

Climate Adaptation and Insurability

The Dutch insurance sector's contribution to Europe's climate resilience agenda

Europe must prevent risks from becoming uninsurable

Floods, droughts, heatwaves and extreme precipitation increasingly affect households, businesses, agriculture, infrastructure and public finances. Extreme weather affects supply chains, food, energy, transport and regional economies. Climate risks are therefore increasingly systemic.

The proposed European Climate Insurance Alliance can support Europe's wider climate resilience agenda. Its focus should extend beyond protection gaps and recovery to prevention, adaptation, resilience investment and risk reduction.

Insurance can support resilience, but cannot replace resilient infrastructure, effective spatial planning or climate adaptation. Long-term insurability is largely determined by decisions on water management, land use, building standards and public investment.

Understanding insurability and protection gaps

Insurance depends on risks being sufficiently uncertain, quantifiable and diversifiable. Losses must also remain manageable in relation to the available insurance and reinsurance capacity. Climate change can challenge these conditions when risks become increasingly predictable, highly correlated or capable of affecting large areas and economic systems simultaneously. Closing protection gaps is therefore not simply a matter of expanding insurance coverage.

Protection gaps emerge for different reasons. Some risks cannot be sustainably covered by private insurance alone, particularly where losses are catastrophic, systemic or highly correlated. Other gaps are related to affordability, limited awareness, inadequate prevention, low financial literacy, or societal expectations regarding the roles of government, insurers and individuals in managing climate risks.



Five ways insurers contribute to climate resilience

Insurers do more than compensate losses. They contribute risk expertise, support damage reduction, invest in resilience and work with public authorities and other partners.

1. Safeguarding insurability

Insurers can provide an early warning when risks are increasing. Through claims data, risk models and practical experience, they can identify emerging risks, show where exposure is increasing and provide insight into the consequences for households, businesses, investors and public authorities. Insurability is not only an issue for insurers. It also shows whether society is adapting quickly enough to climate change. Restrictions in availability or affordability can signal that exposure and expected losses are increasing faster than society's capacity to prevent, reduce or share them.

2. Stimulating prevention and adaptation

Insurance works best when risks are actively reduced. Insurers can support prevention through risk information, customer engagement, early warnings and resilient recovery after disasters. Build Back Better principles should become standard consideration in post-disaster reconstruction.

Adaptation should not be judged solely by immediate premium reductions. Premiums are adjusted annually and current premiums do not reflect the potentially much greater risks of the future. A modest discount on today's premium is therefore unlikely to motivate substantial action, even when adaptation measures could be incorporated cost-effectively into renovations already planned. Effective incentives must also involve parties that influence long-term decisions, including banks, municipalities and estate agents. Pricing can support prevention and damage reduction, but cannot replace coordinated action, public investment or area-level adaptation.

3. Providing data, knowledge and risk transparency

Climate adaptation starts with understanding risk. The Dutch insurance sector contributes to risk transparency through climate-risk research, loss monitoring, scientific partnerships and open discussions on insurability. One practical example is the Dutch Climate Loss Monitor, which makes insured losses from extreme weather events transparent and supports public awareness, research and policy development. The monitor also shows that extreme-weather loss peaks are increasing.

The Dutch Climate Risk Portal, developed by government in cooperation with the financial sector and climate experts, provides open-source research, maps and data on physical climate risks. It supports informed decision-making and a level playing field. [\[dutchclimaterisk.nl\]](https://dutchclimaterisk.nl)

Insurance data provide valuable insights into insured losses, but do not give a complete picture of societal vulnerability. Claims data should therefore be combined with socioeconomic, environmental and public data. This is especially important because vulnerable and uninsured groups may remain largely invisible in insurance datasets.

4. Mobilising investment in resilience

As long-term institutional investors, insurers can contribute to financing climate resilience, including water infrastructure, adaptation projects and nature-based solutions.

Private capital can complement public investment where projects offer scale, predictable cash flows, an appropriate risk-return profile and a balanced allocation of risk. Stable policy and public-private cooperation can create investable projects. Governments nevertheless remain responsible for public safety, spatial planning and essential infrastructure.

5. Building partnerships and clarifying responsibilities

Climate adaptation requires cooperation between public authorities, financial institutions, the scientific community, businesses, civil society and insurers. Their mandates and time horizons differ: insurance contracts are generally annual, mortgages and investments span decades, and spatial-planning and water-safety decisions shape exposure for generations. Public-private cooperation can help align these different time horizons, but responsibilities for prevention, investment and residual risk must remain clear. For instance, the Dutch government and the Dutch Association of Insurers is developing a One-Stop-Shop for the protection gap in the Netherlands: damage caused by failure of primary dikes. In this case, insurers are a single, clearly recognisable gateway for claims handling could help provide clarity on where to report insured and uninsurable damage, how responsibilities are divided between public authorities and insurers, and how compensation or support schemes interact.

The Netherlands has established public-private networks including [NL AAA-Klimaatbestendig | Delta programma](#) and the Financial Sector Climate Adaptation Working Group. These networks help build trust, bring together data and expertise and test practical solutions for insurance, guarantees and risk sharing. Amsterdam Weatherproof provides a practical example of how local cooperation and the use of insurance data can help identify effective area-level adaptation measures and reduce losses from extreme rainfall. [\[dnb.nl\]](#)

What Europe should do next

Europe should use a multi-layered safety approach: risk awareness, prevention, damage reduction, crisis management and recovery. Insurance supports several layers through data, prevention incentives, claims handling and resilient reconstruction, but cannot replace public action on planning, water safety, infrastructure and preparedness.

1. Make climate adaptation a core element of spatial planning

Long-term insurability depends on where and how Europe builds. Climate risk must be embedded in planning, infrastructure and building rules, with consistent standards for construction and renovation linking to resilience by Design-principle. Governments remain responsible for these choices; insurers can provide risk insights but cannot indefinitely absorb avoidable exposure.

2. Scale up investment in water and area-level resilience

Flooding, drought and water scarcity affect citizens, agriculture, industry and critical infrastructure. Many of these risks cannot be managed effectively by individual property owners. Governments must invest at neighbourhood, municipal, regional and river-basin level in water retention, drainage, flood protection, green infrastructure and nature-based solutions. Europe should help develop investable projects that allow private capital to complement public investment.

3. Improve climate-risk data and transparency

Governments, businesses and citizens need access to reliable, comparable and understandable climate-risk information. Europe should promote open data, common definitions, risk mapping and transparent methodologies. Better information can improve spatial planning, investment decisions, risk awareness and the allocation of public and private resources.

4. Develop coherent public-private solutions for residual risk

Catastrophic, systemic or highly correlated risks may require public-private arrangements combining prevention, insurance, public investment and support.

Europe should build on successful national arrangements and maintain a fair level playing field while allowing risk-specific solutions. Subsidies and premium taxation can influence prevention, affordability and take-up and should form part of a predictable long-term framework.

The Dutch Broad Weather Insurance Scheme illustrates this approach by combining cover for residual agricultural weather risks with public support, a premium-tax exemption, prevention and knowledge sharing.

Climate Insurance Alliance mandate

We welcome the European Commission's initiative to establish a European Climate Insurance Alliance as a targeted contribution to the wider Climate Resilience Framework. The Alliance should not focus exclusively on increasing insurance coverage. Its success should be measured by whether Europe becomes more climate resilient, whether new protection gaps are prevented and whether insurability can be preserved over the coming decades. Prevention, climate adaptation and risk awareness are key levers for preserving insurability over the long term. This requires:

- prevention, adaptation and investment before compensation and risk transfer;
- open risk information and protection of vulnerable and uninsured groups;
- risk-specific public-private solutions with clear responsibilities;
- alignment of public investment, subsidies, taxation and insurance frameworks;
- a fair European level playing field;
- predictable long-term policy with national flexibility.

Europe cannot insure its way out of climate change. Preserving insurability requires a multi-layered approach and public-private networks that connect time horizons and turn shared risk knowledge into action without blurring responsibilities. The central question is how Europe can prevent more risks from becoming uninsurable.

Working together at European level

The Dutch Association of Insurers works closely with colleagues across [Insurance Europe](#) to strengthen Europe's resilience to natural catastrophes. We contribute to the European debate on prevention, adaptation, risk awareness, protection gaps and effective public-private solutions. Here, we recognize the diversity of national insurance systems, while strengthening Europe's resilience to natural catastrophes. Furthermore, we collaborate with [Water Europe](#). We recently contributed to a [white paper on insurance and water investment](#).

More information and practical tools

For further information and practical tools on climate risks, visit the [Dutch Association of Insurers' Climate & Insurance website](#).