GDV German Insurance Association

CLIMATE RESILIENCE

Issue Paper

of the German Insurance Association (GDV)
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European Integrated Framework for Climate Resilience and Risk Management – and Elementar Re

KEY ASKS

- → **EU Framework for National Natural Hazard Portals**
- → **Strengthening National Public-Private Partnerships to Advance Prevention, Climate Resilience, and Long-Term Insurability**
- → **Mandatory Climate and Natural Hazard Risk Assessments for Buildings**

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1. Introduction

The German insurance industry welcomes the European Commission's initiative to strengthen the EU's climate resilience and enhance risk management in the EU. Targeted climate adaptation is essential to protect our livelihoods and maintain insurability. This requires a clear legal framework. The present issue paper is based on the German Insurance Association's (GDV) proposals on prevention and climate change adaptation laid out in the public consultation response and the GDV position paper on natural hazard prevention, climate change adaptation and insurance cover for damage caused by natural forces to buildings used for residential purposes (Elementar Re).

2. Objectives of the German insurance industry

Our objective is to shape the European framework for climate risk management in such a way that **prevention, risk transparency, nature-based solutions, and resilient infrastructure** are at the top of the agenda. **The insurance industry** sees its role not only in claims settlement, but also **as a strategic partner** in the development and implementation of adaptation strategies. Combatting climate change is a challenge for society as a whole, and GDV is ready to do its part.

3. Recommendations for action

→ **EU-wide legal framework for mandatory natural hazard risk disclosure via national public hazard portals:**
We advocate for the creation of a **binding European legal basis** requiring all **Member States to establish**, within a defined timeframe, a **transparent and freely accessible national natural hazard portal** that maps relevant climate and weather-related risks. Based on the Austrian public-private partnership model of HORA, these platforms would integrate official scientific and administrative data into a harmonized digital infrastructure. This would enable citizens, businesses, insurers, planners, and authorities to identify location-specific exposure, incorporate climate risks into planning decisions, and **strengthen preparedness and public risk awareness** across the European Union.

→ **Strengthening national public-private partnership mechanisms to advance prevention, climate resilience, and long-term insurability of natural hazard risks:**
GDV calls for targeted European support for national PPP frameworks that promote coordinated prevention strategies and climate adaptation measures. Such partnerships contribute to **maintaining the long-term insurability of**

natural hazard risks, reducing vulnerability to extreme large-scale loss events, and supporting the stability of financial and insurance markets under increasing climatic uncertainty.

→ **Mandatory climate and natural hazard risk assessments, standardised natural hazard certificates and legal construction bans in flood-prone areas:**
We promote the introduction of a legally binding requirement for **location-specific risk assessments** addressing climate impacts and extreme weather exposure for all **new** construction projects and major renovations. A **uniform natural hazard certificate for each building** would ensure standardised disclosure of hazard exposure and structural resilience, support climate-adapted planning, and reduce repeated damage caused by outdated risk assumptions in hazard-prone areas. Moreover, we emphasise the need for **legal construction bans in flood-prone areas** and the integration of corresponding requirements into EU environmental directives, adaptation strategies, and climate laws.

→ **Integration of *climate resilience by design*, especially into eligibility criteria for EU-funded infrastructure projects:**
From the perspective of German insurance companies, concrete and binding regulations are needed to effectively integrate *climate resilience by design* into **planning, construction and subsidy policy**. At the same time, care must be taken to ensure that new requirements are targeted, practicable and proportionate. They must **not entail** excessive bureaucracy or **additional reporting** and documentation obligations and have to be coordinated with one another. The principle should primarily be applied in sectors that have decision-making and planning authority. In addition, sectors with a long lifespan, high systemic relevance and high climate vulnerability play a decisive role. **Long-term lock-in effects**, high damage costs and systemic consequences can be prevented. The four most relevant sectors identified by GDV are the public sector and local authorities; construction, real estate and urban development; critical infrastructure; and agriculture and food.
We underline the importance of **nature-based solutions and resilient urban planning**. Examples include river floodplain restoration and coastal protection, green infrastructure measures such as rainwater storage or infiltration areas (soil de-sealing), and mandatory consideration of future climate risks in spatial and regional plans.

→ **Addressing policy and regulatory barriers to effective climate adaptation and preparedness:**
There is a **lack of binding and coherent regulations** on climate impact adaptation, leading to delayed and uncertain decision making, while existing financing mechanisms **still prioritise post disaster relief** over systematic and

preventive **investment in preparedness**. Although EU climate policy has strongly focused on greenhouse gas reduction, adaptation remains comparatively underdeveloped in both political attention and practical implementation, further compounded by the non-binding nature of the EU Climate Adaptation Strategy, which does not oblige Member States to take concrete action. This imbalance highlights the need to **treat climate protection and adaptation as equally important** and mutually reinforcing priorities, since insufficient emission reductions will intensify climate impacts and ultimately undermine the effectiveness and feasibility of adaptation efforts.

→ **Increasing the competitiveness of the insurance industry:**
In order to increase the competitiveness of our sector, climate-resilient technologies and innovations must be developed and expanded. This includes the **establishment of knowledge networks** for the exchange of best practices, **digital tools and apps for individual risk assessment and scenario planning**, and the **provision of consistent climate data**. **Technical guidelines and best practices** should be adapted to the challenges of accelerated climate change. In addition, financial support for pilot projects on municipal climate adaptation, targeted training programmes for professionals in construction, urban planning and disaster management, and research initiatives on nature-based solutions, early warning systems and resilient urban planning are required.

4. Proposal by German insurers to address the increasing insurance gap and improve access to affordable insurance (Elementar Re)

Increasing damage leads to increasing premiums, regardless of the insurance system chosen. In view of climate change, the goal must be to ensure **long-term insurability for damages caused by natural hazards**. The German insurance industry is therefore advocating an integrated concept that combines binding prevention at all levels (= public funds and investments), including a national natural hazard portal (=access to expertise and greater consumer awareness) and insurance cover against natural hazards. Part of the overall concept is also an instrument with which the state provides support in the event of a catastrophic cumulative loss and limits the impact on the market (known as a general ‘stop-loss regulation for the market’). The German insurance industry is committed to providing insurance cover on a long-term, sustainable basis in Germany, using **risk-based premiums**, even in areas of Germany that are currently highly exposed. The central solution proposed for this is the so-called **Elementar Re** model, which GDV described in a position paper to the German Federal Ministry of Justice. The core ideas of the Elementar Re model, which is based on the principle of solidarity, is socially just and promotes prevention, can be summarised as follows, explicitly without claiming to be exhaustive:

- Primary insurers should assign clearly defined high-risk locations to Elementar Re (cession). New buildings in high-risk locations that are completed after a certain cut-off date can no longer be ceded to Elementar Re.
- A defined premium cap applies to high-risk residential buildings included in Elementar Re, which scales with the size of the insured building. If the risk-based premium for a high-risk building exceeds the corresponding limit, the difference between the risk-based premium and the capped premium is financed by a small, broadly distributed solidarity levy on all residential building insurance policies. The amount of the levy also scales with the size of the building.
- Elementar Re protects itself through its own reinsurance facility. If this is not sufficient in exceptional situations, a security fund is to act as an additional buffer, which is to be filled step by step via a share of the solidarity levy on all residential building insurance policies. Only if extreme large-scale losses exceed both Elementar Re's reinsurance and the security fund will a clearly defined state stop-loss come into effect as a last resort in exceptional cases.

In summary: Elementar Re can only unfold its full impact as part of an integrated natural catastrophe concept that also includes broad insurance coverage, consistent prevention, and climate adaptation.

5. Concluding Remarks

The German insurance industry is convinced that a clearly structured integrated framework incorporating **European guidance on Member State's action** will enhance the effectiveness of climate resilience policy. Coordinated action across areas of competence makes it possible to harness synergies while safeguarding national scope for action. It is equally important that **climate protection**, in particular ambitious emission reductions, **remains a top political priority**. Otherwise, increasing climate impacts would undermine future adaptation efforts**. German insurers** stand ready to actively **contribute their expertise, natural hazard data, and international network** to the planned EU initiative.

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