Basic information

2013/2174(INI) INI - Own-initiative procedure	Procedure completed
Insurance of natural and man-made disasters **Subject** 2.50.05 Insurance, pension funds 3.70.10 Man-made disasters, industrial pollution and accidents 3.70.11 Natural disasters, Solidarity Fund 3.70.16 Law and environment, liability 4.60.02 Consumer information, advertising, labelling 4.60.06 Consumers' economic and legal interests	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	TERHO Sampo (EFD)	18/06/2013
	Shadow rapporteur LANGEN Werner (PPE) MIZZI Marlene (S&D) TORVALDS Nils (ALDE) BESSET Jean-Paul (Verts /ALE) FOX Ashley (ECR) CHOUNTIS Nikolaos (GUE /NGL)	

Committee for opinion	Rapporteur for opinion	Appointed
ENVI Environment, Public Health and Food Safety	The committee decided not to give an opinion.	
IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	
JURI Legal Affairs	The committee decided not to give an opinion.	

European Commission

Commission DG	Commissioner
Financial Stability, Financial Services and Capital Markets Union	GEORGIEVA Kristalina

Key events

Date	Event	Reference	Summary
16/04/2013	Non-legislative basic document published	COM(2013)0213	Summary
12/09/2013	Committee referral announced in Parliament		
17/12/2013	Vote in committee		
06/01/2014	Committee report tabled for plenary	A7-0005/2014	Summary
05/02/2014	Decision by Parliament	T7-0076/2014	Summary
05/02/2014	Results of vote in Parliament		
05/02/2014	End of procedure in Parliament		

Technical information

Procedure reference	2013/2174(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/13126

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE519.700	25/09/2013	
Amendments tabled in committee		PE522.761	23/10/2013	
Committee report tabled for plenary, single reading		A7-0005/2014	06/01/2014	Summary
Text adopted by Parliament, single reading		T7-0076/2014	05/02/2014	Summary

European Commission

Document type	Reference	Date	Summary
Commission document (COM)	COM(2013)0213	16/04/2013	Summary
Commission response to text adopted in plenary	SP(2014)414	18/06/2014	

Insurance of natural and man-made disasters

2013/2174(INI) - 16/04/2013 - Non-legislative basic document

PURPOSE: to present a Green Paper on the insurance of natural and man-made disasters.

BACKGROUND: the European Union is vulnerable to nearly all types of natural disasters. Disasters not only cause human losses but also damages to the value of billions of euros every year, affecting economic stability and growth.

Disasters may have cross-border effects and can potentially threaten entire areas in neighbouring countries. Even where costs of major disasters are locally concentrated, if costs are inadequately covered by insurance then individual Member States may carry **large fiscal burdens, which could cause internal and external imbalances**. This is thus an important issue for citizens, companies and governments across the Union.

In 2010, the Council adopted a series of conclusions in which it invited the Commission to evaluate and report on the potential for the European Union to facilitate and support increased coverage of appropriate disaster risk insurance and financial risk transfer markets, as well as regional insurance pooling, in terms of knowledge transfer, cooperation, or seed financing.

This Green Paper poses a number of questions concerning the **adequacy and availability of appropriate disaster insurance** and accompanies the Communication entitled "An EU strategy on adaptation to climate change".

CONTENT: the objective is to raise awareness and to assess whether or not action at EU level could be appropriate or warranted to improve the market for disaster insurance in the European Union.

More generally, this process will also:

- expand the knowledge base,
- help to promote insurance as a tool of disaster management and thus contribute to a shift towards a general culture of disaster risk prevention and mitigation,
- bring in further data and information.

Next steps: the Commission invites stakeholders to comment on all the issues set out in this Green Paper.

On the basis of the outcome of this consultation, the Commission will decide on the best course of action to take on the issues outlined in this Green Paper, **including legislative measures, as appropriate**.

Stakeholders are invited to send their comments before 30 June 2013.

Insurance of natural and man-made disasters

2013/2174(INI) - 05/02/2014 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution on the insurance of natural and man-made disasters in response to the Commission Green Paper on the subject.

Parliament noted that the situation in the EU insurance market is heterogeneous because Member States are exposed to different risks and natural catastrophes and the predictability of a natural catastrophe depends on different factors (meteorological, hydrological, geophysical, etc.). It recalled that between 1980 and 2011, a small number of big events gave rise to about half of all costs related to weather events.

Accordingly, Parliament called for **prevention and information** measures in order to protect people and avoid losses caused by unexpected events.

To prevent environmental risks, it suggested more research in partnership with insurance companies in order to better understand the issues involved, thus preparing citizens and their communities for risks related to natural catastrophes.

Members also considered that **information is crucial for the prevention and mitigation of such disasters,** and called for closer cooperation between Member States and the private sector in this area.

At European level, Parliament favoured the sharing of best practice on risk prevention and mitigation amongst Member States and regionally. It pointed out that the **involvement of local authorities** in decisions concerning city planning and urban development could improve natural catastrophe management. It called for Member States and public authorities to take adequate preventive measures in order to mitigate the consequences of natural disasters and to **create and maintain crisis response units.**

Insurance market: whilst welcoming the Commission's Green Paper, Parliament noted that natural and man-made disasters need **different types of insurance and are covered by two different insurance markets.** Such disasters cannot be treated together even if there are cases of man-made decisions aggravating exposure to a natural catastrophe risk. It underlined that **the EU should not create overlapping and contradicting liability rules.**

Most Member States already have some form of insurance-based system for floods and other natural damage, but the system can be **supplemented with state funds to compensate for those assets** that cannot be privately insured. State funds may also compensate for insurance claims exceeding the

maximum amounts or for **otherwise exceptionally heavy damage**. The resolution also took the view that a Member State may participate in compensation for damage by **providing reinsurance**. It stated, however, that these systems differ in many respects, and it is **not prudent or necessary to unify them.**

Recalling that natural catastrophes affect both private households and business activities, Parliament encouraged insurance companies to **take risk-based pricing as a central approach to disaster insurance.** It invited Member States to **propose incentives to encourage citizens to protect themselves and insure their property against damage**, and incentives responding to insurance needs in terms of environmental liability, e.g. for enterprises in mining or in the gas, chemical or nuclear sectors.

Insurance companies, for their part, are invited to clarify contracts for consumers and to provide information on available options and their impact on the price of cover, in order to ensure adequate consumer choice. Insurance companies must provide **clear and comprehensible information** for clients and prospective clients. Risk-based pricing should be central to the availability of insurance coverage.

Parliament recognised the need for consumers to understand what type of coverage they have and how it would operate when risks materialise. Consumers should be fully informed of all terms and conditions, including the procedures for withdrawal from a contract and for making complaints and the deadlines applicable in such procedures, when buying insurance products and before signing a contract. It believed that the **protection of consumers must be a concern of the EU** and the Member States.

Non-mandatory insurance: Parliament recalled that in the end it is the state or the regional authorities that bear much of the indirect or direct cost burden for damage, be the causes natural or man-made. They suggested that Member States and regional authorities should recognise the importance of risk prevention and should make it a **pillar of investment strategy**, since it is more efficient to minimise the consequences of disasters instead of just providing cover and repairing damage afterwards.

Underlining the risk of moral hazard if citizens assume that their government would be using public resources from the national budget to cover their losses, Members were critical of actions which may discourage citizens or communities from taking measures to protect themselves. **Citizens should carry their share of responsibility and compensation should not cover all damage.**

Members recalled that individual responsibility in this sector has to be maintained, and is aware of the efforts made by Member States to combine the promotion of individual responsibility with intervention by government.

In conclusion, Parliament considered that **there is no market distortion in this field to justify intervention at European level**, and **do not think that a one-size-fits-all solution would be feasible for this issue.** It recalled that tailor-made insurance products depend on many elements, such as type of risks, their probable quantity and quality, culture of prevention, the state of preparedness and capacity for action and the approach taken by Member States and regional authorities concerning risk monitoring and preparation. Members considered that **a flexible natural catastrophe insurance market** allows insurance companies to adapt products to different conditions, and believed that **a non-mandatory framework is the best way to develop products** that match with natural risks in a given geographical area.

Insurance of natural and man-made disasters

2013/2174(INI) - 06/01/2014 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted the own-initiative report by Sampo TERHO (EFD, FI) on the insurance of natural and man-made disasters in response to the Commission Green Paper on the subject.

Members note that the situation in the EU insurance market is heterogeneous because Member States are exposed to different risks and natural catastrophes and the predictability of a natural catastrophe depends on different factors (meteorological, hydrological, geophysical, etc.). They recall that between 1980 and 2011 a small number of big events gave rise to about half of all costs related to weather events.

Accordingly, the report calls for **prevention and information** measures in order to protecting people and avoid losses caused by unexpected events.

To prevent environmental risks, it suggests more research in partnership with insurance companies in order to better understand the issues involved, thus preparing citizens and their communities for risks related to natural catastrophes.

Members also consider that **information is crucial for the prevention and mitigation of such disasters,** and call for closer cooperation between Member States and the private sector in this area.

At European level, the committee favoured the sharing of best practice on risk prevention and mitigation amongst Member States and regionally. It pointed out that the **involvement of local authorities** in decisions concerning city planning and urban development could improve natural catastrophe management. It called for Member States and public authorities to take adequate preventive measures in order to mitigate the consequences of natural disasters and to **create and maintain crisis response units.**

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