

# 23 JULY 2025

# PUBLIC STATEMENT ON THE MONITORING EXERCISE ON THE USE OF CLIMATE CHANGE SCENARIOS IN THE ORSA

## 1. INTRODUCTION

- 1.1 The monitoring exercise on the use of climate change scenarios in the ORSA confirmed that significant progress has been made in integrating climate change risks into ORSA by insurance undertakings. At the same time, it highlights important challenges that remain to be addressed to ensure high-quality, effectiveness, consistency and comparability across the European (re)insurance market.
- 1.2 Recognising that climate change poses material and potentially systemic risks to the financial system, in April 2021 EIOPA published its Opinion on the supervision of the use of climate change risk scenarios in the Own Risk and Solvency Assessment (ORSA). The Opinion marked a key milestone in EIOPA's sustainability activities and aimed to support the integration of climate-related risks into insurers' risk management practices in a structured and forward-looking way.
- 1.3 The Opinion outlined supervisory expectations for both insurers and NCAs. These expectations were designed to ensure that insurers appropriately consider the implications of both physical risks—arising from the increasing frequency and severity of climate change-related events—and transition risks, stemming from the shift towards a low-carbon economy.
- 1.4 The Opinion called for insurers to:
  - Undertake and document a comprehensive materiality assessment of climate changerelated risks.
  - Where risks are deemed material, apply climate change risk scenario analysis to assess their potential impact over both the short and long term.
  - When material, use at least two long-term climate change scenarios: one aligned with global warming of below 2°C (preferably no more than 1.5°C) in line with the Paris Agreement, and another representing a scenario in which global temperatures significantly exceed 2°C.
  - Ensure that the analysis is appropriately embedded within the ORSA processes, informing strategic and capital planning.
  - Apply these practices in a proportionate manner, aligned with the nature, scale, and complexity of the risks associated to undertakings' activities.

- 1.5 The overarching goal of the Opinion was not to mandate a one-size-fits-all approach or to introduce new rules or regulations. It aimed to foster greater consistency and convergence in supervisory practices across the EU and to encourage the development of meaningful, forward-looking risk assessments that can support undertakings' long-term resilience in the face of climate change.
- 1.6 To support the implementation of the Opinion and contribute to lowering implementation costs for insurance undertakings—particularly small and mid-sized ones—EIOPA published in 2022 an application guidance on the use of climate change scenarios in the ORSA. This guidance aimed to promote more consistent practices across the market and enhance the comparability of reported information, while preserving a proportionate and risk-based approach.
- 1.7 To follow up on these expectations and support further dialogue, in 2024 EIOPA conducted a comprehensive monitoring exercise. The monitoring aimed to assess how undertakings have implemented the use of climate change risk scenarios in the ORSA, identify existing practices and detect areas where further progress is needed. It also serves as a basis for potential future work, feeding into EIOPA's broader sustainability-related supervisory priorities.
- 1.8 The monitoring exercise covered an EEA sample of insurance and reinsurance undertakings with a market coverage of approximately 85%. However, in terms of number of undertakings, the coverage was more limited—around 26%. While this approach ensured a broad representation of market coverage and provided meaningful insights into prevailing practices, it also implies that further work may be needed to assess implementation across the wider spectrum of (re)insurers, particularly smaller undertakings.
- 1.9 The aim of this public statement is to communicate the main findings of this exercise, highlight existing practices, and identify areas where continued attention may be needed by both undertakings and supervisors.

#### PROGRESS AND DEVELOPMENT OBSERVED

- 2.1 The results of the monitoring exercise show a clear and very positive shift in the undertakings risk management of climate change risk, which is increasingly being integrated into insurers' risk management processes. Contrary to the situation observed in 2021, most insurers in the scope of the exercise now include climate change scenarios in their ORSA, considering both transition and physical risks, and scenario analysis has become a key element in assessing the financial impact of these risks.
- 2.2 Notably, both the quality and depth of scenario analysis have improved compared to the period before the Opinion was published. Many undertakings now apply quantitative approaches and, in a growing number of cases, climate change risk assessments are linked to defined management actions. This indicates an increasing awareness of the financial relevance of climate change risks. Also, the climate change-related findings from the ORSA are also increasingly being taken into account into strategic decision-making.
- 2.3 A variety of approaches was observed in the use of reference scenarios. While many undertakings make use of scenarios developed by international bodies, such as the Network for

Greening the Financial System (NGFS), others apply alternative assumptions reflecting their specific context and methodologies.

## 3. IDENTIFIED CHALLENGES AND IMPROVEMENTS MOVING FORWARD

- 3.1 Despite the progress made, the monitoring exercise also allowed the identification of important challenges that remain and deserve a continuous effort of improvement.
- 3.2 The results highlight a significant variance in how climate change risks are assessed across jurisdictions and among undertakings. In particular, approaches to materiality assessments and scenario analysis vary widely, leading to material differences in the outcomes observed between countries.
- 3.3 Although further work is needed to better understand the underlying drivers, this dispersion of outcomes does not seem to be entirely justified by differences in insurers' risk profiles. In several cases, countries with comparable exposures report diverging materiality outcomes. This may indicate that even insurers with comparable exposures may apply different thresholds, methodologies, or levels of ambition when evaluating climate risks. Such heterogeneity raises questions regarding approaches and should be followed-up by NCAs.
- 3.4 Most probably contributing to the finding above and one of the most frequently reported challenges by insurance undertakings is the limited availability and quality of data to support climate risk assessments within the ORSA. Many undertakings face difficulties in accessing reliable, granular, and standardised data, particularly to evaluate exposures to physical and transition risks. These limitations affect the depth and comparability of assessments, and in some cases, lead to simplified approaches or use of qualitative assumptions, with a potential impact on the reliability of the results.
- 3.5 The application of long-term climate change scenarios remains particularly challenging. Many undertakings still find it difficult to extend their analysis beyond the typical ORSA time horizon, due to data gaps, modelling uncertainties, and misalignment with business planning practices. As a result, the integration of at least material climate risks into strategic decision-making and capital planning is still limited in some parts of the market and should be improved over time.
- 3.6 It is important that insurance and reinsurance undertakings continue to further improve the use of climate change risk scenarios in the ORSA and take concrete steps to overcome the challenges identified.

# 4. THE ROLE OF SUPERVISORY AUTHORITIES

- 4.1 The supervision of the climate change risk assessments is ongoing and evolving at national level and different maturities are observed across jurisdictions.
- 4.2 The supervision of climate change-related risks is an ongoing and evolving process, with many NCAs actively enhancing their supervisory approaches in this area. While different levels of maturity are observed across jurisdictions, there is clear evidence of progress, including the development of methodologies, internal expertise, and engagement with undertakings. Continued improvement of supervisory capacity and further efforts towards supervisory

- convergence remain a priority. Strengthening knowledge, improving access to data, and facilitating peer learning among NCAs are essential to support consistent and effective supervision across the EU.
- 4.3 In particular, EIOPA plans to facilitate workshops between supervisors to share their experience and methodologies in a pragmatic setting. These sessions will focus on practical aspects of ORSA supervision.
- 4.4 EIOPA will continue to support the consideration of climate change-related risks in the financial system, and the insights gained from this exercise will inform its ongoing work with supervisors and stakeholders. EIOPA will also continue its broader sustainability work, which includes regular supervisory activities as well as further reflection on the integration of sustainability risks into the prudential framework and the development of tools to support effective supervision. This involves efforts to enhance the availability and quality of climate change-related data and to support risk-based and forward-looking approach to the supervision of sustainability risks in the insurance sector.