

# ***Interactive comment on “When is it beneficial for insurers to engage in climate change adaptation – a cross country comparison” by Isabel Seifert-Dähnn***

## **Anonymous Referee #2**

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Review on the article “When is it beneficial for insurers to engage in climate change adaptation – a cross country comparison” by Isabel Seifert-Dähnn

The manuscript is enlightening the role of insurers in flood risk management practice and identifies the potential courses of actions of insurers in the field of climate change adaptation. As such, the manuscript is a very interesting work that could address many readers in the field of natural hazards research and risk management practice.

However, the manuscripts does not fulfil the expectations of the reader who is framed by the title and the abstract. The title is misleading. I read the manuscript curiously to get the answer to the question posed in the title. Throughout the document, I could not

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find the linkage to climate change adaptation. The manuscript is dealing merely with flood risk reduction and not explicitly with climate change adaptation. In this regard, the manuscript has to be sharpened. As an alternative, the title has to be changed. The conclusions do not state when it is beneficial for insurers to engage in climate change adaptation. However, the manuscript is identifying the field of actions how insurers can lead to contribute to the societal challenges of climate change adaptation. The manuscript is addressing this important gap.

Nevertheless, in this overview of different actions that can be taken by insurers, the manuscript lacks a description of the limitations for insurers. In private markets, insurers have to face regulation by the state (market regulators) or financial regulations (solvency regulations). E.g. price increases, changes in the financial reserves, withdrawals or reductions of coverage may be restricted by market or financial regulators, or – indirectly - by the market itself. Public insurers face even more legislative regulations, and they are closely related to politics. Direct interventions on the ground (e.g. planning and implementation of flood defence measures) are not always an option for insurers because they “rival” (or in the best case complement) the efforts of public authorities and must in any case be allowed/approved/authorized by public authorities. It would be interesting to deepen this framework and analyse the actions that insurers can take and cannot. Other papers also conclude that insurers can only take action in coordination with public authorities (e.g. as cited in the manuscript: Duus-Otterström and Jagers 2011, Keskitalo et al. 2014, Lamond and Penning-Rowswell 2014, Smolka 2006).

The author states that taking influence on individual policy-holders and sustaining them in their adaptation will increase transaction costs of insurers. However, this argument can be seen from a very different point of view: insurers are the only institutions that have a direct cont(r)act with individual customers. This direct contact may be a benefit against other actors and used in climate adaptation, complementary to other actors that address the community as a whole. In my opinion, the manuscript underestimates

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the potential of this customer-relationship. This observation may arise from a partial misunderstanding due to a lacking definition of the term “from the insurers perspective”.

Furthermore, the author concludes that the roles of insurance and of public authorities must be renegotiated if insurers should become more engaged in adaptation activities. This relates to the title of the manuscript but the author do not provide a proposal for a renegotiation or a direction towards it. Thus, the reader remains unsatisfied. Therefore, the manuscript has clearly to align the title, the aim of the study, the method section, the abstract with the conclusions. I recommend to align the paper along the overview of the different actions that insurers can take and to focus on flood risk reduction instead on climate change adaptation. The latter would require a remarkable extension of the manuscript in regards to the specific literature. An overview of actions is also in line with different statements in the paper (e.g. “This means there is no ‘one solution fits all’ approach”).

The paper also mentions cloud seeding techniques and weather modification. This is a very important point and heavily discussed. However, these statements are not based on provided literature and not re-discussed later in the discussion or conclusion sections. Either the author adds more literature to this point and discuss it in the light of the geoengineering debate and the potential roles of insurers, or this point should not be mentioned in the second chapter.

Another missing point is the role of insurers that are organized in the form of cooperatives. Their business model lays in between of private and public insurers. It should be highlighted that cooperatives are not paying out dividends to shareholders but are able to re-invest their profits in flood defences. The author showed one example but did not draw any conclusion out of it in regard to this potential for climate adaptation.

In sum, the manuscript has to be remarkably re-designed but it is potentially of great interest for the readers of this journal.

In the following, I am enlisting some minor remarks:

P.3, line 10. The subtitle is about flood “protection” whereas the section begins with “flood adaptation”

P.4, In. 5: provide citation for cloud seeding as flood prevention techniques (or it is for reducing hail losses?)

P. 6, In. 10: there is some literature about public-private-partnerships. . .

P.9, In. 10: one-year contracts may be also seen as a precondition for flexibility and thus allow climate change adaptation and may not act in any case as a barrier for risk prevention. If insurers are bound to very long contracts, they are not allowed to “adapt” their business to future requirements in the strict sense.

P.14, In.17: This is only a hint: The public insurance company of the Canton of Grisons for example is funding materials for flood interventions of the fire brigades and is financing the elaboration of emergency plans (contingency plans).

P.17, In.4-7: This a problematic issue and should be discussed more in detail.

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