

# Consultation Paper on Technical Advice on the integration of sustainability risks and factors in the delegated acts under Solvency II and IDD

Fields marked with \* are mandatory.

EIOPA welcomes comments on its draft technical advice regarding possible amendments to the delegated acts under Solvency II and IDD concerning the integration of sustainability risks and factors. The Consultation Paper with the draft technical advice is published in EIOPA's website: <https://eiopa.europa.eu/publications/eiopa-consultations>

Comments are most helpful if they:

- respond to the question stated, where applicable;
- contain a clear rationale; and
- describe any alternatives EIOPA should consider.

Please send your comments to EIOPA by responding to the questions in this survey by 30 January 2019.

Contributions not provided using the survey or submitted after the deadline, will not be processed.

## Publication of responses

Contributions received will be published on EIOPA's public website unless you request otherwise in the respective field in this survey. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.

Please note that EIOPA is subject to Regulation (EC) No 1049/2001 regarding public access to documents and EIOPA's rules on public access to documents .

Contributions will be made available at the end of the public consultation period.

## Data protection

Please note that personal contact details (such as name of individuals, email addresses and phone numbers) will not be published. They will only be used to request clarifications if necessary on the information supplied.

EIOPA, as a European Authority, will process any personal data in line with Regulation (EC) No 45/2001 on the protection of the individuals with regards to the processing of personal data by the Community institutions and bodies and on the free movement of such data. More information on data protection can be found at <https://eiopa.europa.eu/> under the heading 'Legal notice'.

\* Name of your organisation

BVI

\*Your name

Dr. Julia Backmann

\*Email

julia.backmann@bvi.de

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Response to this survey to be treated as confidential

- No  
 Yes

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Your member state

- Austria  
 Belgium  
 Bulgaria  
 Croatia  
 Cyprus  
 Czech Republic  
 Denmark  
 Estonia  
 Finland  
 France  
 Germany  
 Greece  
 Hungary  
 Ireland  
 Italy  
 Latvia  
 Lithuania  
 Luxembourg  
 Malta  
 Netherlands  
 Poland  
 Portugal  
 Romania  
 Slovak Republic  
 Slovenia  
 Spain  
 Sweden  
 United Kingdom

Type of organisation

- Insurance or reinsurance undertaking or group
- Insurance mediation firm
- Industry association
- Consumers' representative
- Other

1. What would you estimate as the costs and benefits of the possible changes to the delegated acts under Solvency II outlined in this Consultation?

As far as possible, please link the costs and benefits you identify to the possible changes that would drive these. In relation to that, please provide, where possible, stating the assumptions underlying your calculations:

a) estimates of one-off and ongoing quantitative costs of change, in euros and relative to your turnover as relevant;

b) evidence on potential qualitative costs of change, please consider both the short and longer term;

c) evidence on potential benefits of the possible changes, please consider both the short and longer term.

**2.** What would you estimate as the costs and benefits of the possible changes to the delegated acts under IDD outlined in this Consultation?

As far as possible, please link the costs and benefits you identify to the possible changes that would drive these. In relation to that, please provide, where possible, stating the assumptions underlying your calculations:

a) estimates of one-off and ongoing quantitative costs of change, in euros and relative to your turnover as relevant;

b) evidence on potential qualitative costs of change, please consider both the short and longer term;

c) evidence on potential benefits of the possible changes, please consider both the short and longer term.

**3.** Do you agree with the proposed reference on the tasks of the risk management function?

- Yes
- No

Please give reasons for your answer:

**4.** Would you propose any other amendment to the organisational requirements in the Solvency II Delegated Regulation to ensure the effectiveness and adequacy of sustainability risk integration?

We generally agree with EIOPA's approach to be consistent with existing regulation in the way the requirements regarding sustainability issues are expressed when compared with other issues. For instance, we agree that the requirements regarding sustainability risks should not be more detailed or descriptive than with respect to any other risks. Since the integration of ESG considerations and assessment of risks is a process, a principle based approach facilitate such process and are likely to be compatible with future developements e.g. regarding a common understanding of sustainability. We also appreciate that EIOPA mostly allows for the insurance company to take the beneficiaries' interests into account by regularly including the term „where relevant“ into the proposed texts including the texts on product governance and target market. We believe and understand that sustainability risks should only be considered as long as they are financially material.

**5.** Do you agree with the proposed new article for the integration of sustainability risks into the prudent person principle?

- Yes
- No

Please give reasons for your answer:

- We are very concerned about the suggestion that insurers shall take into account the potential long-term impact of investment decisions on sustainability factors in Art. 275bis (2). While we agree that insurers should also use engagement strategies in order to improve activities of investee companies including with relation to sustainability, the suggested proposal goes beyond this. "Taking into account" (wording of the legislative proposal) or "assessing" (wording of the explanation, paragraph 62) indicates that beyond any materiality on the investment of the insurer, other factors have to be considered.
- This in fact would steer investments of insurers in the direction of impact investments - thereby altering the concept of investments altogether. The reference to the IORP II is not captured correctly since this only allows IORPs and does not require them to take the potential impact into account. Consequently, member states shall allow impact investing but not require it. Beneficiaries/investors need to make a decision on how their money is used and should not be required to use it in a specific way, e.g. for impact investments.
- Furthermore, insurers would be (regardless of the policy holders preferences or not) required to purchase and assess data for potential impacts on external sustainability factors which will increase costs for policy holders.
- Lastly, the suggestion is not in line with the EC's request for advice which is specifically only referring to sustainability risks and not to the impact on sustainability factors.
- We therefore urge EIOPA to change the wording in order to ensure that such factors need to be materially relevant for the investment or delete the paragraph altogether. It should also be clear that preferences of policy holders can only be relevant for products where the policy holder is bearing the risk of the fluctuation of the investment.

6. Do you agree with the proposed amendment of the article for the actuarial function?

- Yes
- No

Please give reasons for your answer:

7. Do you agree with the proposed reference to sustainability risks under the investment as well as the underwriting and reserving risk management policy?

- Yes
- No

Please give reasons for your answer:

**8.** Do you agree that other risk management policies may include reference to sustainability risks?

- Yes
- No

Please give reasons for your answer:

**9.** Do you agree with the proposed requirement to include consideration of the effect of sustainability risks in the overall solvency needs assessment of the undertakings' ORSA?

- Yes
- No

Please give reasons for your answer:



**10.** Do you agree that conflicts of interest may also arise with regard to the ESG objectives of customers of insurance undertakings and insurance intermediaries.

- Yes
- No

Please give reasons for your answer:

**11.** Do you agree that conflicts of interest with the ESG objectives of customers may arise, particularly in regards to the investment strategy for the customers' assets and the shareholder rights in companies in which the customers' assets with ESG preferences are invested?

- Yes
- No

Please give reasons for your answer:

**12.** What other situations do you envisage might give rise to conflicts of interest between the interest of customers in attaining their ESG objectives and an interest of another party?

**13.** What measures, if any, should be taken to address conflicts of interest arising specifically between the customer's interest in attaining his ESG objectives and the interest of another party?

**14.** What current market standards or "labels" are you going to take into account or already taking into account for the consideration of ESG factors? Do you see any issues when relying on current market standards or "labels"? Please describe.

**15.** Do you agree with the proposed amendments, in particular whether the ESG preferences of the customers should be considered in the assessment of the target market?

- Yes
- No

Please give reasons for your answer:

**16.** Do you agree that the identification of the target market should specify whether an insurance product is compatible being distributed to customers with ESG objectives or not?

- Yes
- No

Please give reasons for your answer:

17. Do you agree that the testing of the insurance product during the approval process as well as the monitoring and reviewing of the insurance product during its lifetime should comprise the ESG factors?

- Yes
- No

Please give reasons for your answer:

## Contact

SustainableFinance@eiopa.europa.eu

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