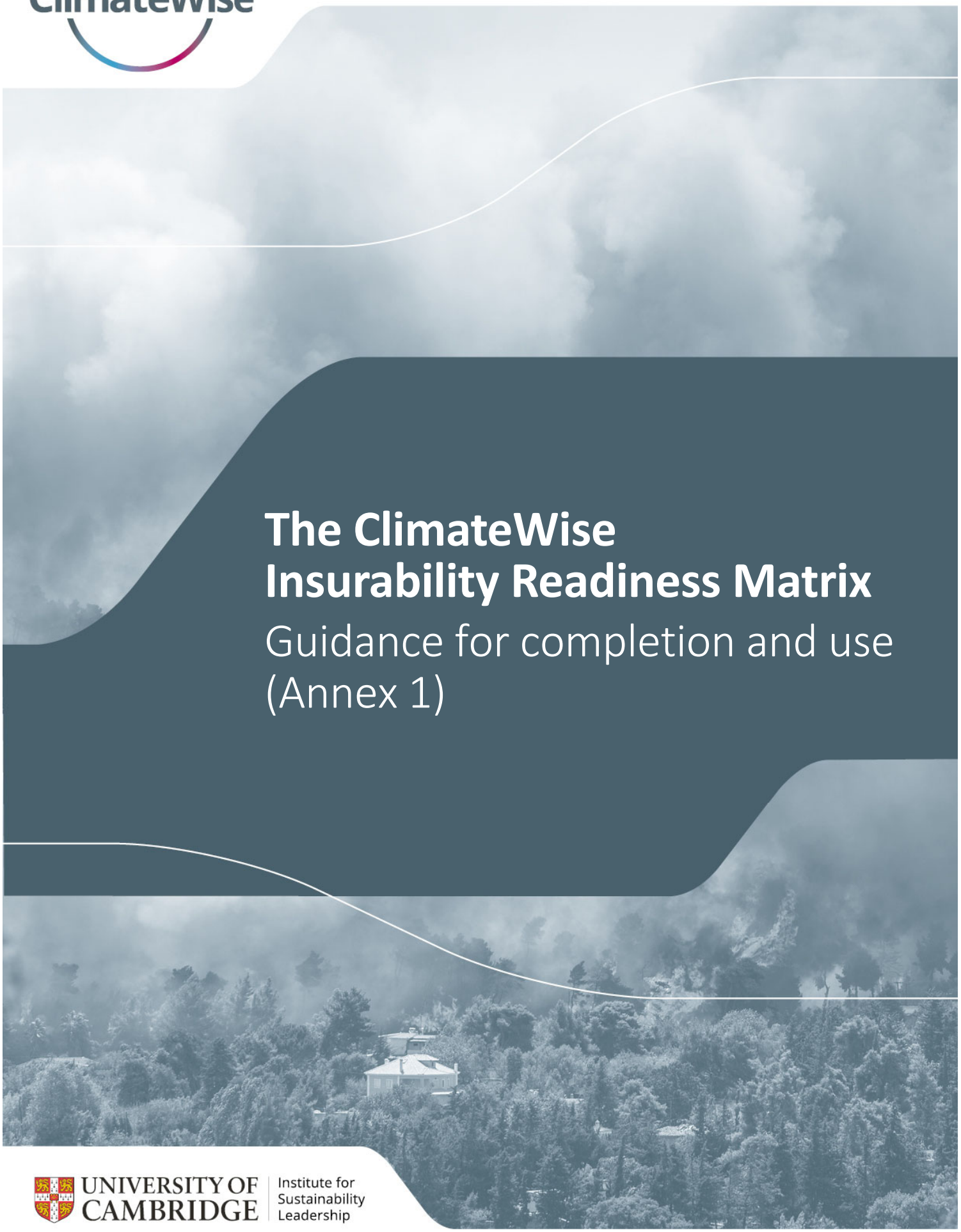
ClimateWise

The ClimateWise Insurability Readiness Matrix

Guidance for completion and use (Annex 1)



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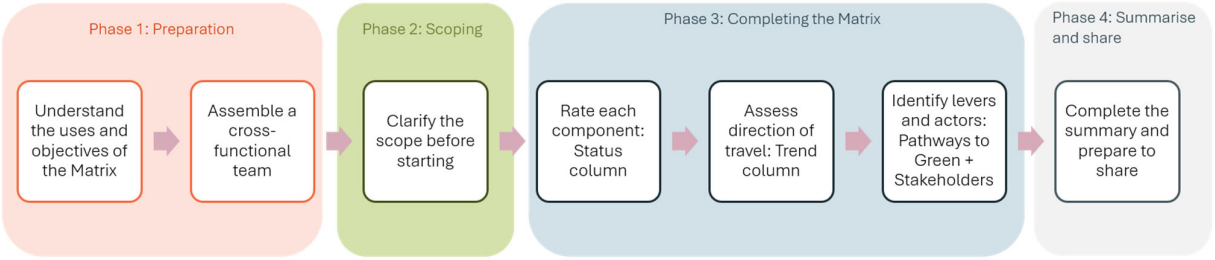
Purpose of this guidance document

The Insurability Matrix is a structured diagnostic and engagement tool. It provides a shared language for assessing, communicating and improving the insurability of assets, sectors and places. It is designed to be used as a conversation starter, enabling re(insurers) to communicate to policymakers, project financiers, developers and other stakeholders where insurability pressures are emerging, what is driving them, and what would need to change to maintain or restore coverage. The Matrix is structured across seven different components to support more specificity in conversations instead of delivering a binary insurable and non-insurable conclusion. The Matrix as currently designed is primarily intended for physical climate risks: perils such as flood, wildfire, storm, drought and extreme heat.

Who should complete the Matrix

The Matrix is designed to be completed by (re)insurers drawing on their underwriting knowledge, portfolio data and market intelligence for a defined scope: a specific asset, region or sector-peril combination. Completion does not require all information to be known with certainty; where evidence is limited, the completing (re)insurer may note the basis for their assessment and rate conservatively.
The Matrix is most valuable when completed collaboratively within an institution, drawing on, for instance but not limited to, underwriting, sustainability and public affairs functions. The pilot exercise confirms that internal discussion during completion surfaces disagreements and assumptions that strengthen the final assessment.

How to complete the Matrix



Phase 1: Preparation

1) Understand the uses and objectives of the Matrix

Before completing the Matrix, be clear on its purpose. It is a structured diagnostic and engagement tool, a shared language for communicating where insurability pressures are emerging, what is driving them and which stakeholders need to act.

a) A Red or Amber rating does not imply imminent withdrawal, pricing changes or coverage restrictions for any specific risk.

b) Ratings are directional, expert-judgement-based signals. They are not actuarial outputs or determinative decisions.

c) The Matrix is most valuable as a conversation starter with external stakeholders such as policymakers, financiers, developers and regulators.

Responsible use: *Share the Matrix in the context of an active conversation about Pathways to Green. Consider how lenders or investors may interpret Red ratings before sharing output outside of the organisation.*

2) Assemble a cross-functional team

The Matrix is most valuable when completed collaboratively, drawing on multiple functions. Internal discussion during completion surfaces disagreements and assumptions that strengthen the final assessment.

a) Underwriting and risk appetite: provides the technical basis for component ratings and trend assessments.

b) Sustainability/ESG/climate: brings forward-looking risk perspective and stakeholder context.

c) Public affairs/external relations: informs policy landscape and identifies relevant stakeholders for each pathway.

Pilot participants who completed the Matrix with cross-functional teams, including underwriting, sustainability and CEO office, found the process itself valuable for surfacing internal assumptions.

Phase 2: Scoping

1) Clarify the scope before starting

Complete all four scope fields explicitly before assessing any component. Scope definition is critical because the same component can be Green for one segment and Red for another within the same geography. The Matrix can also be scoped to markets or perils where no insurance product currently exists, in which case the assessment identifies the conditions that would need to be met for a viable market to develop rather than the conditions driving an existing market towards uninsurability.

a) Geography: specific region, city or asset location.

b) Peril: the specific hazard being assessed (flood, wildfire, storm, etc).

c) Asset class or sector: residential, commercial, infrastructure, agriculture, etc.

d) Time horizon: the period for which the assessment is done.

Scoping would also then allow a weighting of the different components, according to their relative importance, and how, in practice, the components are not equally weighted. For example, some components may be binding constraints, conditions whose failure on its own prevents coverage regardless of other components' status, while others may be contributory. This can be identified in the component column for each assessment.

Phase 3: Completing the Matrix

Seven components: Data & Modelling · Physical Resilience · Policy Alignment · Market Capital & Capacity · Stakeholder Awareness & Financial Literacy· Accessibility & Affordability · Recovery Ecosystem

1) Rate each component: Status column

For each component, assess the current condition against the illustrative Red, Amber and Green descriptors. The completing (re)insurer's own evidence and professional judgement should determine the rating. Where uncertainty is high, note the basis for the rating and flag the specific information gap.

- **Green:** currently adequate to support insurability
- **Amber:** under pressure; action needed
- **Red:** materially undermining insurability

a) Add a brief **basis note** in each status cell: one sentence identifying the primary evidence or signal underpinning the rating. For example: *rated Amber on the basis that forward-looking catastrophe modelling is now permitted but vulnerability data on individual structures remains the binding gap preventing differentiated underwriting.* This basis note makes the subjectivity of the rating transparent and provides the evidence anchor needed when presenting to external audiences. Be as specific and targeted as possible.

b) Where a single RAG (Red/Amber/Green) rating cannot adequately represent different conditions, note the differences explicitly in the status cell. For example, in the Tenbury Wells pilot, the residential versus commercial public insurability status differs significantly. Or as workshop participants observed when assessing the Data and Modelling component for wildfire, where hazard data availability has improved while exposure and vulnerability data are still poorly understood.

c) Flag each component as a **Binding constraint** (failure prevents coverage regardless of other components) or **Contributory constraint** (compounds pressure but does not dictate the status of other components).

d) **Where evidence is limited, rate conservatively.** Unknown conditions default to Red as the absence of evidence is not evidence of adequate conditions.

2) Assess direction of travel: Trend column

The trend column is intended to reflect the direction of travel of the component's status over a defined recent period, based on observable indicators such as changes in regulatory frameworks, shifts in market capacity and pricing, loss experience trends, and data or modelling improvements.

a) Record the **direction:** ↑ Improving · → Stable · ↓ Declining.

b) Where the improving or declining trend operates on different timescales for different aspects of the same component (as in the Physical Resilience component for LA wildfires, where landscape-level exposure is worsening while individual asset resilience is improving) note both directions and their respective timeframes.

3) Identify levers and actors: Pathways to Green + Stakeholders

This is where actions are identified in the Matrix. For each component, assess what needs to change to improve the status and who needs to make that change. Specificity here is what enables the Matrix to move from diagnosis to action. Be as specific and as targeted as possible: name the specific instrument, the defined geographic or sectoral scope, the institutional lead and the timeframe where known. Each pathway could also indicate whether the required action sits: (i) primarily within the completing insurer's control; (ii) within the insurer's influence but requiring co-ordination with other market participants; or (iii) primarily dependent on government, regulatory or other external stakeholder action. This categorisation helps distinguish the agenda for internal strategic discussions from the agenda for external engagement conversations.

Phase 4: Summarise and share

1) Complete the summary and prepare to share

The summary section is completed last and is the element most likely to be read by senior decision-makers and/or policymakers depending on the purpose of the assessment.

a) Overall insurability status: a single headline signal (Red, Amber or Green) with a one-sentence rationale reflecting the completing (re)insurer's aggregated judgement across all components, weighted towards binding constraints.

b) Most urgent component: the binding constraint rated Red with the fastest-declining trend, and the timeframe over which that decline is operating.

c) Priority quick win: the Pathways to Green rated High ease/High impact across any component, with the lead stakeholder named.

Before sharing externally, consider your audience:

- **Policymakers:** lead with the policy action and quick win pathways. Structure as a specific, attributed ask.
- **Banks and lenders:** frame as a shared risk management tool; share relevant component action layers.
- **All audiences:** always share Pathways to Green alongside status and trend ratings to enable actions.

Please note that any sharing of output should only take place in compliance with applicable laws.

Key limitations to communicate when sharing:

The Insurability Matrix is a qualitative, expert-judgement-based tool.

The ratings are subjective and may vary between assessors: There is no algorithmic or actuarial method for translating the conditions described in each component into a RAG rating. Two experienced underwriters assessing the same geography and peril may produce different ratings, as the pilot exercise demonstrated. A divergence between assessors is itself informative, surfacing differences in evidence, framing and professional judgement that the Matrix can help to discuss and resolve.

The trend column is more narrative than analytical: Trend assessments are based on observable indicators interpreted through professional judgement. They reflect the completing (re)insurer's view of the direction of travel. Trends should be described as medium-term directional signals, not short-term market views or long-term projections.

The levers and pathways are indicative: The Pathways to Green identified in the Matrix may be drawn from the literature, stakeholder consultation and the completing (re)insurer's professional knowledge. They represent plausible and evidence-informed interventions. The ease and impact ratings applied to levers are also expert judgements that may be contested by other stakeholders, particularly those responsible for implementing the levers in question. The Matrix is most useful when it provokes a discussion about whether the completing underwriter's view of ease and impact is shared by other relevant stakeholders.

The Matrix does not aggregate to an overall insurability score: Currently, there is no validated methodology for combining seven RAG ratings into a single numerical or categorical output that represents an overall insurability score. The summary section asks completing (re)insurers to provide an overall status, but this is an expert judgement rather than a calculated aggregate.

Worked example for illustration

Hull – Flood

Scope: Residential and commercial building **Horizon:** 2007-2027

Overall status	Most urgent component	Priority quick win
Amber Significant flood defences have been built since the floods in 2007, with a comprehensive local flood strategy, Living With Water. But challenges remain relating to continued surface water risk and a lack of a unified view of risk.	Physical Resilience Flat and low-lying areas could see thousands of properties affected by surface water flooding, but low depths make it cost-effective to defend properties via property flood resilience (PFR). Improving in the last 20 years due to installed adaptation measures	Greater transparency in modelling to improve awareness and planning Environment Agency, Local authority, (Re)insurers

Readiness Component	Status	Trend	Pathways to Green
Data & Modelling Risk data availability and quality Contributory	Amber Still gaps and disagreements, despite being one of the most heavily modelled areas, with a complex intersection of coastal, river, and surface water risk	↑ Improving	Address data gaps in public maps and the national flood risk assessment (NAFRA) Modellers; Environment Agency; Local authority
Physical Resilience Asset and location resilience Binding constraint	Amber Has improved significantly since 2007 due to installed defences, but is still vulnerable due to surface water and the confluence of risks. Well protected against storm surge, though there are disagreements if they are sufficient for a major event	↑ Improving	Have installed significant flood defences, river defences, tidal barrier; surface water remains a challenge due to the extent of potential flooding in flat geography (any flooding would affect many homes) Local authority; Environment Agency; Department for Environment, Food and Rural Affairs (Defra)
Policy Alignment Laws, regulation and planning Binding constraint	Amber The national framework sets a baseline but gaps remain in flood resilience. Proactive authorities like Hull can address these through clear planning conditions, but stronger national policy is needed to better support resource-constrained areas	→ Stable	Investment in flood defences and strict planning could support a Green rating in Hull. However, the authority has had to apply consistently tight controls to close national policy gaps and deliver resilient outcomes. Local authority; Environment Agency; Developers

Market Capital & Capacity Capital depth and availability Binding constraint	Amber Has improved significantly, but commercial properties are still at risk. There is still a significant ceding of residential properties to Flood Re	→ Stable	Demonstrating the effectiveness of the above adaptation measures and more accurate assessments of residual risk (Re)insurers Modellers Flood Re
Stakeholder Awareness & Financial Literacy Risk awareness and trust Contributory	Amber Hull is one of the most flood-aware places in the UK. And as above, it has improved significantly since 2007, but still has the biggest insurance gap in the country, backstopped by Flood Re	↑ Improving	Unknown - seeming contradiction between physical protection and perception of greater risk Local authority Environment Agency Educators Communities
Accessibility & Affordability Coverage reach and cost Binding constraint	Amber Backstopped by Flood Re, with some gaps persisting in the commercial market and some new builds	↑ Improving Due to FloodRe, excluding new builds	Much has been done, but the impact on pricing has yet to be fully assessed. There is still an opportunity for PFR to manage residual risk (Re)insurers Flood Re
Recovery Ecosystem Post-loss reinstatement capacity Contributory	Amber City Council has developed multi-agency flood plans, untested by a large event. Build Back Better and PFR capacity still limited across UK	↑ Improving	Local authority to work with insurers to support understanding of risk mitigation. (Re)insurers Loss adjusters Local authorities