EIOPA issues opinion on sustainability within Solvency II

NEWS

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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."