

Shared responsibility for societal resilience - insurance as a strategic partner

Europe needs to strengthen resilience in society to be prepared for the ongoing climate change, increased pressure on public finances and escalating geopolitical conflicts. Insurance contributes to societal resilience by offering risk management, pooling and diversification of risk and mitigation of adversities. This is true for such diverse areas as climate-related events and the Nordic welfare model.

The Nordic countries have worked continuously to strengthen resilience when it comes to the handling of climate risks. Natural perils vary between different geographies, within the EU and within the Nordic region. This is why a “one-size fits all” solution is not desirable. EU-level initiatives tend to be most effective when they complement, and support established national systems.

Regarding the coming EU Climate Adaptation Plan we welcome that the legislative framework, indicatively, will focus on climate resilience and preparedness.

Insurance helps building resilience to geopolitical conflicts. In the Nordic region there is a long tradition of public-private cooperation and shared responsibility in order to build societal resilience and preparedness – for the handling of major peacetime crises as well as war risks.

Societal resilience and readiness

Insurance is based on spreading unpredictable risks across many policyholders, with premiums reflecting the likelihood and potential cost of damages. When events are effectively certain, insurers cannot provide coverage: it is not possible to provide cover for what we know for sure will happen. At its essence, insurance exists to build societal resilience by offering risk management, pooling and diversification of risk and mitigation of adversities.

Regarding climate-related events, construction in high-risk areas, such as floodplains or fire-prone regions, and limited preventive efforts further amplify exposure and vulnerability. In this context insurers' ability to support resilience and recovery will help societies to bounce back faster in the wake of major climate events.

Another core example of the insurance industry being part of building societal resilience is the area of welfare. The Nordic countries are known as mature welfare societies, where private insurance complement comprehensive public solutions for health, healthcare, unemployment and occupational injury.

Boosting resilience and reducing protection gaps is, consequently, a shared societal responsibility. Insurers play a vital role by transferring risk, providing expertise and encouraging preventive measures that reduce vulnerability, may that be in areas of health and well-being or climate-related events.

Climate resilience is a shared responsibility

In general, the Nordic countries have a high degree of insurance coverage, also when it comes to climate-related catastrophe losses. This is in contrast to other EU member states, where generally only about a quarter of climate-related damages are covered by insurance. The protection gap is likely to widen in the medium to long term because of climate change, partly because repricing of insurance contracts in response to increasingly frequent and intense events may lead to such insurance becoming unaffordable.

Prevention is essential, not only to limit the impact of extreme weather events but also to keep risks insurable. Therefore, by prioritising prevention, societies can strengthen their resilience, maintain the availability of affordable insurance, and reduce the costs of extreme weather events.

The Nordic countries have worked continuously to strengthen resilience when it comes to the handling of climate risks. But increased climate change demand further adaption and abatement. Natural perils vary between different geographies, within the EU and within the Nordic region. This is why a “one-size fits all” solution is not desirable. The protection against natural perils must be constructed to handle the risk in the individual region and on a national basis. Thus, EU-level initiatives tend to be most effective when they complement, and support established national systems.

Therefore, we oppose the establishment of a mandatory EU fund for public financing as suggested by the ECB and EIOPA¹. It would risk disrupting the well-functioning insurance solutions in the Nordic markets. Mandatory natural disaster pools or large fund-based solutions could risk undermining climate adaptation efforts, as the current incentives for preventive measures are weakened by such proposals.

Regarding the coming EU Climate Adaptation Plan (scheduled late 2026) we welcome that the legislative framework, indicatively, will focus on climate resilience and preparedness. We also support that one of the pillars will indicatively be "the climate resilience by design"-approach for proactive risk management. The aim is to embed climate risk considerations across all major decisions — from infra-structure and land use to financial product development. However, we would also like the plan to present strengthened national incentives for managing natural disaster risks.

Insurance helps building resilience to geopolitical conflicts

Geopolitical conflicts and deteriorating international security also affect the insurance industry as many insurance solutions are crucial for people's livelihoods, the business sector's capacity, and even society's ability to respond to a rapidly changing threat landscape. As a consequence, in the Nordic region we also share responsibility and build societal resilience by cooperating closely with public authorities to meet the requirements for resilience and preparedness whereby major peacetime crises and even the risks in exceptional circumstances are handled. Examples of such events include large-scale cyberattacks, various disaster scenarios, and hybrid threats.

¹ EIOPA and ECB, 2024. Towards a European system for natural catastrophe risk management – The possible role of European solutions in reducing the impact of natural catastrophes stemming from climate change. December 2024.