



UNEP Finance Initiative
Innovative financing for sustainability

**EU Environmental Regulations –
Risk or Opportunity for the Finance Sector?**

Bucharest, 9 October 2007

Insuring for Sustainability

Why and how the leaders are doing it

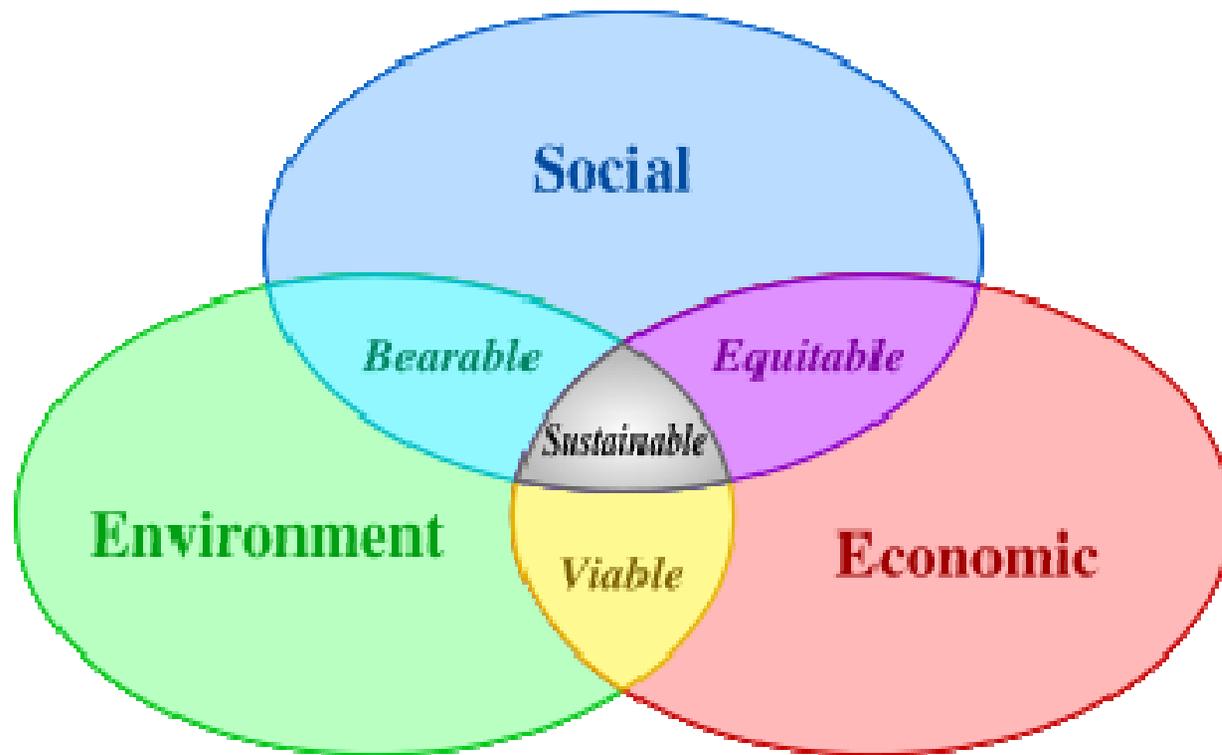
Costas Tsolakidis

Assistant Manager, Environment & New Technologies
Interamerican Hellenic P & C Insurance Company
Member, UNEP FI Insurance Working Group

Sustainability: an imperative

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

(Bruntland Commission, 1987)





A question from the U.N.

How about the global insurance industry?

- Climate Change – the spectre of a perfect storm (*triple hit – underwriting, investment, reputation*)
- Over USD 1 trillion in losses in a single year by 2040 (*UNEP FI report – potential total cost of climate-related damage, if no adaptation*)
- Largest industry in the global economy (*over USD 3.7 trillion in annual premiums and 17 trillion in assets under management*)
- Core strength: risk management (*research & analysis, loss prevention, loss mitigation*)
- Society's early warning system



Sustainable insurance: the way forward

- Strategic business approach; not philanthropy
- Environmental, social and governance (ESG) issues integrated into core processes, products and services that enhance long-term company value, fitting to the “triple bottom line” model: People – Planet - Profit
- Acting sustainably is an integral part of corporate responsibility, elevating the crucial role of the insurance industry to society and growth by providing expertise in the management of risk
- Contributes to sustainable development

The “*Whys*”

- Why does sustainability matter in insurance?
- Why is the industry uniquely positioned to tackle some of the most serious global challenges?
- Why does the industry have an integral role in the economy?
- Why does the insurance industry have a vested interest to encourage sustainable behaviour?





Risks and opportunities

- Will climate change be the ‘perfect storm’ or a golden opportunity?
- What is the macro potential of microinsurance?
- Will ‘baby boomers’ have enough for their retirement years?
- How are modern day health risks being addressed?
- Could nanotechnology be the next asbestos?
- Are there are products to protect the environment and our natural resources?
- How can assets ‘written off’ be disposed off profitably and sustainably?
- How is the industry managing its own carbon footprint?



The “Hows”

- Best practice case studies by world’s leading insurers
- How can sustainability be embedded in insurance products and core processes?
- How can barriers to insurability and sustainability be diminished?
- How can sustainable insurance markets be developed?



Global sustainability issues

- 1. Climate Change**
- 2. Microinsurance**
- 3. Lifelong Income**
- 4. Health**
- 5. Emerging Manmade Risks**
- 6. Environmental Liability**
- 7. Natural Resources**
- 8. Recycling**
- 9. Internal Efficiency**



2007 Report

Insuring for Sustainability

Why and how the leaders are doing it

The inaugural report of the
Insurance Working Group of the
United Nations Environment Programme Finance Initiative



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IWG Membership



**A STRATEGIC
ALLIANCE OF
INSURANCE
INDUSTRY
LEADERS**

**17 Member
Institutions**

14 Countries





IWG Objectives

- Raise awareness on current and emerging sustainability issues
- Promote best practices in sustainability
- Improve knowledge and understanding of environmental, social and governance (ESG) risks and opportunities
- Embed ESG issues in core processes, products and services
- Support the development of sustainable insurance
- Underpin the vital role of the insurance industry in sustainable development



Current Projects

Principles for Sustainable Insurance (PSI)

To develop and promote a set of globally-applicable principles and concomitant action plans which define best practices in sustainability in the insurance industry

- Sustainability guidelines for the global insurance industry
- Underlying premise – ESG issues are material in enhancing long-term company value
- Framework to embed ESG in core processes, products & services (e.g., underwriting, product design, claims handling, sales & marketing)
- Global network of sustainable insurers
- Envisioned to be complementary to the UN Principles for Responsible Investment



Current Projects

Principles for Sustainable Insurance (PSI)

Sub-Project I:

Recommendations for Sustainable Insurance Underwriting

Objectives

- To establish a solid business case for the development of “Principles for Sustainable Insurance”
- To provide input for Sub-Project II which will produce “Recommendations for other sustainable core insurance processes” (i.e. product design, claims handling, sales & marketing and investment)



Current Projects

Study on Microinsurance, Natural Catastrophe Insurance & Alternative Risk Transfer (MNA)

- Link innovative insurance products and mechanisms
- Optimise business opportunities
- Recognise climate change and geo-hazards
- Emphasise social dimension addressed
- Help the poor escape the poverty trap
- Insurance – a vital tool for sustainable development
- Consistent with UN Millennium Development Goals (*i.e. eradicate extreme poverty and hunger, ensure environmental sustainability*)



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Thank you!

<http://www.unepfi.org/insurance>

insurance@unepfi.org