Insurance Sweden

VIEW

Insurance Sweden´s positions on SFDR

Insurance Sweden supports the objectives of the amendments to the Sustainable Finance Disclosure Regulation (SFDR – Regulation (EU) 2019/2088); to attract private funding to facilitate sustainable investment and the transition towards greater sustainability and helping European companies to seize competitive opportunities in this area.

The SFDR proposal contains several aspects of relevance to the Swedish insurance industry. Two major insurance-specific considerations are of particular importance. One is connected to the treatment of traditional life insurance products and the other to multi-option products (MOPs), described in the following. Additional important aspects of the SFDR-review are well covered by the key messages of Insurance Europe. One such aspect is that the revised SFDR framework cannot succeed without regulatory coherence and full alignment with MiFID, IDD, PRIIPs and the CSRD.

Traditional life insurance products

Swedish insurance and pension providers manage about EUR 700 billion, representing approximately 5% of the EU insurance and occupational pension market. Traditional life insurance products constitute about 50% of the Swedish market.

These significant assets managed within Swedish traditional life insurance products are characterized by responsible investments and an active ownership and thus are crucial for the transition to greater sustainability, including the green transition.

Traditional life insurance is based on a model where long-term value growth is combined with financial guarantees and the pooling and smoothing of returns for customers. Swedish traditional products invest a very significant portion of their assets in equities and a significant allocation to sovereign type assets. These products provide several benefits to customers: it is a fully managed product with no need for investment choices or tax returns, the guarantee limits the capital losses faced by customers, the smoothing and pooling reduces their exposure to market timing while allowing them significant investment in equities over the long-term.

These features, in combination with prudential regulatory requirements for solvency and risk control, dictates broad diversification with a high stabilising proportion of sovereign and sub-sovereign debt, as well as alternative and real assets to ensure future payments. This allocation cannot be regarded only as an active investment choice, but rather as a structural necessity to honour issued guarantees and fulfil binding regulatory requirements.

In addition, as well as investing in listed equities and bonds, substantial share of the portfolio normally consists of alternative and real assets, such as infrastructure, real estate, forestry holdings and unlisted equity. These are vital components for diversifying risk and ensuring stable, long-term returns. Within these asset classes, there are also significant opportunities to direct capital towards renewable energy, sustainable infrastructure and sustainable forestry, contributing directly to EU's climate and energy transition objectives.

Investment funds that wish to meet the new SFDR categorisation are not constrained by asset liability constraints and so can select the assets to meet the 70% threshold requirements. Traditional products do not have this flexibility - they must invest in a very wide and diverse set of private and public assets and to have very significant exposure to sovereign bonds.

As currently worded, reaching the SFDR 2.0 70% threshold risks being unattainable in practice, not because the products lack genuine sustainability ambition, but because the framework does not provide workable criteria. This creates a paradox: a very significant set of assets, already managed with sustainability objectives, and crucial for the green transition, could end up non-categorised, along with those with no such objectives. With a few adjustments to the Level 1 text, SFDR 2.0 could be designed to work for such products and encourage even greater funding channelled towards sustainability and transition.

Firstly, it should be made explicit in the Level 1 text how inclusion of general-purpose debt issuances from public sector bodies in the ESG Basic category could be achieved.[1] For example text from the recital 22 should be included in Article 8.

Secondly, to be able to classify traditional life insurance products under ESG Basic the text must clarify that "other investments" (e.g. article 8(2)(e) for the ESG Basics category) covers real assets and alternative assets which are unlisted (e.g. property, private debt, private equity, etc). This could be done through by including examples in the recitals. While this is of particular importance to traditional products, likely to be covered by Article 8, it should also apply to articles 7 and 9, because it should also be possible for unlisted assets to contribute to the 70% thresholds for sustainable and transition categories.

Thirdly, it should also be confirmed explicitly in the text that traditional life insurance products that invest in a mix of ESG Basic, Sustainable and Transitional assets to arrive at the 70% threshold for ESG Basic should also be able to disclose and market this to customers in order to show how the product contributes to the transition and/or sustainability through its investment choices and active ownership.

Currently while Article 8 2(d) makes clear that Article 7 and Article 9 category type assets count towards the 70% threshold for Basic ESG category. Article 7(1) and Article 9(1) appears prevent a Basic ESG category product making any claims about how the product contributes to transition or sustainability.

Finally, Insurance Sweden also advocates re-naming the category in article 8 to "ESG Essentials", to better reflect the sustainable characteristics of financial products falling under this category.

Multi-options products (MOPs)

MOPs are also an important part of the Swedish savings landscape that foster private funding to greater sustainability, including the green transition. The strategic integration of sustainability objectives and processes in the fund selection is a well-recognized and established practice in the Swedish market. Funds that promote ESG-characteristics (article 8 in current SFDR) cover over 90% of the Swedish capital managed in funds by the end of 2025.

1 Thresholds for the transition and sustainable categories are difficult to reach. Criteria for these categories are generally too strict for most Swedish traditional life insurance products.

Regarding the SFDR-proposal, we believe the Commission intended MOPs to be in scope, but the current wording does not work. Sweden would like MOPs to be in scope by adding text, where it is made clear that for products where it is the customer who decides the investment mix, classification should apply at investment option level (underlying funds).

In Sweden, MOPs often offer an extensive—and sometimes virtually unlimited—range of underlying fund options across diverse asset classes. While some underlying funds align with the proposed SFDR categories, others do not. As customers can freely adjust their allocations, the classification of the MOP is determined by them and can change over time, making ex-ante categorisation impossible.

Article 9a seeks to address combined products but appears drafted for “fund-of-funds” structures rather than MOPs. The key difference being that with a “fund of fund” the customer is buying a specific mix of investments selected by the financial market participants, while with MOPs each individual customer determines investments in their product. As a result, Swedish unit linked products and PPLI (portfolio bonds), which represent nearly EUR 280 billion in assets as of Q3 2025, fall largely outside the intended scope of the article.

Therefore, Article 9a needs to be adjusted or an additional article dedicated to MOPs should be added. If classification applies only at the level of the underlying funds, the level 1 text should confirm that insurers still are allowed to communicate transparently at product level about the characteristics of the classified underlying funds they offer and to market to customers that their product can support sustainable investments. This ensures customers receive meaningful information and ensure a level playing field.

To enhance comparability and accessibility, it should be considered for MOPs to provide standardized information regarding sustainability criteria used in the selection of underlying fund options within the MOPs. The categorisation of each fund option can be provided by the MOPs based on information provided by the fund, but further information should be provided to support relevant information to end-investors hyperlinks between websites and PCDs should be allowed. This is already indicated from “ESA SFDR Q&A (JC 2023 18), Section I, Q4 which says that Article 10 disclosures may be hosted on a different website, provided they are easily accessible to investors”, but should be made clear in recitals or text of SFDR 2.0.

SFDR and the sustainability preferences under the IDD

To ensure coherence and practical usability, the interaction between the SFDR and the IDD rules on sustainability preferences must be assessed explicitly and comprehensively as part of the ongoing SFDR review. We assume that the current sustainability preferences in the IDD will be updated with regards to the proposed changes in the SFDR. It must therefore be ensured that both the product categorisation and the information to be provided are consistent with how sustainability preferences are intended to be addressed in the suitability assessment under the IDD.

We want to underscore the need for the sustainability preferences in the IDD to be created in a way that makes it possible for a customer and an advisor to assess how both unit linked insurance (where the sustainability should be assessed on underlying fund level) and traditional insurance (with the wide array of underlying assets that has been discussed above), could fulfil the customers sustainability preferences. It is also important that the SFDR regulation does not forbid insurers from providing information on traditional insurance that is necessary to assess if, and to what extent, the product fulfills the IDD sustainability preferences.

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ABOUT US

Insurance Sweden (Svensk Försäkring) is the trade association for insurance companies operating in Sweden. Our members account for approximately 90 per cent of Swedish insurance premiums. We represent insurers in public policy, regulatory and legislative matters at national and European level.