

**Re: Joint open letter regarding Transition Plans in Solvency II**

Tuesday 7 November 2023, Brussels

*Dear Commissioner McGuinness and officials in the European Commission, Solvency II Rapporteur and Shadow Rapporteurs in the European Parliament, Finance Ministers, and Financial Counsellors and Attachés in the Council of the EU,*

As civil society organisations concerned with making the financial system more stable and sustainable, we see the trilogue negotiations on Solvency II, the legislative framework for EU (re)insurers, as a key opportunity to make insurers resilient and better protected against climate change and its wide-ranging consequences.

Introducing a tailored transition plan provision in Solvency II is crucial to push insurers to adequately address climate-related risks and consider impacts, while ensuring regulatory coherence across EU law. We want to emphasize how a transition plan obligation in Solvency II logically fits with other pieces of legislation, adding the necessary prudential perspective without creating any duplication.

**First, a transition plan provision in Solvency II would firmly place transition planning at the heart of insurers' risk management**, which would not be the case via the Corporate Sustainability Due Diligence (CSDDD) even if a transition plan requirement were to be adopted and were to cover European insurers. As insurers are long-term investors and insure citizens and businesses over long-term horizons, they should be particularly attentive to the management of transition risks, and to the sustainability of their business models.

**Second, a transition plan provision in Solvency II would sensibly complement the Corporate Sustainability Reporting Directive (CSRD).** Indeed, CSRD only requires the *disclosure* of a transition plan when such a plan exists (on a comply or explain basis), so there must be a corresponding obligation to *develop and implement* a transition plan in the first place.

**Third, it is crucial to align the transition plan provision in Solvency II with the language used in CSRD.** Indeed, although several pieces of EU law are likely to touch on transition planning, CSRD is the foundational one, i.e. the one already in force. It therefore sets a logical precedent to which other legislations should refer. A slight modification of the wording proposed by the European Parliament on Solvency II (see Annex) would make it clear that the plan referred to in Solvency II is the same as the one described in CSRD. This way, insurers in scope of the transition plan provision in Solvency II will only have to develop, implement and report **one single transition plan**, compliant with several pieces of the EU sustainable finance framework. This will ensure regulatory certainty for European insurers, regardless of the outcome of the CSDDD negotiations.

**Fourth, a transition plan provision in Solvency II must ensure a level playing field and consistency across banking and insurance supervision in Europe.** The final trilogues on the review of the Capital Requirements Directive (CRD) show that there is an agreement on the need to require European banks to implement transition plans as a tool to manage risks with a long-term perspective in mind, and for these to be supervised by competent authorities. Given that the climate emergency and sustainability challenges are the same – or if anything, more acutely faced by insurers and reinsurers as global risk managers – insurers too must be clearly required to develop and implement transition plans. For those plans to effectively help mitigate risks, they must be supervised by competent authorities, as is currently planned to be required for banks via CRD. We therefore urge you to include a tailored transition plan requirement in Solvency II (see Annex).

Thank you for your consideration. We would be pleased to discuss this further with you.  
All the best,

The co-signatories (list below)

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## ANNEX

### CSRD, Article 19a, Sustainability Reporting

2. The information referred to in paragraph 1 shall contain:

(a) a brief description of the undertaking's business model and strategy, including:

(i) the resilience of the undertaking's business model and strategy to risks related to sustainability matters;

(ii) the opportunities for the undertaking related to sustainability matters;

(iii) the plans of the undertaking, including implementing actions and related financial and investment plans, to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement and the objective of achieving climate neutrality by 2050 as established in Regulation (EU) 2021/1119 (European Climate Law), and where relevant, the exposure of the undertaking to coal, oil and gas-related activities;

### EP position on Solvency II, Article 44 2b, with suggested modification to better align with CSRD (and with Council's General Approach and EP position on CSDDD)

Member States shall ensure that insurance and reinsurance undertakings develop specific plans, quantifiable targets, and processes to monitor and address the risks arising in the short, medium, and long-term from ESG factors, ~~including those arising from the transition and the process of adjustment to the applicable regulatory objectives towards a sustainable economy in relation to environmental, social, and governance factors, in particular with~~ and that insurance and reinsurance undertakings' business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5C in line with the Paris Agreement and [CSRD text] the objective to achieve climate neutrality by 2050 as set out in Regulation (EU) 2021/1119 (European Climate Law).

The targets and measures to address the ESG risks included in the plans referred to in the first subparagraph shall consider the latest reports and measures prescribed by the European Scientific Advisory Board on Climate Change, in particular in relation to the achievement of the climate targets of the Union. Where the undertaking discloses information on ESG matters in accordance with Directive 2013/34/EU the plans referred to in the first subparagraph shall be consistent with the plans referred to in Article 19a or Article 29a of that Directive. In particular, the plans referred to in the first subparagraph shall include actions with regards to the business model and strategy of the undertaking that are consistent across both plans.

Competent authorities shall verify the robustness of those plans [CRD trilogue].

### SIGNATORIES:



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