

European Commission

Ref. Ares(2020)2955230 - 08/06/2020

Consultation; Draft delegated regulation: Sustainable finance – obligation for insurance firms & brokers to advise clients on social & environmental aspects

Sustainability factors should refer to existing categories and the amendments should only apply to products with an investment purpose

- The proposed amendments to 2017/2358/EU should only apply to products with an investment purpose (e.g. insurance-based investment products), not all insurance products. All insurance products include risk insurance products such as home, health or vehicles insurance, where sustainability preferences are often irrelevant.
- Insurance undertakings should not be required to consider sustainability factors in the product approval process of all insurance products, but only if the insurance product is to be advised or sold to customers with sustainability preferences.
- The definition of sustainability preferences should refer to the existing categories of sustainable products in Article 8 and 9 SFDR without adding the further qualifications proposed as sub-points (i) and (ii) of Article 2 (4). It should be possible to take into account the customer's sustainability preferences also in situations where the customer would prefer a product that promotes environmental or social characteristics even if said product would not fulfil the qualifications set out in sub-points (i) and (ii) of Article 2 (4).
- Finance Finland promotes the response given by Insurance Europe on this topic.

Proposed amendments

Recitals

(6) Sustainable products with various degrees of ambition have been developed so far. To enable customers to better understand those products, insurance intermediaries and insurance undertakings distributing insurance-based investment products should clearly explain the distinction between financial products that promote environmental or social characteristics and financial products that pursue sustainable investment objectives. Both types of financial products offer added value to clients with different sustainability preferences. ~~Whilst financial products that pursue sustainable investment objectives guarantee the attainment of a certain level of sustainability, financial products that promote environmental or social characteristics do not necessarily achieve that. That is why the identification of the customer's individual sustainability preferences should in case of financial products that promote environmental or social characteristics only take into account those financial products that at least to some extent pursue sustainable investment objectives, or consider principal adverse impacts on sustainability factors, as laid down by Regulation (EU) 2019/2088 of the European Parliament and of the Council. Since, in accordance with that Regulation, certain manufacturers of financial products should be obliged to provide information on how their financial products consider principal adverse impacts on sustainability factors at the latest as of 30 December~~

~~2022, investment firms should be able to increasingly recommend also those products as suitable in terms of clients' sustainability preferences after that day.~~

Article 1

Amendments to Delegated Regulation (EU) 2017/2358

Delegated Regulation (EU) 2017/2358 is amended as follows:

(1) in Article 4(3)(a), point (i) is replaced by the following:

“(i) it takes into account the objectives, interests and characteristics of customers, including any sustainability preferences as defined in Article 2, point (4), of Commission Delegated Regulation (EU) 2017/2359 where relevant.”

(2) Articles 5 and 6 are replaced by the following:

“Article 5

Target market

1. The product approval process shall for each insurance product identify the target market and the group of compatible customers. The target market shall be identified at a sufficiently granular level, taking into account the characteristics, risk profile, complexity and nature of the insurance product, as well as the sustainability-related profile of the product (where relevant). ~~its sustainability factors.~~

2. Manufacturers may, in particular with regard to insurance-based investment products, identify groups of customers for whose needs, characteristics and objectives, including any sustainability preferences as defined in Article 2, point (4), of Commission Delegated Regulation (EU) 2017/2359 where relevant, the insurance product is generally not compatible.

3. Manufacturers shall only design and market insurance products that are compatible with the needs, characteristics and objectives, including any sustainability preferences where relevant, of the customers belonging to the target market. When assessing whether an insurance product is compatible with a target market, manufacturers shall take into account the level of information available to the customers belonging to that target market and their financial literacy.”

Article 2

Amendments to Delegated Regulation (EU) 2017/2359

Delegated Regulation (EU) 2017/2359 is amended as follows:

(1) in Article 2, the following points (4), (5) and (6) are added:

“(4) ‘sustainability preferences’ means a customer’s or potential customer’s choice as to whether either of the following financial products should be integrated into his or her investment strategy:

(a) a financial product that has as its objective sustainable investments as defined in Article 2, point (17), of Regulation (EU) 2019/2088 of the European Parliament and of the Council**;

(b) a financial product that promotes environmental or social characteristics as referred to in Article 8 of Regulation (EU) 2019/2088 and that either

~~(i) pursues, among others, sustainable investments as defined in Article 2, point (17), of that Regulation (EU), or~~

~~(ii) as of 30 December 2022, considers principal adverse impacts on sustainability factors, as referred to in Article 7(1), point (a) of that Regulation;”~~

FINANCE FINLAND

Lea Mäntyniemi