



Thursday, 20 October 2011

Sector session 15

### Changing Risk, Risky Change: The Principles for Sustainable Insurance (PSI)

*Synopsis:* Amid a changing risk landscape and the increasing diversity and interconnectedness of risks, an insurance industry systematically managing environmental, social and governance issues in its insurance and investment activities, can contribute more significantly to reducing long-term and systematic risks, and to achieving a resource efficient, low carbon, inclusive and sustainable global economy. The Principles for Sustainable Insurance are a guide for the implementation of this by the insurance industry.

*Summary:* The Insurance component of UNEP FI is 4-5 years old. PSI aims to make a global best practice framework for consideration of ESG in insurance strategies and operations, and to establish an UN-backed initiative for adoption and implementation design by and for the insurance industry.

PSI considers ESG in all aspects of an organization; engaging with industry participants, working with society to implement principles and creating an emerging community around PSI. The short-term goal is for the insurance industry to be in the spotlight at Rio and within 5 years to have PSI embedded within the insurance industry. Insurance plays a significant role in society and for sustainable development. Insurance companies are trying to predict reasonable outcomes of the future activities, yet in the world of environmental sustainability the historical data doesn't match.

Insurance is important for sustainability given the fact that it plays a role in the health of economies and societies and because it is concerned with risk management, insurance companies need to better reflect best practices. Indeed the hope is that health insurance companies will collectively work together on emerging issues such as man-made health risks. Climate change is linked to insurance coverage and risk, i.e. weather phenomena. A cookie-cutter approach is not the answer regarding ESG issues addressed by a regulator at the policy level. However principles based on reserving or risk-focused financial examination, could be successful.

If given the right information consumers can help driving sustainability to the next level. There must be unification on the definition of sustainability in the insurance market.

