

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Please note that personal contact details (such as name of individuals, email addresses and phone numbers) will not be published.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

Eumedion

*Your name

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*

Response to this survey to be treated as confidential

- No
 Yes

*

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?

This question falls outside the scope of the activities of Eumedion.

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?

This question falls outside the scope of the activities of Eumedion.

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:

We believe that it is important that insurers take proper consideration of sustainability risks. As correctly stated on p. 11 of the consultation paper all risks, and therefore also sustainability risks, should already be taken into account in the risk management process. EIOPA considers that making explicit reference to sustainability risks as proposed will promote that insurers take proper consideration of sustainability risks in the future (p. 11 of the consultation paper). Eumedion believes that the proposed reference on the tasks of the risk management function could unintentionally imply that other risks are of less importance. Therefore, Eumedion suggests to slightly amend the wording and to replace “and sustainability risks” by “including sustainability risks”.

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?

No. We are of the opinion that disproportionate regulation (and hence disproportionate costs) should be avoided. We agree with EIOPA that an explicit reference to sustainability risks in the requirements on the content of the remuneration policy and the fitness requirements would not be coherent with the current level of detail of the Solvency II Delegated Regulation (see p. 11 of the consultation paper). EIOPA correctly states in the consultation paper (p. 12) that sustainability risks could already be taken into account when assessing individual performance. Furthermore, we are of the opinion that the right set of skills, knowledge and expertise should be present in the boardroom of insurers. We concur with EIOPA that it is not necessary to adapt the fitness requirements and that under the current fitness requirements in the Solvency II Delegated Regulation insurers could adapt their internal policy and implement training programs to ensure a sufficient understanding of sustainable risks by the administrative, management or supervisory board and relevant functions within the company.

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:

The prime responsibility of an insurer is to secure the best possible return over the long term for its policyholders and beneficiaries, against the background of a sound risk management framework and within its own framework regarding the integration of environmental, social and governance factors into its investment process. The Solvency II Directive already requires that insurers invest their assets in accordance with the prudent person principle. As correctly stated on p. 15 of the consultation paper, the prudent person principle allows for sustainability risks to be taken into account, in analogy with other risks but does not require explicitly that undertakings consider these risks. We believe that insurers must take into account all risks, including sustainability risks. Eumedion believes that the wording of the proposed article 275bis (1) could unintentionally imply that other risks are of less importance. Therefore, we suggest to slightly amend the wording and to replace “shall take into account sustainability risks” by “shall take into account emerging risks including sustainability risks”.

We would like to make some comments with respect to the proposed article 275bis (2). We believe that insurers must take into account the potential long-term impact of investment decisions on environmental, social, and governance factors and that they should periodically discuss the possibilities and developments in the area of socially responsible and sustainable investment with their policyholders and beneficiaries. This may provide insurers with valuable insights regarding the direction of the responsible and sustainable investment strategy. Eumedion has reservations regarding the introduction of a requirement on the basis of which insurers should (where relevant) reflect the environmental, social and governance preferences of policyholders and beneficiaries. Such a requirement may complicate and possibly contradict with the fiduciary duty of insurers that provide general portfolio investment products. According to the Solvency II Directive insurers must invest assets in the best interest of all policyholders and beneficiaries. The preferences and best interests of all policyholders and beneficiaries might in case of general portfolio management not be known or identical. Therefore, it will (as correctly stated on p. 17 of the consultation paper) not be materially possible to reflect all policyholders’ preferences in those cases.

Furthermore, we wonder what the cohesion is between this consultation paper and the proposal for a regulation of the European Parliament and of the Council on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341 (COM (2018) 354 final).

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

- Yes
- No

Please give reasons for your answer:

This question falls outside the scope of the activities of Eumedion.

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:

With respect to the proposed reference to sustainability risks under the investment policy, we refer to our answer to Q5.

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

- Yes
- No

Please give reasons for your answer:

This question falls outside the scope of the activities of Eumedion.

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:

This question falls outside the scope of the activities of Eumedion.

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:

This question falls outside the scope of the activities of Eumedion.

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:

The revised shareholder rights directive (directive (EU) 2017/828) already requires that life-insurers describe in their engagement policy how they manage actual and potential conflicts of interests in relation to their engagement. We also refer to our answer to Q5.

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?

This question falls outside the scope of the activities of Eumedion.

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?

This question falls outside the scope of the activities of Eumedion.

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.

This question falls outside the scope of the activities of Eumedion.

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:

This question falls outside the scope of the activities of Eumedion.

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:

This question falls outside the scope of the activities of Eumedion.

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:

This question falls outside the scope of the activities of Eumedion.

Contact

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