Gabriel Bernardino
Chairman

EUROPEAN INSURANCE
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Interim report of the High-Level Expert Group on Sustainable Finance

~~Dear Mr Thimann,~~ Dear Christian,

Thank you for the opportunity to comment on the interim report of the High-Level Expert Group (HLEG) on Sustainable Finance.

I welcome the efforts of the HLEG to provide a roadmap towards a financial system that fosters sustainability in economic, social, environmental and governance developments.

With regard to the investments of insurers, I believe that sustainability can be further promoted by establishing a clear EU taxonomy for sustainable assets and by labelling sustainable assets. Additionally, comparable disclosure of insurers on their sustainability policies and investments, including ESG factors in insurers' risk and investment management, in particular in their own risk and solvency assessment, and by public ESG-grading of insurers would contribute to sustainability.

I would like to point out that insurers need to hold capital to absorb losses they may incur on their investments. Ignoring these risks in capital requirements may result in misallocation of funding and facilitate boom and bust cycles. Measures taken to promote sustainability should be in line with general Solvency II principles and should not put at risk the financial stability which is a prerequisite for sustainable investment and meeting ESG objectives.

The market-consistent valuation of assets and liabilities under Solvency II is forward-looking and I am therefore convinced that it is best suited to reflect ESG factors. Unlike other approaches it provides a realistic, objective and comparable basis for the supervisory assessment.

Solvency II supports long-term investments by insurers, in particular by requiring asset-liability management, by introducing the prudent person principle, capital requirements for asset-liability mismatch and by means of specific measures on the treatment of insurance products with long-term guarantees.

Regarding pension funds, where the IORP II Directive already acknowledges the role of ESG factors, EIOPA intends to equip the pension funds with appropriate tools and a regulatory environment to address sustainability.

EIOPA supports the recommendation to clarify and enhance the role of the ESAs in assessing ESG related risks. The main objective of supervision, namely the protection of policy holders and beneficiaries should be kept.

EIOPA will continue to follow the work of the HLEG and is looking forward to contribute to it where needed.

Please find attached to this letter our specific comments on the interim report.

Yours sincerely,