



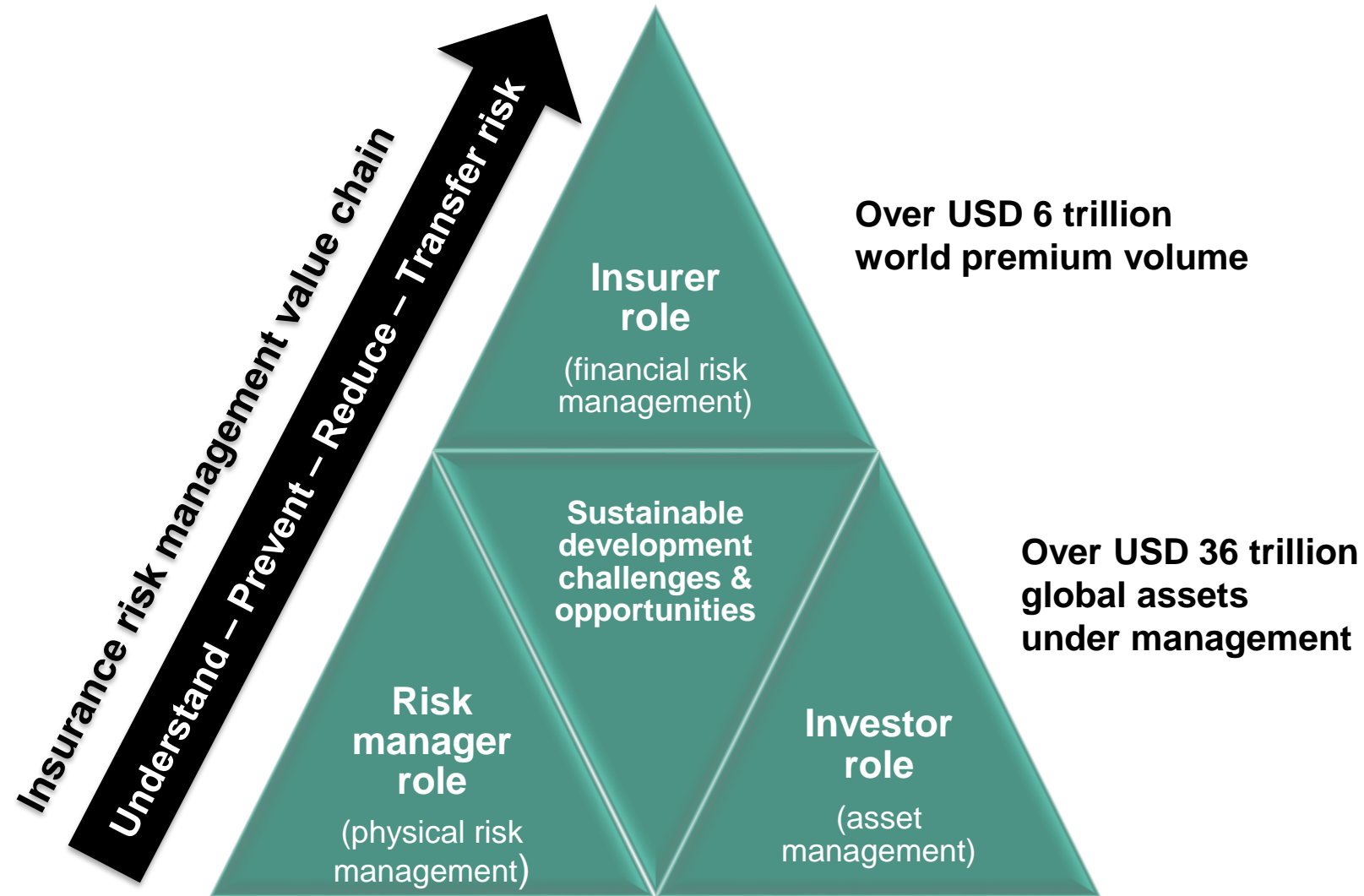
The UN Principles for Sustainable Insurance

Shaping the sustainability agenda for the global insurance industry

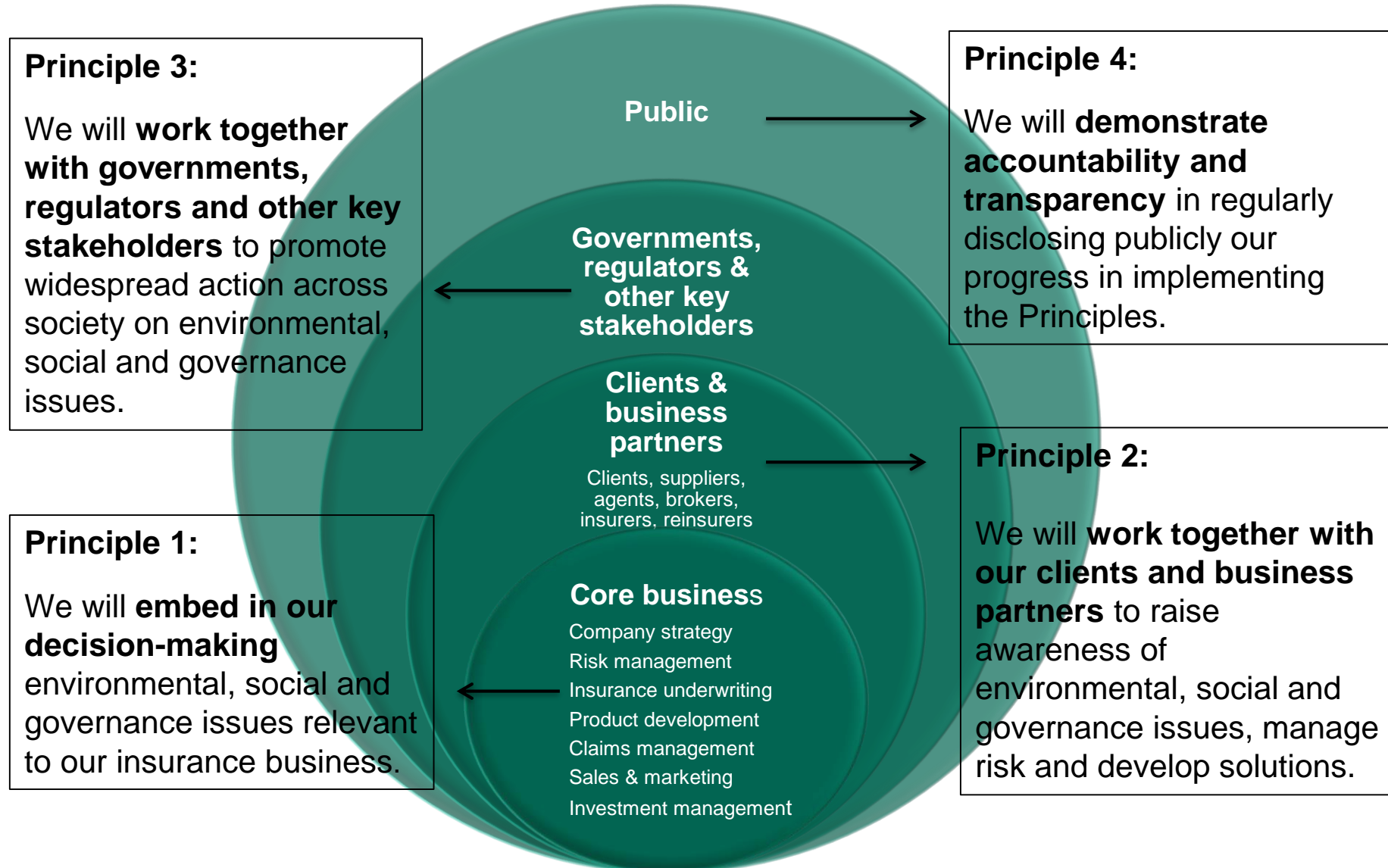
40th Annual Caribbean Insurance Conference
Regional Preparedness – Big things and Bigger things – Part 1
7 June 2022

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: A global roadmap to drive systemic change



2012 launch of the UN Principles for Sustainable Insurance (PSI)

19 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.

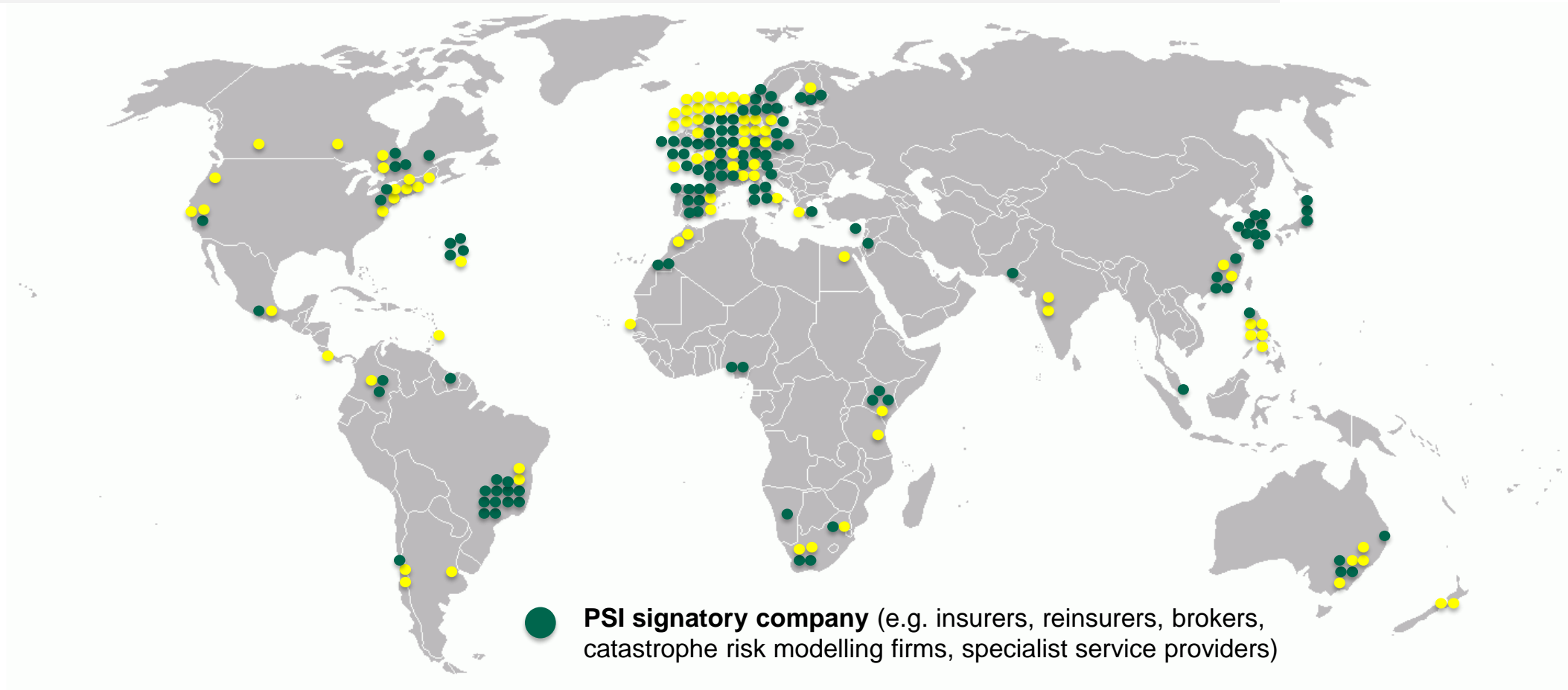
“The United Nations looks forward to working with all sectors of society towards the global embrace of this important new initiative as we shape the future we want.”


Ban Ki-moon, UN Secretary-General (19 June 2012, PSI launch)




PSI membership by country of domicile

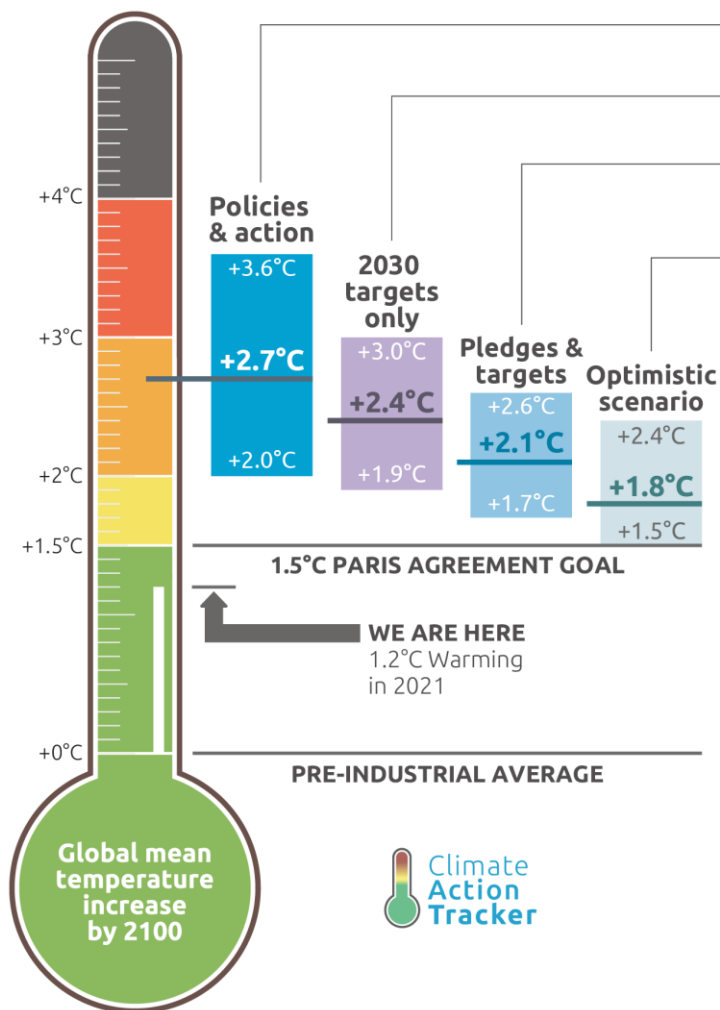
- Over 220 members and growing
- Insurers representing about one-third of world premium + USD 15 trillion in assets under management
- Largest collaborative initiative between the UN and the insurance industry



 **PSI signatory company** (e.g. insurers, reinsurers, brokers, catastrophe risk modelling firms, specialist service providers)

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

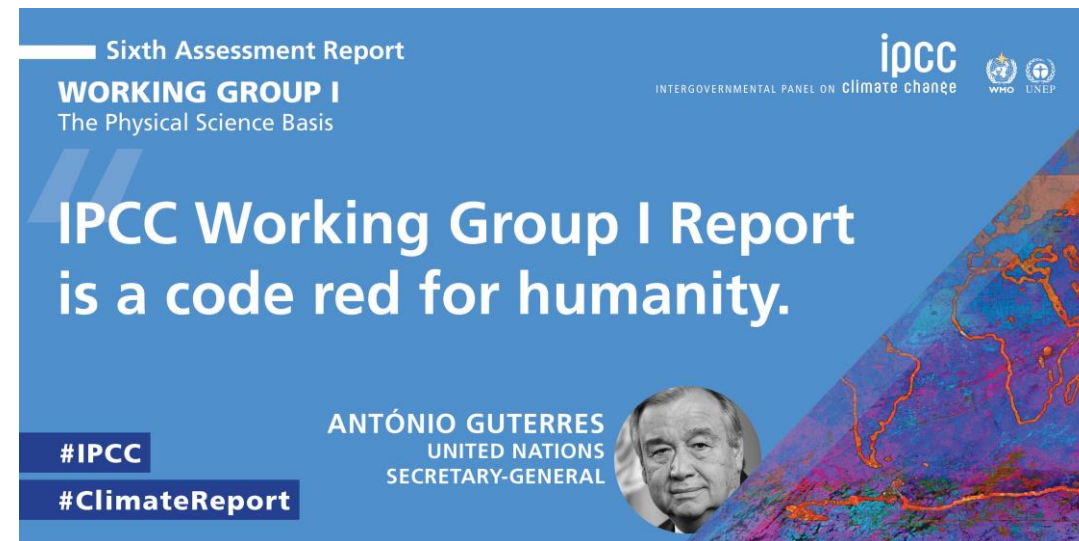
Global mean temperature increase by 2100 since pre-industrial levels: What is our trajectory?















- Policies & action**
Real world action based on current policies
 - 2030 targets only**
Full implementation of 2030 NDC targets*
 - Pledges & targets**
Full implementation of submitted and binding long-term targets and 2030 NDC targets*
 - Optimistic scenario**
Best case scenario and assumes full implementation of all **announced** targets including net zero targets, LTSs and NDCs*
- * If 2030 NDC targets are weaker than projected emissions levels under policies & action, we use levels from policy & action










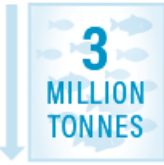
CAT warming projections Global temperature increase by 2100

November 2021 Update



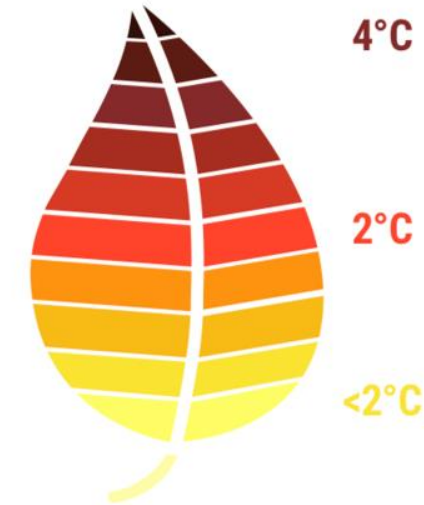
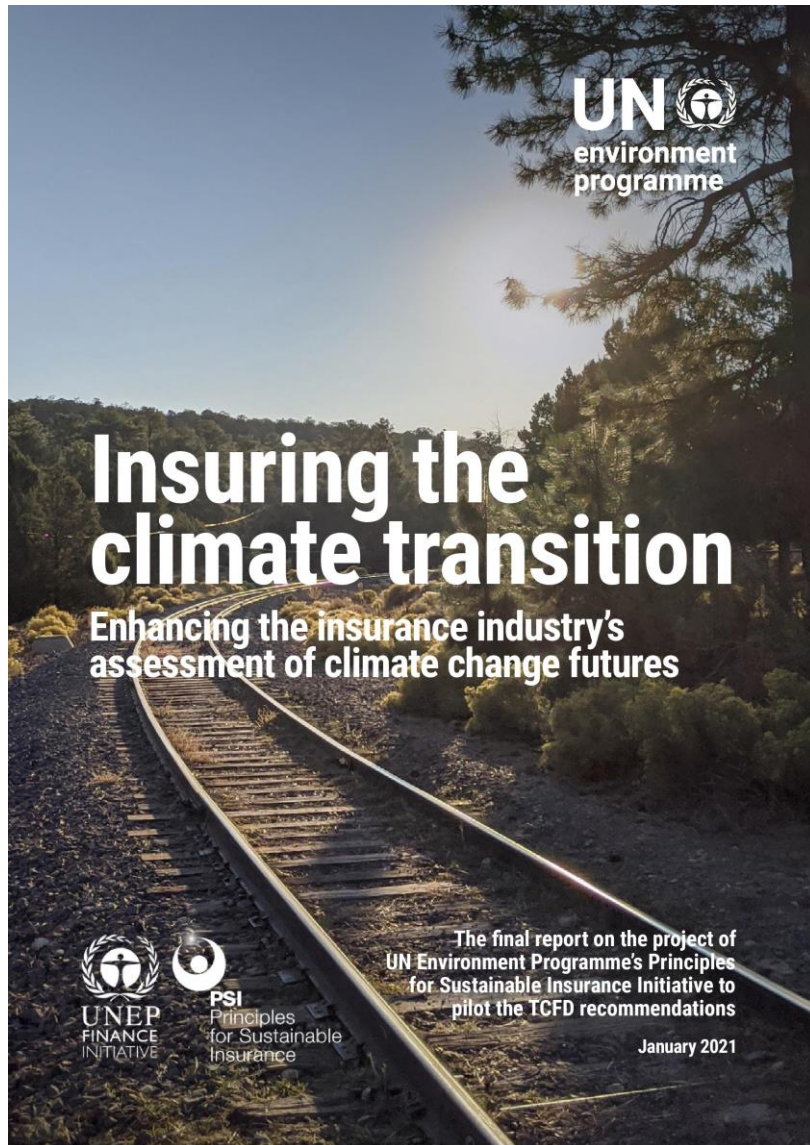
A 1.5°C vs. a 2°C world: Half a degree of warming is a world of a difference (based on 2018 IPCC special report on 1.5°C)

	1.5°C	2°C	2°C IMPACTS
EXTREME HEAT Global population exposed to severe heat at least once every five years	 14%	 37%	2.6x WORSE
SEA-ICE-FREE ARCTIC Number of ice-free summers	 AT LEAST 1 EVERY 100 YEARS	 AT LEAST 1 EVERY 10 YEARS	10x WORSE
SEA LEVEL RISE Amount of sea level rise by 2100	 0.40 METERS	 0.46 METERS	.06M MORE
SPECIES LOSS: VERTEBRATES Vertebrates that lose at least half of their range	 4%	 8%	2x WORSE
SPECIES LOSS: PLANTS Plants that lose at least half of their range	 8%	 16%	2x WORSE
SPECIES LOSS: INSECTS Insects that lose at least half of their range	 6%	 18%	3x WORSE

	1.5°C	2°C	2°C IMPACTS
ECOSYSTEMS Amount of Earth's land area where ecosystems will shift to a new biome	 7%	 13%	1.86x WORSE
PERMAFROST Amount of Arctic permafrost that will thaw	 4.8 MILLION KM ²	 6.6 MILLION KM ²	38% WORSE
CROP YIELDS Reduction in maize harvests in tropics	 3%	 7%	2.3x WORSE
CORAL REEFS Further decline in coral reefs	 70-90%	 99%	UP TO 29% WORSE
FISHERIES Decline in marine fisheries	 1.5 MILLION TONNES	 3 MILLION TONNES	2x WORSE

Source: World Resources Institute

PSI project to pilot the TCFD recommendations (Jan 2021)



IEA and IPCC scenarios

- Assess climate-related risks in insurance portfolios in a forward-looking way, with a focus on the use of climate change scenarios, in line with TCFD recommendations
- A pioneering initiative covering climate-related physical, transition and litigation risks in one major collaborative study
- Final report launched in Jan 2021

An initial framework to support an integrated approach to assessing climate-related risks

Physical risks

Geography (country level)

Hazard, vulnerability, insurance exposure

Line of business / Products

- Hazard, vulnerability, and insurance exposure are assessed to identify key “at risk” countries
- Materiality of the impact of physical hazards on insurance product lines is evaluated.

Transition risks

Line of business

Economic sector

Geography (regional level)

- Changes in insurance demand based on the result of how different sectors are affected by transition risk drivers
- Analysis at intersection of economic sectors and lines of business, as these are affected by sector dynamics
- Highlighting of relevant geographical economic sector dynamics

Litigation risks

Geography / Jurisdiction

Economic sector

Line of business / Products

- Key risk and opportunities will be assessed based on the underlying regulatory frameworks and litigation cases
- Geography / jurisdiction play a key role

Excerpt from Mark Carney's foreword for the final report of the PSI project to pilot the TCFD recommendations



“By insuring and investing with foresight, the insurance industry has the opportunity to break the ‘Tragedy of the Horizon’.

“And in doing so, the industry can seize the unprecedented ‘Opportunity on the Horizon’—to insure the transition to a resilient net-zero world—one that is safer, healthier, more inclusive, prosperous and sustainable. In other words, a more sustainable and insurable world.”

Mark Carney

UN Special Envoy on Climate Action & Finance

UK Prime Minister's Finance Adviser for COP26

Co-Chair of Glasgow Financial Alliance for Net Zero (GFANZ)

Former Chair of the Financial Stability Board

Former Governor of the Bank of England

Latest TCFD report (Oct 2021)

Proposed Guidance on Climate-related Metrics, Targets, and Transition Plans

Measuring Portfolio Alignment: Technical Supplement

Understand climate-related **risks and opportunities**

Set climate **ambition**

Define high-level climate **strategy**

Define climate-related **metrics**

Estimate climate-related **financial impacts**
(e.g., w/ scenario analysis)

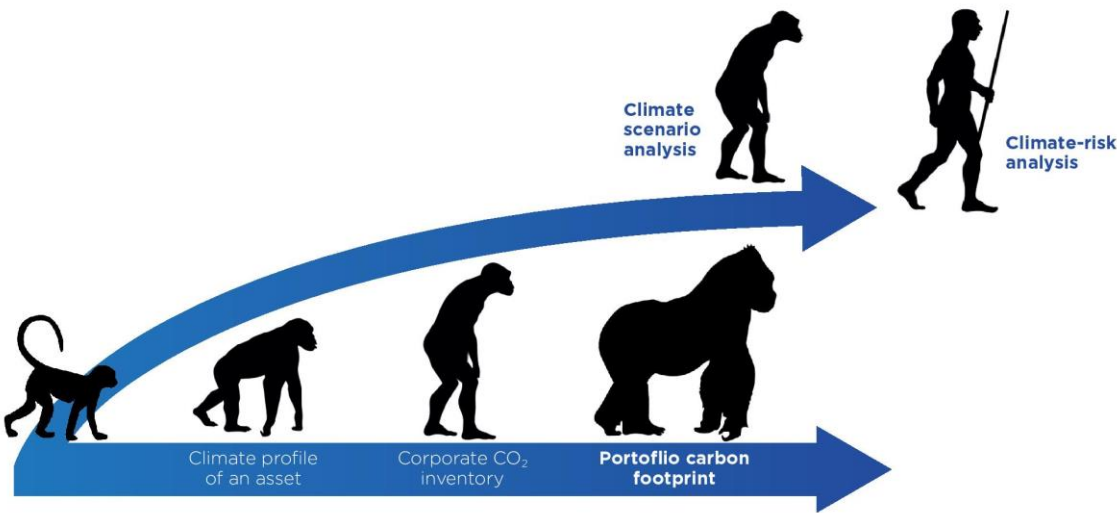
Set **targets** aligned with climate ambition

Articulate transition planning
as part of climate strategy

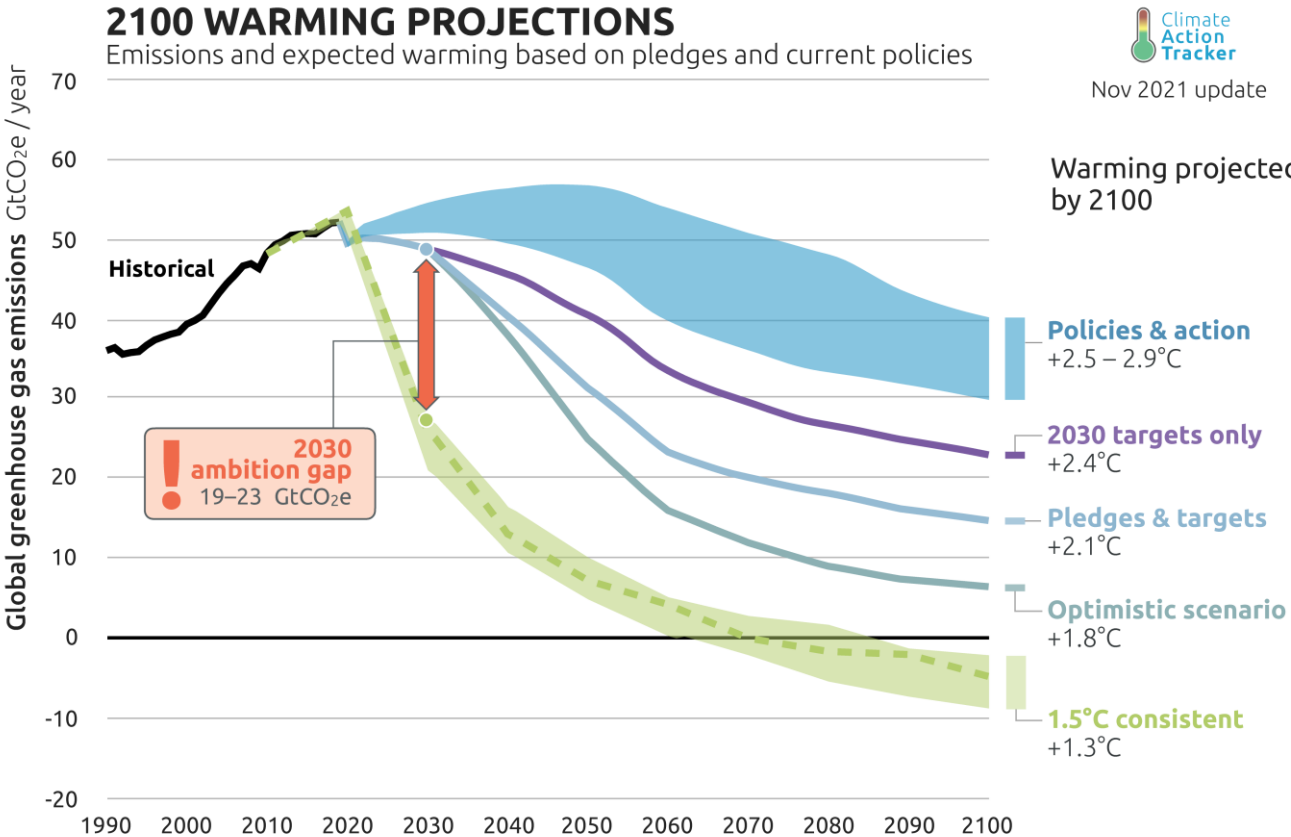
Report and disclose

Raising the insurance industry's climate ambition

From enhancing climate risk analysis to aligning insurance and investment portfolios with the 1.5°C target of the Paris Agreement



Source: 2° Investing Initiative



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

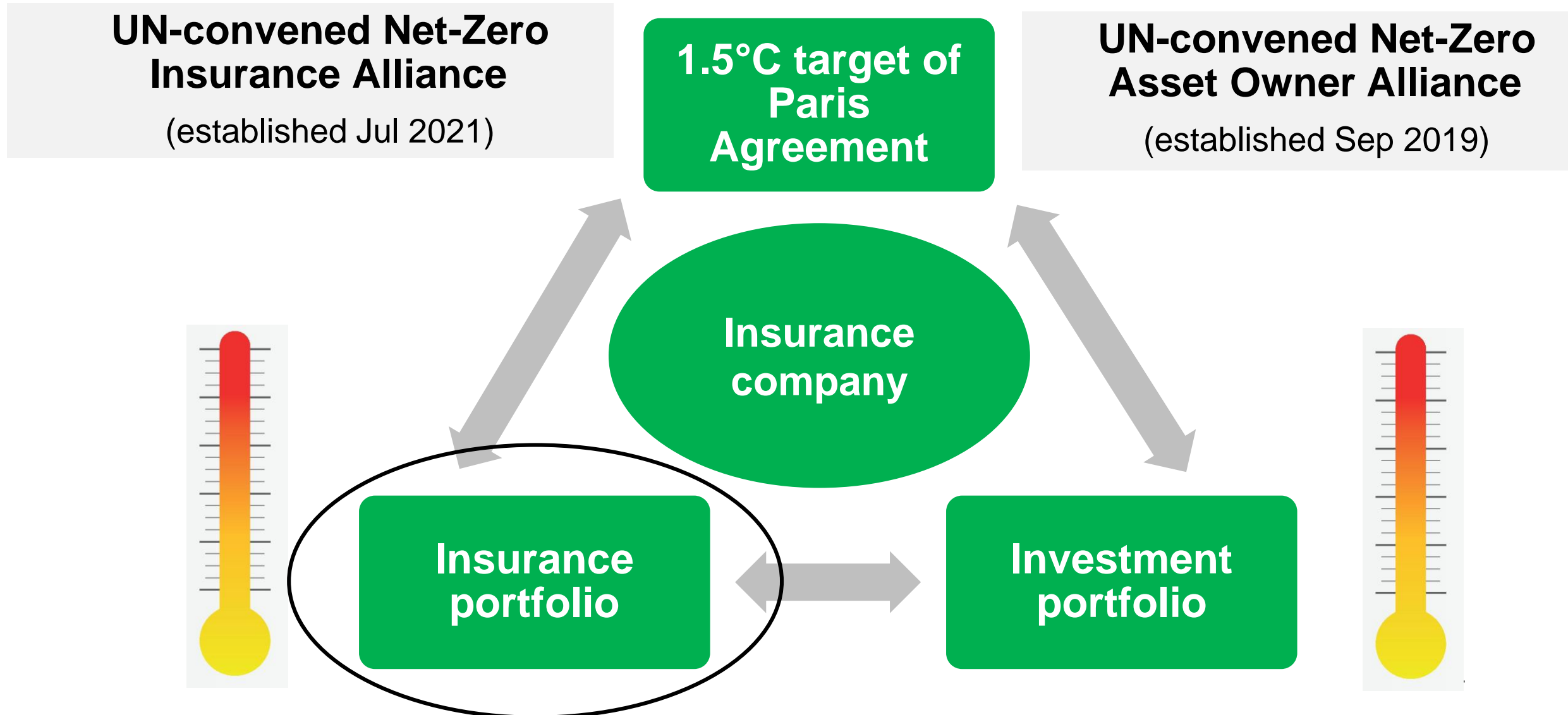


UN-convened Net-Zero Asset Owner Alliance launched at UN Secretary-General's 2019 Climate Summit

The NZAOA Commitment: > 70 asset owners representing > USD 10 trillion in assets under management

- Transition investment portfolios to net-zero GHG emissions by 2050 consistent with 1.5°C target of the Paris Agreement
- 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 emphasise 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

How can insurance support the transition to a net-zero emissions economy?



World's leading insurers and reinsurers and PSI launch Net-Zero Insurance Alliance at G20 Climate Summit (Jul 2021, Venice)



Launch



UN-convened Net-Zero Insurance Alliance



Allianz



Munich RE



SCOR
The Art & Science of Risk



Swiss Re

ZURICH

#NetZeroFinance

unepfi.org/net-zero-insurance

Net-Zero Insurance Alliance (NZIA) commitments



1. Transitioning all **operational and attributable GHG emissions from its insurance and reinsurance underwriting portfolios** to net-zero emissions **by 2050** consistent with a **maximum temperature rise of 1.5°C**
2. Individually set **science-based intermediate targets every 5 years** and independently **report on progress publicly and annually**
3. **First intermediate targets** to be made public **within 6 months of publication of NZIA target-setting protocol** (to be published by Jan 2023), or **within 6 months of joining NZIA** if such protocol already exists
4. Consider **latest available scientific knowledge** and associated **social impacts**, and findings of recognised reports (e.g. IPCC, International Energy Agency's Net Zero by 2050 report)
5. Support **TCFD recommendations**, emerging frameworks such as **Task Force on Nature-related Financial Disclosures (TNFD)**

6. Support **UN Sustainable Development Goals (SDGs)** and **Post-2020 Global Biodiversity Framework**
7. Sign **UN Principles for Sustainable Insurance (PSI)**
8. Aim to transition **investment portfolios to net-zero GHG emissions** and join relevant (e.g. Net-Zero Asset Owner Alliance) for **total balance sheet approach** to net zero
9. Work together with **insurance associations, regulators and supervisors, governments, trade bodies, policymakers, UN** to promote NZIA goals, and to seek consistency of regulatory, supervisory and policy frameworks with the net-zero transition
10. Engage with **insurance industry and financial sector peers and trade bodies, leading scientific organisations, academia, NGOs** on NZIA goals

Potential approaches to net-zero insurance

**Underwriting
criteria**
(e.g. carbon-
intensive
activities)

**Engagement
with clients &
potential clients**
(decarbonisation
pathways)

**Green
insurance
products &
solutions**
(insuring the
transition)

**Sustainable
claims
management**
(circular
economy)

**Risk
management
frameworks**
(integration of
net-zero criteria)

**Policy
engagement**
(science-based &
just transition of
economic sectors
to net zero)

September 2021

Announcement



Partnership for Carbon Accounting Financials collaborates with UN-convened Net-Zero Insurance Alliance to develop **standard to measure insured emissions**

Key NZIA implementation milestones (2022-23)

**Launch of Partnership
for Carbon Accounting
Financials (PCAF)
Scoping Document on
Insurance-Associated
Emissions**

(in collaboration with
NZIA)
(Mar 2022)

**Launch of NZIA White
Paper on Net-Zero
Insurance**

(Apr 2022)

**Launch of PCAF
Insurance-Associated
Emissions Standard**

(in collaboration with
NZIA)
(Oct or Nov 2022)

**Launch of NZIA Target-
Setting Protocol**

(in collaboration with
Science-Based Targets
Initiative; part of SBTi
Financial Net-Zero
Standard)
(Jan 2023)

**NZIA members to
individually set and
publish first
intermediate science-
based 5-year targets**

(Jul 2023)

GHG emissions associated to
insurance and reinsurance
underwriting portfolios

Scoping document March 2022



Insuring the net-zero transition:
Evolving thinking and practices

A white paper produced by the Net-Zero Insurance Alliance,
convened by UN Environment Programme's Principles for
Sustainable Insurance Initiative

April 2022

NZIA membership is growing: Insurers representing about 12% of world premium volume (as of 7 June 2022)



Founding members (8)



NZIA Chair



Coming in 2022

- NZIA commitment for brokers
- NZIA commitment for supporting institutions (e.g. insurance associations)

New members (17)



NZIA accredited by UN's Race to Zero campaign



Nigel Topping
UN High-Level Climate Action Champion for COP26

“The Net-Zero Insurance Alliance being accredited by the UN's Race to Zero campaign makes it the gold standard for net-zero insurance commitments in terms of ambition, credibility, accountability and transparency. I urge insurers across the globe to raise their climate ambition by joining the NZIA and become part of the solution. The time for decisive climate action is now.”

RACE TO ZERO



GLASGOW FINANCIAL ALLIANCE FOR NET ZERO

GFANZ unites financial actors committed to climate action accredited by the UN Race to Zero.

- ✓ Net Zero by 2050 at the very latest
- ✓ Covering all emissions scopes – 1, 2 and 3
- ✓ Robust 2030 interim targets
- ✓ Transparent progress reporting

**MARK CARNEY'S
PRIVATE FINANCE HUB**



**UN CLIMATE
CHANGE
CONFERENCE
UK 2021**

RACE TO ZERO



- **GFANZ: Co-Chaired by Mark Carney and Mike Bloomberg**
- **Brings together Race to Zero initiatives across the financial sector to mobilise and raise net-zero ambition**

**Net-Zero Asset
Owner Alliance**

**Net-Zero Asset
Managers Initiative**



**Net-Zero Insurance
Alliance**

**Net-Zero Banking
Alliance**

**Net-Zero Investment
Consultants Initiative**

**Net-Zero Financial
Service Providers
Alliance**

**Paris Aligned
Investment Initiative**

COP26 launch of Vulnerable Twenty Group of Finance Ministers (V20) Sustainable Insurance Facility to protect MSMEs (Nov 2021)

- V20: 55 climate-vulnerable economies with a combined population of 1.4 billion people. Represented by finance ministers
- V20 members include a number of Caribbean countries (e.g. Barbados, Grenada, Saint Lucia, Dominican Republic)
- V20-SIF: World's first vulnerable country-led insurance facility of its kind. Project Office hosted by the PSI
- As project pipeline development facility, V20-SIF will deliver financial protection to MSMEs in Asia-Pacific, Africa & the Middle East, and Latin America & the Caribbean to build climate resilience and support transition to net-zero economies
- As backbone of V20 economies, MSMEs contribute 20% to 70% of GDP, make up more than 80% of all businesses, and contribute to countries' export revenues
- With MSMEs constantly threatened by increasing climate risks, insurance can enhance risk management, absorb financial shocks, and de-risk implementation of cost-saving renewable energy and energy efficiency infrastructure



Nature loss (biodiversity loss & ecosystem degradation): Another planetary emergency

- Humanity has wiped out 83% of wild mammals and half of plants
- 75% of Earth's land surface significantly altered by human actions (e.g. loss of 85% of wetland areas)
- 66% of the ocean area experiencing multiple impacts from people (e.g. fisheries, pollution, chemical changes from acidification)
- Biodiversity loss that can result from climate change affects ecosystems' resilience → negative spiralling loop
- COVID-19, a zoonotic disease, related to illegal wildlife trade and environmental degradation
- World Economic Forum (WEF) estimates USD 44 trillion of economic value generation (more than 50% of global GDP) → moderately or highly dependent on nature
- Action for nature-positive transitions could generate up to USD 10.1 trillion in annual business value and create 395 million jobs by 2030, per the WEF

Sources: TNFD, UN



- Post-2020 Global Biodiversity Framework to be adopted at UN Biodiversity Conference (COP15) in Kunming, China (2021 + 2022)



- Task Force on Nature-related Financial Disclosures (TNFD)
- TNFD reporting framework being tested in 2022; consultations from 2022-23
- Final TNFD recommendations due Sep 2023

UN Environment Assembly endorses resolution to end plastic pollution and forge an international legally binding agreement by 2024 (March 2022)

“This is the most significant environmental multilateral deal since the Paris accord.” – UNEP Executive Director



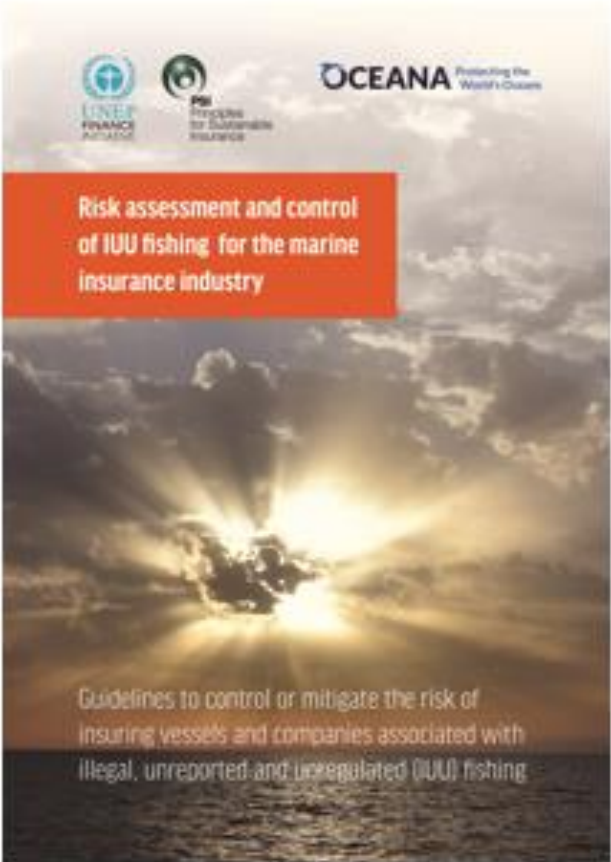
- Resolution addresses the **full lifecycle of plastic**, including its **production, design and disposal**
- Resolution establishes an **Intergovernmental Negotiating Committee (INC)**, which will begin its work in 2022, with ambition of completing a draft global legally binding agreement by end-2024
- INC expected to present a legally binding instrument reflecting diverse alternatives to address:
 - **Full lifecycle of plastics**
 - **Design of reusable and recyclable products and materials**
 - Need for enhanced **international collaboration** to facilitate **access to technology, capacity building and scientific and technical cooperation**

PSI collaborative initiatives relevant to reversing nature loss and preventing pollution

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



Guide to tackle Illegal, unreported & unregulated fishing



Guide to tackle plastic pollution



Tobacco-Free Finance Pledge



Webinar series



Convention on
Biological Diversity





29–30 September & 20–21 October 2021 | 13:00–14:30 CEST

Nature-Positive Insurance Series

How the insurance industry can help achieve
the global goal of nature positive by 2030


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



UNEP
FINANCE
INITIATIVE

PSI
Principles
for Sustainable
Insurance




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

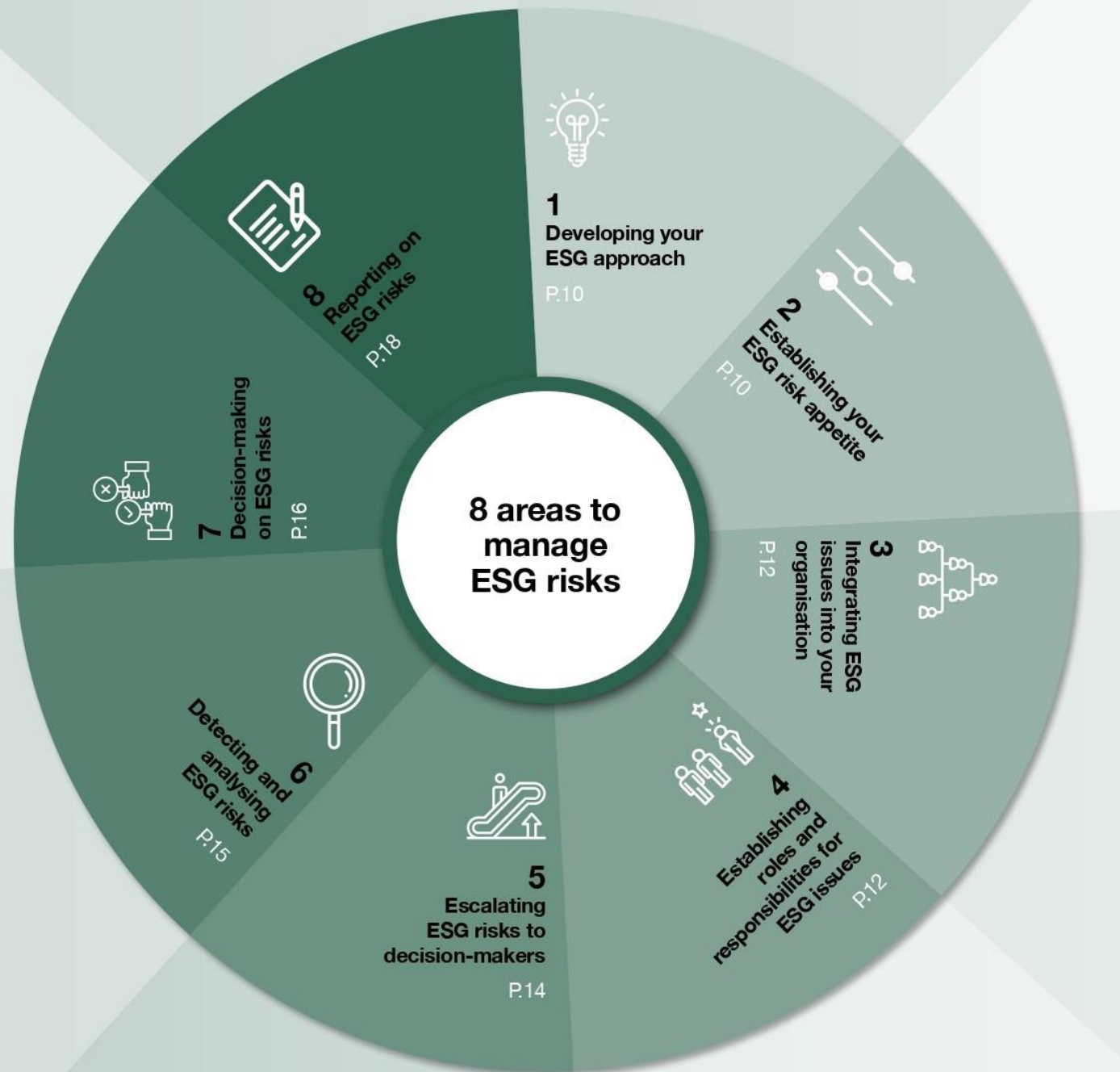
PSI Project Team Members

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

This PSI project was co-sponsored and co-led by







PSI initiative to shape the sustainability agenda for the life & health insurance industry

Relevant PSI projects and activities:

ESG underwriting guide for life & health business (2022)

Study on health risk prevention and health protection gap (2022)

Tobacco-Free Finance Pledge

Plastic pollution study

Life & health at PSI events

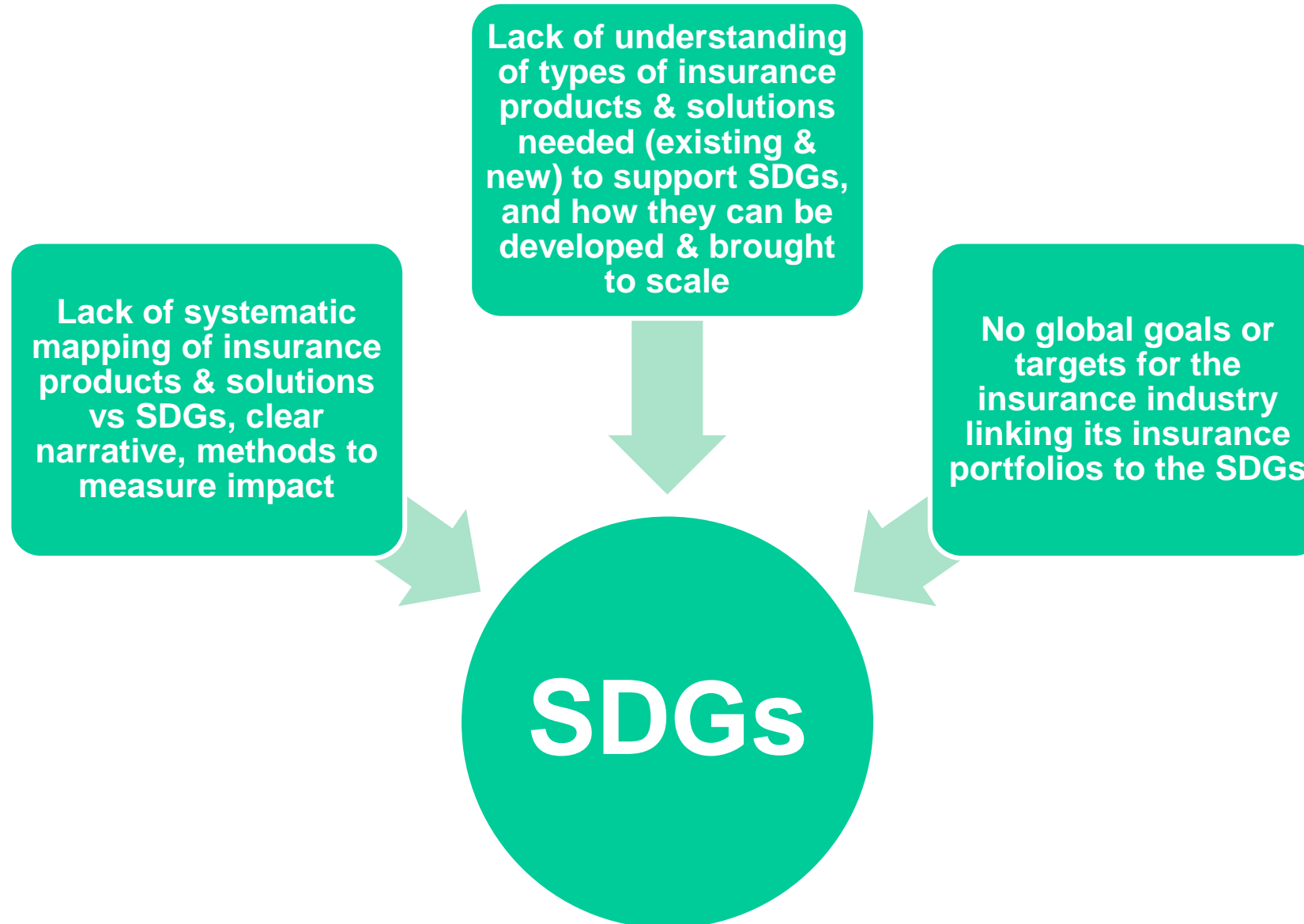
Examples of sustainability issues for life & health insurers

- Ageing populations
- Antimicrobial resistance
- Biodiversity loss & ecosystem degradation
- Climate change
- Mental illness
- Obesity & unhealthy lifestyles
- Pandemics
- Pollution
- Social & financial exclusion
- Tobacco & e-cigarettes

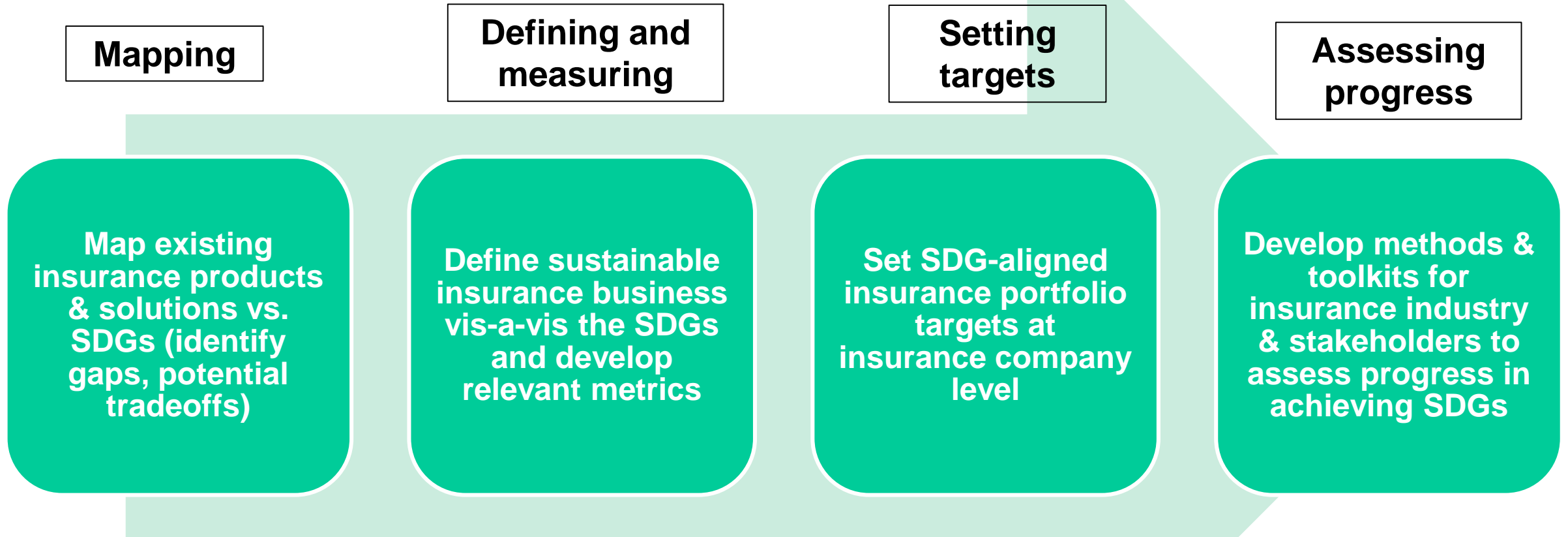
Prosperity for all on a healthy planet



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



Proposed process to define and increase sustainable insurance business aligned with the SDGs



Working with the California Insurance Commissioner to develop a pioneering sustainable insurance roadmap

Announcement to develop a California Sustainable Insurance Roadmap (Jul 2019)



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



Recommendations of the California Climate Insurance Working Group (supported by PSI) (Jul 2021)



- Comprehensive strategy and action plan to build a more resilient and sustainable California
- Pave way for innovative risk management, insurance and investment solutions that reduce climate risk, protect natural ecosystems and close the protection gap

Sustainable insurance leadership across regions



Rio declaration on climate risk transparency by the Brazilian insurance industry (2018)



Costa Rican declaration to develop a national sustainable insurance strategy (2018)



Nairobi declaration on sustainable insurance by the African insurance industry (2021)



PSI events across markets: Shaping the global sustainable insurance agenda



The US



The UK



Luxembourg



France



Germany



Morocco



China



Switzerland



Costa Rica



Brazil



Nigeria



The Philippines



Chile



Colombia



South Africa



Egypt



Australia

UN-convened Sustainable Insurance Forum for supervisors and regulators (SIF)



SUSTAINABLE
INSURANCE
FORUM

- SIF → Global network of insurance supervisors and regulators working together to strengthen responses to sustainability challenges facing the insurance industry
- Convened by the UN
- SIF members from over 30 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



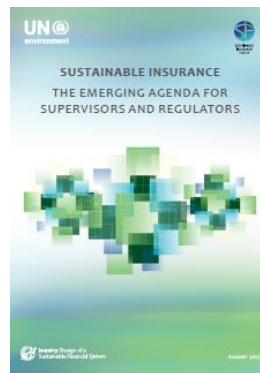
6th SIF meeting:
Jun 2019,
Buenos Aires, Argentina



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



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



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

2020-21 → IAIS-SIF Issues Paper on TCFD implementation + Applications Paper on climate change & the insurance sector

2021 onwards → Work on impacts of climate-related risks on the insurability of assets

Scoping study on nature-related financial risks to the insurance industry

Embedding climate risks in actuarial processes

Five action points for the insurance industry post-COP 26



- 1 1.5°C is the global goal, not 2°C →** Commit to science-based net-zero insurance and investment strategies and targets. Cutting emissions in half by 2030 is the first priority.
- 2 Solving climate change requires solving nature loss, and vice-versa →** Commit to science-based, nature-positive insurance and investment strategies and targets. Reversing nature loss by 2030 is the first priority.
- 3 Protecting the most vulnerable and “leaving no one behind” is indispensable in a just transition to net zero →** At global warming of 1.2°C, tackling loss and damage and building resilience must not be the forgotten component of climate action. Reducing disaster risk and closing the protection gap are paramount.
- 4 Health is our greatest wealth →** Life & health insurers must embed sustainability in underwriting, not just in investment, particularly in a post-COVID world increasingly impacted by climate change, nature loss and social inequality.
- 5 Systems change is required to overcome unsustainable development →** The entire insurance industry value chain — along with insurance associations and regulators — must make sustainability an integral part of decision-making. The Task Force on Climate-related Financial Disclosures (TCFD), Task Force on Nature-related Financial Disclosures (TNFD), International Sustainability Standards Board (ISSB), etc. are important steps to drive systemic change. All insurance professionals should have expertise in sustainability.

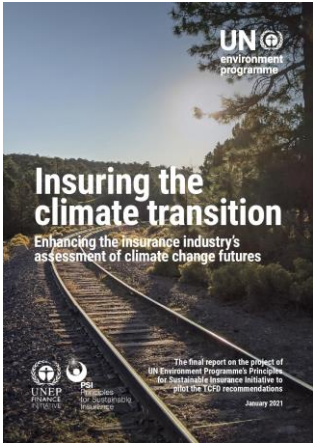
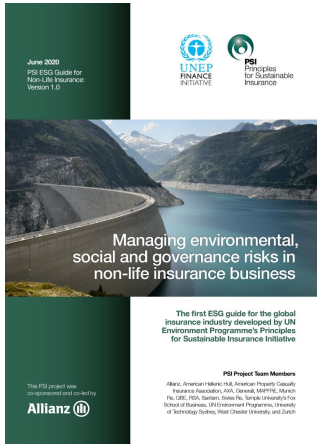
Examples of PSI priorities to amplify sustainable insurance

PSI guide to better manage ESG risks in life & health insurance

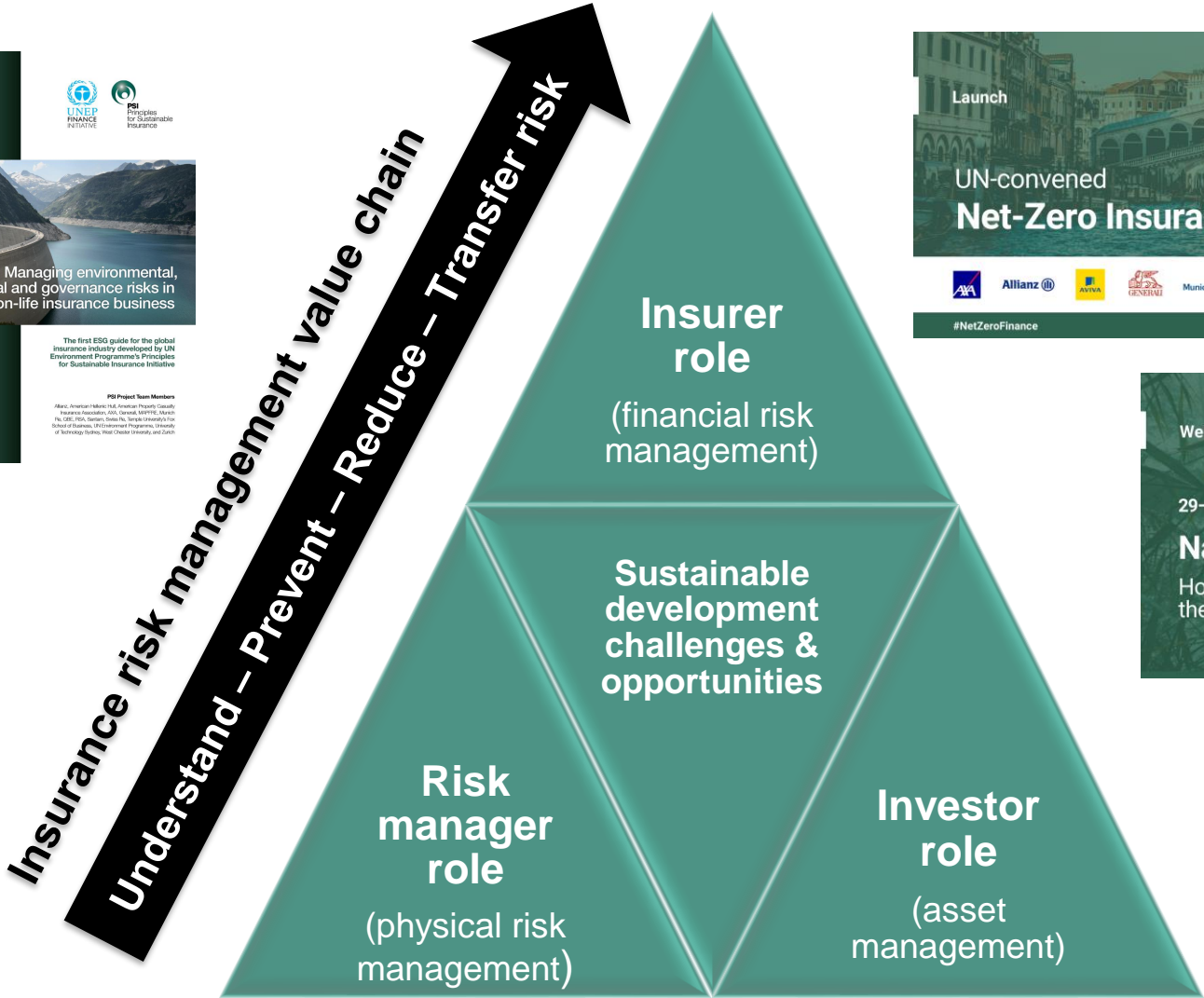


V20 Sustainable Insurance Facility to build resilient MSMEs in most climate-vulnerable countries

PSI guide to better manage ESG risks in non-life insurance



PSI TCFD projects to better understand and manage climate risks



Global event | 19–21 June 2022
Swiss Re Centre for Global Dialogue



The Principles for Sustainable Insurance after 10 years:

Amplifying sustainable insurance in the UN's Decade of Action

Hosted by:  **Swiss Re**

Is it time to develop a Caribbean Sustainable Insurance Roadmap?

Comprehensive regional strategy and action plan that would harness the insurance industry's risk management services, insurance solutions and investments to accelerate the transition to resilient, net-zero, nature-positive and inclusive Caribbean communities and economies

Insuring for sustainable development

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www.unepfi.org/psi