



**AAE**

ACTUARIAL  
ASSOCIATION  
OF EUROPE

# Consultation on the Prudential Treatment of Sustainability Risks

## Summary of Key Messages





## Consultation Summary Note

[View consultation document](#)

[View consultation response](#)

<p><b>Purpose of the consultation</b></p>	<p>The primary goal of the consultation was to assess the potential for dedicated prudential treatment of assets and/or activities relating to environmental / social objectives. This included evaluating the impact of proposed amendments on insurance and reinsurance undertakings in the European Union. The consultation paper responds to Article 304(a) of the Solvency II Directive and focuses on the risk-based analysis of sustainability risks, particularly in relation to market risks and transition risks, non-life underwriting risks, climate-related risk prevention measures, and social risks.</p>
<p><b>Issuing Authority</b></p>	<p>European Insurance and Occupational Pensions Authority (EIOPA)</p>
<p><b>Summary of the main messages</b></p>	<p>The AAE is of the view that capital requirements should always consider risks adequately. The overarching principle is that “same risk should require same capital”. The AAE recognises the necessity of considering sustainability risks appropriately in the risk management of undertakings. However, it was noted that at this stage, there were certain data and methodological limitations that suggest a cautious approach. From the responses received from our member associations, and although no consensus was reached with respect to the preferred approach, the majority indicated the need for a more balanced direction that accounts for the dynamic nature of transition risks, with preference for leveraging the ORSA process under Pillar II for incorporating forward-looking simulations and climate risk analysis, instead of adopting an explicit allowance under Pillar I in the SCR. The response was rather technical in places and more detail is available through <a href="#">link</a>.</p>
<p><b>Notes on disagreements</b></p>	<p>There was a notable disagreement by a single individual who was generally in favour of Option 3, i.e., explicitly addressing sustainability and climate risks within Pillar I. He had voiced concerns that our response erred on the conservative side and there was a risk that it would not be viewed favourably by EIOPA. His comments were passed to Board Reviewers and the AAE response was caveated appropriately, noting that a minority of members had different views.</p>
<p><b>List of volunteers/contributors</b></p>	<p>Lauri Saraste (Chair of the AAE Insurance Committee), Institute of Actuaries Belgium, submitted by Daphne De Leval (Vice Chair of IC), Siegbert Baldauf (Chair of the AAE Solvency II WG), Jerome Crugnola-Humbert (Chair of the AAE SCR WG), AAE Non-Life Working Group (submitted by Christoph Krischanitz), Society of Actuaries Ireland (submitted by Michael Sharpe), Danish Actuarial Society (submitted by Conor O’Byrne), Institute of Actuaries France (submitted by Stephane Lemer).</p>
<p><b>Assigned Committees</b></p>	<p>Risk Management Committee and Insurance Committee</p>
<p><b>Board Reviewers</b></p>	<p>Frank Schiller and Matthias Pillaudin</p>
<p><b>EIOPA deadline</b></p>	<p>22 March 2024</p>
<p><b>Submission date</b></p>	<p>20 March 2024</p>



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