European Insurance and Occupational Pensions Authority

Press Release

EIOPA ISSUES OPINION ON SUSTAINABILITY WITHIN SOLVENCY II

- *EIOPA reinforces its call for the stewardship role of (re)insurers in contributing to climate change adaptation and mitigation*
- *EIOPA found no current evidence to support a change in the calibration of capital requirements for "green" or "brown" assets*
- *The impact of underwriting practices on the environment needs to be considered*
- *Solvency II as a risk-based forward-looking framework is well equipped to accommodate sustainability risks and factors*
- *Climate change increases uncertainty about the occurrence and impact of physical or transition risks and undertakings should not be complacent*
- *The scenario analysis as part of undertakings' risk management is key*

Frankfurt, 30 September 2019 – The European Insurance and Occupational Pensions Authority (EIOPA) published today an Opinion on Sustainability and Solvency II.

The Opinion addresses the integration of climate-related risks in Solvency II Pillar I requirements.

While Solvency II - as a risk-based, forward-looking and market-consistent framework - is well equipped to accommodate sustainability risks and factors, climate change brings considerable challenges to the valuation of assets and liabilities, underwriting and investment decisions and risk measurement.

Climate change increases the uncertainty about the occurrence and the impact of physical or transition risks, which can happen at any time and suddenly, with far-reaching consequences. Hence, undertakings should not be complacent about these risks.

(Re)insurance undertakings are called to implement measures linked with climate change-related risks, especially in view of a substantial impact to their business strategy. Consequently, EIOPA stresses the importance of scenario analysis in the undertakings' risk management.

To increase the European market and citizens' resilience to climate change, (re)insurers should consider the impact of their underwriting practices on the environment. Consistently with sound actuarial practice, where risk mitigation and loss prevention can make a significant difference, the development of new insurance products, adjustments in the design and pricing of the products and the engagement with public authorities, should be part of the industry's stewardship activity.

Gabriel Bernardino, Chairman of EIOPA, said: "*EIOPA's overall goal is securing a resilient industry in a sustainable environment for the benefit of consumers. The stewardship role of (re)insurers in* *contributing to climate change adaptation and mitigation is more important than ever. This Opinion outlines how (re)insurers can contribute to identifying, measuring and managing risks arising from climate change, through their investment and underwriting activities.*

In the interest of our society and the next generations - before it is too late - immediate actions are needed by all players globally. A sustainable environment is a precondition for a sustainable economy."

The Opinion on Sustainability within Solvency II is available via this link.

Note for Editors

In August 2018, EIOPA received a request from the European Commission for an Opinion on Sustainability within Solvency II, with a particular focus on aspects relating to climate change mitigation.

The European Commission will take the Opinion into account in the preparation of its report on Directive 2009/138/EC (Solvency II Directive), due by 1 January 2021.

The European Commission invited EIOPA to provide its Opinion by 30 September 2019.

The **European Insurance and Occupational Pensions Authority (EIOPA)** was established on 1 January 2011 as a result of the reforms to the structure of supervision of the financial sector in the European Union. EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities, the National Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Commission, the European Parliament and the Council of the European Union. EIOPA's core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of insurance policyholders, pension scheme members and beneficiaries.