

To: Corporate Reporting - Investments & Sustainable Finance WG  
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Subject: Final version of IE response to EC public consultations on Taxonomy EU Delegated Acts

## Draft Insurance Europe response to the EC call for evidence

Insurance Europe supports the European Commission's ambition to use the EU Taxonomy as a tool to channel investments towards activities critical for the transition and to underpin the European Green Deal. However, the current framework has not demonstrated its value for the insurance sector and instead creates disproportionate complexity without delivering meaningful analytical benefits.

Key concerns include:

- **Limited relevance for investment activities:** Only around 15% of insurers' portfolios fall within scope, as major asset classes such as sovereign bonds, infrastructure debt, SME financing, private markets, and non-EU assets are excluded. As a result, insurers' significant real-economy investments remain unrecognised. The Taxonomy mainly captures activities already meeting "green" thresholds, limiting visibility of insurers' support for companies that are transitioning but not yet fully aligned.
- **Data and comparability challenges:** Missing sustainability data, unclear definitions, and late guidance have led to inconsistent market practices and limited comparability.
- **Underwriting KPI issues:** The current KPI design does not reflect insurers' real role in climate adaptation. The requirement to split premiums and count only the climate-related component, typically just 2–10% of total premiums, produces mechanically low alignment ratios that does not correspond to how insurance products are designed or priced. A fundamental redesign of the KPI would entail major operational changes, significant cost, and years of work, with no assurance that a workable solution could be achieved.
- **Enabling the temporary Opt-out for all insurers:** The EC's proposal to amend the Taxonomy reporting regulation aims at giving insurers in scope of the Taxonomy reporting duties an option to opt-out of these duties in 2026 and 2027. If insurers make use of this opt-out, they have to include a specific statement in their management report that they do not claim to have economic activities that qualify as environmentally sustainable under the Taxonomy Regulation. Life-insurers that have distributed sustainable products and have disclosed following article 8 or 9 of the SFDR have almost always reported (small) amounts of taxonomy-aligned investments to their customers and have to continue to do so.

Although many insurers would have opted for the opt-out option, life-insurers and other insurers that have a life-insurer in their group are prevented from selecting the opt-out due to the selected wording of the mandatory statement in this case. Therefore, only very few non-life insurers will profit from the opt-out option. We assume that this is an unintended error due to the complexity of the Sustainability Framework but could have been prevented through better testing before publication. Therefore, we support the EC's ambition for simplification and better aligning the Framework. Furthermore, we recommend better involvement of stakeholders in the process.

These structural issues affect the feasibility and decision-usefulness of the EU Taxonomy for insurance undertakings. For this consultation, our comments focus on reporting requirements and the design and application of Technical Screening Criteria (TSC) and DNSH provisions.

### Remarks on Reporting Requirements

- **Remove premium-splitting requirement:** Requiring insurers to unbundle climate-related risks through premium-splitting creates disincentives to include NatCat coverage in insurance products and may have a negative effect on the insurance protection gap. Allow the full premium of an eligible product to count when it meets the TSC. The current split is technically burdensome, inconsistently applied, and does not reflect pricing practices.
- **Revise KPI denominator:** Use only eligible non-life premiums as the denominator, rather than total gross written premiums (GWP). Including lines of business that can never qualify—such as medical expenses and income protection—distorts ratios and drives them artificially downward.
- **Permit KPI dissociation:** Revise the underwriting KPI to ensure a more meaningful and operationally feasible approach. This includes removing the requirement to split premiums, restoring the intuitive segmentation of premiums (aligned / eligible but not aligned / non-eligible), and redefining the KPI as the ratio of taxonomy-aligned premiums to taxonomy-eligible premiums.
- **Clarify template applicability:** Nuclear energy and fossil gas are not insurance activities. These rows should be removed or marked “not applicable” for insurers to avoid confusion and unnecessary administrative burden.

### Remarks on Technical Screening Criteria Specific to Insurance

- **Ensure relevance and proportionality:** TSC should avoid requirements that insurers cannot operationalise within underwriting processes, particularly those relying on granular customer-level data (e.g., emissions or operational details) that insurers do not collect. Criteria should focus on actions and information insurers can reasonably obtain and that directly support climate adaptation outcomes.
- **Improve clarity and reduce overlap:** Merge overlapping criteria (e.g., 1.3 and 2.1) and remove requirements that conflict with legal obligations or practical realities. For example:
  - Criterion 1.4 may breach indemnity principles and incentivise fraud.
  - Criterion 2.1 risks creating social inequities by favouring policyholders with greater resources.
  - Criterion 3 is too broad to evidence; Criterion 5 lacks a direct link to climate adaptation.
- **Revise underwriting-specific TSC (CDA 10.1):**
  - Pricing-related criteria should reflect core actuarial risk drivers—location, hazard, vulnerability—rather than generic forward-looking climate scenarios that fall outside realistic underwriting horizons.
  - Product-design criteria should incentivise feasible and cost-effective adaptation measures, consistent with EIOPA’s work.
  - Explicitly recognise national flat-rate or solidarity-based NatCat schemes where risk-based pricing cannot apply.
  - Present hazard lists as illustrative, allowing undertakings to assess only relevant perils.

### Remarks on Technical Screening Criteria on Other Activities

- **Real estate (CDA 7.7):**
  - Update criteria to reflect the recast EPBD, Commission Transition Pathways, and Platform on Sustainable Finance recommendations.

- Replace static “top 15% PED” threshold with EPBD-based harmonised EPCs and integrate carbon-reduction pathways (e.g., EPC carbon-intensity indicators or CRREM).
- Introduce complementary floor-area thresholds for HVAC output requirements.
- Align building operation requirements with EPBD obligations on automation and control systems.
- **Adaptation requirements (Appendix A):**
  - Clarify materiality assessment: use gross-risk basis before considering existing adaptation measures for a stable and comparable baseline.
  - Interpret “reduce” physical climate risk as lowering gross material risk below the materiality threshold through feasible adaptation actions or, where physical measures are not possible, through risk transfer. This avoids rigid interpretations implying full elimination of climate risk.

#### **DNSH and Minimum Safeguards**

- **DNSH application:** Applying DNSH in the numerator is operationally complex and often requires customer-level data insurers do not possess, leading to conservative exclusions. If retained, DNSH should include clear methodologies and remain proportionate to insurance activities.
- **Minimum Safeguards:** Current obligations duplicate CSRD and CSDDD requirements and are disproportionate at product level. Expectations should be recalibrated to avoid overlaps and ensure feasibility. Drafting should emphasise their intended risk-based and proportionate nature, consistent with OECD Guidelines, and clarify that they operate as a continuous improvement process.