

To: Public Affairs & Communications Committee, Solvency II WG

EIOPA publishes discussion paper on the prudential treatment of sustainability risks

On 5 December, EIOPA [published](#) a discussion paper on the prudential treatment of sustainability risks, outlining approaches to assess the prudential treatment of insurers' sustainable assets and activities.

The discussion paper outlines the intended scope, methodologies and data sources for this assessment exercise and focuses on three distinct areas of analysis:

- **Assets and transition risk exposures:** This first area concerns insurers' investments and proposes ways to assess how risks stemming from the transition to a less carbon-intensive economy could potentially impact prudential risks related to stocks, bonds and real estate.
- **Underwriting risk and climate change adaptation:** The second area of analysis focuses on non-life insurance and examines the potential effect of climate-related adaptation measures on underwriting risk and related loss exposures from a prudential perspective.
- **Social risks and objectives:** The third area discusses how social risks or harm to social objectives could translate into prudential risks and assesses their corresponding prudential treatment in the requirements on governance, risk management as well as reporting and disclosure.

EIOPA highlights it is taking a step-by-step approach to assessing whether a dedicated prudential treatment of assets and activities associated with environmental or social objectives under Solvency II would be warranted. The EC proposals for the Solvency II Directive include a mandate for EIOPA to produce a report in this area.

Next steps

EIOPA

- EIOPA follows a risk and evidence-based step-by-step approach and subsequent to the present discussion paper, it intends to consult publicly on empirical findings and potential policy implications.
- On Wednesday 7 December EIOPA organises its Sustainable Finance conference and additional publications are expected on:
 - the macro-prudential impact of the protection gap;
 - "impact underwriting": whether adaptation measures can help in increasing the supply of insurance;
 - the reassessment of the natural catastrophe risk capital charges;
 - analysis of the drivers of demand for property insurance.

Secretariat

- The secretariat will further analyse the paper and revert to members in due course, with a timeline for responding to the consultation. **The deadline for providing feedback is 5 March 2023.**

For more info

Kristina Aleksandrova, senior policy advisor, public affairs, Aleksandrova@insuranceeurope.eu, +32 2 894 30 66
Carolien Afslag, senior policy advisor, prudential, Afslag@insuranceeurope.eu, +32 2 894 30 16