Joint statement
EU regulation must require insurers to properly account for the risks of harmful activities

After years of delays and extended negotiations, the review of Solvency II, the EU insurance legislation, will soon be completed. Despite some limited progress on sustainability, the legislative framework for European insurers still falls short of ensuring that the risks of the harmful activities they insure, or invest in, are properly accounted for. These activities not only have devastating impacts on the environment, biodiversity, and our collective health - the higher risks they entail can also have dangerous implications on financial stability, with trickle-down effects on the real economy and our society at large.

It is time for the EU to take action to protect our collective best interests against blind profit-making by the insurance industry. Insurance companies play a key role in our socio-economic ecosystem and are, by definition, the most relevant actors to assess and mitigate risks.

We believe that a more sustainable and resilient insurance sector will benefit everyone. The planet's health will be protected, our economies and societies will be safer and stronger, and the insurance industry will continue to provide for and be trusted by communities.

Ahead of the European elections in June, and in light of recent developments in European insurance policy, we urge:

- The European Insurance and Occupational Pensions Authority (EIOPA) to keep up its promising work on sustainability. In particular, we call on EIOPA to:
    - **Further develop its climate scenario analysis** to fully incorporate all relevant factors, ensure that economic models account for the specificities of climate change and that climate-related financial risks are not underestimated;
    - **Formulate evidence-based, forward-looking, and ambitious policy recommendations based on its own analysis that fossil fuels assets are riskier than others and as such should be subjected to higher capital charges**. **These charges should amount to 100%** for the investments related in exploration of new fossil fuel reserves, as we have been arguing in our One for One campaign;
    - **Strongly encourage the next European Commission to act** upon EIOPA's analytical work and policy recommendations to kickstart the legislative process that will result in updated rules for capital allocation by insurers;
    - **Formulate ambitious recommendations for "prudential plans"** to make sure insurers better assess sustainability-related financial risks throughout the transition towards more sustainable economies.
- We call on the next European Commission to extend the current EU taxonomy by:
    - **Defining both environmentally unsustainable activities that cannot transition and "intermediate" activities** for which improvement is achievable within adequate timeframes. This would be extremely helpful in identifying riskier activities and preserving financial stability by enabling adequate risk assessment, as also acknowledged by EIOPA in its latest public consultation;
    - **Defining socially sustainable activities** in a Social Taxonomy and enhance insurers consideration of, and requirements on, social factors.

As 2030 approaches, the time to act to meet our European sustainability objectives is now. European policymakers cannot continue to bypass clear scientific evidence, and keep the insurance sector misaligned with the EU objectives, which jeopardises the sustainable transition and, with it, financial stability. Europeans must be able to trust the insurance industry, and following these recommendations would ensure that that continues to be the case.

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