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Position of the Association of German Public insurers¹ on the EC's consultation on its draft for the delegated act of the Taxonomy Regulation

The Association of German Public Insurers welcomes the consultation of the European Commission on the draft for a delegated act of the Taxonomy Regulation (EU 2020/852). 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.

General Comments

The Association of German Public Insurers refers to the response of the German Insurance Association (GDV). All German public insurers are members of GDV and support its response. However, this statement highlights aspects that are particularly important for the public insurers.

The public insurers are signatories of the Principles for Responsible Investment (PRI) and take environmental, social and governance principles into account in their investment decisions. In this light, the public insurers welcome the Taxonomy Regulation as instrument for directing capital flows into sustainable investment projects. For a successful implementation of the Taxonomy Regulation, the public insurers identify three key factors:

1. **Public accessibility of sustainability data of the real economy:** Therefore, the Association of German Public Insurers supports the Single Access Point initiative of the new Capital Markets Union action plan – the establishment of an EU-wide platform for financial and sustainability information. Sustainability data for all asset classes should be available and the database should be publicly available. The data provision and maintenance should also be defined in the course of the upcoming revision of the EU Directive 2014/95 on the disclosure of non-financial information.

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. **Level playing field for all types of financial products:** Only a small fraction of the typical capital allocation of insurers is compatible with the Taxonomy. In particular, government bonds as one of the most significant asset class are not considered yet. Therefore, the Association of German Public Insurers strongly welcomes the establishment of an EU Green Bond Standard. The public insurers strongly support the goal to accomplish sustainability classifications for all asset classes.
3. **Applicable implementation of the technical screening criteria:** The successful implementation of the Taxonomy Regulation requires a balance between the effective exclusion of green washing risks on the one hand and a simple implementation on the other hand. For the technical screening criteria of non-life insurance, public insurers have proposals to strike the right balance between both goals.

Comments on non-life insurance activities:

German public insurers strongly support the consideration of non-life insurance services as potential sustainable activities in the Taxonomy Regulation (Annex II, p. 263-266). However, the technical screening criteria need some changes to be applicable, especially in the context of the “do not significant harm” (DNSH) criterion. The exclusion of insurance of activities related to the extraction, storage, transport or manufacture of fossil fuels is problematic for several reasons and should therefore be removed.

- The approach is **inconsistent with the screening criteria of other activities** in the Taxonomy Regulation. If insurance as intermediate service in the value chain of fossil fuels is not compatible with the Taxonomy, this should also be applied to all other intermediate services as well. According to this perspective, no supplier of intermediate goods or services related to fossil fuel activities would be sustainable. In addition, subsequent value chain stages would also have to be taken into account. For instance, users of electricity from fossil fuels would also have to be excluded from the list of sustainable activities.
- The draft does not consider that a majority of the EU member states **already implemented measures and defined exit paths to withdraw from fossil fuels** (e.g. withdrawal from the coal-based power generation in Germany). On this exit path, insurance coverage is essential for protecting citizens, corporates and sovereigns from risks. Neither insuring nor not insuring these risks would have an impact on environmental goals, as the sector is already on a legal exit path.
- The overall blanket **exclusion is an obstacle for the green transformation of the energy sector:** Numerous providers of fossil fuels are already switching to renewable energy sources. During this transformation, they need adequate insurance coverage. Hurdles in obtaining insurance protection would therefore lead to obstacles in the green transformation process at the same time.
- **The criterion is not applicable as it is not verifiable by the insurer:** Insurers can neither control nor rule out that for instance an insured vehicle is used for the transport of fossil fuels. Keeping this criterion as DNSH would in fact automatically exclude all non-life insurance services from the classification as sustainable activities in line with the Taxonomy.

The public insurers are looking forward to continuing the exchange on the implementation of the Taxonomy Regulation.

Contact details

Dr Wolfgang Eichert
Head of EU Representative Office
e-mail: wolfgang.eichert@voevers.de
Phone: +32 476 83 09 71

Brussels office
Avenue des Nerviens 9-31
1040 Brussels, Belgium
Phone: +32 476 83 09 71

Dr Christian Schwirten
Head of Department Political Affairs
e-mail: christian.schwirten@voevers.de
Phone: +49 30 22 605 49-22

Berlin office
Friedrichstraße 55
10117 Berlin
Phone: +49 30 22 605 49-15