

CLIMATE ADAPTATION

# Turning over a new leaf

Drastic policy measures are needed to adapt to a changing climate. Insurers are already supporting and promoting the shifts required.



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The fight against climate change has been at the centre of international discussions for decades now, as shown by the fact that 2023 will be the year of COP28, the United Nations' 28th Climate Change Conference. Unfortunately, so far, the attempts to mitigate climate change have had limited success, as illustrated by the fact that CO<sub>2</sub> emissions reached an all-time high of 36.8 Gt in 2022<sup>1</sup>.

Such high levels of emissions are bringing mankind ever closer to levels of greenhouse gas concentrations that will significantly disrupt many aspects of life on earth as humans have so far known it. According to the Intergovernmental Panel on Climate Change, the extent to which future generations will suffer from extreme events will largely depend on our ability to drastically reduce emissions (see figure). It is therefore vital to step up efforts to significantly and drastically reduce emissions of CO<sub>2</sub> and other greenhouse gases. Accelerating the transition away from fossil fuel-based economies and societies is therefore vital, and insurers are willing to play their part in this (see also [article](#) on sustainable finance).

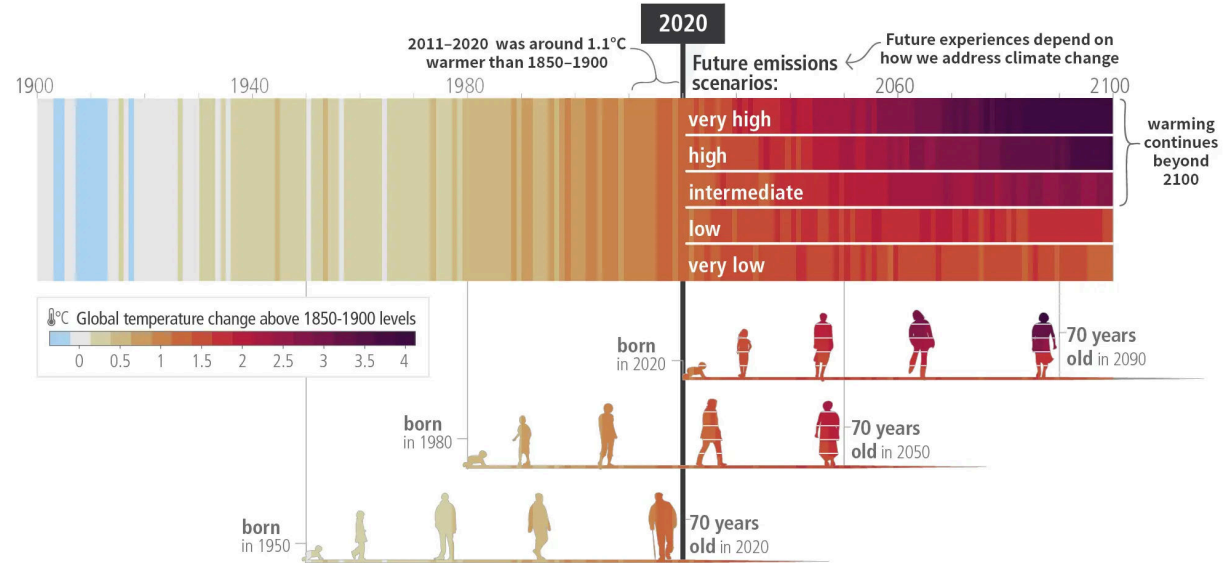
However, independently of our future successes in reducing emissions, it is clear that the effects of climate change are increasingly visible and that these will grow, probably at an accelerated pace, for decades to come. This is why climate change adaptation is as important as mitigation and has to be given appropriate focus.



The protection gap



The extent to which current and future generations will experience a hotter and different world depends on choices now and in the near-term



Source: "[AR6 Synthesis Report](#)", Intergovernmental Panel on Climate Change, March 2023

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## Everything everywhere all at once

The challenge with climate change adaptation is that it has to happen in all sectors of the economy (be it food production, transport of goods, electricity production or construction) and of society (such as transport, building codes, adaptation of cities or urban planning). In turn, decisions — including difficult and potentially unpopular ones, for instance in relation to land-use planning — have to be made at all levels, from the very local all the way up to the global. Another difficulty is that climate change is a moving target, meaning that some adaptation measures that may be appropriate in the short term may prove insufficient from a medium-term perspective.

The main responsibility for climate change adaptation lies with public authorities. However, insurers have a key role to play as well, notably by advising authorities on what decisions to make to render societies and economies more resilient to climate change. Insurers also engage with their policyholders, advising them on measures they can take to adapt to climate change, thereby increasing their resilience to certain events. Importantly, too, insurers can use their investment capacity to finance some of the necessary adaptation measures, even though appropriate funding mechanisms need to be devised for this to happen on a large scale.

Multiple examples from across Europe of such engagement by insurers with public authorities and policyholders are available on Insurance Europe's [Sustainability Hub](#). To take just one example of the former from the Hub, several national associations engage in data-sharing initiatives in order to help municipalities move to a more evidence-based approach to climate adaptation. As regards engagement with policyholders, some insurers are offering free increases to sums insured for customers who upgrade the energy efficiency of their homes.

## EC launches Climate Resilience Dialogue

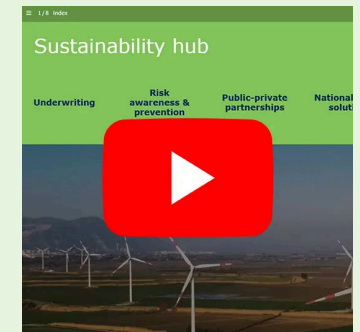
The need for policymakers to do more on climate resilience has led two European Commission directorates-general, FISMA and CLIMA, to launch at the end of 2022 a “Climate Resilience Dialogue” to which they have invited a number of associations, including Insurance Europe. While other such initiatives have taken place in the past, notably at the initiative of CLIMA, it is the first time that both DGs have joined forces on this important topic.

The Dialogue is intended to result in a report, to be published in mid-2024, containing recommendations to stakeholders, with a view to accelerating Europe’s much needed adaptation to climate change.

Insurance Europe very much welcomes this initiative and is determined to do its utmost to help the dialogue result in a set of ambitious, practical and useful recommendations.

António Guterres, UN Secretary General, has described the climate emergency as “the defining issue of our time”. This implies that there is no silver bullet to address the issue, but rather that the solution will be the result of urgent, drastic and — ideally — coordinated action by as many groups in society as possible. Insurers are ready and willing to play their part.

1. “[CO2 Emissions in 2022](#)”, International Energy Agency, March 2023



**Introducing Insurance Europe's Sustainability Hub**



## The protection gap

The protection gap is often defined as the difference between total losses and insured losses. Another, narrower way of defining it, which the Geneva Association opted for, is to refer to the difference between the amount of insurance that is economically beneficial and the amount of coverage actually purchased.

Irrespective of the definition used, one thing is clear; in recent years, the focus on this notion has increased exponentially, reflecting a concern that gaps are growing because both existing and emerging risks are becoming more difficult to deal with — and therefore to insure. It is for this reason that the Global Federation of Insurance Associations, in which Insurance Europe and many of its members participate, recently decided to conduct its own survey of protection gaps, with a focus on natural catastrophe (natcat) pension, health and cyber risks.

In the natcat area in particular, there is the concern that climate change results in certain risks becoming uninsurable, or in cover for these risks becoming unaffordable. This has led Insurance Europe to provide, for a number of years now, [information](#) on the availability of insurance cover for these risks throughout Europe.

More recently, EIOPA decided to develop its own “[Dashboard on insurance protection gap for natural catastrophes](#)” — a unique initiative providing an estimate of natcat insurance protection gaps across Europe, which Insurance Europe welcomes as an important step towards identifying possible solutions to how to bridge the gaps. It would nevertheless be important to add to the dashboard a clear disclaimer that it should not be used as a basis for policy decisions without giving due consideration to regional or national circumstances, which may not be apparent through the dashboard.

Further reading:

- “[Global protection gaps and recommendations for bridging them](#)”, GFIA, March 2023
- GFIA president Susan Neely’s [article](#) on the GFIA report

