

ECOLOGICAL TRANSITION

“Accelerating the transition to a decarbonised economy to become climate neutral by 2050 is an important goal of the French Presidency.” [SOURCE]

STATE OF PLAY AND CHALLENGES

For some time now both the frequency and severity of extreme weather events and natural catastrophes has been rising. This trend preoccupies risk managers as they seek risk transfer options to mitigate the impact of such events.

In this area, FERMA draws attention to the growing concern among risk and insurance managers about a protection gap, which is where some enterprises find themselves with insufficient financial protection against climate-related losses.

According to a recent survey conducted by the French risk management association, over 60% of risk managers are concerned that certain business activities or locations will become un-insurable [SOURCE].

The concern about lack of options for risk transfer for risks related to the transition is growing among risk managers. FERMA is very supportive of the work of EIOPA on the natural catastrophe protection gap dashboard. More information in this area is a vital step towards addressing the shortcomings of the market and to working on a possible solution, be it a public private partnership or otherwise.

OUR CONTRIBUTION

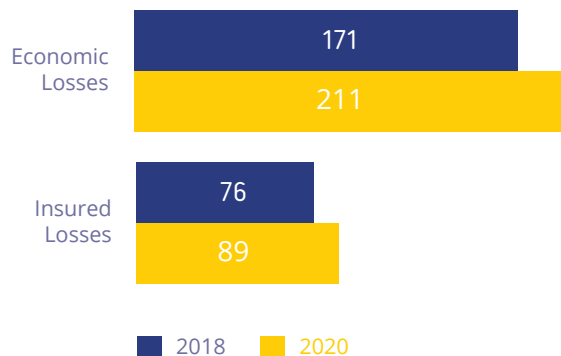
- One of the key contributions by risk management in terms of the ecological transition is that it helps prepare businesses for worst-case scenarios by guiding prevention and loss mitigation measures. See FERMA's Sustainability guide for more information. [SOURCE]
- FERMA is also working with its Members this year to develop a position on the insurance market strategy for the transition, with a view to making recommendations for policy.



We ask policy-makers to

Focus on the important issues of the insurance protection gap for natural catastrophes, and the trend in the commercial insurance market of risks being deemed 'uninsurable'. Otherwise, EU citizens and businesses could be left with no risk transfer mechanism or financial protection for certain substantial losses.

The economic and insured losses from natural catastrophes in 2020 and 2021 (EUR Billion, 2021 prices) [SOURCE]



Right now despite many companies making considerable investments in various sustainability initiatives or decarbonisation efforts, we are not seeing this being reflected in a lower insurance premium. This is important because many big industrial companies are themselves pursuing goals that help the transition away from carbon. We need a lot of support from banks and insurers to smooth this transition.”

Mario Ramirez Ortuzar

Risks and Assets Manager, Exolum, Spain