

# DATA COLLECTION ON THE PRUDENTIAL TREATMENT OF CLIMATE-RELATED ADAPTATION MEASURES IN NON-LIFE INSURANCE

Workshop 20 April 2022

# MITIGATION TACKLES THE CAUSES OF CLIMATE CHANGE, WHILE ADAPTATION ADDRESSES ITS CONSEQUENCES

- **Adaptation measures** are actions based on reducing effects of climate change on policyholders' losses.



*Galician vineyard*

- **Mitigation measures** are actions that are taken to limit and reduce greenhouse gas emissions.

## Adaptation measures

- Advance the vintage date
- Introduce or increase irrigation
- Vegetal cover ground
- Introduce new grape varieties
- Transfer to higher altitude vineyard
- Change the altitude of vineyard

## Mitigation measures

- Recycling
- Efficient Consumption management
- Improve thermal insulation
- Purchase low consumption equipment
- Reduce weight of packaging
- New types of containers

# NON-LIFE INSURANCE ACTIVITIES ARE TARGETED (AND NOT LIFE INSURANCE ACTIVITIES)

## Scope of the data collection by Line of Business

| Line of business                                     | targeted                    | Examples – Comments   |
|--|-----------------------------|---|
| Fire and other damage to property insurance          | Yes                         | Water-resistant walls and doors, flood pumps, sand bags, shutter, heat- and fire-resistive construction materials against exterior fire exposures, etc. |
| Miscellaneous financial loss                         |                             | Drainage, irrigation of crop fields, etc.   |
| Other motor insurance                                |                             | Garages   |
| Medical expense insurance                            |                             | Warning system  |
| Non-proportional property reinsurance                |                             | Reinsurance of the above  |
| Marine, aviation and transport insurance             | Possible, more side-effects | Shelter system for vessels, navigation route planning   |
| Non-prop. marine, aviation and transport reinsurance |                             | Reinsurance of the above  |
| Income protection insurance                          |                             | Prevention of health diseases linked to climate change  |
| Non-prop. casualty reinsurance                       |                             | Reinsurance of the above  |

### Not in Scope

- Weak effect are expected of climate-related adaptation measures on the risks covered in Motor vehicle liability insurance, General liability insurance, Assistance, Credit and suretyship insurance, Legal expenses insurance, Workers' compensation
- However, if an insurer has implemented adaptation measures in these insurance lines of business, they can be submitted
- Effect of adaptation measures on **assets** is outside scope ; therefore Life insurance – savings or pension management – are excluded from the data collection

# EITHER THE POLICYHOLDERS, THE INSURERS OR THE TERRITORIAL COMMUNITIES CAN IMPLEMENT ADAPTATION MEASURES

## In the scope of the Data Collection

### **Insurer** implemented measures

- Forecasting and automatic warning systems (e.g. SMS) to support the protection of goods against severe weather events

### **Policyholder** implemented measures

- Building improvements like water-resistant walls, etc.

## Out of the scope of the Data Collection

### **Local collectivity** implemented measures

- Massive flood defenses like dikes, implemented by local governments

### **Non-adaptation** measures

- Underwriting practices, such as risk selection

# ADAPTATION MEASURES CAN HAVE AN IMPACT ON THE FREQUENCY AND INTENSITY OF WEATHER- AND CLIMATE-RELATED LOSSES

## Non-life standard formula risk modules

### Premium Risk

- Volume measure (net premiums earned)
- Standard Deviation: change possible



### Reserve Risk

- Volume measure (net provisions for claims outstanding)
- Standard Deviation: No effect expected



### Nat Cat Risk

- Sum insured: change for costly measures
- Loss models can take effect of adaptation measures into account
- Reduction in nat cat risk can be considered



**Quantitative data collection**

**Qualitative Questions**

# DATA SUBMITTED SHOULD BE RELEVANT, LIMITED & RELIABLE

## Data quality governing principles

**Fit for  
purpose**



The data submitted should be split into 2 pools suitable for comparison

**Lean and  
simple**



Any data not relevant for the comparison should be removed, provided that the 2 pools remain suitable for comparison

**Targeted and  
precise**



The data should be as granular as possible provided that each pair of pools remain suitable for comparison



# INSURERS CAN SUBMIT UNDERWRITING DATA DURING A 2 MONTHS PERIOD

## Scope

- The data collected will be used by EIOPA to consider the potential for a dedicated prudential treatment of climate-related adaptation measures in Solvency II's standard formula for non-life underwriting

## Timeline

|                          |   |
|--------------------------|---|
| <b>6 April 2022</b>      | Launch of the data collection   |
| <b>20 April 2022</b>     | EIOPA Workshop on the data collection.  |
| <b>1 June 2022</b>       | Deadline for participants to submit results to their national competent authorities |
| <b>2 to 10 June 2022</b> | Validation of results by national competent authorities, with support by EIOPA      |
| <b>10 June 2022</b>      | Deadline for reporting of information from national competent authorities to EIOPA  |



# Q&A PROCESS

Participants can contact EIOPA **directly** for questions concerning the technical specifications of the data collection and the completion of the template.



Email : [impactuw@eiopa.europa.eu](mailto:impactuw@eiopa.europa.eu)

Do not forget to **copy your local supervisor**



The questions received will be posted on EIOPA's website regularly to inform the undertakings of the questions already raised and to **avoid duplication.**

All questions will be published anonymously.



EIOPA will only respond to technical questions on the data collection.

Questions on policy issues will not be addressed.