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Insurance

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European Insurance and Occupational Pensions Authority

EIOPA: Report on Biodiversity Risk Management by Insurers

- EIOPA has published its inaugural supervisory report on **how insurance and reinsurance undertakings identify, assess, and manage biodiversity-related risks** within the Solvency II framework.
- The report highlights that **biodiversity loss poses a material and multifaceted financial risk for insurers**, affecting both investment valuations and underwriting exposure. EIOPA identifies **key challenges**, such as **data limitations**, **the complex and localised nature of biodiversity**, and **methodological gaps** in translating ecological changes into financial metrics. Despite these hurdles, promising practices are emerging, with large insurers increasingly recognising biodiversity as a strategic risk and initiating qualitative assessments within Own Risk and Solvency Assessments (ORSA).
- The regulatory context requires insurers to integrate sustainability risks - including biodiversity - into governance, risk management, and reporting. **Biodiversity risk is framed under physical, transition, and legal/operational risks**, with exposures arising through investments and underwriting portfolios. EIOPA also stresses the importance of a “double materiality” approach, acknowledging both the risks to insurers from biodiversity loss and insurers' impacts on ecosystems.
- **Market analysis revealed that only 20% of insurers referenced biodiversity in their 2023 ORSAs**, primarily through qualitative narratives. Tools and frameworks such as those from the NGFS and TNFD are beginning to shape exposure assessment methodologies, although more quantifiable indicators are still under development.
- **EIOPA recommends improved collaboration** on data, model development, and capacity building. It underscores the climate-biodiversity nexus and advocates for integrated scenario analyses to address compounded risks.

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