

Response to EC consultation on Taxonomy KPIs

Our reference: RAB-21-007

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Referring to: [EC consultation about the draft delegated regulation on Article 8 of the Taxonomy Regulation on entity level disclosures for undertakings under the scope of the NFRD/CSRD](#)

Related documents:

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Pages: 4

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Introduction

The Reinsurance Advisory Board (RAB) welcomes the possibility to comment on the European Commission (EC) proposal and would like to suggest the following adjustments that aim to ensure that the proposed requirements appropriately capture the specificities of reinsurance activities.

Design and meaning of KPI related to underwriting activities

The RAB appreciates the recognition of the role of reinsurance activities in contributing towards climate change adaptation. However, the current KPI must be improved to provide a more realistic picture of the nature of reinsurance business and not result in misinformation for users of sustainability information.

Numerator

- **Both the assessment of the technical criteria of the climate adaptation objective and of the do no significant harm principle (DNSH) for climate mitigation should be done on a pro rata basis.**
- In its current design, the numerator risks inadvertently excluding a large share of reinsurance business because **the DNSH criteria do not fairly represent the sustainability ratio of reinsurers for business written on a portfolio basis (also known as treaty business)**. The EC should therefore clarify that the current template (column 11 of Annex X for DNSH: "climate change mitigation") does not apply as a binary Yes/No test to the taxonomy-aligned business reported in columns 3 and 4 with respect to the adaptation objective. In its current form, the DNSH test in the template may be interpreted as disqualifying all otherwise taxonomy-aligned treaty reinsurance business if just one underlying policy among thousands in a typical treaty fails the DNSH test.
- **Failure to clarify this aspect may lead to a major inconsistency**, ie a particular policy could be considered taxonomy-aligned by an insurer, but not aligned by the reinsurer when included in a treaty. To avoid this, the RAB suggests the following amendments (see template in annex):
 - Deleting the DNSH columns 11, 13, 14, 15, 16 to 17, in line with the credit institutions' templates and renaming column 6 as "Climate Change Adaptation Taxonomy-aligned premiums (passing the DNSH test)". It should be clear that column 6 should contain only

those premiums that **meet both criteria of contributing to climate change adaptation AND passing the DNSH test.**

- Clarifying that the information provided in columns 3, 4, 19 and 6 is the outcome of both the technical criteria checks and the DNSH checks in combination and on a pro rata basis. To this effect, coherently with the [Annex 2 of the Climate Delegated Act \(DA\)](#) Chapter 10.1, **the following sentence should be added under the template:** *“Regarding the assessment of DNSH (climate change mitigation), where a reinsurance product applies at the level of a portfolio of underlying products, a share of the reinsurance activity’s underlying products may include cession of insurance of the extraction, storage, transport or manufacture of fossil fuels or the cession of insurance of vehicles, property or other assets dedicated to such purposes. In that case, the reinsurer shall identify the share of reinsurance premiums that relate to those underlying products and use that information to exclude that share from the Taxonomy-aligned premiums in columns (3) and (4).”*

Denominator

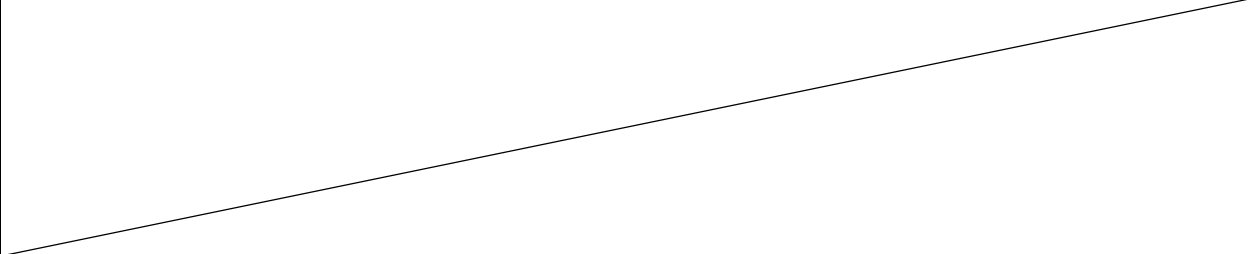
- **The RAB suggests that the appropriate denominator is the Taxonomy-eligible premiums, and not the total premiums.** The ratio of Taxonomy-aligned activities must be informative and reflect the level of progress being made (or not) in terms of contribution towards climate change adaptation. For this to be possible:
 - **The denominator should have the same scope as the numerator.** The denominator, like the numerator, should only account for Taxonomy-eligible business: ie the underwriting of climate related perils (that comply with the technical screening criteria) and, for primary insurers, related to the lines of business (LoBs) mentioned in the [Annex 2 of the Climate Delegated Act \(DA\)](#) Chapter 10.1. Absent of this, the ratio of reinsurers, which can carry both life and non-life business in the same entity contrary to the direct insurer, would be badly misrepresented. **The part of the reinsurance business that is not Taxonomy-eligible should be reported separately**, in the same fashion as in the template for non-financial undertakings.
 - **The amount and share of business done with non-EU entities or entities not in scope of the Non-Financial Reporting Directive (NFRD)/ Corporate Sustainability Reporting Directive (CSRD) should be excluded from the scope of the climate adaptation ratio**, as already done for the numerator. Exposures to undertakings for which the data on Taxonomy-alignment is not available (because the cedants are not subject to the CSRD or are from non-EU countries or do not publish the data because they are a subsidiary and the KPI is reported in a consolidated way at group level, etc.) should be excluded from the numerator (as per Article 8.3) and the denominator.

Implementation timeline and data flow sequencing

- The RAB welcomes the proposal for a phased in timeline for application.
- To achieve a practicable implementation timeline and data flow sequencing, the RAB suggests that:
 - The regulation makes it clear that **reinsurers may use the latest available data to identify premiums as well as proxies or estimates**, which are particularly relevant for treaty business, as highlighted in [EIOPA’s advice](#)¹. It should be recognised that companies at the end of the reporting chain, including reinsurers, will not yet have access to primary insurers’ disclosures, especially for the first full year of implementation.

¹ EIOPA’s advice (page 9) says that: *Insurers and reinsurers may have to apply an appropriate split of the premiums that are linked to taxonomy-relevant underwriting activities and such that are not. Such a split is potentially more complex in reinsurance contracts where the underlying contracts may not be known – at sufficient granularity – to the reinsurer. It is suggested that insurers and reinsurers provide a narrative basis for the allocation of their insurance activities identified as environmentally sustainable and to provide an appropriate proxy in case the underlying portfolio of insurance contracts is too complex to decipher.*

Annex Template 1: Proposal for the underwriting KPI for reinsurance undertakings

Economic activity (1)	Absolute premiums, year t (3)	Proportion of premiums, year t (4)	Proportion of premiums, year t-1 (19)	Climate change adaptation Taxonomy aligned premiums (passing the DNSH test) (6)	Category (enabling activity (E)/transitional activity (T)) (20)
Unit	Currency	%	%	%	E/T
A.1 Taxonomy eligible activities					
A.1.1. Non-Life direct insurance underwriting Taxonomy-aligned activities	<i>Premiums meeting the screening criteria and passing the DNSH</i>	<i>Premiums meeting the screening criteria, including the DNSH / Total eligible premiums (covering eligible non-life LoBs and climate hazards as per Annex II and Appendix A of Screening Criteria)</i>		100%	E
A.2.1. Non-Life reinsurance underwriting Taxonomy-aligned activities	<i>Premiums meeting the screening criteria and passing the DNSH</i>	<i>Premiums meeting the screening criteria, incl. the DNSH / Total eligible premiums (covering eligible climate hazards as per Annex II and Appendix A of Screening Criteria)</i>		100%	E
B. Taxonomy non-eligible activities					
B.1. Taxonomy non-eligible activities for non-life direct business	<i>Total GWP of the undertaking minus non-life direct insurance underwriting Taxonomy-eligible premiums</i>				
B.2. Taxonomy non-eligible activities for non-life reinsurance business	<i>Total GWP of the undertaking minus non-life reinsurance underwriting Taxonomy-eligible premiums</i>				
Total (A.1 + A.2 + B.1 + B.2)					

For the information in columns 3 and 4 (called "Absolute premiums, year t" and "Proportion of premiums, year t"): Regarding the assessment of DNSH (climate change mitigation), where a reinsurance product applies at the level of a portfolio of underlying products, a share of the reinsurance activity's underlying products may include cession of insurance of the extraction, storage, transport or manufacture of fossil fuels or the cession of insurance of vehicles, property or other assets dedicated to such purposes. In that case, the reinsurer shall identify the share of reinsurance premiums that relate to those underlying products and use that information to exclude that share from the Taxonomy-aligned premiums in columns (3) and (4).



Insurance Europe's Reinsurance Advisory Board (RAB) is a specialist representative body for the European reinsurance industry. It is represented at chief executive officer (CEO) level by the seven largest European reinsurance firms: Gen Re, Hannover Re, Lloyd's, Munich Re, PartnerRe, SCOR and Swiss Re, with Insurance Europe providing the secretariat. Through its member bodies, the RAB represents around 60% of total worldwide reinsurance premium income. The RAB promotes a stable, innovative and competitive market environment. It further promotes a regulatory and trading framework that facilitates global risk transfer through reinsurance and other insurance-linked capital solutions.