

EU-US INSURANCE DIALOGUE PROJECT
CLIMATE RISK AND RESILIENCE WORKSTREAM
June 2023 Summary Report

I. Introduction and Background

The EUUS Insurance Dialogue Project established the EUUS Climate Risk and Resilience Workstream to further the understanding of insurance laws, regulations, supervisory practices and initiatives on climate risk and resilience across the EU and the US. The EU and US agreed that this workstream would focus on the following areas: the regulatory treatment of innovative technology to cover climate-related risks (1) pre-disaster mitigation and adaptation efforts; and (3) the modelling and data challenges for managing natural catastrophes. The workstream met five times during 2022 and covered all the above focus.

Conscious of the fact that climate risk and resilience would remain a pressing matter for society and regulators in the years to come, the workstream anticipated that future exchanges would continue to be relevant. While making progress in furthering a common understanding on the areas listed, the workstream also aimed to identify areas of common ground for potential future exchanges.

II. Summary of Discussed Topics

A. The role of financial innovation in contributing to improve insurance coverage for climate change related risks: the case of parametric insurance coverage.

To address the insurance protection gap for natural catastrophes and climate related risks, pursuing options to increase insurance penetration can contribute to reducing

Innovative product design and a risk-based prudential treatment of insurance underwriting that

established a Community Rating System to incentivize community flood mitigation through premium discounts on flood policies purchased through the National Flood Insurance

EIOPA issued a supervisory statement on exclusions and is conducting studies related to exclusions from insurance for natural catastrophes, identifying risks to affordability and availability (protection gaps), as well as expectation gaps from policyholders on the extent of coverage.

- D. Supervisory approaches to natural catastrophe (nat cat) models and (open source) access to data and modern-u(at)37Wm8t[. [60 Tc 0 Tw 3.86 0 Td()]TJ EMC ET /A

the states to work with community partners to address health impacts of disasters, for example funding medical devices for underserved community members to continue functioning after disasters or addressing mold and health degradation after flooding events. Further, the CoE will undertake additional consumer outreach events in 2023 allowing supervisors resources and experiences.

EIOPA's initiatives on nat cat modelling include initiating the first of a series of regular reassessments of the nat cat standard formula model, with the support of EIOPA's Cat Risk Expert Network, composed of (re)insurers, modelers, and brokers. EIOPA's Internal Model Unit has been collecting data on nat cat models which it is currently reviewing. Workstream members discussed the backward nature of models and the importance of forward-looking reviews. Workstream members also discussed whether the reassessment of the standard formula can reflect a forward-looking view. Certain models start developing forward-looking projections.

EIOPA publishes its nat cat insurance protection gap dashboard, which assesses the protection gaps across the EU Member States. Only one fourth of losses caused by natural catastrophes that are part of the dashboard, are insured today. Conclusions as to whether the gap is widening, need to be assessed cautiously at the Member State level. The impact of public-private partnerships is not always reflected in the EU Member States' insured loss data, and the picture may also be different across regions or communities. Access to relevant and comparable data remains a constant challenge.

The absence of commercial models for certain risks, such as for wildfire, prompted EIOPA to start looking at open source model initiatives. EIOPA is engaging with academics to support access to open source data via a practical user interface to allow supervisors and stakeholders to improve their risk assessment. The value of the data is increasing, as is its usefulness for various purposes. EIOPA's aim-2 (t)-2 (s)-11 (s)-1 (E)2I(g) (ng a)4 (tm)-2)-2 (e)4]TJ 0 Tc 09 (

