

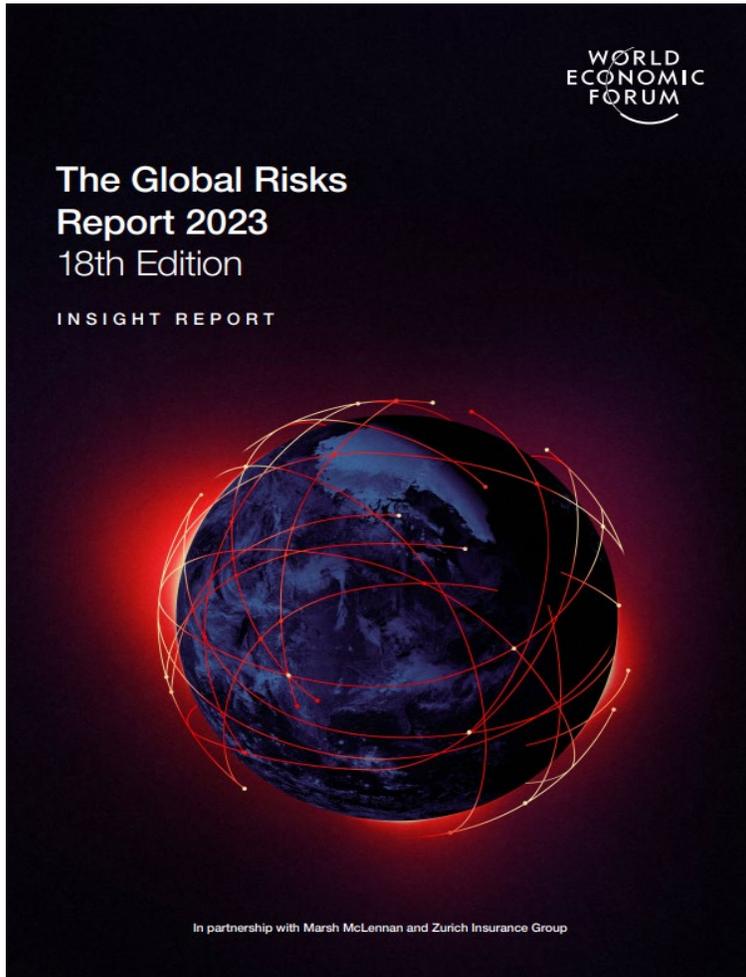
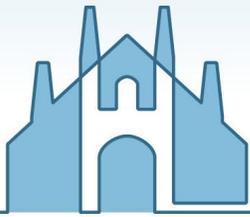
XIV
CONGRESSO
NAZIONALE
DEGLI
ATTUARI

L'ATTUARIO GLOBALE
PER UN MONDO
SOSTENIBILE
TRA TRADIZIONE,
INNOVAZIONE
E RISCHI EMERGENTI

MILANO
15-17 Novembre 2023
Hotel Quark

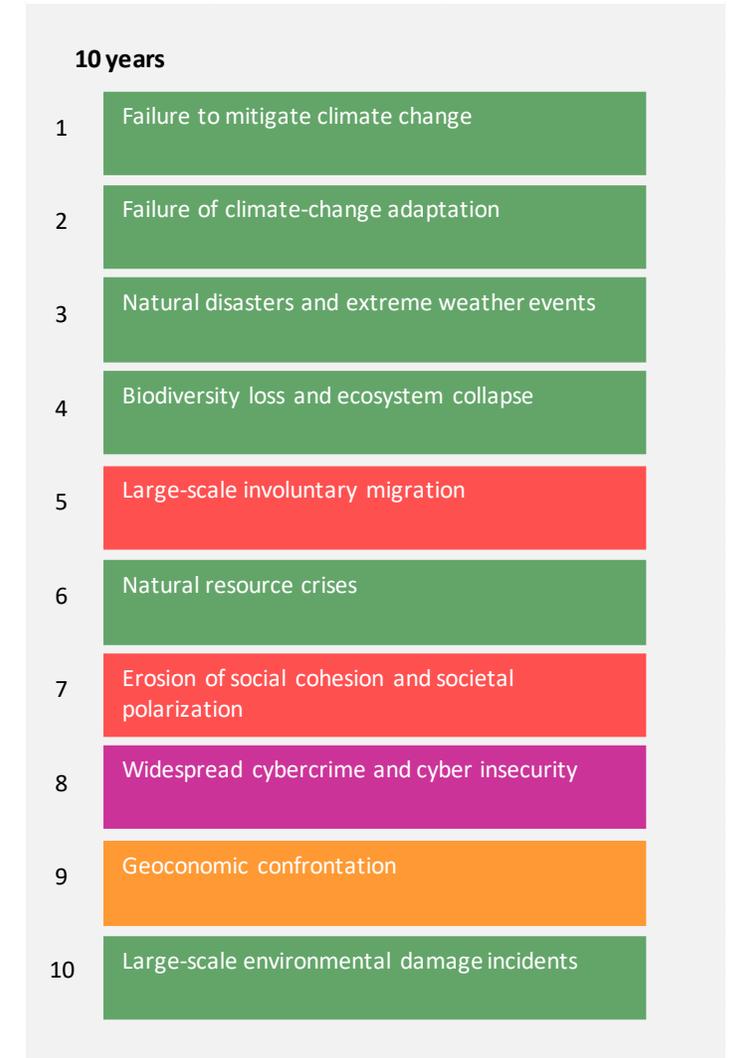
Impact underwriting

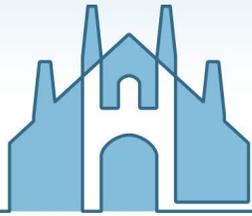
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Ordine degli Attuari



According to what was reported in the latest **Global Risk Report**, presented by the World Economic Forum in January, among the global risks that the planet will face in the next decade are:

- ✓ the failure to mitigate the effects of climate change
- ✓ the failure of climate change adaptation.





IMPACT UNDERWRITING

Report on the Implementation of Climate Related Adaptation Measures in Non-Life Underwriting Practices

EIOPA

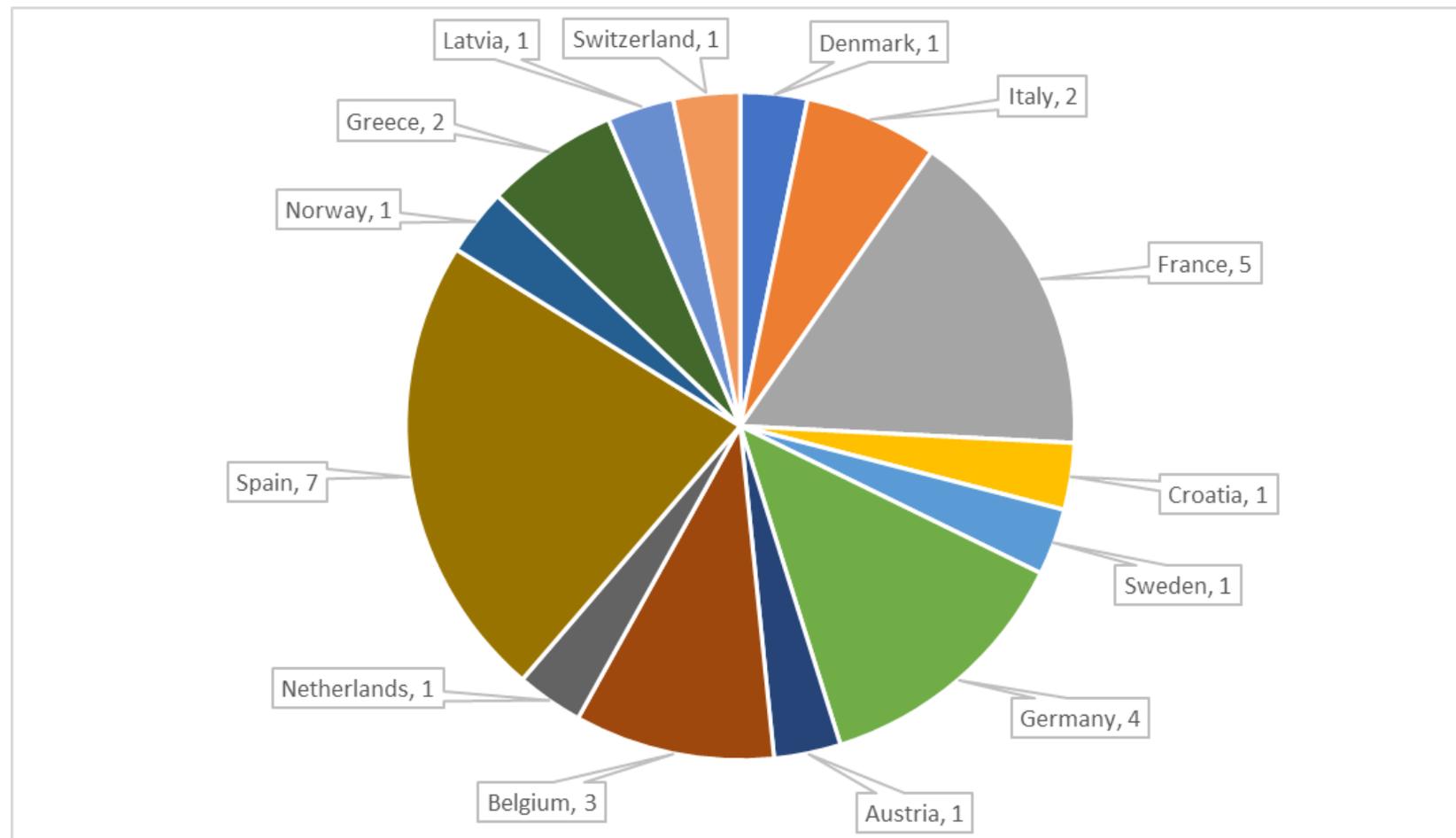
6 February 2023

EIOPA introduced the concept of Impact Underwriting, meaning the ability of insurance companies to contribute to the adaptation of the society to climate change and to limit the under-insurance, by using their underwriting practices.



31 voluntary insurance companies from 14 countries and three insurance-related associations participated in this exercise.

As shown in the figure, the geographic distribution of the participating companies covers various regions differently exposed to climate change:





The pilot exercise particularly aims to better understand the industry's current underwriting practices regarding climate change adaptation.

As climate change is expected to materially increase the frequency and severity of climate/weather - related events, the Insurance industry has an important role. Several studies in the literature underlines that climate-related adaptation measures can be an effective tool to reduce climate-related risk exposures.



However, due to the expected growth in physical risk exposures related to climate change, risk-based premium levels are expected to increase as well over time, potentially impairing the mid to long term affordability and availability of insurance products with coverage against climate-related hazards.

What will be the consequence?

The aggravation of an already evident under-insurance of climate-related hazards.



The pilot exercise has been based on a two-step approach in 2022: firstly, an excel-based questionnaire has been sent to all participants, and based on the responses, dedicated interviews with a limited number of insurance undertakings have been conducted to collect further insights into their climate-related underwriting practices.

Final results of the exercise were published last February.

The participants in the pilot exercise believe that climate change affect several lines of business, but property insurance is the insurance line most strongly exposed to physical risks related to climate change.

Interestingly, only few participants mentioned to provide explicit information to policyholders about climate change and its potential impact on risk exposures.



Overall, the European insurance markets appears to be at an early stage regarding non-life insurance products implementing climate-related adaptation measures. Currently, only 23% of the total losses causes by extreme weather and climate related events across Europe are insured.

Given the current trends of climate change, these insurance protection gaps are expected to become even wider in the future as more frequent and severe natural disasters are likely to occur.

EIOPA concludes the exercise highlighting that adaptation measures can be a key tool to stabilize risk-based premium levels and to maintain the future availability and affordability of insurance product with coverage against climate-related hazards.



But, as shown in the conclusions of the report, the provision of non-life insurance products implementing climate-related adaptation measures is hindered by:

- The lack of policyholders' awareness about climate change and related adaptation measures;
- Difficulties in the risk-based recognition of adaptation measures in standardized insurance contracts;
- High costs of adaptation measures and lack of corresponding financial incentives for policyholders.



Then:

- Dedicated information campaigns can contribute to promote climate change adaptation.
- Improvements in standardizing adaptation measures and underwriting practices are considered important to develop.
- Financial incentives are particularly important to stimulate the adoption of these measures. Risk-based insurance pricing can immediately reflect the reduced risk exposure and create immediate savings for policyholders.



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Thank you for your attention!

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