

AMICE Feedback on the Commission Delegated Regulation on Article 8 of the EU Taxonomy Regulation

AMICE welcomes the opportunity to provide feedback on the draft Delegated Regulation on Article 8 of the EU Taxonomy Regulation. Our comments mainly relate to the provisions concerning disclosures by insurance and reinsurance undertakings.

First of all, we welcome the staggered implementation of the delegated act which would give undertakings sufficient time to develop reporting processes. However, we believe that there should be one year delay of implementation (until 2024) for financial market participants (FMPs) as they would need to collect the data disclosed by non-financial undertakings in 2023.

Moreover, the disclosures set out in Article 11(2)(a)-(d) would still require significant implementation efforts. AMICE therefore asks the Commission to consider the cost-benefit of requiring this information a year ahead of the actual KPIs and related qualitative information.

We also invite the Commission to ensure better alignment and consistency in EU sustainability reporting requirements, such as between investee companies and FMPs, as well as across different types of FMPs (eg. insurers and asset managers). This would foster comparability of disclosures.

In addition, from a more general point of view, further clarifications should be provided as regards to how the two KPIs should be considered when assessing the Taxonomy-alignment of financial institutions' exposures to insurers: should investors consider both ratios separately, or a combination of both? Similarly, in the case of an insurance company acting as an investor, how should the latter consider the two ratios provided by a credit institution/investment firm? Should they be aggregated into one single KPI for the purpose of assessing the Taxonomy-alignment of the exposure of a financial institution (i.e. an insurance company) to an investment firm?

KPI for sustainable investment activities

We welcome that sovereign entities, other than Taxonomy-aligned sovereign green bonds are excluded from the KPI for sustainable investment activities. We note that as per Article 10 the Commission will review by 1 January 2025 the application of the delegated act and will assess the need for amendments with regard to the inclusion of exposures to central governments and central banks in the numerator and denominator of KPIs for financial undertakings.

We appreciate that pursuant to Article 8(3) of the delegated act, the exposures to undertakings not subject to the requirements of the NFRD are excluded from the numerator of KPIs of financial undertakings. Nevertheless, there is an inconsistency between Article 8(3) (and Article 8(5) – which is applicable to all financial undertakings) and template 2 of Annex X which requires to disclose in the breakdown of numerator of the KPI the proportion of exposures to financial and non-financial undertakings not subject to the NFRD, as well as from non-EU countries. The template should be amended in order to properly reflect the requirement under Article 8(3) of the delegated act.

In addition, with respect to the KPI related to investments, the draft delegated act requires insurance companies to disclose the coverage of the ratio with reference of the balance sheet total with the

exclusion of exposures referred to in Article 8(1) of the delegated act (i.e. sovereign exposures). Template 2 describes the coverage ratio as “*The percentage of assets covered by the KPI relative to total investments of insurance or reinsurance undertakings (total AuM). Excluding investments in sovereign entities, other than Taxonomy-aligned sovereign green bonds.*” On this point, it would be useful if the delegated act could provide some further clarifications in the text on the denominator of the said coverage ratio (should it include all on-balance sheet exposures with the exception of sovereign exposures?).

KPI for sustainable underwriting activities

We are worried that the currently proposed KPI will not reflect fairly neither the size of the actual taxonomy-compliant activities of insurance undertakings nor the transition that could be undertaken toward fully compliant activities as regards climate change adaptation. This could result in misinterpretation and misleading conclusions, detrimental - but unjustified - for the sector.

Therefore, we would like to make the following suggestions:

- The relevant KPI should be:
Taxonomy-aligned activities (i.e., underwriting of climate related perils that comply with the technical screening criteria)/taxonomy eligible activities related to the LOBs mentioned in Chapter 10.1 of the Annex II of the Taxonomy climate delegated act and covering climate risks.
- Similar to the approach taken for non-financial undertakings’ KPIs, the template should distinguish between:
 - A. Taxonomy eligible activities, broken down between taxonomy-aligned activities and taxonomy eligible but not taxonomy aligned.
 - B. Taxonomy non-eligible activities.
- The wording “(not) environmentally sustainable” should be removed as it could be misunderstood.
- The DNHS column should be deleted as it adds an additional layer of complexity in the template. If an economic activity is taxonomy-aligned, it means that the DNHS criteria is fulfilled.
- Direct business and business stemming from reinsurance activities should be reported separately. The information relating to the reinsured business should be removed from the template as it does not provide particularly relevant information and undermines the clarity of the template. It should be noted that the reinsurance company entirely depends on the information communicated by its cedants. Therefore, there might be a timing issue in the communication if cedants are not able to communicate their KPI early enough in the process to be included in the reinsurer’s KPI. The reinsurer should therefore be allowed to use proxies based on the cedant’s previous year numbers. In addition, a problem will arise for cedants based outside of the EU which are not required to comply with the Taxonomy Regulation. The GWP related to those cedants should be communicated within the Taxonomy non-eligible activities line in case the reinsurer cannot have access to the appropriate data.

Based on these suggestions, please find attached an annex with an alternative proposal for the template for the underwriting KPI for non-life insurance and reinsurance undertakings. We propose to report in A1 the total GWP of the product covering at least climate related risks, but excluding the amount of GWP of climate related risks that do not comply with all the technical screening criteria. The latter should be reported in A2. Premiums for products not including any climate guarantee are reported in B.

Annex | Proposal for the template for the underwriting KPI for non-life insurance and reinsurance undertakings

Economic activity	Absolute premiums, year t	Proportion of premiums, year t	Proportion of premiums, year t-1	Climate change adaptation	Category (enabling activity (E)/ transitional activity (T))
Unit	Currency	%	%	%	E/T
A.1 Taxonomy eligible activities – Non-Life Direct Business					
A.1.1. Non-life underwriting Taxonomy-aligned activities	Premiums for climate risks respecting all technical screening criteria + premiums for other covers within the contract	x%		100%	E
A.1.2 Non-Life underwriting Taxonomy eligible activities but not Taxonomy-aligned	Premiums for climate risks not respecting all technical screening criteria	1-x%		0%	-
Total A.1.	Total GWP for policies including climate risk	100%			
A.2 Taxonomy eligible activities – Non-Life Reinsurance underwriting					
A.2.1. Reinsurance underwriting Taxonomy-aligned activities		y%		100%	E
A.2.2 Reinsurance underwriting but not Taxonomy-aligned activities		1 – y%		0%	-
Total A.2.		100%			
B. Taxonomy non-eligible activities					
B. 1 Taxonomy non-eligible activities – Non-Life Direct Business	GWP for policies not including climate risk				
B. 2 Taxonomy non-eligible activities – Non-Life Reinsurance underwriting					

