Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Insurance Newsletter

JUNE 2021

Exposure and Management of Cyber Underwriting Risks

Background

The evolution of technology and the transition to remote working due to the COVID-19 pandemic could lead to an increase in the frequency and severity of cyber-attacks. These developments are likely to result in an increased demand for cyber insurance products, which brings new opportunities and challenges for the insurance sector.

A well-developed cyber insurance market can play a key role in enabling the transformation to the digital economy, by raising awareness of cyber risks, facilitating responses and recovery from cyber-losses and building good risk management and control practices within this field. However, it is important that insurers understand the risks to which they are exposed, either directly, through inclusion of dedicated cyber risk cover, or indirectly, where legacy policies fail to exclude cyber risks – so called "silent" cyber.

In order to understand the exposure and preparedness of Irish insurers to emerging risk, including cyber underwriting risks, we issued a Climate & Emerging Risk Survey to a representative sample of undertakings during Q4 2020.

Survey Findings

The Survey responses provided three key insights with regard to insurers' awareness and management of cyber underwriting risk:

- The exposure of Irish firms to "affirmative" cyber underwriting risk appears to be limited, with the share of cyber' GWP representing less than 1% of the total premiums written by survey respondents. For those firms that do offer cyber insurance coverage, it is typically via standalone products. Coverage provided focuses on commercial lines of business and standard types of coverage offered include business interruption, data breach, and cyber extortion coverage.
- There were challenges in disclosing cyber data. 32 respondents indicated that they offer some type of cyber insurance cover, but less than half of these were able to provide information regarding cyber related premiums, claims and technical provisions.
- "Silent" cyber risks have not yet been fully identified – significant exposures may remain. Only 10 respondents reported quantitative information of the percentage of total policy limit exposed to silent cyber risk. Despite industry efforts to address the challenges arising from silent cyber, work remains to be done.

Future considerations for firms

Insurers with a material exposure to either affirmative or silent cyber risks should have regard to the expectations below.

Affirmative cyber:

- Reporting challenges may arise with regard to cyber cover included as endorsements to more traditional insurance products (or within reinsurance treaties). Nevertheless, we expect firms to have a clear understanding of the risks they are exposed to.
- Firms should regularly monitor developments in the cyber risk landscape, and where necessary adjust pricing and reserving approaches, and ensure that exposures remain aligned and reflected in the firm's strategy and risk appetite.

Silent cyber:

- Firms should ensure that robust product oversight frameworks are in place and within these, should incorporate a review of products with potential exposure to silent cyber risk.

- If risks could be material, a more comprehensive review should be undertaken, including the establishment of specific actions to mitigate silent cyber risks.
- Given the experience of (re)insurers and the wider market with regard to ambiguity on policy wordings and exposure to risks previously not identified or priced for, we expect that all firms conduct a review of their exposures, policy offerings and terms, conditions and policy limitations to ensure their policy offerings are structured to respond only in the manner intended and not outside the firms risk appetite.

Risk management:

- We expect each firm to have strong governance processes and procedures in place to conduct timely reviews of policy wordings to minimise the risk that may arise from non-affirmative cyber exposures. The risk mitigation measures in place by firms should include appropriate controls to monitor exposure and identify any hidden exposures outside the firms risk appetite which have not been appropriately considered in the acceptance or pricing of the risk.
- The Board should have appropriate oversight of the firm's risk management and controls in place to monitor and manage cyber related exposures and any remediation action required to be taken in a timely manner. Responsibilities for management of cyber risks should be clear and unambiguous.

Firms can expect an increasingly active and intrusive approach to the supervision of emerging risks, including cyber underwriting risk. Ongoing supervisory engagement, as well as individual inspections and analysis work, will be used to assess the progress that firms are making in developing risk identification, measurement and product oversight approaches.

Katheryn De Ornelas
Risk Analyst
Advisory Team | Insurance Advisory Division

Key Outcomes from the 2021 IT Risk Questionnaire Survey

Background

On 6 November 2020, the Bank issued an IT Risk Questionnaire ("ITRQ") to capture the view of regulated insurance firms as to their self assessed exposure to IT risks. The ITRQ issued to 108 firms across the insurance sector (i.e. life, non-life, reinsurance) and across different impact ratings (i.e. low, medium-low, medium-high and high).

IT Risk continues to be a key and growing topic at national and European level. The use of the ITRQ allowed us to collect information on IT risks across multiple firms. The ITRQ is an Excel-based questionnaire consisting of three main tabs: "*IT Risk Level self-assessment*", "*IT Risk Control self-assessment*", and "*General Data*" completed by each firm. It also includes a glossary and guidance on how to assess risk levels and controls.

Observations

Our horizontal analysis indicates that the areas of greatest exposure identified by firms relate to IT outsourcing and IT security risks. Our analysis also highlighted that some firms had failed to critically self assess themselves.

We also found that approximately one quarter of the firms surveyed are underrating their inherent exposure to IT outsourcing risk, and up to half of those surveyed are underrating their exposure to IT change risk. Also the inherent exposure to IT security risk was often underrated.

Regarding IT security risk, approximately one-quarter of the firms surveyed indicated a low maturity for a number of key IT controls, including those related to IT asset inventories, vulnerability management and IT security awareness. Given the interdependence of security controls, this means that the maturity of the other controls in IT security area may have been overrated or too optimistic, resulting in the overall residual exposure to the IT security risk being higher than that indicated in the self assessments.

"Respondents are underrating their inherent exposure to IT outsourcing, IT change and IT security risks."

In addition to IT security control weaknesses, answers provided with respect to IT risk management and data quality control areas, indicate that these are also areas of weakness in most firms.

Recommendations

In relation to the IT security and IT risk management control areas, we wish to remind firms that, following a thematic inspection of Cybersecurity Risk Management performed in 2018-2019, an industry letter was published on 10 March 2020 to clarify our expectations in these areas.

Additionally, the EIOPA guidelines on information and communication technology (ICT) security and governance were published in October 2020 and will be effective from 1 July 2021. The Bank endorses these Guidelines, and has incorporated them into its ongoing supervisory practices and processes. Firms are expected to comply with the Guidelines, as outlined here on our website.

Roberto Franconi
Inspections Manager - Technology Risk
Governance & Operational Resilience Division

Review of Intragroup Exposures

The Bank recently conducted two thematic reviews on intragroup transactions (focussing on reinsurance/retrocession and intragroup loans). The reviews were desk-based and carried out using documentation provided to us by undertakings. All undertakings involved in the reviews have now received feedback, but as many of the findings are relevant to the wider industry, a high level summary of these findings is provided below.

We found that the majority of undertakings, even those with otherwise good risk management frameworks, do not consider the risk of transactions with related group entities to a sufficient degree. Undertakings are reminded that they must consider the risks of all transactions (e.g. outsourcing of administrative functions, investment management, treasury, reinsurance and loans/investments) with external parties, whether these are third parties or related group entities.

Background

Most undertakings supervised by the Bank are part of large international (re)insurance groups and there are many benefits to this. Most undertakings included in our reviews have a significant financial and operational reliance on their groups. While there are many advantages for utilising group infrastructures, this also significantly increases the concentration risk to a single counterparty.

Overall Conclusion

Most undertakings consider the risk of group distress as low, placing more focus on external counterparties. In many cases, internal counterparties have a considerably larger exposure, yet undertakings may not measure, monitor and report group counterparty risk to the same extent as for external counterparty risk. Our expectation is that the Board extend the same oversight to an internal counterparty exposure as it would an external counterparty.

> ***"Ultimately, the Board and senior management are responsible for the local undertaking and for all counterparty risk within it."***

Ultimately, the Board and senior management are responsible for the local undertaking and for all counterparty risk within it. In the case of intragroup counterparty risk, it is also their responsibility to understand how and where the local undertaking sits within the group priority list, particularly in terms of settlement of claims during times of group stress.

Detailed feedback has been provided in our responses to undertakings. An overview of the main issues is provided below and all undertakings with intragroup transactions should consider them. They should also review the Board's involvement in the approval of these transactions and ensure ongoing compliance with all relevant regulations.

Issue 1 - Prudent Person Principle

An assessment of the governance arrangements around the review and approval of Inter Company Loans by the Board identified that, in most cases, explicit approval was not required for increases in the loan amount. We identified that many investment policies did not include limits on the amount of funds which could be invested internally, whereas concentration limits were applied to external investments.

The Solvency II Prudent Person Principle (PPP) requires that assets backing Technical Provisions must be invested 'in a manner appropriate to the nature and duration of the undertaking's insurance and reinsurance liabilities and in the best interests of all policyholders'. Our review considered the application of the PPP to undertakings with loans or deposits with their group. It found that some undertakings had very large investment concentrations with their group, some that were in excess of their total Eligible Own Funds to cover the Solvency Capital Requirement. Solvency II requires that the Board consider the PPP when approving investments (including investments that benefit the group), and that they can justify how such investments are in the best interests of policyholders.

Issue 2 - Risk Management Framework

Not all undertakings covered intragroup counterparty risk sufficiently in their Risk Management Framework. It was not included in some Risk Appetite Statements or Risk Registers. Failure to identify and monitor these risks could lead to a build-up of risk concentration. Undertakings must have a Risk Management Framework that covers their whole risk profile and ensure that they monitor exposure to all risks.

Issue 3 - Stress testing

Within the ORSA there was insufficient evidence that the failure of related entities had been considered or subjected to stress testing. Some Overall Solvency Needs (OSN) assessments failed to consider internal counterparty risk. The ORSA and OSN should cover the whole risk profile of the local undertaking on a quantitative basis where possible, and at least on a qualitative basis.

Where appropriate, the ORSA should contain stresses that look at the failure of the group, and consider the possibility that the group capital support might be unavailable when required. Our recent guidelines on recovery planning state: "*the recovery plan should include consideration of the ability to separate the insurer from its broader group and identify any actions that would be required to secure continuity of critical functions or financial supports in the context of a failure elsewhere within the group*".

Issue 4 - Counterparty Risk Policy

Most undertakings cover counterparty risk in one of their policies, but not all addressed group counterparties and others focussed on the selection and monitoring of external counterparties only. The Bank expects that any policy covering counterparty risk should cover all counterparties.

"The Board must have appropriate oversight over all strategies, policies and material contracts irrespective of whether they are linked to the group or not."

Issue 5 - Group Policies

Whilst many policies and strategies adopted from group may be appropriate, there was insufficient evidence that these are considered and approved by the local Board. Many contracts with related undertakings were not sufficiently reviewed by the Board, as would be the case for contracts with third parties. The Board must have appropriate oversight over all strategies, policies and material contracts irrespective of whether they are linked to the group or not.

Further Work

In the course of our work we noted that many undertakings rely on a group treasury facility, or have 'cash pooling' arrangements in place. The exact arrangements vary considerably and have different implications for liquidity, counterparty risk and hence the SCR calculation, which could vary considerably. We plan to investigate this in more detail to form a better understanding of the variety of arrangements in place.

We are considering the outputs and findings of our reviews with a view to strengthening overall compliance with the Solvency II Requirements. Our work is ongoing and updates will be provided on our expectations in due course.

Graham Cherry
Head of Function - Reinsurance
Insurance Supervision Division

Irish Flood Insurance Study

Background

The availability of flood insurance at a reasonable cost attracts significant discussion both in Ireland and internationally. The Bank's past engagement on this issue had highlighted difficulties experienced by some consumers in obtaining adequate flood insurance cover.

The Bank's role is limited by its mandate - the pricing of a specific insurance product is a commercial matter for individual insurers[1] and the Bank does not have a role, or powers, to direct insurance companies to provide flood cover to specific individuals or businesses.

The Bank, as an independent third party, undertook a data gathering exercise to establish, as far as possible, the extent to which flood insurance cover was included within property policies[2], both nationally, and in the areas covered by 18 fixed or demountable[3] flood defence schemes completed by the Office of Public Works (OPW).

Key Findings

Data collected indicates that a high proportion of Irish property insurance policies include flood cover (97%). Within areas covered by 18 OPW flood defence schemes (both fixed and demountable) the majority (81%) of policies include flood cover.

Insurance undertakings appear to consider fixed defences more effective in mitigating flood risk than demountable defences. Flood risks were included in 92% of policies in areas protected by fixed flood defences, compared to 72% of policies in areas benefiting from demountable flood defences. The main reasons provided by respondents for non-provision of flood cover in areas with demountable defences were related to the level of manual intervention required with this type of defence – and the potential for deterioration in effectiveness over time. Respondents also highlighted that coverage levels were affected by the fact that some policy types did not typically include flood cover (e.g. cover provided in respect of unoccupied buildings), and by delays in updating details of completed flood defence schemes.

Conclusions & Next Steps

Flood insurance coverage was a central focus of the DOF 2019 Public Consultation on Climate Change and Insurance. Therefore, the results of our analysis (anonymised and aggregated) has been shared with key stakeholders, including the Department of Finance (DOF), to inform the development of future policy in this area

The results will also inform ongoing engagement between the DOF, OPW and market participants – particularly as some responses indicated that enhanced cooperation and information sharing could result in higher levels of insurance coverage for consumers in affected areas. This is particularly relevant, given that climate change appears likely to increase the likelihood and severity of flood risk in Ireland over the longer term.

Brian Balmforth,
Advisory Manager
Insurance Advisory Division

1. Regulation 190 of S.I. 485/2015 – European Union (Insurance and Reinsurance) Regulations 2015, which implements the Solvency II Directive in Ireland (Art. 181) provides that Member States may not intervene in the setting of insurance premiums of the terms and conditions associated with insurance policies.
2. A lack of available data precluded analysis of properties within flood affected areas where no insurance cover is held.
3. A 'fixed' flood defence refers to solid structures built between the source of flood waters (rivers, estuaries or the sea) and an area vulnerable to flooding, including walls and embankments. A 'demountable' defence refers to a temporary, removable structure erected during periods of heightened flood risk.

Insurance Updates

IMF 2022 Financial Sector Assessment Program

The International Monetary Fund's (IMF) Financial Sector Assessment Program (FSAP) is a comprehensive and in-depth assessment of a country's financial sector. FSAP assessments are required every 5 years in jurisdictions with systemically important financial sectors, which includes Ireland. The scope of the next FSAP for Ireland is currently being finalised. The insurance sector-related elements of the FSAP will include risk analysis, oversight and crisis management and safety nets. Risk analysis will have a quantitative and qualitative aspect. Oversight will include an assessment against a selection of the Insurance Core Principles adopted by the International Association of Insurance Supervisors. Crisis management and safety net assessments will include resolution and recovery planning.

The various elements of this work will require the participation of a number of (re)insurers, some more actively than others. Firms that are directly in-scope for the different studies will be contacted in due course.

Insurance Sector Stress Testing Exercises

The quantitative risk analysis for the insurance sector will include stress testing exercises. We are working with the IMF to leverage off the stress testing initiative EIOPA has underway and our own supervisory work plan. This is to ensure that any synergies are exploited and the demands placed on in-scope firms are proportionate. Key areas of focus will include solvency, liquidity and climate risks.

What are the different types of insurance supervisory stress testing?

Supervisory bottom-up stress test: An exercise run by a supervisor/regulatory authority, where participating institutions are requested to perform the calculations. The supervisor provides the stress testing framework, methodologies, adverse stress scenarios, prescribed shocks and guidance to the application of the shocks. Participants calculate the impact of the prescribed shocks on their balance sheet and capital requirements according to the provided guidance using their own models. The assessment of liquidity impacts may also feature.

Supervisory top-down stress test: A stress test performed and run by a supervisor/regulatory authority. The supervisor determines the impact of a scenario directly based on the regulatory data provided by the insurers using its own framework, models and specifications (i.e. no calculations from individual institutions required).

Solvency: A top-down stress test exercise where the IMF will take data from the Solvency II quantitative reporting templates up to Q2 2021 and use its own modelling tools to quantify the impacts on capital and solvency coverage of the scenario(s) and stresses it specifies. In-scope firms will be selected to achieve a target level of market coverage. The IMF expects to share the results of its initial modelling work with in-scope firms in Q4 2021 so that they can review and comment on the IMF's findings, with some firm specific follow-up discussion meetings in Q1 2022.

Liquidity: A bottom-up liquidity stress test exercise involving a cross section of Irish (re)insurers. The exercise will be based on the scenario, methodology and submission templates being used for the liquidity element of the EIOPA 2021 stress test. The proposed in-scope firms will be contacted in due course to discuss their participation, the details of the exercise and the logistics, with the submissions from firms targeted for mid Q4 2021.

Insurance Updates

Climate Risk: Climate-related risks will be assessed through a dedicated set of stress test scenarios covering transition and physical risks. Transition risk will be considered through a top-down analysis focusing mainly on the asset holdings of the life (re)insurance sector, while a bottom-up stress test exercise involving the participation of a number of non-life (re)insurers will examine physical risk covering, for example, severe weather events and other natural catastrophes. The selection of the in-scope non-life firms and the finalisation of the scenarios and methodology will be completed in the coming weeks, with receipt of data submissions from firms required during Q4 2021.

Taken together, the results of this work will contribute to a rounded picture of the insurance sector's financial resilience which will add value to the Bank's supervisory activities and, through firm-level and industry feedback from the exercises, the industry's own risk management efforts.

It will also, no doubt, provide lessons to help us develop and refine the design and use of stress testing (for micro-prudential, macro-prudential and climate purposes) which is now an enduring feature of the insurance risk management landscape.

Grace Sweeney, ***Head of Function – Actuarial***,
& Peter Towers, ***Senior Actuarial Advisor***,
Insurance Advisory Division

Recovery Planning Requirements

The Solvency II framework has reduced the likelihood of (re)insurers failing in the future, however, Solvency II is not designed to eliminate this risk completely. Over the last five years, both consumers and the insurance sector in Ireland have been affected by failures in domestic firms, and in firms operating in Ireland on a freedom of services basis. Where failure occurs, it should happen in an orderly manner without significant financial stability or consumer protection issues.

An effective recovery framework for (re)insurers can contribute to achieving policyholder protection, as well as maintaining financial stability. Adequate preparation and planning in the form of pre-emptive recovery planning should reduce both the probability of (re)insurers failing and the impact of such failures.

In 2020, the Bank consulted on proposals to introduce formal recovery planning requirements for (re)insurers - CP131 (Regulations for pre-emptive recovery planning for (Re)Insurers). The consultation process ran from 15 June 2020 to 25 October 2020. The consultation received 9 responses from insurance undertakings, industry and professional bodies and professional advisory firms.

Respondents noted their support for the proposals and welcomed the initiative to implement a framework for pre-emptive recovery planning for (re)insurers. Respondents submitted 145 observations across 30 issues. The final regulations take into account the feedback that we received.

Insurance Updates

Our Feedback Statement summarises the responses received to CP131 and sets out our comments and approach.

On 27 April 2021 we published S.I. No. 184 of 2021 (Central Bank (Supervision and Enforcement) Act 2013 (Section 48 (1)) (Recovery Plan Requirements for Insurers) Regulations 2021 ('the Regulations'). Supporting guidelines have also been prepared which, inter alia, set out the expectations regarding content of the pre-emptive recovery plans and provides details on the scope of the Regulations, application of proportionality and the factors that (re)insurers should take into account when developing a pre-emptive recovery plan.

The Regulations will:

- promote awareness and allow firms to prepare for a range of possible adverse situations;
- enable firms to consider and evaluate the most appropriate and effective mitigation without the resulting pressures of actual severe stress; and
- enable firms to take more effective, comprehensive and thoughtful measures to ensure their timely implementation, if required.

(Re)insurers are required to:

- prepare a pre-emptive recovery plan that addresses the following areas:
  - governance for preparing and updating the recovery plan and utilisation of the plan itself;
  - a description of the (re)Insurer;
  - a menu of recovery options;
  - a trigger framework;
  - a set of stress scenarios (to test the recovery options and trigger framework); and
  - a communication strategy and any required preparatory measures.
- review and, if necessary, update the recovery plan at least every 12 months for High and Medium-High impact firms and at least every 24 months for Medium-Low and Low impact firms or after any material change to the legal or organisational structure of the (re)insurer, its business or its financial position.
- provide a copy of the recovery plan on request, (the Bank will issue a standing request to High and Medium High Impact (re)insurers to provide their recovery plan to the Bank within 14 days of its approval by the Board).

Next Steps

(Re)insurers are responsible for ensuring that appropriate policies and procedures are in place for the development and review of recovery plans on an on-going basis, and their Boards are required to formally assess and approve each version of the recovery plan. The deadline for preparation of the first recovery plan under the regulations is 31 March 2022.

In the next issue of this newsletter, we will set out our expectations for Recovery Plans, including what we consider to be the essential elements (e.g. governance arrangements, strategic analysis etc.).

Fiach Ó Riain,
Senior Supervisor,
Insurance Supervision Division

Sustainable Insurance

Sustainable Finance developments relevant to the insurance sector.

Survey on Emerging Risks, including Climate Risk

In May 2021, the Bank published the results of a survey of insurance firms' exposures to and preparedness for emerging risks, including climate risks. The results provide a number of key insights into how insurers are managing climate risks.

Respondents indicated that physical and transition risks are the most material risks arising from climate change, while 11% of firms indicated that reputational risks were a concern. The survey responses also show that a majority (84%) of firms have management structures in place for oversight of climate risks.

However, the responses also indicate a need for firms to take further steps to fully assess the impact of these risks on their business model, as 54% of respondents indicated they did not have a climate strategy, plan, or policy in place.

Please see our report, Understanding the Future of Insurance for further analysis of the survey responses. The results from the survey will be used to inform our supervisory approach.

Sustainable Insurance Forum: Application Paper on the Supervision of Climate-related risks

On 25 May, the International Association of Insurance Supervisors (IAIS), in partnership with the Sustainable Insurance Forum (SIF), published their Application Paper on the Supervision of Climate-related Risks in the Insurance Sector. The Application Paper provides recommendations and examples of good practice for insurance supervisors to manage the challenges arising from climate change.

The Application Paper, the first of its kind by a global standard-setting body, provides insurance supervisors with concrete tools to further strengthen their efforts in assessing and addressing risks to the insurance sector from climate change. It also sets out recommendations and examples of good practice, consistent with the Insurance Core Principles (ICPs). With this publication, the IAIS and SIF aim to promote a globally consistent approach to the supervision of climate-related risks. The recommendations include:

Role of the supervisor: Supervisors should assess the relevance of climate-related risks to their supervisory objectives. They should collect quantitative and qualitative information on the insurance sector's exposure to, and management of, physical, transition and liability risks of climate change.

Corporate governance: When addressing climate-related risks, it is expected that insurers integrate these risks into their overall corporate governance framework. For instance, the control functions (including the risk management and actuarial functions) should properly consider climate-related risks and have appropriate resources and expertise to manage them.

Risk management: Climate-related risks have the potential to impact all insurers; therefore, these risks should be considered for inclusion in the Own Risk and Solvency Assessment (ORSA). Likewise, it is expected that insurers adopt the appropriate risk management actions to mitigate any identified risks.

Investment policy: Insurers should assess the impact from physical and transition risks on their investment portfolio, as well as on their asset-liability management. A forward-looking view, including the use of scenarios, may help insurers gain a better understanding of the risks.

Sustainable Insurance

Disclosures: Material risks associated with climate change should be disclosed by insurers. Insurers should incorporate in their disclosure the extent to which their risk profile exposes them to the impacts of climate-related risks, as well as any metrics or targets developed by the insurer.

Addressing the challenges posed by climate change is a key priority for the Central Bank of Ireland and the recommendations proposed by this Application paper will help to inform our future supervisory approach.

EIOPA Opinion - Climate Risk scenarios in the ORSA

Background

In 2019, EIOPA published their Opinion on the integration of Sustainability in Solvency II, which emphasised the importance of Pillar 2 requirements – risk management, systems of governance and ORSA, in managing the long term risks arising from climate change.

On foot of the 2019 EIOPA Opinion, the European Commission published draft regulation amending the Solvency II Delegated Acts, explicitly specifying that undertakings should integrate sustainability in their risk management and ORSA.

"EIOPA considers it essential to foster a forward looking management of [climate change related physical and transition risks] to ensure the long-term solvency and viability of the industry."

Building on this work, in April 2021, EIOPA issued their [Opinion on the supervision of the use of climate risk scenarios in the ORSA]. In this recent opinion, EIOPA have set out an approach they expect supervisors to take when assessing the use of climate risk scenarios. EIOPA will start monitoring the application of this opinion two years after publication. Nevertheless, while the field of climate risk is still evolving, EIOPA (and the Bank) expects firms to be acting now.

Overview of EIOPA Opinion

EIOPA's Opinion covers the following topics. With all aspects of the opinion, the principle of proportionality applies.

Time Horizon: The impact of Climate risk should be considered over all time horizons.

- Short-term – the impacts are being felt right now through the increase in frequency and severity of extreme weather events.
- Long term – which should be used to inform the firm's strategic planning and business strategy. The time horizon may be considerably longer than the normal business planning horizon.

Breadth: Insurers should be taking a broad view of the risks arising from climate change, including both transition and physical risks

Materiality: Insures should be using qualitative and quantitative methods to identify material climate change risks for their business. Where climate change is not a material risk, firms are expected to provide an explanation on how they came to that conclusion.

Scenarios: Firms should consider a range of scenarios including at least two long term scenarios;

- Scenario in line with EU commitments (below 2°)
- Global temperature exceeds 2°

Reporting: Firms should be able to present and explain the approach they have taken in their ORSA report. This should include; how they have assessed materiality, the assumptions and methods used, and outcomes and conclusions drawn from the scenarios.

EIOPA will start monitoring the application of this opinion two years after publication.

The Sustainable Insurance section of the newsletter is contributed by:

Insurance Risks Policy Function,
Financial Risks & Governance Policy Division

Forward Planner & Communications

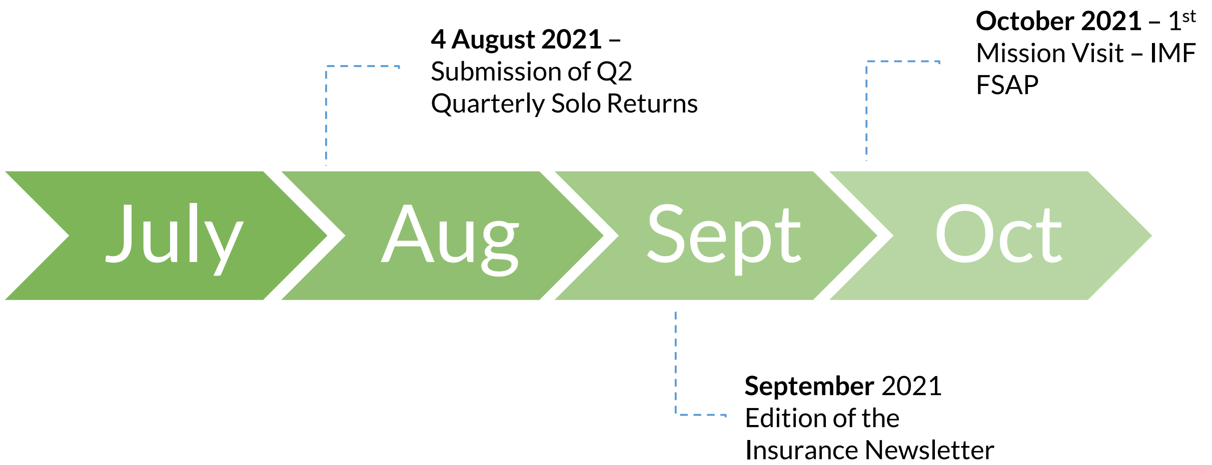
Upcoming Dates

Insurance Industry Briefing
23 June 2021

Time: 14:00 – 15:30pm (GMT)

Register for the '**Future of Insurance**' industry event [here on our website](#).

Registration closes on **Friday 18 June**



Recent Speeches

Date	Topic	Link
10 June 2021	The importance of fitness, probity and ensuring responsibility – Speech by Director General, Financial Conduct, Derville Rowland	https://www.centralbank.ie/news/article/speech-importance-of-fitness-probity-and-ensuring-responsibility-derville-rowland-10-june-2021
19 April 2021	Opening Remarks by Governor Makhlouf on "Enterprise financing and investment in Ireland – tackling the challenges of COVID-19, digitalisation and climate change"	https://www.centralbank.ie/news/article/speech-opening-remarks-governor-makhlouf-enterprise-financing-and-investment-in-ireland-webinar-19-april-2021
16 March 2021	Conduct, culture and trust – priorities for 2021 - Speech by the Director General, Financial Conduct, Derville Rowland to the BPFI Membership Forum	https://www.centralbank.ie/news/article/speech-derville-rowland-bpfi-membership-forum-16-mar-2021

Contact Us

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