

The insurance protection gap dashboard for natural catastrophes

Fields marked with * are mandatory.

Responding to the consultation

EIOPA acknowledges the limitations of the pilot version of the dashboard, which was developed, based on publicly available data and expert judgement. The main goal of the pilot dashboard is to establish a framework for identifying key risk drivers for the protection gap for natural catastrophes and for collecting relevant evidence and data. The methodology for deriving the relevant scoring, as well as the existence of data gaps will be subject to review and will be updated based on further evidence and discussion in the future. Views from stakeholders on the methodology, data used in the dashboard are welcome until **31st of March 2021** responding to the questions below. Questions on the dashboard are also welcome to be sent to protection_gap_dashboard@eiopa.europa.eu.

Comments are most helpful if they:

- respond to the question stated, where applicable;
- contain a clear rationale; and
- describe any alternatives EIOPA should consider.

Contributions not provided using the EU Survey tool or submitted after the deadline will not be processed.

Publication of responses

Contributions received will be published on EIOPA's public website unless you request otherwise in the respective field in the survey below. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.

Please note that EIOPA is subject to Regulation (EC) No 1049/2001 regarding public access to documents [1] and EIOPA's rules on public access to documents[2].

Contributions will be made available at the end of the public consultation period.

Data protection

Please note that personal contact details (such as name of individuals, email addresses and phone numbers) will not be published. They will only be used to request clarifications if necessary on the information supplied. EIOPA, as a European Authority, will process any personal data in line with Regulation (EU) 2018/1725[3] on the protection of the individuals with regards to the processing of personal

data by the Union institutions and bodies and on the free movement of such data. More information on data protection can be found at <https://eiopa.europa.eu/> under the heading '[Legal notice](#)'.

[1] Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents (OJ L 145, 31.5.2001, p. 43).

[2] [Public Access to Documents](#)

[3] Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45 /2001 and Decision No 1247/2002/EC (OJ L 295, 21.11.2018, p. 39).

About the respondent

* Please indicate the desired disclosure level of the responses you are submitting.

- Public
 Confidential

* Stakeholder name

Actuarial Association of Europe

* Contact person (name and surname)

Monique Schuilenburg

* Contact person email

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Contact person phone number

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Questions to Stakeholders

Q1: Do you agree with the overall approach used in the dashboard?

- Yes
 No

Please explain the rationales of your positive or negative answer.

Do you agree with the purpose? Is there any features to be highlighted?

Yes, but with some reservations.

The dashboard generally uses a scientific approach, has a logical construction, and a reasonable level of granularity. It permits a concise communication of the overall insurance protection gap and uses simple 0-4 scale.

We believe it is important to define and explain the purpose of the dashboard and how the information provided by the dashboard will be used.

An inspection of the mechanics of the dashboard shows that it uses a combination of historical information, expert judgment and scientific information (catastrophe models). However, there are questions in respect of the methods of aggregations, granularity and calibration.

Q2: Do you have any comments about the dashboard in general?

Weightings

We note that there is an equal weighting of 4 perils. We would question whether some perils may be deserving of more or less weight than others, e.g. based on the importance for the economy.

There is also an equal weighting of countries, irrespective of their size or populations. This does not appear to be appropriate when calculating an overall score for the EU. Instead economic importance weights could be used to reflect the costs that would have to be covered by the governments in case of a protection gap in the respective country.

Granularity

The dashboard is an adequate starting point though it provides aggregate figure per country, which may hide significant regional or socio-economic differences in insurance protection, which may further compromise usefulness of the metric.

General

The dashboard is (so far) limited to four main historical perils. Climate change could generate new protection gaps. It could also increase the regional (eg coastal areas) or socio-economic differences. We encourage EIOPA to add new perils as soon as possible even if the historical data are limited. What about sustainability of insurance offer?

Q3: Do you have any comments on the methodology used to derive the scores?

Note: while we have reviewed the methodology at a high level, we would recommend that it is reviewed in detail by experts in the area.

Calibration

How do we know the calibration of the historical gap score is consistent with the calibration of the score for the gap estimated today, e.g. Greece's score for earthquake are Historical: 4, Today: 3.5. Similarly, Ireland's scores for Flood are Historical 1; Today: 0. What is the reason for the improvements?

The scores are derived using the combination of a scientific approach and expert judgment. However there seem to be large differences for some countries in respect of historical gap versus the current gap. It would be beneficial to understand the reason of these differences to ensure that there is no calibration issue.

Furthermore, it would be beneficial to involve national regulators in respect of the methodology, calibration and understanding of the predicted score.

Effect of large events on perceived gap

The methodology appears to ignore the historical information and time from the latest large event -this can have significant impact on the future protection gap due to the making the risk more "real" for policyholders, which can create need for insurance and reduction of protection gap.

Aggregation

The index aggregation seems to follow simple average applying a same weight between perils within individual countries and across all countries within Europe. European countries have different exposure to these perils (e.g. the Czech Republic does not have any earthquake exposure, so it doesn't feel right to consider this peril to measure overall protection gap in Czech Republic). These non-exposure perils artificially lower protection gap index for given country and likewise for the overall European index.

Q4: Do you have any comments on the input data used in the dashboard?

There will be different data quality and availability of the data across countries due to the existing insurance /reinsurance penetration the quality of the models, underlying data used for calibration. It is critical to communicate these limitations to ensure consistency between individual countries and allow for potential weighting between experience and expert judgment.

Q5: Do you have any other data sources which could be used for the dashboard?

- Yes
- No

Please describe the data.

As we expect that available data from European national regulators, EIOPA and insurance associations have already been extensively used for this exercise, we see currently no additional data sources.

Q6: Some parts of the methodology to derive scores for the dashboard use expert judgements. Do you agree with the expert judgement calls or would you have suggested another approach? Please explain.

To comment in detail on this we would need review by experts in the area.
In addition, it may be worth discussing the approach with national regulators and local insurance companies – who might have more specific data/local expert judgment, e.g. as shared in their ORSA reports.

* Q7: Do you have any other comments on the work made by EIOPA on the protection gap?

- Yes
 No

If yes, please provide these other comments.

It is important to focus on the impact of large events, the underwriting cycle, higher public awareness following an event and education on the protection gap; furthermore, it would be interesting to focus on silent covers (covers that aren't unambiguously covered or excluded e.g. automatically covering subsidence, flash floods, wildfire, under traditional house insurance, where these might be explicitly excluded at some point in future if these risks start to materialise or increase in frequency) as a potential source of future protection gap.

We would recommend considering the protection gap and climate change issue as a joint issue for the entire market (governments, insurers, and policyholders). There should be an agreed approach between governments and insurance companies to find sustainable solutions to close the protection gap, whilst mitigating the effect of the climate changes on the risks. (e.g. building flood barriers, building code standards, areas with new development taking into consideration projected future climate changes, agriculture policies to increase the water retention/water absorption).

[Contact Form](#)