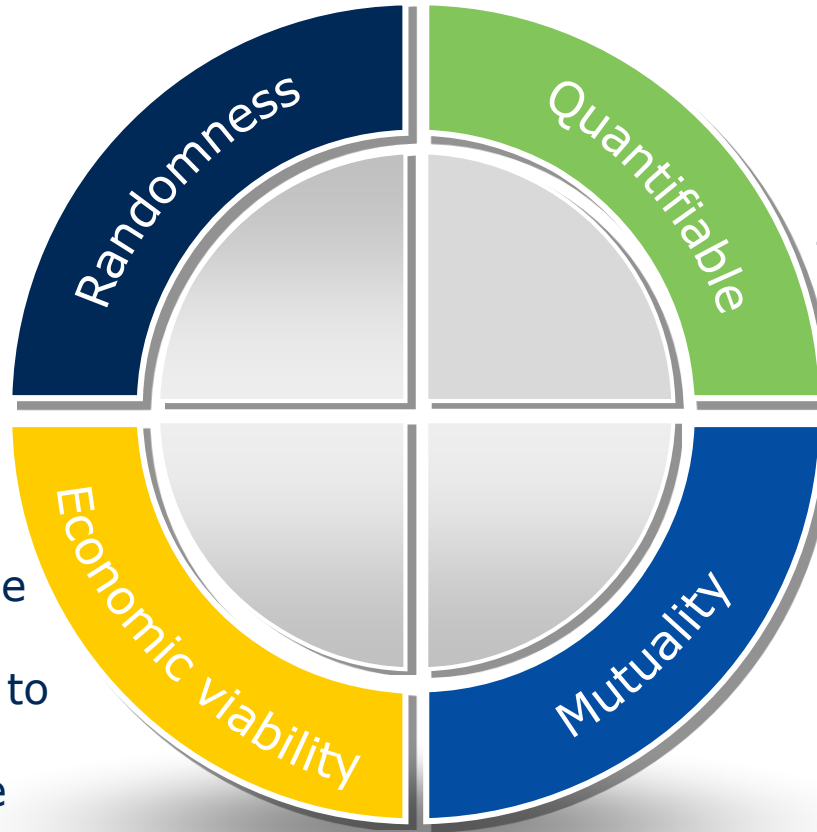
- Insurance transfers the risk of financial loss as the result of specified but unpredictable events in return for a fee or premium.
- Premiums are calculated via an underwriting process where the risk probability for each insured (or category of insureds) is assessed.
- Unique and rare risks can also be insured, though the premiums may be comparatively high.

Basics of liability insurance

Criteria for insurability

The event should be unpredictable and outside the control of the insured

The calculation of the premium has to include a margin of economic benefit for the insurer to fulfill its financial obligations and ensure financial capability



Risk must be fully definable in order to price the cost of the potential loss to remove any dispute that the loss occurred

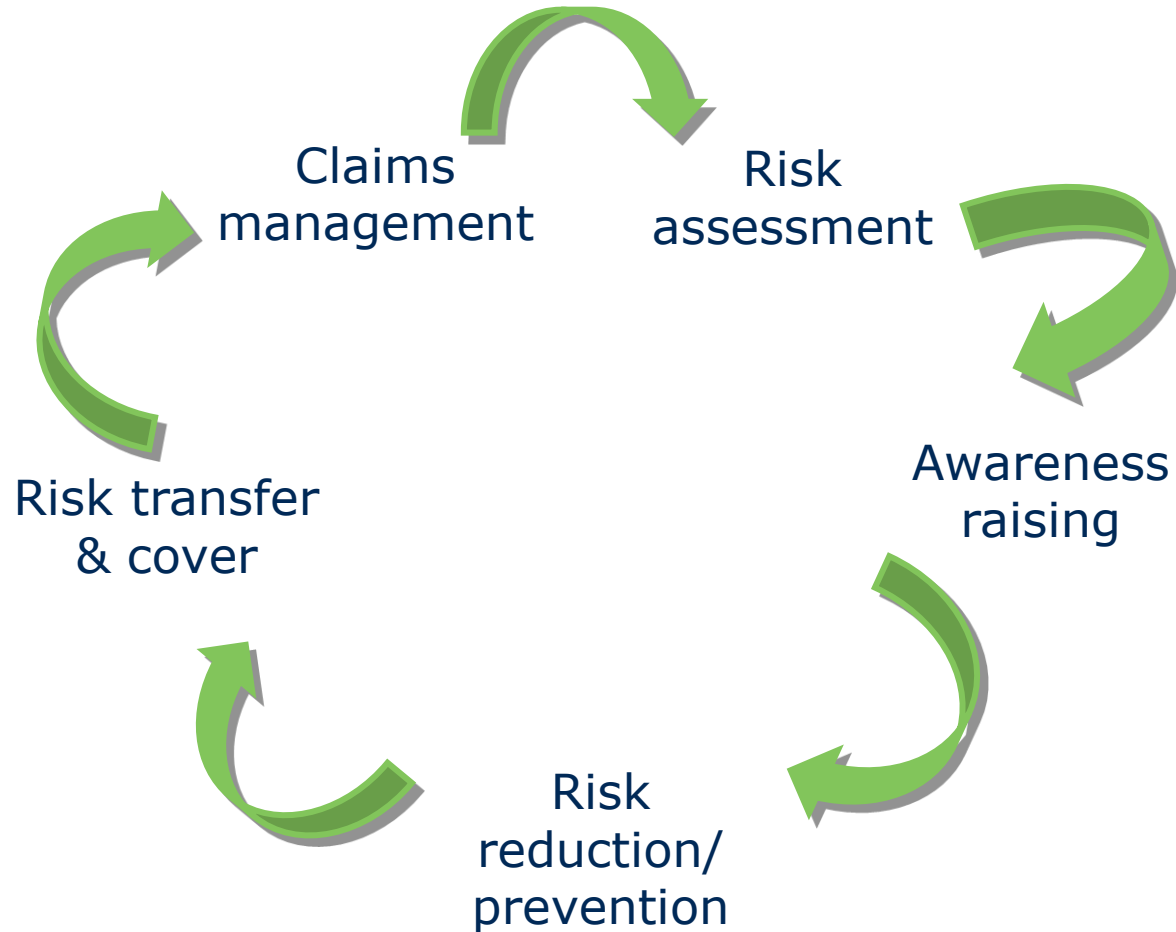
Pooling spreads the cost of losses between policyholders. It also avoids the risk of moral hazard and adverse selection.

Basics of liability insurance

Certain preconditions define a sustainable, competitive market

- Sufficient risk data
- Sufficient insurance capacity to manage claims
- Variety of insurers to ensure competitive insurance products
- Uniform risk characteristics that can be standardised

Risk management cycle



Basics of liability insurance

Challenges of covering innovation

- Risk-based pricing requires statistical data on the frequency and severity of the posed risk
 - Innovative or new technologies / construction materials may lack this data
- Demand for insurance is necessary in order to spread the risk and enhance insurance availability
- Underwriting processes/ terms and conditions are not universal

Liability and adaptation

- Changes in design and construction play an important role in adapting to climate change
 - It is important that each new construction technique is tested to ensure that the resulting building components can be easily and economically repaired
- ELIOS 1 and 2 recognised that:
 - National legal (and construction) frameworks develop over time and take into account, among others:
 - Local culture regarding construction methods and techniques
 - Local environmental specificities / climate conditions / availability and cost of materials, etc.
 - National legal requirements / liability regimes
 - Availability of data

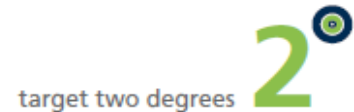
Adaptation and property insurance



Conclusions

- The insurance sector is developing products to meet customers' needs in sustainable construction
- Insurability conditions need to be met in order to provide cover
- Insurance Europe supports the EU efforts in sharing information on the risks of eco-technologies
 - For example, through ELIO's proposed "observatory on eco-technologies"
 - Information sharing can help liability insurers better predict their future risks

Insurance Europe online interactive tool



Target two degrees



Insurance Europe online interactive tool

target two degrees

Awareness

- The insurance industry plays an important role in raising risk awareness, based on the expertise it has gained through extensive research and long experience. Insurers also contribute to awareness-raising via their underwriting policies (eg risk-based insurance premiums, excesses or deductibles, required prevention measures, terms and conditions).
- When individuals and companies finance solutions themselves, they are more aware of the risks and financial consequences they face. This encourages them to limit their exposure by taking preventive measures and helps mitigate the human, economic and financial costs resulting from a disaster.
- Awareness raising campaigns are currently conducted in seven German federal states. These natural risk awareness campaigns are undertaken thanks to cooperation between the federal states, consumer protection organisations, the German insurance industry and architects, among others.

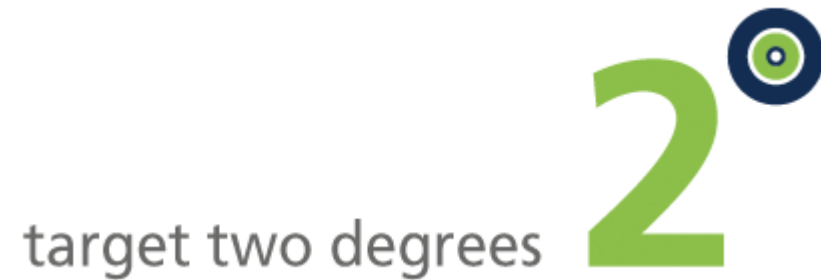
These institutions share a common goal: to raise awareness about the effects of climate change, natural hazards, loss prevention, best practices for natural catastrophe-resilient buildings or insurance.



Sustainability

- The German Insurance Association (GDV) has conducted a climate change project in cooperation with leading climate scientists. The project aimed to link the weather-driven losses of the past decades with various climate models to gain, for the first time, concrete future loss scenarios.
- Through this project, the German insurance industry has gained a unique insight into the future, which has resulted in a report on challenges with answers from the German insurance sector. The Climate Change Challenge can be accessed [here](#).
- The Federation of Finnish Financial Services (Finanssialan Keskusliitto), alongside the Finnish Motor Insurers' Centre and Transport Safety Agency, has signed a [commitment to sustainable development](#).
- Furthermore, they have developed a new [digital vehicle registration system](#), which enables the simultaneous registration and insuring of vehicles and significantly reduces the carbon footprint of registration.

Target two degrees



Sign-up to add your name to the list of signatories that will be presented to UN chief negotiators at an event ahead of the UN climate conference (COP21) in Paris

I support a worldwide commitment to limit global warming by two degrees

Sign up at www.insuranceeurope.eu/target-two-degrees



For more information on how insurers contribute to the fight against climate change or to sign-up to the target two degrees campaign, please go to www.insuranceeurope.eu/target-two-degrees

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