

## WP4: Transformation

# Short Report of 2nd Insurance Sector Roundtable

Audrey Vion-Loisel

The H2020 MERLIN roundtables aim to build a community of practice linking the economic sector representatives with MERLIN scientific and implementation partners. Following a first roundtable with the [Insurance Sector](#) and [Sector Briefing](#), a second roundtable was held on 16 May 2023. This report captures the main discussion points of the second roundtable. The main topic role of the regulatory and policy framework in enabling or hindering the insurance sector to contribute to nature restoration through large scale river restoration. The findings will contribute to a final roundtable to be held in 2024, and subsequent policy briefings and sector strategies.

## Presentation notes

---

Three presentations were given to the main group, respectively about the more general MERLIN work, the SWAT+ modelling taking place in the project, and the Basque country case study. A summary of the three presentations is given below.

MERLIN is a 4 years project which goal is to protect peatlands, wetlands, rivers and floodplains with catchment level restoration in landscape context. An important part of the project is to work closely with 18 case studies divided in 3 clusters (peatland and wetlands, large streams, small streams) and 6 economic sectors (Agriculture, Hydropower, Insurance, Navigation, Peat Extraction and Water Supply and Sanitation).

The SWAT+ work develops modelling workflow for restoration assessment in selected basins identified in an EU wide screening. A series of restoration scenarios is run to quantify the effect of different restoration measures and combination of measures, with the final aim to identify segments that are favourable for restoration and where it would be most effective.

The Deba river restoration case study (Basque country, northern Spain) aims to remove all dams that are not in current use, as a way to reduce the river fragmentation and the small flood risks which are more recurrent and which cumulative damage is more important. In the Soraluze city, the MERLIN team faces rejection since the dams are considered as characteristic to the landscape due to their history, and are protected as cultural heritage. The team wonders whether the insurance sector could act as a lever in this case

## Breakout room notes

---

The role of several policies in enabling or hindering the insurance sector to contribute to nature restoration was discussed.

## Principles for Sustainable Insurance (PSI) and Taskforce for Nature-related Financial Disclosure (TNFD)

In Germany, PSI has been picked up by some insurers, but nature positive insurance is too new. Both PSI and TNFD are powerful frameworks but it was mentioned that these principles are common thinking.



## EU Taxonomy

Investing in adaptation and preparedness is not the main role of insurance but it can bring value regarding loss reduction. The taxonomy provides a level playing field into the assessment of projects and of possibilities.

Taxonomy will help improve comparability in activities and enable better investment. It will stimulate private funding or at least the idea that it needs to be more developed, and it could contribute to the setting up of resilience bonds or green bonds.

## Solvency II

Solvency II says you cannot ensure something for which you do not understand the risk or are not able to calculate it. An issue is it is difficult to calculate the impact of NbS, especially as the effects are diverse depending on area and characteristics of the measures so it is not easy to quantify them.

The inability to calculate the measures' impact can even lead to them being excluded from insurance coverage, because of lack of knowledge about the amount that would need to be paid out in case of damage. Understanding the NbS impacts better can help better understand the bankability in the avoided cost for nature restoration.

## Nature restoration law (NRL)

With this policy, it will be the first time that the EU sets legally binding restoration targets, which should be a motivator in terms of NbS uptake. The EU commission is also looking to increase the role of the private sector and private finance.

The insurance sector is seen as a key actor to showcase what are the damages of not restoring and the sharing of data to identify where to restore both for biodiversity but also to reach adaptation goals which could make it more attractive for more types of investors.

NRL could be an element, but might not be directly affecting the core business of insurers currently. An important point is for NRL to fit into the already existing legislation for example Taxonomy and the screening criteria.

## Floods directive

This policy was only briefly talked about but it was mentioned that it is an important policy that insurers value as it is risk management oriented with effect on the sector. Although it is not directed to the insurance sector, the tools it includes are very valuable.

## Other takeaways from the discussion

---

It is thought insurers are able to advise customers towards implementing measures to build back better after a disaster, but there were diverging opinions as a stakeholder has mentioned that in their day to day this is not a reality. However there was a consensus on the fact that insurers cannot tell policyholders how to use the money they receive from the insurance company to build back in a certain way.

It is getting difficult to have private drought insurance due to increased risks, but there often exists some state funds to help farmers, as well as CAP. The fact there are already some subsidies to help farmers lowers the incentive to insure the crops against drought.

It is not the insurance companies' role to invest in landscape matter. They are a business. This is very costly and out of scope of their responsibility.



# MERLIN

Non-life insurance can:

- Share data regarding losses
- With appropriate data, show risk could be decreased
- Advice on NbS implementation, promote it to high level decision makers
- Possibly insure certain measures

Non-life insurance cannot:

- Invest in measures
  - Because it is too large scale and costly
  - Because it will benefit competitors
- An association could invest, but it remains too costly

Please let us know if you have any comments or clarifications to add on this note. Please address your comments to [avionloisel@icatalist.eu](mailto:avionloisel@icatalist.eu) or [elopezgunn@icatalist.eu](mailto:elopezgunn@icatalist.eu) for insurance related queries, or [anna.berczi-siket@wwf.hu](mailto:anna.berczi-siket@wwf.hu) or [kirsty.blackstock@hutton.ac.uk](mailto:kirsty.blackstock@hutton.ac.uk) for more general MERLIN information.



The MERLIN project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 101036337.

[www.project-merlin.eu](http://www.project-merlin.eu)

# MERLIN