



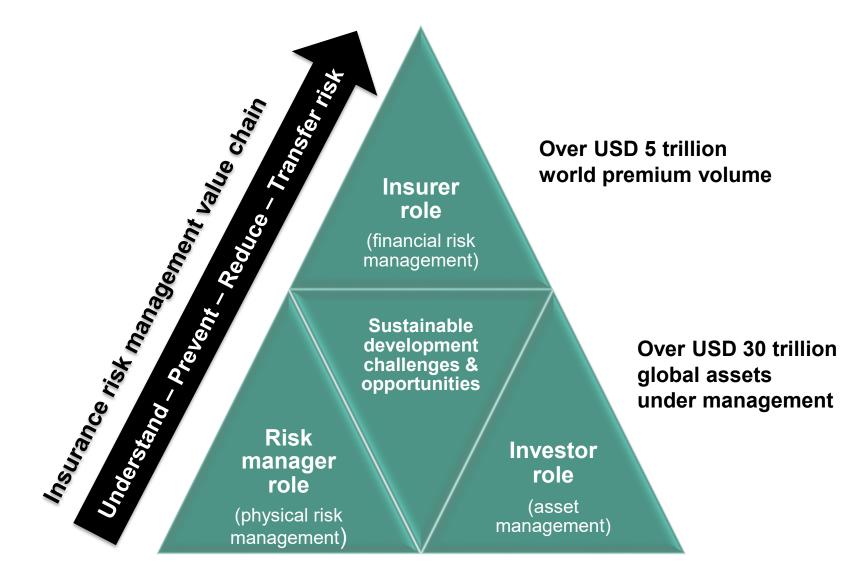
## How the insurance industry is contributing to the UN Sustainable Development Goals

12<sup>th</sup> anniversary of the General Superintendence of Insurance of Costa Rica (SUGESE)

7 August 2020

Butch Bacani Programme Leader UN Environment Programme's Principles for Sustainable Insurance Initiative (PSI) The triple role of the insurance industry in sustainable development





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

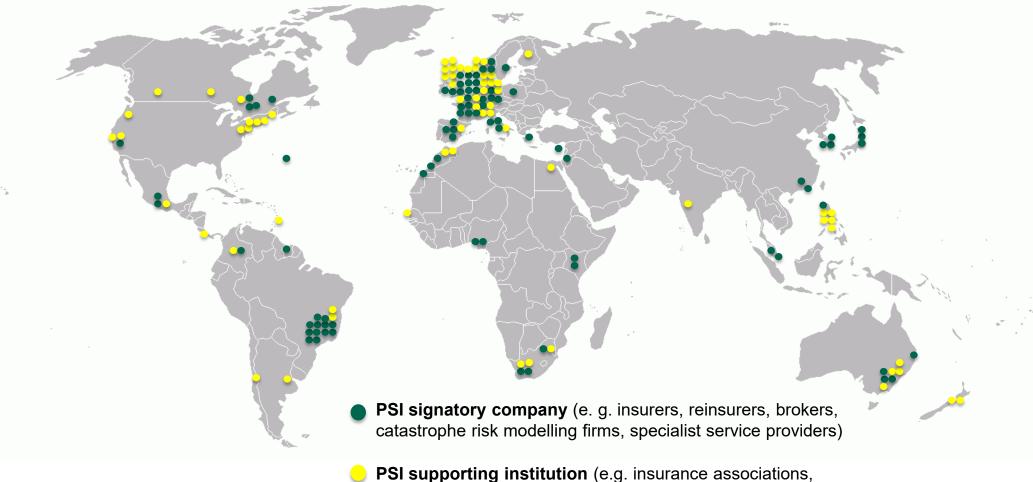


**Principle 4: Principle 3: Public** We will **demonstrate** We will work together accountability and with governments, **transparency** in regularly regulators and other key disclosing publicly our Governments. stakeholders to promote regulators & progress in implementing widespread action across other key the Principles. society on environmental, stakeholders social and governance **Clients &** issues. **business** partners **Principle 2**: Clients, suppliers, agents, brokers, insurers, reinsurers We will work together with **Principle 1:** our clients and business Core business We will embed in our **partners** to raise Company strategy decision-making awareness of **Risk management** environmental, social and environmental, social and Insurance underwriting Product development governance issues relevant governance issues, manage Claims management to our insurance business. risk and develop solutions. Sales & marketing Investment management

## **PSI membership by country of domicile**



- Over 150 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



insurance initiatives, insurance regulators and supervisors, academia, civil society organisations)

## Prosperity for all on a healthy planet





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## Examples of PSI collaborative initiatives showing how the insurance industry is addressing sustainable development challenges and opportunities

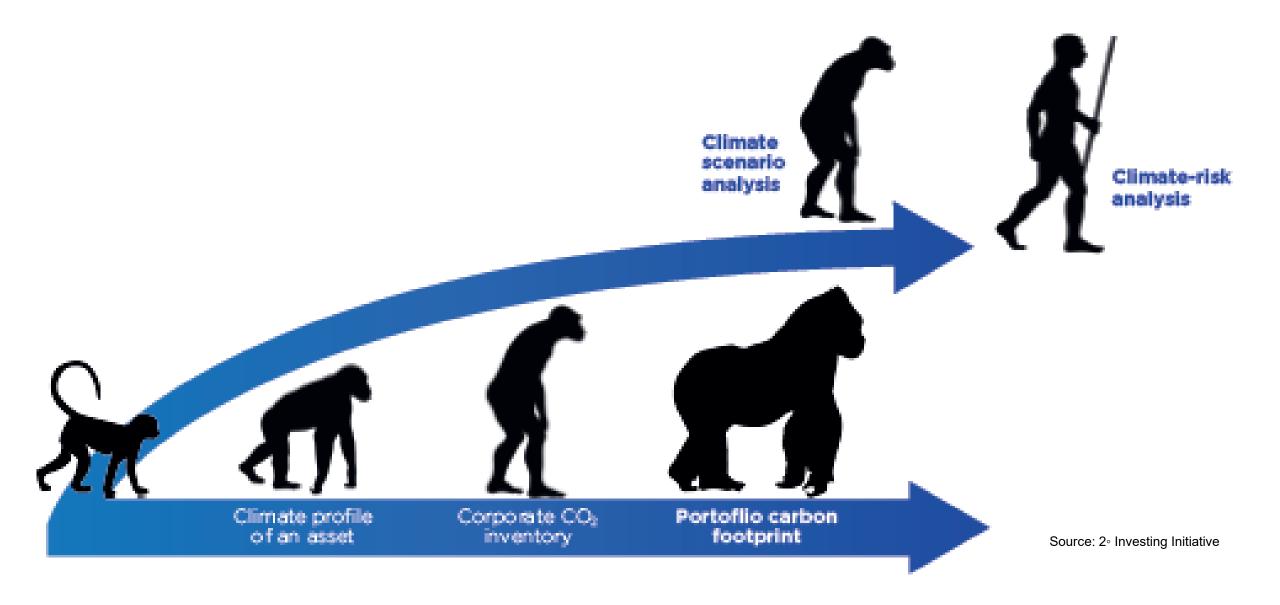
Insurers piloting the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD)





TCFD implementation: Better management of climate-related risks through enhanced, forward-looking climate risk analysis





## First guide for the global insurance industry to manage environmental, social & governance (ESG) or sustainability risks



June 2020 PSI ESG Guide for Non-Life Insurance: Version 1.0



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

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

#### PSI Project Team Member

Allarz, American Hullerici Hal, American Property Casualty Imatance Association, AAA, Camerala, MVPTHE, Marich Re, QEE, ROA, Santam, Sinks-Re, Temple University's For School of Business, UN Environment Programme, University of Technology Systems; West Chester University, and Zarkh

#### Aims:

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

Allianz (III)

## **PSI Project Team**



## Co-Leads:





## Team members:













#### ESG risks

Climate change, Environmental degradation, Protected sites and species, Unsustainable practices, Animal welfare/testing, Human rights, Controversial weapons, Bribery and corruption

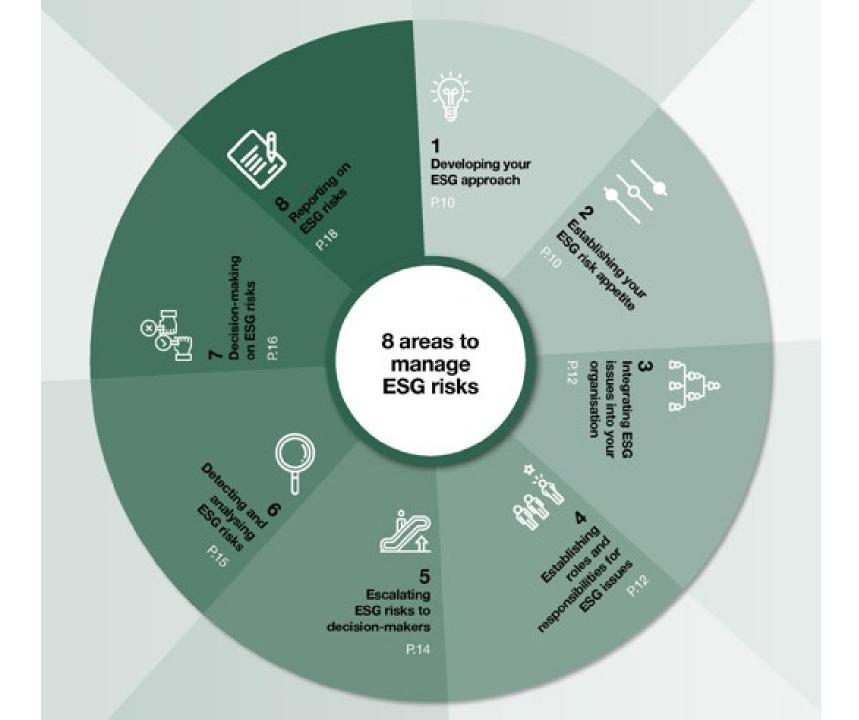
#### Economic sectors (p.19)

Agriculture / Livestock, Agriculture / Fishing, Agriculture / Paper & Forestry, Chemicals, Defence, Electronics / Technology, Energy, Construction / Coal, Construction / Hydro Dams, Construction / Nuclear, Exploration & Construction / Oil & Gas, Production of Fuels / Derivatives from Oil & Gas, Finance (depending on client and/or transaction), Gambling, Healthcare / Pharma / Biotech / Life Science, Infrastructure / Construction, Food/ Beverage Manufacturing, Garment Manufacturing, Real Estate, Utilities (Waste & Water), Mining, Transport / Shipping / Logistics



#### Lines of business (p.22)

Agribusiness, Property, Liability, Product Liability, Workers' Compensation, Construction & Engineering, Credit & Surety, Cyber, Directors' & Officers' Liability, Financial Lines, Marine Hull, Protection & Indemnity, Aviation, Cargo



## Other PSI collaborative initiatives addressing specific ESG/sustainability risks

Guide to protect World Heritage Sites (biodiversity loss & ecosystem degradation)

#### PROTECTING OUR WORLD HERITAGE, Insuring a sustainable future



Guide to tackle Illegal, unreported & unregulated fishing



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 upregulated (IUU) rishing Guide to tackle plastic pollution



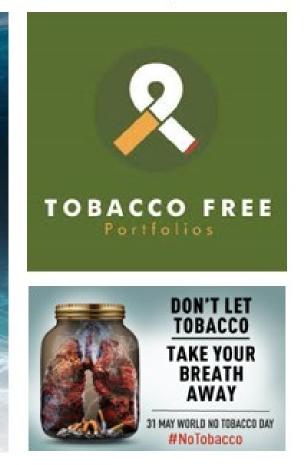
The first global insurance industry shufy on managing the risks associated with plantic pollution, marine plastic litter and microplastics

erenden 2019



#### Tobacco-Free Finance Pledge

Principles for Sustainable Insurance



## **PSI** collaborative initiative to develop "Insurance Sustainable Development Goals"





Swiss Re

Group CEO

Renate Bleich

Munich Re

Head of Sustainability

Swiss Re.



#### "Sustainability leadership in insurance" PSI-Swiss Re international virtual event series



**Butch Bacani PSI Programme Leader** UNEP



Conor Donaldson Head of Implementation **IAIS** 



Mike Mitchell Head, P&S Underwriting Reinsurance, Swiss Re



Patty Karuaihe-Martin **Managing Director** NamibRe







Chairperson, Public Sector Solutions, Swiss Re.



Patrick de Larragoiti Lucas Executive Chairman SulAmérica

Gillian Rutherford-Liske Senior Strategy Manager **Reinsurance Globals** Swiss Re-

8 July 2020

1:00 to 3:00 pm CEST

3rd event: "Insurance Sustainable

Register now: www.swissre.com/live

**Development Goals**"



Masaaki Nagamura General Manager, Int'l Initiatives, Tokio Marine

Ricardo Lara

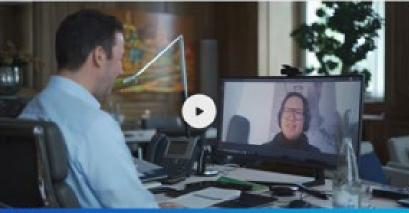
**California Insurance** Commissioner



Alison Martin CEO, EMEA & Bank Distribution, Zurich



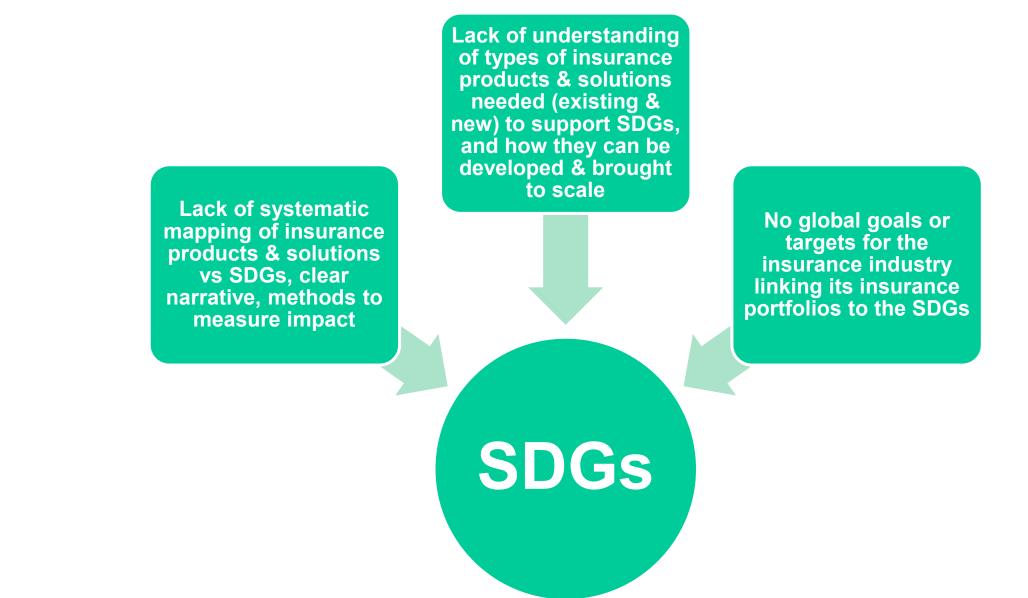
Overlag Markethaw in the DDCs



Butch Bacani untri

What are the links between insurance products & solutions and the UN Sustainable Development Goals (SDGs)?







Agriculture	<ul> <li>Provide agriculture insurance to X% more of the 230 million uninsured smallholder farmers globally by 2030</li> </ul>
Health	<ul> <li>Provide protection insurance and health risk management to X number more impaired lives by 2030</li> </ul>
Natural ecosystems	<ul> <li>Increase area of natural ecosystem insurance coverage by X (surface area / number of ecosystems / types of biogeographic zones / % of protected areas) by 2030</li> </ul>
Motor	<ul> <li>Reduce greenhouse gas emissions by X% in motor portfolio by 2030</li> </ul>
Property (Energy)	<ul> <li>Reduce greenhouse gas emissions by X% of energy producers and consumers covered by 2030</li> </ul>

## Proposed process to develop "Insurance SDGs"

PSI Principles for Sustainable Insurance

Mapping	Prioritising	Insurance SDGs (global)	Industry roadmaps	Company targets	Methods & toolkits
Map existing insurance products & solutions vs. SDGs (identify gaps, potential tradeoffs)	Select Subset of priority SDGs & articulate how they connect to other SDGs	Develop Insurance SDGs: Ambitious, quantitative, insurance goals at global level per priority SDG	For each Insurance SDG, develop industry roadmap with key factors, strategies & actions	For each Insurance SDG, set insurance portfolio targets at insurance company level	Develop methods & toolkits for industry & stake- holders to measure progress in achieving SDGs

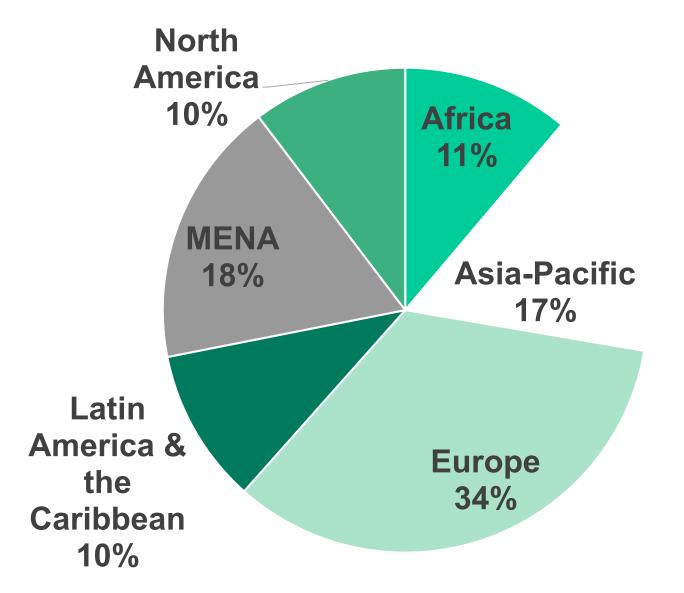


# Results of the PSI global pulse survey on insurance and the UN Sustainable Development Goals (SDGs) $\rightarrow$ July 2020

Answer Choices	Responses	
Insurance company	44.86%	109
Reinsurance company	11.11%	27
Non-governmental organisation (NGO)	7.41%	18
Insurance regulator or supervisor	6.17%	15
Academia/research institution/scientific	5.76%	14
community Insurance association or initiative	5.76%	14
Sustainability service provider	4.53%	11
Other (please specify)	4.12%	10
Intergovernmental organisation (e.g. UN)	3.70%	9
Broker	2.47%	6
Government	1.65%	4
Risk model vendor	0.82%	2
Agent	0.41%	1
Bank	0.41%	1
Client/policyholder	0.41%	1
Investor	0.41%	1
Rating agency	0.00%	0
	Answered	243
	Skipped	4

## **Respondents by region (total = 243)**







# Q1: In this decade leading to 2030 (i.e. within the next 10 years), which SDGs do you think should be the most relevant to the global insurance industry?

Please select your top 5 only.

Answer Choices	Responses	;
SDG 13: Climate action	72.47%	179
SDG 3: Good health and well-being	57.49%	142
SDG 11: Sustainable cities and communities	40.89%	101
SDG 9: Industry, innovation and infrastructure	40.49%	100
SDG 8: Decent work and economic growth	31.58%	78
SDG 7: Affordable and clean energy	30.36%	75
SDG 6: Clean water and sanitation	27.94%	69
SDG 4: Quality education	26.32%	65
SDG 1: No poverty	25.91%	64
SDG 10: Reduced inequalities	23.89%	59
SDG 12: Responsible production and consumption	23.08%	57
SDG 17: Partnerships for the Goals	22.27%	55
SDG 16: Peace, justice and strong institutions	17.81%	44
SDG 2: Zero hunger	15.79%	39
SDG 5: Gender equality	12.96%	32
SDG 15: Life on land	12.96%	32
SDG 14: Life below water	10.93%	27
	Answered	247



## Q2: Overall, which lines of non-life insurance business do you think will offer the most important business opportunities within the next 10 years to support the achievement of the SDGs?

Please select your top 3 only.

Answer Choices	Responses	Responses	
Agriculture (including Aquaculture)	61.83%	149	
Property	47.72%	115	
Natural Ecosystems	44.81%	108	
Cyber	37.76%	91	
Casualty/Liability	30.29%	73	
Engineering	29.05%	70	
Credit & Surety	21.99%	53	
Marine	14.11%	34	
Motor	11.20%	27	
Aviation	1.66%	4	
	Answered	241	
	Skipped	6	



Q3: Overall, which lines of life & health insurance business do you think will offer the most important business opportunities within the next 10 years to support the achievement of the SDGs?

Please select your top 3 only.

Answer Choices	Resp	Responses	
Medical	80.50%	194	
Long-Term Care	58.51%	141	
Critical Illness	52.70%	127	
Life	51.87%	125	
Accident	20.33%	49	
Disability	18.67%	45	
	Answered	241	
	Skipped	6	



WWF

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

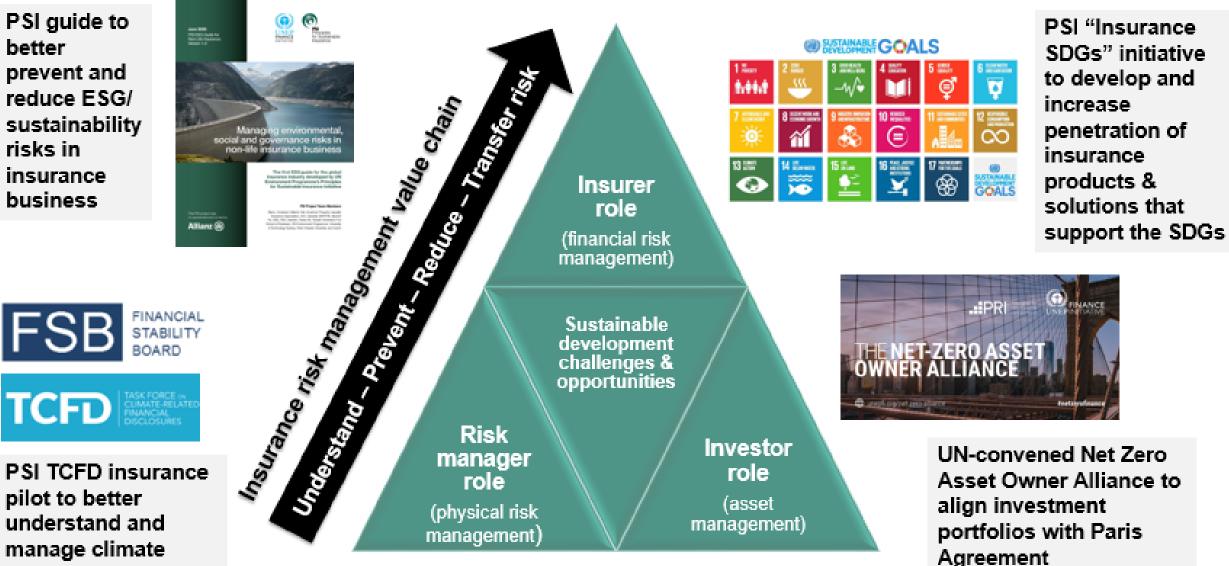
The Alliance Commitment → currently representing about USD 5 trillion in assets under management:

- 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

The triple role of the insurance industry in sustainable development in practice (examples)



risks





## **UNEP's Sustainable Insurance Forum for Supervisors (SIF)**



Principles for Sustainable Insurance





- 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 over 30 jurisdictions around the world
- SIF works closely with the International Association of Insurance Supervisors (IAIS)



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



Launch of SIF Dec 2016, San Francisco, USA



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



3rd SIF meeting Oct 2017, Kuala Lumpur, Malaysia



4<sup>th</sup> SIF meeting May 2018, Rio de Janeiro, Brazil

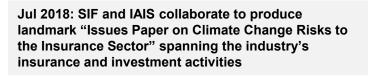


<sup>th</sup> SIF meeting: Nov 2018, Luxembourg
<sup>6th</sup> SIF meeting: Jun 2019, Buenos Aires, Argentina



7<sup>th</sup> SIF meeting: Nov 2019, Abu Dhabi, UAE

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





2019  $\rightarrow$  SIF conducts global climate risk survey of insurance industry

2020  $\rightarrow$  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

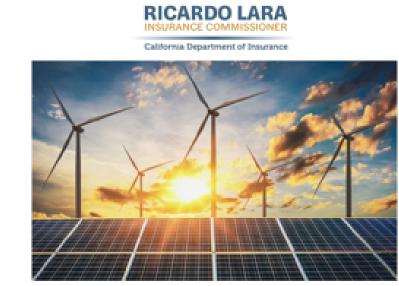




## **Developing sustainable insurance roadmaps spanning the** industry's risk management, insurance & investment activities



California launches world's first database of green insurance products (July 2020)



California Climate Smart Insurance Products Database

- Lists over 400 products available to consumers and businesses that address climate risks, harness new technologies and build resilience
- Fortified Homes, Green Buildings & Equipment, Nature-Based Solutions, Mileage-Based Insurance, Low-Emissions Vehicles, Microinsurance, Renewables, Carbon Offsets, Super Pollutant Reduction

#### California to develop world's first sustainable insurance roadmap (July 2019)





### Getting the state covered

California, U.N. join forces on 'sustainable insurance,' climate change





spying

report

public

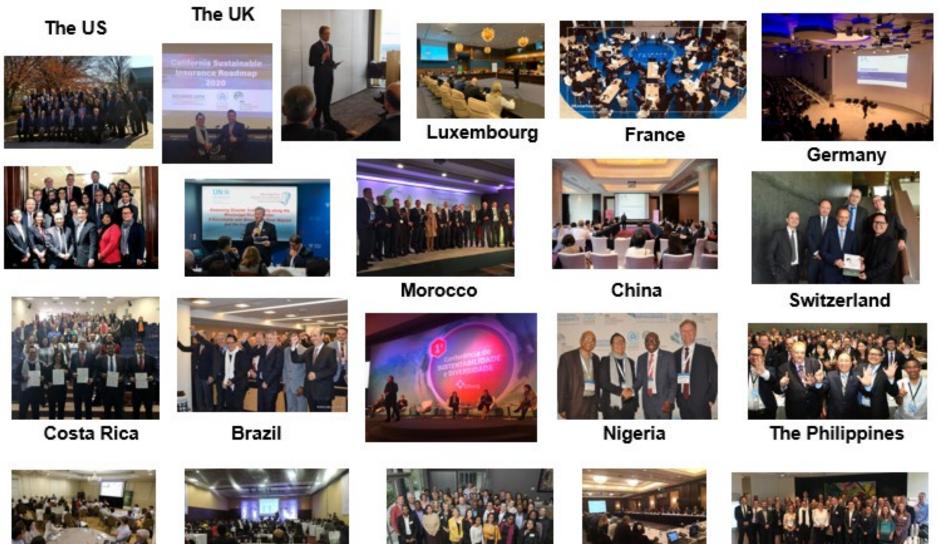


- Comprehensive climate change strategy & action plan
- Pave way for innovative risk management, insurance & investment solutions that reduce climate risks and protect natural ecosystems

PSI events across markets: Shaping the global sustainable insurance agenda



PSI Principles for Sustainable Insurance



Chile



Colombia



Egypt



Australia

## 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."





## Insuring for sustainable development

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