

## Insurance Europe response to EC consultation on IDD ESG amendments

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### General comments

Insurance Europe welcomes the opportunity to comment on the European Commission's public consultation on its Sustainable Finance Initiative for the distribution of insurance-based investment products (IBIPs). Insurance Europe agrees that the existence of any customer ESG preferences would be a useful consideration to include during the advisory process. However, it would like to point out some practical elements which need to be considered to ensure that the ultimate benefit is afforded to the customer.

#### ■ Transitional period

Insurance Europe appreciates the introduction of a transitional period in the draft Regulation, which provides for a date of application that is 18 months after its entry into force. It is crucial to allow insurance undertakings and intermediaries sufficient time to adapt to the new requirements so that they can be applied in an efficient and effective manner. This is of particular relevance in light of the fact that some member states have already implemented IDD. Any transitional period should therefore only commence once the overall taxonomy, or ESG classification system, has been finalised. Alternatively, such changes could be introduced within the context of the IDD review, by which time the relevant taxonomy will have been established.

#### ■ Choice of wording

Insurance Europe notes that the Commission has used the same definition of "*ESG preferences*" as in the proposed amendments to the MiFID II Delegated Regulation on organisational requirements (Commission Delegated Regulation (EU) 2017/565). However, the MiFID II amendments use a different wording, which acknowledges that customers may or may not have ESG preferences. Recital 8 of the proposed amendments to the IDD Delegated Regulation on IBIPs acknowledges that "the final recommendations to the customer

should reflect both the financial and, **where relevant**, ESG preferences of that customer". The wording of the proposed Article 1, however, seems to assume that all customers have ESG preferences. In this particular case, it would be more appropriate to use similar wording as in the MIFID II amended Delegated Regulation. Insurance Europe would therefore suggest introducing the following clarifications to the text of the proposed Article 1:

**Article 1(2):**

- Point (a) of Article 9 para 2 should be redrafted to recognise that the customer may or may not have ESG preferences:

"(a) it meets the customer's or potential customer's investment objectives, including that person's risk tolerance and his or her ESG preferences, **if any**;"

The above wording corresponds to the wording used in the amended MiFID II Delegated Regulation. The following amendment to the text could alternatively help to resolve this issue:

"(a) it meets the customer's or potential customer's investment objectives, including that person's risk tolerance and **any-his-or-her** ESG preferences;"

- The fact that a customer may or may not have ESG preferences seems to be already recognised in para 4 of Article 9, which adds "*where relevant*" in the text.

**Article 1(3):**

- Point (i) of Article 14(1)(b) should similarly be redrafted to recognise the element of choice as to whether or not a customer has any ESG preferences:

"(i) the customer's investment objectives, including that person's risk tolerance and **any** ESG preferences;"