

## Insurance Europe response to EIOPA consultation on a report on biodiversity risk management

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Related documents:	<a href="#">Consultation Paper</a>		
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### Introduction

**Q1.** *In your view, should biodiversity risks be assessed together with climate risks, or subject to a dedicated risk assessment? Please explain.*

- Biodiversity risks should ideally be subject to a **dedicated risk assessment** rather than assessed together with climate risks. However, companies should have the option to draw on climate risk assessment practices where appropriate, given potential overlaps. For instance, in the event that climate and biodiversity are separated, it could be considered to include a central climate change trajectory in biodiversity scenarios and vice versa.
- Climate risks are **comparatively better understood** and **supported by more advanced science**. Climate change is a **global phenomenon**, whereas biodiversity and nature-related risks have both **local and global** dimensions. Additionally, **biodiversity lacks an obvious GHG equivalent**, making direct integration into climate risk assessments challenging.
- Potential climate or biodiversity risks are both assessed in the own risk and solvency assessment (ORSA). The detailed process should be tailored to the undertaking's risk profile by the undertaking itself and not be prescribed in detail.  
Given the limited data availability, particularly regarding biodiversity loss risks in relation to underwriting, the industry suggests postponing mandatory inclusion in Solvency II or keeping it as an internal process without reporting obligations.

**Q2.** *Would you agree that for financial risk assessment purposes, insurers could be guided by identifying their exposure of investments or liabilities to (i) economic activities that are dependent on biodiversity and ecosystem services and (ii) economic activities that impact biodiversity and ecosystems ('biodiversity footprint')?*

#### No

- Even though a qualitative sectoral approach (such as the one proposed by the *Taskforce on Nature-related Financial Disclosures*) would be the most accessible way to start identifying biodiversity exposures, it should be clarified that the impact of the undertaking's investment and underwriting decisions on biodiversity and ecosystems is only relevant for the ORSA/undertaking's risk management to the extent that this biodiversity footprint in turn influences the undertaking's own financial risks (eg transition risk of certain assets).

- Particularly for insurers, activity exposure is an inadequate proxy for financial risk, as individual lines of business (LoBs) may explicitly exclude biodiversity-related risks (eg pollution exclusions) or actively assume and price for such risks (eg environmental impairment liability).

**Q3.** Do you agree with the description of the transmission of biodiversity risk to insurers' assets and liabilities? Please explain.

**No**

- The statement that customers are "not adapted to the transition toward a low impact (i.e., nature-positive or neutral)" does not by itself drive financial risk for insurers. Financial risk arises only in specific insurance lines when additional conditions are met, such as when:
  - the customer has a legal obligation to adapt to low impact and fails to comply; or
  - the customer makes public statements about their transition status that cannot be evidenced.

It should be clarified that risk transmission depends primarily on product specifics and is triggered by legal or regulatory requirements, rather than by changes in biodiversity itself.

**Q4.** Do you identify relevant market practices of undertakings in describing their narrative on the impact of biodiversity risks to their business? Please share them below.

- Principle for Sustainable Insurance (PSI) work: Insuring a resilient nature-positive future: Global guide for insurers on setting priority actions for nature – United Nations Environment – Finance Initiative ([here](#))

**Q5.** Please share relevant approaches, tools and practices for undertakings to perform sectoral and/or geographical biodiversity exposure risk assessment.

N/A

**Q6.** Please share relevant approaches, methodologies and reference to relevant data for assessing underwriting risk exposure to biodiversity losses.

N/A

**Q7.** Please share relevant approaches, tools and practices for undertakings to perform a financial risk assessment for biodiversity risk. Please provide reference to potential scenarios and models.

N/A

**Q8.** Please share references to relevant scenarios for assessing the financial risks of biodiversity loss for specific lines of business or exposures (e.g. agriculture, health, ...)

N/A

**Q9.** Please share references to relevant scenarios for integrated climate-biodiversity financial risk assessment.

N/A

**Q10.** Please share relevant examples of targets set by insurance undertakings to manage biodiversity risks. Where possible, please identify how these targets relate to global or EU biodiversity and nature conservation or restoration targets.

N/A

**Q11.** Please share relevant examples of actions which insurance undertakings can take to mitigate prudential biodiversity-related risks, including through nature-based investment and underwriting strategies.

- Politique sectorielle Forêt (Crédit Agricole – [here](#))
- Institut de la Finance Durable (IFD) paper: IFD Report Fighting deforestation overview of the strategies of the Paris financial market ([here](#))

**Q12.** Please share reference to relevant approaches to integrate biodiversity or nature-related data into cat modelling.

N/A

**Q13.** Do you agree on these preliminary conclusions? Which additional practices should be highlighted?

N/A

**Q14.** Do you have any other comments on the consultation paper?

A high dependence on an ecosystem service does not equate to high risk from a Solvency II perspective. Insurance companies that rely heavily on certain ecosystem services are expected to be aware of these dependencies and expected to have taken mitigating measures to ensure their business models remain resilient. As such, dependence alone is directional but not indicative of financial risk for insurers' investment portfolios. The numbers derived from dependence analysis are not decisive for a quantitative materiality assessment in the insurance sector.

For example, in France, qualitative and quantitative analyses on investment portfolios have already been initiated and are published as part of Article 29 LEC.

The availability of biodiversity data remains a key challenge, particularly in relevant sectors of the real economy (eg agriculture, forestry, chemicals). Without sufficient data at the sectoral level, assessing related risks in the financial sector remains complex. Furthermore, even as data improves, appropriate tools and metrics to translate this into financial risk assessments are still under development.