Insurance and climate risk

How to make insurance part of adaptation to climate change
A figure for warming up
Historical change in EU-28 greenhouse gas emissions by sector

- Waste: 2015/2005: -0.7%, 2015/1990: -10.0%

Mitigation
Projected changes in mean annual and summer precipitation (%) in the period 2071-2100 compared to the baseline period 1971-2000

Source: EURO-CORDEX (Jacob, et al., 2014)
1. **Promote action by all Member States**
   - Encourage all MS to adopt adaptation strategies
   - Access to funding to help them build resilience
   - Launch voluntary adaptation initiative for cities and municipalities

2. **Make EU-level action 'climate-proof'**
   - Further integrate climate adaptation needs into key vulnerable sectors: agriculture, fisheries, energy,
   - Make infrastructure more resilient
   - Integrate insurance in disaster risk management

3. **Make decision-making better informed**
   - Address knowledge gaps through research
   - Climate-ADAPT web portal
Ways to think about adaptation

- The language of the CAP

Stability

Where does adaptation to climate change come in?
CAP measures and adaptation

Prevention and restoration of

- damage to forests from forest fires,
- natural disasters and catastrophic events, including parasite infestations and diseases
- threats from climate change...
CAP measures and adaptation

- Insurance
- mutuals for climate events
- income stabilisation...

Directed to adaptation: less than 2% of total climate related expenditure
External study

Insurance of weather and climate-related disaster risk: Inventory and analysis of mechanisms to support damage prevention in the EU
What is insurance to climate change?
In short:

- Climate change influences risk pricing
- Climate change introduces the far horizon
- Consequences of climate change increase damages

Risks should be avoided!
Study set-up

How can insurance incentivise risk reduction?

- Under which conditions does insurance work well?
- How can we apply good practice all over the EU?

- Covering both private property and agriculture
  Focus on agriculture.
Risk management objective

Depends on the expectations of governments, insured parties or insurers.

Solidarity

- Achieve maximum coverage in order to evenly distribute risk.

Climate risk management

- will increase risk awareness and provide incentives to increase resilience through adaptation measures.
Some good practices

- Government collaborates with insurers to control and distribute EU subsidies.
- Insurers receive data on several factors (i.e. area, type of crops, yields) to develop more suitable insurance products.
Some good practices

- Government acknowledges calamity caused by abnormal variations by ministerial decree.

- Intensity of a natural climatic agent (drought, flood, frost, etc.)
Some good practices

• To be insured a farmer must meet certain pre-set conditions regarding their vulnerability to extreme events, setting vulnerability to an acceptable level.

• Bonus-malus
What works for agriculture?

The use of insurance against multiple risks (with a focus on yield insurance)

Requirements to insure all cultivated land

Premium subsidies to direct investment in multi-risk policies

Pool-like structures or public reinsurance for specific time-bound risks, such as frost and droughts

A tradition of collaboration between the public and private sector risk managers
Projected yield changes for 2050

Map 5.13  Projected changes in water-limited crop yield

Note: The map shows the mean relative changes in water-limited crop yield simulated by the ClimateCrop model for the 2050s compared with the period 1961–1990 for 12 different climate model projections under the A1B emissions scenario. The simulation assumes that the irrigated area remains constant, and the results combine the response of the key crops wheat, maize and soybean, weighted by their current distribution.

Source: Adapted from Iglesias et al., 2012 and Ciscar et al., 2011.
Evaluation of the adaptation strategy

Online public consultation starts in December!

Check out https://ec.europa.eu/info/consultations_en