AMENDMENT
413 - 596

Draft report
Markus Ferber
(PE732.668v01-00)


Proposal for a directive
(COM(2021)0581 – C9-0367/2021 – 2021/0295(COD))
Amendment 413
Marco Zanni, Valentino Grant, Antonio Maria Rinaldi

Proposal for a directive
Article 1 – paragraph 1 – point 17
Directive 2009/138/EC
Article 35a – paragraph 1 – subparagraph 2

Text proposed by the Commission

That limitation to regular supervisory reporting shall be granted only to undertakings that do not represent more than 20% of a Member State’s life and non-life insurance and reinsurance market respectively, where the non-life market share is based on gross written premiums and the life market share is based on gross technical provisions.

Amendment

That limitation to regular supervisory reporting shall be granted only to undertakings that collectively do not represent more than 30% of a Member State’s life and non-life insurance and reinsurance market respectively, where the non-life market share is based on gross written premiums and the life market share is based on gross technical provisions.

Or. en

Amendment 414
Eero Heinäluoma, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 17
Directive 2009/138/EC
Article 35a – paragraph 1 – subparagraph 2

Text proposed by the Commission

That limitation to regular supervisory reporting shall be granted only to undertakings that do not represent more than 20% of a Member State’s life and non-life insurance and reinsurance market respectively, where the non-life market share is based on gross written premiums and the life market share is based on gross technical provisions.

Amendment

That limitation to regular supervisory reporting shall be granted only to undertakings that collectively do not represent more than 20% of a Member State’s life and non-life insurance and reinsurance market respectively, where the non-life market share is based on gross written premiums and the life market share is based on gross technical provisions.

Or. en
Amendment 415
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 17
Directive 2009/138/EC
Article 35a – paragraph 1 – subparagraph 2

Text proposed by the Commission

That limitation to regular supervisory reporting shall be granted only to undertakings that do not represent more than 20% of a Member State’s life and non-life insurance and reinsurance market respectively, where the non-life market share is based on gross written premiums and the life market share is based on gross technical provisions.

Amendment

That limitation to regular supervisory reporting shall be granted only to undertakings that do not represent more than 10% of a Member State’s life and non-life insurance and reinsurance market respectively, where the non-life market share is based on gross written premiums and the life market share is based on gross technical provisions.

Or. en

Amendment 416
Eero Heinäluoma, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 17
Directive 2009/138/EC
Article 35a – paragraph 1 – subparagraph 3

Text proposed by the Commission

When determining the eligibility of undertakings for those limitations, supervisory authorities shall give priority to low-risk profile undertakings.

Amendment

When determining the eligibility of undertakings for those limitations, supervisory authorities may give priority to low-risk profile undertakings.

Or. en

Amendment 417
Henrike Hahn
on behalf of the Verts/ALE Group
Proposal for a directive
Article 1 – paragraph 1 – point 17
Directive 2009/138/EC
Article 35a – paragraph 1 – subparagraph 3 a (new)

Text proposed by the Commission

The limitation to regular supervisory reporting shall not apply to undertakings to which a capital add-on has been set.

Or. en

Amendment 418
Chris MacManus
on behalf of The Left Group

Proposal for a directive
Article 1 – paragraph 1 – point 17
Directive 2009/138/EC
Article 35a – paragraph 2

Text proposed by the Commission

2. The supervisory authorities concerned may limit regular supervisory reporting, or exempt insurance and reinsurance undertakings from reporting on an item-by-item basis, where:

(a) the submission of that information would be overly burdensome in relation to the nature, scale and complexity of the risks inherent in the business of the undertaking;

(b) the submission of that information is not necessary for the effective supervision of the undertaking;

(c) the exemption does not undermine the stability of the financial systems concerned in the Union; and

(d) the undertaking is able to provide the information upon request.

Supervisory authorities shall not exempt from reporting, on an item-by-item basis, insurance or reinsurance undertakings
that are part of a group within the meaning of Article 212(1), point (c), unless the undertaking can demonstrate to the satisfaction of the supervisory authority that reporting on an item-by-item basis is inappropriate, given the nature, scale and complexity of the risks inherent in the business of the group and taking into account the objective of financial stability.

The exemption from reporting on an item-by-item basis shall be granted only to undertakings that do not represent more than 20% of a Member State’s life and non-life insurance or reinsurance market respectively, where the non-life market share is based on gross written premiums and the life market share is based on gross technical provisions. When determining the eligibility of undertakings for those limitations or exemptions, supervisory authorities shall give priority to low-risk profile undertakings.

Justification

There is no justification for limiting reporting requirements on an item-by-item basis.

Amendment 419
Marco Zanni, Valentino Grant, Antonio Maria Rinaldi

Proposal for a directive
Article 1 – paragraph 1 – point 17
Directive 2009/138/EC
Article 35a – paragraph 2 – subparagraph 3

Text proposed by the Commission

The exemption from reporting on an item-by-item basis shall be granted only to undertakings that do not represent more than 20% of a Member State’s life and non-life insurance or reinsurance market respectively, where the non-life market share is based on gross written premiums.

Amendment

The exemption from reporting on an item-by-item basis shall be granted only to undertakings that collectively do not represent more than 30% of a Member State’s life and non-life insurance or reinsurance market respectively, where the non-life market share is based on gross...
and the life market share is based on gross technical provisions. When determining the eligibility of undertakings for those limitations or exemptions, supervisory authorities shall give priority to low-risk profile undertakings.

written premiums and the life market share is based on gross technical provisions. When determining the eligibility of undertakings for those limitations or exemptions, supervisory authorities shall give priority to low-risk profile undertakings.

Or. en

Amendment 420
Eero Heinäluoma, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 17
Directive 2009/138/EC
Article 35a – paragraph 2 – subparagraph 3

Text proposed by the Commission

The exemption from reporting on an item-by-item basis shall be granted only to undertakings that do not represent more than 20% of a Member State’s life and non-life insurance or reinsurance market respectively, where the non-life market share is based on gross written premiums and the life market share is based on gross technical provisions. When determining the eligibility of undertakings for those limitations or exemptions, supervisory authorities shall give priority to low-risk profile undertakings.

Amendment

The exemption from reporting on an item-by-item basis shall be granted only to undertakings that collectively do not represent more than 20% of a Member State’s life and non-life insurance or reinsurance market respectively, where the non-life market share is based on gross written premiums and the life market share is based on gross technical provisions. When determining the eligibility of undertakings for those limitations or exemptions, supervisory authorities shall give priority to low-risk profile undertakings.

Or. en

Amendment 421
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 17
Directive 2009/138/EC
Article 35a – paragraph 2 – subparagraph 3
The exemption from reporting on an item-by-item basis shall be granted only to undertakings that do not represent more than 20% of a Member State’s life and non-life insurance or reinsurance market respectively, where the non-life market share is based on gross written premiums and the life market share is based on gross technical provisions. When determining the eligibility of undertakings for those limitations or exemptions, supervisory authorities shall give priority to low-risk profile undertakings.

Amendment
The exemption from reporting on an item-by-item basis shall be granted only to undertakings that do not represent more than 10% of a Member State’s life and non-life insurance or reinsurance market respectively, where the non-life market share is based on gross written premiums and the life market share is based on gross technical provisions. When determining the eligibility of undertakings for those limitations or exemptions, supervisory authorities shall give priority to low-risk profile undertakings.

Or. en

Amendment 422
Johan Van Overtveldt

Proposal for a directive
Article 1 – paragraph 1 – point 18
Directive 2009/138/EC
Article 35b – paragraph 2

Text proposed by the Commission
2. Member States shall ensure that insurance and reinsurance undertakings submit the information referred to in Article 35(1) to (4) on a quarterly basis no later than five weeks after the end of each quarter.

Amendment
2. Member States shall ensure that insurance and reinsurance undertakings submit the information referred to in Article 35(1) to (4) on a quarterly basis no later than six weeks after the end of each quarter.

Or. en

Justification
To improve the quality of reporting and taking into account EIOPA's expansion of the quantitative reporting templates as well as the fact that the deadlines disregard bank holidays, it seems reasonable to extend the deadline for quarterly reporting from five to six weeks.
Amendment 423  
Chris MacManus  
on behalf of The Left Group

Proposal for a directive  
Article 1 – paragraph 1 – point 18  
Directive 2009/138/EC  
Article 35b – paragraph 4

Text proposed by the Commission

4. **The Commission may adopt delegated acts** in accordance with Article 301a to change the deadlines laid down in paragraphs 1, 2, and 3 of this Article, provided that the change is necessary due to sanitary emergencies, natural catastrophes or other extreme events.

Amendment

4. **Without prejudice to the powers of EIOPA under Article 18 of Regulation (EU) No 1094/2010, EIOPA may, at the request of one or several national supervisory authorities or on its own initiative, declare operations-disrupting events as exceptional. An operations-disrupting event may only be declared as exceptional if it is caused by a sanitary emergency, a natural catastrophe or another extreme event and if it affects materially the operational capabilities of insurance and reinsurance undertakings representing a significant share of the market or of the affected lines of business in one or several Member States.**

Where EIOPA has declared an operations-disrupting event as exceptional, the national supervisory authorities concerned may, within 3 months following the declaration, temporarily extend, for affected undertakings, the deadlines referred to in paragraphs 1, 2 or 3 by up to 10 weeks. Based on the declaration by EIOPA of an operations-disrupting event as exceptional, the national supervisory authorities concerned may, where necessary, extend those deadlines for reporting obligations which are due within 6 months from the declaration by EIOPA. Where the affected undertakings are part of a group to which group supervision applies in accordance with Article 213(2), national supervisory authorities shall inform without delay the group supervisor of this extension.
**Justification**

*It is more appropriate for EIOPA initially and then national supervisory authorities to decide on when emergency measure are justified.*

**Amendment 424**  
Stéphanie Yon-Courtin, Gilles Boyer

**Proposal for a directive**  
Article 1 – paragraph 1 – point 19 a (new)  
Directive 2009/138/EC  
Article 36 – paragraph 2 – introductory part

**Present text**

> The supervisory authorities shall in particular review and evaluate compliance with the following:

**Amendment**

> (19 a) in article 36(2), the introductory part is amended as follows:

> "The supervisory authorities shall in particular review, evaluate and ensure compliance with the following:

**Amendment 425**  
Eero Heinäluoma, Aurore Lalucq

**Proposal for a directive**  
Article 1 – paragraph 1 – point 20 – point a  
Directive 2009/138/EC  
Article 37 – paragraph 1 – point e

**Text proposed by the Commission**

> (e) the insurance or reinsurance undertaking applies one of the transitional measures referred to in Articles 308c and 308d and all of the following conditions are met:

> (i) the undertaking would not comply with the Solvency Capital Requirement without application of the transitional measure;

**Amendment**

> (e) the insurance or reinsurance undertaking applies the matching adjustment referred to in Article 77b, the volatility adjustment referred to in Article 77d or the transitional measures referred to in Articles 308c and 308d and the supervisory authority concludes that the risk profile of that undertaking deviates significantly from the assumptions;
(ii) the undertaking has failed to submit to the supervisory authority either the initial phasing-in plan within the required period as set out in of Article 308e, second paragraph, or the required annual report as set out the third paragraph of that Article.

underlying those adjustments and transitional measures. With regard to the transitional measures referred to in Articles 308c and 308d this would include the situation where the supervisory authority has not yet received a realistic phasing-in plan required in Article 308(e), or a realistic update thereof.

Or. en

Amendment 426
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 20 – point a
Directive 2009/138/EC
Article 37 – paragraph 1 – point e a (new)

Text proposed by the Commission

Amendment

(e a) the supervisory authority concludes that one of the following is the case:
- the insurance or reinsurance undertaking is exposed to material sustainability risks that are not adequately monitored, managed and mitigated;
- the insurance or reinsurance undertaking is not complying with the targets and milestones established in its transitional plans referred to in Article 44a.

Or. en

Amendment 427
Eero Heinäluoma, Paul Tang, Jonás Fernández, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 20 a (new)
Directive 2009/128/EC
Article 37a (new)
Text proposed by the Commission

Amendment

(20 a) the following Article 37a is inserted:

‘Article 37a

Macroprudential capital add-on

Member States shall ensure that supervisory authorities, in agreement with EIOPA, should be able to impose a capital add-on for system risk, when they assess activity or behaviour based sources of systemic risk. The Commission shall adopt a delegated act to define under which conditions supervisory authorities are empowered to impose this capital add-on, on the procedures for decisions to trigger, set, calculate and remove capital add-ons for systemic risk.’

Or. en

Amendment 428
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 20 a (new)
Directive 2009/138/EC
Article 40 – paragraphs 1 a (new) and 2 a (new)

Text proposed by the Commission

(20 a) The following sub-paragraphs are added to Article 40:

‘Insurance and reinsurance undertakings shall ensure that members of the administrative, management and supervisory body are at all times of good repute and possess collectively sufficient knowledge, skills and experience to perform their duties.

Members of the administrative, management and supervisory body shall not have been convicted of offences.'
relating to money laundering or terrorist financing or other offences that would question their good repute.’

Amendment 429
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Canfin

Proposal for a directive
Article 1 – paragraph 1 – point 21 – point a
Directive 2009/138/EC
Article 41 – paragraph 1 – subparagraph 3

Text proposed by the Commission
The system of governance shall be subject to regular internal review. Such internal review shall include an assessment on the adequacy of the composition, effectiveness and internal governance of the administrative, management or supervisory body taking into account the nature, scale and complexity of the risks inherent in the undertaking’s business.;

Amendment
The system of governance shall be subject to regular internal review. Such internal review shall include an assessment on the adequacy of the composition, effectiveness, **expertise about sustainability risks** and internal governance of the administrative, management or supervisory body taking into account the nature, scale and complexity of the risks inherent in the undertaking’s business.;

Justification
*Sustainability-related expertise shall be considered in the governance of an insurance and reinsurance undertaking.*

Amendment 430
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 21 – point a
Directive 2009/138/EC
Article 41 – paragraph 1 – subparagraph 3 a (new)
Text proposed by the Commission

Insurance and reinsurance undertakings shall set individual quantitative objectives in view of improving gender-balanced representation of both sexes within their governance structures.

Or. en

Amendment 431
Chris MacManus
on behalf of The Left Group

Proposal for a directive
Article 1 – paragraph 1 – point 21 – point b
Directive 2009/138/EC
Article 41 – paragraph 2a – subparagraph 2

Text proposed by the Commission

When the undertaking has been classified as a low-risk profile undertaking, the persons responsible for the key functions of risk management, actuarial and compliance function may also perform any other key function different from internal audit, any other non-key function or be a member of the administrative, management or supervisory body provided that the following conditions are met:

(a) potential conflicts of interests are properly managed;

(b) the combination of functions or the combination of a function with the condition of membership of the administrative, management or supervisory body does not compromise the person’s ability to carry out her or his responsibilities.

Or. en
Justification

Removing sensible, well established governance procedures is inappropriate.

Amendment 432
Frances Fitzgerald

Proposal for a directive
Article 1 – paragraph 1 – point 21 – point b
Directive 2009/138/EC
Article 41 – paragraph 2a – subparagraph 2 – introductory part

Text proposed by the Commission

When the undertaking has been classified as a low-risk profile undertaking, the persons responsible for the key functions of risk management, actuarial and compliance function may also perform any other key function different from internal audit, any other non-key function or be a member of the administrative, management or supervisory body provided that the following conditions are met:

Amendment

Where an insurance or reinsurance undertaking is a low-risk profile undertaking pursuant to Article 29a-29c or eligible to avail of proportionate measures pursuant to Article 29d, the persons responsible for the key functions of risk management, actuarial and compliance function may also perform any other key function different from internal audit, any other non-key function or be a member of the administrative, management or supervisory body provided that the following conditions are met:

Or. en

Amendment 433
Paul Tang

Proposal for a directive
Article 1 – paragraph 1 – point 21 – point c
Directive 2009/138/EC
Article 41 – paragraph 3 – subparagraph 1

Text proposed by the Commission

3. Insurance and reinsurance undertakings shall have written policies in relation to at least risk management, internal control, internal audit, remuneration and, where relevant,

Amendment

3. Insurance and reinsurance undertakings shall have written policies in relation to at least risk management, internal control, internal audit, remuneration, stewardship and, where
outsourcing. They shall ensure that those policies are implemented. relevant, outsourcing. They shall have a written transition plan, as described under Article 44a. They shall ensure that those policies and that plan are implemented. Those written policies and that transition plan shall be reviewed at least annually. The stewardship policy shall include a report of the impact of the policy in the last financial reporting period.

Justification

Engagement by insurers with investee companies is one of the most impactful tools to change corporate behaviour. Still, only small share of insurers have stewardship processes in place.

Amendment 434
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 21 – point c
Directive 2009/138/EC
Article 41 – paragraph 3 – subparagraph 1

Text proposed by the Commission

3. Insurance and reinsurance undertakings shall have written policies in relation to at least risk management, internal control, internal audit, remuneration and, where relevant, outsourcing. They shall ensure that those policies are implemented.

Amendment

3. Insurance and reinsurance undertakings shall have written policies in relation to at least risk management, internal control, internal audit, remuneration, and, where relevant, outsourcing. They shall have a written transition plan, as described under Article 44a. They shall ensure that those policies are implemented, and that reasonable steps are taken to implement the transition plan. Those written policies and that transition plan shall be reviewed at least annually.

Amendment 435
Chris MacManus
Proposal for a directive
Article 1 – paragraph 1 – point 21 – point c
Directive 2009/138/EC
Article 41 – paragraph 3 – subparagraph 1

Text proposed by the Commission

3. Insurance and reinsurance undertakings shall have written policies in relation to at least risk management, internal control, internal audit, remuneration and, where relevant, outsourcing. They shall ensure that those policies are implemented.

Amendment

3. Insurance and reinsurance undertakings shall have written policies in relation to at least risk management, internal control, internal audit, remuneration and pay transparency, **stewardship, and**, where relevant, outsourcing. They shall **have a written transition plan, as described in Article 44a. They shall** ensure that those policies and the transition plan are implemented. **Policies shall integrate sustainability risk.**

Or. en

Justification

Stewardship is an instrument to through which insurers can positively influence the sustainability impact of the firms in which it invests. Stewardship can therefore help insurance undertaking to improve their own sustainability performance and meet their own transition plans.

Amendment 436
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 21 – point c
Directive 2009/138/EC
Article 41 – paragraph 3 – subparagraph 1

Text proposed by the Commission

3. Insurance and reinsurance undertakings shall have written policies in relation to at least risk management, internal control, internal audit, remuneration and, where relevant, outsourcing. They shall ensure that those policies are implemented.

Amendment

3. Insurance and reinsurance undertakings shall have written policies in relation to at least risk management, internal control, internal audit, **stewardship**, remuneration and, where relevant, outsourcing. They shall ensure that those policies are implemented. **The**
remuneration policy and its operational implementation shall address gender inequality.

Amendment 437
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Canfin, Pascal Durand

Proposal for a directive
Article 1 – paragraph 1 – point 21 – point c
Directive 2009/138/EC
Article 41 – paragraph 3 – subparagraph 1

Text proposed by the Commission

3. Insurance and reinsurance undertakings shall have written policies in relation to at least risk management, internal control, internal audit, remuneration and, where relevant, outsourcing. They shall ensure that those policies are implemented.

Amendment

3. Insurance and reinsurance undertakings shall have written policies in relation to at least risk management, internal control, internal audit, remuneration, stewardship and, where relevant, outsourcing and a written transition plan as described in Article 44a. They shall ensure that those policies and the transition plan are properly implemented.

Justification

This amendment reflects the need to reflect on the transition plans in the internal governance of the insurance and reinsurance undertaking.

Amendment 438
Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 21 – point c
Directive 2009/138/EC
Article 41 – point 3 – subparagraph 1

Text proposed by the Commission

3. Insurance and reinsurance

Amendment

3. Insurance and reinsurance
undertakings shall have written policies in relation to at least risk management, internal control, internal audit, remuneration and, where relevant, outsourcing. They shall ensure that those policies are implemented. Policies shall integrate sustainability risk.

Amendment 439
Henrike Hahn on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 21 – point c
Directive 2009/138/EC
Article 41 – paragraph 3 – subparagraph 2

Text proposed by the Commission

Those written policies shall be reviewed at least annually. They shall be subject to prior approval by the administrative, management or supervisory body and be adapted in view of any significant change in the system or area concerned. Low-risk profile undertakings may perform a less frequent review, at least every three years, unless the supervisory authority concludes, based on the specific circumstances of that undertaking, that a more frequent review is needed.

Amendment

Those written policies shall be reviewed at least annually and include a report of the impact of the stewardship policy of the previous year. They shall be subject to prior approval by the administrative, management or supervisory body and be adapted in view of any significant change in the system or area concerned. Low-risk profile undertakings may perform a less frequent review, at least every three years, unless the supervisory authority concludes, based on the specific circumstances of that undertaking, that a more frequent review is needed.

Amendment 440
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 21 – point c
Directive 2009/138/EC
Article 41 – paragraph 3 a (new)
3a. The system of governance shall ensure that the administrative, management or supervisory body is directly responsible for the sustainability risk management system described under Article 44(3a), including the successful implementation of the transition plan described under Article 44a.

Justification

The dealing with sustainability risks need to be appropriately embedded into the governance structure of insurance undertakings.

Amendment 442
Henrike Hahn
on behalf of the Verts/ALE Group
Proposal for a directive
Article 1 – paragraph 1 – point 21 – point c a (new)
Directive 2009/138/EC
Article 41 – paragraph 3 a (new)

Amendment

3a. The administrative, management or supervisory body shall be directly responsible for the sustainability risk management system described under Article 44(3a), including the successful implementation of the transition plan described under Article 44a.

Or. en

Amendment 443
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 21 – point c a (new)
Directive 2009/138/EC
Article 41 – paragraph 5 a (new)

Text proposed by the Commission

(ca) the following paragraph is added:

‘5a. Competent authorities shall require insurance and reinsurance undertakings to ensure that a sufficiently broad set of qualities, competences, experiences and backgrounds are present in the administrative, management or supervisory body. To that purpose, insurance and reinsurance undertakings shall put in place a policy promoting diversity in the administrative, management or supervisory body, including setting a target for the minimum representation of the underrepresented gender. This policy shall also include concrete measures to increase the representation of any underrepresented gender in the
administrative, management or supervisory body. The target, policy and its implementation shall be made public, including in the Solvency and Financial Condition Report.’

Amendment 444
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 21 c a (new)
Directive 2009/128/EC
Article 41 – paragraphs 5 a (new), 5 b (new), 5 c (new), 5 d (new)

Text proposed by the Commission

Amendment

(ca) the following paragraphs are added:

‘5a. Member States or competent authorities shall require insurance and reinsurance undertakings to engage a broad set of qualities and competences when recruiting members to the administrative, management or supervisory body and for that purpose to put in place a policy promoting diversity on the administrative, management or supervisory body. EIOPA shall issue guidelines on the notion of diversity to be taken into account for the selection of members of the administrative, management or supervisory body.

The written policy on remuneration, including incentives schemes, shall promote sound and effective risk management, including the integration of sustainability risks in the risk management system and the adverse impacts of the insurance or reinsurance undertaking as referred to in the Regulation (EU) 2019/2088.

5b. Member States shall require insurance and reinsurance undertakings
to have gender balanced administrative, management or supervisory bodies decide on a target for the representation of the underrepresented gender in the administrative, management or supervisory body and prepare a policy on how to increase the number of underrepresented gender in the administrative, management or supervisory body in order to meet that target in a manner that is proportionate to their size, internal organisation and the nature, scope and complexity of their activities. The target, policy and its implementation shall be made public, including in the Solvency and Financial Condition Report.

5c. Member States shall require that remuneration policies and practices are gender neutral.

5d. EIOPA shall issue guidelines, on gender neutral remuneration policies for insurance and reinsurance undertakings.’

Or. en

Amendment 445
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point - a (new)
Directive 2009/138/EC
Article 42 – paragraph 1 – point a

Present text
(a) their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit); and

Amendment
(-a) paragraph 1, point (a) is replaced by the following:
"(a) their professional qualifications, knowledge and experience, including in the field of sustainability risks, are adequate to enable sound and prudent management (fit); and"

"
Amendment 446
Paul Tang

Proposal for a directive
Article 1 – paragraph 1 – point 22 – point - a (new)
Directive 2009/138/EC
Article 42 – paragraph 1 – point a

<table>
<thead>
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Amendment 447
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Canfin

Proposal for a directive
Article 1 – paragraph 1 – point 22 – point - a (new)
Directive 2009/138/EC
Article 42 – paragraph 1 – point a

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Amendment 448
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 22 – point - a (new)
Directive 2009/138/EC
Article 42 – paragraph 1 – point a

Present text
(a) their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit); and

Amendment
(-a) paragraph 1, point (a) is replaced by the following:
"(a) their professional qualifications, knowledge and experience, including in the field of sustainability risk, are adequate to enable sound and prudent management (fit); and"

Amendment 449
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 22 – point - a a (new)
Directive 2009/138/EC
Article 42 – paragraph 2

Present text
2. Insurance and reinsurance undertakings shall notify the supervisory authority of any changes to the identity of the persons who effectively run the undertaking or are responsible for other key functions, along with all information needed to assess whether any new persons appointed to

Amendment
(-aa) paragraph 2 is replaced by the following:
"2. Insurance and reinsurance undertakings shall notify the supervisory authority of any changes to the identity of the persons who effectively run the undertaking or are responsible for other key functions, along with the reasons for the changes and all information needed to assess whether any
manage the undertaking are fit and proper.

new persons appointed to manage the undertaking are fit and proper.


Justification

The reasons for any such changes should be given.

Amendment 450
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 22 – point -a a (new)
Directive 2009/138/EC
Article 42 – paragraph 1 – subparagraph 1 a (new)

Text proposed by the Commission

Amendment

(-aa) in paragraph 1, the following subparagraph is added:

'In particular, they shall not have been convicted of offences relating to money laundering or terrorist financing or other offences that would affect their good repute.'


Amendment 451
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 22 – point b
Directive 2009/138/EC
Article 42 – paragraph 4
4. Where a person who effectively runs the undertaking or has other key functions does not fulfil the requirements set out in paragraph 1, the supervisory authorities shall have the power to require the insurance and reinsurance undertaking to remove such person from that position.;

— in point (b), point (iii) is deleted; deleted

(c) where the volatility adjustment referred to in Article 77d is applied, the sensitivity of their technical provisions and eligible own funds to changes in the economic conditions that would affect the
risk corrected spread referred to in Article 77d(3); risk corrected spread referred to in Article 77d(3) and the impact of a reduction of the volatility adjustment to zero.

Or. en

Amendment 454
Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b – point i a (new)
Directive 2009/138/EC
Article 44 – paragraph 2a – subparagraph 2

Present text
Insurance and reinsurance undertakings shall submit the assessments referred to in points (a), (b) and (c) of the first subparagraph annually to the supervisory authority as part of the information reported under Article 35. Where the reduction of the matching adjustment or the volatility adjustment to zero would result in non-compliance with the Solvency Capital Requirement, the undertaking shall also submit an analysis of the measures it could apply in such a situation to re-establish the level of eligible own funds covering the Solvency Capital Requirement or to reduce its risk profile to restore compliance with the Solvency Capital Requirement.

Amendment
Insurance and reinsurance undertakings shall submit the assessments referred to in points (a), (b) and (c) of the first subparagraph, and paragraph 2b (new), annually to the supervisory authority as part of the information reported under Article 35. Where the reduction of the matching adjustment or the volatility adjustment to zero would result in non-compliance with the Solvency Capital Requirement, the undertaking shall also submit an analysis of the measures it could apply in such a situation to re-establish the level of eligible own funds covering the Solvency Capital Requirement or to reduce its risk profile to restore compliance with the Solvency Capital Requirement. Where the volatility adjustment referred to in Article 77d is applied, the written policy on risk management referred to in Article 41(3) shall comprise a policy on the criteria for the application of the volatility adjustment.

Amendment 455
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b – point i a (new)
Directive 2009/138/EC
Article 44 – paragraph 2a – subparagraph 1 a (new)

Text proposed by the Commission

(i a) the following subparagraph is inserted after the first subparagraph:

"As regards underwriting, reserving and investment, insurance and reinsurance undertakings shall perform a regular assessment and ensure that their business strategy and activities for underwriting and their whole portfolio of assets are aligned with the objective of achieving climate neutrality in the EU by 2050 at the latest, as set out in Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 ("European Climate Law")."

Or. en

Justification

This reflects the requirements to plan for aligning operations with climate neutrality as laid out in the Corporate Sustainability Reporting Directive.

Amendment 456
Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b a (new)
Directive 2009/138/EC
Article 44 – paragraph 2 b (new)

Text proposed by the Commission

(ba) the following paragraph is inserted:

"2b. As regards underwriting, reserving and investment, insurance and reinsurance undertakings shall perform a
regular assessment and ensure that their business model, strategy and activities for underwriting portfolio and the whole portfolio of assets, are aligned with the objective to achieve climate neutrality by 2050 at the latest, as set out in Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 ("European Climate Law")."

Amendment 457
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b a (new)
Directive 2009/138/EC
Article 44 – paragraph 2 b (new)

Text proposed by the Commission

(ba) the following paragraph is inserted:

"2b. As regards underwriting, insurance and reinsurance undertakings shall ensure that, in accordance with Article 44a, its business model and strategy for underwriting portfolio are aligned with the objective to achieve climate neutrality by 2050 at the latest, set out in Regulation (EU)2021/1119 of the European Parliament and of the Council of 30 June 2021 ("European Climate Law"), as regards the undertaking’s operations and 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 with no or limited overshoot and pursuant to the latest recommendations of the IPCC and the European Scientific Advisory Board on Climate Change."

Or. en
Amendment 458
Paul Tang

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b a (new)
Directive 2009/138/EC
Article 44 – paragraph 2 b (new)

Text proposed by the Commission

(ba) the following paragraph is added:

"2b. As regards underwriting, insurance and reinsurance undertakings shall ensure that, in accordance with Article 44a, its business model and strategy for underwriting are aligned with the objective to achieve climate neutrality by 2050 at the latest, set out in Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 ("European Climate Law"), as regards the undertaking’s operations and will reduce significantly by 2030 and completely eliminate by 2050 the supporting of economic activities that significantly harm environmental objectives as defined by article 17 of Regulation (EU) 2020/852."

Or. en

Justification

Insurers should eliminate the underwriting of harmful economic activities such as oil exploration and bring its activities in line with the EU’s climate law.

Amendment 459
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Canfin

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b a (new)
Directive 2009/138/EC
Article 44 – paragraph 2 b (new)
(ba) the following paragraph is inserted:

"2b. As regards underwriting and investment, insurance and reinsurance undertakings shall perform a regular assessment and ensure that their business model, strategy and activities for underwriting portfolio and the whole portfolio of assets, are aligned with the objective to achieve climate neutrality by 2050 at the latest, as set out in Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 ("European Climate Law")."

Or. en

Amendment 460
Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b b (new)
Directive 2009/138/EC
Article 44 – paragraph 2 c (new)

(bb) the following paragraph is inserted:

"2c. In order to demonstrate alignment with the objectives as set out in paragraph 2b, insurance and reinsurance undertakings shall develop and adopt a transition plan no later than 1 year after the date of the application of this Directive, approved by the administrative, management or supervisory body of the insurance and reinsurance undertaking, which includes:

- specific, science-based short-term, medium- and long-term targets, including absolute emission reduction targets for operational and attributable greenhouse
gas (GHG) emissions for 2030;
- implementing actions for the next five years.

These plans shall insure the undertaking’s operations 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 with no or limited overshoot and pursuant to the latest recommendations of the IPCC and the European Scientific Advisory Board on Climate Change.

This transition plan shall be reviewed at least every five years, up to 2050. The transition plans prepared by insurance and reinsurance undertakings in line with paragraphs 2a, 2b and 2c shall be used to fulfil the disclosure obligations referred to in Article 19a or Article 29a of Directive 2013/34/EU [CSRD]."

Amendment 461
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b b (new)
Directive 2009/138/EC
Article 44 – paragraph 2 c (new)

Text proposed by the Commission

Amendment
(bb) the following paragraph is inserted:

"2c. As regards investment, insurance and reinsurance undertakings shall ensure that, in accordance with Article 44a, its business model and strategy for investment portfolio are aligned with the objective to achieve climate neutrality by 2050 at the latest, set out in Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June
2021 ("European Climate Law"), as regards the undertaking’s operations and 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 with no or limited overshoot and pursuant to the latest recommendations of the IPCC and the European Scientific Advisory Board on Climate Change."

Or. en

Amendment 462
Paul Tang

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b b (new)
Directive 2009/138/EC
Article 44 – paragraph 2 c (new)

Text proposed by the Commission

Amendment

(bb) the following paragraph is inserted:

"2c. As regards investment, insurance and reinsurance undertakings shall ensure that, in accordance with Article44a, its business model and strategy for investment portfolio are aligned with the objective to achieve climate neutrality by 2050 at the latest, set out in Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 ("European Climate Law"), as regards the undertaking’s operations and will reduce significantly by 2030 and completely eliminate by 2050 the financing of economic activities that significantly harm environmental objectives as defined by Article 17 of Regulation (EU) 2020/852."

Or. en

Justification

Insurers should eliminate the financing of harmful economic activities such as oil exploration
and bring its financing in line with the EU’s climate law.

Amendment 463
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b a (new)
Directive 2009/138/EC
Article 44 – paragraph 3 a (new)

<table>
<thead>
<tr>
<th>Text proposed by the Commission</th>
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<tr>
<td>(ba) the following paragraph is inserted:</td>
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<td>&quot;3a. The risk management system shall cover the sustainability risks to which the insurance or reinsurance undertaking is exposed within the areas set out in paragraph 2 and shall consider the principal adverse impacts of the insurance or reinsurance undertaking, including the principal adverse impacts of the companies and activities for which the undertaking provides finance or underwriting services within its asset portfolio and insurance portfolio, on sustainability factor.&quot;</td>
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Amendment 464
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b b (new)
Directive 2009/138/EC
Article 44 – paragraph 3 a (new)

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<tr>
<td>(bb) the following paragraph is inserted:</td>
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<tr>
<td>&quot;3a. The risk management system shall</td>
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cover any sustainability risks to which the insurance or reinsurance undertaking is exposed within the areas set out at paragraph 2 above and shall consider the principal adverse impacts of the insurance or reinsurance undertaking, including the principal adverse impacts of the companies and activities for which the undertaking provides finance or underwriting services within its asset portfolio and insurance portfolio, on sustainability factors.

The written policy on risk management referred to in Article 41(3) shall include policies relating to sustainability risks and sustainability factors, as well as a stewardship policy. The stewardship policy shall include a report of the impact of the policy in the last financial reporting period."

Or. en

Amendment 465
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Canfin

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b b (new)
Directive 2009/138/EC
Article 44 – paragraph 3 b (new)

Text proposed by the Commission

(b) the following paragraph is inserted:

"3b. The written policy on risk management referred to in Article 41(3) shall include policies relating to sustainability risks and sustainability factors, as well as a stewardship policy that shall include a report on the impact of the policy in the last financial period, in particular the decisions taken by the insurance or reinsurance undertaking following the condition of climate change scenario analysis referred to in Article
45a to assess the risks referred to in Article 45(2)."

Amendment 466
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Canfin, Pascal Durand

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b c (new)
Directive 2009/138/EC
Article 44 – paragraph 4 a (new)

Text proposed by the Commission

Amendment

(bc) the following paragraph is inserted:

"4a. The risk management system shall cover any sustainability risks to which the insurance or reinsurance undertaking is exposed to."

Amendment 467
Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b c (new)
Directive 2009/138/EC
Article 44 – paragraph 5 a (new)

Text proposed by the Commission

Amendment

(bc) the following paragraph is added:

"5a. The written policy on remuneration, including incentives schemes, shall promote sound and effective risk management, including the integration of sustainability risks in the risk management system and the adverse impacts of the insurance or reinsurance undertaking as referred to in the Regulation (EU) 2019/2088 considering
sustainability factors.

For undertakings subject to Articles 19a and 29a of Directive 2013/34/EU, where an undertaking’s remuneration schemes include both a fixed and a variable component, at least half of the variable component should be linked to the achievement of the sustainability targets set out in the transition plans implemented in accordance with Articles 44 and 132.

The Commission shall adopt delegated acts in accordance with Article 301a in order to ensure uniform conditions of the application of subparagraph 2.

Amendment 468
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b a (new)
Directive 2009/138/EC
Article 44 – paragraph 5 a (new)

Text proposed by the Commission

(ba) the following paragraph is added:

"5a. The written policy on remuneration referred to at Article 41(3) shall promote sound and effective risk management in line with the written policy on risk management referred to in Article 41(3), including in relation to sustainability risks and the adverse impacts of the insurance or reinsurance undertaking on sustainability factors.

Where an undertaking’s remuneration schemes include both fixed and variable components, the variable remuneration component should be not less than 50 percentage points linked to the achievement of the targets set as part of the transition plan of the undertaking, as
referred to in Article 44a."

Justification

This amendment strengthens the requirement made in Delegated Regulation 2021/1256 which states that 'the remuneration policy shall include information on how it takes into account the integration of sustainability risks in the risk management system'.

Amendment 469
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b c (new)
Directive 2009/138/EC
Article 44 – paragraph 5 a (new)

Text proposed by the Commission

Amendment

(bc) the following paragraph is added:

"5a. The written policy on remuneration referred to at Article 41(3) shall promote sound and effective risk management in line with the written policy on risk management referred to in Article 41(3), including in relation to sustainability risks and the adverse impacts of the insurance or reinsurance undertaking on sustainability factors.

The Commission shall adopt delegated acts in accordance with Article 301a to specify that where undertaking’s remuneration schemes include both fixed and variable components, variable remuneration component should be not less than 50 percentage points linked to achievement of the targets set as part of the transition plan of the undertaking, implemented in accordance with Articles 44(2b), 44(2c) and 44a."
Amendment 470
Stéphanie Yon-Courtin

Proposal for a directive
Article 1 – paragraph 1 – point 23 – point b d (new)
Directive 2009/138/EC
Article 44 – paragraph 5 a (new)

Text proposed by the Commission

Amendment

(bd) the following paragraph is added:

‘5a. As Covid 19 has shown an increased vulnerability of the insurance sector to cyber-attacks, as highlighted by the BIS study on Covid-19 and cyber risk in the financial sector, EIOPA shall monitor and publish a report by 2024 on how to improve:

i) the resilience of the insurance sector against cyber and ICT related risks; and

ii) the coverage of policyholders against cyber-related risks.’

Or. en

Amendment 471
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 23 a (new)
Directive 2009/138/EC
Article 44 a (new)

Text proposed by the Commission

Amendment

(23a) the following Article is inserted:

'Article 44a

Transition plans

1. Insurance and reinsurance undertakings shall develop and adopt a written transition plan covering both underwriting and investment activities. These plans shall insure that the undertaking’s operations are compatible
with the transition to a sustainable economy and with the goal of limiting global warming to 1.5°C with no or limited overshoot, in line with the Paris Agreement and pursuant to the latest recommendations of the IPCC and the European Scientific Advisory Board on Climate Change.

The plans shall include specific science-based targets across the short-, medium- and long-term, including absolute emission reduction targets for attributable greenhouse gas emissions for 2025 and 2030. Each plan shall include implementing actions for the achievement of these targets for the next 5 years.

2. The transition plan should be adopted no later than [1 year after the date of the application of this Directive] and reviewed at least every two years. It should be subject to prior approval by the administrative, management or supervisory body of the undertaking.

The transition plan shall be well integrated into the organisational structure and into the decision-making processes of the insurance or reinsurance undertaking. The system of governance required under Article 41 shall include a clear allocation and appropriate segregation of responsibilities for implementing the transition plan and provide for proper consideration of the implementation of the transition plan by the persons who effectively run the undertaking or have other key functions.

3. The transition plan shall be integrated into the risk management system required under Article 44, including by identifying, measuring, monitoring, managing and reporting matters that pose a risk to the successful implementation of the transition plan.

4. The transition plans prepared by insurance and reinsurance undertakings in line with this article shall be used to fulfil the disclosure obligations referred to
in Article 19a or Article 29a of Directive 2013/34/EU\(^1\).”


Amendment 472
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 23 a (new)
Directive 2009/138/EC
Article 44 a (new)

Text proposed by the Commission

Amendment

(23a) the following Article is inserted:

‘Article 44a

Transition plan

1. Member States shall ensure that the administrative, management or supervisory body approves specific plans and science-based quantifiable targets to monitor and address the risks arising in the short, medium and long-term from the misalignment of the business model, strategy and activities of the insurance or reinsurance undertaking, with the relevant Union policy objectives, including the objectives to:

i) achieve climate neutrality by 2050 at the latest, as set out in Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021, or
broader transition trends towards a sustainable economy in relation to environmental, social and governance factors;

ii) halt biodiversity loss, by achieving the goals of the UN Convention of Biological Diversity, and to align with the restoration objectives of the [nature restoration law 2022/0195 (COD)]

The targets and measures included in the transition plans shall take into account the latest reports and measures prescribed by the European Scientific Advisory Board on Climate Change.

The plans referred to in the first sub-paragraph shall at least include all the following elements:

(i) A comprehensive strategy and operational actions to reach the objectives of the climate law [Regulation (EU) 2021/1119] and restore biodiversity;

(ii) Specific, science-based intermediate quantifiable targets and milestones with horizons of 5 and 10 years.

2. The transition plans shall adopt a holistic approach and cover all insurance activities, including investment and underwriting activities.

3. The transition plans shall be regularly updated, and at least every three years, and be adapted in view of any significant changes affecting the transition plan or its implementation.

4. The transition plan shall be integrated into the risk management system required under Article 44, and particularly by identifying, measuring, monitoring, managing and reporting matters that pose a risk to the successful implementation of the transition plan.

Or. en
Amendment 473
Paul Tang

Proposal for a directive
Article 1 – paragraph 1 – point 23 a (new)
Directive 2009/138/EC
Article 44 a (new)

Text proposed by the Commission

(23a) the following Article is inserted:

‘Article 44a

Transition plans

1. Insurance and reinsurance undertakings shall have and shall implement a written transition plan covering both underwriting and investment activities, with intermediate implementing actions and specific science-based short-term, medium- and long-term targets, including absolute emission reduction targets for attributable greenhouse gas (GHG) emissions for 2025 and 2030, reviewed every year up to 2050 that are in line with the EU’s ambitions under Regulation (EU) 2021/1119. The plans shall also outline the undertakings pathway to reduce and eliminate the financing of activities that cause significant harm to environmental objectives as outlined by Article 17 of Regulation (EU) 2019/852. They shall integrate their transition plan within their underwriting and investment strategy and decisions.

2. The transition plan shall be reviewed at least annually. It shall be subject to prior approval by the administrative, management or supervisory body and be adapted in view of any significant changes affecting the transition plan or its implementation.

3. The transition plan shall be well integrated into the organisational structure and in the decision-making processes of the insurance or reinsurance undertaking. The system of governance
required under Article 41 shall include a clear allocation and appropriate segregation of responsibilities for implementing the transition plan and provide for proper consideration of the implementation of the transition plan by the persons who effectively run the undertaking or have other key functions.

4. The transition plan shall be integrated into the risk management system required under Article 44, and particularly under Article 44 (2b) and 44 (2c), including by identifying, measuring, monitoring, managing and reporting matters that pose a risk to the successful implementation of the transition plan.'

Or. en

Justification

Since banks are obliged to have transition plans in place in place under the new Capital Requirements Directive, insurers shall also have transition plans in place to ensure a decrease in their financed emissions and their financing of activities that significantly harm environmental objectives.

Amendment 474
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 23 a (new)
Directive 2009/138/EC
Article 44 a (new)

Text proposed by the Commission

Amendment

(23a) the following Article is inserted:

'Article 44a

Transition plan

1. Insurance and reinsurance undertakings shall have a written transition plan covering both underwriting and investment activities, with intermediate implementing actions and specific science-based short-term,
medium- and long-term targets, including absolute emission reduction targets for attributable greenhouse gas (GHG) emissions for 2025 and 2030, reviewed every year up to 2050. They shall take reasonable steps to ensure that this transition plan is implemented. They shall integrate their transition plan within their underwriting and investment strategy and decisions.

2. The transition plan shall be reviewed at least annually. It shall be subject to prior approval by the administrative, management or supervisory body and be adapted in view of any significant changes affecting the transition plan or its implementation.

3. The transition plan shall be well integrated into the organisational structure and in the decision-making processes of the insurance or reinsurance undertaking. The system of governance required under Article 41 shall include a clear allocation and appropriate segregation of responsibilities for implementing the transition plan and provide for proper consideration of the implementation of the transition plan by the persons who effectively run the undertaking or have other key functions.

4. The transition plan shall be integrated into the risk management system required under Article 44, and particularly under Article 44 (2b) and 44 (2c), including by identifying, measuring, monitoring, managing and reporting matters that pose a risk to the successful implementation of the transition plan.

Amendment 475
Aurore Lalucq
Amendment 476
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Canfin, Pascal Durand

Proposal for a directive
Article 1 – paragraph 1 – point 23 a (new)
Directive 2009/138/EC
Article 44 a (new)

Text proposed by the Commission

(23a) the following Article is inserted:

'Article 44a (new)

Remuneration

1. Member States shall ensure that the written policy on remuneration, including incentive schemes, shall promote sound and effective risk management, including in relation to the integration of sustainability risks in the risk management system and the adverse impacts of the insurance or reinsurance undertaking considering sustainability factors.

2. For undertakings subject to Articles 19a and 29a of Directive 2013/34/EU, where an undertaking’s remuneration schemes include both a fixed and a variable component, at least half of the variable component should be linked to the achievements of the sustainability targets and as set out in the transition plans implemented in accordance with Articles 44 and 132.

3. The Commission shall adopt delegated acts in accordance with Article 301a in order to ensure uniform conditions of the application of paragraph 2.'
(23a) The following article is inserted:

'Article 44a

Transition plan

1. In order to demonstrate alignment with the Green Deal and the objective of carbon neutrality by 2050 at the latest as established in Regulation (EU) 2021/1119 (European Climate Law), insurance and reinsurance undertakings in scope of Directive (EU) 2021/0104 (COD) [CSRD Directive] shall develop and adopt a transition plan by no later than [1 year after the date of the application of the Directive].

2. The plan shall be approved by the administrative, management or supervisory body of the insurance or reinsurance undertaking. The plan shall be reviewed at least every 2 years.


Or. en

Amendment 477
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 23 b (new)
Directive 2009/138/EC
Article 44 b (new)
Text proposed by the Commission

Amendment

(23b) the following article is inserted:

‘Article 44b

Remuneration policy

1. Member States shall ensure that the written policy on remuneration, including incentive schemes, shall promote sound and effective risk management, including in relation to the integration of sustainability risks in the risk management system and the adverse impacts of the insurance or reinsurance undertaking considering sustainability factors.

2. The Commission shall adopt delegated acts in accordance with Article 301a to specify that remuneration schemes that include both fixed and variable components, the variable remuneration component shall be linked to achievement of the targets set as part of the transition plan of the undertaking, implemented in accordance with Article 44a.’

Or. en

Amendment 478
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 24 – point a
Directive 2009/138/EC
Article 45 – paragraph 1 – subparagraph 2 – point d

Text proposed by the Commission

(d) consideration and analysis of the macroeconomic situation, and possible macroeconomic and financial markets’ developments, and, upon a reasoned request of the supervisory authority, macroprudential concerns, that may affect the specific risk profile, the approved risk

Amendment

(d) consideration and assessment of the macroeconomic situation, and possible macroeconomic, geopolitical, environmental and financial markets’ developments, and, upon a reasoned request of the supervisory authority, macroprudential concerns, that may affect
tolerance limits, the business strategy, the underwriting activities or the investment decisions, and the overall solvency needs referred to in point (a) of the undertaking;

(d) consideration and analysis of the macroeconomic situation, and possible macroeconomic and financial markets' developments, and, upon a reasoned request of the supervisory authority, macroprudential concerns, that may affect the specific risk profile, the approved risk tolerance limits, the business strategy, the underwriting activities or the investment decisions, and the overall solvency needs referred to in point (a) of the undertaking;

(e) consideration and analysis of the activities of the undertaking that may affect

Amendment 479
Stéphanie Yon-Courtin, Gilles Boyer

Proposal for a directive
Article 1 – paragraph 1 – point 24 – point a
Directive 2009/138/EC
Article 45 – paragraph 1 – subparagraph 2 – point d

Text proposed by the Commission

(d) consideration and analysis of the macroeconomic situation, and possible macroeconomic and financial markets' developments, and, upon a reasoned request of the supervisory authority, macroprudential concerns, that may affect the specific risk profile, the approved risk tolerance limits, the business strategy, the underwriting activities or the investment decisions, and the overall solvency needs referred to in point (a) of the undertaking;

Amendment

(d) consideration and analysis of the macroeconomic situation, and possible or relevant macroeconomic and financial markets' developments, and, upon a reasoned request of the supervisory authority, macroprudential concerns, that may affect the specific risk profile, the approved risk tolerance limits, the business strategy, the underwriting activities or the investment decisions, and the overall solvency needs referred to in point (a) of the undertaking;

Amendment 480
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 24 – point a
Directive 2009/138/EC
Article 45 – paragraph 1 – subparagraph 2 – point e

Text proposed by the Commission

(e) consideration and analysis of the activities of the undertaking that may affect

Amendment

(e) consideration and analysis of the activities of the undertaking that may affect
the macroeconomic and financial markets’ developments, and have the potential to turn into sources of systemic risk;
points (d) and (e), macroeconomic and financial markets’ developments shall include, at least, changes in the following:

points (d) and (e), geopolitical, environmental and financial markets’ developments shall include, at least, changes in the following:

Amendment 483
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 24 – point b
Directive 2009/138/EC
Article 45 – paragraph 1a – subparagraph 1 – point e

Text proposed by the Commission
(e) climate change, pandemics, other mass-scale events and other catastrophes, which may affect insurance and reinsurance undertakings.

Amendment
(e) climate change, biodiversity loss, pandemics, other mass-scale events and other catastrophes, which may affect insurance and reinsurance undertakings.

Amendment 484
Stéphanie Yon-Courtin, Gilles Boyer

Proposal for a directive
Article 1 – paragraph 1 – point 24 – point b
Directive 2009/138/EC
Article 45 – paragraph 1a – subparagraph 1 – point e

Text proposed by the Commission
(e) climate change, pandemics, other mass-scale events and other catastrophes, which may affect insurance and reinsurance undertakings.

Amendment
(e) climate change, global pandemics, other mass-scale events and other catastrophes, which may affect insurance and reinsurance undertakings.

Amendment 485
Eero Heinäluoma, Paul Tang, Aurore Lalucq
Proposal for a directive
Article 1 – paragraph 1 – point 24 – point b
Directive 2009/138/EC
Article 45 – paragraph 1a – subparagraph 2

Text proposed by the Commission

For the purpose of the paragraph 1, point (d), macroprudential concerns shall include, at least, plausible unfavourable future scenarios and risks related to the credit cycle and economic downturn, herding behaviour in investments or excessive exposure concentrations at the sectoral level.

Amendment

For the purpose of the paragraph 1, point (d), macroprudential concerns shall include, amongst others, plausible unfavourable future scenarios and risks related to the credit cycle and economic downturn, climate risks, herding behaviour in investments or excessive exposure concentrations at the sectoral level.

Or. en

Amendment 486
Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 24 – point b a (new)
Directive 2009/138/EC
Article 45 – paragraph 2

Present text

2. For the purposes of paragraph 1(a), the undertaking concerned shall have in place processes which are proportionate to the nature, scale and complexity of the risks inherent in its business and which enable it to properly identify and assess the risks it faces in the short and long term and to which it is or could be exposed. The undertaking shall demonstrate the methods used in that assessment.

Amendment

(ba) paragraph 2 is replaced by the following:

"2. For the purposes of paragraph 1(a), the undertaking concerned shall have in place processes which are proportionate to the nature, scale and complexity of the risks inherent in its business and which enable it to properly identify and assess the risks it faces in the short and long term and to which it is or could be exposed, including sustainability risks. The undertaking shall demonstrate the methods used in that assessment."

Or. en

Amendment 487
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 24 – point b a (new)
Directive 2009/138/EC
Article 45 – paragraph 2

Present text

2. For the purposes of paragraph 1(a), the undertaking concerned shall have in place processes which are proportionate to the nature, scale and complexity of the risks inherent in its business and which enable it to properly identify and assess the risks it faces in the short and long term and to which it is or could be exposed. The undertaking shall demonstrate the methods used in that assessment.

Amendment

(ba) paragraph 2 is replaced by the following:

"2. For the purposes of paragraph 1(a), the undertaking concerned shall have in place processes which are proportionate to the nature, scale and complexity of the risks inherent in its business and which enable it to properly identify and assess the risks it faces in the short, medium and long term and to which it is or could be exposed, including sustainability risks. The undertaking shall demonstrate the methods used in that assessment."

Or. en


Amendment 488
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 24 – point b a (new)
Directive 2009/138/EC
Article 45 – paragraph 2

Present text

For the purposes of paragraph 1(a), the undertaking concerned shall have in place

Amendment

(ba) paragraph 2 is replaced by the following:

"2. For the purposes of paragraph 1(a), the undertaking concerned shall have in place
processes which are proportionate to the nature, scale and complexity of the risks inherent in its business and which enable it to properly identify and assess the risks it faces in the short and long term and to which it is or could be exposed. The undertaking shall demonstrate the methods used in that assessment.

processes which are proportionate to the nature, scale and complexity of the risks inherent in its business and which enable it to properly identify and assess the risks it faces in the short and long term and to which it is or could be exposed, including sustainability risks, and its own principal adverse impacts on sustainability factors. The undertaking shall demonstrate the methods used in that assessment.

Or. en

Amendment 489
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 24 – point b a (new)
Directive 2009/138/EC
Article 45 – paragraph 2

Present text

2. For the purposes of paragraph 1(a), the undertaking concerned shall have in place processes which are proportionate to the nature, scale and complexity of the risks inherent in its business and which enable it to properly identify and assess the risks it faces in the short and long term and to which it is or could be exposed. The undertaking shall demonstrate the methods used in that assessment.

Amendment

(ba) paragraph 2 is replaced by the following:

"2. For the purposes of paragraph 1(a), the undertaking concerned shall have in place processes which are proportionate to the nature, scale and complexity of the risks inherent in its business and which enable it to properly identify and assess the risks it faces in the short and long term and to which it is or could be exposed, including sustainability risk. The undertaking shall demonstrate the methods used in that assessment."

Or. en

Amendment 490
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Canfin
4. The own-risk and solvency assessment shall be an integral part of the business strategy and shall be taken into account on an ongoing basis in the strategic decisions of the undertaking.

"4. The own-risk and solvency assessment shall be an integral part of the business strategy and shall be taken into account on an ongoing basis in the strategic decisions of the undertaking. In particular, insurance and reinsurance undertakings shall take all necessary measures to ensure that they appropriately manage and address all material risks identified, including climate change risks."

Or. en


Amendment 491
Stéphanie Yon-Courtin, Gilles Boyer

8. For the purpose of paragraph 1, points (d) and (e), of this Article, where authorities other than the supervisory authorities are entrusted with a macroprudential mandate, Member States shall ensure that the supervisory authorities share the findings of their macroprudential assessments of the own-risk and solvency assessment by insurance and reinsurance undertakings, as referred to in Article 45.
with the relevant national authorities with a macroprudential mandate. to in Article 45, with the relevant national authorities with a macroprudential mandate.

Amendment 492
Marco Zanni, Valentino Grant, Antonio Maria Rinaldi

Proposal for a directive
Article 1 – paragraph 1 – point 25
Directive 2009/138/EC
Article 45a

Text proposed by the Commission

Amendment

(25) the following Article 45a is deleted
inserted:

‘

Article 45a
Climate change scenario analysis

1. For the purposes of the identification and assessment of risks referred to in Article 45(2), the undertaking concerned shall also assess whether it has any material exposure to climate change risks. The undertaking shall demonstrate the materiality of its exposure to climate change risks in the assessment referred to in Article 45(1).

2. Where the undertaking concerned has material exposure to climate change risks, the undertaking shall specify at least two long-term climate change scenarios, including the following:

(a) a long-term climate change scenario where the global temperature increase remains below two degrees Celsius;

(b) a long-term climate change scenario where the global temperature increase is equal to or higher than two degrees Celsius.
3. At regular intervals, the assessment referred to in Article 45(1) shall contain an analysis of the impact on the business of the undertaking of the long-term climate change scenarios specified pursuant to paragraph 2 of this Article. Those intervals shall be proportionate to the nature, scale and complexity of the climate change risks inherent in the business of the undertaking, but be no longer than three years.

4. The long-term climate change scenarios referred to in the paragraph 2 shall be reviewed, at least every three years, and updated where necessary.

5. By way of derogation from paragraphs 2, 3 and 4, insurance and reinsurance undertakings that are classified as low-risk profile undertakings shall neither be required to specify climate change scenarios nor to assess their impact on the business of the undertaking.

Amendment 493
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 25
Directive 2009/138/EC
Article 45a – paragraph 1

Text proposed by the Commission

1. For the purposes of the identification and assessment of risks referred to in Article 45(2), the undertaking concerned shall also assess whether it has any material exposure to climate change risks. The undertaking shall demonstrate the materiality of its exposure to climate

Amendment

1. For the purposes of the identification and assessment of risks referred to in Article 45(2), the undertaking concerned shall specify at least three long-term climate scenarios.
change risks in the assessment referred to in Article 45(1).

Amendment 494
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 25
Directive 2009/138/EC
Article 45a – paragraph 1

Text proposed by the Commission

1. For the purposes of the identification and assessment of risks referred to in Article 45(2), the undertaking concerned shall also assess whether it has any material exposure to climate change risks. The undertaking shall demonstrate the materiality of its exposure to climate change risks in the assessment referred to in Article 45(1).

Amendment

1. For the purposes of the identification and assessment of risks referred to in Article 45(2), insurance and reinsurance undertakings shall also assess their exposure to climate change risks.

Or. en

Amendment 495
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 25
Directive 2009/138/EC
Article 45a – paragraph 2 – introductory part

Text proposed by the Commission

2. Where the undertaking concerned has material exposure to climate change risks, the undertaking shall specify at least two long-term climate change scenarios, including the following:

Amendment

2. For the purpose of paragraph 1, the undertaking shall specify at least three long-term climate change scenarios, modelling a period of at least 30 years, including the following:
Amendment 496  
Chris MacManus

Proposal for a directive  
Article 1 – paragraph 1 – point 25  
Directive 2009/138/EC  
Article 45a – paragraph 2 – introductory part

Text proposed by the Commission

2. Where the undertaking concerned has material exposure to climate change risks, the undertaking shall specify at least two long-term climate change scenarios, including the following:

Amendment

2. The long-term climate change scenarios referred to in paragraph 1 shall cover a modelling period of at least 30 years and shall include the following scenarios:

Amendment 497  
Chris MacManus

Proposal for a directive  
Article 1 – paragraph 1 – point 25  
Directive 2009/138/EC  
Article 45a – paragraph 2 – point a

Text proposed by the Commission

(a) a long-term climate change scenario where the global temperature increase remains below two degrees Celsius;

Amendment

(a) a long-term 'orderly transition' climate change scenario where climate change policies are introduced early and become gradually more stringent, resulting in global greenhouse gas emissions reaching net-zero by 2050 and limiting the global temperature increase to below two degrees Celsius;

Amendment 498  
Henrike Hahn

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Proposal for a directive
Article 1 – paragraph 1 – point 25
Directive 2009/138/EC
Article 45a – paragraph 2 – point a

Text proposed by the Commission

(a) a long-term climate change scenario where the global temperature increase remains below two degrees Celsius;

Amendment

(a) an orderly transition scenario where climate policies are introduced early and become gradually more stringent, resulting in global greenhouse gas emissions reaching net-zero around 2050 the latest and the global temperature increase remains below two degrees Celsius;

Or. en

Amendment 499
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 25
Directive 2009/138/EC
Article 45a – paragraph 2 – point a a (new)

Text proposed by the Commission

(a a) a ‘disorderly transition’ scenario where climate policies are delayed or divergent, resulting in later and sharper global greenhouse gas emissions reductions and the global temperature increase remaining below two degrees Celsius;

Amendment

Or. en

Amendment 500
Chris MacManus
Proposal for a directive
Article 1 – paragraph 1 – point 25
Directive 2009/139/EC
Article 45a – paragraph 2 – point b

Text proposed by the Commission

(b) a long-term climate change scenario where the global temperature increase is equal to or higher than two degrees Celsius.

Amendment

(b) a long-term 'disorderly transition' climate change scenario where climate policies are delayed or divergent, resulting in later and sharper global greenhouse gas emission reductions, with the global temperature increase remaining below two degrees Celsius.

Or. en

Justification

A disorderly transition scenario is needed to consider the impacts for the undertaking, particularly on assets that may become stranded, of such a transition.

Amendment 501
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 25
Directive 2009/138/EC
Article 45a – paragraph 2 – point b

Text proposed by the Commission

(b) a long-term climate change scenario where the global temperature increase is equal to or higher than two degrees Celsius.

Amendment

(b) a “hot house world” scenario where no or insufficient climate policies are implemented and where the global temperature increase is equal to or higher than three degrees Celsius.

Or. en

Amendment 502
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Canfin
Proposal for a directive
Article 1 – paragraph 1 – point 25
Directive 2009/138/EC
Article 45a – paragraph 2 – point b

Text proposed by the Commission
(b) a long-term climate change scenario where the global temperature increase is equal to or higher than two degrees Celsius.

Amendment
(b) a long-term climate change scenario where the global temperature increase is significantly higher than two degrees Celsius.

Or. en

Justification
In their assessment of exposure to climate change risks, insurance undertakings should have a scenario based on an increase of temperatures higher than 2 degrees.

Amendment 503
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 25
Directive 2009/138/EC
Article 45a – paragraph 2 – point b a (new)

Text proposed by the Commission
(b) a long-term climate change scenario where the global temperature increase is equal to or higher than two degrees Celsius.

Amendment
(b a) a long-term climate change scenario where the global temperature increase is equal to or higher than two degrees Celsius.

Or. en

Amendment 504
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 25
Directive 2009/138/EC
Article 45a – paragraph 5
5. By way of derogation from paragraphs 2, 3 and 4, insurance and reinsurance undertakings that are classified as low-risk profile undertakings shall neither be required to specify climate change scenarios nor to assess their impact on the business of the undertaking.

Amendment 505
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Canfin, Pascal Durand

Proposal for a directive
Article 1 – paragraph 1 – point 25
Directive 2009/138/EC
Article 45a – paragraph 5

5. At regular intervals, the undertaking concerned shall perform a backward analysis on previous climate change scenarios to disclose to what extent their tools and principles used when conducting their long-term climate change scenario analyses lead to an overestimation or underestimation of the materiality of its exposure to climate change risks.

Or. en

Amendment 506
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 25
Directive 2009/138/EC
Article 45a – paragraph 5
5. By way of derogation from paragraphs 2, 3 and 4, insurance and reinsurance undertakings that are classified as low-risk profile undertakings shall neither be required to specify climate change scenarios nor to assess their impact on the business of the undertaking.

5. By way of derogation from paragraph 4, insurance and reinsurance undertakings that are classified as low-risk profile undertakings can be required to run only scenarios a) and c) referred to in paragraph 2. By way of derogation from paragraph 3, low risk profile undertakings can be allowed to conduct climate change scenario analysis on less frequent intervals, but no longer than five years.

Amendment 507
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 25
Directive 2009/138/EC
Article 45a – paragraph 5 a (new)

5 a. By way of derogation from paragraphs 1, 2, 3 and 4, insurance undertakings that can demonstrate the they do not have any material exposure to climate change risks shall neither be required to specify climate change scenarios nor to assess their impact on the business of the undertaking.

Justification

The burden of proof is shifted. Instead of insurers having to demonstrate material exposure to climate change risks before performing the climate change scenario analysis, the baseline expectation is that insurers are exposed to climate change risk. Insurers will then have to demonstrate a lack of exposure to climate change risk in order to be absolved of the requirements of paragraphs 1-4.
Amendment 508  
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Canfin, Pascal Durand

Proposal for a directive  
Article 1 – paragraph 1 – point 25  
Directive 2009/138/EC  
Article 45a – paragraph 5a (new)

<table>
<thead>
<tr>
<th>Text proposed by the Commission</th>
<th>Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>5a. In order to ensure common, uniform and consistent application of this Article, EIOPA shall develop guidelines to facilitate common supervisory tools and specify the principles to be used when conducting long-term climate change scenario analyses referred to in Article 45a.</td>
<td></td>
</tr>
</tbody>
</table>

Or. en

Justification

Guidelines from EIOPA will be needed to ensure a consistent application of the requirement to integrate climate-related risks into the Own Risk and Solvency Assessment.

Amendment 509  
Chris MacManus

Proposal for a directive  
Article 1 – paragraph 1 – point 25a (new)  
Directive 2009/128/EC  
Article 50 – paragraph 1

<table>
<thead>
<tr>
<th>Present text</th>
<th>Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>(25a) paragraph 1 of Article 50 is replaced by the following: 1. The Commission shall adopt delegated acts in accordance with Article 301a to further specify the following: (a) the elements of the systems referred to in Articles 41, 44, 46 and 47, and in particular the areas to be covered by the asset–liability management and investment policy, as referred to in Article 44(2), of</td>
<td></td>
</tr>
<tr>
<td>&quot;1. The Commission shall adopt delegated acts in accordance with Article 301a to further specify the following: (a) the elements of the systems referred to in Articles 41, 44, 46 and 47, and in particular the areas to be covered by the asset–liability management and investment policy, as referred to in Article 44(2), of</td>
<td></td>
</tr>
</tbody>
</table>
insurance and reinsurance undertakings;
(b) the functions referred to in Articles 44, 46, 47 and 48;
(c) minimum standards and reference methodologies for the transition plans referred to in Article 44a;
(d) specific, measurable targets based on scientific evidence, referred to in Article 44a and set out in Article 13;
(e) minimum standards and reference methodologies on how insurance and reinsurance undertakings should integrate sustainability risks and adverse impacts on sustainability factors into their risk management systems in accordance with Article 44, including in relation to the types of sustainability risks and sustainability factors that should be considered by insurance and reinsurance undertakings and processes for identifying and managing adverse impacts on sustainability factors.

The Commission shall, at least every three years after its date of application, review any delegated act adopted pursuant to points (c) and (d) of this paragraph, taking into consideration the technical advice of the European Financial Reporting Advisory Group (EFRAG). Where necessary, the Commission shall amend such delegated acts to take into account relevant developments, including developments with regard to international standards for transition plans and science-based targets.

1a. When adopting delegated acts pursuant to paragraph 1 points (c) and (d), the Commission shall take account of the sustainability reporting standards adopted in accordance with the Directive 2014/95/EU.

"
Amendment 510
Paul Tang

Proposal for a directive
Article 1 – paragraph 1 – point 25 a (new)
Directive 2009/138/EC
Article 50 – paragraph 1

Present text

1. The Commission shall adopt delegated acts in accordance with Article 301a to further specify the following:

(a) the elements of the systems referred to in Articles 41, 44, 46 and 47, and in particular the areas to be covered by the asset–liability management and investment policy, as referred to in Article 44(2), of insurance and reinsurance undertakings;

(b) the functions referred to in Articles 44, 46, 47 and 48.

Amendment

(25a) paragraph 1 of Article 50 is replaced by the following:

"1. The Commission shall adopt delegated acts in accordance with Article 301a to further specify the following:

(a) the elements of the systems referred to in Articles 41, 44, 46 and 47, and in particular the areas to be covered by the asset–liability management and investment policy, as referred to in Article 44(2), of insurance and reinsurance undertakings;

(b) the functions referred to in Articles 44, 46, 47 and 48;

(c) minimum standards and reference methodologies for transition plans and intermediate targets both on emissions and on significantly harmful economic activities as referred to in Articles 44(2b), 44(2c) and 44a;

(d) minimum standards and reference methodologies on how insurance and reinsurance undertakings should integrate sustainability risks and adverse impacts on sustainability factors into their risk management systems in accordance with Article 44, including in relation to the types of sustainability risks and sustainability factors that should be considered by insurance and reinsurance undertakings and processes for identifying and managing adverse impacts on sustainability factors.

The Commission shall, at least every three
years after its date of application, review any delegated act adopted pursuant to this Article, paragraph 1 points (c) and (d), taking into consideration the technical advice of the European Financial Reporting Advisory Group (EFRAG), and where necessary amend such delegated act to take into account relevant developments, including developments with regard to international standards.

1a. When adopting delegated acts pursuant to paragraph 1 points (c) and (d), the Commission shall take into account the sustainability reporting standards adopted in accordance with the Directive 2014/95/EU.

Proposal for a directive
Article 1 – paragraph 1 – point 25 a (new)

1. The Commission shall adopt delegated acts in accordance with Article 301a to further specify the following:

(a) the elements of the systems referred to in Articles 41, 44, 46 and 47, and in particular the areas to be covered by the asset–liability management and investment policy, as referred to in Article 44(2), of insurance and reinsurance undertakings;

(b) the functions referred to in Articles 44, 46, 47 and 48.

Amendment

(25a) paragraph 1 of Article 50 is replaced by the following:

"1. The Commission shall adopt delegated acts in accordance with Article 301a to further specify the following:

(a) the elements of the systems referred to in Articles 41, 44, 46 and 47, and in particular the areas to be covered by the asset–liability management and investment policy, as referred to in Article 44(2), of insurance and reinsurance undertakings;

(b) the functions referred to in Articles 44, 46, 47 and 48;"
(c) minimum standards and reference methodologies for transition plans, referred to in Article 44(2d);

(d) specific measurable targets based on scientific evidence, referred to in Article 44(2d) and set out in Article 13(42).

The Commission shall, at least every three years after its date of application, review any delegated act adopted pursuant to this Article, paragraph 1 points (c) and (d), taking into consideration the technical advice of the European Financial Reporting Advisory Group (EFRAG), and where necessary shall amend such delegated act to take into account relevant developments, including developments with regard to international standards.

1a. When adopting delegated acts pursuant to paragraph 1 points (c) and (d), the Commission shall take account of the sustainability reporting standards adopted in accordance with the Directive 2014/95/EU [CSRD].

Or. en

Amendment 512
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 25 a (new)
Directive 2009/138/EC
Article 50 – paragraph 1

Text proposed by the Commission

Amendment

(25a) Article 50, paragraph 1 is amended as follows:

a) the following point is added:

‘c) minimum standards and reference methodologies for transition plans referred to in Article 44a;’

b) the following sub-paragraph is added:
‘For the adoption of the delegated acts referred to in point c) of this paragraph, the Commission shall take into consideration the technical advice of the European Financial Reporting Advisory Group (EFRAG).’

Or. en

Amendment 513
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Canfin

Proposal for a directive
Article 1 – paragraph 1 – point 25 a (new)
Directive 2009/138/EC
Article 45b (new)

Text proposed by the Commission

Amendment

(25a) The following article is inserted:
‘Article 45b
Stress tests of ESG risks
1. The national supervisory authorities shall carry out as appropriate but at least every two years supervisory stress tests of environmental, social and governance risks on institutions they supervise. 2. EBA, EIOPA and ESMA shall, through the Joint Committee referred to in Article 54 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010, develop guidelines to ensure that consistency, long-term considerations and common standards for assessment methodologies are integrated into the stress testing of environmental, social and governance risks.’

Or. en

Justification

EIOPA has to initiate and coordinate Union-wide assessments of the resilience of financial institutions to adverse market developments according to article 32 of Regulation (EU) No 1094/2010. A first IORP stress test was launched in April 2022 with results expected in
December 2022. Similarly, national supervisory authorities should perform stress tests on climate but also on environmental and social risks.

**Amendment 514**  
Eero Heinäluoma, Paul Tang, Aurore Lalucq

**Proposal for a directive**  
Article 1 – paragraph 1 – point 26 – point b  
Directive 2009/138/EC  
Article 51 – paragraph 1a – point b

<table>
<thead>
<tr>
<th>Text proposed by the Commission</th>
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<td>(b) a brief description of the capital management and the risk profile of the undertaking.</td>
<td>(b) a brief description of the capital management and the risk profile of the undertaking, <em>including in relation to sustainability risks and the principal adverse impacts of the insurance or reinsurance undertaking on sustainability factors, and with reference to how the undertaking's stewardship policy has contributed to addressing these impacts.</em></td>
</tr>
</tbody>
</table>

**Amendment 515**  
Chris MacManus

**Proposal for a directive**  
Article 1 – paragraph 1 – point 26 – point b  
Directive 2009/128/EC  
Article 51 – paragraph 1a – point b

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</tr>
</tbody>
</table>
Amendment 516
Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point b
Directive 2009/138/EC
Article 51 – paragraph 1a – point b

Text proposed by the Commission

(b) a brief description of the capital management and the risk profile of the undertaking;

Amendment

(b) a description of the system of governance and an assessment of its adequacy for the risk profile of the undertaking, including a description of the role of the administrative, management and supervisory bodies with regard to sustainability risks in line with Article 41;

Amendment 517
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point b
Directive 2009/138/EC
Article 51 – paragraph 1a – point b

Text proposed by the Commission

(b) a brief description of the capital management and the risk profile of the undertaking;

Amendment

(b) a brief description of the capital management and the risk profile of the undertaking, including in relation to sustainability risks;

Amendment 518
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Canfin, Pascal Durand
Proposal for a directive
Article 1 – paragraph 1 – point 26 – point b
Directive 2009/138/EC
Article 51 – paragraph 1a – point b

Text proposed by the Commission
(b) a brief description of the capital management and the risk profile of the undertaking;

Amendment
(b) a brief description of the capital management and the risk profile of the undertaking, including in relation to sustainability risks;

Or. en

Justification
The SFCR shall include information related to sustainability risks, the result of the climate scenario analysis performed according to Article 45a and the status of implementation of the transition plan described in Article 44a.

Amendment 519
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Canfin, Pascal Durand

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point b
Directive 2009/138/EC
Article 51 – paragraph 1a – points b a (new) and b b (new)

Text proposed by the Commission
(b a) where the undertaking conducts a climate scenario analysis described in Article 45a, a description of the latest results;

(b b) a description of the implementation of the transition plan described in Article 44a.

Amendment
(b a) where the undertaking conducts a climate scenario analysis described in Article 45a, a description of the latest results;

(b b) a description of the implementation of the transition plan described in Article 44a.

Or. en

Justification
The SFCR shall include information related to sustainability risks, the result of the climate scenario analysis performed according to Article 45a and the status of implementation of the transition plan described in Article 44a.
Amendment 520
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point b
Directive 2009/138/EC
Article 51 – paragraph 1a – point b a (new)

Text proposed by the Commission

Amendment

(b a) where the undertaking conducts a climate change scenario analysis, a description of the results of the latest climate change scenario analysis as described in Article 45a, and a description of how the transition plan of the undertaking described in Article 44a is addressing and reducing the undertaking's exposure to climate change risks;

Or. en

Justification

In the interests of improved access to environmental information, policyholders and beneficiaries should be able to easily locate information regarding climate change risk and transition plans that may be of great interest to them. These details should therefore be included in the report.

Amendment 521
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point b
Directive 2009/138/EC
Article 51 – paragraph 1a – point b a (new)

Text proposed by the Commission

Amendment

(b a) where the undertaking conducts a climate change scenario analysis, a description of the results of the latest climate change scenario analysis described in Article 45a, and a description
of how the transition plan of the undertaking described at Article 44a is addressing and reducing its exposure to climate change risks;

Amendment 522
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 – paragraph 1b – point a

Text proposed by the Commission
(a) a description of the system of governance;

Amendment
(a) a description of the system of governance, including a description of the role of the administrative, management and supervisory bodies with regard to sustainability risks in line with Article 41;

Amendment 523
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 – paragraph 1b – point a

Text proposed by the Commission
(a) a description of the system of governance;

Amendment
(a) a description of the system of governance; including a description of the role of the administrative, management and supervisory bodies with regard to sustainability risks in line with article 41.

Or. en
**Amendment 524**  
**Henrike Hahn**  
on behalf of the Verts/ALE Group

**Proposal for a directive**  
**Article 1 – paragraph 1 – point 26 – point c**  
Directive 2009/138/EC  
Article 51 – paragraph 1b – point c

*Text proposed by the Commission*

(a) a description of the system of governance;

*Amendment*

(a) a description of the system of governance, including the role of the administrative, management and supervisory body with regard to sustainability risks;

Or. en

**Amendment 525**  
**Eero Heinäluoma, Paul Tang, Aurore Lalucq**

**Proposal for a directive**  
**Article 1 – paragraph 1 – point 26 – point c**  
Directive 2009/138/EC  
Article 51 – paragraph 1b a (new)

*Text proposed by the Commission*

For the purposes of paragraph 1a, insurance and reinsurance undertakings may describe sustainability risks and the principal adverse impacts of the insurance or reinsurance undertaking on sustainability factors by clear cross-reference to sections of their management report containing relevant information.

*Amendment*

Or. en

**Amendment 526**  
**Henrike Hahn**  
on behalf of the Verts/ALE Group
Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 – paragraph 1b – point c – point ii a (new)

Text proposed by the Commission

(ii a) for undertakings using internal models, the amount of the Solvency Capital Requirement that would have resulted from the application of the standard formula;

Amendment

Or. en

Amendment 527
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 – paragraph 1b – point c – point iii

Text proposed by the Commission

(iii) for insurance and reinsurance undertakings relevant for the financial stability of the financial systems in the Union, information on risk sensitivity;

Amendment

(iii) for insurance and reinsurance undertakings relevant for the financial stability of the financial systems in the Union, information on risk sensitivity, including in relation to sustainability risks;

Or. en

Amendment 528
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 – paragraph 1b – point c – point vi a (new)

Text proposed by the Commission

(vi a) climate and other sustainability

Amendment
targets and transition plan targets of the undertaking, including absolute carbon emission reduction targets for its underwriting and investment portfolios, submitted in accordance with Articles 44(2b) (new), 44(2c) (new) and 44a (new), and the progress made towards implementing them;

Or. en

Amendment 529
Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 (1) – paragraph 1b – point c – point vi a (new)

Text proposed by the Commission

Amendment

(vi a) climate and other sustainability targets and transition plans of the undertaking, including absolute emission reduction targets for operational and attributable greenhouse gas emissions for underwriting and investment portfolios, submitted in accordance with Articles 44(2b) (new) and 44(2c) (new) and 132(2b) (new), and the progress made towards implementing them;

Or. en

Amendment 530
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 – paragraph 1b – point c – point vi a (new)
(vi a) climate and other sustainability targets and transition plan targets of the undertaking, including absolute carbon emission reduction targets for its underwriting and investment portfolios, submitted in accordance with Articles 44(2a) (new) and 44a (new), and the progress made towards implementing them;

Or. en

Amendment 531
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 – paragraph 1b – point c – point vi a (new)

Text proposed by the Commission

(vi a) the targets and milestones defined in the undertaking’s transition plan;

Or. en

Amendment 532
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 – paragraph 1b – point c – point vi b (new)

Text proposed by the Commission

(vi b) the adaptation of business model and strategy decided by the undertaking to cope with the sustainability risks it faces.
Amendment 533
Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 – paragraph 1b – point c – point vi b (new)

*Text proposed by the Commission*

(vi b) how the undertaking’s business model and strategy take account of sustainability risks faced by the undertaking.

Or. en

Amendment 534
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 – paragraph 1b – point c – point vi b (new)

*Text proposed by the Commission*

(vi b) how the undertaking’s business model and strategy take account of sustainability risks faced by the undertaking.

Or. en

Amendment 535
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 – paragraph 1b – point c – point vi b (new)
Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 – paragraph 1b – point c – point vi c (new)

Text proposed by the Commission

(vi b) how the undertaking’s business model and strategy take account of sustainability risks faced by the undertaking;

Or. en

Amendment 536
Eero Heinäluoma, Paul Tang, Aurore Lalucq

Text proposed by the Commission

(vi) the role of the administrative, management and supervisory bodies with regard to sustainability risks.

Or. en

Amendment 537
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 – paragraph 1b – point c a (new)

Text proposed by the Commission

(c a) where the undertaking conducts a climate change scenario analysis, a description of the results of the latest climate change scenario analysis as described in Article 45a, and a description of how the transition plan of the undertaking described in Article 44a (new) is addressing and reducing the undertaking’s exposure to climate change
risks.

Amendment 538
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 26 – point c
Directive 2009/138/EC
Article 51 – paragraph 1b – point c a (new)

Text proposed by the Commission

Amendment

(c a) the result of the latest Union-wide assessment of the resilience of financial institutions.

Or. en

Amendment 539
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 27
Directive 2009/138/EC
Article 51a – paragraph 1

Text proposed by the Commission

Amendment

1. For insurance and reinsurance undertakings other than low-risk profile undertakings and captive insurance undertakings and captive reinsurance undertakings, the balance sheet disclosed as part of the solvency and financial condition report or as part of the single solvency and financial condition report shall be subject to an audit.

Or. en
Amendment 540
Eero Heinäluoma, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 27
Directive 2009/138/EC
Article 51a – paragraph 1

Text proposed by the Commission

1. For insurance and reinsurance undertakings other than low-risk profile undertakings and captive insurance undertakings and captive reinsurance undertakings, the balance sheet disclosed as part of the solvency and financial condition report or as part of the single solvency and financial condition report shall be subject to an audit.

Amendment

1. For insurance and reinsurance undertakings other than low-risk profile undertakings and captive insurance undertakings and captive reinsurance undertakings, the balance sheet disclosed as part of the solvency and financial condition report or as part of the single solvency and financial condition report shall be subject to an audit.

Or. en

Amendment 541
Stéphanie Yon-Courtin, Gilles Boyer, Pascal Durand

Proposal for a directive
Article 1 – paragraph 1 – point 27
Directive 2009/138/EC
Article 51a – paragraph 1

Text proposed by the Commission

1. For insurance and reinsurance undertakings other than low-risk profile undertakings and captive insurance undertakings and captive reinsurance undertakings, the balance sheet disclosed as part of the solvency and financial condition report or as part of the single solvency and financial condition report shall be subject to an audit.

Amendment

1. For insurance and reinsurance undertakings other than low-risk profile undertakings and captive insurance undertakings and captive reinsurance undertakings, the balance sheet disclosed as part of the solvency and financial condition report or as part of the single solvency and financial condition report shall be subject to an audit requirement.

Or. en
Amendment 542
Eero Heinäluoma, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 27
Directive 2009/138/EC
Article 51a – paragraph 2

Text proposed by the Commission

Amendment

2. Member States may extend the obligation laid down in paragraph 1 to captive insurance undertakings and captive reinsurance undertakings.

Or. en

Amendment 543
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 27
Directive 2009/138/EC
Article 51a – paragraph 2

Text proposed by the Commission

Amendment

2. Unless decided otherwise by the competent authority, low-risk profile undertakings, captive insurance undertakings and captive reinsurance undertakings are exempted from the obligation laid down in paragraph 1.

Or. en

Amendment 544
Chris MacManus
on behalf of The Left Group

Proposal for a directive
Article 1 – paragraph 1 – point 27
Directive 2009/138/EC
Article 51a – paragraph 2
2. Member States may extend the obligation laid down in paragraph 1 to captive insurance undertakings and captive reinsurance undertakings.

Justification

It is not justified to exempt low profile risk undertakings from audit requirements.

Amendment 545
Eero Heinäluoma, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 27
Directive 2009/138/EC
Article 51a – paragraph 3

2. Member States may extend the obligation laid down in paragraph 1 to captive insurance undertakings, captive reinsurance undertakings and low risk profile undertakings.

Or. en

Amendment 546
Chris MacManus

3. The audit shall be carried out by a statutory auditor or an audit firm, in accordance with the applicable international standards, unless this Directive, or delegated acts adopted pursuant to it establish other principles and requirements for the assessment of any item of the balance sheet. Statutory auditors and audit firms, when performing this task, shall comply with the duties of auditors set out in Article 72.

Amendment
3. The audit shall be carried out by a statutory auditor or an audit firm, in accordance with the applicable international standards, unless this Directive, or delegated acts adopted pursuant to it establish other principles and requirements for the assessment of any item of the balance sheet. Statutory auditors and audit firms, when performing this task, shall comply with the duties of auditors set out in Article 72 and will not provide any service as foreseen under Article 5 of Regulation (EU) No 537/2014, during the period the audit services are provided.

Or. en
on behalf of The Left Group

Proposal for a directive
Article 1 – paragraph 1 – point 27
Directive 2009/138/EC
Article 51a – paragraph 3 a (new)

Text proposed by the Commission

3 a. Member States may extend the scope of the audit requirement to other elements of the solvency and financial condition report.

Or. en

Justification

Member States may continue to implement existing audit requirements.

Amendment 547
Chris MacManus
on behalf of The Left Group

Proposal for a directive
Article 1 – paragraph 1 – point 28 – point c a (new)
Directive 2009/138/EC
Article 52 – paragraph 3 a (new)

Text proposed by the Commission

(ca) the following paragraph is added:
‘3a. EIOPA shall monitor the appropriateness and soundness of the criteria for identifying low-risk profile undertakings and groups and assess the effects of applying those criteria, at least with respect to the objectives of policyholders’ protection, financial stability and level playing field. EIOPA shall submit a report on its findings to the Commission by [OP please insert date = three years after entry into application].’;

Or. en
Justification

EIOPA should be empowered to monitor the effectiveness of the criteria for LRUs bearing in mind consumers and financial stability.

Amendment 548
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 31 a (new)
Directive 2009/138/EC
Article 59 – paragraph 1 – subparagraph 1 a (new) and paragraph 2 – subparagraphs 1 a (new) and 1 b (new)

Text proposed by the Commission

(31a) Article 59 is amended as follows:

a) the following subparagraph is added to paragraph 1:

‘For the purposes of assessing the criterion laid down in point (e), supervisory authorities shall consult the authorities competent for the supervision of the obliged entities in accordance with Directive (EU) 2015/849.’

b) the following subparagraphs are added to paragraph 2:

‘For the purpose of this paragraph and with regard to the criterion laid down in point (e) of paragraph 1 of this Article, an objection in writing by the authorities competent for the supervision of the obliged entities in accordance with Directive (EU) 2015/849 shall constitute reasonable grounds for opposition.

In any event, competent authorities shall be able to object to the acquisition when the proposed acquirer is located in a country on the EU list of third-countries with strategic deficiencies or compliance weaknesses in their AML/CFT regime or in a country subject to EU restrictive measures.’
Amendment 549
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 34 a (new)
Directive 2009/138/EC
Article 64 – paragraph 3 a (new)

Text proposed by the Commission

Amendment

(34a) in Article 64, the following paragraph is added:

'Paragraphs 1 to 3 of this Article shall not prevent the competent authorities from publishing the outcome of stress tests carried out in accordance with Article 34(4) of this Directive or Article 32 of Regulation (EU) No 1094/2010 or from transmitting the outcome of stress tests to EIOPA for the purpose of the publication by EIOPA of the results of Union-wide stress tests.'

Or. en

Amendment 550
Eero Heinäluoma, Paul Tang, Jonás Fernández, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 34 a (new)
Directive 2009/138/EC
Article 64 – paragraph 3 a (new)

Text proposed by the Commission

Amendment

(34a) in Article 64, the following paragraph is added:

"Paragraphs 1 to 3 of this Article shall not prevent the competent authorities from publishing the outcome of stress tests carried out in accordance with Article
34(4) of this Directive or Article 32 of Regulation (EU) No 1094/2010 or from transmitting the outcome of stress tests to EIOPA for the purpose of the publication by EIOPA of the results of Union-wide stress tests.

Amendment 551
Marco Zanni, Valentino Grant, Antonio Maria Rinaldi

Proposal for a directive
Article 1 – paragraph 1 – point 36
Directive 2009/138/EC
Article 77 – paragraph 3 a (new)

Text proposed by the Commission

Amendment 3a. The risk margin for the entire portfolio of insurance and reinsurance obligations shall be calculated using the following formula:

\[ RM = \text{CoC} \times \sum_{t \geq 0} (0.9^t \times \text{SCR}(t)/(1+r(t+1))^{t+1}) \]

where

(a) CoC denotes the Cost-of-Capital rates
(b) the sum covers all integers including zero
(c) SCR(t) denotes the Solvency Capital Requirement after t years
(d) r(t+1) denotes the basic risk-free interest rate for the maturity of t+1 years.

Amendment 552
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 36
3a. The risk margin for the entire portfolio of insurance and reinsurance obligations shall be calculated using the following formula:

\[ RM = CoC \times \sum_{t \geq 0} (\max(0.975^t, 50\%) \times SCR(t) / ((1 + r(t+1))^{t+1}) \]

Where:

(a) CoC denotes the Cost-of-Capital rates;
(b) the sum covers all integers including zero;
(c) SCR(t) denotes the Solvency Capital Requirement after t years;
(d) r(t+1) denotes the basic risk-free interest rate for the maturity of t+1 years.
(c) SCR(t) denotes the Solvency Capital Requirement after t years

(d) r(t+1) denotes the basic risk-free interest rate for the maturity of t+1 years.

Or. en

Justification

The Cost-of-Capital rates should be based on sound empirical evidence and be calibrated based on data of sufficient quality, in particular in terms of completeness of the data. In line with the empirical evidence provided by EIOPA, the Cost-of-Capital rate should thus remain at 6%. Corrections to the risk margin for the time-dependence of the SCR should take the specificities of the SCR into account. As the SCR loss has by definition on a yearly basis a 99.5% probability of not occurring, it is unclear why the correction for the time-dependence of the SCR should assume a lower percentage.

Amendment 554
Frances Fitzgerald

Proposal for a directive
Article 1 – paragraph 1 – point 36 a (new)
Directive 2009/138/EC
Article 77 – paragraph 3 a (new)

Text proposed by the Commission

3a. The risk margin for the entire portfolio of insurance and reinsurance obligations shall be calculated using the following formula:

\[ RM = CoC \times \sum_{t \geq 0} (0.9^t \times SCR(t) / ((1 + r(t+1))^{t+1}) \]

Where

(a) CoC denotes the Cost-of-Capital rates

(b) the sum covers all integers including zero

(c) SCR(t) denotes the Solvency Capital Requirement after t years

(d) r(t+1) denotes the basic risk-free interest rate for the maturity of t+1 years.
**Amendment 555**
Henrike Hahn  
on behalf of the Verts/ALE Group

**Proposal for a directive**  
**Article 1 – paragraph 1 – point 36**  
Directive 2009/138/EC  
Article 77 – paragraph 5 – subparagraph 3 a (new)

*Text proposed by the Commission*

The calibration of the cost-of-capital rate to be used in accordance with previous sub-paragraphs, shall be based on empirical evidence, including market data covering a sufficiently long period. The Commission shall set the cost-of-capital to be used, based on an EIOPA opinion.

*Amendment*

**Amendment 556**
Engin Eroglu

**Proposal for a directive**  
**Article 1 – paragraph 1 – point 36**  
Directive 2009/138/EC  
Article 77 – paragraph 5 a (new)

*Text proposed by the Commission*

5a. The Cost-of-Capital rate referred to in paragraph 5 shall be assumed to be equal to 4,5%.

*Amendment*

**Justification**

The cost of capital should be set by the legislator. Economic analysis shows that a substantially lower value than the current 6% is adequate.
Amendment 557
Frances Fitzgerald

Proposal for a directive
Article 1 – paragraph 1 – point 36 a (new)
Directive 2009/138/EC
Article 77 – paragraph 5 a (new)

Text proposed by the Commission  Amendment
5a. The Cost-of-Capital rate referred to in paragraph 5 shall be assumed to be equal to 4%.

Or. en

Amendment 558
Marco Zanni, Valentino Grant, Antonio Maria Rinaldi

Proposal for a directive
Article 1 – paragraph 1 – point 36 a (new)
Directive 2009/138/EC
Article 77 – paragraph 5 a (new)

Text proposed by the Commission  Amendment
5a. The Cost-of-Capital rate referred to in paragraph 5 shall be assumed to be equal to 4%.

Or. en

Amendment 559
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 36 a (new)
Directive 2009/138/EC
Article 77 – paragraph 5 a (new)

Text proposed by the Commission  Amendment
5a. The Cost-of-Capital rate referred to in paragraph 5 shall be assumed to be equal to 6%.
Amendment 560
Stéphanie Yon-Courtin, Gilles Boyer

Proposal for a directive
Article 1 – paragraph 1 – point 37
Directive 2009/138/EC
Article 77a – paragraph 1 – subparagaph 1 – introductory part

<table>
<thead>
<tr>
<th>Text proposed by the Commission</th>
<th>Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The determination of the relevant risk-free interest rate term structure referred to in Article 77(2) shall make use of, and be consistent with, information derived from relevant financial instruments. That determination shall take into account relevant financial instruments of those maturities where the markets for those financial instruments are deep, liquid and transparent. The relevant risk-free interest rate term structure shall be extrapolated for maturities longer than the first smoothing point. The first smoothing point for a currency shall be the longest maturity for which all of the following conditions are met:</td>
<td>1. The determination of the relevant risk-free interest rate term structure referred to in Article 77(2) shall make use of, and be consistent with, information derived from relevant financial instruments. That determination shall take into account relevant financial instruments of those maturities where the markets for those financial instruments are deep, liquid and transparent. The relevant risk-free interest rate term structure shall be extrapolated for maturities longer than the first smoothing point. The first smoothing point for a currency, such as the euro, shall be the longest maturity for which all of the following conditions are met:</td>
</tr>
</tbody>
</table>

Amendment 561
Eero Heinäluoma, Paul Tang, Jonás Fernández, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 37
Directive 2009/138/EC
Article 77a – paragraph 1 – subparagaph 1 – introductory part

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</tr>
</tbody>
</table>
derived from relevant financial instruments. That determination shall take into account relevant financial instruments of those maturities where the markets for those financial instruments are deep, liquid and transparent. The relevant risk-free interest rate term structure shall be extrapolated for maturities longer than the first smoothing point. The first smoothing point for a currency shall be the longest maturity for which all of the following conditions are met:

Amendment 562
Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 37
Directive 2009/138/EC
Article 77a – paragraph 1 – subparagraph 1 – point 1a a (new)

Text proposed by the Commission

(a a) the portfolio of assets assigned to cover the best estimate of the portfolio of insurance or reinsurance obligations does not include assets with exposure to the fossil sectors;

Amendment

Or. en

Amendment 563
Marco Zanni, Valentino Grant, Antonio Maria Rinaldi

Proposal for a directive
Article 1 – paragraph 1 – point 37
Directive 2009/138/EC
Article 77a – paragraph 2 – subparagraph 1

Text proposed by the Commission

2. For the purpose of paragraph 1, second subparagraph, any parameters

Amendment

2. The extrapolated risk-free rate
determining the speed of the convergence of the forward rates towards the ultimate forward rate of the extrapolation may be chosen such that on [OP please insert date = application date] the risk-free interest rate term structure is sufficiently similar to the risk-free interest rate term structure on that date determined in line with the rules for the extrapolation applicable on [OP please insert date = one day before date of application]. Those parameters of the extrapolation shall be decreased linearly at the beginning of each calendar year, during a transitional period. The final parameters of the extrapolation shall be applied as of 1 January 2032.

\[ r_{FSP+h} = \left( \frac{(1+UFR)^{FSP} \cdot \exp(h \cdot f_h)}{(1+UFR) + [(LLFR - \ln(1+UFR)] \cdot (\text{1-exp}(-a \cdot h)/(a \cdot h))} \right)^{FSP+h} - 1 \]

Where:

\[ f_h = \ln(1+UFR) + [(LLFR - \ln(1+UFR)] \cdot (\text{1-exp}(-a \cdot h)/(a \cdot h)) \]

(a) \( UFR \) is the Ultimate Forward Rate  
(b) \( a \) is the convergence speed parameter  
(c) \( LLFR \) is the Last Liquid Forward Rate  
(d) \( FSP \) is the First Smoothing Point

The convergence speed parameter \( a \) shall be set at 20%.

Amendment 564
Chris MacManus  
on behalf of The Left Group

Proposal for a directive
Article 1 – paragraph 1 – point 37
Directive 2009/138/EC  
Article 77a – paragraph 2 – subparagraph 1

Text proposed by the Commission  
Amendment

2. For the purpose of paragraph 1, second subparagraph, any parameters  2. The extrapolated risk-free rate shall be determined as follows:
determining the speed of the convergence of the forward rates towards the ultimate forward rate of the extrapolation may be chosen such that on [OP please insert date = application date] the risk-free interest rate term structure is sufficiently similar to the risk-free interest rate term structure on that date determined in line with the rules for the extrapolation applicable on [OP please insert date = one day before date of application]. Those parameters of the extrapolation shall be decreased linearly at the beginning of each calendar year, during a transitional period. The final parameters of the extrapolation shall be applied as of 1 January 2032.

\[ r_{FSP+h} = r_{FSP} \sqrt{((1+r_{FSP})^{FSP} \times \exp(h \times f_h)) - 1} \]

Where: \( f_h = \ln(1+UFR) + [(LLFR - \ln(1+UFR)] \times (1-exp(-a*h)/(a*h)) \)

(a) UFR is the Ultimate Forward Rate  
(b) \( a \) is the convergence speed parameter  
(c) LLFR is the Last Liquid Forward Rate  
(d) FSP is the First Smoothing Point.

The convergence speed parameter \( a \) shall be set at 10%.

Justification

It is appropriate to legislate for such important formulae and to apply a convergence speed figure that is reasonable and is not simply re-inserting the status quo.

Amendment 565
Johan Van Overtveldt

Proposal for a directive
Article 1 – paragraph 1 – point 37
Directive 2009/138/EC
Article 77a – paragraph 2 – subparagraph 1
2. **For the purpose of paragraph 1, second subparagraph, any parameters determining the speed of the convergence of the forward rates towards the ultimate forward rate of the extrapolation may be chosen such that on [OP please insert date = application date] the risk-free interest rate term structure is sufficiently similar to the risk-free interest rate term structure on that date determined in line with the rules for the extrapolation applicable on [OP please insert date = one day before date of application]. Those parameters of the extrapolation shall be decreased linearly at the beginning of each calendar year, during a transitional period. The final parameters of the extrapolation shall be applied as of 1 January 2032.**

\[
\begin{align*}
r_{\text{FSP}+h} &= r_{\text{FSP}} \sqrt{(1+r_{\text{FSP}}^FSP \ast \exp(h^f_{\text{FSP}})) - 1} \\
\end{align*}
\]

Where:

\[
\begin{align*}
f_{h} &= \ln(1+UFR) + [(\text{LLFR} - \ln(1+UFR)) \ast (1-exp(-a^*h)/(a^*h))] \\
\end{align*}
\]

(a) *UFR* is the Ultimate Forward Rate  
(b) *a* is the convergence speed parameter  
(c) *LLFR* is the Last Liquid Forward Rate  
(d) *FSP* is the First Smoothing Point  
*The convergence speed parameter* *a* *shall be set at* 5%.

**Justification**

Ideally, the calibration of the extrapolation technique should be determined in the delegated regulation. If escalated to level 1, the market-consistent valuation principle should be better respected with the alpha parameter set at 5%. Keeping the alpha parameter at 10% could be acceptable as well, if coupled with sound safeguards on pillar 3 (public disclosure of impact of 5% parameter on financial position) and pillar 2 (provision of evidence to NSA that dividend payments or other voluntary capital distributions do not put at risk protection of policyholders and beneficiaries).
Amendment 566
Engin Eroglu

Proposal for a directive
Article 1 – paragraph 1 – point 37
Directive 2009/138/EC
Article 77a – paragraph 2 – subparagraph 1

Text proposed by the Commission

2. For the purpose of paragraph 1, second subparagraph, any parameters determining the speed of the convergence of the forward rates towards the ultimate forward rate of the extrapolation may be chosen such that on [OP please insert date = application date] the risk-free interest rate term structure is sufficiently similar to the risk-free interest rate term structure on that date determined in line with the rules for the extrapolation applicable on [OP please insert date = one day before date of application]. Those parameters of the extrapolation shall be decreased linearly at the beginning of each calendar year, during a transitional period. The final parameters of the extrapolation shall be applied as of 1 January 2032.

Amendment

2. The extrapolated risk-free rate shall be determined as follows:

\[
\begin{align*}
r_{FSP+h} &= r_{FSP+h} \sqrt{((1+r_{FSP})^{FSP} * \exp(h * f_h)) - 1} \\
f_h &= \ln(1+UFR) + [(LLFR - \ln(1+UFR)] * \left(1-\exp(-a*h)/(a*h)\right)
\end{align*}
\]

Where:

(a) \( UFR \) is the Ultimate Forward Rate
(b) \( a \) is the convergence speed parameter
(c) \( LLFR \) is the Last Liquid Forward Rate
(d) \( FSP \) is the First Smoothing Point

The convergence speed parameter \( a \) shall be set at 18%.
Justification

The Amendment specifies the method and parameters for the extrapolation of interest rates. Since this aspect is crucial for the solvency position it should be set in the Directive. This calibration of the extrapolation convergence speed ensures that the method is sufficiently robust.

Amendment 567
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 37
Directive 2009/138/EC
Article 77a – paragraph 2 – subparagraph 1

Text proposed by the Commission

2. For the purpose of paragraph 1, second subparagraph, any parameters determining the speed of the convergence of the forward rates towards the ultimate forward rate of the extrapolation may be chosen such that on [OP please insert date = application date] the risk-free interest rate term structure is sufficiently similar to the risk-free interest rate term structure on that date determined in line with the rules for the extrapolation applicable on [OP please insert date = one day before date of application]. Those parameters of the extrapolation shall be decreased linearly at the beginning of each calendar year, during a transitional period. The final parameters of the extrapolation shall be applied as of 1 January 2032.

Amendment

2. For the purpose of paragraph 1, second subparagraph, any parameters determining the speed of the convergence of the forward rates towards the ultimate forward rate of the extrapolation may be chosen such that on [OP please insert date = application date] the risk-free interest rate term structure is sufficiently similar to the risk-free interest rate term structure on that date determined in line with the rules for the extrapolation applicable on [OP please insert date = one day before date of application]. Those parameters of the extrapolation shall be decreased linearly at the beginning of each calendar year, during a transitional period. The parameters determining the speed of convergence of the forward rates towards the ultimate forward rate shall take into account the level of the interest rates at the first smoothing point. The final parameters of the extrapolation shall be applied as of 1 January 2030.

Or. en
Amendment 568
Stéphanie Yon-Courtin, Gilles Boyer

Proposal for a directive
Article 1 – paragraph 1 – point 37
Directive 2009/138/EC
Article 77a – paragraph 2 – subparagraph 1

Text proposed by the Commission

2. For the purpose of paragraph 1, second subparagraph, any parameters determining the speed of the convergence of the forward rates towards the ultimate forward rate of the extrapolation may be chosen such that on [OP please insert date = application date] the risk-free interest rate term structure is sufficiently similar to the risk-free interest rate term structure on that date determined in line with the rules for the extrapolation applicable on [OP please insert date = one day before date of application]. Those parameters of the extrapolation shall be decreased linearly at the beginning of each calendar year, during a transitional period. The final parameters of the extrapolation shall be applied as of 1 January 2032.

Amendment

2. For the purpose of paragraph 1, second subparagraph, any parameters determining the speed of the convergence of the forward rates towards the ultimate forward rate of the extrapolation may be chosen such that on [OP please insert date = application date] the risk-free interest rate term structure is sufficiently similar to the risk-free interest rate term structure on that date determined in line with the rules for the extrapolation applicable on [OP please insert date = one day before date of application]. Those parameters of the extrapolation shall be decreased linearly at the beginning of each calendar year, during a transitional period. The final parameters of the extrapolation shall start applying as of 1 January 2032.

Or. en

Amendment 569
Eero Heinäluoma, Paul Tang, Jonás Fernández, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 37
Directive 2009/138/EC
Article 77a – paragraph 2 – subparagraph 1

Text proposed by the Commission

2. For the purpose of paragraph 1, second subparagraph, any parameters determining the speed of the convergence of the forward rates towards the ultimate forward rate of the extrapolation may be chosen such that on [OP please insert date

Amendment

2. For the purpose of paragraph 1, second subparagraph, any parameters determining the speed of the convergence of the forward rates towards the ultimate forward rate of the extrapolation may be chosen such that on [OP please insert date
= application date] the risk-free interest rate term structure is sufficiently similar to the risk-free interest rate term structure on that date determined in line with the rules for the extrapolation applicable on [OP please insert date = one day before date of application]. Those parameters of the extrapolation shall be decreased linearly at the beginning of each calendar year, during a transitional period. The final parameters of the extrapolation shall be applied as of 1 January 2032.

= application date] the risk-free interest rate term structure is sufficiently similar to the risk-free interest rate term structure on that date determined in line with the rules for the extrapolation applicable on [OP please insert date = one day before date of application]. Those parameters of the extrapolation shall be decreased linearly at the beginning of each calendar year, during a transitional period. The final parameters of the extrapolation shall be applied as of 1 January 2029.

Or. en

Amendment 570
Eero Heinäluoma, Paul Tang, Jonás Fernández, Aurore Lalucq

Proposal for a directive
Article 1 – paragraph 1 – point 37
Directive 2009/138/EC
Article 77a – paragraph 2 a (new)

Text proposed by the Commission

Amendment

2a. Undertakings should disclose in their public reporting the impact of the convergence speed parameter at 5% on their financial position.

Undertakings that would not meet their Solvency Capital Requirement with a convergence speed parameter at 5%, should provide evidence to their supervisory authority and EIOPA that their dividend payments or other voluntary capital distribution do not put at risk the protection of policyholders and beneficiaries.

Or. en

Amendment 571
Stéphanie Yon-Courtin, Gilles Boyer
Proposal for a directive
Article 1 – paragraph 1 – point 37
Directive 2009/138/EC
Article 77a – paragraph 2 a (new)

Text proposed by the Commission

2a. As part of the assessment mentioned in Article 111(3), EIOPA shall verify whether market conditions have materially changed since the last recalculation of the speed of convergence of the extrapolated risk-free rate.

Or. en

Justification

Insurance and reinsurance undertakings should be given legal certainty in the determination of the relevant risk-free interest rate term structure which should be tailored to current market conditions.

Amendment 572
Chris MacManus

Proposal for a directive
Article 1 – paragraph 1 – point 37 a (new)
Directive 2009/138/EC
Article 77b – paragraph 1 – subparagraph 1 – point a

Present text

the insurance or reinsurance undertaking has assigned a portfolio of assets, consisting of bonds and other assets with similar cash-flow characteristics, to cover the best estimate of the portfolio of insurance or reinsurance obligations and maintains that assignment over the lifetime of the obligations, except for the purpose of maintaining the replication of expected cash flows between assets and liabilities where the cash flows have materially

Amendment

(37a) in subparagraph 1 of Article 77b(1) point (a) is replaced by the following:

‘the insurance or reinsurance undertaking has assigned a portfolio of assets, consisting of bonds and other assets with similar cash-flow characteristics, and excluding any assets in fossil fuel companies, activities, reserves and fossil fuel power plants, to cover the best estimate of the portfolio of insurance or reinsurance obligations and maintains that assignment over the lifetime of the obligations, except for the purpose of maintaining the replication of expected
changed; where the cash flows have materially changed;

Or. en


Justification

Given the micro- and macro-financial risks associated with fossil fuel assets, such assets should not be relevant for the matching adjustment.

Amendment 573
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 37 a (new)
Directive 2009/138/EC
Article 77b – paragraph 1 – subparagraph 1 – point a a (new)

Text proposed by the Commission

Amendment

(37a) in subparagraph 1 of Article 77b(1) the following point is inserted:

'(aa) the portfolio of assets assigned to cover the best estimate of the portfolio of insurance or reinsurance obligations does not include assets with exposure to the fossil sectors nor crypto-assets;'

Or. en

Amendment 574
Paul Tang

Proposal for a directive
Article 1 – paragraph 1 – point 37 a (new)
Directive 2009/138/EC
Article 77b – paragraph 1 – subparagraph 1 – point a a (new)
Text proposed by the Commission  

Amendment

(37a) in subparagraph 1 of Article 77b(1) the following point is inserted:

‘(aa) the portfolio of assets assigned to cover the best estimate of the portfolio of insurance or reinsurance obligations does not include assets with exposure to the fossil sectors;’

Justification

Matching adjustments are meant to match long-term assets to long-term liabilities. Considering the long-term transition risks associated with the fossil sectors, assets with exposure to that sector shall not be eligible.

Amendment 575
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 38 – point a
Directive 2009/138/EC
Article 77d – paragraph 1

Text proposed by the Commission  

Amendment

1. An insurance and reinsurance undertaking may apply a volatility adjustment to the relevant risk-free interest rate term structure to calculate the best estimate referred to in Article 77(2) subject to prior approval by the supervisory authorities where all of the following conditions are met:

1. Subject to prior approval by the supervisory authorities, an insurance and reinsurance undertaking may apply a volatility adjustment to the relevant risk-free interest rate term structure to calculate the best estimate referred to in Article 77(2) where at least all of the following conditions are met:

Amendment 576
Eero Heinäluoma, Paul Tang, Jonás Fernández, Aurore Lalucq
Proposal for a directive
Article 1 – paragraph 1 – point 38 – point b
Directive 2009/138/EC
Article 77d – paragraph 1 c (new)

Text proposed by the Commission

1c. Insurance and reinsurance undertakings may, subject to prior approval by the supervisory authority, apply an undertaking-specific adjustment to this risk-corrected spread of the currency referred to in paragraph 3, under the condition that the information that is inherent to the relevant assets of the undertaking and that is reported by the undertaking in line with Article 35, paragraphs 1 to 4 is of sufficient quality to allow a robust and reliable calculation. This adjustment shall correspond to the lowest between 100% and the ratio of the risk-corrected spread calculated based on the undertaking’s portfolio of investments in debt instruments and the risk-corrected spread calculated based on the reference portfolio for the relevant currency. The risk-corrected spread based on the undertaking’s portfolio of investments in debt instruments shall be calculated in the same manner as the risk-corrected spread based on the reference portfolio for the relevant currency, but using undertaking-specific data on the weights and the average duration of the relevant sub-classes within the undertaking’s portfolio of investments in debt instruments for the relevant currency. Where the adjustment is lower than 100%, the volatility adjustment shall not be increased by a macro volatility adjustment as referred to in paragraph 4;

Amendment

Amendment 577
Johan Van Overtveldt
Proposal for a directive  
Article 1 – paragraph 1 – point 38 – point b  
Directive 2009/138/EC  
Article 77d – paragraph 1 c (new)  

_text proposed by the Commission_

1c. Insurance and reinsurance undertakings may, subject to prior approval by the supervisory authority, apply an undertaking-specific adjustment to this risk-corrected spread of the currency referred to in paragraph 3, under the conditions that:

(i) This risk-corrected spread exceeded, during the four previous quarterly reporting periods prior to the application date, the risk-corrected spread calculated based on the undertaking’s portfolio of investments in debt instruments; and

(ii) The information that is inherent to the relevant assets of the undertaking and that is reported by the undertaking in line with Article 35(1) to (4) is of sufficient quality to allow a robust and reliable calculation of this adjustment.

This adjustment shall correspond to the lowest between 150\% and the ratio of the risk-corrected spread calculated based on the undertaking’s portfolio of investments in debt instruments and the risk-corrected spread calculated based on the reference portfolio for the relevant currency. The risk-corrected spread based on the undertaking’s portfolio of investments in debt instruments shall be calculated in the same manner as the risk-corrected spread based on the reference portfolio for the relevant currency, but using undertaking-specific data on the weights and the average duration of the relevant sub-classes within the undertaking’s portfolio of investments in debt instruments for the relevant currency.

Where the adjustment is applied, the volatility adjustment shall not be increased by a macro volatility adjustment.
as referred to in paragraph 4.

Insurance and reinsurance undertakings shall immediately stop applying this adjustment when it increases the risk-correction spread of the currency referred to in paragraph 3 for four consecutive quarterly reporting periods.

Or. en

Justification

The EC proposal on VA adaptations provides an effective solution to address overshooting of undertakings with a bond portfolio similar in composition to the representative portfolio but different in terms of duration. However, it does not address “quality overshooting” caused by significant basis risk and could, in some cases, even amplify that source of overshooting, especially if the current risk-correction of the spreads would remain as it is. EIOPA’s LTG reports show that the average eurozone undertaking is subject to this kind of overshooting so an adequate solution is needed.

Amendment 578
Esther de Lange

Proposal for a directive
Article 1 – paragraph 1 – point 38 – point b (new)
Directive 2009/138/EC
Article 77d – paragraph 1 c (new)

Text proposed by the Commission

1c. Insurance and reinsurance undertakings may, subject to prior approval by the supervisory authority, apply an undertaking-specific adjustment to this risk-corrected spread of the currency referred to in paragraph 3, under the condition that the information that is inherent to the relevant assets of the undertaking and that is reported by the undertaking in line with Article 35(1) to (4) is of sufficient quality to allow a robust and reliable calculation. This adjustment shall correspond to the lowest between 100% and the ratio of the risk-corrected spread calculated based on the undertaking’s portfolio of investments in debt instruments and the risk-corrected
The risk-corrected spread based on the undertaking’s portfolio of investments in debt instruments shall be calculated in the same manner as the risk-corrected spread based on the reference portfolio for the relevant currency, but using undertaking-specific data on the weights and the average duration of the relevant sub-classes within the undertaking’s portfolio of investments in debt instruments for the relevant currency. Where the adjustment is lower than 100%, the volatility adjustment shall not be increased by a macrovolatility adjustment as referred to in paragraph 4.;

Amendment 579
Marco Zanni, Valentino Grant, Antonio Maria Rinaldi

Proposal for a directive
Article 1 – paragraph 1 – point 38 – point c
Directive 2009/138/EC
Article 77d – paragraph 2 – subparagraphs 2 a (new) and 2 b (new)

Text proposed by the Commission

For each currency and each country, the spread referred to in paragraph (2) shall be equal to the following:

\[ S = w_{gov} \times \max(S_{gov}, 0) + w_{corp} \times \max(S_{corp}, 0) \]

where:

(a) \( w_{gov} \) denotes the ratio of the value of government bonds included in the reference portfolio of assets for that currency or country and the value of all the assets included in that reference portfolio;

(b) \( S_{gov} \) denotes the average currency spread on government bonds included in the reference portfolio of assets for that
currency or country;
(c) \( w_{corp} \) denotes the ratio of the value of bonds other than government bonds, loans and securitisations included in the reference portfolio of assets for that currency or country and the value of all the assets included in that reference portfolio;
(d) \( S_{corp} \) denotes the average currency spread on bonds other than government bonds, loans and securitisations included in the reference portfolio of assets for that currency or country.

For the purposes of this paragraph, ‘government bonds’ means exposures to central governments and central banks.

Amendment 580
Raffaele Fitto

Proposal for a directive
Article 1 – paragraph 1 – point 38 – point c
Directive 2009/138/EC
Article 77d – paragraph 2 – subparagraph 2 a (new) and 2 b (new)

Text proposed by the Commission

For each currency and each country, the spread referred to in paragraph 2 shall be equal to the following:

\[ S = W_{gov} \times \max (S_{gov},0) + W_{corp} \times \max (S_{corp},0) \]

where:
(a) \( W_{gov} \) denotes the ratio of the value of government bonds included in the reference portfolio of assets for that currency or country and the value of all the assets included in that reference portfolio;
(b) \( S_{gov} \) denotes the average currency spread on government bonds included in the reference portfolio of assets for that currency or country;
currency or country;

(c) Wcorp denotes the ratio of the value of bonds other than government bonds, loans and securitisations included in the reference portfolio of assets for that currency or country and the value of all the assets included in that reference portfolio;

(d) Scorp denotes the average currency spread on bonds other than government bonds, loans and securitisations included in the reference portfolio of assets for that currency or country.

For the purposes of this paragraph, ‘government bonds’ means exposures to central governments and central banks.

Amendment 581
Fabio Massimo Castaldo

Proposal for a directive
Article 1 – paragraph 1 – point 38 – point c
Directive 2009/138/EC
Article 77d – paragraph 2 a (new) and 2 b (new)

Text proposed by the Commission

2a. For each currency and each country, the spread referred to in paragraph (2) shall be equal to the following:

\[ S = w_{gov} \times \max(S_{gov}, 0) + w_{corp} \times \max(S_{corp}, 0) \]

where:

(a) \( w_{gov} \) denotes the ratio of the value of government bonds included in the reference portfolio of assets for that currency or country and the value of all the assets included in that reference portfolio;

(b) \( S_{gov} \) denotes the average currency spread on government bonds included in the reference portfolio of
assets for that currency or country;

(c) \( w_{\text{corp}} \) denotes the ratio of the value of bonds other than government bonds, loans and securitisations included in the reference portfolio of assets for that currency or country and the value of all the assets included in that reference portfolio;

(d) \( S_{\text{corp}} \) denotes the average currency spread on bonds other than government bonds, loans and securitisations included in the reference portfolio of assets for that currency or country.

2b. For the purposes of paragraph 2a (new), ‘government bonds’ means exposures to central governments and central banks.

Amendment 582
Henrike Hahn
on behalf of the Verts/ALE Group

Proposal for a directive
Article 1 – paragraph 1 – point 38 – point c
Directive 2009/138/EC
Article 77d – paragraph 3

Text proposed by the Commission

<table>
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<th>3. The amount of the volatility adjustment to risk-free interest rates for a currency</th>
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Amendment

<table>
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shall be calculated as follows:

\[ V_{Acu} = 85\% \cdot CSSR_{cu} \cdot RCS_{cu} \]

Where:

(a) \( V_{A\_cu} \) is the volatility adjustment for a currency \( cu \);
(b) \( CSSR_{\_cu} \) is the credit spread sensitivity ratio of an insurance or reinsurance undertaking for the currency \( cu \);
(c) \( RCS_{\_cu} \) is the risk-corrected spread for the currency \( cu \).

\( CSSR_{\_cu} \) shall not be negative and not be higher than one. It shall take values lower than one where the sensitivity of the assets of an insurance or reinsurance undertaking in a currency to changes in credit spreads is lower than the sensitivity of the technical provisions of that undertaking in that currency to changes in interest rates.

\( RCS_{\_cu} \) shall be calculated as the difference between the spread referred to in paragraph 2 and the portion of that spread that is attributable to a realistic assessment of expected losses or unexpected credit or other risk of the assets.

\( V_{A\_\_cu} \) shall apply to the relevant risk-free interest rates of the term structure that are not derived by means of extrapolation in accordance with Article 77a. Where the extrapolated part of the relevant risk-free interest rates takes into account information from financial instruments other than bonds pursuant to Article 77a(1), \( V_{A\_\_cu} \) shall also apply to risk-free interest rates derived from those financial instruments. The extrapolation of the relevant risk-free interest rate term structure shall be based on those adjusted risk-free interest rates.

shall be calculated as follows:

\[ V_{Acu} = 85\% \cdot CSSR_{cu} \cdot RCS_{cu} \cdot AL_i \]

Where:

(a) \( V_{A\_cu} \) is the volatility adjustment for a currency \( cu \);
(b) \( CSSR_{\_cu} \) is the credit spread sensitivity ratio of an insurance or reinsurance undertaking for the currency \( cu \);
(c) \( RCS_{\_cu} \) is the risk-corrected spread for the currency \( cu \);
(d) \( AL_i \) is the factor reflecting the illiquidity of undertaking \( i \).

\( CSSR_{\_cu} \) shall not be negative and not be higher than one. It shall take values lower than one where the sensitivity of the assets of an insurance or reinsurance undertaking in a currency to changes in credit spreads is lower than the sensitivity of the technical provisions of that undertaking in that currency to changes in interest rates.

\( RCS_{\_cu} \) shall be calculated as the difference between the spread referred to in paragraph 2 and the portion of that spread that is attributable to a realistic assessment of expected losses or unexpected credit or other risk of the assets.

\( V_{A\_\_cu} \) shall apply to the relevant risk-free interest rates of the term structure that are not derived by means of extrapolation in accordance with Article 77a. Where the extrapolated part of the relevant risk-free interest rates takes into account information from financial instruments other than bonds pursuant to Article 77a(1), \( V_{A\_\_cu} \) shall also apply to risk-free interest rates derived from those financial instruments. The extrapolation of the relevant risk-free interest rate term structure shall be based on those adjusted risk-free interest rates.
ALi shall be calculated as the share of the undertaking’s illiquid liabilities based on stressed cash flows. The liability cash flows before and after pre-defined stresses define a share of liabilities that is predictable.

The Commission may adopt delegated acts in accordance with Article 301a laying down the conditions and parameters of the stress to be applied to the undertaking cash flows to determine the illiquidity nature of the undertaking’s liabilities.

Amendment 583

Eero Heinäluoma

Proposal for a directive
Article 1 – paragraph 1 – point 38 – point c
Directive 2009/138/EC
Article 77d – paragraph 3

3. The amount of the volatility adjustment to risk-free interest rates for a currency shall be calculated as follows:

\[ VA_{cu} = 85\% \cdot CSSR_{cu} \cdot RCS_{cu} \]

Where:
(a) \( VA_{cu} \) is the volatility adjustment for a currency \( cu \);
(b) \( CSSR_{cu} \) is the credit spread sensitivity ratio of an insurance or reinsurance undertaking for the currency \( cu \);
(c) \( RCS_{cu} \) is the risk-corrected spread for the currency \( cu \).

Amendment

3. The amount of the volatility adjustment to risk-free interest rates for a currency shall be calculated as follows:

\[ VA_{cu} = 85\% \cdot CSSR_{cu} \cdot RCS_{cu} \cdot BRC \text{ (insur)} \]

Where:
(a) \( VA_{cu} \) is the volatility adjustment for a currency \( cu \);
(b) \( CSSR_{cu} \) is the credit spread sensitivity ratio of an insurance or reinsurance undertaking for the currency \( cu \);
(c) \( RCS_{cu} \) is the risk-corrected spread for the currency \( cu \);
(d) \( BRC \text{ (insur)} \) is the insurer’s basis risk correction to risk-corrected spread of the currency.
CSSR, shall not be negative and not be higher than one. It shall take values lower than one where the sensitivity of the assets of an insurance or reinsurance undertaking in a currency to changes in credit spreads is lower than the sensitivity of the technical provisions of that undertaking in that currency to changes in interest rates.

$RSC_{Cu}$ shall be calculated as the difference between the spread referred to in paragraph 2 and the portion of that spread that is attributable to a realistic assessment of expected losses or unexpected credit or other risk of the assets.

$VA_{Cu}$ shall apply to the relevant risk-free interest rates of the term structure that are not derived by means of extrapolation in accordance with Article 77a. Where the extrapolated part of the relevant risk-free interest rates takes into account information from financial instruments other than bonds pursuant to Article 77a(1), $VA_{Cu}$ shall also apply to risk-free interest rates derived from those financial instruments. The extrapolation of the relevant risk-free interest rate term structure shall be based on those adjusted risk-free interest rates.

$BRC$ (insurer) shall be by definition equal to the ratio $RCS$ (insurer) / $RCS$ (currency) subject to a floor of 75% and a cap of 125%, in order respectively not to decrease the risk-corrected spread by more than 25% and not to increase it by more than 25%.

Amendment 584
Chris MacManus
Proposal for a directive
Article 1 – paragraph 1 – point 38 – point c
Directive 2009/138/EC
Article 77d – paragraph 3 – subparagraph 1

**Text proposed by the Commission**

3. The amount of the volatility adjustment to risk-free interest rates for a currency shall be calculated as follows:

\[ VA_{cu} = 85\% \cdot CSSR_{CU} \cdot RCS_{CU} \]

Where:

(a) \( VA_{cu} \) is the volatility adjustment for a currency \( cu \);
(b) \( CSSR_{cu} \) is the credit spread sensitivity ratio of an insurance or reinsurance undertaking for the currency \( cu \);
(c) \( RCS_{cu} \) is the risk-corrected spread for the currency \( cu \).

**Amendment**

3. The amount of the volatility adjustment to risk-free interest rates for a currency shall be calculated as follows:

\[ VA_{cu} = 85\% \cdot CSSR_{CU} \cdot ILR_{cu} \cdot RCS_{CU} \]

Where:

(a) \( VA_{cu} \) is the volatility adjustment for a currency \( cu \);
(b) \( CSSR_{cu} \) is the credit spread sensitivity ratio of an insurance or reinsurance undertaking for the currency \( cu \);
(c) \( RCS_{cu} \) is the risk-corrected spread for the currency \( cu \);
(d) \( ILR_{cu} \) is the illiquidity ratio of an insurance or reinsurance undertaking for the currency \( cu \); \( ILR_{cu} \) shall measure the degree of illiquidity of the liabilities in a currency.

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**Amendment 585**
Johan Van Overtveldt

Proposal for a directive
Article 1 – paragraph 1 – point 38 – point c
Directive 2009/138/EC
Article 77d – paragraph 3 – subparagraph 1 – point b a (new)

**Text proposed by the Commission**

(b a) \( IR_{cu} \) is the illiquidity ratio of an insurance or reinsurance undertaking for
the currency cu;

Justification

Not correcting the VA for the illiquidity of the liabilities, i.e. for the mortality risk and for the lapse risk inherent to those liabilities, would allow undertakings to have undue capital relief by applying fully the VA on those liabilities for which the VA cannot be “earned”. In a risk-based regime, this should be avoided.

Amendment 586
Johan Van Overtveldt

Proposal for a directive
Article 1 – paragraph 1 – point 38 – point c
Directive 2009/138/EC
Article 77d – paragraph 3 – subparagraph 2 a (new)

Text proposed by the Commission

IRcu measures the degree of illiquidity of the liabilities of an insurance or reinsurance undertaking for the currency cu. It is determined on the basis of the mortality risk and the lapse risk inherent to the liabilities. It shall not be lower than 60% and not higher than 100%.

Justification

Not correcting the VA for the illiquidity of the liabilities, i.e. for the mortality risk and for the lapse risk inherent to those liabilities, would allow undertakings to have undue capital relief by applying fully the VA on those liabilities for which the VA cannot be “earned”. In a risk-based regime, this should be avoided.

Amendment 587
Raffaele Fitto

Proposal for a directive
Article 1 – paragraph 1 – point 38 – point c
Directive 2009/138/EC
Article 77d – paragraph 3 a (new)
3a. The portion of the spread that is attributable to a realistic assessment of expected losses, unexpected credit risk or any other risk shall be calculated in the same manner as the fundamental spread referred to in Article 77c(2).

More in detail, the amount resulting from this assessment, denoted \( RC_{eu} \) for the risk correction for the currency \( cu \), shall be calculated as follows:

for government bonds:

\[
RC_{gov\_eu} = \max(PD + CoD, 30\% \times LTAS)
\]

(b) for corporate bonds:

\[
RC_{corp\_eu} = \max(PD + CoD, 35\% \times LTAS)
\]

where:

(i) \( PD \) is the credit spread corresponding to the probability of default on the assets;

(ii) \( CoD \) is the credit spread corresponding to the expected loss resulting from downgrading of the assets;

(iii) \( LTAS \) is the long-term average of the spread over the risk-free interest rate of assets of the same duration, credit quality and asset class.
attributable to a realistic assessment of expected losses, unexpected credit risk or any other risk shall be calculated in the same manner as the fundamental spread referred to in Article 77c(2).

Amendment 589
Johan Van Overtveldt
Proposal for a directive
Article 1 – paragraph 1 – point 38 – point c
Directive 2009/138/EC
Article 77d – paragraph 3 a (new)

Text proposed by the Commission

Amendment

3a. The portion of the spread that is attributable to a realistic assessment of expected losses, unexpected credit risk or any other risk shall be calculated as a function of the long-term average spread and the level of the spread.

Or. en

Justification

When the risk-correction of the spreads is calculated based on the fundamental spreads, as is currently the case, the risk-correction hardly changes with credit spread changes. However, there is historical evidence that, when spreads increase, the number of defaults increases as well. It is therefore suggested to also take the level of the spreads into account when calculating the risk-correction of the spread.

Amendment 590
Fabio Massimo Castaldo
Proposal for a directive
Article 1 – paragraph 1 – point 38 – point c
Directive 2009/138/EC
Article 77d – paragraph 3 a (new)
3a. The portion of the spread that is attributable to a realistic assessment of expected losses, unexpected credit risk or any other risk shall be calculated in the same manner as the fundamental spread referred to in Article 77c(2).

More in detail, the amount resulting from this assessment, denoted $RC_{cu}$, for the risk correction for the currency $cu$, shall be calculated as follows:

For government bonds:

$$RC_{gov, cu} = \max(\text{PD} + \text{CoD}, 30\% \times \text{LTAS})$$

(b) for corporate bonds:

$$RC_{corp, cu} = \max(\text{PD} + \text{CoD}, 35\% \times \text{LTAS})$$

where:

(i) $\text{PD}$ is the credit spread corresponding to the probability of default on the assets;

(ii) $\text{CoD}$ is the credit spread corresponding to the expected loss resulting from downgrading of the assets;

(iii) $\text{LTAS}$ is the long-term average of the spread over the risk-free interest rate of assets of the same duration, credit quality and asset class.
shall be calculated as follows:

\[ VA_{\text{Euro, macro}} = 85\% \cdot CSSR_{\text{Euro}} \cdot \max (RCS_{c0} - 1.3 \cdot RCS_{\text{Euro}}) \]

Where:

(a) \( VA_{\text{Euro,macro}} \) is the macro volatility adjustment for a country \( c0 \);
(b) \( CSSR_{\text{Euro}} \) is the credit spread sensitivity ratio of an insurance or reinsurance undertaking for the euro;
(c) \( RCS_{c0} \) is the risk-corrected spread for the country \( c0 \);
(d) \( RCS_{\text{Euro}} \) is the risk-corrected spread for the euro;
(e) \( w_{c0} \) is the country adjustment factor for country \( c0 \).

shall be calculated as follows:

\[ VA_{\text{Euro, macro}} = 85\% \cdot CSSR_{\text{Euro}} \cdot ILR_{\text{Euro}} \cdot \max (RCS_{c0}) \]

Where:

(a) \( VA_{\text{Euro,macro}} \) is the macro volatility adjustment for a country \( c0 \);
(b) \( CSSR_{\text{Euro}} \) is the credit spread sensitivity ratio of an insurance or reinsurance undertaking for the euro;
(c) \( RCS_{c0} \) is the risk-corrected spread for the country \( c0 \);
(d) \( RCS_{\text{Euro}} \) is the risk-corrected spread for the euro;
(e) \( w_{c0} \) is the country adjustment factor for country \( c0 \);
(f) \( ILR_{\text{Euro}} \) is the illiquidity ratio of an insurance or reinsurance undertaking for the euro; \( ILR_{\text{Euro}} \) is calculated for the euro in accordance with paragraph 3.

Amendment 592
Johan Van Overtveldt

Proposal for a directive
Article 1 – paragraph 1 – point 38 – point c
Directive 2009/138/EC
Article 77d – paragraph 4 – subparagraph 1 – point b a (new)

Text proposed by the Commission  
Amendment

(b a) \( ILR_{\text{Euro}} \) is the illiquidity ratio of an insurance or reinsurance undertaking for the euro

Or. en

Justification

The formula of the Volatility Adjustment should include a correction factor that takes the illiquidity of the liabilities into account, i.e. that should take at least the mortality risk and the lapse risk of the liabilities into account. The technicity of this correction factor should be specified in the Delegated Regulation.
Amendment 593  
Johan Van Overtveldt  
Proposal for a directive  
Article 1 – paragraph 1 – point 38 – point c  
Directive 2009/138/EC  
Article 77d – paragraph 4 – subparagraph 2 a (new)  

Text proposed by the Commission  
Amendment

\[ \text{IREuro shall be calculated as the illiquidity ratio of an insurance or reinsurance undertaking for the euro in accordance with paragraph 3.} \]

Or. en

Justification

The formula of the Volatility Adjustment should include a correction factor that takes the illiquidity of the liabilities into account, i.e. that should take at least the mortality risk and the lapse risk of the liabilities into account. The technicity of this correction factor should be specified in the Delegated Regulation.

Amendment 594  
Carlo Calenda  
Proposal for a directive  
Article 1 – paragraph 1 – point 38 – point c  
Directive 2009/138/EC  
Article 77d – paragraph 4 – subparagraph 5 – part 2  

Text proposed by the Commission  
Amendment

\[ \text{Where } RSC_{co}^* \text{ is the risk-corrected spread for the country } co \text{ as referred to in the first subparagraph, point (d), multiplied by the percentage of investments in debt instruments relative to total assets held by insurance and reinsurance undertakings authorised in country } co. \]

deleted

Or. en
Amendment 595
Fabio Massimo Castaldo

Proposal for a directive
Article 1 – paragraph 1 – point 38 – point c
Directive 2009/138/EC
Article 77d – paragraph 4 – subparagraph 5

Text proposed by the Commission

The country adjustment factor referred to in point (e) shall be calculated as follows:

\[
\omega_{co} = \max(\min(\frac{RCS_{co} - 0.6\%}{0.3\%}; 1); 0)
\]

Where \(RSC_{co}^*\) is the risk-corrected spread for the country \(co\) as referred to in the first subparagraph, point (d), multiplied by the percentage of investments in debt instruments relative to total assets held by insurance and reinsurance undertakings authorised in country \(co\).

Amendment

The country adjustment factor referred to in point (e) shall be calculated as follows:

\[
\omega_{co} = \max(\min(\frac{RCS_{co} - 0.6\%}{0.3\%}; 1); 0)
\]

Or. en

Amendment 596
Raffaele Fitto

Proposal for a directive
Article 1 – paragraph 1 – point 38 – point c
Directive 2009/138/EC
Article 77d – paragraph 4 – subparagraph 5

Text proposed by the Commission

The country adjustment factor referred to in point (e) shall be calculated as follows:

\[
\omega_{co} = \max(\min(\frac{RCS_{co} - 0.6\%}{0.3\%}; 1); 0)
\]

Where \(RSC_{co}^*\) is the risk-corrected spread for the country \(co\) as referred to in the first subparagraph, point (d), multiplied by the percentage of investments in debt instruments relative to total assets held by insurance and reinsurance undertakings authorised in country \(co\).

Amendment

The country adjustment factor referred to in point (e) shall be calculated as follows:

\[
\omega_{co} = \max(\min(\frac{RCS_{co} - 0.6\%}{0.3\%}; 1); 0)
\]