

# FEEDBACK STATEMENT

on comments received on the pilot dashboard  
on insurance protection gap for natural  
catastrophes

08 July 2021



**eiopa**

European Insurance and  
Occupational Pensions Authority

## **FEEDBACK STATEMENT on comments received on the pilot dashboard on insurance protection gap for natural catastrophes**

### **Introduction**

EIOPA collected views from stakeholders on the pilot dashboard on insurance protection gap for natural catastrophes, which ran from 4 December 2020 until 31 March 2021. EIOPA received 6 stakeholder responses to the public consultation, all of which are public responses. EIOPA thanks all stakeholders for their responses to the public consultation. The input received provided important elements for EIOPA to consider in its work for further improvement of the dashboard. All comments submitted were given careful consideration by EIOPA. This feedback statement summarises the main responses received and how EIOPA will address them in its work which will lead to the final publication of the dashboard.

### **Objective of the dashboard on insurance protection gap for natural catastrophes**

In light of climate change, EIOPA is concerned that affordability and insurability of natural catastrophes (Nat Cat) insurance coverage is likely to become an increasing problem. Currently, only 35% of the total losses caused by extreme weather and climate-related events across Europe are insured. The uninsured part is therefore equal to 65% of the economic losses from climate-related events, which shows that there is a large protection gap. Climate change will continue for many decades to come. Improved climate projections provide further evidence that future climate change will increase climate-related extremes (e.g. heat waves, heavy precipitation, droughts, flood, top wind speeds and storm surges...) in many European regions.

In order to address the protection gap, increasing the insurance penetration is not sufficient as due to the increasing frequency/intensity of some events, some risks might become uninsurable. Pro-active measures on vulnerability, localisation of exposure and optimised insurance coverages will be important elements of a resilient society.

It is therefore key to understand the current insurance protection gap and identify its underlying causes. The main purpose of the dashboard is to monitor the risks related to the insurance protection gap for Nat Cat in Europe.

In addition, such a dashboard should also help to:

- Increase the awareness of the protection gap issues for all stakeholders.
- Promote a science-based approach to protection gap management and decision-making.
- Identify at-risk regions and the underlying protection gap risk drivers.
- Develop pro-active prevention measures based on a granular assessment of risk drivers.
- Identify the potential for synergies between national policies to improve protection against natural catastrophes across borders at European level.

## **Main comments received and how EIOPA will address them**

Stakeholders welcomed EIOPA's initiative on the dashboard and commended its very solid start of this exercise. The use of a scientific approach, logical construction, and a reasonable level of granularity were also supported. It was noted that the dashboard permits a concise communication of the overall insurance protection gap and uses simple 0-4 scale. Providing transparent natural catastrophe information in a dashboard was also appreciated. The notion of public good for this dashboard was also highlighted. However, Stakeholders also mentioned that some adjustments are needed to meet the dashboard's goal.

Europe's insurance sector also offered EIOPA its support in determining the information required for an effective and transparent dashboard and developing a workable concept. EIOPA would therefore strongly encourage national supervisors to work in close collaboration with the national associations to help address the existing data gap during the upcoming data request, which will take place in summer 2021. EIOPA will also continue to use the expertise of EIOPA's Cat Risk Expert Network to further improve the dashboard.

It was also noted that a user-friendly web portal should be used for the dashboard. EIOPA agrees with this proposal in principle but will first prioritise the finalization of the methodology for the dashboard.

### Methodology used to derive the scores

Stakeholders noted the following points on the methodology to be further investigated:

- Highlight the crucial aspect of prevention measures: Stakeholders highlighted the need to have prevention measures as a main focus to address the protection gap. EIOPA had already recognized this crucial point by introducing the vulnerability element in the dashboard. The data availability for vulnerability is however restricted, therefore, EIOPA will work in close collaboration with the JRC to improve this.
- Need to consider additional points:
  - (1) The dashboard neither explains the cause of a "protection gap" nor does it provide any background information. For example, one might wonder why France has a high "insurance penetration" without knowing that the French government is providing unlimited reinsurance cover for natcat risk via the Caisse Centrale de Réassurance. Thus, focusing on "insurance density" does not provide the full picture. EIOPA will therefore work with the national supervisors to complete this information in the dashboard, namely through a data request in summer 2021.
  - (2) In addition, the historical context, legal situation, product design, state intervention, prevention level, free-market/semi-mandatory/mandatory solutions, insurability/uninsurability of certain perils in different EU member states are just some of the crucial and necessary points for assessing the protection gap in a particular market, however they are not yet fully taken into account by the dashboard. EIOPA will therefore work with the national supervisors to complete this information in the dashboard, namely through a data request in summer 2021.
  - (3) Difference between the historical and estimated protection gap: the dashboard needs to better explain the difference between the two views of the protection gap and ensure

consistency. EIOPA will further investigate this point to ensure a clear explanation on the difference between the historical and estimated protection gap.

- (4) The dashboard does not consider public infrastructure and focuses on the commercial and residential lines. Additional information on public infrastructure would also be helpful. EIOPA understands the point made but also sees significant challenges in getting access to this information. EIOPA will first focus on getting reliable inputs for the current residential and commercial sectors.
- (5) The methodology for Portugal Earthquake needs to be revised as the estimated protection gap is deemed to be too low. EIOPA will start a specific study on this.
- (6) Consider a modelling approach (using model vendors output or also the OASIS<sup>1</sup> platform). EIOPA discussed the dashboard with EIOPA's Cat Risk Expert Network but also saw challenges in using outcomes from commercial model vendors as transparency could not be guaranteed. EIOPA will investigate the potential use of OASIS as a second step of the dashboard.

#### Input data used in the dashboard

Stakeholders recognized the challenges with input data for such a dashboard. Some stakeholders recommended to:

- Work further with insurance companies as they have been developing risk-zoning mapping systems for decades. These could be a valuable source of information when it comes to identifying nat cat perils. EIOPA is and will continue working with the Cat Risk Expert Network to liaise with the industry;
- Consider national datasets: EIOPA had conducted a survey with the EIOPA's Cat Risk Expert Network to determine the possibility to use national databases but could not find additional data sources, which could be pragmatically used in the dashboard. Another issue identified in relation with the use of national datasets are the different standards between different member states, which would imply that no comparability would be possible;
- Work with commercial cat model vendors: EIOPA had asked for their expertise when developing the dashboard but also saw challenges in using outcomes from commercial model vendors as transparency could not be guaranteed;
- Additional data on consumer trend: EIOPA recognized the need to improve the knowledge on consumer trends, namely through a data request in summer 2021.
- Additional sources of data for losses would also be welcome. EIOPA is currently exploring the possibility to include two additional loss data sources for the dashboard.

---

<sup>1</sup> [Oasis Loss Modelling Framework | Open source catastrophe modelling platform \(oasislmf.org\)](https://oasislmf.org)

**EIOPA**

Westhafen Tower, Westhafenplatz 1

60327 Frankfurt – Germany

Tel. + 49 69-951119-20

[info@eiopa.europa.eu](mailto:info@eiopa.europa.eu)

<https://www.eiopa.europa.eu>