

ROUNDTABLE ON SUSTAINABLE FINANCE

Morning session



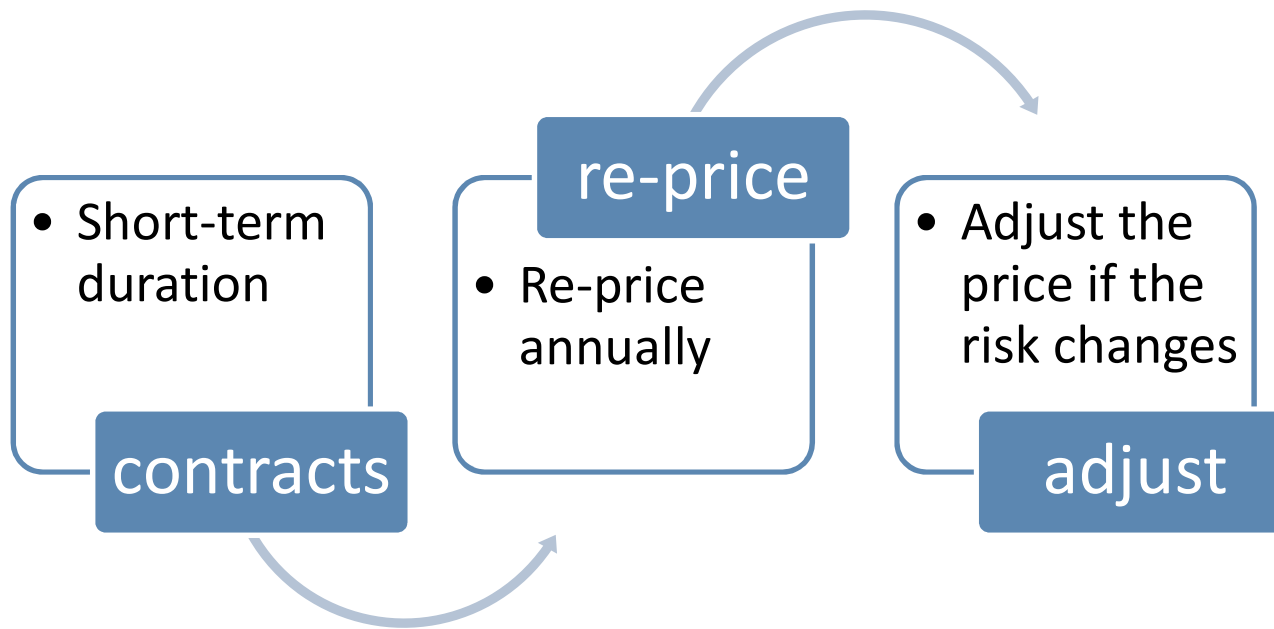
Non-life underwriting and pricing in the context of climate change

EIOPA Roundtable on Sustainable Finance

Presenter: Marie Scholer

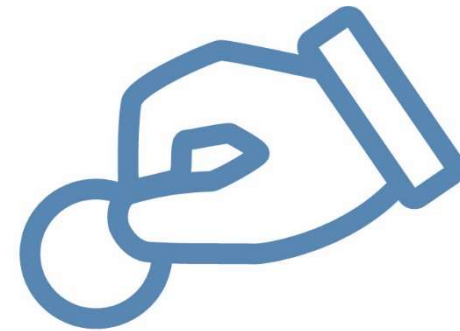
Date: 16 December 2020

CLIMATE CHANGE-RELATED RISKS IN NON-LIFE UNDERTAKINGS



SHORT-TERM REPRICING IS NOT THAT SIMPLE IN THE CONTEXT OF CLIMATE CHANGE

WHY?



LESSONS FROM PAST EVENTS

According to Schwarze and Wagner (2007)*, the response of German insurers to the "Flood of the Century" in 2002 was to increase premiums and withdraw coverages.



*[\(PDF\) The Political Economy of Natural Disaster Insurance: Lessons from the Failure of a Proposed Compulsory Insurance Scheme in Germany \(researchgate.net\)](#)

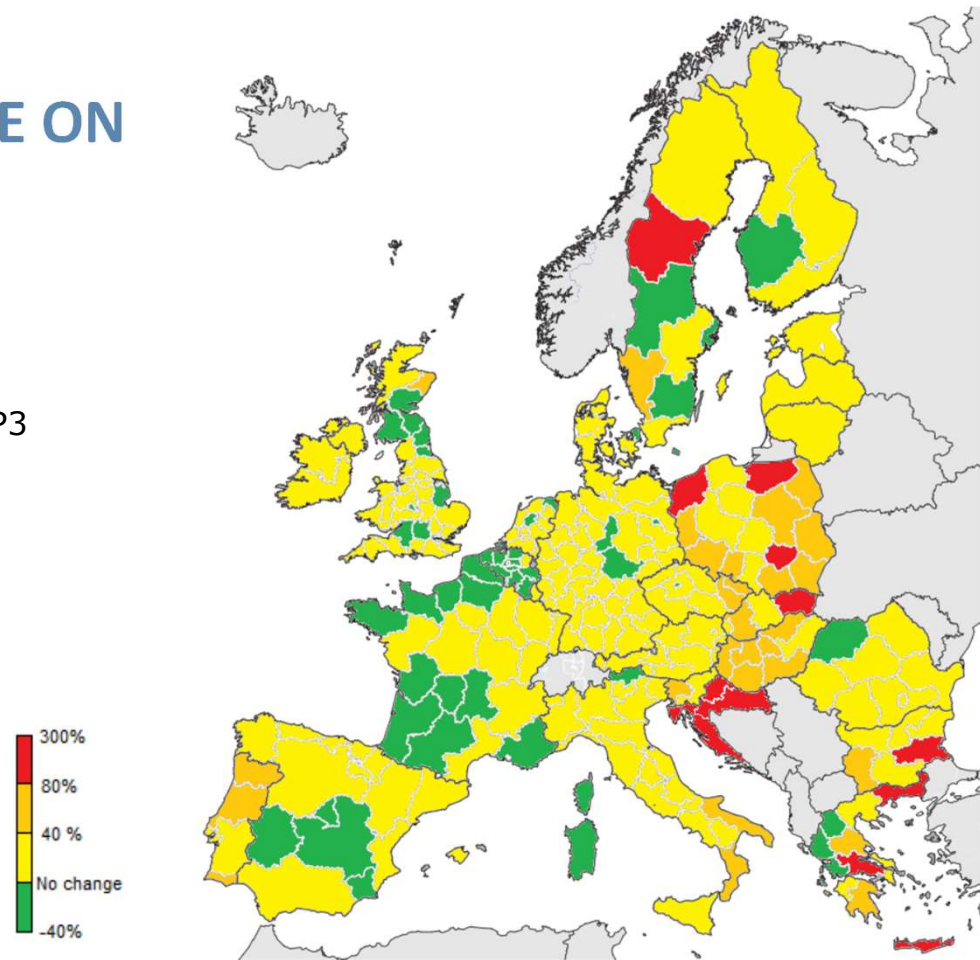
[California Bars Insurers From Dropping Policies in Wildfire Areas - The New York Times \(nytimes.com\)](#)

IMPACT OF CLIMATE CHANGE ON FUTURE AFFORDABILITY

Example: Flood

Unaffordability Change under the RCP8.5-SSP3 scenario for the periods 2010–2050.

Max Tesselaar et al., 2020.
Regional Inequalities in Flood Insurance Affordability and Uptake under Climate Change





Societal limits to non-life insurance repricing



Climate-related losses are expected to grow



Insurance coverage may become unaffordable or unavailable

CAN (RE)INSURERS PROACTIVELY CONTRIBUTE TO CLIMATE CHANGE ADAPTATION AND MITIGATION?

HOW?



IMPACT UNDERWRITING

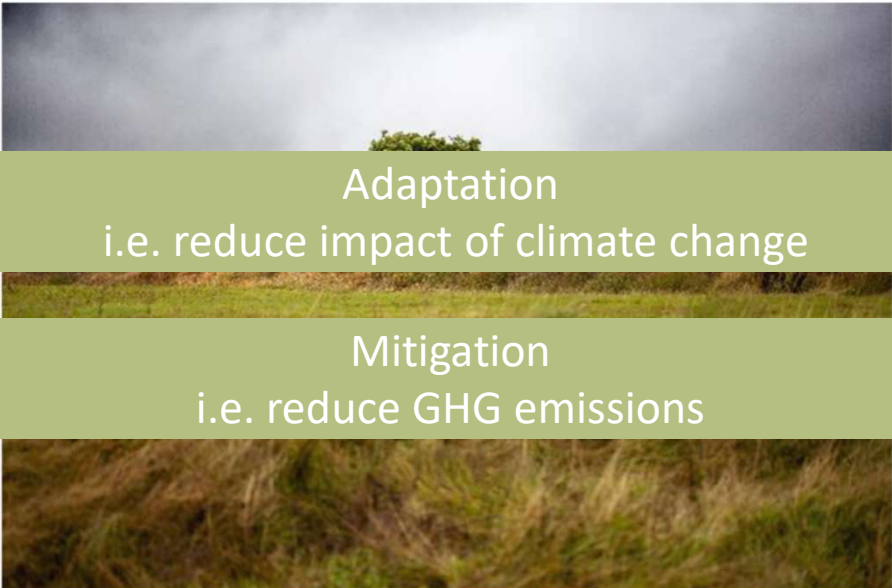


Actuarial Risk-based principles

Underwriting strategy

Mitigate insured risk

The image shows three business professionals in a meeting, looking at documents on a table. The text overlays are positioned over the image: a blue box at the top left contains a bullet point and the text 'Actuarial Risk-based principles'; a larger blue box in the center contains the text 'Underwriting strategy'; and a smaller blue box at the bottom center contains the text 'Mitigate insured risk'.



Adaptation
i.e. reduce impact of climate change

Mitigation
i.e. reduce GHG emissions

The image shows a landscape with a cloudy sky and green grass. The text overlays are positioned over the image: a green box in the upper middle contains the text 'Adaptation' and 'i.e. reduce impact of climate change'; and a green box in the lower middle contains the text 'Mitigation' and 'i.e. reduce GHG emissions'.

IMPACT UNDERWRITING

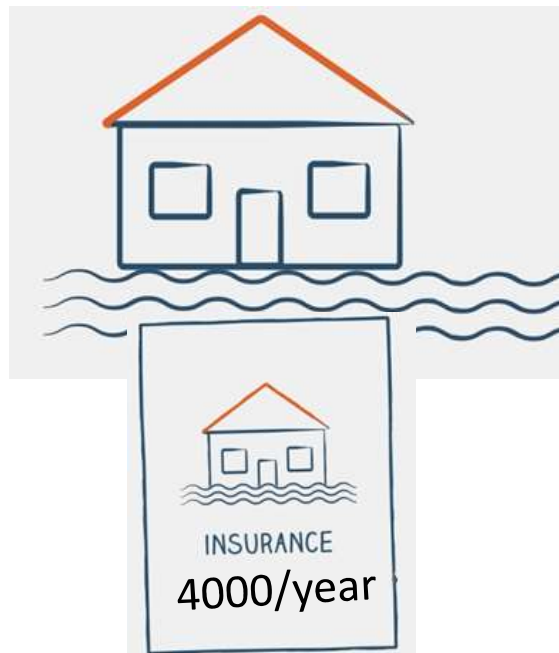


EIOPA'S PROPOSALS

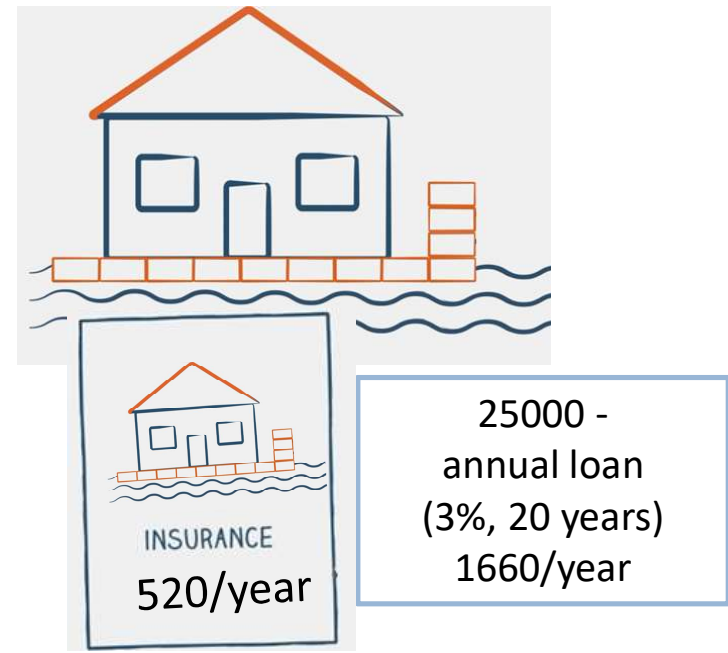
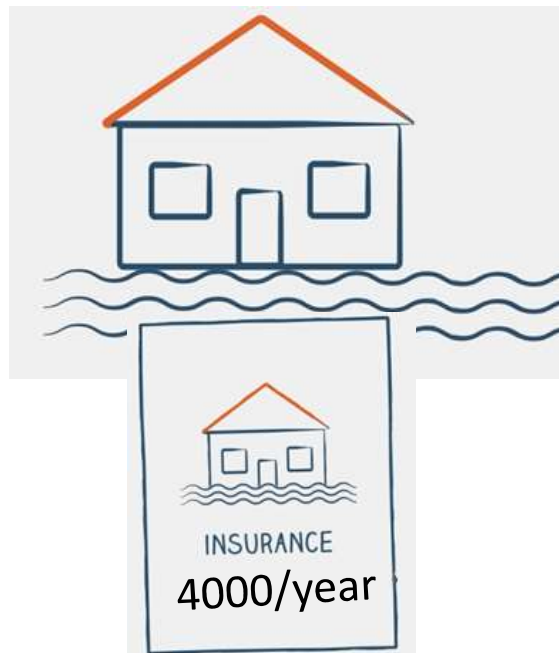
1. Risk-based pricing and contractual terms
2. Long-term insurance
3. Underwriting strategy products and services



1. RISK-BASED PRICING AND CONTRACTUAL TERMS



1. RISK-BASED PRICING AND CONTRACTUAL TERMS



2. LONG-TERM INSURANCE



Provide financial certainty
Incentive to improve resilience

Encourage a higher degree of insurance
Reduce administrative costs



Higher premiums
Lower flexibility

Lower flexibility

3. SERVICES & PRODUCTS



Renewable energy



Motor insurance



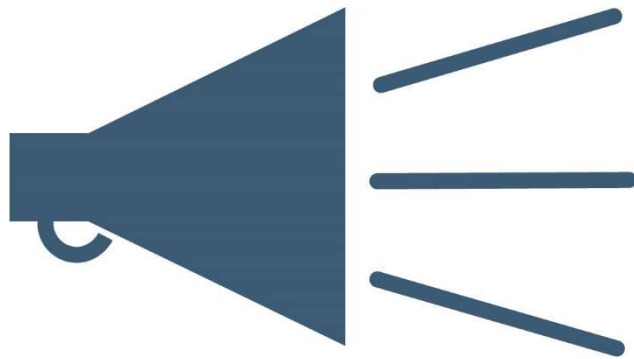
Nat Cat insurance

3. SERVICES & PRODUCTS



- Risk engineering
- Tools for customers
- Energy advisory services
- Ad-hoc cat modelling studies

PUBLIC CONSULTATION: HAVE YOUR SAY



Discussion paper:
Non-life underwriting and pricing in the
context of climate change

By 26 February 2021

[GO TO EU SURVEY](#)

THANK YOU!

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