European Commission

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European climate resilience and risk management – integrated framework (./have-your-say/initiatives/14770-European-climate-resilience-and-risk-management-integrated-framework)
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‘ShareAction welcomes the Commissions initiative for an EU integrated framework for climate resilience and risk management. We are particularly eager to engage with proposals concerning the insurance sector, which plays a key role in assessing and managing financial risks, while also providing protection for citizens and businessesboth vital in building long-term resilience. As an organisation with expertise in evaluating insurers sustainability practices and advocating for stronger, more sustainable EU insurance legislation, our core message is clear: a more ambitious, comprehensive, and coherent EU approach to climate

resilience and preparedness must be grounded in both mitigation and adaptation. We are concerned that current efforts to climate-proof the economy will fall short if we fail to address the root causes of climate-related risks. Continuing to profit from harmful activities undermines the goal of protecting households and businesses: as extreme weather events grow more frequent and severe, they will demand greater resourcesrendering past investments and interventions inadequate. Insurers must be part of the solutionbut are currently also part of the problem. They are aware of escalating climate risks and well-placed to lead in adaptation. Yet, while raising premiums and withdrawing coverage from risky areas, many still make record profits by continuing to underwrite, and invest in, fossil fuels and other harmful sectors that exacerbate these climate extremes. ShareAction believes that insurers must improve their practices before they can be credibly seen as supporting climate resiliencewhether through participating in public-private initiatives (EIOPA-ECB proposal) or by offering innovative solutions like parametric insurance and catastrophe bonds, whose limitations should also be acknowledged. The findings from ShareActions 2024 insurance benchmark (https://shareaction.org/reports/insuring-disaster-2024) are striking: - Less than 50% of insurers have set long term net-zero targets for underwriting, and just a quarter are aligned with 1.5C. -Less than 25% of insurers have published a transition plan for investment and/or underwriting, and most show no intent to do so in the future. - Restrictions for fossil fuels are rife with exceptions, allowing for fossil fuel expansion through the side door. -Most insurers engage with investee companies on climate mitigation, but adaptation and resilience remain blind spots. -Almost all insurers provide coverage for climate solutions, but less than half offer preferential terms for projects that meet climate-related criteria. -Most insurers have conducted climate-related scenario analysis, but over a third havent applied the results to their approach to underwriting. The Commission must break down silos and align services around a coherent legislative approach to insurance to be able to rectify such practices. However, current EU policy developments risk reinforcing existing barriers, thereby undermining insurers ability to decarbonise and invest in the green transition. Under Solvency II: -Ignoring EIOPAs recommendation for higher capital requirements for fossil fuel assets increases systemic financial risk; - Mandating the use of at least two long-term climate change scenarios does not guarantee comparability or effectiveness without clear *references to 1.5, a common, scientific baseline, and adequate time horizons. Under the Omnibus I package: -Cutting reporting requirements will lower disclosure quality and overall transparency, hindering insurers risk management and sustainable investment; - Removing the requirement to implement transition plans from the CSDDD will have the same consequences. The Commission needs to work with insurers to promote climate resilience, but we believe it cannot leave them off the hook with regards to their climate impacts. Otherwise, the only losers will be citizens in their capacity as taxpayers and policyholders.'*

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