16 October 2020

Position of the Association of German Public Insurers[1] on the ESAs' Survey on templates for Environmental and/or Social financial products

The Association of German Public Insurers welcomes the ESAs' survey[2] on the details of the presentation of the information to be disclosed pursuant to Article 8(3), Article 9(5) and Article 11(4) of the Regulation (EU) 2019/2088. In particular, the ESAs were seeking public feedback on the layout of the templates, which reflects the text of the draft of the regulatory technical standards from its most recent consultation on the Sustainable Finance Disclosure Regulation. As Germany's second largest primary insurance provider with a strong regional presence, the group is committed to constructive dialogue in the interests of all market participants and of a stable European and global insurance sector.

Executive Summary

The Association of German Public Insurers welcomes a simple and standardized representation of products with environmental and/or social aspects and sustainable investments. To enable a proper comparability between all financial products, the proposed mock-ups need to be adjusted to the presentational aspects of insurance products that are linked to the insurer's collective pool. Furthermore, excessive details discourage customers from taking any note of the information at all. Therefore, the public insurers suggest that the ESAs reconsider reducing the depth of the required information in order to guarantee a simple, standardized representation and comprehensibility
Moreover, the extensive presentation is also problematic from an ecological point of view. The Insurance Distribution Directive stipulates the printed issue of the documentation , which in return contradicts the sustainable principle of the underlying regulation. Using icons, graphs and explanatory notes as visual aids is hardly useful as they take up more space than necessary. Alternatively, a link to the website could be provided in order to prevent taking up considerable space so that the representation should not exceed two pages. This is particularly relevant for multi-option-products with several funds at disposal.
In addition, the public insurers suggest providing only information that is easily accessible at reasonable costs. Furthermore, the enumeration of the top investments is possible, but does not provide an apparent benefit, since insurance companies usually have a high amount of (not green) sovereign bonds in their collective pools. Until a public financial data room is available, the disclosure of information about the ESG rating structure is only possible by working with costly external data providers, which is therefore not practical.

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[1] The Association of German Public Insurers (Verband öffentlicher Versicherer, VöV, www.voev.de) is the umbrella organisation of the German public insurance companies and a corporation established under public law. Founded in 1911, it represents 10 primary insurers across Germany that are deeply embedded in their regions. The group is the second-largest primary insurance provider in the German market, with more than EUR 144 billion of investments under management, thereby making a significant contribution to the European economy. The group is committed by law to support the public good. It has 52 million insurance contracts and pays out EUR 18.4 billion each year to its clients.
The public insurers employ 30,000 people. Through 17,500 own branches and offices of their partners, they offer advice and protection across most insurance sectors (health, life, pension, motor, indemnity, fire, etc.) for retail clients of all income groups and for professional clients, with a specific focus on small and medium-sized companies.
The Association of German Public Insurers represents the interests of its members at the national and the European level through its head offices in Berlin and Düsseldorf and its liaison office in Brussels.

[2] https://ec.europa.eu/eusurvey/runner/ESGtemplatesSFDR

Specific Comments

Question 1:
How useful is the **highly standardized** presentation of the information in this format?

The granularity of disclosure requirements should fit the needs of the investors. The ESAs' mock-ups are too detailed and contradict the legislator's intention of a brief and easily comprehensible representation. Moreover, the overload of information is particularly problematic from a distribution perspective, as the excessive details discourage the customer from taking any notes. Limiting the number of mandatory indicators should therefore be considered. Furthermore, the proposed mock-ups need to be adjusted to the presentational aspects of insurance products that are linked to the insurer's collective pool in order to enable a proper comparability.

Questions 2, 3 & 4:
How useful is the presentation of the information with the use of **icons or graphs** as visual aids (in mock-up 1 and 3)? And how useful is the presentation of the information with the use of **explanatory notes**, in the column at the right side of the document, which are presented on a grey background?

The use of icons, graphs and explanatory notes should help the customer to navigate between the different parts of the documentation, and therefore, the use of visual aid should improve the clarity of the information provided in the draft. However, these visual aids would further complicate the technical implementation of the regulatory technical standard. Elements take up too much space making it more challenging for the customer to find the relevant information. In addition, implementing the colored design would result in increased costs. The Insurance Distribution Directive stipulates the printed issue of the documentation, contradicting the sustainable principle of the underlying regulation. As the templates already amount to several pages, the public insurers suggest using the available space economically. Equally, the ESAs should also reconsider the general structure of the individual sections and their corresponding heading levels in order to provide the customer a well-structured overview without duplications.

Question 5:
Are there any presentational aspects that might make it hard to understand **the sustainability-aspects of products**? For example, with regards the distinction between the sub-categories of investments, namely between #1A and #1B?

The granularity of the highly standardized presentation makes it difficult to understand the sustainability aspects of the individual sub-categories of investments. In particular, the information for multi-option products is too extensive, considering that the information has to be provided for each option. Therefore, the public insurers recommend reducing the length of the information and referring to further information on the website.

Questions 6 & 7:
Do you have **any other suggestions or comments** to improve the presentation of these disclosure documents? When the templates are presented via **digital media**, can you foresee any particular challenges? Can you suggest how these particular challenges could be overcome while retaining the core aspects of the standardized template format?

The Insurance Distribution Directive stipulates the printed issue of the documentation. A shorter version of the templates (max. two pages) and references to the website would be a more ecological and economic solution. The following points have no benefit for the customers and/or create unreasonable costs of provision and should therefore be deleted:

- The enumeration of the top investments is possible, but does not provide an apparent benefit, taking into account that insurance companies usually have a high amount of (not green) sovereign bonds in their collective pools.
- Until a public financial data room is available, the disclosure of information about the ESG rating structure is only possible by working with costly external data providers, which is therefore not practical.

- The distinction between the sub-categories is too extensive and the assets would have to be constantly re-categorized. This does not correspond to the taxonomy regulation, for which a specific percentage of the total company activity are determined and then aggregated.
- A specification of the investments by differentiating into “environmental” and “social” aspects is hardly feasible, since there is no reliable and standardized data accessible.
- An assessment of the DNSH aspects (Do No Significant Harm) is not possible yet.

We are looking forward to continuing the fruitful exchange on the implementation of the sustainable finance disclosure regulation.

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