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EC Consultation on the Climate Resilience and Risk Management Framework Summary of AAE Key Messages



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What was the consultation about?

The European Commission consulted on a new EU framework for climate resilience, including a “Finance and Insurance” section of direct relevance to actuaries. It covered:

- Embedding “climate resilience by design” across EU policy and legislation.
- Common EU climate baselines, risk assessments and adaptation planning.
- Finance and insurance measures to close the climate insurance protection gap.

Why does it matter?

The framework will shape how climate risk is priced, reserved for and disclosed across Europe. With only around 25% of European climate losses currently insured, the Commission's choices on scenarios and risk-sharing will determine whether insurance can keep pace with a systemic risk.

What were our key messages?

1. **Preserve Risk-Based Pricing:** Risk-based pricing must remain the foundation, with affordability addressed through prevention and targeted subsidies.
2. **Harmonise Scenarios, Preserve Flexibility:** A common EU baseline is welcome, but parameters must stay flexible enough to reflect regional and peril differences.
3. **Invest in Open Climate Risk Data:** Establish a high-resolution, open-access climate risk and loss database to reduce parameter uncertainty.
4. **Embed Climate Risk in Prudential Rules:** Integrate climate risk further into ORSA and stress testing, and shift valuation to forward-looking assumptions.
5. **Design Backstops to Avoid Moral Hazard:** Any public backstop for tail risk should complement, not displace, private capacity, and reward prevention.
6. **Mandate Nature-Based Solutions:** Embed nature-based solutions and resilience-by-design into building codes and infrastructure investment by default.



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