Shared responsibility for climate resilience: insurance as a strategic partner

Each year, extreme weather events - floods, droughts, wildfires, and storms - inflict billions in damage while disrupting lives, livelihoods, and economic stability across Europe. What were once rare extremes are now recurring shocks, testing not only Europe's societal and economic resilience, but also its stability and security. Climate change is heightening pressure on critical resources like water, food, and energy, intensifying geopolitical tensions, migration pressures, and risks to social cohesion. As such, climate change is a direct strategic challenge for Europe. As extreme events are more frequent and destructive, it is also posing challenges to insurability.

In 2024, global insured losses from nat cat reached USD 137 billion, marking the fifth consecutive year with losses exceeding USD 100 billion (Swiss Re).

Europe is warming at twice the global average rate and experienced its warmest year in 2024, with the second highest number of heat stress days and tropical nights, on record (European State of the Climate Report, 2025)

Insurance is based on transferring unpredictable financial risks from policyholders, with premiums reflecting the likelihood and potential cost of losses. Insurance functions when losses are random, definable, and uncertain: it is not possible to provide cover for what we know for sure will happen. This challenge is becoming more pronounced in cases when construction occurs in high-risk areas, such as floodplains, along the coastlines, or fire-prone regions, or when limited preventative efforts are made, as this further amplifies exposure and vulnerability. In this context, insurers' ability to support resilience and recovery - helping societies bounce back faster, as countries with higher insurance coverage tend to do - increasingly depends on strong climate mitigation and adaptation measures.

Boosting climate resilience and reducing protection gaps is, consequently, a shared societal responsibility. Insurers play a vital role by transferring risk, providing risk assessment and management expertise, and encouraging preventive measures that reduce vulnerability. They can also support public authorities in shaping and implementing resilience-focused policies through their advice and expertise. Public authorities, however, hold primary responsibility for implementing resilience measures: ensuring robust infrastructure, enforcing resilient building codes, updating hazard maps, and aligning land use planning with future climate risks. Policyholders also have a key role to play by taking up appropriate insurance coverage and investing in risk-reducing measures at household and business level. Resilience requires whole of society collaboration, combining strong public action with private sector engagement and targeted EU support.

1. Where insurance meets resilience

Insurers do more than pay out claims; they are active partners in helping societies anticipate, absorb, and recover from natural catastrophes (nat cats) and extreme weather shocks. Their expertise and capital make them essential players in building resilience.

Insurers...

Provide fast financial relief when it matters most
After a natural catastrophe, insurers provide timely support that helps households and businesses rebuild quickly, minimising economic disruption. Through their expertise in resilience, insurers can also guide and incentivise reconstruction that is stronger and better prepared for future events.

Turn data into action
Insurers analyse, model, and price weather-related risks to understand potential losses and vulnerabilities. When these insights are shared through partnerships with governments, businesses, and communities, they can inform smarter, prevention-focused decisions, helping societies better prepare for and reduce the impacts of extreme events.

Incentivise climate-resilient choices
Through risk-based premiums, coverage conditions, and targeted awareness campaigns, insurers encourage households, businesses, and communities to adopt measures that reduce vulnerability to future losses, such as flood-proofing homes, improving building materials, or investing in preventive infrastructure.

Invest in resilience
Insurers can invest in long-term projects and climate-adaptive infrastructure, while reinsurance and catastrophe/green bonds help mobilise capital for recovery and reconstruction when extreme events occur.

Insurers cannot prevent disasters or finance resilience on their own. Building true resilience requires coordinated action and commitment: public authorities must lead on implementing adaptation measures and set the frameworks and standards that are conducive to resilience, individuals and businesses should be encouraged and enabled to protect their assets, whereas insurers can support these efforts by sharing their risk management expertise and experience through public-private partnerships.

2. Prevention first

Prevention is essential, not only to limit the impact of extreme weather events but also to keep risks insurable. Evidence consistently shows that proactive prevention measures form the cornerstone of resilience. For example, the Potsdam Institute for Climate Impact Research (PIK) has shown that early warning systems, emergency preparedness, and structural defenses have reduced economic losses from flooding by 63% and fatalities by 52% since 1950 (PIK, 2025). Similarly, the European Environment Agency (EEA) highlights the Rotterdam Port Adaptation Strategy, which estimates that every €1 invested in flood resilience yields €6.8 in avoided damages (Climate Adapt, 2025).

Therefore, by prioritising prevention, societies can strengthen their resilience, maintain the availability of affordable insurance, and reduce the long-term human and economic costs of extreme events. Prevention measures also help reduce CO_2 emissions by limiting the need for repairs and reconstruction. While implementing prevention measures is the responsibility of public authorities, the insurance industry sees an opportunity to strengthen collaboration with public authorities at all levels in this regard. For example:

- Insurers can collaborate with public authorities to **design and implement awareness campaigns that mobilise communities**, highlight the costs of inaction, and provide practical guidance on risk reduction.
- They can also support authorities in **developing and disseminating tailored resilience toolkits** and training programmes for SMEs and vulnerable households, leveraging public-private partnerships to build local capacity and improve preparedness.
- Insurers can provide expertise to public authorities on **resilient building codes and land-use planning**, helping to avoid construction in high-risk zones and promote the use of water- and climate-resilient materials (e.g., permeable concrete and pavers, green roofs, reflective surfaces to reduce urban heat islands, impact-resistant glass). They can – and increasingly do - play a role in encouraging taking a long-term approach to land-use planning, which should be at least equivalent to the expected life span of the new buildings or infrastructures being built.
- They can also collaborate on **updating hazard maps, risk data, and property assessment tools accessible to citizens**, enabling smarter decision-making at household and community level.
- In addition, insurers can work with authorities to enhance transparency of risk information for prospective homeowners and tenants, supporting informed choices.
- Finally, insurers and public authorities can work together on developing standardised **resilience certification schemes for buildings and infrastructure**, encouraging the adoption of climate-adaptive design and retrofitting measures, such as adding insulation or energy-efficient windows, upgrading heating and cooling systems, installing flood protections, reinforcing roofs and walls, or implementing green infrastructure like rainwater harvesting and green roofs. Certifications provide recognised benchmarks for best practices and can be complemented by public incentives such as preferential loans or tax relief. Insurance assessments and premium decisions remain a matter for individual companies.To ensure these prevention efforts are effective, incentive structures must be aligned accordingly. In this context, public funding rules should ensure that ex-post **public assistance is linked to ex-ante prevention and insurance coverage**, reducing moral hazard and reinforcing responsible risk management.

3. National solutions, European support

Nat cat risks in Europe vary widely in both type and intensity. Some countries have historically faced more flooding, others more wildfires or different hazards, and even as certain risks start appearing in areas that were previously less affected, the impacts and levels of preparedness still differ from one country to another. Differences in insurance coverage and penetration (and so in terms of protection gaps), infrastructure, and as regards the role of insurers also shape how countries anticipate, respond to, and recover from extreme events. These variations reflect each country's history, market practices, and the tailored measures it has put in place to strengthen resilience.

In several countries, public-private partnerships (PPPs) have been established to manage climate-related risks. These partnerships differ in design, funding, and operation, reflecting local risk profiles, governance frameworks, and market conditions. Each national system is carefully calibrated and generally functions effectively within its own context. Therefore, EU-level initiatives tend to be most effective when they complement and support these established national systems.

Building on the G7 High-Level Framework for Public-Private Insurance Programmes Against Natural Hazards, the European Commission could offer non-binding recommendations to help Member States strengthen existing partnerships and encourage the development of PPPs where they do not yet exist, for instance through co-financing or technical support through resilience and cohesion funds. In this respect, Insurance Europe supports the guiding principles outlined in the G7 framework:

- Shared risk responsibility between public (local authorities) and private sectors
- Clear roles and funding mandates
- Flexibility to adapt to national contexts
- Central focus on risk awareness, prevention, and adaptation

EU-level initiatives can additionally strengthen national approaches by:

- **Facilitating the exchange of best practices, data, and modelling tools across Member States.** For example, sharing flood risk maps or wildfire prediction models allows countries to adopt proven techniques for early warning systems, resource allocation, and emergency response planning. This helps countries learn from one another and respond more effectively to emerging hazards.

- **Supporting capacity building at local level and technical assistance in countries with limited experience with specific hazards.** For example, providing guidance and resources for areas now experiencing increasingly intense or simultaneous wildfires, where such events are new or have previously been rare, by supporting training for local teams, developing early warning systems, and improving emergency response and preparedness measures.

- **Promoting alignment of EU legislation and policy frameworks to ensure coherent and mutually supportive objectives.** This includes evaluating existing frameworks and directives to identify and resolve inconsistencies as well as ensuring that sectoral policies, such as environmental protection, water management, and disaster risk reduction, are applied in a way that avoids conflicting priorities. Effective coordination is essential to prevent situations where well-intended rules, as implemented at national or local levels, inadvertently hinder flood prevention, resilience measures, or other climate-adaptive strategies. For example, under the EU Floods Directive, risk mapping should be more systematically integrated into climate adaptation planning and used more actively to guide land-use and risk-management decisions. This could include clearer approaches to identifying and categorising high-risk areas, ensuring that planning, protection measures, and insurance coverage more directly reflect local exposure level.

- **Promoting cross-border coordination and shared contingency planning.** Many natural hazards, such as river floods or wildfires, can affect multiple countries simultaneously. EU initiatives can support joint exercises, coordinated resource sharing, and harmonised emergency plans to ensure faster, more effective responses across borders.

4. Financing resilience

Making communities and infrastructure more resilient to climate related risks requires significant investment, and insurers, as long-term investors, have a supportive role to play. Indeed, while governments are primarily responsible for funding and implementing adaptation measures, insurers can collaborate with public authorities to enable and complement these efforts. Insurers can also play a key role in de-risking projects. For example, insurers can provide insights on risk exposure, co-design financial structures, or participate in public-private arrangements that help channel private investment into resilience projects, such as flood defenses or climate-adaptive buildings. In this way, insurers can support resilience financing where it aligns with their risk management and investment strategies.

The European Commission can complement and support these efforts by:

- **Promoting nature-based solutions that reduce nat cat risks while supporting biodiversity and long-term ecological resilience.** Insurers are increasingly directing capital into nature-based investments, such as forest restoration, wetland conservation, urban greening, and measures to reduce urban heat stress - like green roofs, street trees, and parks-, which deliver financial returns while reducing climate risk and supporting human wellbeing and biodiversity. To further facilitate insurers in this, EU initiatives such as the nature credits system should be designed in close coordination with insurance and investment frameworks, including the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy, and complemented by blended finance mechanisms to unlock long-term capital. Although significant progress has been made by the Commission and Member States on nature credits as incentive tools for action, further efforts are needed to accelerate the deployment of such solutions and ensure that effective incentives reach stakeholders.

- **Supporting a focus shift from reactive disaster relief to proactive resilience investment.** This requires not only new instruments, such as an EU Climate Resilience Investment Fund to provide grants or low-interest loans specifically aimed at financing resilience upgrades in vulnerable communities and high-risk sectors, but also clear rules on the allocation of existing EU emergency funds. It is not sufficient for public funds to be available only after a disaster; resources should primarily be spent wisely and strategically, on prevention and adaptation, and be linked to real, demonstrable resilience actions. Such approach not only strengthens resilience but also helps prevent long-term reliance on public funding.

- **Linking ex post financial support to preventive measures.** Experience shows that subsidies or public support, while sometimes needed, can encourage long-term reliance on government funding, and thus constitute a barrier to proactive adaptation and resilience efforts. By tying ex-post EU support to prevention and resilience efforts, the EU would strongly encourage Member States to invest in resilience and preparedness.

- **Supporting public-private risk reduction projects** targeting SMEs and low-income households, enabling preventive action.

5. Smarter data, smarter decisions

Accurate, accessible, and actionable data is essential for effective resilience planning. Data analysis enables communities, businesses, and authorities to understand risks, make informed decisions, and implement effective prevention and recovery strategies. Through local initiatives and pilot projects, insurers are already helping to test and refine data-sharing approaches that improve risk awareness and guide preventive action.

One concern is that there is currently a lack of data about governments, companies (including in particular banks) and individuals' true exposure to climate risks. Efforts should therefore be undertaken to change this situation, as understanding the true exposure to climate risks would help better understand the true cost of inaction and would therefore help all stakeholders take measures to reduce their exposure.

While full harmonisation of data across Member States may be legally and practically complex as well as resource-intensive, there is significant value in identifying and promoting tools and methodologies that have proven effective in addressing specific climate-related events. These tools can serve as inspiration and best-practice examples for broader adoption.

The European Commission can play a supportive role by:

- **Encouraging the availability of public hazard and loss data**, possibly establishing a **European public natural hazard portal**, inspired by Austria's HORA, and building on existing initiatives such as Copernicus, the work of the European Centre for Medium-Range Weather Forecasts (ECMWF), and the European Climate Risk Assessment.
- **Supporting cross-border risk mapping and early-warning tools** to ensure that climate risk information informs national and local/regional adaptation strategies.
- **Facilitating data-sharing between local authorities and private actors** in ways that respect confidentiality and data protection requirements. In this regard.

6. Supporting climate mitigation through transition pathways

Insurance Europe strongly supports the European Commission's objective to advance climate change mitigation. Without progress on mitigation, there is a risk that climate change could outpace adaptation efforts, making it much harder and more costly for communities, businesses, and insurers to manage the impacts.

To reach net-zero emissions by 2050, every sector of the economy needs a clear plan showing how it will get there, step by step. These "transition pathways" are essentially roadmaps with milestones that show what changes need to happen, when, and how feasible they are. Having clear, transparent, and credible transition pathways is important for everyone. Households and businesses can plan ahead, making the right investments at the right time, for instance upgrading their properties to use energy more efficiently, improve safety, or better withstand climate impacts, such as adding insulation, installing energy-efficient heating or cooling systems, strengthening buildings against floods or storms. These actions help reduce emissions and increase resilience.

For insurers, transparent transition pathways are equally crucial. They provide confidence that investments are moving in line with real-world developments, reduce the risk of sudden losses in insurance portfolios, and help ensure that insurance remains affordable and available in the long term.

The European Commission can support this by:

- encouraging Member States to publish sector-specific transition roadmaps that set out realistic timelines for adaptation and investment;
- ensuring EU funding instruments and state-aid frameworks are aligned with these roadmaps to provide households and businesses with predictable support;
- integrating transition planning into EU climate adaptation and cohesion policies, so that resilience measures are implemented at the right time and in the right places;
- coordinating with financial sector actors, including insurers, to ensure investment and underwriting practices can align with the transition in the real economy.

Insurance Europe is the European insurance and reinsurance federation. Through its 39 member bodies — the national insurance associations — it represents insurance and reinsurance undertakings active in Europe and advocates for policies and conditions that support the sector in delivering value to individuals, businesses, and the broader economy.

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