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MEETING DOCUMENT

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| From: | General Secretariat of the Council |
| To: | Financial Services Committee Financial Services Attachés |

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| Subject: | FSC 19 February 2025 - Item 4 - EIOPA sustainability - presentation |
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EIOPA's update on sustainability

Financial Services Committee, 19 February 2025



OPINION ON THE (RE)ASSESSMENT OF NATURAL CATASTROPHE RISK IN THE STANDARD FORMULA

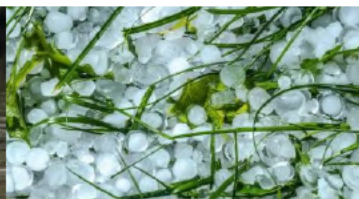
- Natural catastrophes are becoming more frequent and more severe across Europe due to climate change.
- Insurers' capital requirements for natural catastrophe underwriting risk should continue to reflect the expected impact of climate change – this is to ensure the continued **protection of policyholders and the stability of the EU's insurance market**.
- The Solvency II review also includes a **mandate** to EIOPA to undertake a reassessment. If this reassessment identifies a significant discrepancy between the reassessment and current factors, the mandate requires a recalibration in Article 304a(2).
- EIOPA published in January 2025 its [Opinion on the 2023/2024 Reassessment of the Nat Cat Standard Formula - EIOPA](#).

MAIN CHANGES PROPOSED IN THE OPINION



Flood

7 countries were added & 3 countries were reassessed



Hail

6 countries were reassessed as well as the motor factor



Windstorm

few changes mainly for 3 countries



Earthquake

Few changes, 1 country was impacted to reflect the national scheme



Subsidence

1 country has been reassessed and 1 country was added

The paper also consider perils such as **wildfires, coastal flood and droughts** to be monitored going forward.

RAISING AWARENESS ON RISKS AND PREVENTION MEASURES FOR NATURAL CATASTROPHE RISKS

| EIOPA's work related to the natural catastrophe protection gaps | |
|---|--------------------|
| <u>Dashboard</u> | Understand/monitor |
| <u>Impact Underwriting</u> | Mitigate |
| <u>Demand aspects</u> | Cover |
| <u>Layer approach</u> | Transfer |

All stakeholders looking for solutions to address the insurance protection gap for natural catastrophes do agree that there is the **need to increase the risk and prevention awareness** among policyholders.

A BLUEPRINT FOR AN AWARENESS TOOL FOR NATCAT RISKS



- **Exposure to Nat Cat risks:** show homeowner's risk score regarding natural hazards.
- **Risk prevention:** describe hazard-related prevention measures per type of peril.
- **Risk-based benefits of prevention measures:** provide information that measures can be reflected in the premium.
- **Financial literacy:** increasing consumers' awareness about the benefits of adequate insurance coverage.

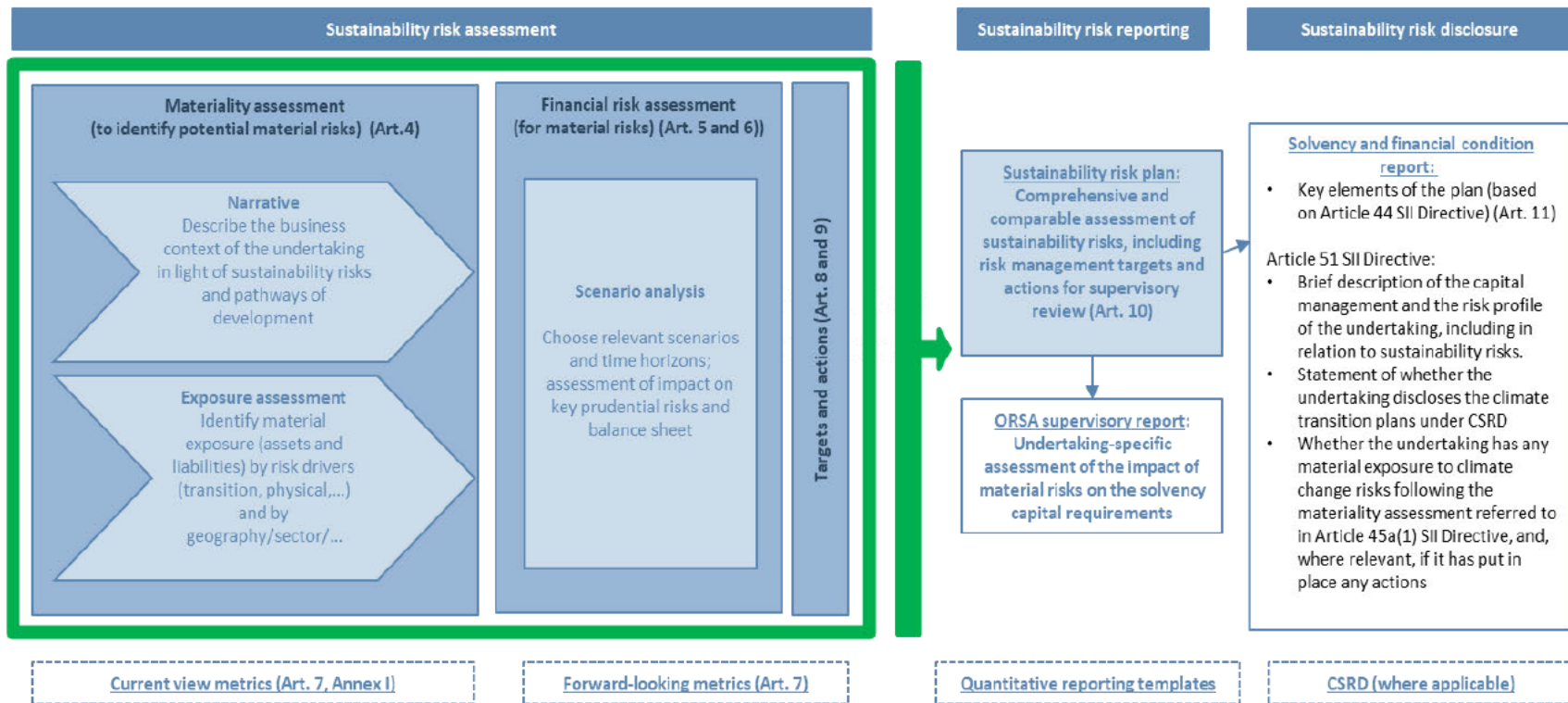
Consultation on a blueprint for an awareness tool for natural catastrophe risks and prevention measures - EIOPA

MANAGEMENT OF SUSTAINABILITY RISKS

- **Article 44 of the Solvency II Directive** requires undertakings to develop and monitor the implementation of specific plans to monitor and address the financial risks from sustainability factors. EIOPA should draft RTS on minimum standards and methodologies.
- **EIOPA wishes to limit the burden for undertakings and establish a coherent and proportionate approach to sustainability risk management.**
 - Build on the existing prudential requirements and integrate the sustainability risk plans into undertakings' existing risk management practices, including the ORSA and regulatory reporting and disclosure.
 - Consistency with sustainability reporting requirements under CSRD.
 - Proposal for a list of minimum binding metrics from existing 'standard practice' for reporting on current financial risk.
 - Proportionality measures for small and non-complex undertakings.

[Consultation on the proposal for Regulatory Technical Standards on management of sustainability risks including sustainability risk plans - Solvency II Review - EIOPA](#)

MAIN ELEMENTS OF SUSTAINABILITY RISK PLAN





THANK YOU!

For more information visit:
<https://www.eiopa.europa.eu>