

UN



environment
programme

finance
initiative



Principles for
Sustainable Insurance

Insuring for sustainability: Tackling climate change and nature loss in a post-COVID landscape

41st Annual Caribbean Insurance Conference: Building sustainability: The point of no return
5 June 2023, Montego Bay, Jamaica

Butch Bacani

Programme Leader

UN Environment Programme's Principles for Sustainable Insurance Initiative (PSI)

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

PSI priorities in this UN Decade of Action to halve emissions, reverse nature loss and achieve the UN Sustainable Development Goals

**Net-zero
insurance**

**Climate
resilience,
adaptation
and loss &
damage**

**Nature-
positive
insurance
and
pollution
prevention**

**ESG
integration
(non-life
and life &
health)**

**Aligning
insurance
portfolios
with the
SDGs**

**Sustainable
insurance
roadmaps
and
strategies**

**Policy,
regulatory
and real
economy
engagement**

Average temperatures of planets in our solar system

Mercury **167°C**

Venus **464°C**

Earth **15°C**

Mars **-65°C**

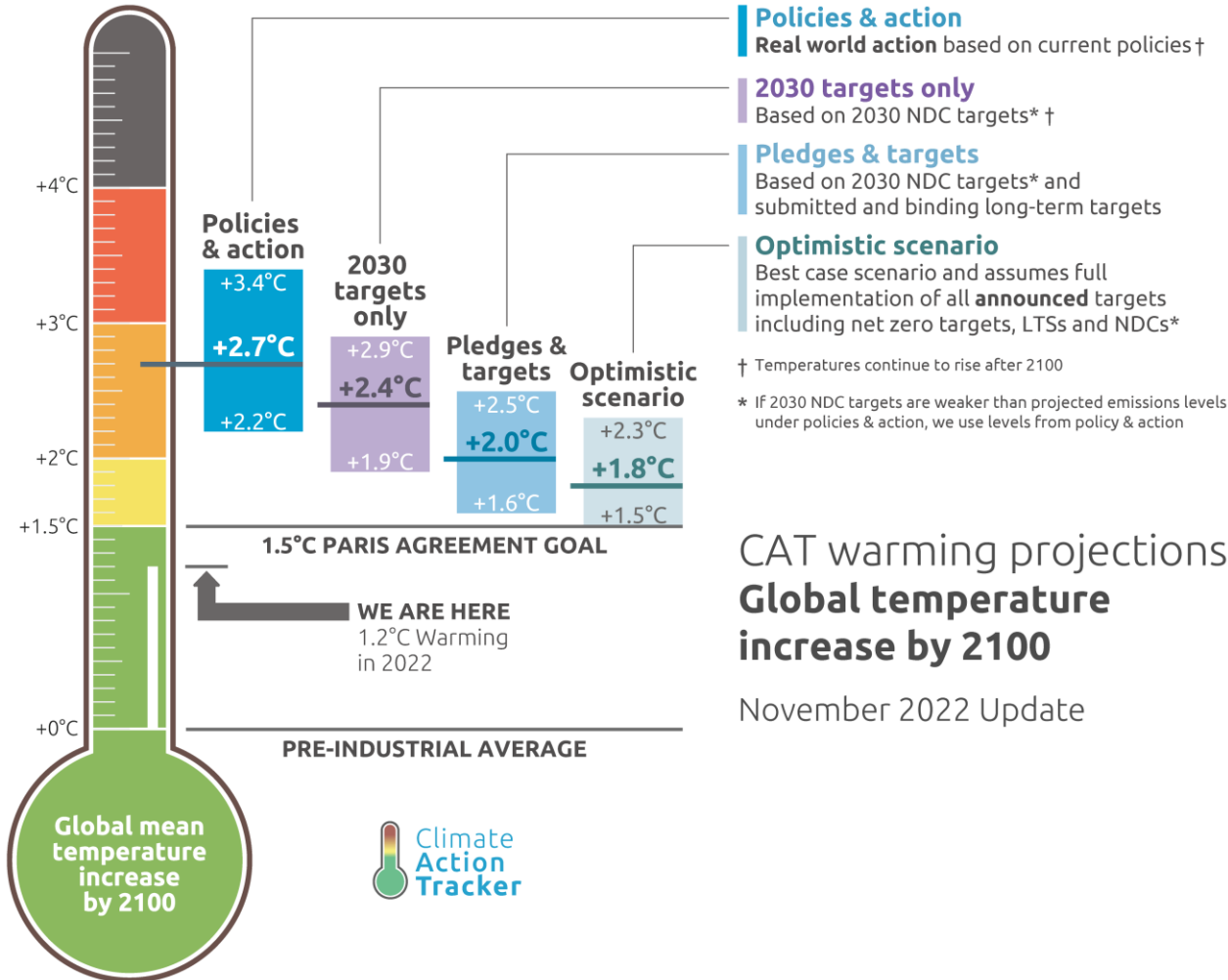
Jupiter **-110°C**

Saturn **-140°C**

Uranus **-195°C**

Neptune **-200°C**

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
Based on 2030 NDC targets* †

Pledges & targets
Based on 2030 NDC targets* and submitted and binding long-term targets

Optimistic scenario
Best case scenario and assumes full implementation of all **announced** targets including net zero targets, LTSs and NDCs*

† Temperatures continue to rise after 2100

* 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 2022 Update

Sixth Assessment Report
WORKING GROUP I
The Physical Science Basis

ipcc
INTERGOVERNMENTAL PANEL ON climate change
WHO UNEP

IPCC Working Group I Report is a code red for humanity.

ANTÓNIO GUTERRES
UNITED NATIONS SECRETARY-GENERAL

#IPCC
#ClimateReport

Sixth Assessment Report
SYNTHESIS REPORT

ipcc
INTERGOVERNMENTAL PANEL ON climate change
WHO UNEP

URGENT CLIMATE ACTION CAN SECURE A LIVEABLE FUTURE FOR ALL

#IPCC
#ClimateReport

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

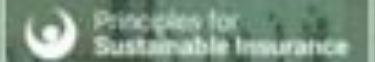
	1.5°C	2°C	2°C IMPACTS
ECOSYSTEMS Amount of Earth's land area where ecosystems will shift to a new biome	7%	13%	1.86x WORSE
PERMAFROST Amount of Arctic permafrost that will thaw	4.8 MILLION KM ²	6.6 MILLION KM ²	38% WORSE
CROP YIELDS Reduction in maize harvests in tropics	3%	7%	2.3x WORSE
CORAL REEFS 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

NZIA launch at G20 Climate Summit (Jul 2021, Venice)

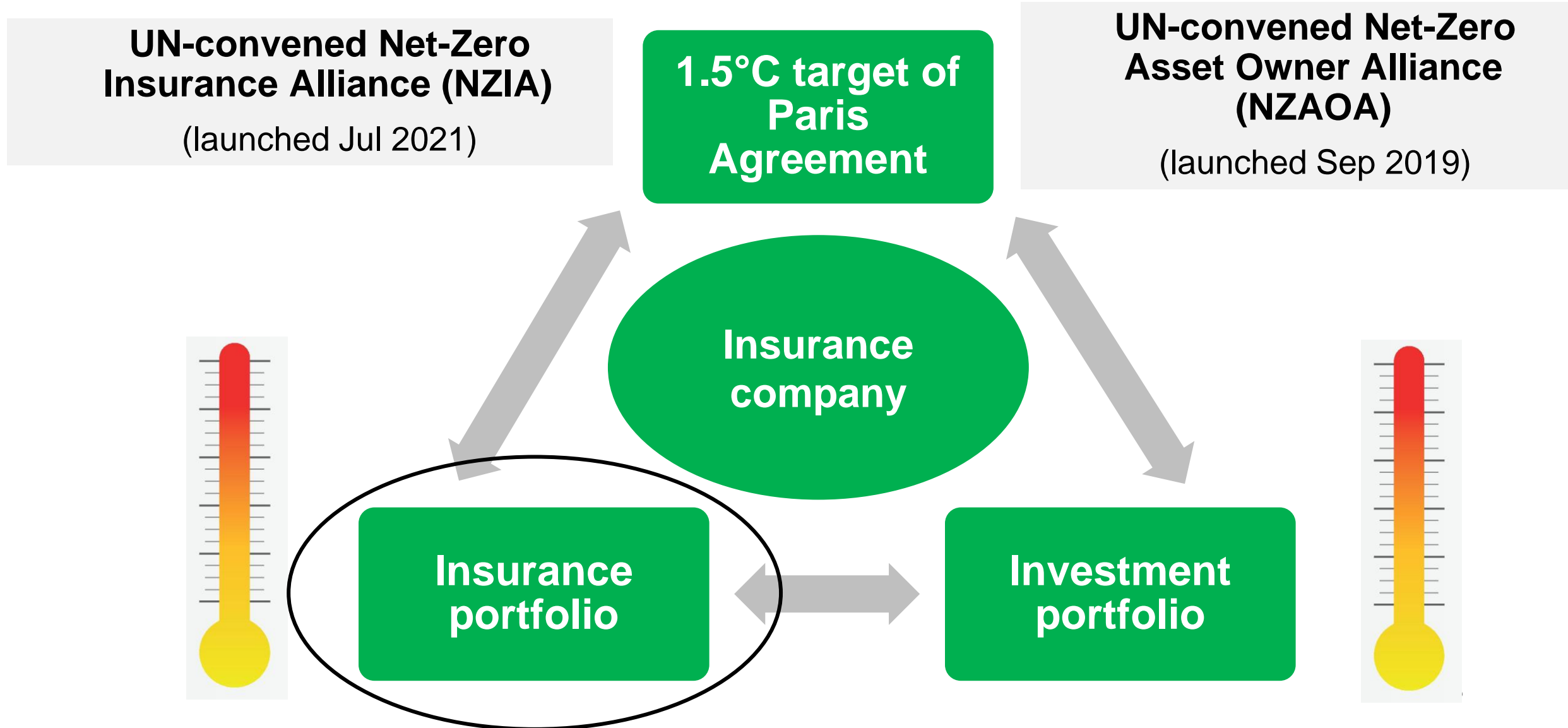


unepfi.org/net-zero-insurance



UN-convened **Net-Zero Insurance Alliance**

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



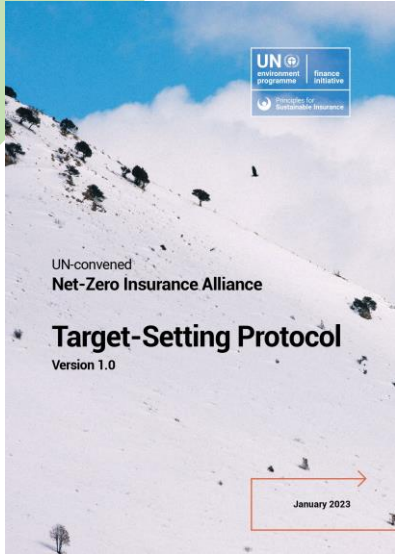
Key NZIA implementation milestones (2022-23)



Launch of NZIA White Paper on Net-Zero Insurance
(Apr 2022)

Launch of PCAF Insurance-Associated Emissions Standard
(in collaboration with NZIA)
(Nov 2022)

Launch of NZIA Target-Setting Protocol
(in collaboration with SBTi; aligned with SBTi Financial Institution Net-Zero Standard)
(Jan 2023)



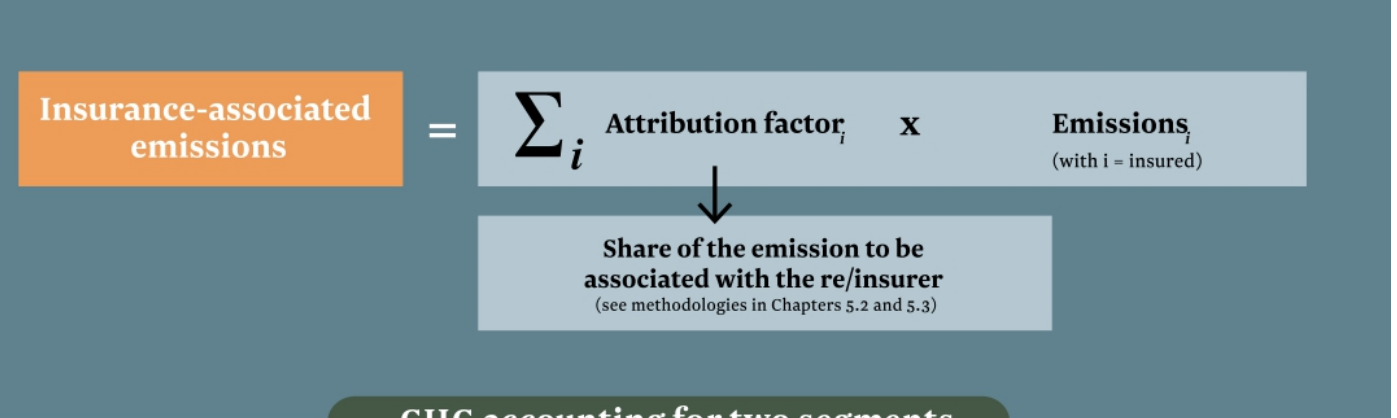
September 2021

Announcement

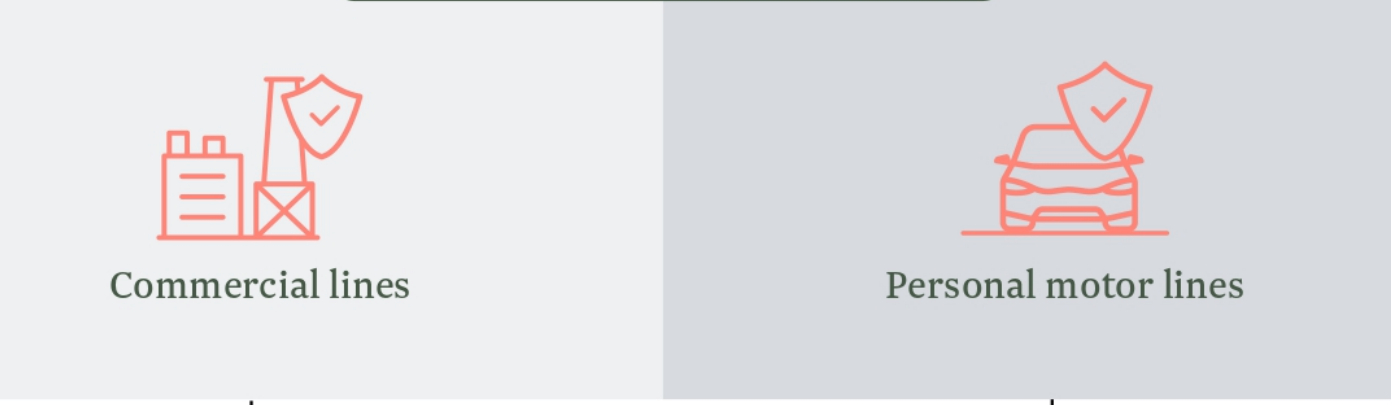


Partnership for Carbon Accounting Financials collaborates with UN-convened Net-Zero Insurance Alliance to develop **standard to measure insured emissions**

Formulas to calculate insurance-associated emissions



GHG accounting for two segments



↓

$$\text{Attribution factor}_i = \frac{\text{Re/Insurance premium}_i}{\text{Customer revenue}_i}$$

↓

$$\text{(Industry) Attribution factor}_p = \frac{\text{Insurance industry's total premium from the motor line of business}}{\text{Total costs associated with vehicle ownership of all vehicles}}$$

or (for cases where risk carriers are unable to use the industry attribution factor above)

↓

$$\text{(Individual) Attribution factor}_p = \frac{\text{Insurer specific premium from the motor line of business}}{\text{Total costs associated with vehicle ownership of the portfolio P vehicles}}$$

Summary of the Protocol's target-setting categories and types



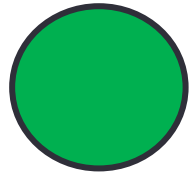
Ongoing NZIA and SBTi collaboration to develop target-setting methodologies for insurance underwriting portfolios; alignment with SBTi's Financial Institution Net-Zero Standard



SCIENCE
BASED
TARGETS

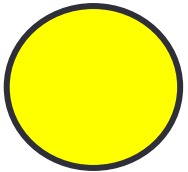
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Chance of temporarily exceeding 1.5°C global warming limit



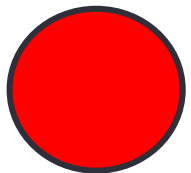
2015

0%



2017-2021

10%



2023-2027

66%



WMO Global Annual to
Decadal Climate Update

May 2023

Chance that at least 1 of the next 5 years, and the 5-year period as a whole, will be the warmest on record

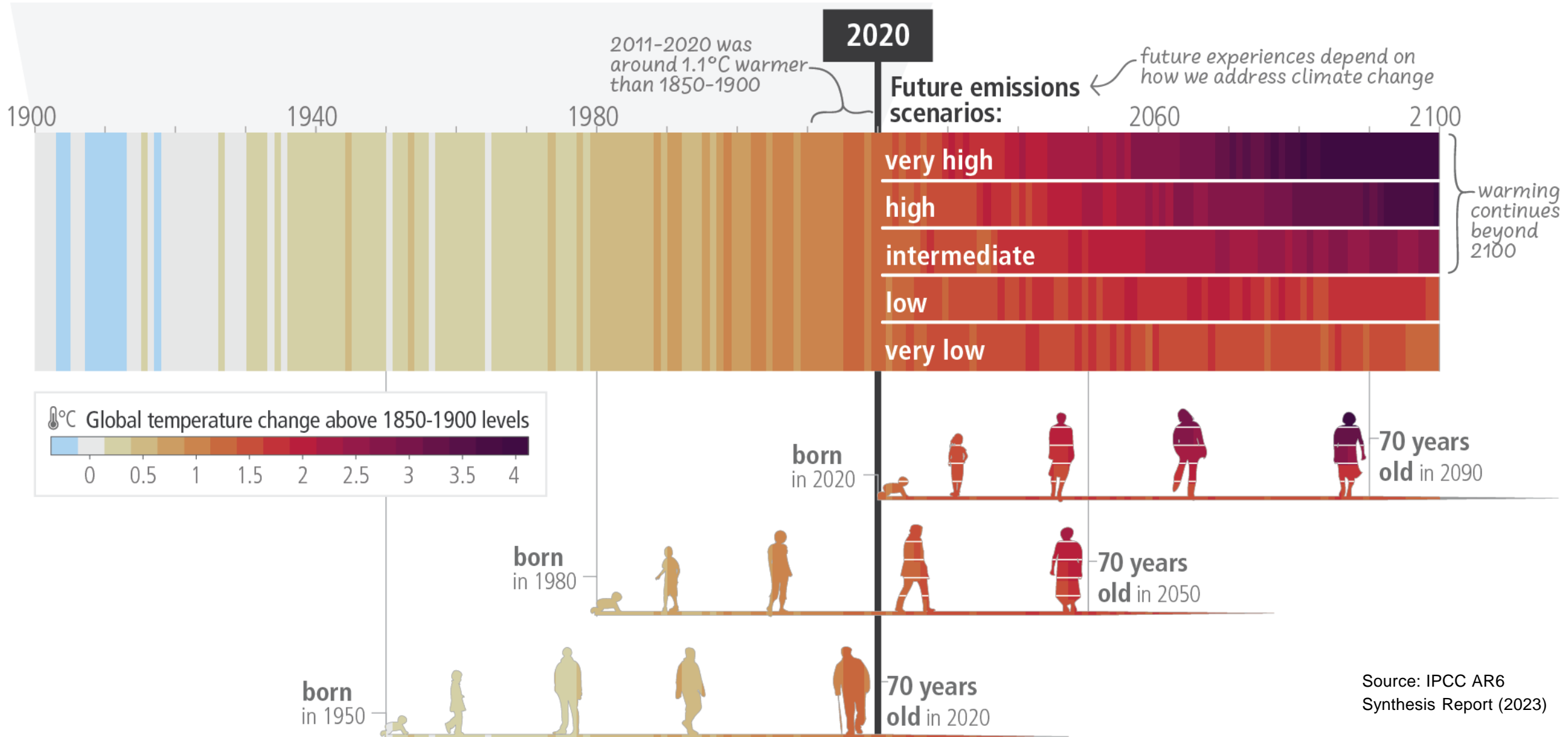
98%



**WMO Global Annual to
Decadal Climate Update**

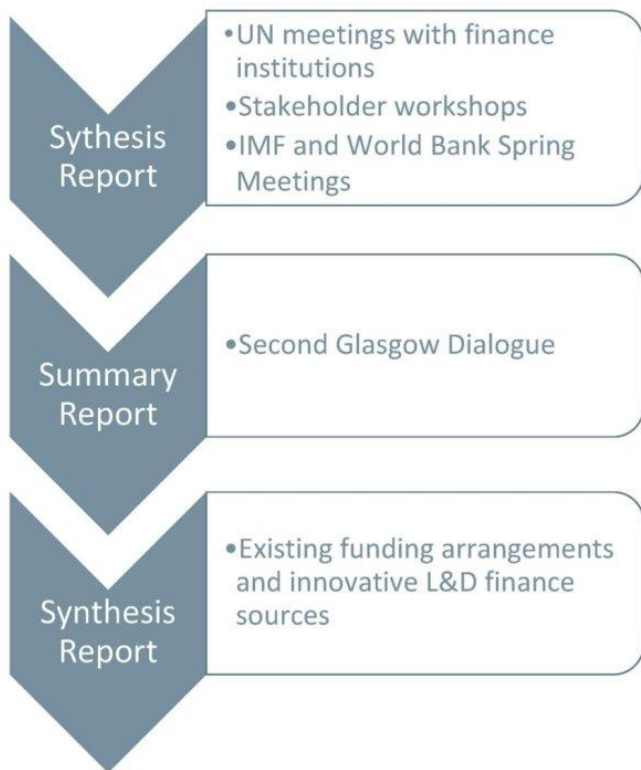
May 2023

IPCC AR6 Synthesis Report (2023): The extent to which current and future generations will experience a hotter and different world depends on choices now and in the near-term



Process for designing the Loss and Damage fund

UNFCCC Secretariat



Questions for the Committee

- What is the money for?
- Who pays into the fund?
- Who receives funds and when?
- How does the fund fit with other finance?
- How will the fund be structured and governed?

Source: Climate Analytics



Resilience, adaptation and loss and damage: PSI-hosted Vulnerable Twenty Group of Finance Ministers (V20) Sustainable Insurance Facility to protect MSMEs launched at COP26



- V20: 58 climate-vulnerable economies with a combined population of 1.5 billion people. 5% share of emissions. Represented by finance ministers
- 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
- 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



V20 Sustainable Insurance Facility (COP26)

African Climate Risk Facility (COP27)

Global Shield against Climate Risks (COP27)

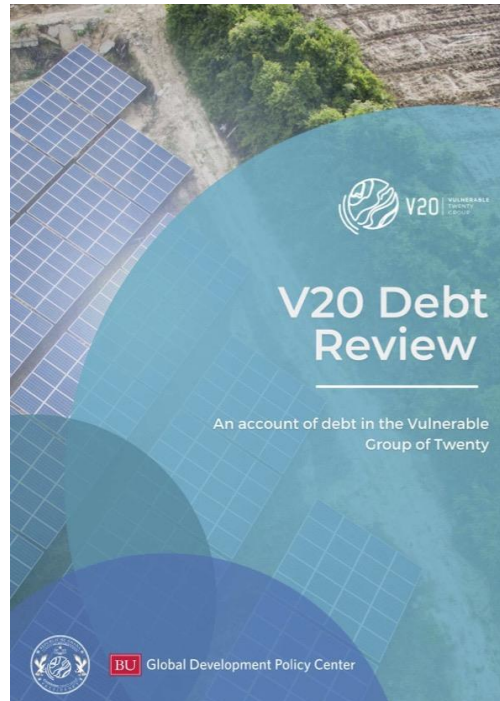
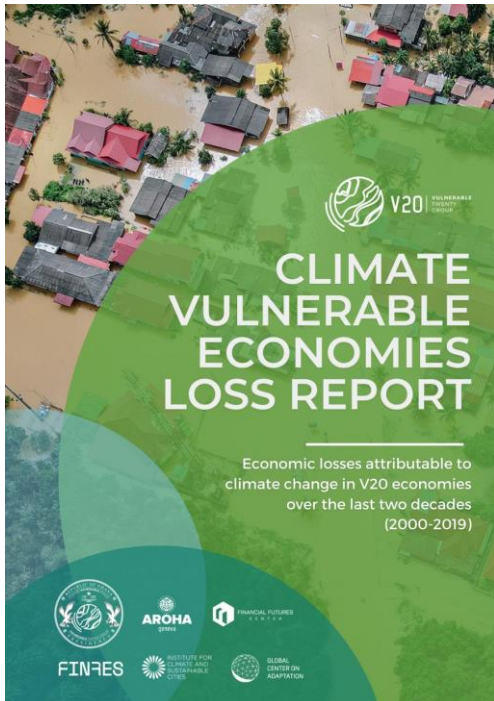
UNFCCC Loss & Damage Fund (COP27)

Current V20 member countries in Latin America & the Caribbean

- | | |
|--|--|
|  Barbados |  Haiti |
|  Colombia |  Honduras |
|  Costa Rica |  Nicaragua |
|  Dominican Republic |  Saint Lucia |
|  Grenada | |
|  Guyana | |
|  Guatemala | |



Why we need a Global Shield against Climate Risks



- Climate change and its related losses have **eliminated one-fifth of the combined wealth (GDP) of V20 economies** over the last two decades
- In V20 economies, **total debt has sharply increased over recent years**. At the same time, investments in sustainable infrastructure need to be scaled up to meet the 2030 UN Sustainable Development Goals and limit global warming to 1.5°C
- The **climate crisis is perpetuating the debt crisis**. As disasters strike with increasing frequency and intensity, countries are forced to borrow to replace bridges, homes and jobs that were lost

A joint V20 and G7 ambition for the Global Shield against Climate Risks

Global cooperation
to substantially increase
financial protection against
climate risks

Inclusive and **systematic in-**
country processes to
assess vulnerabilities and
prioritise protection gaps

A global and flexible
financing structure to
mobilise needs-based
technical and financial
support for countries

Systematic, coherent and sustained
approach to financial protection

More and better pre-arranged and trigger-based finance
Immediate availability of resources in response to disasters, in the most efficient, effective,
and fastest way for the economy, businesses and communities.

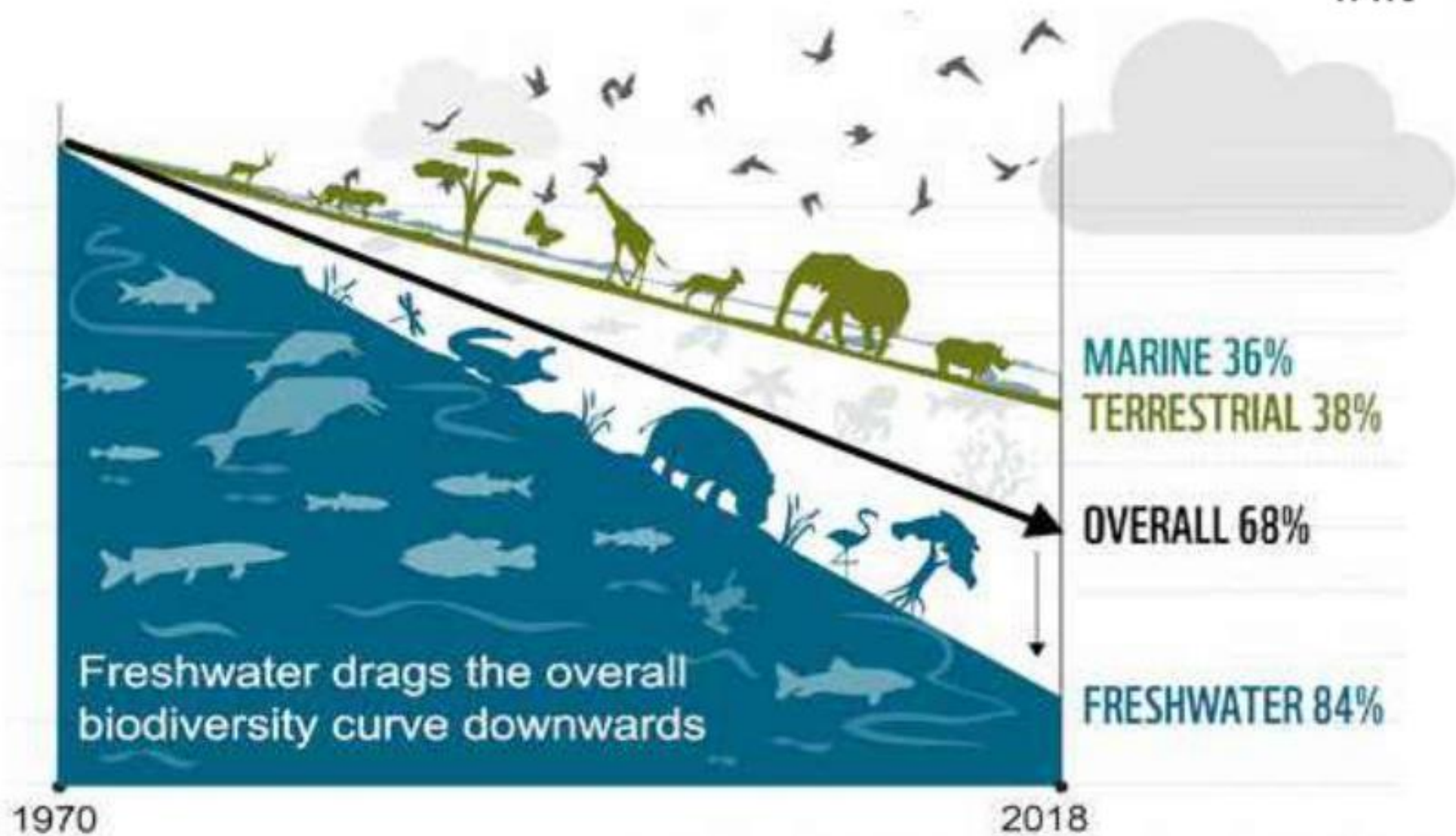
GLOBAL SHIELD INITIAL CONTRIBUTIONS

Global Shield "pathfinder countries" based on initial step by the V20:

- Bangladesh
- Costa Rica
- Ghana
- **Jamaica**
- Malawi
- Pakistan
- The Pacific Islands
- The Philippines
- Senegal



Global decline in biodiversity since 1970



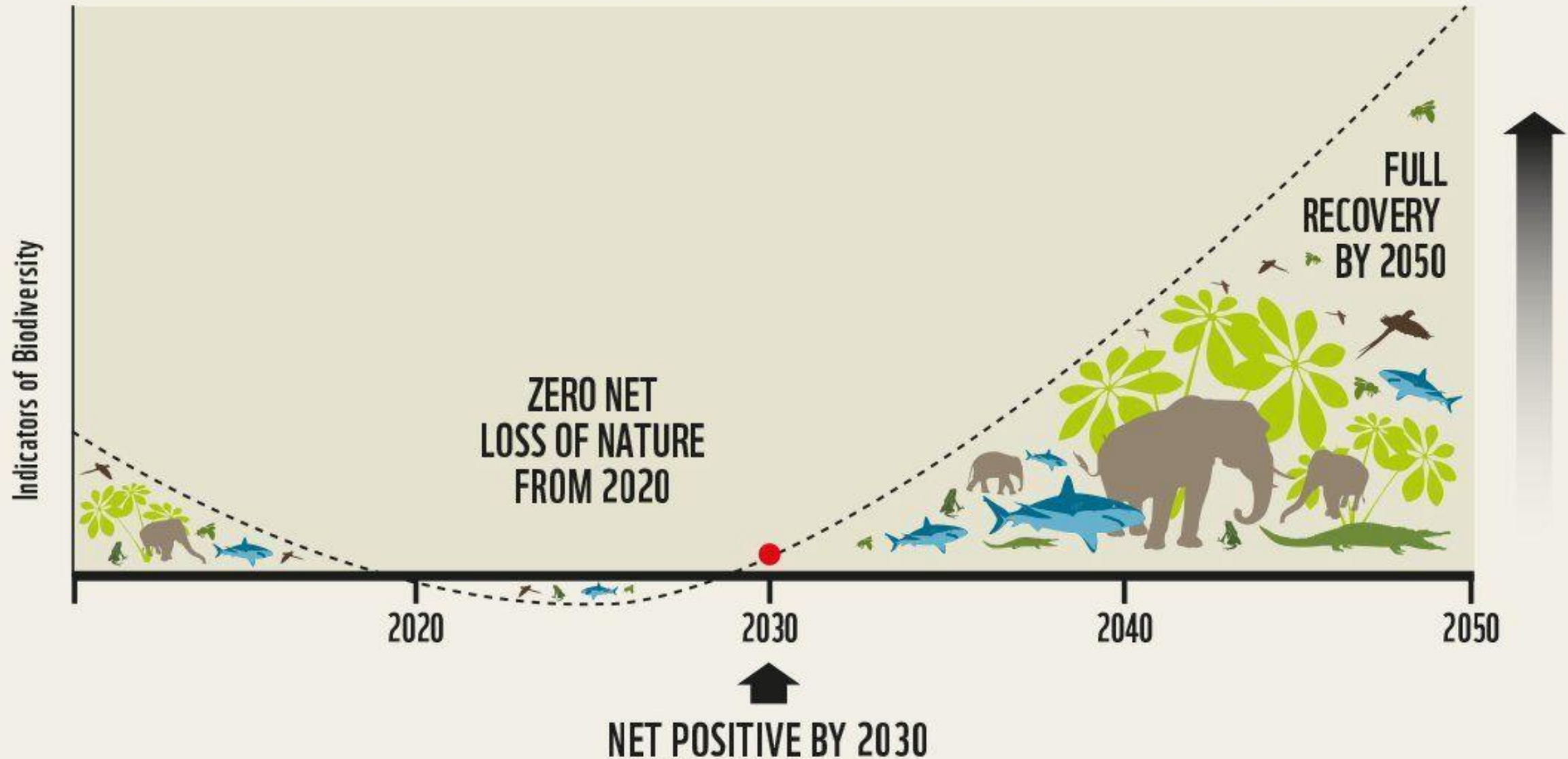
Nature-positive insurance and pollution prevention

Kunming-Montreal Global Biodiversity Framework (Dec 2022)

UN High Seas Treaty (Mar 2023)

UN Plastic Pollution Treaty (2024)

Global Goal for Nature: Nature Positive by 2030



PSI collaborative initiatives relevant to reversing nature loss and preventing pollution

Guide to protect World Heritage Sites (2019)

Guide to tackle illegal, unreported & unregulated fishing (2019)

Guide to tackle plastic pollution (2019)

Guide to tackle high-impact hydropower projects (2022)

Global study on environmental pollution liability insurance (2022)

Global study on plastic pollution, social costs & corporate liabilities (2022)



Advancing nature-positive insurance thinking and practices



Webinar series

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

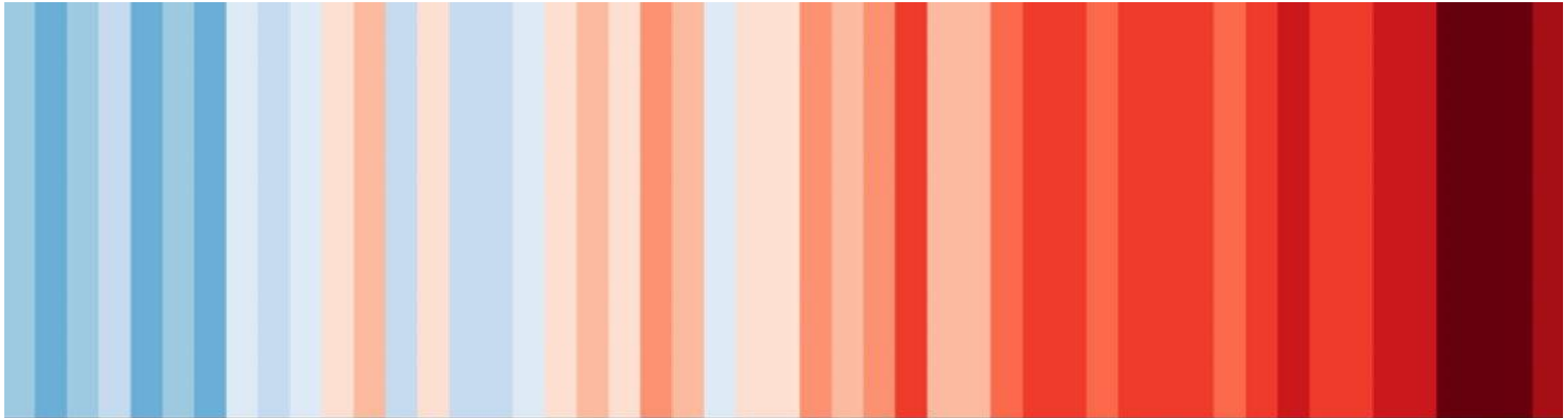
Nature-Positive Insurance Series

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

2023: PSI white paper on nature positive insurance thinking and practices

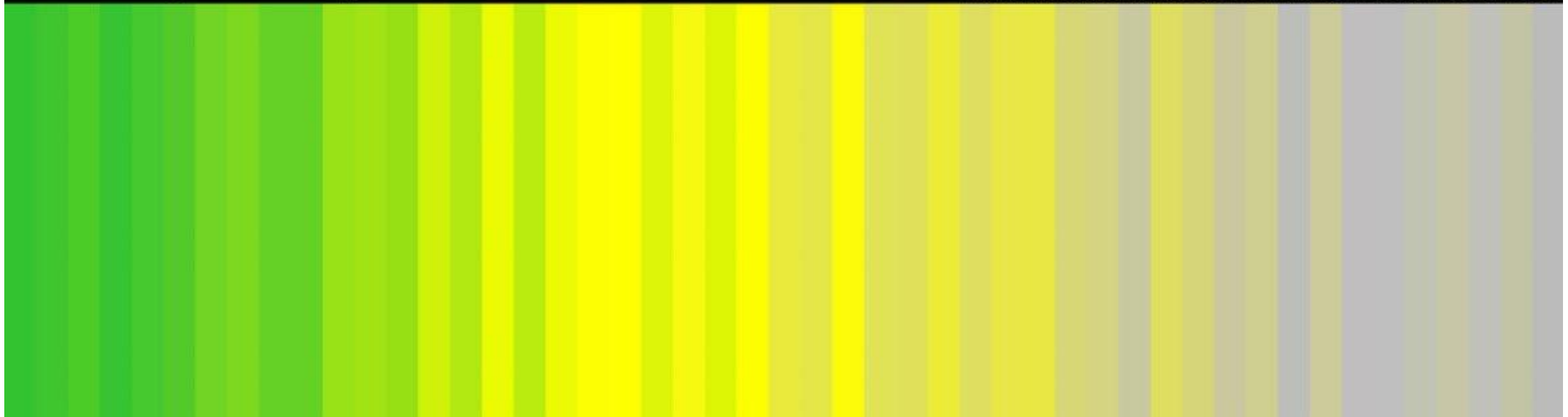


Global warming and biodiversity loss (1970-2018): The climate and nature crises are two sides of the same coin





Global warming and biodiversity loss 1970 – 2018


Global Warming Stripes #showyourstripes. Data Source UK Met Office CC BY 4.0
From biodiversitystripestripes info Data: LPI 2022. Living Planet Index <http://stats.livingplanetindex.org/>



First guide for the global insurance industry to manage ESG risks in non-life business (2020)

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




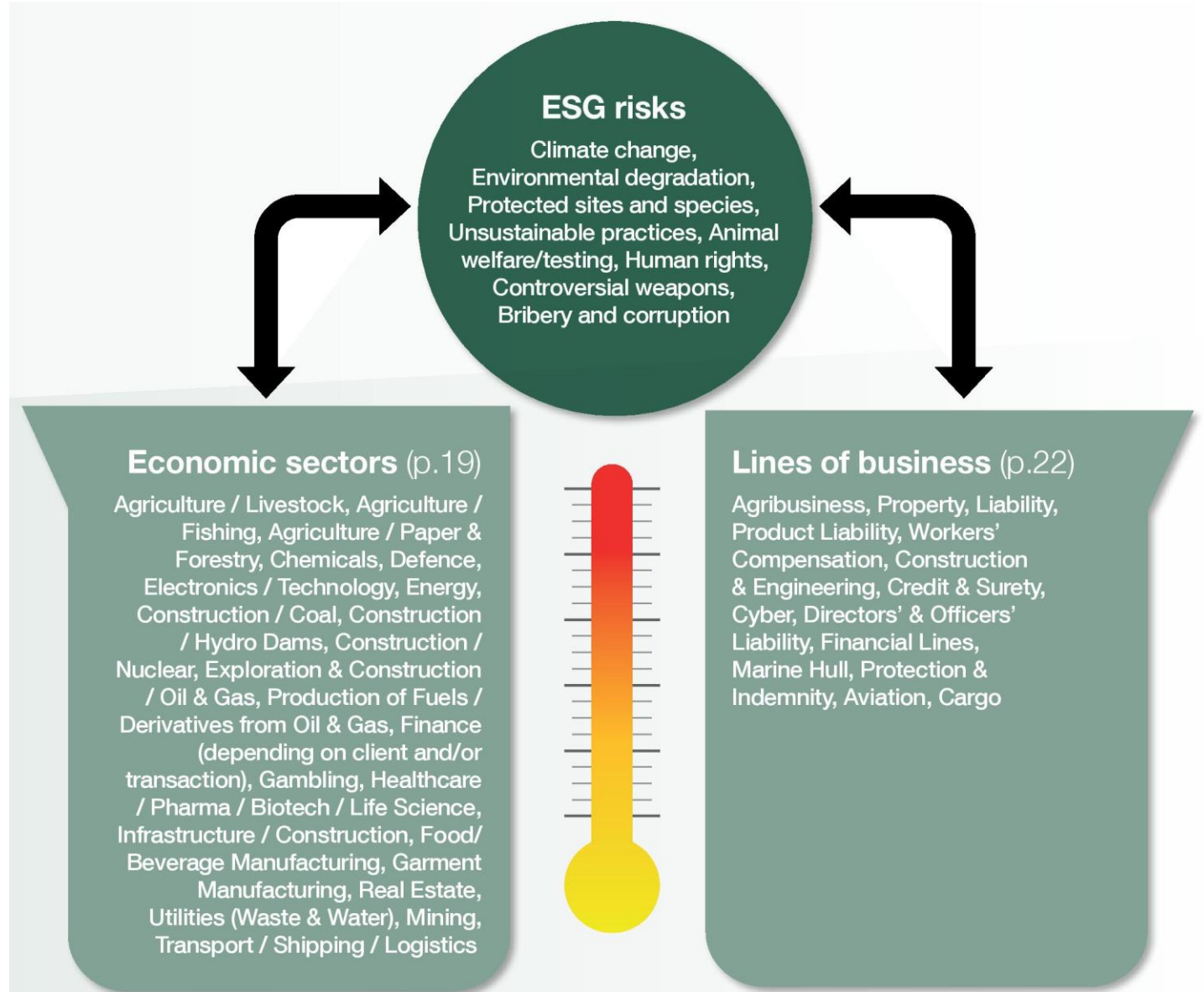
Managing environmental, social and governance risks in non-life insurance business

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

PSI Project Team 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





First guide for the global insurance industry to manage ESG risks in life & health business (2022)




Life & health ESG risk heat map

The guide includes a heat map that breaks down ESG risks into specific themes and risk criteria that are deemed relevant to life & health insurance business. The heat map indicates the potential impact of a range of ESG risks on four key life & health underwriting risks:

- **Mortality** → The risk of the insured dying prematurely
- **Longevity** → The risk of the insured living longer than expected and running out of money before dying
- **Morbidity** → The risk of the insured developing a condition or contracting a disease
- **Hospitalisation** → The risk of the insured requiring private medical treatment

Life & health underwriting risks

- Mortality
- Longevity
- Morbidity
- Hospitalisation



ESG factors

- Antimicrobial and antibiotic resistance
- Climate change
- Ecosystem imbalance
- Environmental degradation
- Infectious diseases
- Unsustainable practices
- Algorithmic underwriting
- Customer characteristics
- Financial capability
- Health capability/awareness
- Human rights
- Lifestyle behaviour

Advancing sustainability in life & health insurance

Upcoming PSI papers in 2023:

Paper on health risk prevention
and health protection gap

Paper on life & health insurance
and the net-zero transition

Paper on TCFD and life &
health insurance

Defining sustainable insurance business and aligning insurance portfolios with the SDGs (“Insurance SDGs”)



SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



Supporting the development of sustainable insurance roadmaps and strategies across regions



California Sustainable Insurance Roadmap (2022)



Costa Rican Insurance Sector's Responsible Business Protocol (2022)



Nairobi Declaration on Sustainable Insurance by the African insurance industry (2021)



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



Insurance Council of Australia Climate Change Roadmap (2022)



PSI Canadian Insurance Industry Task Force (2019)



NDSI launches African Climate Risk Facility at COP27 (2022)



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



SUSTAINABLE
INSURANCE
FORUM



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

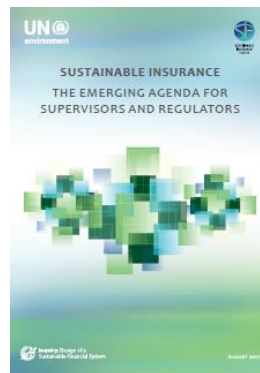


6th SIF meeting:
Jun 2019,
Buenos Aires, Argentina



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

- SIF → The global leadership group of insurance supervisors and regulators working together to strengthen understanding and responses to sustainability issues
- Convened by the UN
- SIF members from over 30 jurisdictions around the world
- SIF works closely with the International Association of Insurance Supervisors (IAIS)



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

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

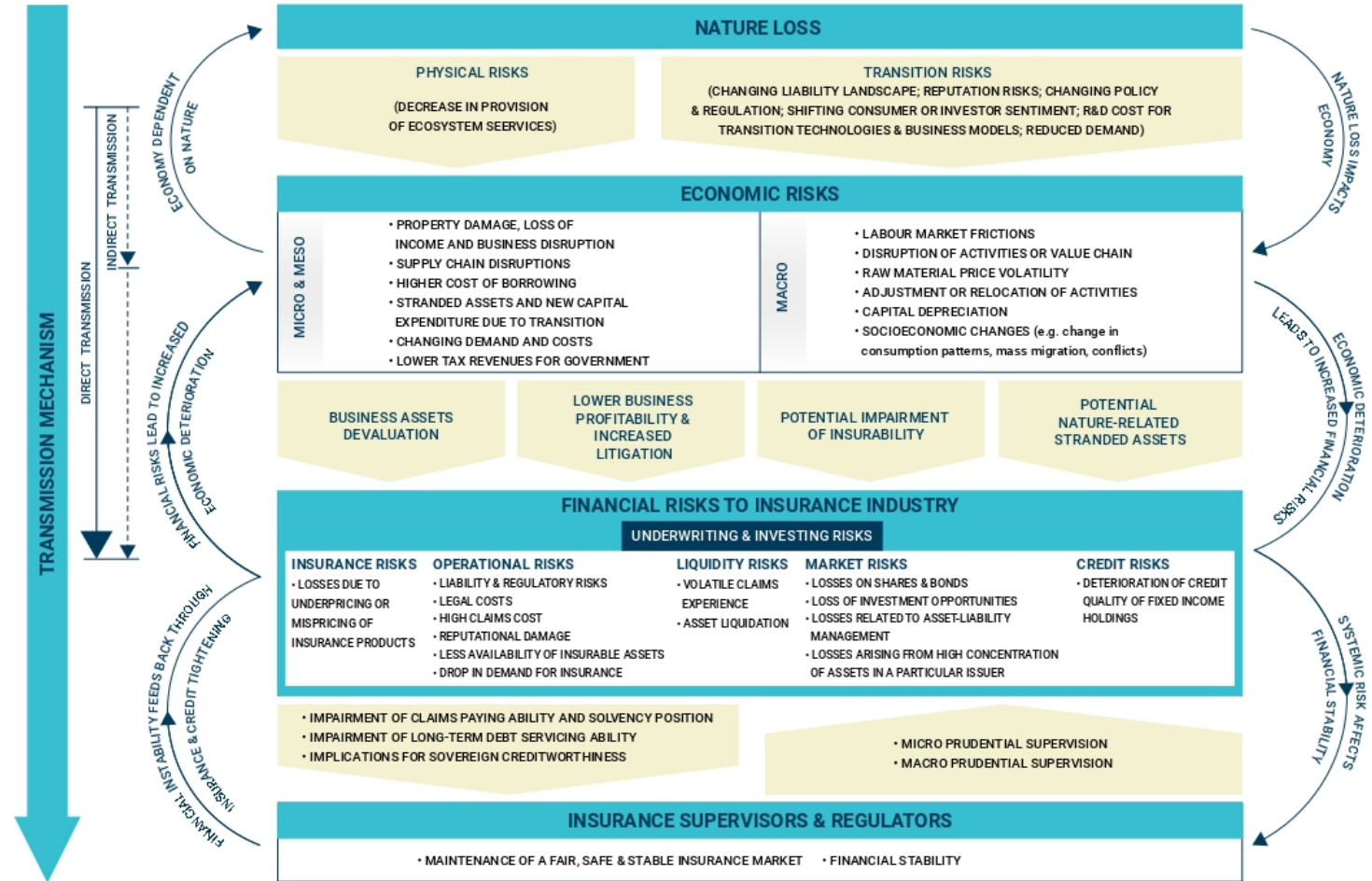
SIF SCOPING STUDY:

NATURE-RELATED RISKS IN THE GLOBAL INSURANCE SECTOR

NOVEMBER 2021



Figure 11 Transmission mechanisms: Nature-related business risks to economic and financial risks



Source: adapted from NGFS and INSPIRE, 2021⁶⁶ CISL, 2021⁶⁷ Coalition of Finance Ministers for Climate Action, 2021⁶⁸ NGFS, 2020⁶⁹ Swiss Re Institute, 2020⁷⁰

Examples of PSI priorities to amplify sustainable insurance

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



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



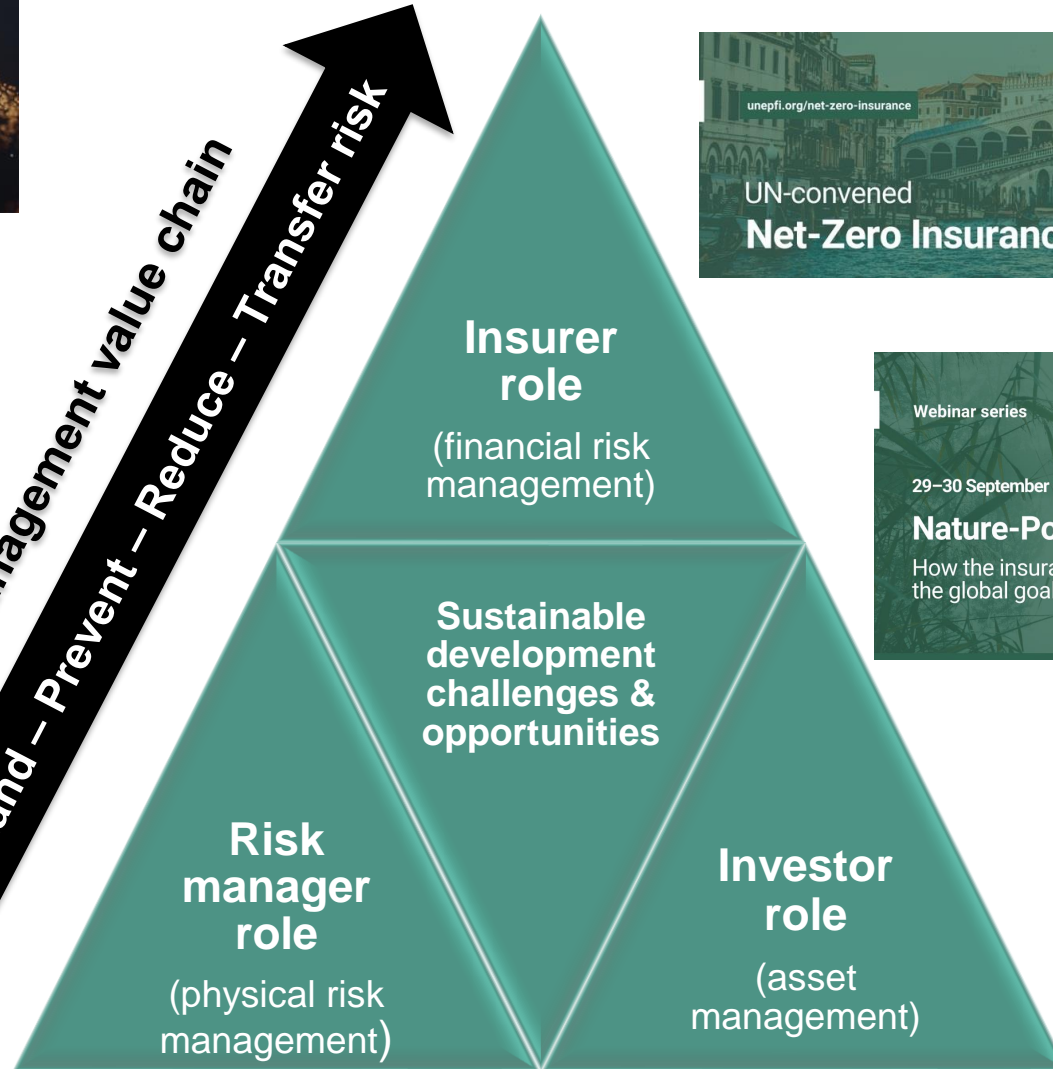
PSI TCFD projects to better understand and manage climate risks



V20 Sustainable Insurance Facility for most climate-vulnerable countries



PSI-supported sustainable insurance roadmaps



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



WORLD ENVIRONMENT DAY

5 June 2023

UN



environment
programme

finance
initiative



Principles for
Sustainable Insurance

Insuring for sustainable development

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