



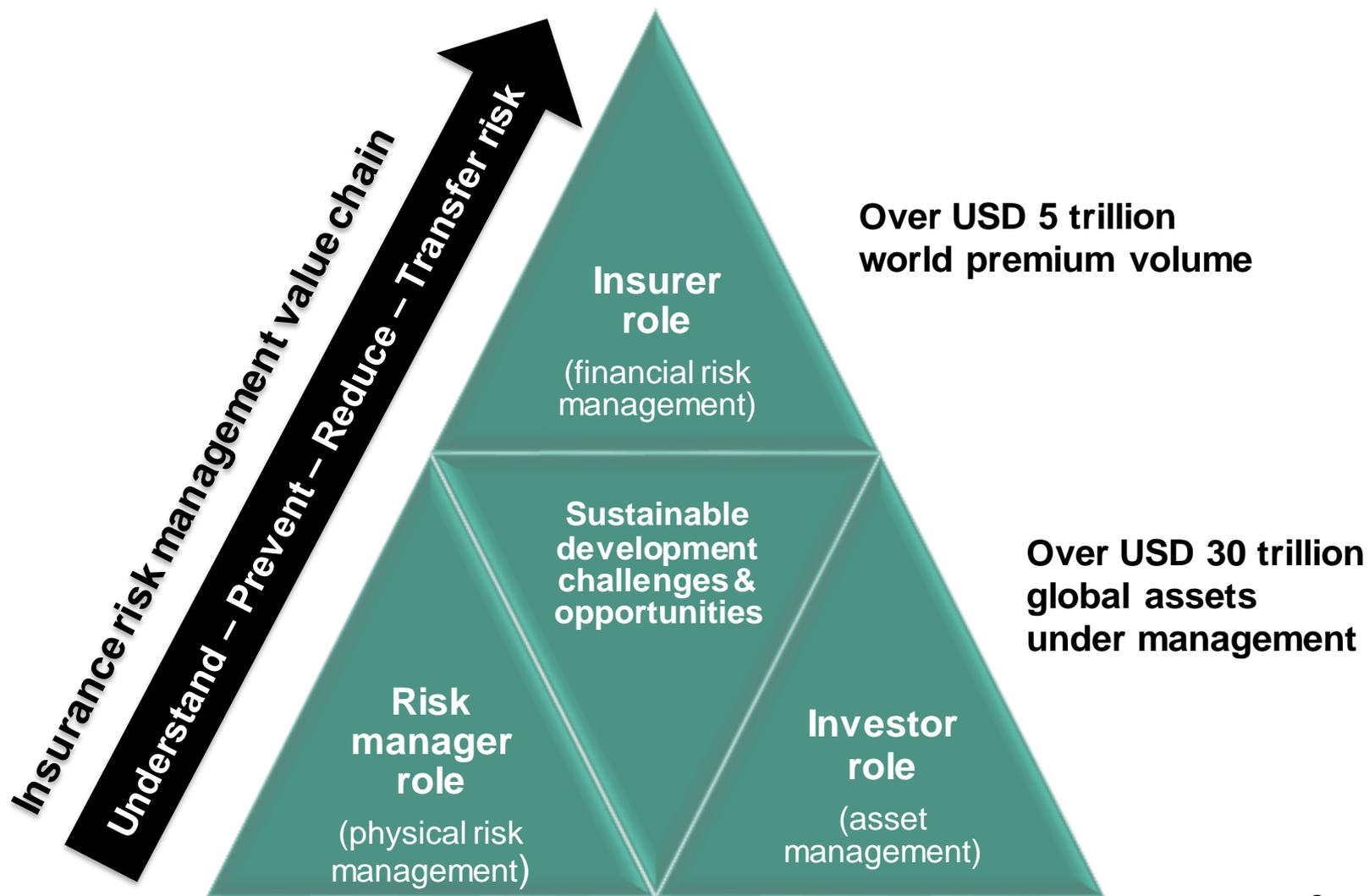
The UN Principles for Sustainable Insurance: Insuring for sustainable development

10 December 2019, Santiago, Chile

Butch Bacani
Programme Leader

UN Environment Programme's Principles for Sustainable Insurance Initiative

The triple role of the insurance industry in sustainable development

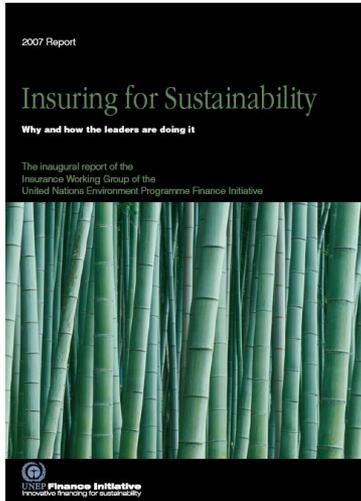


Pioneering global studies by the UN and the insurance industry on ESG issues and sustainable development

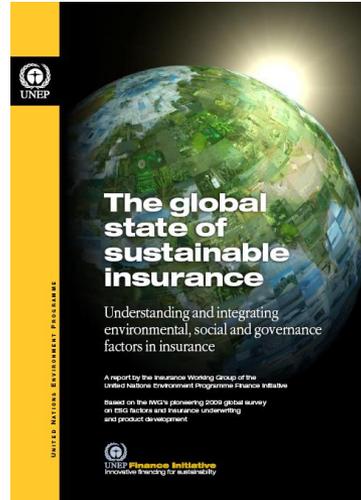


PSI
Principles for Sustainable Insurance

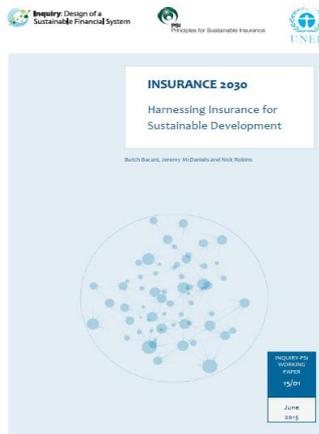
2007: 1st sustainable insurance study



2009: 1st global sustainability survey of insurance industry



2015: 1st global consultation on insurance policy, regulatory & supervisory frameworks and sustainable development



Examples of key environmental, social and governance (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



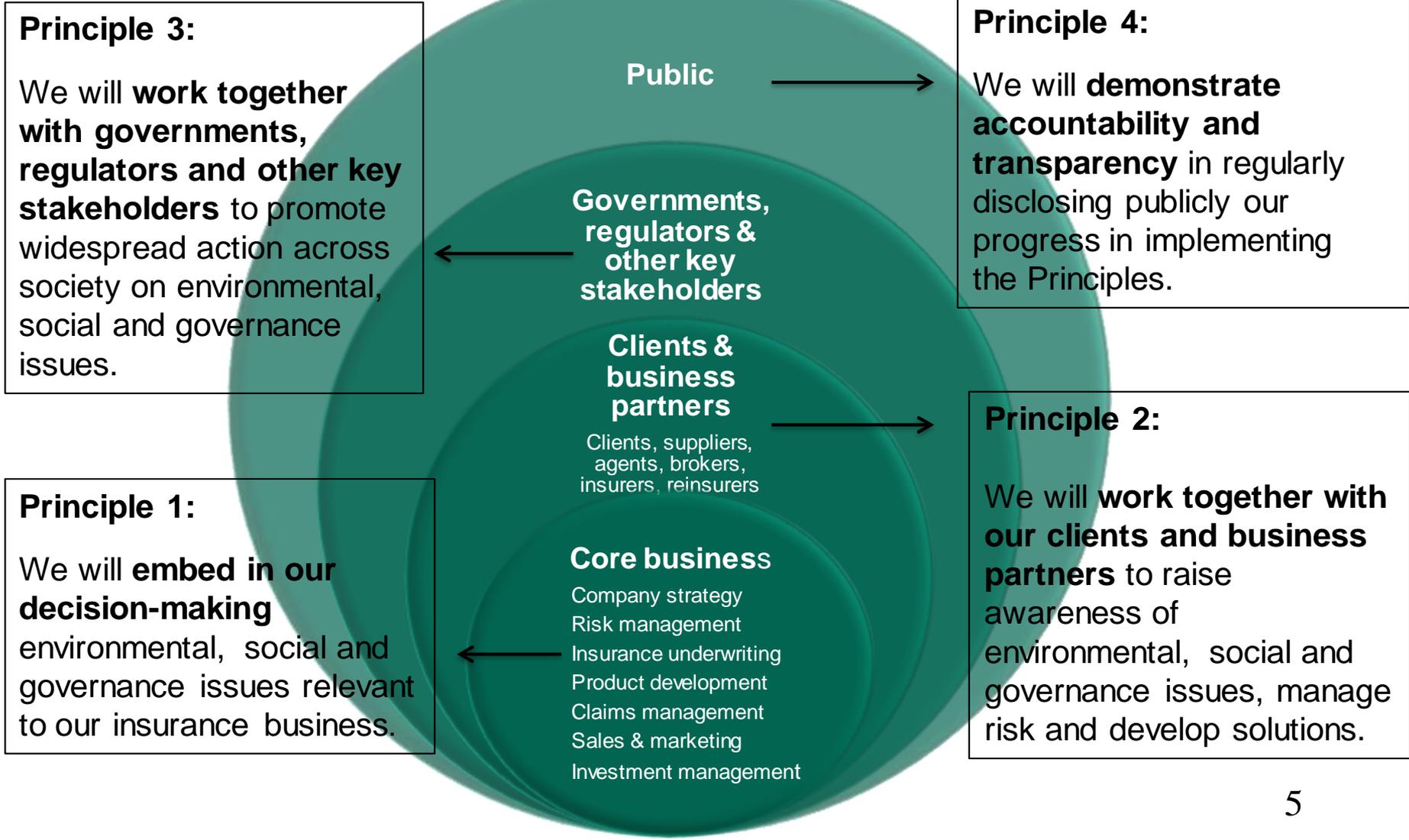
Sustainable insurance defined

“Sustainable insurance is a strategic approach where all activities in the insurance value chain, including interactions with stakeholders, are done in a responsible and forward-looking way by identifying, assessing, managing and monitoring risks and opportunities associated with environmental, social and governance issues.

“Sustainable insurance aims to reduce risk, develop innovative solutions, improve business performance, and contribute to environmental, social and economic sustainability.”

(Source: Principles for Sustainable Insurance, UNEP, 2012)

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



2012 launch of UN Environment Programme's Principles for Sustainable Insurance Initiative (PSI)



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.

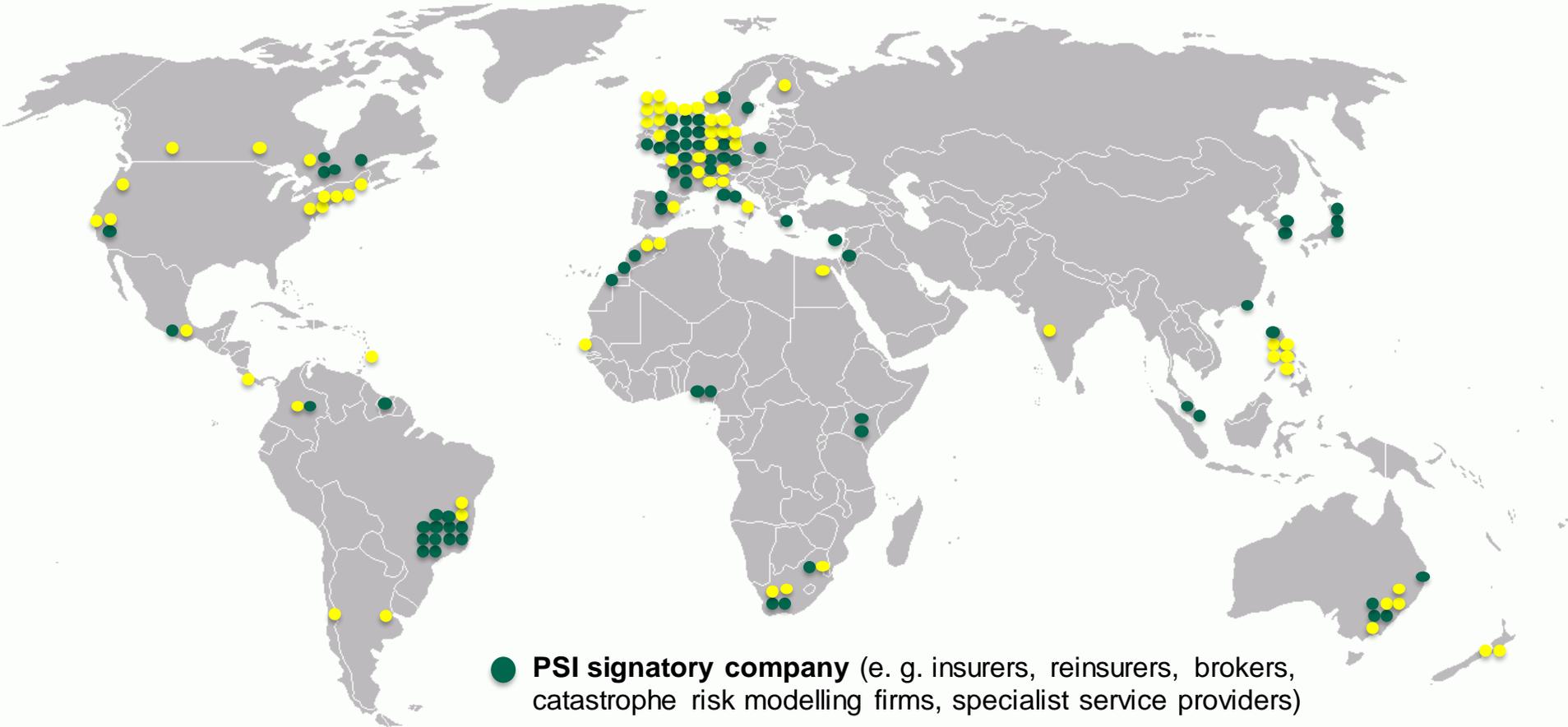
“The United Nations looks forward to working with all sectors of society towards the global embrace of this important new initiative as we shape the future we want.”

Ban Ki-moon, UN Secretary-General



PSI membership by country of domicile

- Over 140 members and growing
- Insurers representing about 25% of world premium + USD 14 trillion in assets under management
- Largest collaborative initiative between the UN and the insurance industry



- **PSI supporting institution** (e.g. insurance associations, insurance initiatives, insurance regulators and supervisors, academia, civil society organisations)

PSI as a global sustainability framework for the insurance industry

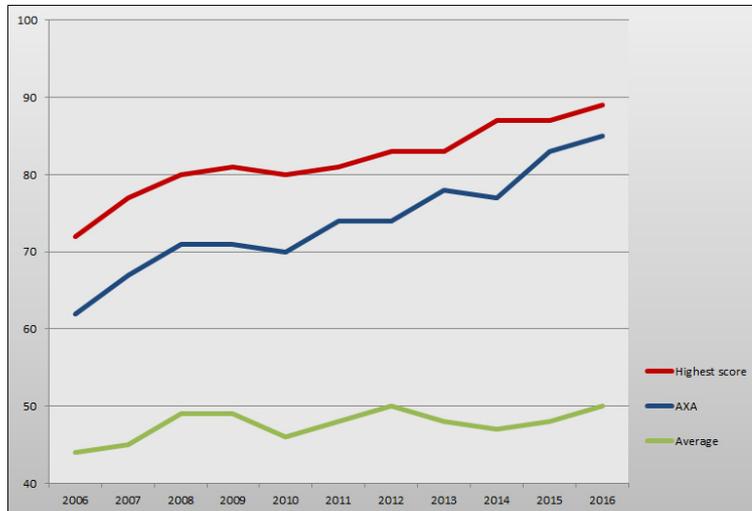


Dow Jones Sustainability Indexes FTSE4Good

2016 DJSI: Swiss Re remains insurance industry leader in sustainability
Swiss Re remains the insurance industry sector leader in the DJSI for the third consecutive year, and the tenth time since 2004

2017 DJSI: AXA's sustainability performance improves again
AXA moves from fifth position to second-best player in the insurance industry – the Group's best performance ever

AXA's historical DJSI performance



Source: AXA

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

2017 & 2018 DJSI rankings: Allianz ranked No.1 insurer



DJSI rankings: 11 of Top 12 insurers are PSI signatories

Source: Allianz

■ Industry best score ■ Industry average score ■ Allianz SE



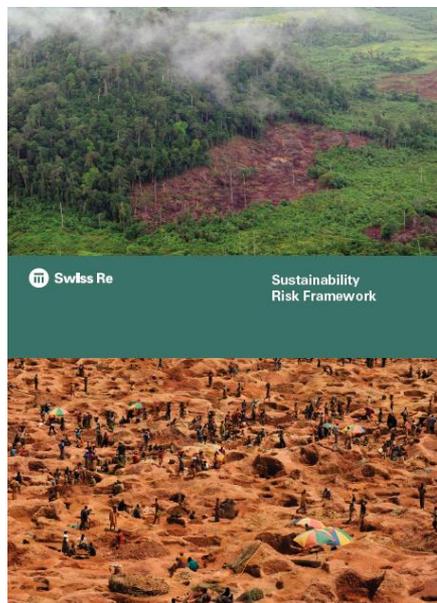
Source: DJSI

Principle 1:

Insurance industry leadership and 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
- Thermal coal

Swiss Re among first in insurance industry to integrate environmental, social & governance (ESG) benchmarks into 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 ESG issues in insurance underwriting and investment

Allianz's screening process for ESG issues in insurance and investment transactions

SCOR's scoring grid to help insurance and reinsurance underwriters assess ESG practices in sensitive sectors and lines of business

Implementing the Principles: Examples

A company commitment



Principles for Sustainable Insurance

2015 Climate Finance Day



“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

2019 AXA-PSI Climate Impact Day



Various PSI members have made commitments to disengage from coal-intensive business through their investments and/or insurance underwriting, to increase green investments, and/or align investments with science-based targets and the goals of the Paris Climate Change Agreement

- Target “warming potential” of AXA’s investments to below 1.5°C by 2050 + Join UN Net-Zero Asset Owner Alliance
- Green investment target doubled to EUR 24 billion by 2023
- Investment in new asset class: Transition bonds
- Total coal exit (2030 → OECD + EU / 2040 → rest of world)
- FastCat: Parametric assistance service

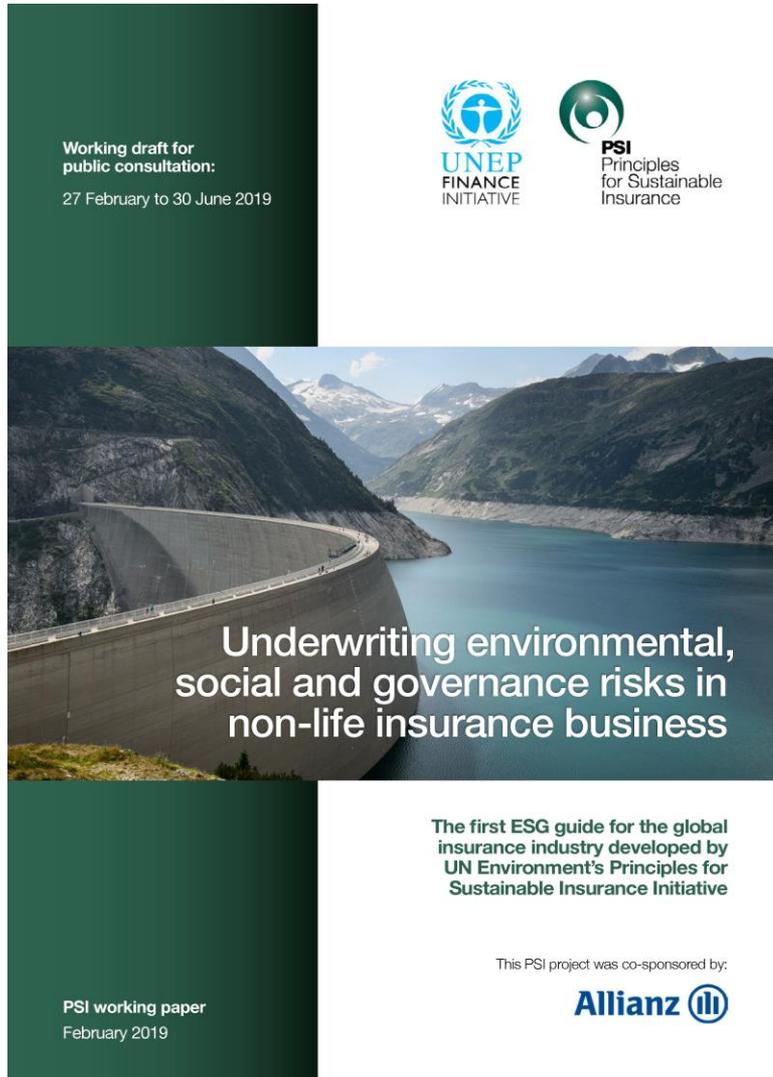


Principle 2:

Insurance industry collaborative action

First global guide to manage ESG risks in non-life insurance business

(Feb 2019 → public consultation version)

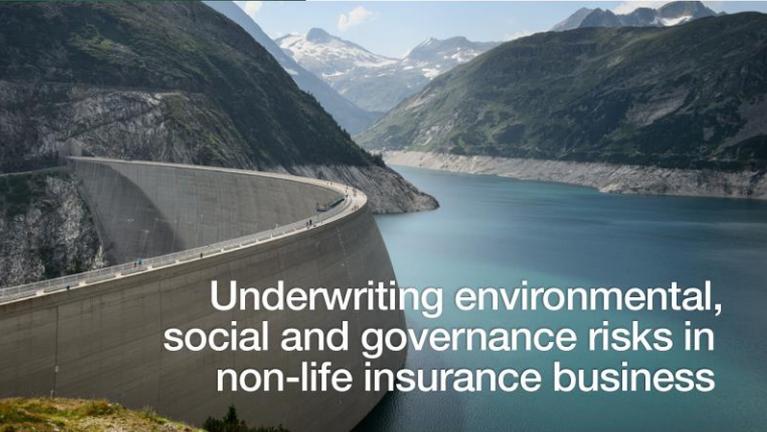


Working draft for public consultation:
27 February to 30 June 2019



UNEP
FINANCE
INITIATIVE

PSI
Principles
for Sustainable
Insurance



Underwriting environmental, social and governance risks in non-life insurance business

The first ESG guide for the global insurance industry developed by UN Environment's Principles for Sustainable Insurance Initiative

This PSI project was co-sponsored by:



PSI working paper
February 2019

Objectives of the guide:

- Provide guidance to insurance industry participants in developing **approaches to assess ESG risks in non-life insurance, particularly industrial & commercial insurance**
- **Support clients, intermediaries and other stakeholders in facilitating ESG-related info** which might be required during ESG due diligence of transactions
- **Highlight materiality of ESG risks to various lines of business and economic sectors**, including characteristics which might affect ability to assess and mitigate such risks
- **Address growing concerns by stakeholders (e.g. NGOs, investors, governments) on ESG risks** and articulate peculiarities of insurance business
- Demonstrate valuable role insurance industry plays in global economy and society, and **strengthen industry's contribution to sustainable development**

PSI Project Team



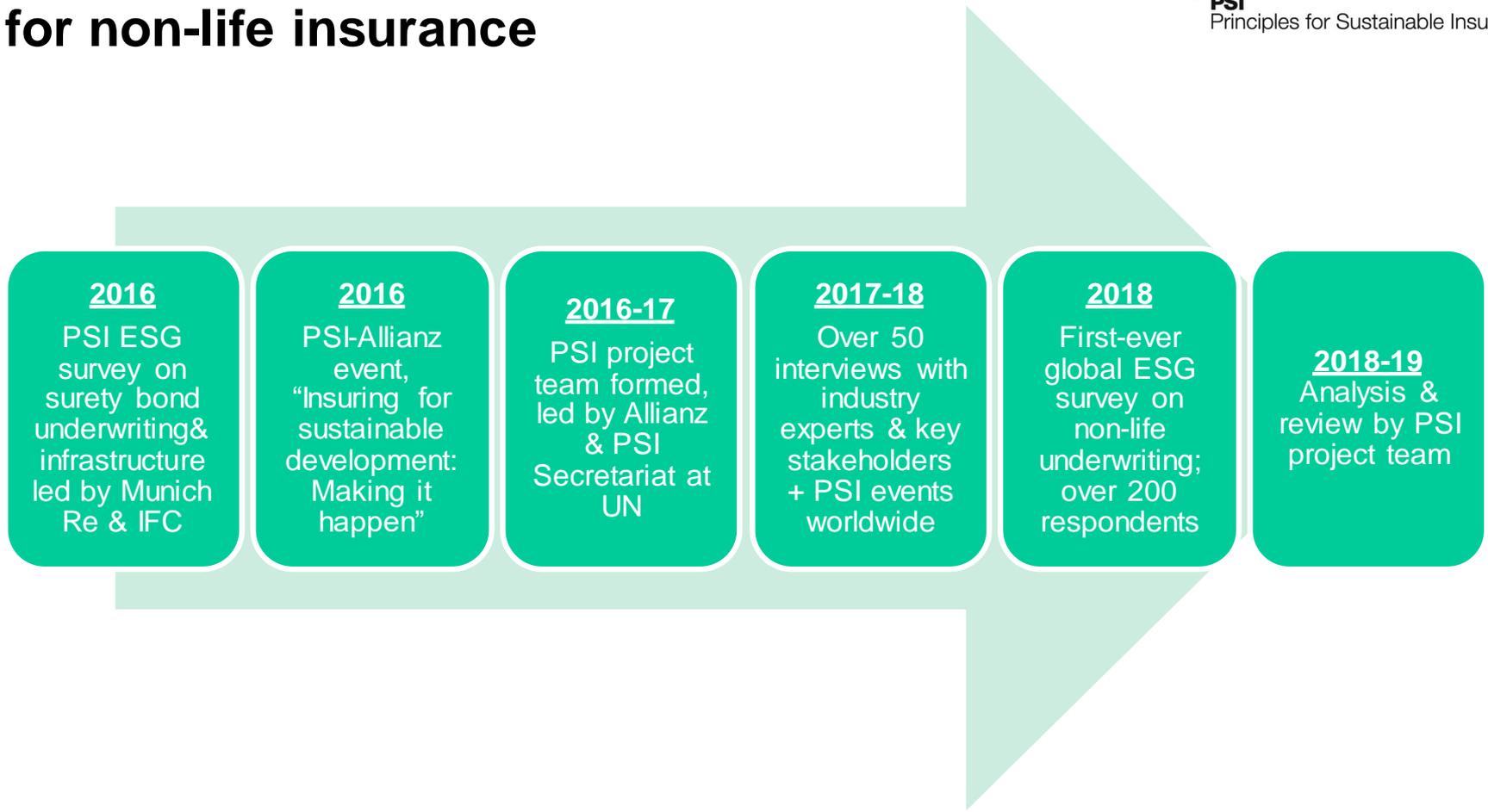
Co-Leads:



Team members:



Developing the PSI global ESG guide for non-life insurance



Using the guide



Environmental issues



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Principles for Sustainable Insurance

Criteria	Theme	Risk criteria	Risk mitigation examples & good practice
Environmental	Climate change	Air pollution, greenhouse gas emissions, and transition risks	<p>Disclosure of climate-related emissions in operations and/or products (e.g. CO₂, CH₂, N₂O, HFCs, PCFs, SF₆)</p> <p>Breakdown of fuel/material/carbon intensity mix relevant to the client or transaction (e.g. power generating mix or by economic sector intensity)</p> <p>Environmental & social impact assessment (ESIA) covering negative health impacts, mitigation and decommissioning where relevant</p> <p>Decarbonisation transition plan/targets</p>
		Physical risks (e.g. heat, wildfire, extreme precipitation, flood, windstorm, tropical cyclones, sea level rise, water stress)	Nature-based solutions (e.g. sustainable flood or coastal defence management, broader climate resilience adaptation plans)
	Environmental degradation	Exposure to unconventional mining practices (e.g. mountain top removal, riverine tailings dumping, deep sea mining)	Involvement in initiatives: Extractive Industries Transparency Initiative, International Council on Mining & Metals, Kimberley Process (diamonds)
		Deforestation or controversial site clearance (e.g. palm oil on peatlands or fragile slopes, illegal fire clearance/logging, biodiversity loss, dam construction)	Certification for palm oil, paper, etc. Dam construction standards: IHA Hydropower Sustainability Assessment Protocol, UNEP Dams & Development, Equator Principles
		Soil pollution	ESIA covering possible negative health impacts, mitigation measures and decommissioning plans where relevant
		Water pollution	Water management practices (e.g. quality, scarcity, overconsumption). Effective ESIA process covering water pollution. External audits/certification
	Protected sites/species	Impacts on World Heritage Sites or other protected areas	ESIA that covers impacts on endangered species and sites including mitigation. Specialist lists: Ramsar, UNESCO World Heritage Sites
		Impacts on species on IUCN Red List of Threatened Species	ESIA that covers impacts on endangered species and sites including necessary mitigation measures
	Unsustainable practices	Exposure to unconventional energy practices (e.g. Arctic oil, hydraulic fracturing, tar sands, deep sea drilling)	Various energy initiatives: IPIECA, IFC EH&S Guidelines, Energy & Biodiversity Initiative for Oil & Gas, Arctic Council, Oil Sands Leadership Initiative
		Illegal fishing vessels, controversial fishing practices or aquaculture techniques	PSI-Oceana guide on illegal, unreported & unregulated (IUU) fishing, IUU fishing lists, Aquaculture Stewardship Council certification
	Animal welfare/testing	Live transport over 8 hours or poor conditions	Live transport over 8 hours must hold certificate including training on ventilation/temperature. Good conditions on food, water, spacing, lighting, etc
		Controversial living conditions or use of chemicals/medicines (e.g. overuse of antibiotics)	Relevant certification for farming or ethical animals treatment during clinical treatments
		Lack of anaesthetic or distress reducing techniques	Compliance with Guiding Principles on Replacement Reduction & Refinement
		Use of wild subjects or Great Apes in testing	

Social issues

Criteria	Theme	Risk criteria	Risk mitigation examples & good practice
Social	Human rights	Child labour	Policy/statement on protecting and promoting human rights, prohibits child labour, shared with suppliers, regular audits and public findings
		Human trafficking	Human rights policy that includes a statement on protecting and promoting human rights and prohibits human trafficking
		Forced labour	Human rights policy that includes a statement on protecting and promoting human rights and prohibits forced labour
		Forced resettlement (including land/water rights for native people, land grabbing)	Free, prior & informed consent (FPIC) achieved. Effective environmental & social impact assessment (ESIA) process covering consultation, resettlement, compensation aspects
		Poor worker safety record (e.g. worse than sector average record on accidents)	Effective occupational health & safety policy that defines safety responsibilities and prevention measures to minimise fatalities, injuries and health impacts
		Violation of worker rights (e.g. discrimination, collective bargaining)	Code of conduct that outlines company's commitment to respect workers' rights
		Misconduct of security personnel (e.g. physical harm to people, human rights abuses)	Whistle-blower channel to report such violations
		Controversial weapons	Controversial weapons exposure (e.g. UN conventions)

Governance issues

Criteria	Theme	Risk criteria	Risk mitigation examples & good practice
Governance	Bribery & corruption	Illegal and unethical payments	Code of conduct and anti-bribery training programme for all employees. Whistle-blower channel to report cases of bribery & corruption
	Poor corporate governance	Anti-competitive practices, violations of antitrust laws, unethical conduct	Code of conduct that outlines compliance with antitrust laws
	Poor product safety & quality	Unethical conduct or negative health impact on customers	



Oliver Bäte
CEO, Allianz Group

“Managing risks is at the heart of any insurer. **The sustainability guide for non-life underwriting transactions raises the industry’s ambition to manage environmental, social and governance risks and helps to achieve the UN Sustainable Development Goals and the climate target of the Paris Agreement.**”

“We are proud to share our long-standing expertise in integrating sustainability into daily business with peers and partners, who might stand at the beginning of this important development. **Driving a low-carbon and inclusive economy to secure our future only will succeed if all players are truly committed and create measurable contributions.**”



Christiana Figueres
Convenor, Mission 2020 & former Executive Secretary, UN Climate Change

“The latest Intergovernmental Panel on Climate Change (IPCC) report shows that there’s a world of a difference—in terms of adverse economic, social and environmental impacts—between a world with an average temperature increase of 2 degrees since pre-industrial levels, and one with 1.5 degrees. **As risk managers, insurers and investors, no industry has the capacity to keep us safe other than the insurance industry.**”

“The PSI’s global sustainability guide is a clarion call for the ambitious action needed in the run up to the UN Secretary-General’s Climate Summit and the 2020 climate turning point.

“As financial scientists, we need the insurance industry to complete the IPCC report by translating the latest climate change science into the language of risk that the world can fully understand and tackle with radical collaboration and stubborn optimism.”

Brazilian market collaboration on sustainable insurance goals



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

Insurers piloting the recommendations of FSB Task Force on Climate-related Financial Disclosures (TCFD)



23 leading insurers: > 10% of world premium & USD 6 trillion assets



Will develop new generation of tools to assess climate-related physical, transition and liability risks



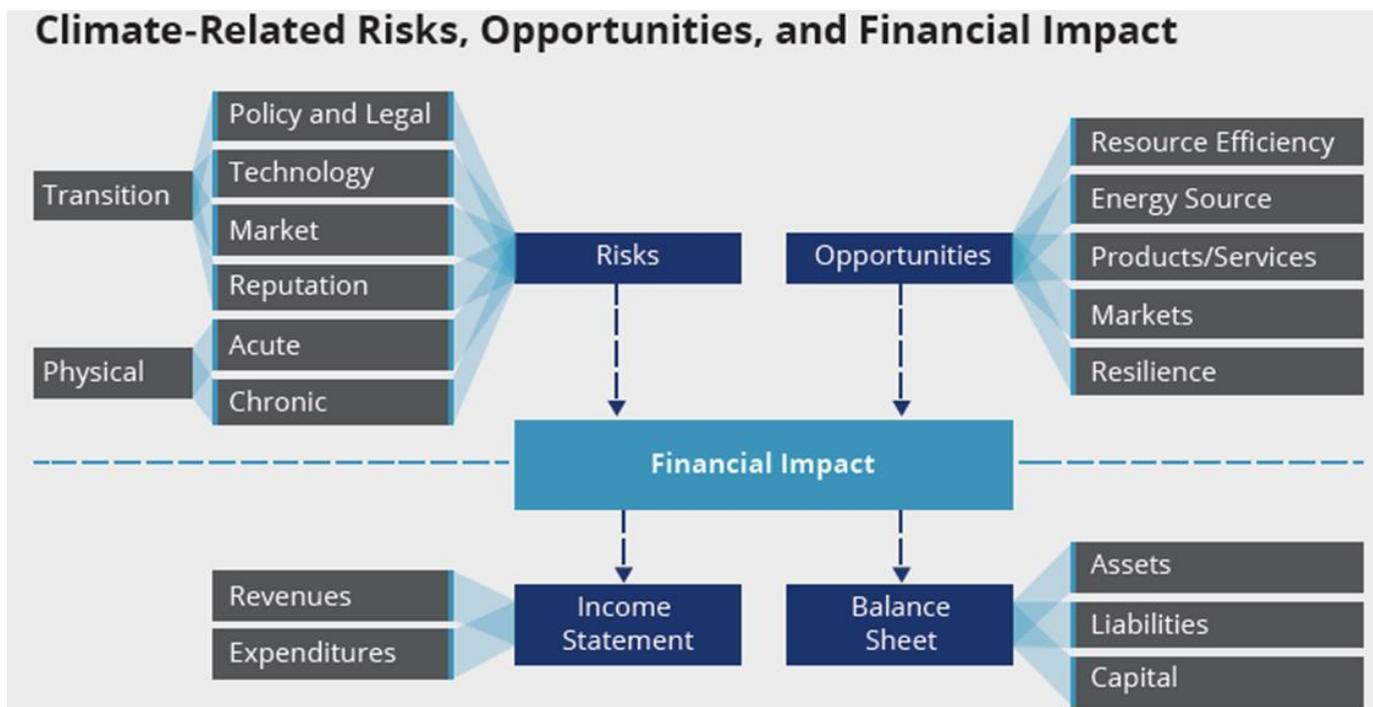
TCFD implementation is also PSI implementation

Principle 1: We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

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.

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



Brazil becomes first insurance market in the world to commit to climate risk transparency (May 2018)



Latin America's largest insurance market declares support for promoting dialogue on practical and effective ways to meet recommendations of Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD)

"Rio Declaration on Climate Risk Transparency by the Brazilian Insurance Industry" signed by Brazilian insurance association (CNseg) and Brazilian insurance regulator (SUSEP)

- Brazil insurance industry **fully supports aims of Paris Agreement on Climate Change** and insurance industry has important role to play as **risk managers, underwriters and investors**
- Managing risk is core business of insurance industry → includes **understanding and reducing climate-related physical, transition and liability risks** associated with **underwriting and investment activities**
- Brazilian insurance industry believes **climate risk transparency essential to better managing impact of climate-related risks on the insurance industry**, and to **promoting sustainable insurance markets**
- Brazilian insurance industry **supports dialogue on practical and effective ways to meet TCFD recommendations** → should consider **particularities of local insurance and financial markets and materiality of climate-related risks across lines of insurance business and asset classes**

Insurers and other investors aligning their investment portfolios with 1.5°C target of Paris Agreement



Net-Zero Asset Owner Alliance launched at UN Secretary-General's 2019 Climate Summit

The Alliance Commitment (currently representing over USD 2 trillion in assets under management):

- Transition investment portfolios to net-zero GHG emissions by 2050 consistent with 1.5°C target
- Take into account best available scientific knowledge including IPCC findings
- Regularly report on progress, establish intermediate targets every 5 years in line with Paris Agreement
- Commitment embedded in holistic ESG approach, incorporating climate change, and emphasize GHG emissions reduction outcomes in real economy
- Advocate for and engage in corporate and industry action, as well as public policies, for low-carbon transition of economic sectors in line with science, and considering social impacts
- Commitment made with expectation that governments will follow through on their own commitments to ensure objectives of Paris Agreement are met

Insurers protecting World Heritage Sites



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United Nations
Educational, Scientific and
Cultural Organization

• In support of



• World
• Heritage
• Convention

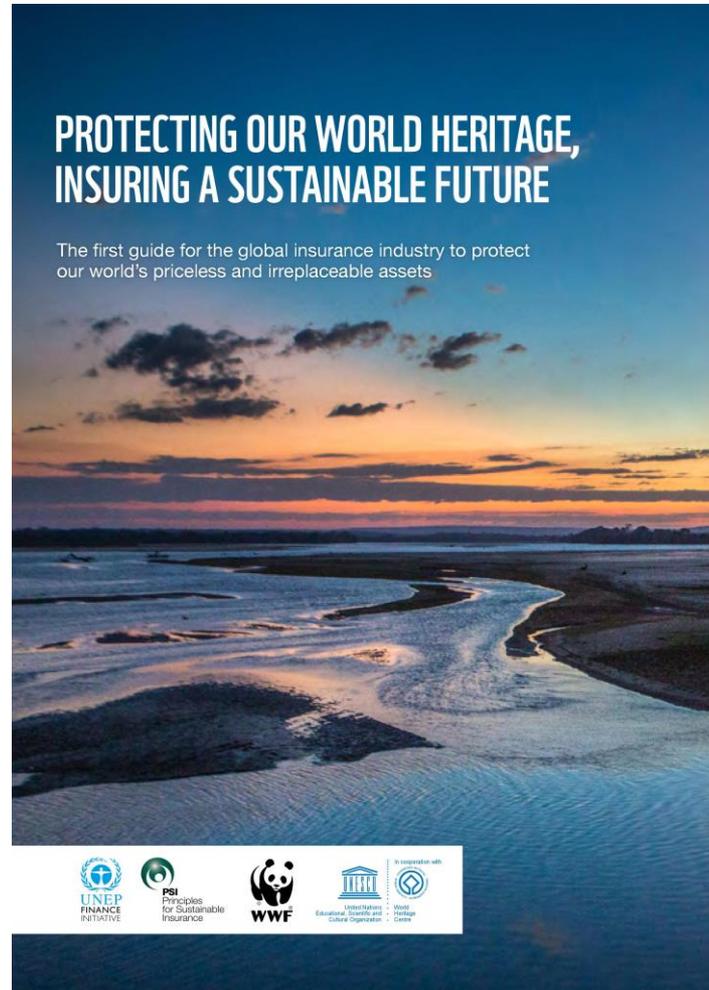


- **Over 1,100 natural, cultural, and mixed World Heritage Sites across the globe**
- **Natural World Heritage Sites provide economic, social and environmental benefits → but almost half are threatened by harmful industrial activities. Total of about 250 natural World Heritage Sites in over 100 countries → less than 1% of Earth's surface**
- **Commitment to protect World Heritage Sites across risk management, insurance and investment activities of the insurance industry**
- **Launched at 42nd Session of UNESCO World Heritage Committee in Bahrain (July 2018)**
- **PSI ,WWF and UNESCO developing first-ever insurance industry guide to protect World Heritage Sites across risk management, insurance and investment activities**

Insurers protecting World Heritage Sites

Launch of PSI-WWF-UNESCO global insurance industry guide to protect World Heritage Sites (Oct 2019)

- Reputational risk
 - Increased exposure to liabilities and risk of non-compliance with international standards
 - Potential increased risk of claims
-
- “Severe-risk” sectors: Oil & gas, mining, large-scale hydropower
 - “High-risk” sectors: Logging, fishing, agriculture, plantations, large-scale infrastructure (pipelines, roads mega-ports)



- Accessing data and understanding best practice
- Raising awareness and supporting widespread action
- Developing and implementing a World Heritage Sites risk approach
- Protecting World Heritage Sites proactively
- Engaging clients and investee companies

Protecting our World Heritage: Join the list of signatory companies and supporting institutions



ICNZ Insurance Council of New Zealand

micro insurance network

PIRA, Inc. Philippine Insurers & Reinsurers Association

AGRO ASEBEX

Allianz

CAIXA seguradora

INTERAMERICAN

ICLEI Local Governments for Sustainability

EARTH SECURITY GROUP

CNseg Companhia Nacional das Empresas de Seguro Gerais, Previdência Privada e Vida, Saneamento e Capitalização

TOKIO MARINE SEGURADORA

Swiss Re

Sampo Japan Nipponkoa

Seguradora LIDER

SCOR

RMS

RepRisk

LA BANQUE POSTALE

Liberty Seguros

MONGERAL AEGON SEGUROS E PREVIDÊNCIA

NAT Re NATIONAL REINSURANCE CORPORATION OF THE NETHERLANDS

PeakRe

PORTO SEGURO

Insuring and investing in a sustainable ocean economy

PSI-Oceana global guide to tackle illegal, unreported & unregulated fishing (Feb 2019)



OCEANA Protecting the World's Oceans

Risk assessment and control of IUU fishing for the marine insurance industry

Guidelines to control or mitigate the risk of insuring vessels and companies associated with illegal, unreported and unregulated (IUU) fishing



- **Pirate fishing—or illegal, unreported & unregulated (IUU) fishing—costing global economy USD 10 to 23.5 billion yearly**
- **About 1 in 5 fish caught illegally, posing serious threats to environment and global fish supplies**
- **IUU fishing risks: Increased claims, other crimes (e.g. human trafficking, slavery, transport of illegal arms or drugs), fraud, legal liabilities, reputational damage**
- **IUU fishing contributes to overfishing and destruction of marine habitats and ecosystems, and marine pollution**



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Sustainable Blue Economy Finance Initiative



- **If the ocean were a country, it would have the world's 7th largest economy**
- **Value added of world's ocean economy estimated to grow to > USD 3 trillion by 2030 and employ > 40 million**
- **Sustainable finance for all ocean-based industries: from shipping, fisheries and tourism; to aquaculture, energy and biotechnology**
- **Founding partners: European Commission, European Investment Bank, WWF, World Resources Institute and UNEP FI**

Unwrapping the risks of plastic pollution, marine plastic litter and microplastics to the insurance industry (Nov 2019)

- Only 9% of 9 billion tonnes of plastics ever produced have been recycled; plastic packaging about half of world's plastic waste
- Rapidly increasing levels of marine litter negatively affecting marine biodiversity, ecosystems, animal well-being, societies, livelihoods, fisheries, maritime transport, recreation and tourism, and economies
- Microplastics added into products or generated during their lifecycle are found along the food chain; potential to negatively affect human health and food safety
- Plastics are made from fossil fuels and account for 20% of total oil consumption. Their manufacture, recycling and incineration is energy intensive = high carbon emissions



Figure 5: Heat map of the relevance of plastic pollution risks across lines of business as rated by insurers

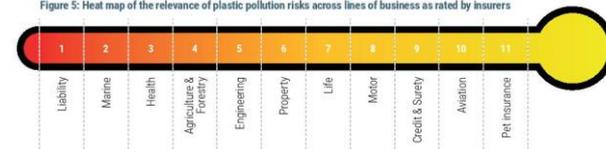
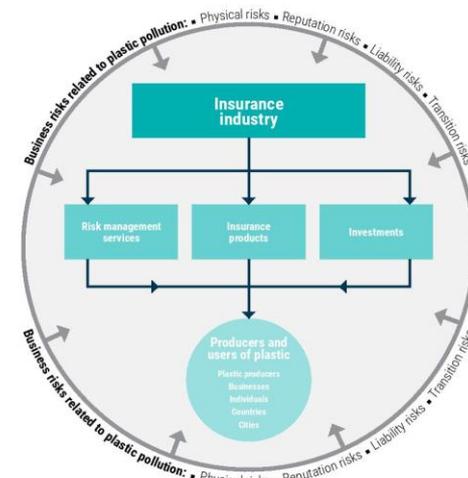
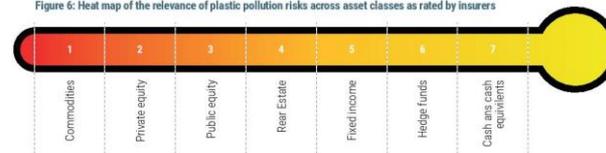


Figure 6: Heat map of the relevance of plastic pollution risks across asset classes as rated by insurers



Lead by example	Understand, prevent and reduce plastic pollution risks	Insure risks associated with plastic pollution	Support alternatives to plastic	Support wider efforts to reduce plastic pollution
1 Introduce policies to reduce plastic use and waste internally	3 Support knowledge and build awareness among the public, government and industry	6 Reduce the plastic footprint of restating damaged property	8 Support innovations for plastic alternatives through insurance products and investments	9 Actively engage with key stakeholders as risk managers, insurers and investors
2 Include plastic pollution in ESG or sustainability approaches	4 Include plastic pollution risks in risk assessment models for insurance and investment activities	7 Design innovative insurance products to cover the risks associated with plastic pollution		10 Disclose plastic pollution risks and opportunities in relevant disclosure and reporting frameworks
5 Develop relevant risk reduction measures				

The Insurance Industry Development Goals for Cities

A global action framework for the insurance industry to help make cities inclusive, safe, resilient and sustainable in line with UN Sustainable Development Goal 11

Key urban challenges and opportunities

- Goal 1: Build climate and disaster-resilient communities and economies**
- Goal 2: Promote healthy lifestyles and prevent pollution**
- Goal 3: Develop solutions for unserved people and enterprises**
- Goal 4: Protect natural and cultural heritage sites**
- Goal 5: Promote sustainable energy and resource efficiency**



Enabling factors

- Goal 6: Leverage data, risk analytics and technology**
- Goal 7: Promote risk management, insurance and financial literacy**
- Goal 8: Help develop climate and disaster risk management strategies and plans**
- Goal 9: Help develop sustainable insurance roadmaps for cities**
- Goal 10: Promote the Insurance Industry Development Goals for Cities**



Congrès mondial ICLEI
ICLEI World Congress 2018
19 au 22 juin • 19 - 22 June • Montréal, Canada

The Insurance Industry 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 Climate Change**



“Through its risk management services, insurance solutions and investments, the insurance industry can strengthen its contribution to the global agenda of building resilient and sustainable cities. The Insurance Industry Development Goals for Cities provide a global framework to guide collaboration between insurers and local governments, and to accelerate action.”

– **Dr Joachim Wenning, CEO, Munich Re Group**



“The insurance industry’s core business is to manage risk, so it’s well-positioned to support urban resilience and sustainability. We encourage our peers in the insurance industry to work together with local governments in promoting the adoption of the Insurance Industry Development Goals for Cities.”

– **Eric Andersen, Co-President of Aon**



“Montréal is proud to host the ICLEI World Congress and the launch of the Insurance Industry Development Goals for Cities. These goals are a shared ambition between the insurance industry and local governments, and a shining example of leadership, innovation and collaboration for sustainable development.”

– **Valérie Plante, Mayor of Montréal**

Insurers and investors supporting tobacco-free finance



UN General Assembly Week (Sep 2018, New York)

- Tobacco a primary driver of dramatic rise in chronic non-communicable disease, killing > 7 million people per year, expected to rise to 8 million by 2030
- Without urgent action, tobacco-related disease forecast to result in 1 billion premature deaths in 21st century
- Smoking costs global economy > USD 1 trillion a year, far outweighing global revenues from tobacco taxes
- UN Sustainable Development Goal 3 (Health) has target to strengthen implementation of WHO Framework Convention on Tobacco Control

The Tobacco-Free Finance Pledge

> 150 investors, insurers, banks and key stakeholders have signed the Pledge

- USD 7.5 trillion in assets under management
- USD 2 trillion in corporate loan books
- USD 190 billion in gross premiums written

Pledge developed by Tobacco-Free Portfolios, PSI, PRI, UNEP FI, AXA, BNP Paribas, Natixis and AMP Capital

17 leading insurers and key stakeholders



Shaping the global agenda for the life & health insurance industry and sustainable development



Developing the PSI Life & Health Work Stream

PSI Life & Health Advisory Group

Life & health sessions at PSI events

1st PSI life & health event in 2019

Webinars on key topics for life & health business

Collaborative PSI activities on life & health business

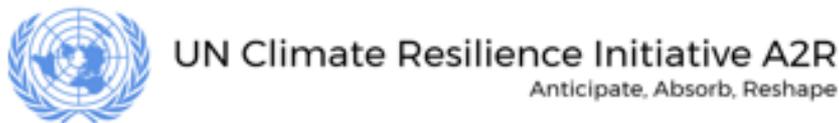
Examples of topics proposed:

- ESG guidance for life & health insurance business
- Climate change and mortality
- Primary prevention
- Tobacco
- Pollution
- Mental illness
- Integrating health issues into investment decisions
- Inclusive life & health insurance, and insurtech
- Urban planning for healthy lifestyles
- Reaching vulnerable populations and SMEs
- Changing demographics
- Social impact measurement and rating agencies
- Antibiotic resistance
- Behavioural economics and new lifestyles
- Disclosure and reporting in life & health insurance

Collaborating to close the insurance protection gap and build climate and disaster resilience



**V20 Sustainable Insurance
Facility**



**UNFCCC Clearing House for Risk
Transfer**

Principle 3:

Financial policy & regulatory frameworks

UNEP's Sustainable Insurance Forum for Supervisors (SIF)



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- SIF → Global network of insurance supervisors and regulators working together to strengthen responses to sustainability challenges facing the insurance industry
- Convened by UNEP, which serves as SIF Secretariat
- SIF members from 25 jurisdictions around the world
- SIF works closely with the International Association of Insurance Supervisors (IAIS)



Launch of SIF
Dec 2016, San Francisco, USA



2nd SIF meeting
Jul 2017, Windsor, UK



3rd SIF meeting
Oct 2017, Kuala Lumpur, Malaysia



4th SIF meeting
May 2018,
Rio de Janeiro, Brazil



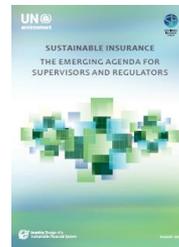
5th SIF meeting:
Nov 2018,
Luxembourg



6th SIF meeting:
Jun 2019,
Buenos Aires, Argentina



7th SIF meeting:
Nov 2019,
Abu Dhabi, UAE



Aug 2017 → SIF publishes global stock-take of how insurance regulators are managing sustainability challenges



Jul 2018: SIF and IAIS collaborate to produce landmark "Issues Paper on Climate Change Risks to the Insurance Sector" spanning the industry's insurance and investment activities

2019 → SIF conducts global climate risk survey of insurance industry

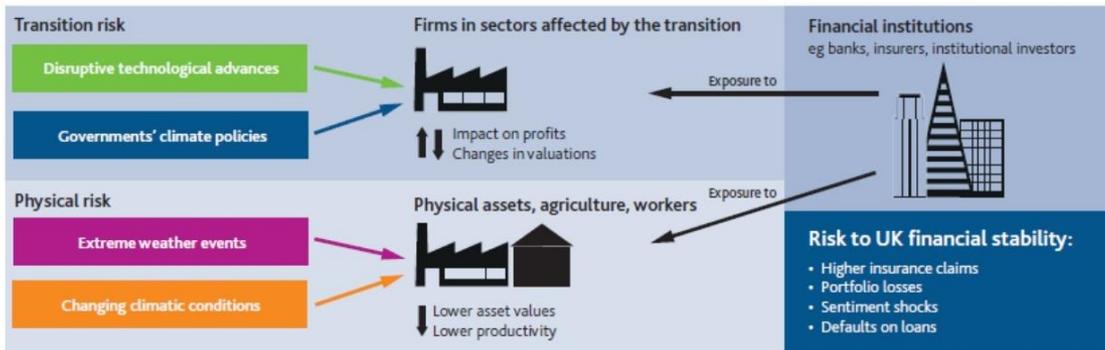
Will develop Issues Paper on TCFD implementation + Applications Paper on climate change & the insurance sector

Will conduct research on climate risk factors in insurance industry stress testing & scenario analysis

Jul 2017 → SIF becomes first group of financial regulators to support FSB-TCFD recommendations

California's pioneering scenario analysis to assess climate-related transition risks in insurers' investments

Primary channels for climate-related financial risks



Source: Bank of England

Transition risks → Transition to a lower-carbon economy (e.g. developments in climate policy, new disruptive technology, or shifting investor sentiment)

Physical risks → Physical impacts of climate change (e.g. increasing frequency and severity of droughts, floods and storms due to rising global temperatures)

- **Scenario analysis** covers insurers with > \$100 million in annual premiums doing business in California
- Arguably **most comprehensive financial stress-test analysis** ever conducted for the insurance industry
- Insurers analysed have > \$500 billion in **fossil fuel-related securities** issued by power and energy companies, with \$10.5 billion being investments in **thermal coal enterprises**
- **Individual insurer reports available to all 672 insurers** with > \$100 million in annual premiums and **sent for response to top 100 insurers** (investment portfolio size), representing > 80% of assets analysed
- Reports explain **how investment plans align with climate scenarios, where individual insurer ranks among its peers, and which securities are driving climate risk exposure** of their investment portfolios
- Results help insurers apply **Financial Stability Board's climate risk disclosure recommendations**

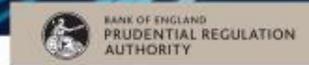
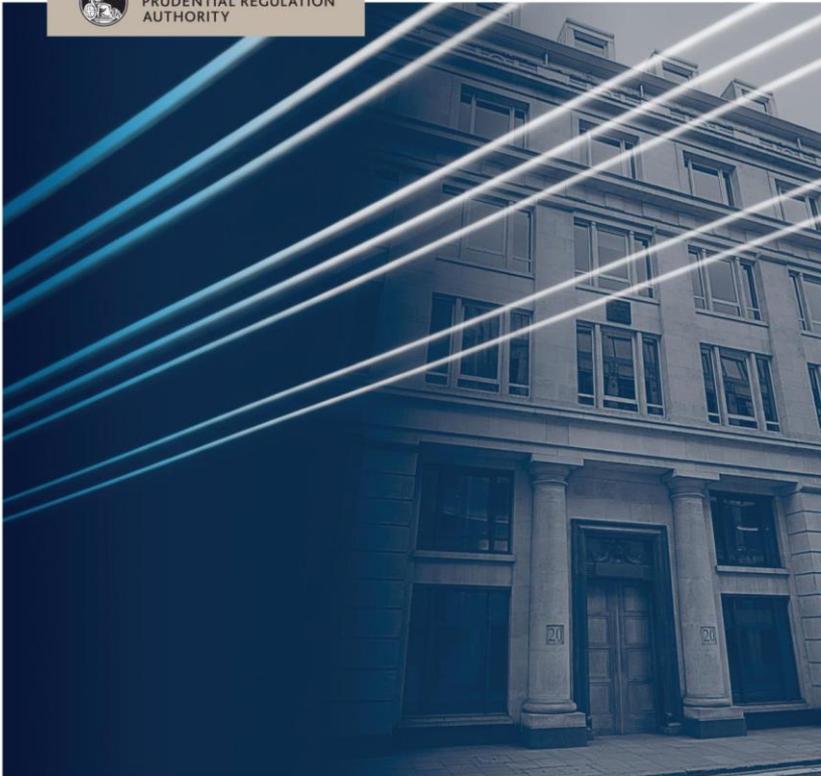
Actions by the Bank of England's Prudential Regulation Authority (PRA) on climate change: Supervisory statement (Apr 2019) & assessment framework (May 2019)



Supervisory Statement | SS3/19

Enhancing banks' and insurers' approaches to managing the financial risks from climate change

April 2019



A framework for assessing financial impacts of physical climate change

A practitioner's aide for the general insurance sector

May 2019

This report was written by a cross-industry working group

High-level assessment of climate factors across APRA cross-industry CPS 220 risk management prudential standard (2017)



Assessment of climate change within APRA CPS 220 risk management prudential standard: “Heat map” of potential risk areas

CPS 220	Insurance			Banking	Super (Investments)
	GI	LI	PHI		
Credit Risk	Green	Green	Green	Red	Green
Market/Investment Risk	Yellow	Yellow	Yellow	Yellow	Red
Liquidity Risk	Green	Green	Green	Green	Green
Insurance Risk	Red	Yellow	Yellow	N/A	Yellow
Operational Risk	Yellow	Yellow	Yellow	Yellow	Yellow
Strategic/Reputation Risk	Red	Red	Red	Red	Red

Source: APRA, 2017

National and regional sustainable finance roadmaps are emerging

China



EU



Australia



Canada



Norway



New Zealand



Developing national, state and city sustainable insurance roadmaps spanning the industry's risk management, insurance & investment activities

Costa Rica to develop national sustainable insurance strategy (Aug 2018)



Egypt to develop national sustainable insurance roadmap (Apr 2019)



California to develop state sustainable insurance roadmap (Jul 2019)



LAPD spying report will be public

Getting the state covered

California, UN join forces on 'sustainable insurance,' climate change



Lagos to develop city sustainable insurance roadmap (Apr 2019)



PSI events across markets: Shaping the global sustainable insurance agenda



PSI
Principles for Sustainable Insurance

The US



The UK



Luxembourg



France



Germany



Morocco



China



Switzerland



Costa Rica



Brazil



Nigeria



The Philippines



Colombia



South Africa



Egypt



Australia

Examples of how the PSI is addressing ESG issues and contributing to the UN Sustainable Development Goals through risk management, insurance and investment



Global partnership with the world's microinsurance community on inclusive insurance

Shaping the global sustainable insurance agenda through PSI market events

Developing national sustainable insurance & finance strategies & roadmaps

Insurance Industry Development Goals for Cities across risk management, insurance & investment

First global tobacco-free finance pledge

Supporting the G7, G20 and V20-backed InsuResilience Global Partnership

Supporting the UN Secretary-General's Climate Resilience Initiative (A2R)

Piloting the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD)



First global insurance industry statement to protect UNESCO World Heritage Sites

Sustainable Blue Economy Finance Initiative

First global insurance industry initiative to tackle plastic pollution, marine plastic litter & microplastics

First global guide to manage ESG risks in non-life insurance business

UN Secretary-General's Global Investors for Sustainable Development Alliance

PSI Life & Health Advisory Group

First global insurance industry statement and risk management guidelines to tackle illegal, unreported & unregulated fishing

First national insurance market commitment to climate risk transparency

UN Environment's Sustainable Insurance Forum for Supervisors

Vision of the PSI 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.”

Financial firms win most praise from NGOs this year

Eight of the 10 brands most praised by activist groups so far this year have been insurance and investment companies, a quarterly ranking by consultancy firm **SIGWATCH** has revealed.

26 APRIL 2019 | CHRIS SEEKINGS

The top 10 most praised brands in the first quarter of 2019

1. **Allianz**
2. **Unilever**
3. **AXA**
4. **Nestlé**
5. **Aegon**
6. **Swiss Re**
7. **Munich Re**
8. **Trillium Asset Management**
9. **Boston Common**
10. **Zurich Insurance**

- Findings based on **tracking of more than 1,500 NGO campaigns**
- Allianz recognised for decision to **end insurance coverage for coal projects, and for efforts combating pirate fishing and protecting World Heritage Sites**
- Aegon, Trillium Asset Management and Boston Common entered Top 10 for first time after winning praise for **fossil fuel divestment and efforts to tackle deforestation**
- Although Unilever and Nestlé feature in the Top 10, researchers said **fast-moving consumer goods brands**, which normally dominate the ranking, were “conspicuous by their absence” in the latest quarter
- Unilever scored highly due to **policies on issues around plastic and animal welfare**, while Nestlé was applauded for policies on deforestation and efforts towards **full supply chain transparency**
- In 2018, (re)insurers Allianz, AXA and Swiss Re had received **more praise from NGOs than global brands like McDonald's, Aldi and H&M**



PSI

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Insuring for sustainable development

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