Virtual NAIC Summer National Meeting

Climate Risk and Resilience (C) Working Group

Friday, July 31, 2020
2020 Summer National Meeting
Virtual Meeting

CLIMATE RISK AND RESILIENCE (C) WORKING GROUP
Friday, July 31, 2020
2:00 – 3:30 p.m. ET / 1:00 – 2:30 p.m. CT / 12:00 – 1:30 p.m. MT / 11:00 a.m. – 12:30 p.m. PT

ROLL CALL

Mike Kreidler, Chair  Washington  Derek Oestreicher  Montana
Ricardo Lara, Vice Chair  California  Tom Green  Nebraska
Austin Childs/Alex Romero  Alaska  Barbara D. Richardson  Nevada
Peg Brown  Colorado  Anna Krylova  New Mexico
Andrew N. Mais/George Bradner  Connecticut  Marshal Bozzo/Nina Chen  New York
Colin M. Hayashida  Hawaii  Tracy Snow/Tom Botsko  Ohio
Judy Mottar  Illinois  Andrew R. Stolfi  Oregon
Travis Grassel  Iowa  David Buono  Pennsylvania
Robert Baron  Maryland  Rafael Cestro-Lopategui  Puerto Rico
Peter Brickwedde  Minnesota  Michael S. Pieciak  Vermont

NAIC Support Staff: Anne Obersteadt

AGENDA

1. Call to Order/Roll Call—Commissioner Mike Kreidler (WA)

2. Adopt its June 18 Minutes—Commissioner Mike Kreidler (WA)  Attachment A

3. Hear an Update on the NAIC Climate Risk Disclosure Survey Analysis—Steven Jackson, Ph.D. (American Academy of Actuaries—AAA) and Lisa Groshong, Ph.D. (NAIC)  Attachment B

4. Hear an Update on California’s Climate Smart Insurance Product Database—Mike Peterson (CA)  Attachment C

5. Hear a Presentation on Swiss Re’s Approach to Climate Change and Sustainable Insurance Products—Matthew Horvath-Wulf, Samantha Dunn and Yommy Chiu (Swiss Re)  Attachment D

6. Hear a Presentation on Allianz’s Approach to Climate Change and Sustainable Insurance Products—Nico Ahn (Allianz)  Attachment E

7. Hear an Update from the American Property Casualty Insurance Association (APCIA) on its Domestic and International Climate Risk Related Activities—David F. Snyder (APCIA)  Attachment F

8. Discuss Any Other Matters Brought Before the Working Group—Commissioner Mike Kreidler (WA)

9. Adjournment
Attachment A

Adopt June 18 Conference Call Minutes

—Commissioner Mike Kreidler (WA)
Climate Risk and Resilience (C) Working Group
Conference Call
June 18, 2020

The Climate Risk and Resilience Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met via conference call June 18, 2020. The following Working Group members participated: Mike Kreidler, Chair, and Jay Bruns; Ricardo Lara, Vice Chair, represented by Michael Peterson (CA); Austin Childs and Alex Romero (AK); Peg Brown (CO); George Bradner (CT); Colin M. Hayashida (HI); Judy Mottar (IL); Travis Grassel (IL); Robert Baron (MD); Peter Brickwedde (MN); Nina Chen (NY); and Tom Botsko (OH).

1. Received an Update on the Drafting of the Insurance Regulatory Discussion Points on Catastrophic Events Document

Mr. Peterson stated the Working Group decided on its Oct. 2, 2019, conference call to develop a product that can assist insurance departments in fielding frequently asked questions (FAQ) related to resilience and catastrophe events. The product was referred to as the Insurance Regulatory Frequently Asked Questions at the time. It was in part inspired by California’s Wildfire Resilience Summit in April after the ferocious fires of the last couple of years in California. The document was designed to be a compilation of questions state insurance regulators find they are frequently being asked. Each insurance department could then voluntarily answer the questions as they relate to its specific state. The original intent was for the responses to be available for dissemination by each insurance department to inform the public and provide guidance to state and local efforts related to resilience and insurance. The Working Group also supported the compilation of each state’s responses for sharing purposes, so states can learn from each other’s efforts. It was decided questions should apply to all states, with the option to develop a more peril-specific version in the future. This makes sense considering the differences one can visualize almost immediately between states such as California and Connecticut.

Further development of the product occurred during informal drafting calls on March 11 and May 22. Summaries of those conference calls were provided in the materials (Attachment 1 and Attachment 2). The March 11 conference call expanded the questions in many of the existing sections and added new sections for adjuster licensure, department-stakeholder interactions and post-catastrophe regulatory response. During the May conference call, the product was converted from public to regulator-only and renamed Insurance Regulatory Discussion Points on Catastrophic Events (CAT Discussion Points). The change was to allow for more robust sharing among states, which is deemed to be the document’s strongest value. However, states can still choose to leverage their response information for public use as they deem appropriate. The Purpose section was revised to specify the questions are meant to be a list of potential discussion points for states to consider in crafting their unique response. States are not expected to answer every question. The May 22 conference call also added sections for technology and the idea of overlapping or sequential crises that occur in the same time period.

The informal drafting group has progressed substantially in its drafting. The next conference call will focus on reviewing the draft to ensure it is not peril-specific and adding questions to the Overlapping Crises section. The informal drafting group will also review catastrophe-related material shared by Minnesota to see if anything additional should be added to the draft.

Mike Klein (Travelers) stated the CAT Discussion Points document is interesting and recommended it should include the need for states with natural disaster statutes to revisit these to ensure they take pandemic issues into account. He stated his company encountered a similar issue in North Carolina, which has a natural disaster statute affecting premium finance companies. Even with a three- or four-day hurricane occurring with the onset of a pandemic, such as the current one, the time period is a lot more elongated, especially when states had to extend their orders and moratorium. He expressed his willingness to discuss the implications of a prolonged disaster (such as on cancellation nonrenewal moratoriums) further during an informal drafting call.

Commissioner Kreidler agreed with Mr. Klein’s point. He stated the compounding implications of an event such as a pandemic does not necessarily fit the same mold of what state insurance regulators have historically dealt with and will irrevocably change our role as regulators. He also stated it is important to learn from our current circumstances so we can be better prepared for a second virus wave or future pandemic. The additional complications climate change brings to a pandemic are debated by some, but it is not unreasonable to assume climate change is bringing population mobility and thereby increasing transmission of the virus.
2. **Heard an Update on California’s Development of a Sustainable Insurance Roadmap**

Mr. Peterson stated the California Department of Insurance (DOI) announced in July 2019 that it had partnered with the United Nations Environment Program (UNEP) to develop a Sustainable Insurance Roadmap. The goal is to provide a comprehensive and cohesive set of policies related to climate change and insurance that can serve as a guide. The Roadmap will enable California to use risk reduction measures, insurance solutions and insurer investments to reduce the magnitude of future events and insurance losses, stabilize rates and increase insurance availability. For example, new insurance products could be developed to promote cooler streets and renewable energy. There could also be insurance solutions designed to protect California’s natural infrastructure—such as wetlands and forests—to reduce climate and disaster risk. Mr. Peterson stated that as recommended by the Ceres report on the agenda today, California is currently developing a database and search tool to allow users to identify insurers offering insurance products that offer climate risk solutions.

3. **Heard a High-Level Summary of Ceres’ Recently Released *Addressing Climate as a Systemic Risk: A Call to Action for U.S. Financial Regulators* Report**

Steven Rothstein (Ceres) commended the six states that are administering the NAIC Climate Risk Disclosure Survey (Climate Survey) for supporting the option for insurers to submit a Task Force for Climate-Risk Financial Disclosure (TCFD) report in lieu of the Climate Survey. He stated Ceres recommends taking additional disclosure initiatives in its *Addressing Climate as a Systemic Risk: A Call to Action for U.S. Financial Regulators* report. The report outlines why and how key U.S. financial regulators can and should take action to protect the financial system and economy from potentially devastating climate-related shocks. The report makes a series of recommendations that build on the existing mandates of the relevant regulatory agencies. It also identifies similar actions being taken by global regulators that could serve as important models for U.S. agencies to consider.

The report’s key recommendations for state and federal insurance regulators include:

- Acknowledging and coordinating action to address the material risks of climate change.
- Assessing the adequacy of current insurer actions for addressing climate risks.
- Joining the Sustainable Insurance Forum.
- Requiring insurers to conduct climate-risk stress tests and scenario analyses.
- Requiring insurers to integrate climate change into their Enterprise Risk Management (ERM) and Own Risk and Solvency Assessments (ORSA) processes.
- State regulators requiring insurers to assess and manage their climate-risk exposure through their investments, and examining how climate trends affect company holdings and long-term solvency.
- State regulators encouraging insurers to develop products for the new technologies, practices and business models that will emerge in response to climate-risk that are responsive to both risks and opportunities.
- State regulators mandating insurer climate-risk disclosure using the TCFD recommendations.
- Assessing the sector’s vulnerabilities to climate change and reporting findings to the Financial Stability Oversight Council (FSOC).

4. **Discussed its Work Plan for 2020**

Mr. Bruns stated the proposed work plan for 2020 included finishing the drafting of the CAT Discussion Points document with adoption hopefully by the Spring National Meeting. It also included a proposal to review the Financial Condition Examiners Handbook for potential climate risk and resilience related revisions. Proposed revisions would then be referred to the Financial Examiners Handbook (E) Technical Group for consideration. The Working Group proposed similar revisions to the Technical Group in 2012 that were adopted into the 2013 Exam Handbook. The changes provided guidance, if needed, to examiners to ask questions about the impact of climate risk on solvency. There is also a proposal that came out of conversations with New York to gain a better understanding of how to effectively communicate climate-risk and the role of insurance, resilience and mitigation to elicit behavior change in consumers through presentations. This includes hearing from experts such as the Yale Program on Climate Change Communication, which performs research on how to identify and understand different audiences to more effectively educate and communicate on issues related to climate change. Presentations from insurers, modelers and climate research organizations on the use of products, incentives and technologies that support resilience in the insurance
industry is also proposed. Hearing from the American Academy of Actuaries (Academy) and Center for Insurance and Policy Research (CIPR) on research being done on the NAIC Climate Risk Disclosure Survey responses is also proposed. The final proposal is to better understand through presentations and dialogues how Moody’s and others, including other jurisdictions and the NAIC, incorporate climate risk into analysis and governance practices.

Commissioner Kreidler asked Mr. Rothstein to share his thoughts on the draft work plan. Mr. Rothstein stated he thinks the draft work plan is thoughtful and comprehensive and focuses on gathering information from lots of people. He stated he supports the Working Group gaining more insight on transparency and welcomes the opportunity to support the Working Group going forward.

Commissioner Kreidler stated he thinks webinars on rating agency actions will be important. He stated he has concerns on the reticence of rating agencies to become more engaged on the vulnerabilities associated with climate change.

Mr. Brickwedde noted the NAIC member call on June 25 included discussing the NAIC Climate Risk and Resilience Key Initiative and asked how that may affect the work plan.

Anne Obersteadt (NAIC) stated she was not sure what the agenda item pertained to, but that it was her understanding it would not include Property and Casualty Insurance (C) Committee activities.

Mr. Peterson stated he thinks the draft work plan included good components but considered climate change communication to be particularly important. The connection insurance regulators have with consumers does not often get mentioned, making the proposal to better communicate climate risk to the client very important. Insurance regulators tend to view risk as specific to perils, such as risk by fire zone or flood zone. It makes sense that the Working Group should investigate the potential of communicating broader shifting risks beyond this binary perspective. Commissioner Kreidler agreed on the importance of communicating climate change risk to consumers.

Mr. Snyder asked if there was a way to focus on climate resilience in post-pandemic rebuilding. Mr. Bradner stated the Working Group has discussed the need to work with industry and states on more aggressively adopting building codes and standards. It would be beneficial to get more states to recognize the advantages of the Insurance Institute for Business & Home Safety (IBHS) FORTIFIED program that helps homeowners protect their properties against weather events. The FORTIFIED program is more developed towards hurricane-prone jurisdictions, such as those in the Southeast, but there are still standards in the program that would benefit other regions of the country. State insurance regulators need to become more involved in their sister agencies’ meetings and advocate for industry to join these meetings as well. There is also a need to find data that illustrates the loss prevention savings of building-resilience measures, such as roof taping. This would be helpful in responding to pushback from builders on the additional costs they incur from such practices.

Commissioner Kreidler agreed building resilience should be added to the Working Group work plan. Mr. Bruns instructed NAIC staff to add “supporting insurance regulators resiliency efforts by holding dialogues with industry and other stakeholders on the importance of incorporating IBHS standards and adopting building codes” to the work plan.

Commissioner Kreidler stated Director Ramge recently discussed Nebraska’s activities in this area with him. Several bills have been introduced related to flooding or climate mitigation in response to Nebraska’s flood losses last year. Additionally, cities such as Lincoln, NE, are establishing Climate Resiliency Task Forces focused on mitigating flood and drought impact on agriculture and exploring renewable energy sources. There is also a bipartisan coalition of governors committed to upholding the provisions of the Paris Climate Agreement.

Commissioner Kreidler asked if any member had a concern on the draft work plan. Hearing none, he deemed a consensus on the work plan.

Having no further business, the Climate Risk and Resilience (C) Working Group adjourned.
Attachment B

Hear an Update on the *NAIC Climate Risk Disclosure Survey* Analysis

—Steven Jackson, Ph.D. (American Academy of Actuaries—AAA) and Lisa Groshong, Ph.D. (NAIC)
Attachment C

Hear an Update on California’s Climate Smart Insurance Product Database

—Mike Peterson (CA)
Commissioner Lara launches first-ever database of green insurance products

News: 2020 Press Release
For Release: July 14, 2020
Media Calls Only: 916-492-3566
Email Inquiries: cdipress@insurance.ca.gov

Climate Smart Insurance Products Database is part of comprehensive insurance strategy to reduce greenhouse gas emissions and build climate resilience

LOS ANGELES, Calif. — Insurance Commissioner Ricardo Lara formally launched the Climate Smart Insurance Products Database, the first-ever consumer-oriented list of green insurance policies. With hundreds of climate-related insurance products already available to consumers and businesses, the California Department of Insurance has developed this database to help the public understand and access these products and encourage further insurance policy innovation in commercial, homeowners, and auto lines, among other lines. Recognizing the potential for specific insurance products to address climate risks and contribute to a sustainable future will encourage consumers and insurance companies to explore products that harness new technologies and promote resilience.

“Understanding, preventing, and reducing climate risk is of paramount importance, and we need innovative insurance solutions to accelerate the transition to sustainable and resilient communities and economies,” said Commissioner Lara. “When disaster strikes, insurance can help damaged homes, buildings, and vehicles be built back better, stronger, and greener and springboard into the cleanest technologies.”

The Climate Smart database lists more than 400 products currently available to consumers and businesses that address climate risks, harness new technologies, and build resilience. They include insurance products and solutions that, among other products:

- Provide green-rebuild coverage, providing a pathway to building back stronger, more energy efficient, and lower-emission buildings and vehicles
- Promote fuel-efficiency by offering lower premiums for low-emission vehicles
- Provide discounts for green energy use and energy efficiency certification
- Provide discounts for businesses who operate hydrogen and hybrid electric buses
- Protect low-income communities and natural ecosystems

A June 1, 2020 report from the environmental nonprofit group Ceres recommends the development of a database of innovative insurance products that reduce emissions or increase resiliency.

"California Commissioner Lara and his team at the California Insurance Department deserve great credit for creating the Climate Smart Insurance Products Database,” said Steven M. Rothstein, Managing Director of the Ceres Accelerator for Sustainable Capital Markets. “This is part of a comprehensive insurance approach to climate risks. This database is a critical building block for a more sustainable future.”

The database is another element in Commissioner Lara’s strategy to combat climate change. Last year, Commissioner Lara announced an agenda-setting effort with the United Nations to create a Sustainable Insurance Roadmap, a comprehensive climate change strategy and action
plan that is envisioned to pave the way for innovative risk management, insurance, and investment solutions that reduce climate risks and protect natural ecosystems.

“One of the United Nations’ Principles for Sustainable Insurance promotes the aim of insurers working together with governments, regulators and other stakeholders in promoting widespread action on sustainability issues, and Commissioner Lara is showing us what regulators can actively do to make that happen and drive innovation,” said Butch Bacani, who leads UN Environment Programme’s Principles for Sustainable Insurance Initiative (PSI), the largest collaboration between the UN and the insurance industry. “With this pioneering database, Commissioner Lara is demonstrating sustainability leadership, and we hope that other regulators will step up to the plate and lead by example.”

Commissioner Lara previewed the database on July 8, 2020 at an international virtual event convened by the UN PSI and Swiss Re on sustainability leadership in insurance, which attracted more than 700 participants from over 60 countries. In addition to working with the UN, California will be collaborating with Washington State Insurance Commissioner Mike Kreidler to build on this innovative database. California and Washington State have been working together with the UN Environment Programme as members of the PSI as well as the Sustainable Insurance Forum (SIF) for regulators.

“I applaud Commissioner Lara and the California Insurance Department’s thoughtful initiative to make the full range of existing climate-related insurance products available to consumers and businesses,” said Commissioner Kreidler. “Providing this innovative access to these products encourages communication between policyholders and their insurers, and will no doubt lead to new ideas and more refined climate-related insurance products going forward.”

# # #

Media Notes:
- The Climate Smart Insurance Products Database can be accessed via: www.insurance.ca.gov/climate-smart-database. It is the first-of-its-kind database of insurance products focused on sustainability that is available to consumers. The database includes insurance products sold in California and around the world.
- The database allows consumers to search products in nine categories:
  - Fortified Homes can provide protection from natural hazards through improved roofing materials or other home hardening efforts. The Insurance Institute for Business & Home Safety (IBHS) identifies best practices to protect against storms and wildfires.
  - Green Buildings and Equipment are energy efficient or otherwise sustainable.
  - Nature-Based Solutions harness the capabilities of natural infrastructure to mitigate against weather disasters.
  - Mileage-Based Insurance recognizes risk reductions from decreased driving.
  - Low-Emissions Vehicles include electric, hybrid and other low-emissions vehicles.
  - Microinsurance allows low-income individuals to receive protection from specific perils.
  - Renewables include solar, wind, geothermal and other sustainable technologies.
  - Carbon Offsets are reductions in greenhouse gas emissions to compensate for emissions occurring elsewhere.
  - Super Pollutant Reduction includes efforts to decrease dangerous air pollutants.
Climate Smart Insurance Products Search

With hundreds of climate-related insurance products already available to consumers and businesses, the Department of Insurance has developed this database to help the public access these products and encourage further innovation.

**Company Name:** Swiss Re

**Provider Type:**
- Insurer
- Reinsurer
- Broker
- Other

**Product Coverage Type:**
- Homeowners
- Commercial
- Vehicle
- Other

**Product Type:**
- Fortified Homes
- Green Buildings & Equipment
- Nature-Based Solutions
- Mileage-Based Insurance
- Low-Emissions Vehicles
- Microinsurance
- Renewables
- Carbon Offsets
- Super-Pollutant Reduction

Search Results

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<th>Product Coverage Type</th>
<th>Product Type</th>
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<td>Reinsurer</td>
<td>Carbon Offsets Insurance</td>
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<td>Carbon Offsets</td>
<td>RMI Capital LLC (RMI) and Swiss Re jointly implemented the carbon markets' first insurance product for managing Kyoto Protocol-related risks for two landfill gas emission reduction projects. Included wind resource risks. Company Website: <a href="http://www.swissre.com">http://www.swissre.com</a></td>
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Attachment D

Hear a Presentation on Swiss Re’s Approach to Climate Change and Sustainable Insurance Products

—Matthew Horvath-Wulf, Samantha Dunn and Yommy Chiu (Swiss Re)
Attachment E

Hear a Presentation on Allianz’s Approach to Climate Change and Sustainable Insurance Products

—Nico Ahn (Allianz)
Attachment F

Hear an Update on APCI’s Domestic and International Climate Risk-Related Activities

—Dave Snyder (APCI)
July 01, 2020

The Honorable John Barrasso
Chairman
U.S. Senate Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Thomas Carper
Ranking Member
U.S. Senate Committee on Environment and Public Works
456 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Barrasso and Senator Carper:

For the past few months, the nation has been focused on the immediate needs of individuals, businesses, and communities in responding to the COVID-19 pandemic. As the nation moves from response to recovery, many have suggested that investing in the country’s infrastructure will play a critical role in fostering the nation’s economic recovery from the damage caused by the coronavirus pandemic. As the Committee continues to focus on addressing the country’s infrastructure needs, the American Property Casualty Insurance Association (APCIA) urges the Committee to include measures that will enhance the resiliency of the nation’s infrastructure.

APCIA is the primary national trade association for home, auto, and business insurers. APCIA members represent all sizes, structures, and regions – protecting families, communities, and business in the U.S. and across the globe; and are among some of the first people on the ground following a natural catastrophe working with their customers to begin the process of recovery.

June 1st marked the official start of the 2020 Hurricane season, and already three named storms have threatened the United States. The National Oceanographic and Atmospheric Administration (NOAA) is predicting an above average storm season. On June 4, the Colorado State University updated its Extended Range Forecast, and is now predicting 19 named storms in 2020, which is “…well above average activity…”\(^1\) These forecasts follow several years of multiple one billion dollar catastrophes (wildfire, severe weather, tornado, hailstorm, inland flooding, and hurricane). Beginning in 2016, the nation has experienced over a

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\(^1\) [https://tropical.colostate.edu/Forecast/2020-06.pdf](https://tropical.colostate.edu/Forecast/2020-06.pdf)
dozen billion dollar events in each of the last four (4) years; 14 in 2019, 14 in 2018, 16 in 2017, and 15 in 2016.²

The nation has always and should continue providing aid to those in need following a catastrophe. However, for too-long the focus has been on post-disaster assistance. The GAO estimates that since 2005 the federal government has spent at least $450 billion on disaster assistance.³ Considering the current debt and deficit and the trillion dollar response to COVID-19, it is clear that relying solely on post-disaster assistance is not sustainable. Policymakers and stakeholders must shift the focus to pre-disaster mitigation and preparedness. The 2018 enactment of the Disaster Recovery and Reform Act of (DRRA) is a good first step. But more must be done.

As Congress continues to work on legislation to fund infrastructure programs, bold steps can be taken to enhance the nation’s resiliency to natural catastrophes (hurricanes, floods, hailstorms, wildfires, or earthquakes) by funding pre-disaster mitigation programs. Pre-disaster mitigation can reduce future disaster relief spending and can save lives. In their 2019 report the National Institute of Building Sciences (NIBS) found a savings rate of “...$6 for every $1 dollar spent through mitigation grants through select federal agencies.”⁴ The same report went on to conclude that investment in mitigation could save hundreds of lives and prevent one million non-fatal injuries.⁵ Making America resilient to disasters will take the combined efforts of government, communities, private sector, and individual property owners. Infrastructure plays an important role in any given community’s ability to recover from a natural catastrophe, and a critical component of a comprehensive resiliency strategy.

Investing in pre-disaster hazard mitigation can make communities, individuals, and businesses more resilient to catastrophes by reducing economic losses, limiting taxpayer exposure, protecting people and property. As the legislative process moves forward, APCIA offers the following broad-based suggestions:

1) encourage states, U.S. territories, communities, and tribes to adopt prudent, hazard-specific land use measures including optimizing the natural infrastructure to limit damage,
2) incorporate climate risk models and climate resilience standards into all public infrastructure projects,
3) commit additional government funds for resilient infrastructure and retrofitting existing infrastructure in areas at risk, and
4) support research and targeted incentives to promote effective loss mitigation to reduce current and future risk to people, property, and critical infrastructure.

³ https://www.gao.gov/key_issues/disaster_assistance#response_and_recovery
APCIA stands ready to assist in crafting specific public policy solutions to improve and enhance the resiliency of the nation’s infrastructure with the goals of protecting lives and property, reducing economic losses, limiting taxpayer expense, and helping communities recover more quickly.

Sincerely,

Nathaniel F. Wienecke

CC:  The Honorable Elaine Chao, United States Secretary of Transportation  
     The Honorable Mitch McConnell, Senate Majority Leader  
     The Honorable Charles Schumer, Senate Democratic Leader
World’s insurers and UN Environment Programme launch first global insurance industry guide to tackle sustainability risks

Published on June 16, 2020

Butch BacaniFollow
Programme Leader, UN Environment Programme's Principles for Sustainable Insurance Initiative

June 2020—After a multi-year global consultation process, leading insurers from around the world and the UN Environment Programme (UNEP) launched last 3 June the first global insurance industry guide to tackle a wide range of sustainability risks—from climate change, ecosystem degradation, pollution and animal welfare and testing; to child labour, controversial weapons, and bribery and corruption.
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 Members

Allianz, American Hellenic Hull, American Property Casualty Insurance Association, AXA, Generali, MAPFRE, Munich Re, QBE, RSA, Santam, Swiss Re, Temple University’s Fox School of Business, UN Environment Programme, University of Technology Sydney, West Chester University, and Zurich
The guide, *Managing environmental, social and governance (ESG) risks in non-life insurance business*, outlines 8 areas comprising possible actions for insurers to manage ESG risks—also known as sustainability risks—in non-life insurance transactions, focussing on risk assessment and insurance underwriting. These areas include developing a company’s ESG approach and risk appetite, integrating ESG issues into the organisation, establishing roles and responsibilities for ESG issues, escalating ESG risks to decision-makers, detecting and analysing ESG risks, and decision-making and reporting on ESG risks.

The guide is one of the flagship projects of UNEP’s Principles for Sustainable Insurance Initiative (PSI), the largest collaboration between the UN and the global insurance industry. Developing the guide was co-led by the global insurer, Allianz, and UNEP, and involved other leading insurers, insurance associations, and academic institutions from across the globe.
“Managing environmental, social and governance risks in the insurance business is an indispensable part of good risk management, and is crucial to harnessing insurance to help achieve the UN Sustainable Development Goals,” said Butch Bacani, who leads the PSI at UNEP and who co-led the development of the guide. “Every insurer should have a strategy and framework to systematically manage sustainability risks in its insurance and investment activities. This pioneering PSI guide puts sustainability at the heart of insurers’ core business to manage risk.”

The guide includes two high-level, optional “heat maps” indicating the potential level of ESG risk across economic sectors and lines of insurance business. The heat maps break down ESG issues into specific themes and risk criteria and provide examples of risk mitigation and good practice. Further references to various standards and technical guidelines are included in the guide to support decision-making on a range of ESG issues.
The guide raises awareness of the potential benefits of ESG integration in the insurance business model, including mitigating reputation risk, managing societal expectations, understanding the financial benefits of clients with strong ESG performance, and engaging and supporting clients and employees.

“By underwriting for sustainability, insurers can overwrite unsustainable practices that cause global warming, destroy life-supporting biodiversity and ecosystems, pollute the environment and violate human rights, and be part of the solution to building healthy, resilient and sustainable communities and economies,” added Bacani. “However, adopting sustainable insurance thinking and practices cannot be an effort of a few. The entire insurance industry needs to be part of this effort. This is why this PSI guide is an important, galvanising step to make such an industry-wide effort a reality.”
Co-led by Allianz and UNEP, other members of the PSI project team that developed the guide include American Hellenic Hull, American Property Casualty Insurance Association, AXA, Generali, MAPFRE, Munich Re, QBE, RSA, Santam, Swiss Re, Temple University’s Fox School of Business, University of Technology Sydney, West Chester University, and Zurich.
The guide was launched at the second event of the international virtual event series this year convened by the PSI and Swiss Re to advance sustainability leadership in insurance. The series seeks to catalyse an ambitious, collaborative and actionable global agenda to harness insurance to help achieve the UN Sustainable Development Goals.
The guide was developed through a comprehensive global consultation process that included interviews with insurance experts and key stakeholders, the first global ESG survey on non-life insurance underwriting, discussions at PSI events across all regions, and a public consultation on the draft guide. It is intended to be iterative—seeking feedback from the insurance industry and its key stakeholders—and will be reviewed regularly and updated as necessary.
Any Other Matters