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# **DRAFT REPORT**

on the insurance of natural and man-made disasters  
(2013/2174(INI))

Committee on Economic and Monetary Affairs

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on the insurance of natural and man-made disasters (2013/2174(INI))

*The European Parliament,*

- having regard to the Commission Green Paper of 16 April 2013 on the insurance of natural and man-made disasters (COM(2013)0213),
  - having regard to the Commission communication of 16 April 2013 entitled ‘An EU Strategy on adaptation to climate change’ (COM(2013)0216),
  - having regard to the public consultation organised by the Commission on the Green Paper from 16 April 2013 to 15 July 2013,
  - having regard to the European Environment Agency Report No 12/2012 entitled ‘Climate change, impacts and vulnerability in Europe 2012, An indicator-based report’,
  - having regard to the European Commission JRC report of September 2012 entitled ‘Natural Catastrophes: Risk relevance and Insurance Coverage in the EU’,
  - having regard to Article 5 of the Treaty on European Union,
  - having regard to Rule 48 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A7-0000/2013),
- A. whereas the penetration rate, which measures the percentage of global insurance premiums over a country’s GDP, varies among Member States, and whereas the extent of the economic losses related to weather events is not characterised by equal rates among Member States;
- B. whereas the situation in the EU insurance market is heterogeneous because Member States are exposed to different risks and natural catastrophes and the predictability of a natural catastrophe depends on different factors (meteorological, geographical, etc);
- C. whereas between 1980 and 2011 a small number of big events gave rise to about half of all costs related to weather events; whereas natural catastrophes are a financial risk wherever they happen;
- D. whereas storm surges, river floods and flash floods are among the main natural catastrophe risks faced by Europe and, even if their incidence is increasing rapidly, it is still impossible to estimate their increasing effects in terms of damages and costs;
- E. whereas citizens are often not aware of the various risks potentially arising from weather events, or else tend to underestimate the risks of natural catastrophes as well as the consequences of lack of preparation;

- F. whereas on the one hand natural catastrophes depend on meteorological and geographical elements, while on the other man-made disasters are due to incorrect behaviour or bad risk management;
- G. whereas the market in natural catastrophe insurance is affected by the extent of preventive measures in the form of adaptation to climate change (e.g. creation of flood defences), while the market in man-made disaster insurance aims to meet liability requirements imposed by safety standards;

### **Prevention and information**

1. Considers that prevention is the most important factor in terms of protecting people and avoiding losses caused by unexpected events; notes the role of the EU in developing a more responsible society and creating a culture of prevention enhancing citizens' awareness of both natural and man-made risks;
2. Believes that more research will yield a detailed framework of different situations with regard to understanding and preventing environmental risks and reducing uncertainty in this field; welcomes partnerships between insurance companies and research institutes aimed at pooling resources, skills and risk expertise in order to better prepare citizens to face risks related to natural catastrophes;
3. Takes the view that the EU can provide visible added value by supporting responsible individual behaviour, and welcomes the support of campaigns aimed at improving citizens' awareness of the risks of natural catastrophes and knowledge of geography and climate;
4. Points out that the involvement of local authorities and stakeholders in decisions concerning city planning and urban development could improve natural catastrophe management; believes that closer cooperation between public and private sectors could help Member States and local authorities to identify high-risk areas and decide on measures for adaptation to change;
5. Invites the Member States to share best practices and experiences with a view to protecting citizens from unexpected events and developing a network for information exchange, to include management at cross-border level;

### **Insurance market**

6. Welcomes the Commission's efforts to raise awareness regarding disasters, but notes that natural and man-made disasters need different types of insurance and are covered by two different insurance markets, and therefore cannot be treated together even if there are cases of man-made decisions affecting a natural catastrophe risk;
7. Encourages the Commission to guarantee easy access to scientific information, including through comparative statistics, and to publish clear and precise data to support decision-making by consumers when taking out natural catastrophe insurance; considers that the introduction of standard formats based on different classifications of events could be useful;

8. Recalls that natural catastrophes affect both private households and business activities, and encourages insurance companies to offer affordable coverage and to propose economic incentives to encourage citizens to take out insurance to protect their property in case of damage; invites companies to devise incentives responding to insurance needs in terms of environmental liability, e.g. for enterprises in the gas or the nuclear sector;
9. Encourages insurance companies to simplify contracts for consumers and to provide information on preventive measures to facilitate consumers' choices;
10. Recognises the need for consumers to understand what type of coverage they have and how it would operate; points out that consumers need to be fully informed of all terms and conditions when buying insurance products and before signing a contract;

### **Non-mandatory insurance**

11. Recalls that in the end it is the state that pays for damages, and suggests that Member States should recognise the importance of prevention and should make it a pillar of investment strategy, since it is more efficient to minimise the consequences of disasters instead of providing cover and repairing afterwards;
12. Underlines the risk of moral hazard when citizens assume that their government is using public resources from the national budget to cover losses; is therefore critical of actions and measures discouraging citizens from taking measures to protect themselves;
13. Recalls that individual responsibility in this sector has to be maintained, and is aware of the efforts made by Member States to combine the promotion of individual responsibility with intervention by government, paying for everything in cases of absence of private initiative;
14. Concludes that there is no market distortion in this field to justify intervention at European level, and does not think that a one-size-fits-all solution is feasible for this issue; recalls that tailor-made insurance products depend on many elements, such as type of risks, culture and the approach taken by Member States;
15. Considers that a flexible natural catastrophe insurance market allows companies to adapt products to different conditions, and believes that a non-mandatory framework is the best way to develop products matching with natural risks in a given geographical area;
16. Instructs its President to forward this resolution to the Council, the Commission and the parliaments of the Member States.