Verbond van Verzekeraars (Dutch Association of Insurers) Priorities and recommendations for Europe 2024 - 2029

Social role

Insurance plays an essential role in people's lives. Insurance protects you from the costs of unpleasant and unexpected events, such as fire, illness and accidents. From driving a car or starting a new business to buying a house or household contents and going on holiday, insurance helps you stop and think about possible risks and offers the certainty that the agreed damages will be compensated.

Through insurers‘ investment policies - customers’ premiums represent some 450 billion euros in invested assets - the Dutch insurance sector aims to play an important stimulating role in various European challenges. Consider the need for huge investments in the (green and digital) transitions, investing in solutions for Europe's ageing population and combating the housing shortage in almost all European countries.

Priorities and recommendations

Insurers see the following priorities for 2024-2029 to further increase and strengthen European prosperity and competitiveness:

1. **Climate change**: mitigation and adaptation.
2. **Investing** in a sustainable and innovative European economy.
3. **A new approach to EU regulation** that drives and advances innovation, digitalisation and global competitiveness.
4. Addressing **‘protection gaps’** on climate, health and cyber issues.

The Dutch Association of Insurers is an interest group of life and non-life insurers that together represent more than 95 per cent of the Dutch insurance market. On behalf of its members, the Association maintains contacts with national and European politicians and ministers, regulators, foreign sister organisations and other industry organisations and advocates (including the Consumers‘ Association, trade unions and employers’ organisations). In cooperation with the European umbrella organisation Insurance Europe, the Association has identified priorities and recommendations for the upcoming European mandate (2024 - 2029).

Priorities and recommendations for Europe 2024 -2029

1 Climate change: mitigation and adaptation

The challenge

Insurers are facing the consequences of climate change head-on: the changing climate is causing increasing incidents and scale of damage, causing much uncertainty and distress. It is, therefore, imperative, in line with European agreements, to reduce greenhouse gas emissions to zero by 2050. Although this ambition slows rather than stops global warming, extreme weather events continue to increase worldwide. For example, extreme precipitation causing floods, extreme heat leading to drought, rising sea levels as the North and South Poles warm up.

Priority

To minimise the impact of climate change, insurers remain committed to helping their customers cope with climate change on their way to achieving net-zero greenhouse gas emissions. It is a collective task that can only succeed if everyone participates and we give everyone the opportunity to contribute to a sustainable world. Even those who are currently still driving around in an old diesel because an electric car is still too expensive or live in a house with a poor energy label. We must look ahead and think in terms of solutions. Sustainability must become an integral part of how we want to live in Europe. That means that governments must also take concrete steps on climate adaptation.

Recommendations

- ✓ Focus on **climate transition**. Accelerate the introduction of adequate climate adaptation measures at all (government) levels: individual, municipal, provincial, national and European. This includes but is not limited to climate-adaptive building regulations to prevent and limit damage and misery caused by extreme weather. For instance, the Alliance has for years advocated not building in high-risk locations prone to flooding, such as river floodplains and areas outside the dikes. If a choice is then made to build in locations with a higher flood risk, it should be done in a climate-adaptive way.
- ✓ Focus on **implementing existing obligations** under EU taxonomy and sustainability reporting.

2 Investing in a sustainable and innovative European economy

The challenge

The EU's investment needs are enormous to adequately cope with the consequences of climate change while ensuring the security of European citizens and increasing European autonomy. The green transition alone is estimated to require at least EUR 620 billion in investment annually.

Priority

Switching from fossil fuels to renewable energy sources will require a lot of money. The Commission must make clear how it envisions this energy transition. Which transition paths, objectives and requirements are involved and what this transition means for the structuring of Europe. With a realistic timeframe as one of the most important preconditions. Moreover, if the EC is prepared to cover unprofitable peaks or offer guarantees for innovative renewable energy solutions, investment by insurers in these, often long-term, projects becomes feasible. Especially in the form of public-private financing. Legislation is also being drafted to improve consumer access to investing in insurance and pension products. Europe is thus diversifying and broadening the funding sources for European companies (mainly SMEs).

Recommendations

- ✓ Make it easier for consumers to save and invest in individual **(supplementary) pension provisions** in the third pillar.
- ✓ Shape **European capital requirements** for insurers so that they do not act as a barrier to investment in the sustainable European economy. When finalising the technical details (Level 2) of the Solvency II review, take into account the Capital Markets Union objectives. This will make it easier to invest in certain assets. Consider, for instance, investments in (energy) infrastructure and SME shares.
- ✓ Provide clarity through **clear transition paths** for the real economy. Certainty about returns and payback periods increases the likelihood of private investment.
- ✓ Many investments in the energy transition are still uncertain, for instance, because of unproven (risky) technology. To ensure this technology gets off the ground, **public-private** funding is necessary.

3 New approach to EU regulation to increase innovation, digitalisation and EU global competitiveness

The challenge

The amount of European legislation, and thus the regulatory burden on European companies, has risen sharply over the past 10 years. It is still rising, also for the insurance sector. There is talk of overregulation. Not only does this lead to significant costs for the business community, but citizens and companies are indirectly paying for it. Overregulation has a negative impact on insurers' capacity and ability to innovate, grow and invest. Ultimately, this harms Europe's competitiveness.

Priority

Ensure a European regulatory environment that enables innovation and growth.

Recommendations

- ✓ Make good on the European Commission's promise to reduce the **reporting burden on companies** by 25%.
- ✓ Change the approach to regulation by developing ***guiding principles*** that make new regulations as effective and efficient as possible.[1] That means:
  - Implement rules where they are really needed (solving a problem);
  - Avoid duplication and overlap at EU and national level;
  - Provide regulations that ensure a level playing field;
  - Conduct a thorough impact assessment, taking into account costs, (potential) unintended consequences and international competitiveness;
  - Adopt a phased approach and anchor proportionality;
  - Extend the time for implementation and allow more freedom of form.

4 Address protection gaps in climate, health and cyber issues

The challenge

The global *protection gap*, the difference between insured and uninsured damages, is estimated at USD 2.8 trillion a year. For example, damage caused by natural disasters is growing faster in Europe than in other regions. While only 25% of damage is covered by insurance.

Priorities

Reducing protection gaps in climate, health, and cyber protection is key to maintaining the resilience and prosperity of European citizens and businesses. This requires action and cooperation from insurers, regulators, politicians and policymakers to create conditions to reduce, prevent and insure risks at affordable prices.

Recommendations

- ✓ Increase **social awareness** about risk and the need for insurance and savings by:
  - **Provide proper advice** on the importance of insurance, personal savings and investments. For example, through introducing tax incentives (government) and awareness campaigns (government-industry).
  - Promoting **suitable cyber security measures** to reduce exposure to cyber risks. Together with other partners, insurers developed a risk model and a standard for penetration testing: this allows insurers to objectively identify cyber risks, and customers know that tests carried out meet certain quality requirements.
- ✓ Promote **public-private partnerships** where the private sector cannot bear/insure the risks (alone), such as flooding of large rivers or from the sea.
- ✓ Ensure that insurers, with the explicit consent of the customer, can access and use **customer data**. Data is crucial for pricing, risk analysis, risk mitigation and prevention, fraud detection and prevention. Europe currently has too many different frameworks for data sharing. For instance, data sharing is mandatory for the financial sector but not for the energy and telecom sectors. Similarly, insurers do not (yet) have access to car manufacturers' data. Such data are important not only for properly determining appropriate coverage in relation to premium pricing. Insurers also need this data to develop innovative products and services

[1] Consider the stringent requirements for codes of conduct under the General Data Protection Regulation (AVG) that make this type of instrument hardly used.

that benefit their customers. In addition, data are essential to reduce road casualties. Understanding the causes of accidents is crucial in preventing them. That is why insurers favour making data from the so-called black box more widely available: the Event Data Recorder that will be mandatory for every new car from 6 July 2024. The Alliance advocates a harmonised cross-sectoral framework for data sharing.