PSI
Principles for Sustainable Insurance

A global sustainability framework and initiative of the United Nations Environment Programme Finance Initiative
UNEP promotes environmentally sound practices globally and in its own activities. UNEP policy is to specify vegetable-based printing inks and chlorine-free paper using recycled fibre and wood pulp from sustainable forests. Our distribution practices aim to reduce UNEP’s carbon footprint.
The thousands of companies that have embraced the United Nations Global Compact and the Principles for Responsible Investment demonstrate the growing influence of sustainability in business. The launch of the Principles for Sustainable Insurance at the UN Conference on Sustainable Development (Rio+20) is a further evolution of this important movement to build a green economy. Developed by the UN Environment Programme’s Finance Initiative, the Principles are a framework for the global insurance industry to address environmental, social and governance risks and opportunities.

For years, insurers have been at the forefront of the corporate world in alerting society to the risks of climate change and, more recently, threats such as the loss of biological diversity and the growing pressures on forests, freshwater and other essential ecosystems. Insurers are also increasingly recognizing the need to develop products and services that address the needs of a rapidly changing world, including inclusive insurance that caters to low-income communities, people with HIV/AIDS or disabilities, and ageing populations.

Insurers have worked with the UN World Food Programme to cover small-scale farmers in Africa so that, should the rains fail, a policy pays out before they are down to their last cow or supply of maize. The UN Environment Programme, with funding from the Global Environment Facility, has partnered with insurers to develop wind power derivatives in Mexico that cover a wind farm during less windy periods. And the success of initiatives such as the UN-REDD programme on reducing emissions from deforestation and forest degradation may hinge on whether insurers can cover the long-term challenge of keeping forests intact.

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
Secretary-General of the United Nations
The world in which now seven billion people exist is becoming a riskier place to live and to operate as a result of accelerating environmental change and the interconnectedness of societies, economies and supply chains.

Meanwhile, consumers and citizens are demanding higher levels of accountability and transparency from governments and companies, and policies, products and services that reflect the challenges and opportunities of a new century.

The insurance industry’s core business is to manage risk and in recent years more and more insurers have been responding to environmental, social and governance (ESG) issues at varying levels and scales.

Over the past six years, the UN Environment Programme’s Finance Initiative has been exploring the possibility of establishing sustainability principles for the global insurance industry that can catalyse and amplify transformational change. Principles that tailor to the needs and aspirations of the insurance industry and the clients and citizens it serves.

The result is four overarching Principles for Sustainable Insurance launched at the Rio+20 Summit in June 2012, two decades after the Rio Earth Summit of 1992 that set the course for contemporary sustainable development.

In 1992, the risks to people and the planet from accelerating environmental degradation and social inequalities were just being glimpsed. Now they are fast becoming a reality for every man, woman and child alive today.

Under the Principles for Sustainable Insurance, insurers joining this global initiative are embracing fundamental aspirations and turning them into concrete actions. These range from integrating ESG issues into a company’s management and operational DNA, to working together with clients, suppliers and governments to raise awareness of ESG issues, alongside developing new kinds of risk management products and services.

Seven billion people, rising to over nine billion by 2050, are not going to stand still and wait for the future they want. We need to green our economies, build resilient communities, deliver wider ranging social outcomes, and better conserve our forests, freshwaters and other critical ecosystems.

The Principles for Sustainable Insurance are a foundation upon which the insurance industry and society as a whole can build a stronger relationship—one that puts sustainability at the heart of risk management in pursuit of a more forward-looking and better managed world.

Achim Steiner
Under-Secretary-General of the United Nations
& Executive Director of the United Nations Environment Programme
Our aspiration

The insurance industry’s core business is to understand, manage and carry risk. We depend on the trust people place in our industry to fulfil its obligations. Through risk prevention and risk reduction and by sharing risks over many shoulders, the insurance industry helps protect society, fosters innovation and underpins economic development. These are key contributions to a well-functioning and sustainable society.

The insurance industry has the responsibility of providing quality and reliable products and services. This responsibility includes working with our clients and business partners to understand and manage risks that are or can be material to the insurance business.

Our world is facing increasing environmental, social and governance (ESG) challenges. This changing risk landscape is leading to diverse, interconnected and complex risks, and presents new opportunities. Accordingly, we believe it is prudent for the insurance industry to adjust the range of risk factors considered in managing its business. ESG issues are increasingly influencing traditional risk factors and can have a significant impact on the industry’s viability. Therefore, a resilient insurance industry depends on holistic and far-sighted risk management in which ESG issues are considered.

As risk managers, risk carriers and investors, the insurance industry has a vital interest and plays an important role in fostering sustainable economic and social development. We believe that better management of ESG issues will strengthen the insurance industry’s contribution to building a resilient, inclusive and sustainable society. However, many ESG issues are too big and complex and need widespread action across society, innovation and long-term solutions.

Therefore, it is our aspiration to build on the foundation the insurance industry has laid in supporting a sustainable society. The future we want is a society in which people are aligned and incentivised to adopt sustainable practices. To realise this aim, we will use our intellectual, operational and capital capacities to implement the Principles for Sustainable Insurance (the ‘Principles’) across our spheres of influence, subject to applicable laws, rules and regulations and duties owed to shareholders and policyholders.
Principle 1

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

Possible actions:

Company strategy
- Establish a company strategy at the Board and executive management levels to identify, assess, manage and monitor ESG issues in business operations
- Dialogue with company owners on the relevance of ESG issues to company strategy
- Integrate ESG issues into recruitment, training and employee engagement programmes

Risk management and underwriting
- Establish processes to identify and assess ESG issues inherent in the portfolio and be aware of potential ESG-related consequences of the company’s transactions
- Integrate ESG issues into risk management, underwriting and capital adequacy decision-making processes, including research, models, analytics, tools and metrics

Product and service development
- Develop products and services which reduce risk, have a positive impact on ESG issues and encourage better risk management
- Develop or support literacy programmes on risk, insurance and ESG issues

Claims management
- Respond to clients quickly, fairly, sensitively and transparently at all times and make sure claims processes are clearly explained and understood
- Integrate ESG issues into repairs, replacements and other claims services

Sales and marketing
- Educate sales and marketing staff on ESG issues relevant to products and services and integrate key messages responsibly into strategies and campaigns
- Make sure product and service coverage, benefits and costs are relevant and clearly explained and understood

Investment management
- Integrate ESG issues into investment decision-making and ownership practices (e.g. by implementing the Principles for Responsible Investment)

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.

Possible actions:

Clients and suppliers
- Dialogue with clients and suppliers on the benefits of managing ESG issues and the company’s expectations and requirements on ESG issues
- Provide clients and suppliers with information and tools that may help them manage ESG issues
- Integrate ESG issues into tender and selection processes for suppliers
- Encourage clients and suppliers to disclose ESG issues and to use relevant disclosure or reporting frameworks
Insurers, reinsurers and intermediaries
- Promote the adoption of the Principles
- Support the inclusion of ESG issues in professional education and ethical standards in the insurance industry

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

Possible actions:

**Governments, regulators and other policymakers**
- Support prudential policy, regulatory and legal frameworks that enable risk reduction, innovation and better management of ESG issues
- Dialogue with governments and regulators to develop integrated risk management approaches and risk transfer solutions

**Other key stakeholders**
- Dialogue with intergovernmental and non-governmental organisations to support sustainable development by providing risk management and risk transfer expertise
- Dialogue with business and industry associations to better understand and manage ESG issues across industries and geographies
- Dialogue with academia and the scientific community to foster research and educational programmes on ESG issues in the context of the insurance business
- Dialogue with media to promote public awareness of ESG issues and good risk management

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

Possible actions:
- Assess, measure and monitor the company’s progress in managing ESG issues and proactively and regularly disclose this information publicly
- Participate in relevant disclosure or reporting frameworks
- Dialogue with clients, regulators, rating agencies and other stakeholders to gain mutual understanding on the value of disclosure through the Principles
1. How were the Principles developed?

The initiative to develop the Principles started after UNEP FI conducted a series of research studies from 2006 to 2009. The research focused on risks and opportunities in the insurance business associated with ESG issues.¹

The development of the Principles was overseen and managed by UNEP FI insurance industry member and observer institutions and the UNEP FI Secretariat (‘UNEP FI’).² From late 2009 to early 2011, UNEP FI undertook an extensive process of in-depth deliberations to produce draft Principles.

In 2011, UNEP FI convened consultation meetings in Africa, Asia, Europe, Latin America and the Caribbean, Middle East and North Africa, North America, and Oceania to obtain global input on the draft Principles. The meetings engaged over 500 senior representatives from the insurance industry, government and regulators, intergovernmental and non-governmental organisations, business and industry associations, academia and the scientific community. Thereafter, UNEP FI produced the final Principles.

2. When were the Principles launched?

UNEP FI launched the Principles in June 2012 in Rio de Janeiro, Brazil, to support the aims of the UN Conference on Sustainable Development (‘Rio+20 Conference’). The launch event was co-hosted by the International Insurance Society and the Brazilian Insurance Confederation. The launch marked the start of the UNEP FI Principles for Sustainable Insurance Initiative (the ‘PSI Initiative’) to promote the adoption and implementation of the Principles globally.

3. Are the Principles legally binding?

No. The Principles are a voluntary and aspirational framework. They are not intended or designed to be legally binding and/or to create legally enforceable representations and/or commitments towards any signatory’s stakeholders or any third party. Consequently, the Principles are not intended to serve as a basis for legal or regulatory sanctions or any form of claim to be brought forward by the United Nations, the signatories, any other stakeholder or any third party.

Furthermore, actions taken by a signatory to implement the Principles are subject to applicable laws, rules and regulations and duties owed to shareholders and policyholders (see ‘Our aspiration’ in Section III of this document).

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¹ See Insuring for sustainability – Why and how the leaders are doing it (2007, UNEP FI) and The global state of sustainable insurance – Understanding and integrating environmental, social and governance factors in insurance (2009, UNEP FI)

4. What are the benefits of becoming a signatory?

Benefits of signing the Principles include:

- Publicly demonstrating your organisation’s adoption of sustainable insurance aims and its accountability and transparency to the public in managing ESG issues
- Access to UNEP and UN system expertise and resources on ESG issues, policymaking and science
- Access to UN events to dialogue with governments and other stakeholders on ESG issues, risk management and insurance
- Access to UNEP FI research, networks, events and capacity building services spanning ESG issues, insurance, investment and banking
- Access to the Annual General Meeting of signatories

5. How can we become a signatory and what does this entail?

To become a signatory of the Principles and a member of UNEP FI, your organisation must provide a letter and complete the PSI signatory application form available on the UNEP FI website.

The letter must be signed by your organisation’s Chief Executive Officer, Chair of the Board or equivalent positions. It must contain statements confirming your organisation’s approval of the Principles and its agreement to the following signatory requirements:

- Participation in the annual public disclosure process
- Payment of annual fees

6. What happens if we sign but find it difficult to comply?

A signatory is free to decide which actions it deems appropriate to implement the Principles. The possible actions under each Principle are only examples. A signatory may choose to consider other actions, taking into account its business model, circumstances across geographies and other factors. There may be reputational risks associated with signing the Principles and then failing to take any action at all, but implementing the Principles is generally a work in progress and a direction to head in, rather than a prescriptive checklist with which to comply.

The Board of the PSI Initiative (the ‘Board’) (see item 8 below) reserves the right, as the sole sanction envisaged by the PSI Initiative and the Principles, to delist your organisation if it does not fulfil any of the signatory requirements mentioned in item 5 above and explained in items 7 and 9 below.

If your organisation does not fulfil any of the signatory requirements, the Board will notify and discuss the matter with your organisation. Thereafter, if your organisation still does not fulfil any of the signatory requirements, your organisation can be delisted.

Your organisation can voluntarily withdraw as a signatory by providing a letter from an authorised signatory, stating its reasons.
7. Why is disclosing implementation progress important?

Transparency is an integral form of accountability to the public, particularly in a voluntary and aspirational framework. Public disclosure of progress is important to the credibility of an organisation that has publicly adopted the Principles, which are meant to be implemented. This, in turn, can be important to the overall credibility of the Principles. Public disclosure will enable the public to better understand how signatories are managing ESG issues in their business as part of their implementation of the Principles. Transparency is also a motivator for continuous improvement.

To adhere to Principle 4, your organisation may choose to answer the following recommended guide questions to explain how Principles 1, 2 and 3 are being implemented:

- What are your aspirations and targets for this Principle?
- How do you plan to achieve them?
- What key actions have you taken to date to achieve them (i.e. demonstrate progress)?

Your organisation may also choose to align or cross-reference its disclosure with current reporting (e.g. annual report, sustainability report, relevant disclosure or reporting frameworks).

Your organisation is free to decide the content of its disclosure. Regardless of the content, your organisation is required to:

- Disclose annually, from the date your organisation became a signatory, its progress in implementing the Principles. Your organisation is free to decide when its disclosure is completed each year.
- Make its disclosures public and allow them to be publicly available on the UNEP FI website.

8. Who governs the PSI Initiative and the Principles?

The PSI Initiative was created to promote the adoption and implementation of the Principles globally. The PSI Initiative is administered by and set within the overall governance framework of UNEP FI, a global initiative involving UNEP and financial institutions (e.g. insurance companies, investment firms, banks).

The PSI Initiative will be directly governed by a Board comprising representatives from insurance industry signatory institutions and UNEP. Board members from the insurance industry will be elected by signatories. The Board will aim to have members from Africa, Asia, Europe, Latin America and the Caribbean, Middle East and North Africa, North America, and Oceania.

The Board will preside over the Annual General Meeting of signatories, where key issues concerning the PSI Initiative (e.g. material changes to signatory requirements) will be discussed and decided upon by signatories.

For the first year of the Principles, the PSI Initiative will be governed by a transitional Board comprising insurance industry and UNEP representatives.
9. Why are there annual fees?

Signing the Principles requires payment of annual fees to support the work of the PSI Initiative and its Secretariat at UNEP FI. The funds will be used to provide implementation support services to signatories through different work streams, and to promote the adoption and implementation of the Principles globally.

Annual fees for signatories are scaled according to insurance industry criteria (e.g. premiums, revenues) and are similar to the level of UNEP FI annual fees for financial institutions whose core business is not insurance (e.g. banks, investment firms). This information is available in the PSI signatory application form and on the UNEP FI website.

10. How do the Principles relate to the Principles for Responsible Investment (PRI) and UN Global Compact Principles?

The Principles, PRI and UN Global Compact Principles are global, voluntary and aspirational frameworks supported by the UN and focused on the risks and opportunities associated with ESG issues.

The Principles are a framework for the insurance industry and their scope includes but is not only on investment management. On the other hand, the PRI are a framework for the institutional investment industry, which spans insurance and non-insurance institutions (e.g. insurance companies, pension funds, government reserve funds, foundations, endowments, depository organisations, investment management companies). Accordingly, their scope is only on investment management, which they address more comprehensively.

The Principles and PRI are global frameworks within the financial sector. They are aligned with and complement the aims of the UN Global Compact Principles, which promote the adoption of sustainable business practices across all industry sectors. The UN Global Compact Principles are derived from universally-accepted principles in the areas of human rights, labour, environment and anti-corruption.

There is no obligation for signatories of the Principles to sign the PRI or the UN Global Compact Principles, and vice-versa.

11. How can we learn more about the Principles?

Please visit www.unepfi.org/psi or contact:

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