

Wednesday 5 February 2014

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Insurance of natural and man-made disasters

European Parliament resolution of 5 February 2014 on the insurance of natural and man-made disasters (2013/2174(INI))

(2017/C 093/12)

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 (A7-0005/2014),
- 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 unequal degree of penetration in the Member States, conditioned by legal, geophysical, historical and cultural differences resulting in the varying levels of demand, can be seen as necessitating action at European level, at most in the field of information and prevention policy;
- C. 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, hydrological, geophysical, etc.);
- D. 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 and man-made disasters are a financial risk wherever they happen;
- E. whereas storm surges, forest fires, 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 damage and costs;
- F. whereas citizens are often not aware of the various risks potentially arising from weather events, or else both as individuals and communities tend to underestimate the risks of natural catastrophes as well as the consequences of lack of preparation;
- G. 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;
- H. whereas the consequences of certain natural disasters are in some cases amplified by the lack of adequate precautionary measures by governments, local authorities and citizens;
- I. whereas, with regard to man-made disasters, the observance and optimisation of safety rules is very important for the purposes of accident prevention;

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- J. 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 or fast detection and reaction capacities against forest fires), while the market in man-made disaster insurance aims to meet liability requirements imposed by safety standards, which means that it is inappropriate to treat property damage and liability insurance in the same way;

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 which gives enough thought to precautionary measures and creating a culture of prevention enhancing citizens' awareness of both natural and man-made risks;
2. Believes that more research may 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 understand the issues involved, thus preparing citizens and their communities so that they are better able to face risks related to natural catastrophes;
3. Believes that information is crucial for the prevention and mitigation of such disasters; calls therefore for closer cooperation between Member States and the private sector in order to provide citizens with relevant information relating to the risks that they face;
4. Takes the view that the EU and national authorities can provide visible added value by supporting responsible individual behaviour and by sharing best practices on risk prevention and mitigation amongst Member States and regionally, and welcomes the support of campaigns aimed at improving citizens' awareness of the risks of natural catastrophes and knowledge of geography and climate;
5. 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, decide on preventive measures and prepare for coordinated action;
6. Calls for Member States and public authorities to take adequate preventive measures in order to mitigate the consequences of natural disasters; invites governments to create and maintain crisis response units in order to mitigate the consequences of such crises;
7. 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, and to agree on cross-border coordination and management;

Insurance market

8. Welcomes the Commission's efforts to raise awareness regarding disasters, but emphasises 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 aggravating exposure to a natural catastrophe risk;
9. Underlines that the EU should not create overlapping and contradicting liability rules; points out that in most Member States there is some form of insurance-based system for floods and other natural damage; notes that the system can be supplemented with state funds to compensate for those assets which cannot be privately insured, and that state funds may also compensate for insurance claims exceeding the maximum amounts or for otherwise exceptionally heavy damage; further takes the view that a Member State may participate in compensation for damage by providing reinsurance; considers, however, that these systems differ in many respects, and it is not prudent or necessary to unify them;
10. Notes that Regulation (EC) No 2012/2002 establishing the European Union Solidarity Fund is the basis for Community action in cases of major disasters and that the Regulation clearly states: 'Community action should not relieve third parties of their responsibility who, under the "polluter-pays" principle, are liable in the first instance for the damage caused by them, or discourage preventive measures at both Member State and Community level';

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11. Encourages the Commission to guarantee easy access to relevant information, including through comparative statistics, and the Member States to publish clear and precise data to support decision-making by consumers, communities and companies when taking out natural catastrophe insurance; considers that the introduction of standard formats based on different classifications of events could be useful;
12. Recalls that natural catastrophes affect both private households and business activities, and encourages insurance companies to take risk-based pricing as a central approach to disaster insurance; invites Member States to propose incentives to encourage citizens to protect themselves and insure their property against damage, and incentives responding to insurance needs in terms of environmental liability, e.g. for enterprises in mining or in the gas, chemical or nuclear sectors;
13. Invites insurance companies to clarify contracts for consumers and to provide information on available options and their impact on the price of cover, in order to ensure adequate consumer choice; invites insurance companies to provide clear and comprehensible information for clients and prospective clients;
14. Recognises the need for consumers to understand what type of coverage they have and how it would operate when risks materialise; points out that consumers need to be fully informed of all terms and conditions, including the procedures for withdrawal from a contract and for making complaints and the deadlines applicable in such procedures, when buying insurance products and before signing a contract; considers that risk-based pricing should be central to the availability of insurance coverage; believes that the protection of consumers must be a concern of the EU and the Member States;

Non-mandatory insurance

15. Recalls that in the end it is the state or the regional authorities that bear much of the indirect or direct cost burden for damage, be the causes natural or man-made, and suggests that Member States and regional authorities should recognise the importance of risk prevention and should make it a pillar of investment strategy, since it is more efficient to minimise the consequences of disasters instead of just providing cover and repairing damage afterwards;
16. Underlines the risk of moral hazard if citizens assume that their government will be using public resources from the national budget to cover their losses; is therefore critical of actions and measures which may discourage citizens or communities from taking measures to protect themselves; is of the opinion that citizens should carry their share of responsibility and that compensation should not cover all damage;
17. 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;
18. 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 would be feasible for this issue; recalls that tailor-made insurance products depend on many elements, such as type of risks, their probable quantity and quality, culture of prevention, the state of preparedness and capacity for action and the approach taken by Member States and regional authorities concerning risk monitoring and preparation;
19. Considers that a flexible natural catastrophe insurance market allows insurance companies to adapt products to different conditions, and believes that a non-mandatory framework is the best way to develop products that match with natural risks in a given geographical area;

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20. Instructs its President to forward this resolution to the Council, the Commission and the parliaments of the Member States.