

Five Steps for Engaging with and Incorporating Insurance for Resilience Planning



Insurance regulators and the insurance industry can be important sources of data and information for climate resilience policymakers and planners on climate-related risks as well as projections on how those risks are evolving. In the United States insurance is regulated at the state level, meaning that each state has its own regulatory apparatus, which can be a source of expertise and knowledge highly relevant for state-level decision-making in related domains. The Washington State Office of the Insurance Commissioner, for example, provides information on [how climate change affects insurance](#), information on [how to prepare for climate risk](#), and [climate change information resources](#).

In their role monitoring the solvency of insurance companies and ensuring the availability, affordability, and adequacy of insurance, insurance regulators gain key insights into the evolution of all types of risk faced in their jurisdictions. Many national and subnational insurance market oversight bodies collect and publish highly specialized information on climate-related risk. A leader in the European space, the Consortium for Insurance Compensation of Spain provides information based on data it collects such as [vulnerability and adaptation measures for flood risk](#) and [guidance on estimating the real costs of disasters](#) that are useful for developers and policymakers. Utilizing this knowledge and incorporating this information is useful for understanding and assessing climate-related risks and incorporating these risks in resilience planning as well as guidance on building and construction standards.

The insurance industry is another key partner for governments in gathering knowledge on managing climate risk. Several governments have set up formalized groups to incorporate the industry within overall climate resilience planning. In France, the industry and government have a long-standing cooperation through the [French Association for Natural Disaster Prevention](#) (AFPCN). Regular dialogue, since 2001, via the association allows the public and private sectors to coordinate approaches to resilience through climate risk transfer, disaster risk reduction financing, and data sharing.

To leverage expertise within government and from the insurance industry on climate risk assessment and management and the potential of insurance to reduce climate vulnerability of communities, businesses, and households, policymakers are encouraged to consider five steps to collaborate with insurance experts to advance state-level initiatives for climate resilience. Each of the steps below includes specific cases from European and American jurisdictions as illustrative examples of policymakers' adoption in practice.

PURPOSE

Considering how government climate resilience planning can benefit from collaboration with insurance regulators and the insurance industry

1 Incorporate the insurance regulators and industry groups in intra-government climate resilience planning groups

- **Include insurance regulators as a key resource for better understanding of climate risks and their management as governments develop climate risk and resilience plans, increasingly through an all-of-government approach or across several departments.** For example, in Connecticut, the [Governor's Council on Climate Change](#) includes the State Insurance Commissioner, who also co-chairs its working group on [Financing and Funding Adaptation and Resilience](#) (2020).
- **Incorporate the insurance industry's experience, expertise, and perspectives into policymaking for climate risk management and resilience planning.** The Government of the Netherlands' [National Climate Agreement](#) integrates banks, insurers, pension funds, asset managers, and Invest-NL in its Financing Task Force for climate change mitigation and adaptation decision-making and approaches. Furthermore, the [Sustainable Financing Platform](#), convened by the Dutch Central Bank in 2016, has nine members, including government ministries and the insurance industry group ([Dutch Association of Insurers](#)), which provides input to the Financing Task Force and implementation of the Climate Agreement.

2 Utilize information on climate risks gathered by insurance regulators and the insurance industry to improve resilience planning, budgeting, and infrastructure finance

- **Review data and information gathered by insurance regulators about hazards and associated risks as part of the update process for resilience plans.** The Government of Denmark set up 13 [Climate Partnerships](#) to work together with different economic sectors on national climate goals. Through the [Financial Sector Climate Partnership](#) (2020), the insurance industry proposed working with the government to extend climate hazard data sharing for resilience, acknowledging that "insurance companies have a great deal of knowledge and a lot of data about where such damage occurs. The industry wishes to utilize this data to a great extent, so that, for example, authorities and property owners have better data when they begin working on preventive measures." The industry has already had significant success in sharing torrential rain and flood data with municipalities to enhance their climate adaptation planning.
- **Work with insurance regulators and insurance companies to better assess climate impacts on government funding and inform decisions on financing new infrastructure.** In 2019, the California Insurance Commissioner set up a [Climate Insurance Working Group](#) with members from both the public and private sectors to "make recommendations to reduce the threat from wildfires, floods, mudflows, urban high heat, sea-level rise and other issues facing [the] state." The Working Group recently issued [Draft Climate Insurance Recommendations](#) on assessing, managing, and improving communication on climate risks. The recommendations are directed at the insurance commissioner, the legislative and executive branches, and insurance companies and the private sector and include recommendations for building codes, insurance equity, and nature-based solutions.

3

Integrate relevant climate risk information from insurance regulators and the insurance industry into guidance for building codes and standards for zoning, design, and construction for priority climate hazards

- **Develop building codes and construction standards that are informed by hazard impact information and climate risk assessments gathered by the insurance regulator and/or insurance industry.** The City of Boston convened a [Green Ribbon Commission](#) (GRC) in 2018 as a forum for the private sector, the city, and state government to plan for climate mitigation and adaptation. Architects, construction firms, and insurance companies represented on the GRC developed the [Building Resilience in Boston](#) report, outlining best practices for climate adapted building standards based on climate hazards faced by the city.
- **Establish a mutually beneficial regular dialogue with the insurance regulator and the insurance industry on building code guidance for resilience against priority climate hazards.** Germany's Federal Government incorporates regular dialogue, data sharing, and knowledge exchange with the [German Insurance Association](#) (GDV) for its Climate [Adaptation Action Plan](#) (2011). The industry's knowledge of and data on storm, hail, flooding, and other natural hazards is an important input to the development of these action plans. The German Federal Government utilizes the Adaptation Action Plan to transform adaptation needs into standards and other technical rules so that changing climate conditions are integrated in the design of new residential, commercial, and industrial structures.

4

Increase community emergency preparedness through updates on acute climate hazard emergency planning in partnership with insurance regulators and insurance companies

- **Partner with private data and analytics providers to assess and predict hazards of different magnitudes and utilize information on projected impacts to design emergency plans and early warning systems for acute climate events.** New York State utilizes [AVAIL Labs](#) to provide data science visualization and analytics, similar to the approach of the insurance industry, to inform planning and decision-making during rapidly evolving climate-related disasters. As part of the State Hazard Mitigation Plan, New York State and AVAIL created [Mitigate New York, the state's publicly available hazard mitigation planning tool](#). [Mitigate New York helps to inform](#) pre-disaster planning, emergency response, and post-disaster recovery plans for the increased frequency, severity, and duration of natural hazard events expected from climate change. The [New York State Comprehensive Emergency Preparedness Plan](#) incorporates plans generated by Mitigate New York into the state's overall planning as well as into the state's guidance for specific hazards and locations.

5 Assess resilience of vulnerable populations using data from projections and scenarios to identify high-risk areas and work with insurers to make sure these populations have access to and coverage by affordable insurance

- **Review insurance coverage rates for vulnerable populations and how these overlap with predicted hazard zones.** The [North Carolina Climate Risk and Resilience Plan](#) (2020) recognizes insurance coverage inequality as one of four Climate Justice Spotlight Issues and outlines goals for “establishing equitable access and utilization of insurance policies,” for resilience interventions. The North Carolina Office of Risk and Resiliency (ORR) not only offers financial support partially covering flood insurance premia to participants in its [ReBuild](#) programs. The plan’s section on Climate Justice Recommendations also outlines several steps for agencies of the North Carolina state government to increase its focus on equity considerations in overall climate change resilience programming and insurance coverage.
- **Work with insurers on creative resilience investment solutions to address predicted climate hazards for vulnerable communities.** Small businesses often do not have the resources to assess climate risks, a vulnerability that presents a serious threat to economic stability and employment. With the aim of providing small businesses with the tools and financial instruments to increase their resilience to climate change, the Italian government launched the [DERRIS](#) project in 2015. DERRIS is a partnership between insurance companies, the public sector, and small businesses to exchange knowledge on climate risk assessment and management, develop a self-assessment tool for small businesses, and promote urban climate resilience through innovative financial and insurance instruments for resilience. The partnership allows insurers to work with small businesses on investments that would lower the financial risk associated with climate change and allows these more financially vulnerable businesses to ensure their insurance coverage is better tailored to the risks they face. The partnership also encourages insurance companies to provide more customized insurance products for this vulnerable market segment.

1 The Danish Government’s Climate Partnerships (2020). [Action Plan for the Financial Sector’s Climate Partnership: Summary and Recommendations](#).

2 Ibid

3 California Department of Insurance. [Climate Insurance Working Group Members](#).

4 https://www.bmu.de/fileadmin/bmu-import/files/pdfs/allgemein/application/pdf/aktionsplan_anpassung_klimawandel_en_bf.pdf

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