

Insurance Europe priorities on sustainability in the context of SII 2020 review

European insurers strongly support the drive towards sustainability and are ready to build on their current actions to contribute further to the transition to a more sustainable society and to play its role in achieving the targets of the European green deal. Sustainability is a key aspect of the Solvency II 2020 review and appropriate inclusion in the prudential framework will provide confidence and clarity that climate, environmental and wider sustainability considerations risks are appropriately managed by insurers.

Although sustainability related risks are already explicitly referred to in Solvency II, the industry recognises the benefit of adding some further details. **It is therefore supportive of suitable changes to the Solvency II framework to incorporate specific sustainability related elements that are risk and evidence based.**

Against this background the **insurance industry supports the European Commission's proposals for incorporating sustainability in the Solvency II Review** and highlights the following key positions:

Do

- **Regularly review, and update where necessary, the scope and the calibration of standard formula parameters pertaining to climate related natural catastrophe risk**
- **Introduce climate change scenario analysis in the Own Risk Self-Assessment (ORSA)**
 - In doing this, care should be taken to ensure the ORSA remains an insurer's own risk and solvability assessment, therefore too much prescriptiveness should be avoided.
 - LRPU should be exempted, in line with the principle of proportionality.
- **Give EIOPA a mandate to investigate whether a differential prudential treatment for green/brown assets, as well as assets with a social objective, is justified based on evidence of risk differentials**
- **Avoid creating overlaps and inconsistencies with other cross sectoral regulation that can create confusion, and unnecessary costs and operation burdens**
 - Transition Plans are supported for all sectors, including insurers. They will be well regulated in other cross-sectoral directives (CSRD/CSDDD), therefore incorporating them in SII could be considered duplicative, as well as increasing the risk of inconsistencies with the other directives, and could create as such an unlevel playing field for insurers due to diverging transition plan-requirements for insurers. In addition, consistent with CSRD, (subsidiary) undertakings should be exempted from the transition plan obligation if the (subsidiary) undertakings are included in the consolidated transition plan of a parent undertaking.
- **Use the size criteria developed for defining Low Risk Profile Undertakings (LRPU) to allow small and medium sized insurers to apply the simplified SME sustainability reporting standards under the Corporate Sustainability Reporting Directive (CSRD)**

DO NOT:

- **Do not introduce changes to capital requirements which are not risk and evidence-based**
- **Do not unnecessarily interfere in the Prudent Person Principle (PPP)**
 - The need to incorporate sustainability considerations into the PPP has already been added to the SII framework.
 - Undertakings have the duty to manage assets in the best interest of the policyholder, and should be able to continue to do so, sustainability preferences must and can be implemented within the PPP.
- **Do not be prescriptive regarding the remuneration policy**
 - Insurers are already required to include, in the remuneration policy, information on how they take into account the integration of sustainability risks in the risk management system.