

Application guidance on climate change materiality assessments and climate change scenarios in ORSA

DOCUMENT

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This application guidance is a follow-up from EIOPA's Opinion on the supervision of the use of climate change risk scenarios in ORSA ("Opinion") published in April 2021 (EIOPA-BoS-21-127 - EIOPA, 2021a). The Opinion was addressed to the national competent authorities on the basis of Article 29(1)(a) of Regulation (EU) No 1094/2010 and aims to enhance supervisory convergence.

The Opinion sets out supervisory expectations on the integration of the use of climate change scenarios by insurance undertakings in their Own Risk and Solvency Assessment ORSA. Given that undertakings will be impacted by climate change-related physical and transition risks¹, EIOPA believes it is important to encourage a forward-looking management of these risks, also in the long term. Currently, only a small minority of undertakings assess climate change risk using scenario analysis in the ORSA. Moreover, where undertakings perform a quantitative analysis of climate change risk, most assessments take a short-term perspective.

During the public consultation of the Opinion, nearly all respondents provided comments and suggestions on the application guidance for developing and including climate change risk scenarios in ORSA (Annex 5 of the Opinion).

EIOPA therefore decided to elaborate on application guidance, seeing the advantages of developing and providing optional guidance for materiality assessment in the context of climate change, climate change scenario design and specifications using concrete case studies. This would also contribute to lowering implementation costs for insurance undertakings, in particular small- and mid-sized ones, and to enhancing the comparability of reported information.

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