



Key messages on the RTSs on sustainability disclosures

Joint Committee of the ESAs
Paris, 2 September 2019



Insurance Europe

Who?

- European insurance and reinsurance federation, founded in 1953

What?

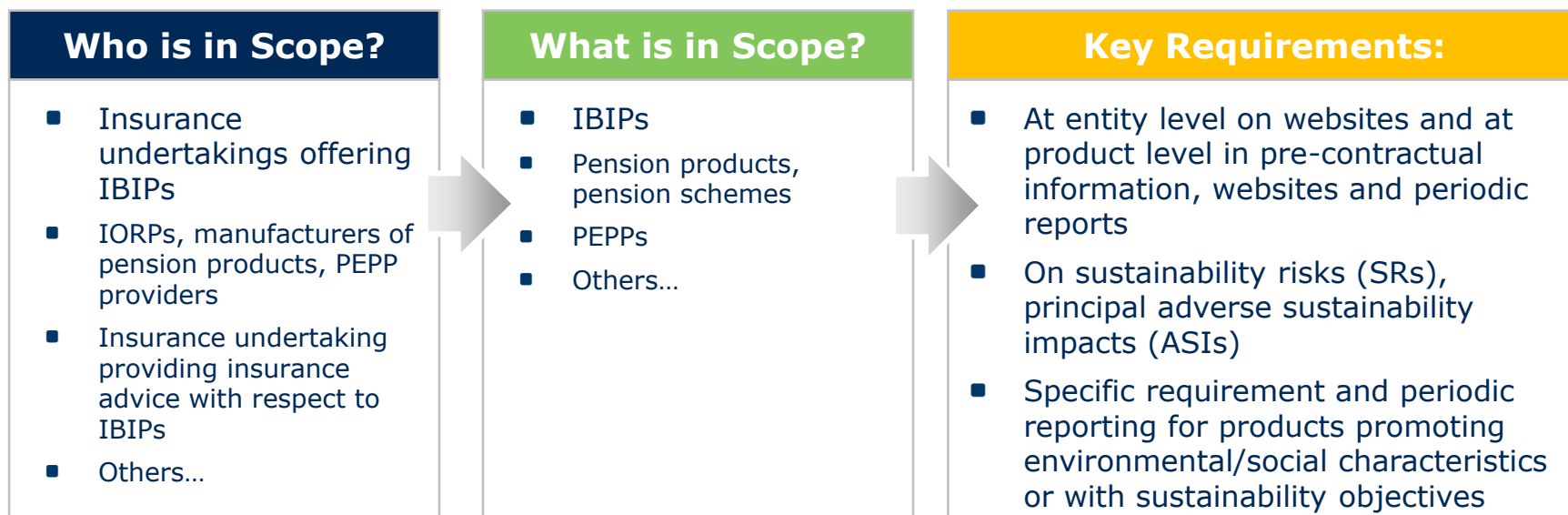
- Represents around 95% of European insurance market by premium income

Why?

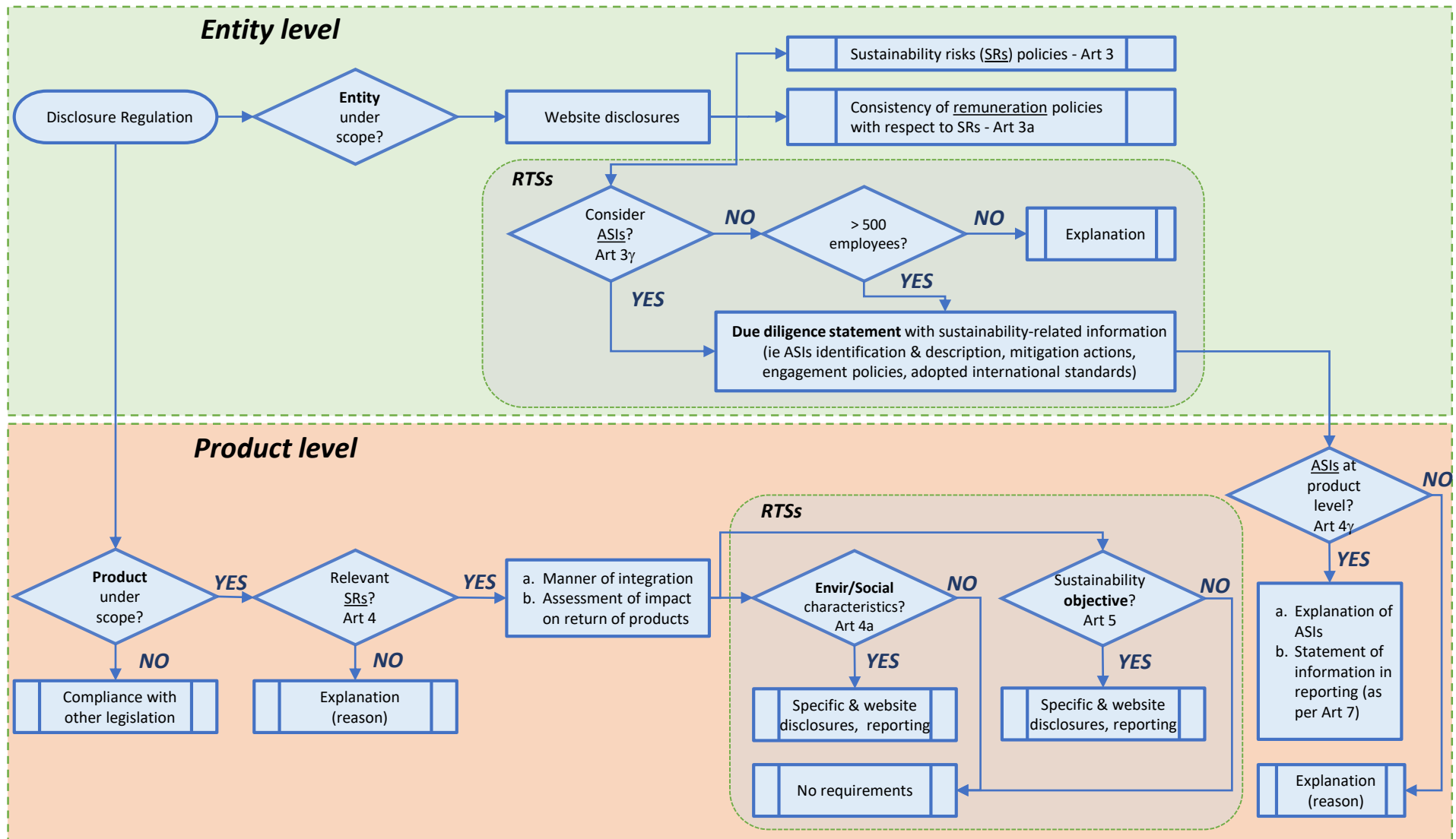
- Committed to creation of effective and efficient regulatory and supervisory framework for insurers at European and international level

Scope of sustainability disclosures

- The regulation covers all financial market participants and advisers with respect to:
 - Integration of **sustainability risks (SRs)**
 - Consideration of **principal adverse sustainability impacts (ASIs)**
 - **Specific sustainability-related information** for products with environmental/social characteristics and sustainable investment products



Requirements: an overview



SR: Sustainability Risks
ASIs: Adverse Sustainability acts

Envisaged RTSs

- **Disclosures at entity level** on websites regarding adverse sustainability impacts (ASIs) on:
 - Climate and environment - Article 3g (6)
 - Social and employee matters, etc. - Article 3g(7)
- **Disclosures at product level** specific to products:
 - with environmental/social characteristics - Article 4a
 - with sustainability objectives - Article 5
- **Website disclosures** for products promoting environmental/social characteristics and sustainable investment products – Article 6
- **Periodic reporting** for products promoting environmental/social characteristics and sustainable investment products - Article 7

Note: a distinction needs to be made between:

1. “sustainability risks” (SRs), i.e. material negative impact on the value of the investment

2. “adverse sustainability impacts” (ASIs), i.e. negative impact on sustainability factors as material principal adverse impacts

➤ **Many and highly complex requirements at multiple levels**

Disclosures – key considerations (1/2)

- **Technical feasibility** - Proposed requirements need to be technically feasible and consider existing issues with **ESG data quality and availability**, ie limited market data, standardised methodologies and related indicators.
 - ESG data is necessary to produce detailed information, but not readily available or reliable. Information received by investee companies are often poorly standardised. Data provided by ESG data providers is often inconsistent and expensive, especially for small-/medium-sized insurers.
 - Prescriptive and detailed disclosures of the ASIs at entity and product level should be avoided. Too granular rules are difficult to fulfil and have limited benefit to customers. In addition, pre-contractual disclosures should preserve confidentiality of sensitive information.
- **Legal uncertainty** - consistency with related policy developments needs to be ensured, eg the EU taxonomy, EC non-binding guidelines to non-financial reporting, sustainability benchmarks.
 - Pending the development of the EU taxonomy, legal uncertainty could result in insurers being subject to unnecessary liability risks and having to comply with stringent obligations twice within a relatively short time.

Disclosures – key considerations (2/2)

- **Barriers to sustainable products** - Complex regulatory requirements may discourage the development of sustainable financial products. This reduces customer choice and the financial attractiveness of such products.
- **Proportionality** - The development of the RTSs need to consider insurers' different size, nature and scale of their activities.
- **Flexibility in implementation** - Insurers should have sufficient flexibility to deal with the proposed requirements in line with their specific risk profile and products.
 - Given that disclosures of SRs allow maximum flexibility to financial market actors on how to disclose and to what level of detail, then the same approach should be followed for ASIs disclosures.
 - General information at portfolio level should be sufficient to explain SRs/ASIs, in line with [EIOPA Technical Advice](#), § 115. In addition, specifications in the RTSs should not, either directly or indirectly, restrict the freedom of investment.
- **Overload of information** - Disclosures are beneficial for customers provided they do not result in information overload and duplication.

Consumer's purchase of a sustainable insurance-based investment product (IBIP)

EU disclosure requirements

including duplications (online sale by a broker)

IMD (9)
Life directive (20)
Data protection directive (4)
Distance marketing directive (29)
E-commerce directive (17)

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Yesterday: 79

IDD (36)
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Today: 161

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Tomorrow: 174

Pre-contractual disclosures: where?

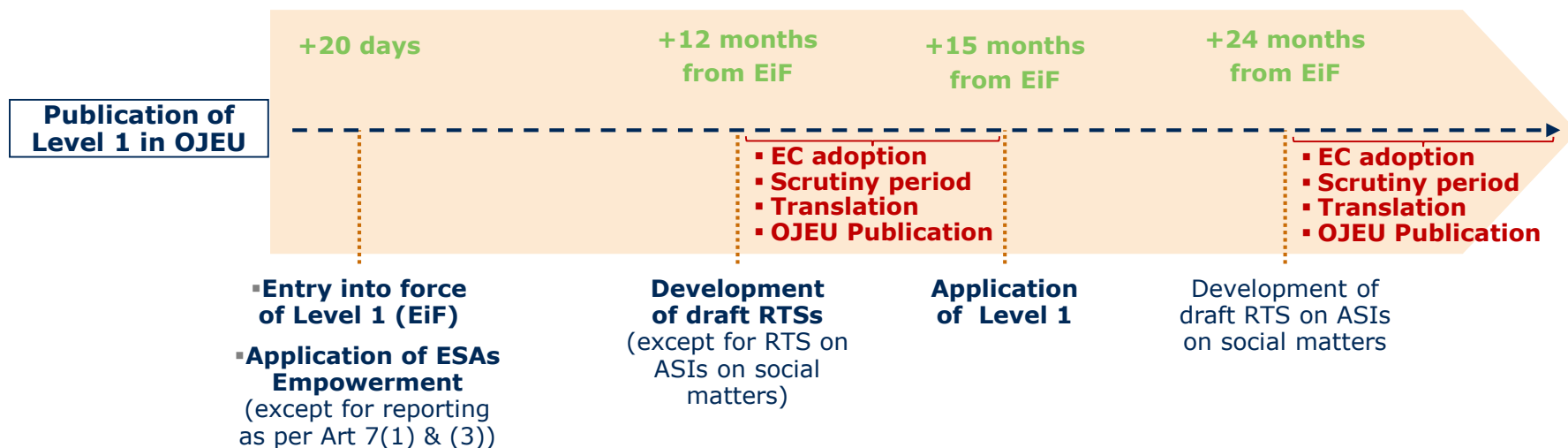
- The disclosure of the information should be done according Article 185(2) of the Solvency II Directive and Article 29(1) of IDD. These disclosures are quite general in nature and sometimes detailed at national level.

- **No new specific pre-contractual information document should be introduced**
- **There should be flexibility on where to include required disclosures, eg**
 - National disclosure format resulting from Solvency II and/or IDD
 - PRIIPs KID “*Other information*” section – note that the KID “*What is the product?*” section already provides for the possibility to indicate whether a product has sustainability objectives
- **The use of references to already existing and available information, if already reported elsewhere, should be possible**
 - It should be sufficient to indicate the links to the available information
- **Paper should not be the default option for the provision of information: digital friendly solutions are preferred**

Website disclosures and periodic reporting

- The articles on transparency on websites and in periodic reporting contain detailed requirements at product level.
- **Duplications of information must be avoided** – RTS should clarify that Article 6(1)(c) and (d) is met when the related precontractual disclosures and periodic reports are already available on website
 - **Administrative burden for financial players and disadvantages to investors** need to be fully assessed to ensure feasibility and proportionality. The periodic reports should be issued when there are material changes
 - **Use of cross references** to comply with the website and reporting requirements should be possible
 - **RTSs development should not duplicate the EC Non-Binding Guidelines (NBG) on Non-Financial Reporting (NFR):**
 - These are ambitious recommendations, whose application should remain voluntary.
 - The development of the RTSs should consider the key principles for good reporting contained in the NBGs of the NFR, eg materiality and clarity.

Current timeline

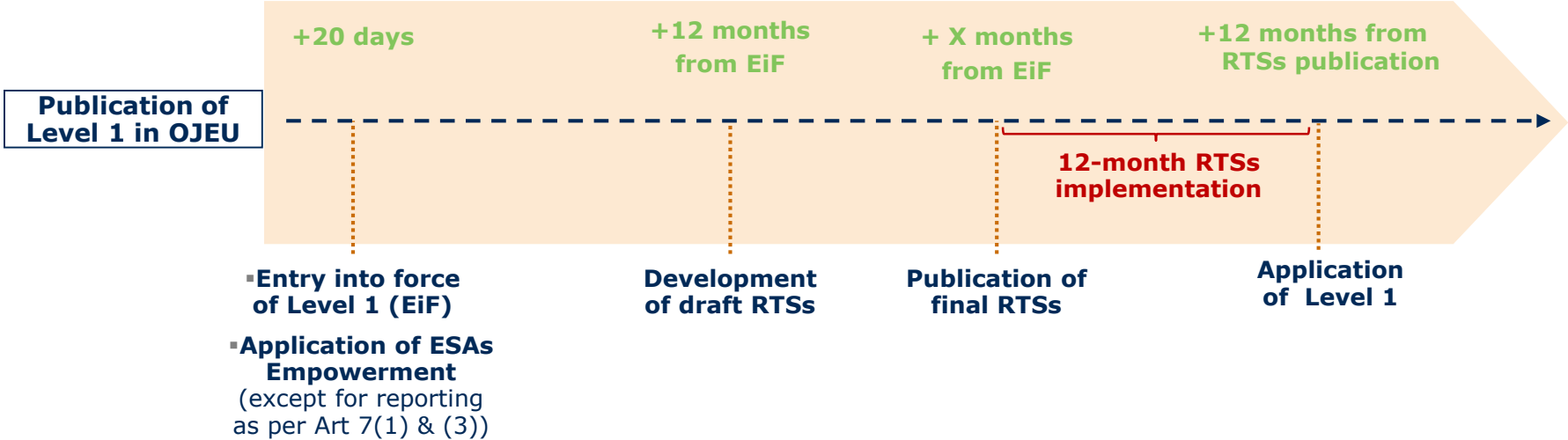


The timeline for application of level 1 and 2 requirements is not feasible.

It is highly likely that insurers have to comply with level 1 rules without the final level 2 being available.

- The proposed application of the regulation should not lead to legal uncertainties that are detrimental to financial market participants, advisors and consumers.
- The timeline must be reviewed so that market players have enough time to efficiently implement the requirements.

Proposed timeline



Insurance Europe suggests ensuring that the level 1 requirements apply one year after the final RTSs are published in the EUOJ



For more information

www.insuranceeurope.eu

Twitter: @InsuranceEurope



For reference: Insurance Europe public positions

Positions on customers

- [Response](#) to EC consultation on EU Ecolabel for financial products - May 2019
- [Response](#) to EIOPA consultation on integrating sustainability risks and factors in DAs under IDD and SII (Pillar II) - February 2019
- [Response](#) to EC consultation on IDD ESG amendments - June 2018
- [Response](#) to EC consultation on fiduciary duties regarding sustainability - January 2018

Positions on investments

- [Comments](#) to EIOPA opinion on sustainability in Solvency II - July 2019
- [Comments](#) on the EU sustainability taxonomy - June 2019
- [Response](#) to TEG consultation on EU Green Bond Standard - April 2019
- [Response](#) to EC consultation on the update of NBGs on NFR - April 2019
- [Response](#) to EIOPA call for evidence within SII (Pillar I) - March 2019
- [Response](#) to TEG consultation on taxonomy usability - March 2019
- [Response](#) to EIOPA consultation on integrating sustainability risks and factors in DAs under IDD and SII (Pillar II) - February 2019
- [Comments](#) on proposed regulation on taxonomy - August 2018
- [Comments](#) on proposed regulation on disclosures - August 2018
- [Comments](#) on InvestEU Programme proposal - August 2018
- [Press release](#) on EC Sustainable Finance Action Plan - March 2018

Positions on underwriting

- [Position paper](#) on EU Floods Directive - March 2019
- [Position paper](#) on EU Adaptation Strategy - March 2018
- [Appeal](#) on climate change - December 2017
- [Insight Briefing](#) 'Climate change: from words to action' - October 2016
- [NatCat](#) insurance schemes and information - Ongoing project