



## TOPICS:

Insurance

## SOURCE

European Insurance and Occupational Pensions Authority

## EIOPA Monitoring Exercise Marks Progress in the Integration of Climate Change Considerations into Insurers' Risk Assessments

- The European Insurance and Occupational Pensions Authority (EIOPA) has published a public statement on its 2024 **monitoring exercise assessing how European (re)insurers incorporate climate change scenarios** into their Own Risk and Solvency Assessment (ORSA).
- **Insurers have increasingly embedded climate risk analysis into risk management, capital planning, and strategic decision-making.** Most now consider both types of risks within scenario analysis, with improvements in analytical depth and the use of quantitative approaches. A growing number link these assessments to management actions, reflecting heightened awareness of climate-related financial risks. Firms use varied reference scenarios, including those developed by international bodies like the NGFS, and some adapt methodologies to their specific contexts.
- Despite these advancements, the report identifies **several challenges**. Notably, there is significant **inconsistency in materiality assessments and scenario methodologies** across jurisdictions.

These discrepancies often cannot be attributed solely to differences in risk profiles, suggesting diverging standards and ambition levels. **Data quality and availability remain major obstacles**, limiting insurers' capacity to conduct reliable, granular analyses -particularly for long-term projections. Additionally, **extending ORSA assessments beyond short-term horizons remains difficult** due to modelling and planning limitations.

- **Supervisory authorities across the EU are enhancing their approaches**, though maturity varies. EIOPA emphasizes the need for continued supervisory convergence, better data, and knowledge-sharing among National Competent Authorities (NCAs). It plans to facilitate workshops to foster pragmatic learning and intends to integrate insights from this exercise into its ongoing sustainability agenda, which includes refining tools, promoting consistency, and reinforcing the prudential framework for climate risks.

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