



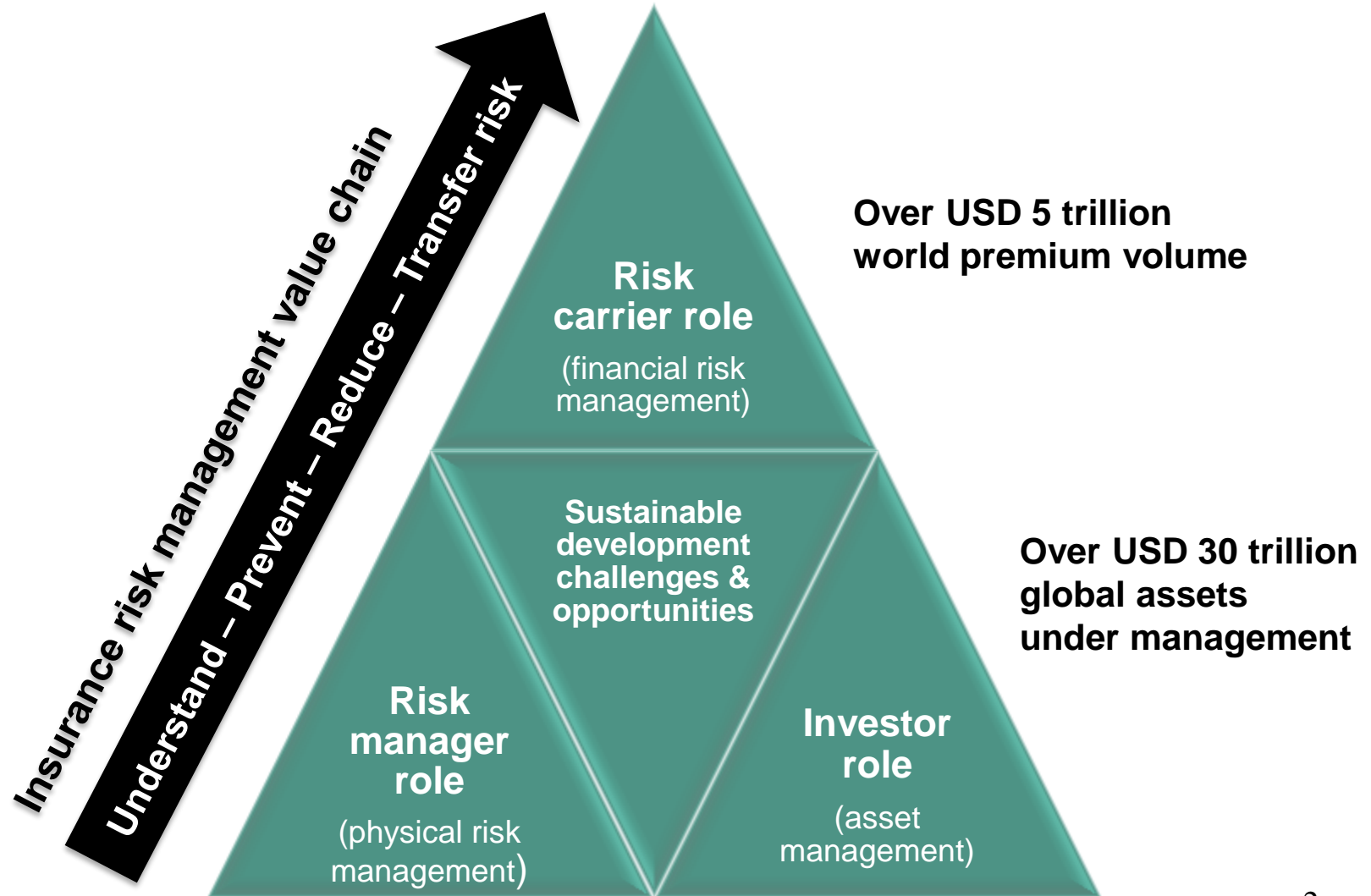
**A global sustainability framework and the largest collaborative initiative between the UN and the insurance industry**

# **Sustainable insurance: Turning environmental, social and governance challenges into sustainable opportunities**

Global Insurance Supervision Conference  
6-7 September 2017, Frankfurt

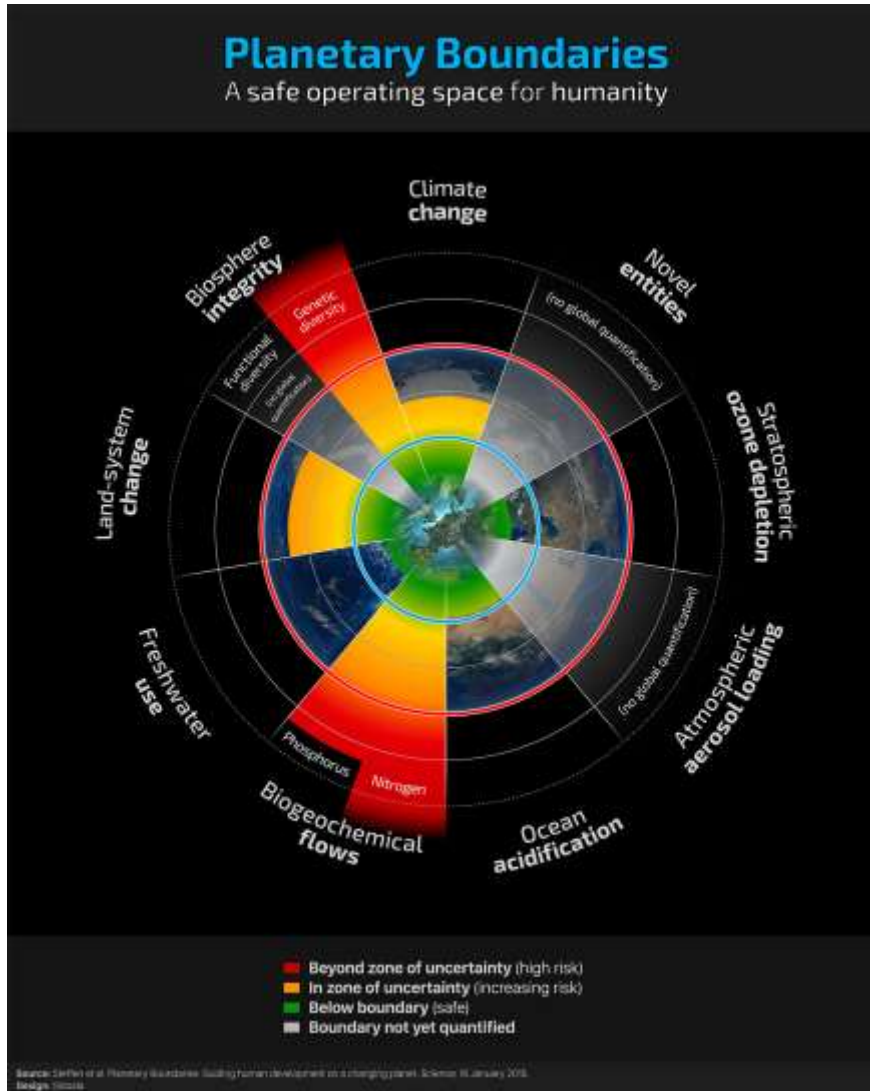
Butch Bacani  
Programme Leader  
UN Environment's Principles for Sustainable Insurance Initiative

# The triple role of the insurance industry in sustainable development



# Example of a changing risk landscape

The safe operating space of 4 of 9 interlinked planetary boundaries have already been exceeded



## The 9 planetary boundaries

1. Change in biosphere integrity (biodiversity loss and species extinction)
2. Biogeochemical flows (nitrogen and phosphorus cycles)
3. Climate change
4. Land-system change (e.g. deforestation)
5. Ocean acidification
6. Freshwater use
7. Stratospheric ozone depletion
8. Novel entities (not yet quantified) (e.g. organic pollutants, radioactive materials, nanomaterials and micro-plastics)
9. Atmospheric aerosol loading (not yet quantified) (microscopic particles in the atmosphere that affect climate and living organisms)

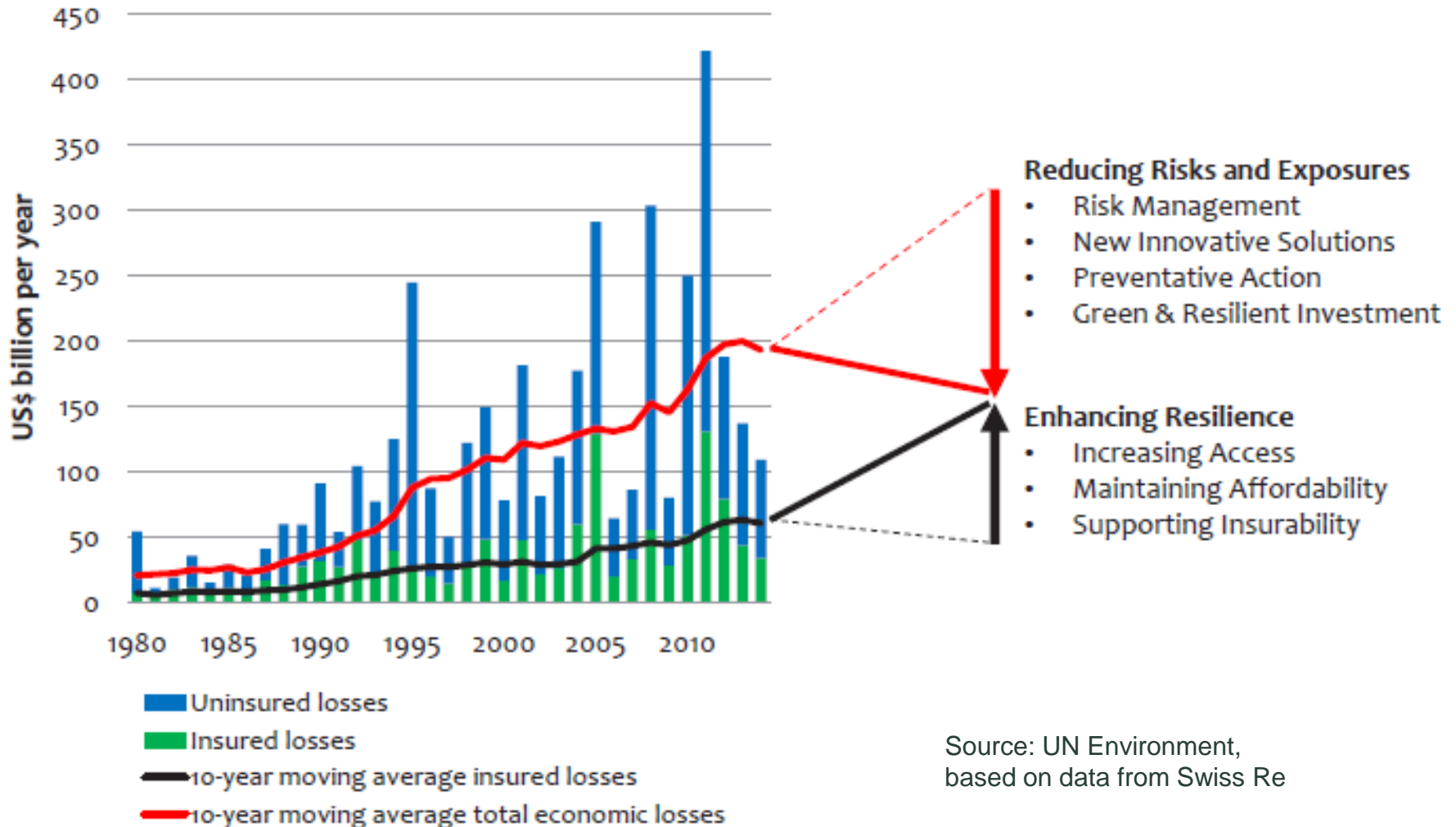
Source: Steffen et al. 2015. Planetary Boundaries: Guiding human development on a changing planet. Science Vol. 347 no. 6223

# The sustainable insurance challenge



PSI  
Principles for Sustainable Insurance

Harness the insurance industry's role as risk managers, insurers and investors to close the protection gap and support a smooth transition to a sustainable economy



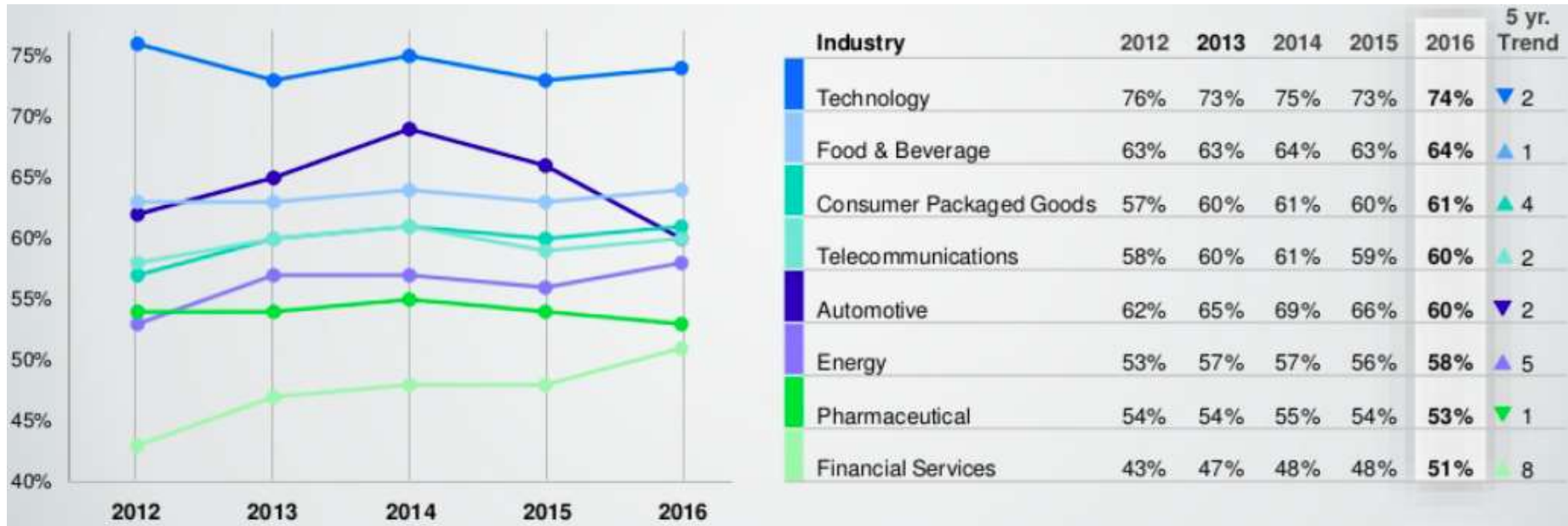
Source: UN Environment,  
based on data from Swiss Re



# Trust and reputation is a fundamental issue

## Global survey: Financial services is least trusted across industries

### Trust in each industry sector (2012-2016)



Source: 2016 Edelman Trust Barometer

# Pioneering global studies by the UN and the insurance industry on environmental, social and governance risks and opportunities and sustainable development

2007



2015



2009



Supported by UN Environment Executive Director & HRH The Prince of Wales



## Examples of key ESG issues (or “sustainability issues”)

- Climate change & extreme weather events
- Natural disasters
- Biodiversity loss & ecosystem degradation
- Water scarcity
- Food insecurity
- Environmental pollution
- Violation of human rights & labour standards
- Social inequality & financial exclusion
- Emerging health risks & pandemics
- Ageing populations & demographic change
- Technological risks including big data
- Accountability & transparency issues
- Trust & reputation issues
- Unethical business conduct & practices
- Corruption
- Unfair treatment of customers

# The Principles for Sustainable Insurance: A global roadmap to drive systemic change

## Principle 3:

We will **work together with governments, regulators and other key stakeholders** to promote widespread action across society on environmental, social and governance issues.

## Principle 1:

We will **embed in our decision-making** environmental, social and governance issues relevant to our insurance business.

Public

Governments,  
regulators &  
other key  
stakeholders

Clients &  
business  
partners

Own business  
strategies &  
operations

## Principle 4:

We will **demonstrate accountability and transparency** in regularly disclosing publicly our progress in implementing the Principles.

## Principle 2:

We will **work together with our clients and business partners** to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

# Launch of the PSI at Rio+20 Conference: Endorsed by UN Secretary-General and insurance CEOs worldwide



June 2012, Rio de Janeiro, Brazil



**“The Principles for Sustainable Insurance provide a global roadmap to develop and expand the innovative risk management and insurance solutions that we need to promote renewable energy, clean water, food security, sustainable cities and disaster-resilient communities.**

**“With world premium volume of more than \$4 trillion and global assets under management of more than \$24 trillion, insurers that embed sustainability in their business operations can catalyze the kinds of financial and investment flows and long-term perspectives needed for sustainable development.**

**“The United Nations looks forward to working with all sectors of society towards the global embrace of this important new initiative as we shape the future we want.”**

– Ban Ki-moon, UN Secretary-General



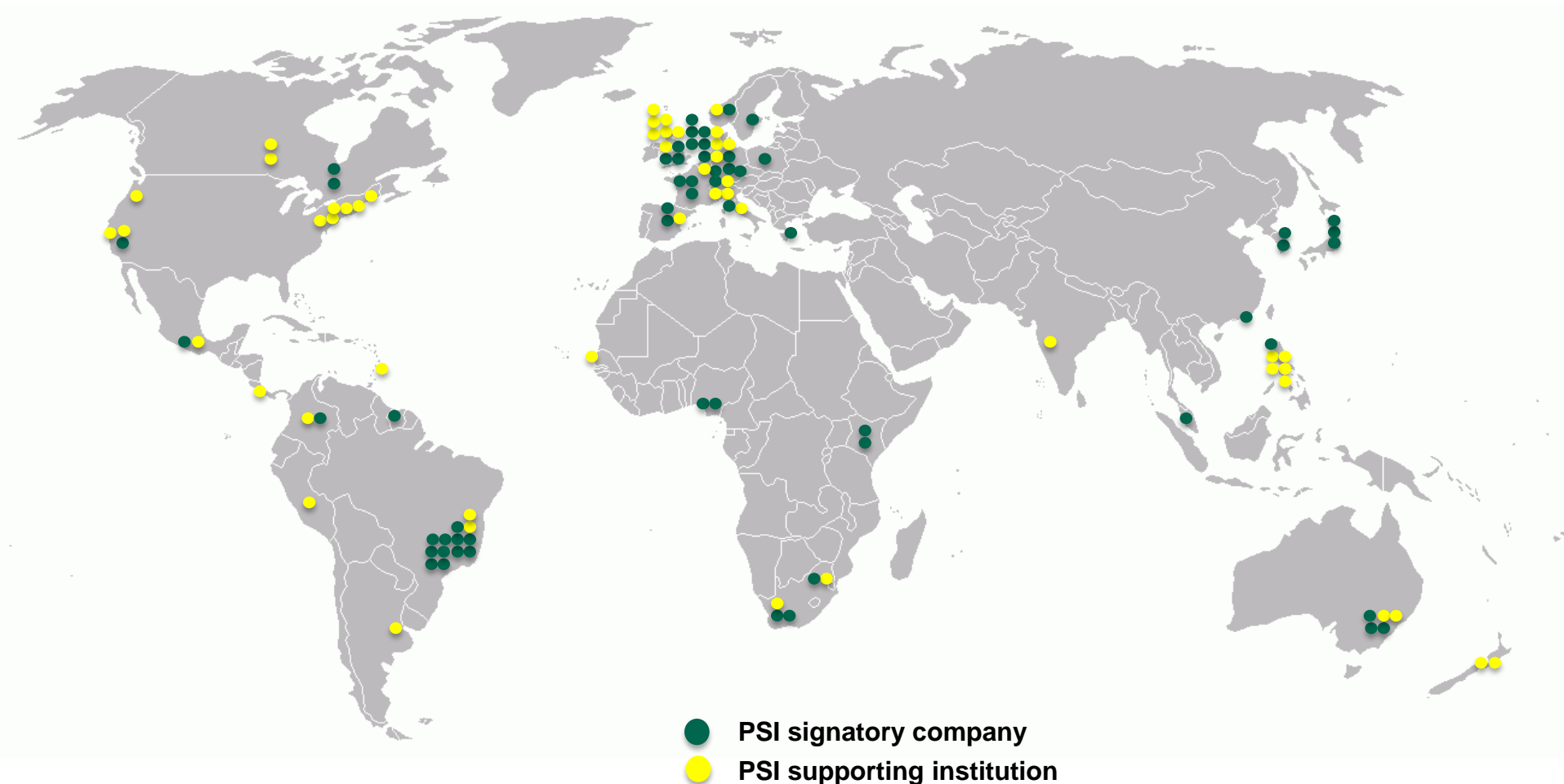


# PSI membership by country of domicile



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- 107 members and growing
- Insurers representing over 20% of world premium + USD 14 trillion in assets under management
- Largest collaborative initiative between the UN and the insurance industry



# PSI as a global sustainability framework for the insurance industry



**Sustainability indices:**  
**PSI part of insurance industry criteria** of Dow Jones Sustainability Indices, FTSE4Good, and Brazil's BM&FBOVESPA Corporate Sustainability Index

**Swiss Re remains insurance industry leader in sustainability according to 2016 DJSI (Sep 2016)**  
 "Swiss Re remains the insurance industry sector leader in the DJSI for the third consecutive year, and the tenth time since 2004"

**AXA rewarded for its constant progress in sustainability (Sep 2016)**  
 "Since 2006, AXA has improved its score in the DJSI. From 62/100 in 2006, its score has reached 85/100 in 2016"



FSB Task Force on Climate-related Financial Disclosures (TCFD) supplemental guidance for insurance companies suggests the **alignment of recommended disclosures with other frameworks**

For "metrics and targets recommended disclosures", the guidance refers to **Principle 1 of the PSI** (Dec 2016)

## Core Elements of Recommended Climate-Related Financial Disclosures



**Swiss Re adopts FSB climate disclosure recommendations** (Dec 2016)



"The launch of the SIF (Sustainable Insurance Forum for Supervisors) is timely. For example, the **Task Force on Climate-related Financial Disclosures (TCFD)**, which was established by the Financial Stability Board, released on 14 December 2016 its Recommendations Report for a 60-day public consultation."



**Sustainable Insurance Forum for Supervisors (SIF) issues statement supporting FSB climate disclosure recommendations** (Jul 2017)

– IAIS Newsletter (Dec 2016), International Association of Insurance Supervisors

# **Principle 1:**

# **Insurance industry leadership & commitments**

# Implementing the Principles: Examples

## A company commitment



### Swiss Re's Sustainability Risk Framework

#### Umbrella policies

- Human rights
- Environmental protection

#### Guidelines

- Animal testing
- Dams
- Defence sector
- Forestry, pulp & paper, palm oil
- Mining
- Nuclear non-proliferation
- Oil & gas

### Swiss Re among first in the insurance industry to integrate environmental, social and governance (ESG) benchmarks into its investment decisions

(Jul 2017)

- Swiss Re publication explains why ESG integration makes economic sense for long-term investors
- Swiss Re selected benchmarks based on the MSCI ESG methodology for its equities and fixed income portfolios

Environmental, social and governance aspects		
Environmental aspects	Social aspects	Governance aspects
Pollution	Political environment and public perception	Responsible and careful planning and assessment
Natural resources and biodiversity	Working conditions	
	Health and safety for the community	Compliance
	Resettlement of people	Consultation and transparency
	Cultural heritage	

### Munich Re's processes, guidelines and tools to assess environmental, social and governance issues in insurance underwriting and investment

### Allianz's screening process for environmental, social and governance issues in insurance and investment transactions

# Implementing the Principles: Examples

## A company commitment



“The debate is no longer about whether, it's about when.

“As an insurer, I have personally witnessed many times humanity's capacity for resilience. This gives me hope that we will learn from the errors of the past and set ourselves on a path towards a more sustainable future, beginning here today and resulting in a comprehensive, fair and ambitious agreement this December. **In any case, we have no choice: a 2°C world might be insurable, a 4°C world certainly would not be.**”


- Henri de Castries, Chairman & CEO, AXA Group

22 May 2015, Climate Finance Day, Paris

Henri de Castries at the Climate Finance Day | May 22<sup>nd</sup> 2015

*"As our business is about understanding risks and managing them for our clients, insurers are uniquely positioned to provide innovative solutions in partnership with public authorities but also relevant private players."*


### COAL DIVESTMENT




AXA has decided to divest from the companies most exposed to coal-related activities.

This initiative represents a divestment of **€ 0.5 billion**


### "GREEN" INVESTMENTS



AXA commits to **X3** its green investments, **€ 3 billion** by 2020



### ESG\* INTEGRATION AND SIGNING THE "MONTREAL CARBON PLEDGE"




AXA has committed to measuring the ESG\* footprint of all relevant asset classes of its general account investments by the end of 2015.

And we are the first global insurer to sign the Montreal pledge, an initiative to disclose the carbon footprint of our investments, launched under the auspices of the UN Principles for Responsible Investment.

\* environmental, social and governance

### AFRICAN RISK CAPACITY



AXA has joined in May 2015 the African Risk Capacity initiative.

A regional insurance pooling mechanism that helps mitigate the short-term cash flow problems that cripple developing countries after natural disasters.

**AXA's investment and insurance business:  
AXA disengagement from coal-intensive business**



redefining / standards

AXA GROUP POLICY ON  
COAL MINING AND COAL-BASED ENERGY

# **Principle 2:**

# **Insurance industry partnerships**

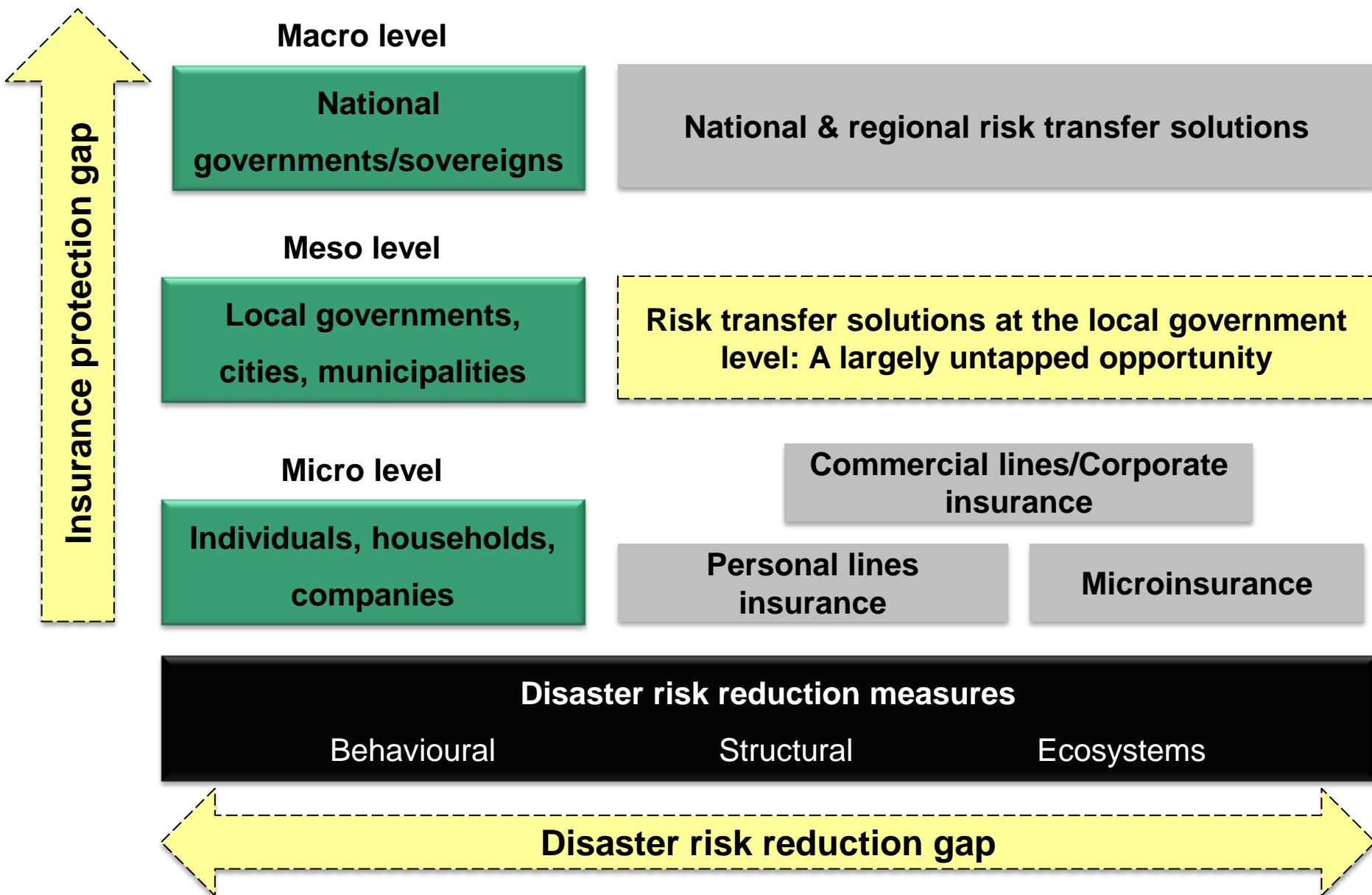
# PSI Global Resilience Project led by IAG

Building disaster-resilient communities and economies



PSI

Principles for Sustainable Insurance



# AXA-PSI international climate resilience survey of cities & SMEs

- **Over 40 city/urban leaders** (e.g. mayors) in developed and developing countries
- **Over 1,100 small-to-medium-sized enterprises** (SMEs) in Europe, Asia & the Americas
- **Cities** emphasising need to **combine adaptation with mitigation** in climate change response
- Cities need to be **well prepared** to withstand climate impacts, including a **resilient economy**
- **Only 27% of SMEs are well prepared** for consequences of climate change; **only 27% adapting their business** to be more resilient
- **79% of SMEs** think insurers should do more to **help businesses adapt** to the consequences of climate change
- Adaptation and resilience should be **proactive and integrated** into business strategies. **Private sector engagement** is key





# PSI global guidance on the integration of environmental, social and governance risks into insurance underwriting



- There is **no global guidance for the insurance industry on the integration of environmental, social and governance (ESG) risks into insurance underwriting for any line of business**
- Project an opportunity to **identify and define ESG risks from an insurance underwriting perspective**
- Aims to **engage insurance industry practitioners and stakeholders worldwide** to identify key ESG risks, priority lines of business, and types of insurance cover
- Aims develop a **shared understanding by the insurance industry** on how to approach ESG risks
- Aims to benefit the economy, society, and the environment by **preventing and reducing ESG risks**
- Aims to contribute to building a **sustainable financial system** and support the **UN Sustainable Development Goals, Paris Agreement on Climate Change, Sendai Framework for Disaster Risk Reduction, and UN Guiding Principles on Business and Human Rights** through improved risk management across the industry

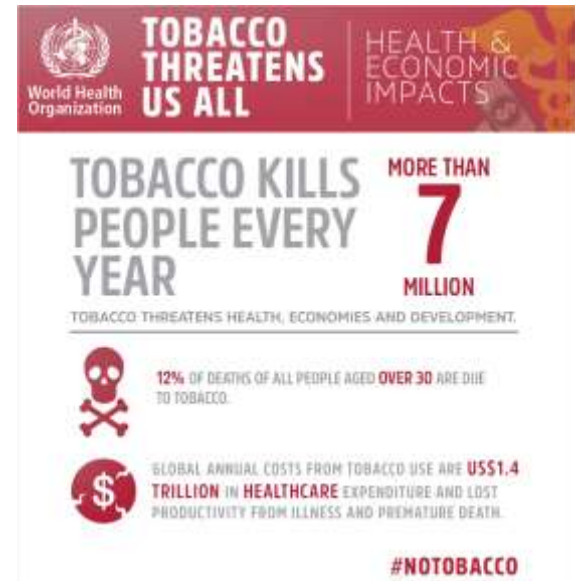
# World's first global investor statement in support of government action on tobacco control

- **Over 50 investors, health systems, pension funds and insurers representing more than USD 4 trillion in assets under management** have signed investor statement
- Per the WHO, tobacco consumption poses a **significant risk to global health and economies**
- Tobacco a primary driver of dramatic rise in chronic non-communicable disease, **killing more than 7 million people per year**, expected to rise to **8 million by 2030**, mostly in developing countries
- Unless urgent action is taken, tobacco-related disease is forecast to result in **one billion premature deaths during the 21st century**
- Smoking costs the global economy **more than USD 1 trillion a year**, far outweighing global revenues from tobacco taxes
- UN Sustainable Development Goal 3 (Health) target to **strengthen implementation of WHO Framework Convention on Tobacco Control**

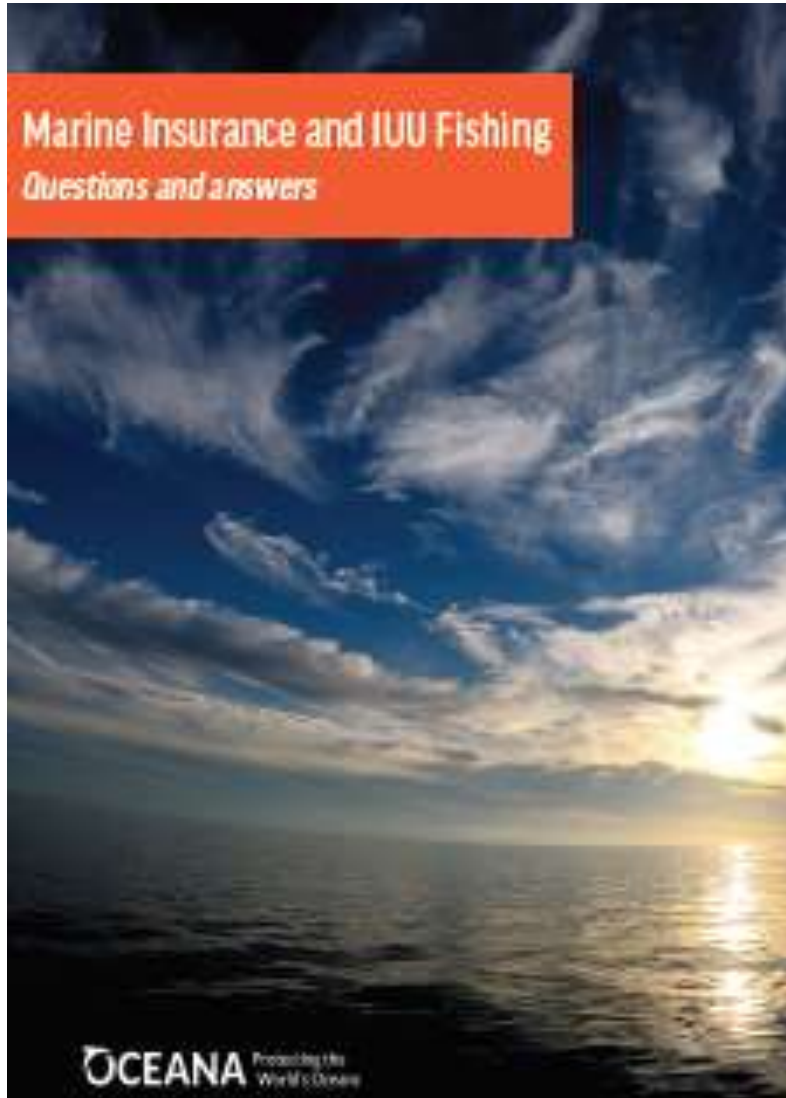


PSI

Principles for Sustainable Insurance



# World's first insurance industry statement on marine insurance and healthy oceans



- Focus on **education and awareness building and risk management and underwriting** to help reduce and eliminate **illegal, unreported and unregulated fishing (IUU) fishing**
- In 2007, the quantity of **illegally caught seafood products imported into the EU was estimated at 500,000 tonnes, worth EUR 1.1 billion** (Source: Oceana)
- 2009 study estimated the **total value of illegal and unreported fishing losses worldwide** to be between **USD 10 to 23.5 billion annually**, representing **11 to 26 million tonnes of fish** (Source: Oceana)
- **UN Sustainable Development Goals 14** (oceans, seas and marine resources) **explicitly targets overfishing and IUU fishing** alongside the wider aim of conserving and protecting marine and coastal areas and ecosystems

# PSI and microinsurance community's global partnership for sustainable development



## Key topics:

- Client and impact metrics
- Distribution and technology
- Health
- SMEs and value chains
- Agriculture and climate risks
- Insurance regulation and supervision



International  
Labour  
Organization



# Brazilian market collaboration on sustainable development



**PSI**  
Principles for Sustainable Insurance

## 2015 environmental, social and governance (ESG) goals by the Brazilian insurance industry



Through the work of the Brazilian Insurance Confederation's (CNseg) Sustainability & Innovation Committee

### Goal 1:

40% of insurers will integrate environmental, social and governance criteria into their risk underwriting policy

### Goal 2:

30% of insurers will have an environmental, social and governance engagement programme targeted at brokers

### Goal 3:

50% of insurance industry will integrate official public policy from municipal, state and federal governments into their social responsibility policy

### Goal 4:

50% of insurers will report on environmental, social and governance criteria

CNseg monitoring progress through surveys since 2014

CNseg has developed “Balanced Scorecard for 2016-18” to measure progress in achieving strategic objectives on sustainability, including the ESG goals

# **Principle 3:**

# **Financial policy & regulatory frameworks**

# UN Environment's Inquiry into the Design of Sustainable Financial System



2014



2014-15



2016



2016

**G20 Green Finance Study Group** launched by China as part of its 2016 G20 Presidency

Co-chaired by the People's Bank of China and the Bank of England

Non-G20 countries work stream

**China's green investment needs:** USD 400 billion per year to finance green investment, but only 15% from public sources

2015



**BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY**

**Climate leadership via the PSI recognised by the Bank of England**

“More widely, insurers had clear views on their role in driving a wider societal response to climate change. They believed that it was their responsibility to show leadership on the issue. This is taking a variety of forms, including participation in industry initiatives, such as...**becoming a signatory to the Principles for Sustainable Insurance...**”

2015



The impact of climate change on the UK insurance sector

A Climate Change Adaptation Report by the Prudential Regulation Authority

September 2015

# EU High-Level Expert Group on Sustainable Finance



Source: European Commission

- **Recommendations for a comprehensive EU strategy on sustainable finance as part of the Capital Markets Union by the end of 2017**
- **European Commission will draw on recommendations to determine how to integrate sustainability considerations into EU's rules for the financial sector**



# Insurance regulators and supervisors demonstrating leadership and commitment by signing the PSI



Argentina



Brazil



California



Costa Rica



The Philippines



Washington State



# The Sustainable Insurance Forum for Supervisors (SIF)



**Inaugural SIF meeting: 1-2 Dec 2016, San Francisco, USA**



**2<sup>nd</sup> SIF meeting: 1 Jul 2017, Windsor, UK**

- SIF → Groundbreaking initiative to **strengthen insurance regulators' and supervisors' understanding of and responses to sustainability challenges and opportunities** for the insurance business. **UN Environment serves as the SIF Secretariat**
- **UN Environment and insurance regulators and supervisors** launched the SIF in San Francisco, USA in Dec 2016. Leadership group of 8 jurisdictions—**Brazil, France, Netherlands, Philippines, South Africa, UK, and California and Washington State in USA**—guided design of SIF
- SIF members and meeting participants so far include insurance regulators and supervisors of **Argentina, Australia, Brazil, France, Ghana, Jamaica, Japan, Mongolia, Morocco, Netherlands, Portugal, Singapore, South Africa, Sweden, UAE, UK, USA (California and Washington State), and the International Association of Insurance Supervisors (IAIS)**
- 2017 SIF work programme → **Disclosure, access & affordability, sustainable insurance roadmaps, climate risks, disaster risk reduction, capacity building for insurance regulators and supervisors**
- SIF has issued statement **supporting recommendations of Financial Stability Board's Task Force on Climate-related Financial Disclosures** (Jul 2017) → **First group of financial regulators** to do so
- SIF has published a **global stock-take of how insurance regulators and supervisors are managing sustainability challenges** (Aug 2017)

# **Principle 3:**

# **Intergovernmental processes and initiatives**

# Insurers supporting UN global policy frameworks on sustainable development



“The **Sendai Conference** outcome represents the first step of our journey to a new future.” – Ban Ki-moon, UN Secretary-General

## “United for Disaster Resilience Statement” developed by the PSI

A global commitment by the insurance industry to help implement the **Sendai Framework for Disaster Risk Reduction 2015-2030**

- Developing **risk reduction strategies and risk transfer solutions**
- Informing the debate on **land use, building codes and standards, and zoning** through insurance industry insights, data and tools
- **Protecting investments and economies** and creating long-term value through risk reduction and risk transfer strategies
- **Raising awareness of disaster risk and promoting disaster risk reduction**, in addition to developing **risk transfer solutions and making risk-sensitive investments**
- **Understanding and reducing risk** across industries and public sector entities through **strong risk management processes, models, analytics and metrics** developed by the insurance industry 28

# Insurers supporting UN global policy frameworks on sustainable development

Sep 2015

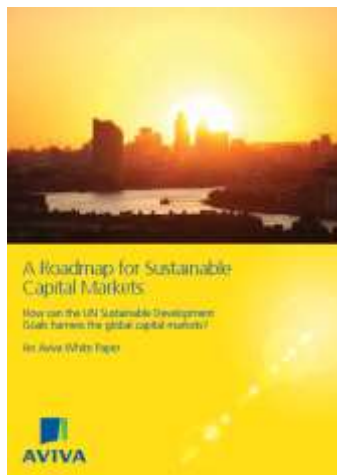


“Insurance sector initiatives... including the **UNEP FI Principles for Sustainable Insurance**...are demonstrating leadership in researching, debating and promoting the role of insurers in sustainable development.

“This includes an explicit recommendation to create a set of **Insurance Development Goals, based on a pioneering global consultation by the PSI Initiative and the UNEP Inquiry** on how insurance companies and insurance regulators could better support development through to 2030.”

– UN Global Compact & KPMG Sustainable Development Goal (SDG) industry matrix for financial services

Jun 2014



Sep 2015



UN General Assembly

# The Paris Agreement on Climate Change



## Key elements:

- Goal to limit global average temperature increase “to **well below 2 °C** above pre-industrial levels and **pursuing efforts** to limit the temperature increase to **1.5 °C**”
- **Adaptation and loss & damage**
- **Regular review and enhancement of ambition**
- Global **stock-taking of progress**
- **Climate finance**

## Insurance in the context of the UN Framework Convention on Climate Change:

- **Warsaw International Mechanism for Loss and Damage** associated with Climate Change Impacts
- **Financial instruments (e.g. insurance, catastrophe bonds)** that address the risks of loss and damage
- Establishment of a **clearinghouse for risk transfer**



- **Over 1,300 non-state actors**, including businesses, NGOs, and many insurers signed the Paris Pledge for Action

# UN High-Level Meeting on Resilience

April 2016, UN Headquarters, New York

“The world needs your leadership to meet the climate challenge.”



**Ban Ki-moon**  
**UN Secretary-General**

## UN Secretary-General's 5 new challenges to the insurance industry:

- Measure **carbon footprint** of investment portfolios by 2020, and **decarbonize investments**
- Double **investments in sustainable energy** by 2020
- Work with UN to ensure that **early warning and early action systems** are made available to most vulnerable countries by 2020
- Provide the most vulnerable with greater access to **risk transfer mechanisms**
- Develop **auditable standards** in insurance industry that incorporate the **Sustainable Development Goals**

# Help achieve the 2030 UN Sustainable Development Goals through “Sustainable Insurance Underwriting Guidelines” and “Insurance Development Goals”



## The Economist’s Insurance Summit 2016: Guardians of the Future

“Insurance 2030, a UN report from June 2015, explored how the insurance industry can be harnessed to support sustainable development.

“A recommendation was made to create **Insurance Development Goals** that align with the UN Sustainable Development Goals, in order to tackle issues of access to insurance, long-term investments, climate change and natural disasters.”

The  
Economist



# PSI & ICLEI – Local Governments for Sustainability global initiative to create “Insurance Development Goals for Cities”



“This landmark initiative by the insurance industry and cities is an **excellent example of the type of ambition and leadership needed to achieve the goals of the Paris Climate Change Agreement.**”

**Patricia Espinosa, Executive Secretary,  
UN Framework Convention on Climate  
Change**

- Create "Insurance Development Goals for Cities", harnessing the insurance industry's role as **risk managers, insurers and investors** in the context of **UN Sustainable Development Goal for cities (SDG 11): "Make cities inclusive, safe, resilient and sustainable"**
- Develop **city-level sustainable insurance roadmaps**
- Organise first-ever **roundtable of insurance industry CEOs and city mayors at the ICLEI World Congress** in June 2018, Montreal, Canada)
- Example of SDG 11 target: **“By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement...holistic disaster risk management at all levels”**



# Vision of UN Environment's Principles for Sustainable Insurance Initiative



**“A risk-aware world, where the insurance industry is trusted and plays its full role in enabling a healthy, safe, resilient and sustainable society.”**



**PSI**

Principles for Sustainable Insurance

**Insuring for sustainable development**

[www.unepfi.org/psi](http://www.unepfi.org/psi)