AAE | ACTUARIAL ASSOCIATION OF EUROPE
ADVISING · ACHIEVING · ENGAGING

ACTUARIAL ASSOCIATION OF EUROPE
ASSOCIATION ACTUARIELLE EUROPÉENNE

SILVERSQUARE NORTH
BOULEVARD ROI ALBERT II 4
B-1000 BRUSSELS, BELGIUM
(+32) 2 274 06 61
INFO@ACTUARY.EU
WWW.ACTUARY.EU

6 April 2026

Response to EIOPA Consultation Paper

EIOPA-BoS-26-005: Assessment of the Prudential Treatment under Solvency II of Adaptation Measures

Introduction

The Actuarial Association of Europe ('AAE') welcomes the opportunity to respond to EIOPA's consultation paper on the assessment of the prudential treatment of adaptation measures under Solvency II (EIOPA-BoS-26-005). We commend EIOPA for undertaking this important analysis, which addresses a critical and timely question: how the Solvency II standard formula for natural catastrophe ('NatCat') risk can better reflect the impact of climate adaptation measures on insured losses.

In particular, the recognition of adaptation measures should be supported by robust evidence on their impact on the loss distribution, including changes in distribution shape and tail behaviour relevant for SCR calibration.

Our overarching position is that adaptation measures, both micro and macro, should be recognised within the standard formula to the greatest extent that the evidence and data permit. We support a combination of options — principally a more frequent reassessment process (Option A) combined with new dedicated adaptation parameters (Option D) — as the most proportionate and effective path forward.

We note, however, that prudential tools alone are unlikely to drive widespread adaptation; broader policy measures, including updated building codes, land use planning, and targeted public investment in resilience infrastructure, are important complements to any insurance-based incentive mechanism.

Care should also be taken to avoid unintended incentives, where capital relief could be granted without sufficiently robust verification of the effectiveness of adaptation measures.

At the same time, we would encourage EIOPA to assess, as part of its further analytical work, whether the additional effort required — both for the initial calibration of more granular parameters and for their ongoing maintenance — is proportionate to the benefits that can realistically be achieved by reflecting adaptation measures within the standard formula. A clear cost-benefit analysis of any proposed parametrisation would help ensure that the framework remains workable and does not impose disproportionate burdens on undertakings or supervisory authorities.

1. Discussion of the Materiality of Different Peril/Region in the Standard Formula

Q1a. Do you have any comments about the discussion for windstorm?

We welcome EIOPA's thorough assessment of windstorm materiality across European regions. The analysis is broadly comprehensive and aligns with the understanding of our member associations.

We suggest that EIOPA also consider analysing the materiality data at the country level, as a complement to the aggregated European view presented in the paper, in order to identify cases

where certain perils may play a significantly larger role in particular Member States. For example, hail risk may be considerably more material in some Member States than the European-level analysis suggests.

Micro-level windstorm adaptation can be more effective and more measurable at reducing vulnerability than the paper may suggest. Programmes such as the Alabama Strengthen Alabama Homes and North Carolina FORTIFIED initiatives demonstrate that roof hardening measures can reduce wind losses by 20–40% and materially improve insurability. While these are non-European examples, the underlying damage mechanisms for wind are similar, and this evidence could be carefully translated to the European context. However, differences in building practices and hazard characteristics between North American and European contexts should be carefully considered.

From a modelling perspective, such measures primarily affect vulnerability at moderate hazard intensities, while losses at high return periods are often driven by structural damage mechanisms where adaptation measures may have diminishing marginal effects.

In the Danish context, windstorm risk is significant but often intertwined with coastal flooding risks. Building codes in coastal and exposed areas have improved wind resistance, though data granularity on portfolio-level compliance remains limited. Enhanced data collection on building characteristics would enable better assessment of micro adaptation benefits.

Q2a. Do you have any comments about the discussion for earthquake?

We do not have significant comments on the earthquake discussion. The paper correctly highlights that earthquake risk is highly sensitive to building characteristics. Seismic strengthening measures can substantially reduce vulnerability, and their effectiveness is well documented in non-European countries with mature retrofit programmes (e.g. Japan, New Zealand, parts of the United States). We would add that the nature of the soil may also have an impact on vulnerability in terms of amplification factor (liquefaction effect), but the current simplification is acceptable given the complexity of combining soil characteristics with building typologies in fragility curves.

In addition, data on building typologies and seismic design standards is often more structured and standardised than for other perils, which may facilitate a more robust integration of adaptation effects. These measures can be more directly reflected through changes in vulnerability functions, given the strong link between seismic performance and building characteristics. This makes earthquake risk a more structurally suitable candidate for integrating adaptation measures within the standard formula.

As with windstorm, it may be useful to analyse the data at the country level to identify potential alternative allocations that warrant more detailed scrutiny.

Q3a. Do you have any comments about the discussion for floods?

We welcome the paper's recognition of the importance of both macro- and micro-level flood adaptation measures. Flood risk is highly material across many European Member States, and the interaction between macro infrastructure (levees, retention basins, dikes) and micro property-level interventions (floodproofing, backflow valves, deployable barriers) is well captured.

We suggest that the paper could more explicitly acknowledge the effectiveness of certain micro measures. If correctly installed, property-level interventions such as dry and wet floodproofing, elevation of utilities, backflow valves, and deployable barriers can significantly reduce damage for frequent, lower-severity events. In particular, flood losses at high return periods are often driven by defence exceedance or failure mechanisms, leading to non-linear increases in damage. This highlights the importance of capturing threshold effects in the modelling of flood risk.

The current CRESTA zone structure could benefit from further refinement for flood risk. For example, in some Member States the existing zones may not provide sufficient granularity, with

certain urban areas appearing too large to be represented by a single zone. Introducing a breakdown based on postal codes could be a feasible enhancement. However, such refinements should be carefully balanced with the need to preserve simplicity and avoid introducing spurious precision not supported by data.

This observation is consistent with the AAE's previous position on the NatCat reassessment consultation, where we suggested that EIOPA consider refining the CRESTA classification to better capture local risk variation such as landscape height differences.

In certain Member States, national compensation schemes mean that insurers have limited direct exposure to specific flood sub-perils. Ongoing reforms to such schemes aim to better incentivise adaptation and introduce risk-based levies, which could improve data quality and risk sensitivity over time.

2. Discussion on a Dedicated Treatment of Adaptation

Q4a. Do you think that considering adaptation in the reassessment process is a valuable option?

Yes.

Q4b. Which other pros do you see from this option?

We consider the reassessment process (Option A) to be a valuable option, provided it is combined with one or more of the other options discussed in the paper. On its own, incorporating adaptation into the periodic reassessment would not make risk measurement sufficiently company-specific or create strong incentives at the level of individual insurers.

The principal advantage of this approach is that it leverages existing processes and promotes consistency across the market, ensuring all insurers benefit from updated risk assessments that reflect evolving adaptation measures. It allows adaptation effects to be incorporated without modifying the structure of the standard formula, although it may increase complexity in the calibration process.

Reassessments should also incorporate a forward-looking dimension, considering estimated trends in event frequencies and the expected impacts of climate change. In particular, macro adaptation measures should lead to an 'as-if' analysis of their impact on historical events, enabling the standard formula to reflect the changed risk landscape more accurately.

Q4c. Which other cons do you see from this option?

The current reassessment cycle is relatively infrequent — in some cases, it has been over ten years since certain NatCat perils were last recalibrated. We suggest that reassessments should occur at least every five years, and that a monitoring process for the suitability of existing calibrations would be beneficial.

This approach does not allow risks to be differentiated based on an insurer's specific portfolio or regional exposure, limiting its incentive effect for individual insurers to pursue 'build back better' strategies or co-invest in resilience projects in the regions where their portfolios are concentrated.

Product features (such as higher deductibles) and underwriting policy are not sufficiently reflected in the current reassessment process. We suggest that contract limits and deductibles should be considered in the standard formula calibration.

Q5a. Do you think that considering Undertaking-Specific Parameters (USP) to better reflect adaptation measures is a valuable option?

Yes.

Q5b. Which other pros do you see from this option?

We see merit in the concept of USPs, though with important practical reservations as set out below. In principle, they could allow insurers with high-quality data about adaptation measures implemented for the assets they insure to reflect them more accurately than standard parameters. This could provide a meaningful capital incentive for those undertakings with the capacity to develop them. This would allow adaptation effects to be reflected through adjustments in key model components.

The USP approach could also incentivise insurers to collect property-level data on adaptation measures, supporting the development of a more granular and evidence-based calibration of adaptation effects.

As an alternative or complement to undertaking-specific parameters, country-specific parameters (CSPs) merit consideration. At the country level, there may be sufficiently large volumes of actual observations over the Solvency II regime to support own-country data in standard formula NatCat SCR calibrations. This could help mitigate data limitations at undertaking level by relying on more robust aggregated datasets.

Q5c. Which other cons do you see from this option?

In practice, USPs are unlikely to constitute a sufficient or scalable solution for recognising adaptation across the market in their current form. They are resource-intensive, rarely used in practice, and would only benefit a small subset of insurers with sufficient capacity to develop them. This limits their scalability and does not support a consistent market-wide treatment of adaptation.

In addition, differences in data availability and modelling capabilities across undertakings may lead to inconsistent application of USPs.

National supervisory authorities are already managing a significant volume of USP applications. A broad adoption of adaptation-related USPs could create bottlenecks, particularly if product changes or adjustments to risk mitigation measures trigger frequent re-certification requirements. Moreover, the impact of USPs on capital requirements may remain limited if adaptation effects are uncertain or difficult to quantify robustly.

Even where adaptation benefits could be reflected through USPs, the financial signal to policyholders would remain modest. Premium reductions typically take decades to offset the high upfront cost of structural adaptation measures. Care should also be taken to ensure that the framework does not inadvertently encourage insurers to exclude high-risk properties rather than incentivise adaptation, which could risk widening the protection gap.

There is also a risk that adaptation effects could be overestimated in the absence of sufficiently robust validation frameworks.

A further structural limitation is that USPs are inherently backward-looking: they require historical loss observations that, for recently implemented adaptation measures, do not yet exist. This contrasts with the forward-looking dimension we have advocated for in the reassessment process (see Q4b above). Adaptation is dynamic and evolving, meaning that the very measures most in need of recognition are often those for which the required dataset cannot yet be assembled. Furthermore, improving data quality and granularity — while conceptually beneficial — may, in some cases, increase capital requirements if better data reveals higher insured replacement values or previously unrecognised exposures, thereby creating an unintended disincentive to the data investment that effective adaptation recognition would rely upon.

Q6a. Do you think that considering Risk Mitigation to better reflect adaptation in the standard formula is a valuable option?

No.

Q6b. Which other pros do you see from this option?

We acknowledge the conceptual appeal of aligning physical adaptation with other recognised financial risk mitigation techniques. Both adaptation and risk transfer aim to reduce the level of losses, albeit through fundamentally different mechanisms. Risk transfer operates through financial protection mechanisms, whereas adaptation acts on the physical drivers of risk such as hazard intensity or vulnerability.

Should EIOPA nonetheless wish to explore this avenue, we suggest that risk mitigation from reinsurance cover and from adaptation measures should be kept strictly separate. This would require detailed and standardised input data on adaptation measures at portfolio level, which is currently not systematically available.

Q6c. Which other cons do you see from this option?

The majority of our member associations consider this option to be conceptually and practically challenging as a standalone vehicle for recognising physical adaptation measures within the Solvency II standard formula. However, as noted under Q7b and Q9b, certain elements of this approach could potentially be combined with Option D (new parameters) at CRESTA zone level. Solvency II risk mitigation techniques are designed primarily for risk transfer (e.g. reinsurance), whereas adaptation measures aim to reduce risk by acting on the physical drivers of losses (hazard and/or vulnerability). Seeking to accommodate adaptation withinthe existing risk-mitigation framework as a standalone option could add complexity, create inconsistencies, and blur the important distinction between fundamentally different risk management mechanisms.

Unlike reinsurance, adaptation measures do not provide a contractual and enforceable risk transfer, which is a key requirement for recognition as risk mitigation under Solvency II.

We also note that the current risk mitigation framework relies on a defined set of recognised techniques. Adaptation measures evolve rapidly in response to changing climate hazards and technological innovation, and fitting them into a fixed list of techniques would risk restricting both their effectiveness and the flexibility to recognise new approaches as they emerge.

Q7a. Do you think that considering new parameters to better reflect adaptation measures is a valuable option?

Yes.

Q7b. Which other pros do you see from this option?

We consider the introduction of dedicated adaptation parameters (Option D) to be the most promising option for recognising adaptation measures within the standard formula, a view broadly shared across our member associations. Introducing dedicated adaptation factor parameters could provide a clearer and more transparent way to recognise them, especially if supported by standardised definitions and certification schemes. This approach would improve risk sensitivity by explicitly linking adaptation effects to risk parameters and could reward portfolios with higher resilience levels.

An important design question is whether the adaptation factor should be a standard parameter calculated by EIOPA, or whether it should be undertaking- and portfolio-specific. A portfolio-specific approach would provide the strongest and most immediate capital incentive for insurers, while a standardised EIOPA approach would be simpler and more proportionate.

EIOPA could consider providing two parameterisations: one conservative calibration that excludes micro adaptation measures from the vendor model, and one that includes typical micro adaptation measures. If transparently documented, insurers could individually decide which factor to apply, or whether a credibility approach between the two variants would be appropriate. This could be particularly beneficial for smaller entities.

In practical terms, relying on established and well-defined reinsurance parameters could help ensure the framework remains practical and avoids dependence on data points that are difficult to collect, such as renovation year. More accessible attributes, for example wall construction type, could be used instead, and several elements could be derived from existing spatial or mapping datasets.

It may also be possible to combine Options C and D, by allowing an insurer to estimate risk reductions from micro adaptation measures at the CRESTA zone level and to specify a reduction of exposure or risk at that level. A standard formula parameterisation from ground up, incorporating sum insured by CRESTA zone, information on reinsurance, and information on deductibles and other risk-reducing product details, would be required.

Q7c. Which other cons do you see from this option?

The effectiveness of any adaptation parameter depends on the quality of underlying vulnerability data. Insurers hold detailed portfolio exposure data and model vendors generally provide hazard models, but vulnerability functions often remain uncertain, simplified and not fully reflective of adaptation measures. Because adaptation primarily affects vulnerability, this uncertainty is particularly material. Open-source adaptation-adjusted vulnerability curves, such as those being developed under the EU-funded CLIMAAX initiative, could help address this gap. However, the use of such approaches would require strong validation and supervisory acceptance.

It is also important to acknowledge that some adaptation measures can increase the sum insured by raising the replacement cost of the asset. In such cases, NatCat capital charges may rise even if vulnerability falls. Additionally, adaptation measures modify vulnerability curves in non-linear ways across the loss distribution, meaning damage reduction at the 1-in-200-year return period relevant to the SCR may differ substantially from average loss reductions.

Q8a. Do you agree that considering internal models (IM) to better capture adaptation measures is a valuable option?

Yes.

Q8b. Which other pros do you see from this option?

Internal models can, in principle, capture adaptation measures more explicitly and consistently within the modelling framework than the standard formula allows. Internal and partial internal models offer the greatest flexibility, as they can reflect the impact of adaptation on hazard, exposure, and vulnerability simultaneously, and are not constrained by the standard formula's structural assumptions.

Q8c. Which other cons do you see from this option?

Only a minority of large and complex (re)insurers use internal or partial internal models. Relying on this option alone would not create incentives for adaptation at market scale and would not support consistent recognition of adaptation across the broader insurance industry.

National supervisory authorities might require the undertaking to extend the model to cover the whole underwriting risk module, thereby significantly increasing the effort and cost. This option is therefore viable only for very large insurers with sufficient resources.

In addition, reliance on internal models may reduce comparability of capital requirements across undertakings.

A further practical constraint arises from the dynamic nature of adaptation itself. Because adaptation measures are continuously implemented, upgraded, and occasionally reversed, undertakings using internal models to capture their impact may face pressure for more frequent model updates and re-certification. This would place additional demands on supervisory authorities, who would need increased resources to validate and approve model changes in a timely manner. The requirement to continue calculating the standard formula in parallel means that the overall compliance burden would increase rather than decrease.

Q9a. Do you see other valuable options to better capture adaptation measures?

Yes.

Q9b. Please explain. Which options? What would be the pros and cons?

Our member associations have identified several additional avenues that could complement the options discussed in the paper.

Increased geographical granularity. A concrete additional option would be to increase the geographical granularity of the existing standard formula risk zone structure. Refinements using local land use codes and building era data could improve baseline calibration by better aligning risk parameters with local risk drivers without requiring new methodological approaches.

Market and data infrastructure. An effective complementary approach would be to strengthen the underlying market and data infrastructure for recognising adaptation. This includes developing standardised resilience assessments, integrating adaptation attributes into property-level datasets available to insurers, and establishing verification schemes for both man-made and nature-based solutions. Investment in quantitative studies on the cost-effectiveness of property-level resilience measures would also support a more robust and evidence-based calibration of adaptation effects.

Combination of Options C and D at CRESTA level. It may be possible to allow insurers to estimate risk reductions from micro adaptation measures at the CRESTA zone level and to specify a reduction of exposure or risk at that level, combining elements of the risk mitigation and new parameters approaches. This could also accommodate product design innovations (such as significantly higher deductibles) that are not strictly micro measures but similarly reduce risk.

Macroprudential dimension. From a macroprudential perspective, enabling adaptation at scale would reduce the systemic risk that arises when climate-related losses become increasingly

uninsured and the protection gap grows. While specific macroprudential tools are beyond the scope of this consultation and of the recently finalised Solvency II review, we suggest that EIOPA could usefully flag, for future analytical work, the question of whether and how the systemic benefits of resilience-enhancing insurance could be assessed.

Public–private frameworks. Coordinated public–private frameworks can play a complementary role in strengthening the incentive effect of prudential tools. Updated land use zoning, building codes, build-back-better requirements, and nature-based solutions are important elements of a broader resilience strategy. However, any such mechanisms should be carefully assessed on a case-by-case basis to avoid moral hazard and to ensure they complement, rather than undermine, existing robust national insurance markets. The responsibility for designing and governing such frameworks lies primarily with public authorities, with the insurance sector contributing its expertise in risk assessment and pricing.

Leveraging existing catastrophe models. Most undertakings already employ catastrophe models for reinsurance purchasing and internal risk management. These models are typically more granular and forward-looking than the standard formula parameters and are well placed to assess the impact of adaptation measures on loss distributions. Making structured use of such model outputs — for example through the ORSA process to document the risk-reducing effect of adaptation policies, or to inform standard formula reassessment at market level — could provide a practical bridge between undertaking-level analysis and market-wide capital frameworks, without requiring significant new infrastructure or data collection.

We would encourage EIOPA to keep an open avenue for introducing new parameters or more sophisticated formula structures where this is supported by the evidence and can be implemented in a proportionate manner. Technology and analytical capabilities in the insurance sector have advanced substantially over the past decade. Simplicity and standardisation should remain guiding principles of the standard formula; at the same time, an appropriate level of risk sensitivity will remain important in a structurally changing climate risk landscape.

3. Assessment of Further Development of Adaptation Measures

Q10a. Do you have any comments on the assessment of micro adaptation measures for windstorm?

We broadly agree with the assessment. While tropical cyclones and European windstorms are driven by different physical mechanisms, they share important similarities in how buildings are damaged. Well-documented adaptation measures in tropical cyclone regions, such as roof hardening, secondary water resistance, and improved fastening systems, provide useful evidence about the effectiveness of similar interventions in Europe, and could be carefully translated and extrapolated to the European context. While additional European peril-specific evidence would clearly be valuable, we see merit in considering proportionate recognition on the basis of well-established international evidence, subject to appropriate adjustments and a suitably prudent approach. However, the impact of such measures may vary across the loss distribution, particularly for high-severity events.

The lack of detailed European data on windstorm micro adaptation remains a limitation. In some Member States, building codes and construction practices have improved wind resilience, especially in coastal areas. However, more granular data on portfolio-level compliance and retrofitting would enable better assessment of adaptation benefits in capital models.

We would encourage EIOPA to ensure that any new parameter structure remains sufficiently simple and avoids unnecessary complexity.

Q11a. Do you have any comments on the assessment of micro adaptation measures for earthquake?

We do not have significant additional comments on this assessment. The paper correctly highlights the sensitivity of earthquake risk to building characteristics. Seismic strengthening measures are well-evidenced in non-European contexts and could inform European approaches where earthquake risk is material.

A critical practical challenge in the European context is verifying that building codes have been properly respected during construction and subsequent maintenance. The 2023 earthquakes in Turkey illustrated how catastrophe models can materially underestimate losses when assumed structural characteristics diverge from actual build quality, particularly where informal construction practices or inadequate maintenance are present. Europe's old building stock adds further complexity: the effectiveness of seismic retrofits depends critically on maintenance, and the distinction between design-code assumptions and observable, verified quality requires improved data cooperation between insurers, surveyors, and local authorities.

Q12a. Do you have any comments on the assessment of macro adaptation measures for flood?

We welcome the paper's assessment of macro-level flood adaptation measures. Such measures (levees, retention basins, natural floodplains, and large-scale drainage) operate at the level of entire regions or communities. Their impact should primarily flow through the standard parameters of the NatCat module rather than through undertaking-specific adjustments, unless the portfolio has a strong regional exposure.

It is important to consider, in the assessment of flood risk, the specific characteristics of the river or waterway affected. On many European rivers, modern forecasting systems can predict peak water levels up to two weeks in advance. This advance warning significantly increases the effectiveness of temporary protection measures. For example, in some Central European cities there have been cases where lower-lying areas were successfully protected by constructing long sections of temporary dikes made of sandbags, enabled by the long lead time for preparation and logistics.

We note that marginal changes to the SCR are unlikely, on their own, to generate sufficient incentives for meaningful insurer participation in macro-level resilience. This is ultimately a broader policy challenge. Public authorities bear primary responsibility for macro adaptation infrastructure, though the insurance sector can contribute through risk assessment expertise and, where commercially appropriate, co-investment.

We reiterate the AAE's previous position that consideration of public adaptation measures for flood is important for accurate risk assessment, and that catastrophe models need to review assumptions regarding infrastructure such as dikes, where previous risk assessments have in some cases been overly conservative relative to recent reinforcements. The effectiveness of such measures may also depend on their performance under extreme scenarios, including potential failure or exceedance.

We also note that standard formula flood catastrophe models typically focus on the probability of levee or dike overtopping but may not fully capture the loss potential associated with more sudden infrastructure failure modes (e.g. dam breaks). Recent flood events in Central and Eastern Europe have highlighted the potential for materially higher losses when failures occur abruptly rather than through gradual overtopping. A more complete assessment of macro adaptation would therefore benefit not only from information on the existence and design capacity of flood defences, but also from data on maintenance condition, age, and recent upgrade history. This underlines the value of improved data exchange between insurers and the public authorities responsible for managing and maintaining such infrastructure.

Q13a. Do you have any comments on the assessment of micro adaptation measures for flood?

We agree with the paper's assessment that micro-level flood adaptation measures can be effective but face significant verification challenges. The effectiveness of property-level measures depends critically on proper installation, maintenance, and verification. Without standardised certification schemes or reliable reporting, insurers cannot consistently recognise these measures in underwriting practices or in capital calculations. Strengthening the data infrastructure around micro flood adaptation would therefore materially improve the ability of the prudential framework to reflect their impact.

It is also important to be mindful of the risk of maladaptation, where poorly designed property-level measures can unintentionally increase water runoff and shift risk to neighbouring assets. This risk should be explicitly acknowledged in any framework that incentivises micro-level flood measures.

Practical examples from Member States, such as dike reinforcement, dune restoration, and managed retreat along exposed coastlines, illustrate the effectiveness of well-designed adaptation in reducing flood risk exposure. Ongoing reforms to national compensation schemes in some Member States aim to better integrate risk-based levies and incentivise adaptation, which could improve data availability and support more risk-sensitive capital requirements over time.

We would also welcome clarification from EIOPA on how variations in product design — in particular deductible levels, coverage limits, and premium structures — will be addressed under the various reassessment options. These product features interact directly with micro adaptation measures: higher deductibles effectively transfer part of the residual risk back to the policyholder and could serve as an incentive for adaptation investment, whilst coverage limits determine the extent to which any residual vulnerability translates into insured loss. Ensuring that the capital framework reflects these product-specific risk profiles would improve both the accuracy of capital requirements and the incentive effect of adaptation recognition.

4. Any Other Comments

Q14. Do you have any other comments on the consultation paper?

We offer the following additional observations for EIOPA's consideration.

Structural limitations of insurance incentives. The consultation paper rightly observes that insurers' participation in adaptation efforts is generally limited to raising risk awareness and recommending measures, rather than co-financing them, and that such services are typically targeted at large commercial clients rather than households or SMEs. This reflects a structural constraint: providing tailored risk-reduction advice can be costly, and may be difficult to deliver at scale for smaller policyholders without complementary arrangements. As a result, segments most exposed to climate risk may not always benefit from the same level of support, which can limit the uptake of effective adaptation measures.

Payback periods and behavioural signals. Many effective adaptation measures, such as structural retrofits or elevation, have high upfront costs and payback periods far longer than typical insurance contracts or even asset ownership cycles. Premium discounts therefore provide only a weak behavioural signal unless complemented by public subsidies, mandates, or broader resilience frameworks.

Expected impact on solvency ratios. Industry analysis by Fitch Ratings (February 2026) suggests that the impact of recognising adaptation measures on insurers' Solvency II ratios could be modest overall. While EU insurers with meaningful property exposures could see some improvement in reported solvency positions, these effects may not be sufficient, in isolation, to drive significant changes in capital allocation or external ratings. This would support framing prudential recognition primarily as a way to improve risk sensitivity, rather than as a capital-relief mechanism.

Missing perils. The current standard formula NatCat module does not include certain perils that are increasingly material in Europe, such as wildfires and heavy snow. The absence of these perils means that adaptation measures relevant to them cannot be recognised within the standard formula, even though the hazards are expected to intensify under climate change. Addressing this gap would improve the overall risk sensitivity of the framework. We note that the AAE has previously supported the inclusion of wildfire as a standalone peril in the standard formula.

Coherence between asset and liability perspectives. The current consultation focuses on the liability side of insurers' balance sheets. We observe that the asset side may also be relevant: an insurer investing in flood defence infrastructure in the regions where it underwrites flood risk is effectively reducing its own liability exposure. This is an interesting observation that could merit further analytical study, though we recognise that it falls outside the scope of this consultation and of the recently finalised Solvency II review. We raise it here only as a potential area for future research by EIOPA.

Data and collaboration. Successful integration of adaptation measures into Solvency II requires improved data collection, collaboration between insurers, regulators, and public authorities, and consideration of local adaptation realities. The development of standardised resilience assessments, open-source vulnerability curves, and pan-European verification schemes would all contribute to a stronger evidence base for prudential recognition of adaptation.

Build Back Better and multi-event resilience. Certain adaptation frameworks — such as 'Build Back Better' requirements following loss events, or schemes modelled on the UK's Flood Re programme — are designed to reduce losses in subsequent events rather than the immediate event. Their benefit does not appear in traditional single-event loss analyses based on historical data, yet they represent a meaningful form of forward-looking adaptation that accumulates over time. We suggest that EIOPA consider how such multi-event resilience frameworks might be recognised within future reassessment methodologies, and that the insurance sector — which holds longitudinal claims data across multiple events — is well placed to contribute evidence on the cost-effectiveness and loss-reduction timelines of such approaches.