

Questionnaire to the Members of the IRSG on non-life insurance products with sustainability features

A. Background

On 23 May 2022, EIOPA and the other European Supervisory Authorities (ESMA and EBA), received a [Call for Advice \(CfA\) on Greenwashing](#) from the European Commission (EC). This CfA requests each ESA, separately but in a coordinated manner, to provide input on (i) definition, cases and risks of greenwashing, (2) the supervision of greenwashing and relevant sustainable finance requirements, (3) proposals to improve the regulatory framework.

EIOPA's [progress report on greenwashing](#) was delivered the EC in May 2023. In section 5.1 point G of the progress report, EIOPA highlights a gap in the current sustainability-related framework. Indeed, when a non-life insurance product claims having sustainability features, there is no standardised disclosure or criteria outlining how this should be conveyed to consumers. This gap creates a risk of greenwashing around non-life insurance products.

In view of the final report to be delivered in May 2024, EIOPA would like to seek information from IRSG Members on what they understand non-life insurance products with sustainability features to be.

We would very much welcome IRSG Members' input by 26 February 2024 COB. Where feasible, a common IRSG position on the questions outlined below would be appreciated.

In case of questions do not hesitate to contact us at Giacomo.barbet@eiopa.europa.eu, Marco.traversa@eiopa.europa.eu

B. Questions

1. What do you understand non-life insurance products with sustainability features to be?

On a general level non-life insurance products which include sustainability features should be aligned with the Sustainability Development Goals adopted by the UN and transformed into concise ESG criteria following to the EU Green Deal. There are rating agencies - not only on international but on national level as well - which have already elaborated advanced methodologies how to evaluate insurers (as well their investment strategies as their products) under these premisses. In Germany these evaluations are made by the following rating agencies for example:

- Assekurata in Cologne: <https://www.assekurata-rating.de/nachhaltigkeitsrating/>
- Franke & Bornberg in Hannover: <https://www.franke-bornberg.de/ratings/esg/esg-rating>
- Zielke Research in Aachen: <https://www.zielke-rc.eu/nachhaltigkeitsregister>

In contrast to life-insurance products for private policyholders which have to follow the "double materiality" assessment, and non-life b2b insurance contracts which are mostly an under-writing

practices issue for the insurers, if both are related to sustainability features, for non-life insurance products there is not yet established a common understanding how and which sustainability features may be included. This lack was - inter alia - shown by the interactive factsheet on FAQ about sustainable finance published by the three ESAs on 30 November 2023 which included loans, savings, investments, life insurances and pensions, but not non-life insurance products:

EIOPA website:

https://www.eiopa.europa.eu/esas-provide-clarity-and-tips-consumers-sustainable-finance-2023-11-30_en

Therefore we strongly welcome this questionnaire aiming at overcoming this information and protection gap. Looking at the German insurance market, we can clearly assess that there are lots of very different examples of non-life insurance products including sustainability features. In November 2023 the Association of German Insurers (GDV) published for the third time its "Report on Sustainability" ("Nachhaltigkeitsbericht") which gives a comprehensive overview on investment strategies and life and non-life product innovations related to these issues:

GDV website:

<https://www.gdv.de/gdv-en/media/-actively-embracing-transformation-third-gdv-sustainability-report-157088>

As non-life insurance classes are very heterogenous in themselves, and the focus is put on products, not on the AuM, it should first be clarified that the focus is put on property and casualty insurances ("Sach- und Schadenversicherungen") like home owner and home content, car and motor (as well liability as hull / own damage), bicycle, travel or third party liability insurances. We cannot give advice on non-life insurance classes for industrial, artisanal/craftsmen or agricultural companies/SMEs.

The most important way to include sustainability features into product innovations are new or amended terms and conditions of insurance contracts. Only by doing so these new features get a legally binding force as well for the insurer as for the policyholder. Up to now these main areas of product innovations can be distinguished:

- additional compensations that go above and beyond legal sustainability requirements (e.g. energy-efficient devices, methods or renewable materials, "build better back" approach).
- premium rebates for sustainable behaviour on the part of policy holders (e.g. repair over replace).
- certain contribution to environmental or social projects per policy (e.g. carbon offsets for client activities connected to an insurance product, e.g. kilometres driven or in a loss event).

From a consumer perspective additional efforts undertaken by the insurance industry should be welcomed aiming at developing non-binding model clauses, provisions and guidelines for sustainable product features which later may be adopted by the insurers for their particular product innovations (cf. GDV Sustainability Report 2023, p. 49-50). In some cases these new features may lead to premium increases, if additional services or compensations are offered.

2. Could you provide examples of products that you understand to have sustainability features (ideally with links to product information)?

These examples for Germany (cf. GDV Sustainability Report 2023, p. 50):

- bicycle insurance: People who rely on their bike for their daily commute can get reimbursed for repair costs and are entitled to a replacement bicycle in the event of a breakdown.
- household contents insurance with a model clause for offering resource-efficient repairs in an insured event.
- homeowners insurance policies with model clauses for covering, for example, the additional cost of qualified energy consulting and the use of eco-friendly building materials.
- personal liability insurance supporting with model clause for repairs of damaged objects.

Additional examples:

Enlarged coverage of home owner and home content insurances:

- heat pumps for home owners:
 - GDV: <https://www.dieversicherer.de/versicherer/wohnen/waermepumpen-versichern>
 - Finanztip (consumer website): <https://www.finanztip.de/wohngebaeudeversicherungen/waermepumpe-versicherung/>
- non-binding model clauses for private photovoltaics power stations (e.g. on balconies) as part of home content insurance: :
 - GDV: <https://www.gdv.de/gdv/medien/medieninformationen/neue-musterbedingungen-balkonkraftwerke-kuenftig-ueber-die-hausratpolice-versichert-157730>
- Barmenia (insurer): Home owner insurance with particular ecological features (use of ecological construction materials, wallboxes for EV, private photovoltaics power stations, additional costs of interruption of energy supply, etc.):
 - https://www.barmenia.de/deu/bde_privat/bde_produkte_privat/bde_haus_haftpflicht/wohngebaeudeversicherung/wohngebaeude.xhtml
 - Rating agency Franke-Bornberg on Barmenia as insurer awarded for sustainability features (January 2024): <https://www.franke-bornberg.de/fb-news/pressemitteilungen/esg-unternehmensrating-barmenia-2023-ueberzeugt-mit-sehr-gut>

Additional coverage for electric vehicles (EV):

- HUK Coburg (motor insurer): <https://www.huk.de/fahrzeuge/kfz-versicherung/elektroautos.html>
- Finanztip (consumer website): advice and comparison of insurances for EV: <https://www.finanztip.de/kfz-versicherung/e-autoversicherung/>
- German Association of Insured (BdV) on motor insurance including EV: <https://versicherungscheck.bunddersicherten.de/de/hilfe-und-informationen/kfz-boot.html>

3. If we understand non-life insurance products to be products that bring some level of benefit to the environment and/or society. In your view what could be i) the types of sustainability benefits of non-life product (e.g., products promoting climate adaptation), and ii) what could be the product attributes allowing it to achieve the stated sustainability benefit (e.g., premium incentives, claims management process)?

As already pointed out in our comment on Q1, we recognize three main areas by which non-life insurance products may contribute to sustainable benefits based on ESG criteria:

- prevention and assistance services (like voluntary alerts for home and car owners in case of storms, heavy rain, hail, floodings, or implementation of improvements of energy efficiency methods by home owners, etc.).
- claims management (compensation of additional costs e.g. by using the "build better back" approach in case of damage of house; additionally insurers increasingly partner with service providers that submit sustainability concepts or certificates.).
- premium rebates in case of ESG-aligned behavior by policyholders (e.g. repair instead of buy new, use of public transport or car sharing services instead of own car).

From a consumer perspective for example any preventive measure which may decrease the risk or the amount of an insured loss is of course very welcome. But at the same time it is absolutely necessary to clearly fix the understandability and transparency of terms and conditions of contracts in case of usage of these preventive measures. It must clearly be stipulated that - if the prevention measures are voluntary and the home owner for any reason is not able to implement any prevention protection measures in good time - this lack of prevention does not lead to any reduction of compensation of the insured loss. Only in case that the implementation of prevention measures after an alert by the insurer belongs to the contractual obligations of the policyholders, the conditions under which a possible reduction of the compensation of the insured loss may be possible, must be fixed in a transparent and unequivocal way. And the information on these amended terms and conditions of the contract have fully to be given by the intermediary to the policyholder.

- cf. German Association of Insured (BdV) - Information sheet on insurances against damages caused by weather disasters ("Unwetterschäden"):
<https://versicherungscheck.bunddersicherten.de/de/hilfe-und-informationen/hausrat-wohngebaeude-bau.html>

With regard to natural catastrophes the existence of protection gaps obviously constitutes a major concern. From a consumer perspective it is very helpful that improved information about these protection gaps and possible measures of risk prevention are now available to a larger extent:

- EIOPA: Addressing protection gaps (website):
https://www.eiopa.europa.eu/browse/sustainable-finance/addressing-protection-gaps_en
- Geneva Association: The Value of Insurance in a Changing Risk Landscape, November 2023:
<https://www.genevaassociation.org/publication/socio-economic-resilience/value-insurance-changing-risk-landscape>

- Munich Re: 2023 natural disasters in figures:
<https://www.munichre.com/en/company/media-relations/media-information-and-corporate-news/media-information/2024/natural-disaster-figures-2023.html>
- Association of German Insurers (GDV) - Report on Natural Catastrophes over 50 years, October 2023:
<https://www.gdv.de/gdv/medien/medieninformationen/naturgefahrenreport-ueber-230-milliarden-euro-schaden-durch-naturgefahren-in-50-jahren--155012>

Amongst the EU member states unfortunately there are strong differences to cope with the protection gap related to natural catastrophes. In France for example a recent study shows that the protection gap seems to be rather low by a kind of combination of obligatory private insurances, reinsurances and state allocations:

- Centre Européen de la Consommation / Zentrum für Europäischen Verbraucherschutz, Kehl in November 2023:
<https://www.cec-zev.eu/de/themen/finanzen-und-versicherung/die-franzoesische-elementarschadenversicherung/>

In contrast to this for example in Germany a final solution is still not yet adopted, though the public debate on the introduction of a mandatory insurance against damages by major natural catastrophes (like floodings by rivers, heavy rain events, rise in groundwater, landslides, subsidences, earthquakes, snow pressure, avalanches) goes on for years. Other losses caused by storm, hail, lightnings, over voltage, fire or tap water are included in usual home owner insurances. It is a well known fact that only about 50% of home owners have included the additional protection against NatCats in their insurance contracts. Consumer organisations like the German Association of Insured (BdV) support a mandatory solution, the insurance industry has developed an "opt-out" model, but there are different positions between the regional governments ("Bundesländer") and the Federal Government in Berlin as well.

- VersicherungsJournal vom 04.12.2023: Elementarschutz: Branche rechnet mit staatlicher Regelung (NatCatProtection - Industry foresees state-based regulation)
<https://www.versicherungsjournal.de/markt-und-politik/elementarschutz-branche-rechnet-mit-staatlicher-regelung-149288.php>
- German Association of Insured (BdV), PR of 05.04.2023:
<https://www.bunddersicherten.de/presse-und-oeffentlichkeitsarbeit/pressemitteilungen/kommt-die-pflichtversicherung-gegen-elementarschaeden>

New actuarial calculations show that a generalized obligatory insurance against damages caused by major NatCats would amount to about 190 Euro per year in Germany:

- Versicherungsbote vom 24.01.2024:
<https://www.versicherungsbote.de/id/4913400/Hochwasser-Elementarschaden-Pflichtversicherung-konnte-190-Euro-kosten/>

A generalized obligatory NatCat insurance for home owners would help those, who up to now would have to pay huge premiums in endangered areas or simply would not get any contract (risk of uninsurability). But it is obvious as well that a general obligatory NatCat insurance must not hinder necessary measures of prevention by home owners and municipalities (for example control of permissions of construction of new houses in areas already endangered by floodings).

4. Provided that there is an understanding of what a non-life insurance product with sustainability features is, how do you think these sustainability features should be conveyed/disclosed to consumers?

In 2023 the rating agency Assekurata published the results of a survey outlining which are the information sources being the most reliable from the perspective of German consumers related to sustainability features of insurers: about 40% of consumer have trust in external rating agencies, 36,5% trust on the information given by the insurers themselves (business reports, special sustainability reports, etc.) and 30,2 % trust on marketing materials.

- Assekurata-Studie 2023 über Informationsangebote:
<https://www.assekurata.de/2023/11/20/glaubhafte-transformation-oder-alles-greenwashing-die-nachhaltigkeit-von-versicherungsunternehmen-in-der-oeffentlichen-wahrnehmung/>

Assekurata interprets these results by stressing that the insurers still have to improve their communication related to sustainability issues. It shows that probably there is a mis-match between the level of understandability and reliability of the information on sustainability features given by the insurers and perceived by the consumers. In consequence more consumer research has to be done by the insurers in order to better understand what are the needs and demands of consumers related to these issues.

Additionally independent information sources on the various possibilities how to include sustainability features into the products and services of financial product providers should be enlarged. Financial education and literacy are key. In Germany strong efforts are made as well by the NCA BaFin as by the federal state consumer organisation VZBV which have created specialised websites and information documents on these topics:

- BaFin special website on "Sustainable Finance":
https://www.bafin.de/DE/Aufsicht/SF/SF_node.html
- VZBV special website on financial education and "Sustainability" ("Nachhaltigkeit"):
<https://www.verbraucherbildung.de/nachhaltigkeit-und-globalisierung-im-unterricht>
- Additional example: Green and Sustainable Finance Cluster Germany in Frankfurt:
<https://gsfc-germany.com/en/>

In their daily business the supervisors on European and national level should enhance their efforts of assessment and evaluation, how the provisions of the SFDR are implemented by insurers and distributors for example by using the method of mystery shopping. Very important are of course the ongoing publications on new rankings of financial products and their innovations by economic, financial or consumer-centric magazines (in Germany like Finanztest, Capital, Focus Money, Euro, Das Investment, etc.).

5. Do you see a risk of greenwashing for non-life insurance products with sustainability features? If so which are these and around which aspects do you see the highest risk of greenwashing?

The integration of sustainable features in the investment strategies and AuM by non-life insurers has to be disclosed by the various reporting obligations established on EU level (based on CSRD,

ESRS, etc.) for institutional and retail investors. For private policyholders the relevant regulation related to information duties on sustainability features by the insurers is the SFDR and its integration into IDD (cf. EIOPA Guidance on integrating the customer's sustainability preferences in the suitability assessment under the IDD of 20 July 2022). In consequence the role of intermediaries is crucial, as they are enabled to fulfill their information duties towards their customers only if the product providers sufficiently inform them about any product innovations.

In January 2024 the German NCA BaFin clearly points out in its updated "Risk Report" that the term "greenwashing" describes a "practice by which sustainability related information do not fully mirror the sustainability profile of a company, of financial product or of a financial service unequivocally and honestly". BaFin adds that the "risk of greenwashing is high, because there are no common definitions of sustainability features" and the "disclosed information on the sustainable impact of products and services frequently is not understandable enough" (cf. BaFin: Risiken im Fokus 2024, p. 42).

- Report "Risks in BaFin's focus 2024":

https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Pressemitteilung/2024/pm_2024_01_23_PK_Risiken_im_Fokus_en.html

This BaFin definition of greenwashing can be applied to non-life products as well. All the more it is obvious that the sustainable features which may be included in non-life products are of an undetermined variability (additional compensations, services, rebates, etc.). On the one hand this variety is surely to be assessed positively, because it shows the huge number of possibilities for rewarding sustainability-related products and services. On the other hand there is of course the growing danger of pure marketing activities. The regional state consumer organisation "Verbraucherzentrale Baden-Württemberg" has recently published a list of ten legal proceedings against financial product providers related to greenwashing claims. But it has to be stressed that there is only one insurer included: a pension product of a life-insurer with not sufficiently transparent ESG-criteria (and no non-life insurer).

- Website of Verbraucherzentrale Baden-Württemberg:
<https://www.verbraucherzentrale-bawue.de/greenwashing>