



(only the Italian version is authentic)

SUPERVISORY REGULATIONS AND POLICIES DIRECTORATE  
MACROPRUDENTIAL ANALYSIS DIVISION  
RESEARCH AND DATA MANAGEMENT DIRECTORATE  
Recognition and management of information Division

Ref. to note n.			of	To the insurance and reinsurance undertakings having their head office in Italy
Classification	III	1	2	TO THEIR PREMISES
Encl. no.	3			To the insurance and reinsurance undertakings having their head office in a third State not belonging to the European Economic Area, authorised to pursue business in Italy under the right of establishment TO THEIR PREMISES

RE: Monitoring of risks from natural catastrophes and sustainability.

IVASS considers as key objectives of supervisory policies aimed at the stability of the Italian insurance sector and the protection of consumers full awareness and firm control by companies of the risks - generated or suffered - related to climate change and ESG sustainability (environmental, social and corporate governance).

Italy is among the European countries most exposed to the risk of natural disasters, often related to climate change and environmental and land degradation. At the same time, it ranks among those where there is less insurance coverage to protect businesses and households from the related losses.

The possible scenarios generated by climate change make many insurance business activities more complex: underwriting practices, investment policies, product design and pricing, and the definition of disclosure to clients and the public. Governance and internal control systems must also be remodelled to take into account the increased uncertainty of forecasts.

The pervasiveness of the risks associated with the transition to (eco)-sustainable finance assigns companies a special role in the prevention and mitigation of such risks, as also recognised by the recent EU sustainability disclosure provisions<sup>1</sup> and the Sustainable Investment Taxonomy<sup>2</sup>.

With this letter to the market, in line with objective no. 2 of IVASS 2021- 2023 Strategic Plan<sup>3</sup> and with the commitments undertaken on the occasion of the Finance Day<sup>4</sup> of the UN Climate Change Conference COP 26, IVASS has launched—a qualitative and quantitative survey among all life and

<sup>1</sup> Regulation (EU) 2019/2088 of 27 November 2019 (called SFDR) on sustainability- related disclosures in the financial services sector.

<sup>2</sup> Regulation (EU) 2020/852 of 18 June 2020 (Taxonomy) - on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

<sup>3</sup> [https://www.ivass.it/chi-siamo/organizzazione/Struttura-organizzativa/Piano\\_strategico\\_2021-23.pdf](https://www.ivass.it/chi-siamo/organizzazione/Struttura-organizzativa/Piano_strategico_2021-23.pdf)

<sup>4</sup> <https://www.ivass.it/media/avviso/ivass-cop26/>

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non life companies, referring to December 31, 2021, on physical and transition risks to a sustainable low-carbon economy.

The survey is undertaken in implementation of IVASS' powers of investigation under article 189 of the Private Insurance Code. It is an evolution of the thematic surveys conducted since 2019 as part of the random monitoring of risks and vulnerabilities in the insurance sector: analysis of the data and information collected will make it possible to assess whether to make the survey periodic and what changes, if any, should be made.

The requested information should be submitted by the end of October, following the instructions below, adopting the utmost possible diligence in producing it. For transmission, the companies will use the Infostat platform according to the instructions contained in the annexes to this note; the relevant Infostat surveys will be available for reporting entities in early October 2022.

Best regards.

by delegation of the Joint Directorate

signature 1

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## *Indications for the survey*

### 1. Survey recipients

The survey is aimed at all individual companies subject to supervision by IVASS and engaged in life and non-life insurance business in Italy. In particular:

- **insurance companies operating in life and non-life lines of business** must complete the quantitative questionnaire (see Annexes 1\_Instructions and 2\_Schemes) and the qualitative questionnaire in its entirety (see Annex 3\_Quality Questionnaire).
- **insurance companies operating only in non-life lines of business** will have to complete the quantitative and qualitative questionnaire in its entirety, similarly to the companies mentioned in the previous point;
- **insurance companies operating only in life lines of business** will have to complete the quantitative questionnaire in respect of the investment area (see Annex 1\_Instructions and Annex 2\_Schemes relating to the "ESG\_1 Cube") and the qualitative questionnaire only in respect of the section "part\_1\_investments" (see 3\_Quality Questionnaire).

### 2. Survey structure

Data and information are collected in two sections:

- a quantitative survey (see Annex 1\_Instructions<sup>5</sup> and Annex 2\_Schemes) aimed at acquiring data on exposure to transition risks (investment area) and physical risks (technical-insurance area).
- a qualitative questionnaire (see Annex 3\_Quality questionnaire) aimed at knowing the level of integration of sustainability risks within the corporate governance system, organisational structure, risk management system, investment policies and underwriting policies and practices in the short, medium and long term.

### 3. Content of the quantitative questionnaire

#### 3.1 Investment area: taxonomy and carbon footprint

The following information is collected:

- investment portfolio data at market values, broken down according to the NACE economic activity classification code;
- data on the degree of alignment of the investment portfolio to the EU Taxonomy<sup>6</sup>;
- data on the carbon footprint of the investment portfolio: companies will have to provide data on the greenhouse gas emissions (CO<sub>2</sub> or equivalent<sup>7</sup>) of the investments in both absolute and relative terms (e.g. as a proportion of the turnover of the companies underlying the investments);
- data on the amount of investments in green bonds certified by external bodies.

The relevant instructions are enclosed to this letter (see Annexes 1 and 2).

#### 3.2 Technical area: level of insurance protection and insured losses

The quantitative section provides for the reporting of premiums, claims, expenses and sums insured gross and net of reinsurance, as well as the number of contracts issued for each of the twelve non-life lines of business, considered to be potentially impacted by physical risks from catastrophic events. The required data refer to the non-life insurance lines of business (LoB) specifically designated by the taxonomy as "enabling" economic activities, i.e. activities making a substantial

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<sup>5</sup> References are made to the following Cubes: ESG\_1 (Investments - Quantitative information); ESG\_2 (Technical management - climate risks); ESG\_3 (Technical management for Physical Risks LoB); ESG\_4 (Premiums and claims over the last 5 years); ESG\_5 (Physical property risk insurance coverages)

<sup>6</sup> An economic activity shall qualify as environmentally sustainable where it satisfies the four requirements envisaged in Article 3 of Regulation (EU) 2020/852.

<sup>7</sup> See Annex A of the Kyoto Protocol (greenhouse gas). <https://www.mite.gov.it/pagina/litalia-ed-il-protocollo-di-kyoto>

contribution to climate change adaptation measures<sup>8</sup>. They relate to: i) risks related to climate change as a whole; ii) specific climatic risks related to water (flood and hail) and wind (storm); iii) risks from seismic events.

With reference to the last five years, the average annual amounts of insured premiums and losses (paid and reserved claims), as well as the amount of the maximum insured loss, are required for direct and indirect business (gross of reinsurance).

The relevant instructions are enclosed to this letter (see Annexes 1 and 2).

#### 4. Qualitative information

The qualitative questionnaire consists of two sections (see Annex 3):

- the first section covers organisational, corporate governance and risk management profiles; it focuses on current and prospective investment policies, ESG criteria adopted for the selection and evaluation of existing investments;
- the second section is dedicated to underwriting policies in non-life lines of business, climate mitigation and adaptation measures, and the characteristics of insurance coverages.

#### 5. Definitions and survey submission modalities

The following definitions are used:

- **sustainability risks:** an environmental, social or governance event or condition that, if it occurs, could cause a significant actual or potential negative impact on the value of the investment;
- **physical risks:** potential impacts, in terms of financial losses, that insurance companies may incur or generate as a result of the increased severity and frequency of extreme weather events related to climate change (e.g. heat waves, landslides, floods, forest fires and storms), as well as long-term progressive climate change (e.g. changes in precipitation, extreme weather variability, ocean acidification and rising sea levels and average temperatures), or other natural disasters (earthquakes). In this regard, please refer to the classification of hazards in Annexes I and II of Delegated Regulation (EU) 2021/2139<sup>9</sup> on technical screening criteria;
- **transition risk:** risk related to the adjustment process towards a low-carbon economy to meet the Paris Climate Agreement targets, which may lead to a change in asset values, particularly for some sectors;
- **legal liability/litigation risk:** legal liability risk may arise when parties who have suffered losses due to climate change seek compensation from those they believe may have been responsible (e.g. through failure to mitigate, adapt or disclose climate change risks). Liability risks are of particular relevance to insurance companies as these risks can be transferred through third-party liability protection such as professional liability or directors' and officers' insurance.

Paid and reserved losses as well as claims settlement expenses in non-life business should be reported.

It is also requested:

- to send any requests for clarification and/or questions to the functional e-mail [quesiti\\_rilevazioni@ivass.it](mailto:quesiti_rilevazioni@ivass.it);
- to carry out all the checks envisaged when preparing the reports;

<sup>8</sup> Non-life lines of business: 1-Medical expense insurance 2-Income protection insurance 3-Workers' compensation insurance 4-Third party motor vehicle liability; 5-Other motor insurance; 6-Marine, aviation and transport insurance; 7-Fire and other damage to property insurance; 12-Miscellaneous financial loss.

<sup>9</sup> Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 (so-called Taxonomy) laying down the technical screening criteria for determining under which conditions an economic activity may be considered to contribute substantially to climate change mitigation or adaptation, and whether it does not cause significant harm to any other environmental objective

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- to send via the Infostat infrastructure any corrections not resulting from remarks made by IVASS, sending at the same time to the e-mail address [quesiti\\_rilevazioni@ivass.it](mailto:quesiti_rilevazioni@ivass.it) a message notifying the delivery of the new flow (the sending of a new flow will result in the complete overwriting of those previously sent);
  - to send, via the Infostat infrastructure, any corrections resulting from remarks made by IVASS in the event of errors in the information sent and at the same time, as the case may be: i) send the corrected information and include a brief description of the revisions made in the "Notes for partner use" area; or ii) confirm individual remarks and include the relevant justification in the "Additional notes for confirmation" area.