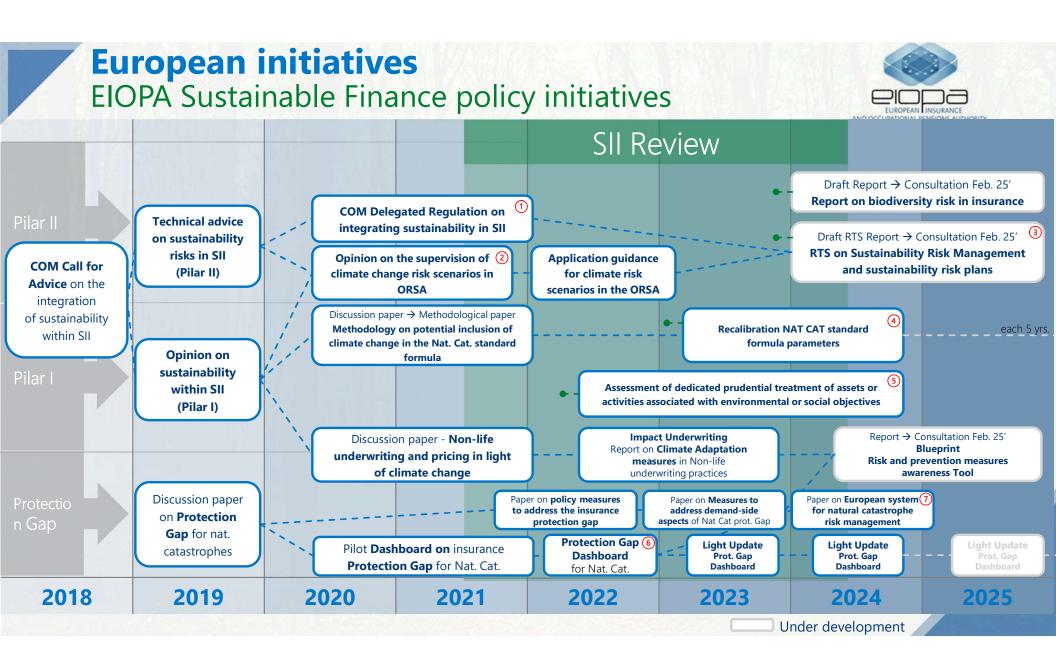
Les exigences prudentielles de durabilité sous Solvabilité II

05-02-2025 | Séminaire CFDD - Financer la transition climatique : les fonds de pension comme leviers

Jérôme Bourtembourg





European initiatives Sustainability risks in Solvency II - **Pilar II**



Delegated Regulation on integrating sustainability in Solvency II

Main requirements:

14	IN	Official Journal of the European Union	2.8.2021
	COM	MISSION DELEGATED REGULATION (EU) 2021/1256	
		of 21 April 2021	
	amending Delegated Reg	alation (EU) 2015/35 as regards the integration of sustainability vernance of insurance and reinsurance undertakings	ricks in the
		(Text with ELA relevance)	
THE	IUROPLAN COMMISSION.		
Hart	ing regard to the Treaty on the	Functioning of the European Union,	
140	ing regard to Directive 2009 up-up and pursuit of the basi de 135(1), point (a), thereof,	138/BC of the European Parliament and the Council of 25 Nove news of Insurance and Reinsurance (Solvency II) (5, and its particula	nber 2009 on the Article 50(1) and
W2a	theas:		
(1)	Sustainable Development i 2016, the Union conclude objective of strengthening	arbon, more sumainable, resource-efficient and circular scoreouty study is kny to ensuring the long-term competitiveness of the econom il the Pater Agreement (). Article 2(0, pater (c), of the Tutts Agree the response to climate change by sumang others, making famous flow house gas emissions and climate evolution development.	sy of the Union, In ment sets out the
(2)	Deal represents a new gros modern, resource efficient where economic growth is	the Commission presented the European Green Deal () in December th's strategy that airen to transform the Union into a greenboare gas mit and competitive reconstry where there are no air greenboare gas mit accoupled from resenter one. This also requires offering clear, long-te assers and so take statianable finance.	out sockty, with a pices in 2050 and
(7)	ambitious and comprehens receiver capital flows tow assessment underprinting chrifty that somainability fait their duties towards polic inferent financial risks on 2 2019/2088.64 de finange potential material negative (83) 2015/15 e) does not envertance in presents in	minimum publical in a science Pain Transing Statemathe Conver- ting and Statematic Transition Statematics and the statematic of sustainable investments in a choice sustainable and backness and sustainable the statematic statematic statematics and the statematical statematics and the statematic statematics with subsolid backness and retransment subsolid backness backness and retransment systematics and backness the statematic statematic statematics and the statematic statematics in the hadron state of a strength statematic statematic statematics in the hadron state of a strength statematic statematic statematics in the hadron state of a strength statematic statematic statematics in the strength statematic strength statematics and strength statematics in the strength statematic strength strength strength strength statematics in the strength statematic strength stren	at Action Plan is to towth. The impact mand the need to retakings as part of entainings as part of in Regulation (EL) in Regulation (EL) cause an actual or fogund Regulation that the system of of provenances of
(4)	Insurance undertakings d Regulation (41) 2019/208 disclosures	ar disclose principal adverse impacts on sustainability factors in I should also adapt their processes, systems and internal controls of	accordance with the second sec
0 000 0	depend and/or the University Statistics communication from the Commit could Committee, and the Commit 206(2018) 97 fitted (NT2018) 10 2014 (2014) NT2018 (2012) 2014 (9)2000 of the Statistics (EU) 2014 (9)2000 of the 1 the Boundard services service FOR committees to Defended Boundaries	of 1 Denter 2015 on the conclusion on bolls of the homeson them, of humanook convention and Chance Change (EJ 222, 133,120,02), p. 11. in the through Philarmann, with through exclusional, the council, chan and the Region the Langence Cancel Deal (2010) (1996) (1996) (1996) (1997) Energy and Pattern and the Council of 27 Normalize 2014 and the council and 117,971,22,2019, p. 11. Council and Cancel Deal (2010) (1996) (1996) (1996) (1996) (1996) (1996) (1996) (1996) (1996) (1996) (1996) (1997)	upon licenses and by orfanzi disclosure IC of the licenses

- the integration of sustainability risk assessment in (re)insurers governance:
 risk management,
 - actuarial function and
 - remuneration policy (Art. 260, 272);
- the inclusion of sustainability in the prudent person principle (Art. 275a);
- the fact that sustainability risks, as identified by the risk management function, shall form part of the ORSA (Art. 269(1a)).
- Applicable as from 2 August 2022

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²Opinion on the supervision of climate change risk scenarios in ORSA

Main Conclusions: Supervisors should expect undertakings in their ORSA to:



- assess climate change risks, both in the short term and in the long term;
 - o covering both transition and physical risks.
 - the Opinion contains a breakdown and definitions of transition and physical risks as well as a mapping of these risk drivers to traditional prudential risk categories;
- identify material climate change risks for their business through a combination of qualitative and quantitative analyses;
- subject material climate change risks to at least two long-term climate scenarios, where appropriate:
 - a climate change risk scenario where the global temperature increase remains below 2°C; and
 - a climate change risk scenario where the global temperature increase exceeds 2°C;
- Allowing for flexibility:
 - \diamond long-term scenarios do not have to be updated every year [\rightarrow each 3 years for NBB]

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Consultation Paper on RTS on Sustainability risk management including sustainability risk plans

Work in progress

(3)

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- The new SII Directive requires EIOPA to specify the content of 'specific plans' to monitor and address financial risks from sustainability factors (i.e. sustainability risk plans).
- The plans should:
 - ◊ fit in existing tools (i.e. ORSA)
 - o provide a view on undertakings' material sustainability risks
 - o include actions to mitigate these risks, consistent with the undertakings' transition efforts.
- The draft RTS builds on the SII Review, previous work of EIOPA, the draft EBA GL, transition plans required under CSDDD and the CSRD disclosure requirements.
- KEY proposals of the RTS:
 - ◊ Materiality assessment (Art. 3)
 - ◊ Financial risk assessment (Art. 4)
 - ◊ Metrics (Art. 6)
 - ◊ Quantifiable risk-based targets (Art. 7)

- ◊ Actions (Art. 8)
- Supervision of sustainability risk plan (Art. 9)
- ◊ Public disclosure (Art. 10)
- Proportionality measures for small and noncomplex undertakings and captives (Art. 11)

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Recalibration of the NAT CAT standard formula parameters

Work in progress

4



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- EIOPA recalibrated the Nat Cat risk parameters of the standard formula to update them with the latest data and to explicitly consider the impact of climate change.
- Following the SII review, this **recalibration** exercise will be performed **every 5 years**.
- The recalibration was performed with the data and models form the Cat Risk Expert Network.
- The new parameters reflects the evolution of the risk in Europe, particularly for Flood risk.
- For Belgium: a parameter for subsidence risk is propose to be added, the Flood and Hail parameters were also recalibrated.

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5

Report on prudential treatment of sustainability risks

Main Elements

ability Risk

) elopa

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 Focus on Transition risk exposure of stocks, bonds, and property

• Pillar I of Solvency II

- Focus on Climate-related risk prevention in non-life
 - insurance

Underwriting and Climate

Change Adaptation

• Pillar I of Solvency II

Social Risks and Objectives from a Prudential Perspective

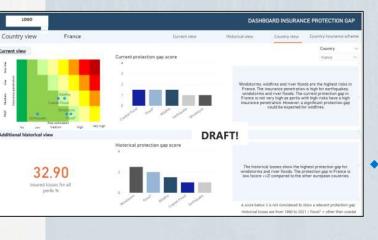
- Focus on role of social objectives for prudential risks
- Pillar II/III of Solvency II
- **EIOPA** advice to introduce a supplementary capital charge for fossil fuel-related stocks and bonds and to pay attention to wider considerations when assessing next steps, such as:
- The need for reciprocity with the banking sector; \diamond
- Introduction of capital requirements may **hinder insurers' ability to support the transition**;
- **Complexity might outweigh the benefits** given limited impact; \Diamond
- Insufficient evidence on the incorporation of sustainability risks into the Credit Rating Agencies methodologies, but evolution may create risk of double counting.

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 \Diamond



Insurance protection gap Dashboard for natural catastrophes



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(6)

• The dashboard shows the **insurance protection gap** for natural catastrophes for five different perils in the 30 EEA countries

	Winds	torm	Flo	od		
Coasta	Coastal Flood		Earthquake		Wildfire	

- It provides a current view and an historical view
 - Greece and Italy are the countries with the highest current insurance protection gap score
- Italy Earthquake, Germany Flood and Italy Flood show the highest uninsured losses (~45% of the uninsured losses in Europe)
- It also provides a view on each country insurance scheme

European initiatives Sustainability risks in Solvency II - **Protection Gap**



