

## **COPA-COGECA'S RESPONSE TO THE COMMISSION'S GREEN PAPER ON THE INSURANCE OF NATURAL AND MAN-MADE DISASTERS**

1. Copa-Cogeca welcomes the possibility to contribute to this consultation concerning the role and availability of insurance of natural and man-made disasters as part of the adaptation strategy to climate change.
2. Copa-Cogeca wants to highlight that natural disasters must be firstly prevented with a proper management of natural resources to prevent floods, droughts, landslides, etc., including land management, as this is the best way to ensure a sustainable development and protection of the rural areas. Copa-Cogeca believes that out of the 8 actions identified by the Commission for the adaptation strategy to climate change, the first 7 should be implemented without further delay.
3. The insurance of natural and man-made disasters, on the other hand, should be carefully studied as a voluntary and complementary tool to the adaptation strategy to climate change but certainly they are not considered to be sufficient without a robust prevention strategy. Several measures (e.g. financial contributions on insurance premium, tax relief, etc) may be explored with the aim to induce individuals to invest more in mitigation and prevention strategy. We should however bear in mind that the insurance is still a policy tool which is an *ex-post* intervention with several challenges in terms of capacity and effectiveness in the long term to face big natural disasters.
4. In general, and specially in the context of achieving a sound adaptive capacity of the farming sector to climate change, Copa-Cogeca rejects any possibility to fully transfer investments on risk prevention and losses compensation completely on private individuals. Member State authorities have still a role to play. Within such framework, individuals need to be aware of their duty, real risks on possible disasters, their costs and effects, and play a role in risk mitigation measures. Further reflections are needed regarding costs and benefits of a full recovery scheme from an insurance policy. At the same time, the reinsurance should be considered a relevant part of this system, as it is clear that insurance companies are in some circumstances not in the position to fully pay losses in case of disasters.
5. In recent years, European farmers and European agri-cooperatives have faced a significant increase in risks as effect mainly of a more market-orientated agriculture which has emerged as a result of the several reforms of the Common Agricultural Policy since 1992; higher market volatility, caused by an increasingly open EU market and international trade flows; greater exposure to new animal and plant diseases, as effect of global warming and increased international movement of people and goods, and; an increased frequency of extreme weather events. All of this has contributed to reduce agriculture resilience and adaptive capacity to climate change.
6. Some of these risks are addressed to some extent by a number of policy instruments foreseen within the Common Agricultural Policy (CAP) which are fully supported by European Farmers and agri-cooperatives. Direct payments, for example, play still an essential role in supporting farm income, together with few measures left of safety net which try to stabilize market variations in some exceptional situations in some specific

sectors. At the same time, as part of the new CAP – Rural Development -, some measures aim to strengthen the prevention of risks and management of natural resources, such as restoration of agricultural production potential damaged by natural disasters and introduction of appropriate prevention actions, or prevention and restoration of damage to forests from forest fires and natural disasters and catastrophic event. Furthermore, improvement of knowledge transfer and information actions on risk management is also part of the new policy framework, together with investment possibilities in new physical assets.

7. As part of the new CAP, Copa-Cogeca has, anyhow, welcomed the development of a wide and effective range of risk management voluntary tools to be available to farmers in the European Union. They are mainly represented by co-financing measures of insurance premiums on plant and animal diseases and climatic extreme events, and loss compensation as part of mutual funds on plant and animal diseases, environmental accidents or income loss. Copa-Cogeca has asked to broaden and strengthen the scope of these tools to help to better deal with market volatility, serious consequences of animal and plant disease outbreaks, as well as weather extremes. Such tools should, however, be only a complement to the existing system of direct payments and market management measures, and, under no circumstances, represent a replacement.
  8. Coexistence of all these instruments, including any national scheme, is considered to be fundamental. Copa-Cogeca believes that the use of the different risk management tools, including income taxation systems to address income volatility as effect of climate change, should be made available in a more complementary manner. Such approach should allow farmers to benefit from a wide range of tools which could cover different risks, be they economic, climatic, sanitary, etc, without any mandatory approach.
  9. With particular reference to the insurance policy in Europe, we believe important to further invest resources at the Commission level aiming to:
    - a. Improve competition across EU Member State on the insurance market, aiming to have better risk coverage and contractual requirements. This should not be based on any mandatory approach, but rather linked to clear benefits for end users.
    - b. Explore the added value, and under which circumstances, developing an index-based weather insurance schemes may lead to innovative solutions, reduce administrative costs and facilitate loss assessment.
    - c. Explore opportunities related to satellite-based information and setting up of integrated early warning systems which could be used by farmers also in their daily practices (e.g. crop management).
    - d. Improving information publically available on risks of natural resources, setting up early warning systems, comparable data across EU Member States and third countries, where this is possible.
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