EIOPA publishes application guidance on how to reflect climate change in ORSA

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The European Insurance and Occupational Pension Authority (EIOPA) published today the final version of the application guidance on climate change materiality assessments and climate change scenarios in the Own Risk and Solvency Assessment (ORSA).

The publication follows a public consultation on the topic as well as a pilot exercise in which stakeholders were invited to participate.

The application guidance provides a detailed and practical basis on how to implement sustainable finance ambitions in practice. It gives insights into where undertakings have the possibility to address climate change risks in ORSA and provides examples using mock non-life and life companies to help undertakings design the steps for the materiality assessment and run climate change scenarios.

The concrete case studies for materiality assessment of climate change scenarios included in the guidance can help lower implementation costs for insurance undertakings, in particular small and mid-sized ones, taking into account the size, nature and complexity of climate change risk exposures.

Given that the (re)insurance industry will be impacted by climate change-related physical and transition risks, EIOPA believes it is important to encourage a forward-looking management of these risks to ensure the solvency and viability of the industry.

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