NAIAD

NAture **I**nsurance value: **A**ssessment and **D**emonstration

— NEWSLETTER —

Results of the European survey on Insurance systems and Natural Assurance Schemes (NAS)

Project NAIAD aims to operationalize the **Insurance Value of Ecosystems** for water-related risk mitigation, by developing and testing concepts, tools and applications on 9 demo sites across Europe, under the common concept of **Nature Based Solutions (NBS)**.

The core of the project is the **physical** and **socio-economic analysis** of demo sites, supported with complex **modelling** and **forecast-activities** that will, in cooperation with the insurance sector, strive to propose NBS as **technically sound** and **financially viable** options for **investors** at local level (and higher) and especially for the **Insurance sector**. The goal is to deepen knowledge on the **Insurance Value of Ecosystems (IVE)**, to understand to what extent NBS can help in water-related risk prevention and mitigation.

We conducted a **survey on European Insurance systems** and how they differ from one another, to consider **ecosystems** as a potential solution to help **reduce risk**. Interviews with **61** people active in **(re)insurance companies** and related sectors in **11 European countries** have offered new insights on the role the insurance industry could play to help address the goals of **Disaster Risk Reduction (DRR)** and adaptation to **climate change**, looking particularly at new opportunities around Nature Based Solutions, both by **comparing different Insurance** systems and by giving a global **overview**. These are the **findings**:

1.) Climate change brings new opportunities for the Insurance industry

Climate change and its expected impacts (e.g., the potential increase in natural hazards) are urging the Insurance industry to find resilient solutions.

As providers of insurance services, the industry faces challenges:

- *How to price and model the impact of climate change on natural hazards.*
- *How to offer innovative products and services to its customers.*

9 DEMO sites:

- City of Copenhagen, Denmark
- City of Lodz, Poland
- City of Rotterdam, the Netherlands
- Medina del Campo aquifer, Spain
- La Brague basin, France
- Lower Danube basin, Romania
- Lez Mediterranean basin, France
- Thames basin, United Kingdom
- Glinščica river catchment, Slovenia

2.) Insurance industry is already raising interest in Nature Based Solutions and Insurance Value of Ecosystems.

With **increasing damage costs** from natural disasters, NBS are increasingly being considered as a potential option to reduce our vulnerability to natural hazards: it is a **paradigm shift** from **response-based** approaches to **risk-based** approaches.

As providers of insurance services, the industry can develop best knowledge in collaboration with stakeholders to assess the protective value of ecosystems. The industry faces a knowledge gap in understanding ecosystems functions and processes to integrate these in their natural catastrophe models.

3.) Current moves towards preventive measures offer new roles for the insurance industry, encouraging changes in established roles and procedures.

Different approaches will be applied to increase the involvement of the Insurance industry in DRR and prevention, depending on whether these are publicly-driven, collectively-driven or privately-driven systems.

As new service providers, the industry will look at data and the potential for new services to be offered based on new visions on Insurance from **green protective measures**. The **reinsurance** aspects (public fund vs. private companies) will be a key issue in the strategy design as providers of **new eco-insurance** for DRR in different countries.

As investors, the industry could spur **investment** when there is clear demonstration of DRR benefits and these fit with the current regulation. Increasingly, **investments in ex-ante risk** reduction measures are highlighted as potentially **less expensive** than **ex-post reconstruction**. **As partners** for other parties, the industry can help to communicate and thus, **raise awareness** on climate change adaptation and disaster risk reduction.

4.) Regulations and the essential role of the European Union to stimulate new roles in the insurance industry.

As the main institutional partner, the **European Union** needs to **support the industry** in fostering new ways to a greener economy. The EU has a key role because new regulations can help incentivize the adoption of Nature Based Solutions for Disaster Risk Reduction and Climate Change Adaptation. The Insurance industry is starting to be more involved in prevention. Some **barriers** were identified that need to be **addressed by the insurance industry itself** and **related stakeholders** through consistent **policies and partnerships**.

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