



Shaping the sustainable insurance agenda in Latin America

An event convened by UN Environment's Principles for Sustainable Insurance Initiative (PSI) and the Brazilian Insurance Confederation (CNseg), and supported by the Brazilian Superintendence for Private Insurance (SUSEP)

15 May 2018, Rio de Janeiro, Brazil

Welcome remarks (0900-0930)



- **Marcio Serôa de Araujo Coriolano, President, Brazilian Insurance Confederation (CNseg)**
- **Butch Bacani, Programme Leader, UN Environment's Principles for Sustainable Insurance Initiative (PSI)**
- **Joaquim Mendanha de Ataídes, Superintendent, Brazilian Superintendence for Private Insurance (SUSEP)**

Special announcement



Rio declaration on climate risk transparency by the Brazilian insurance industry

Keynote presentation (0930-1015)

How is the PSI shaping the global sustainable insurance agenda?



A global sustainability framework and the largest collaborative initiative between the UN and the insurance industry

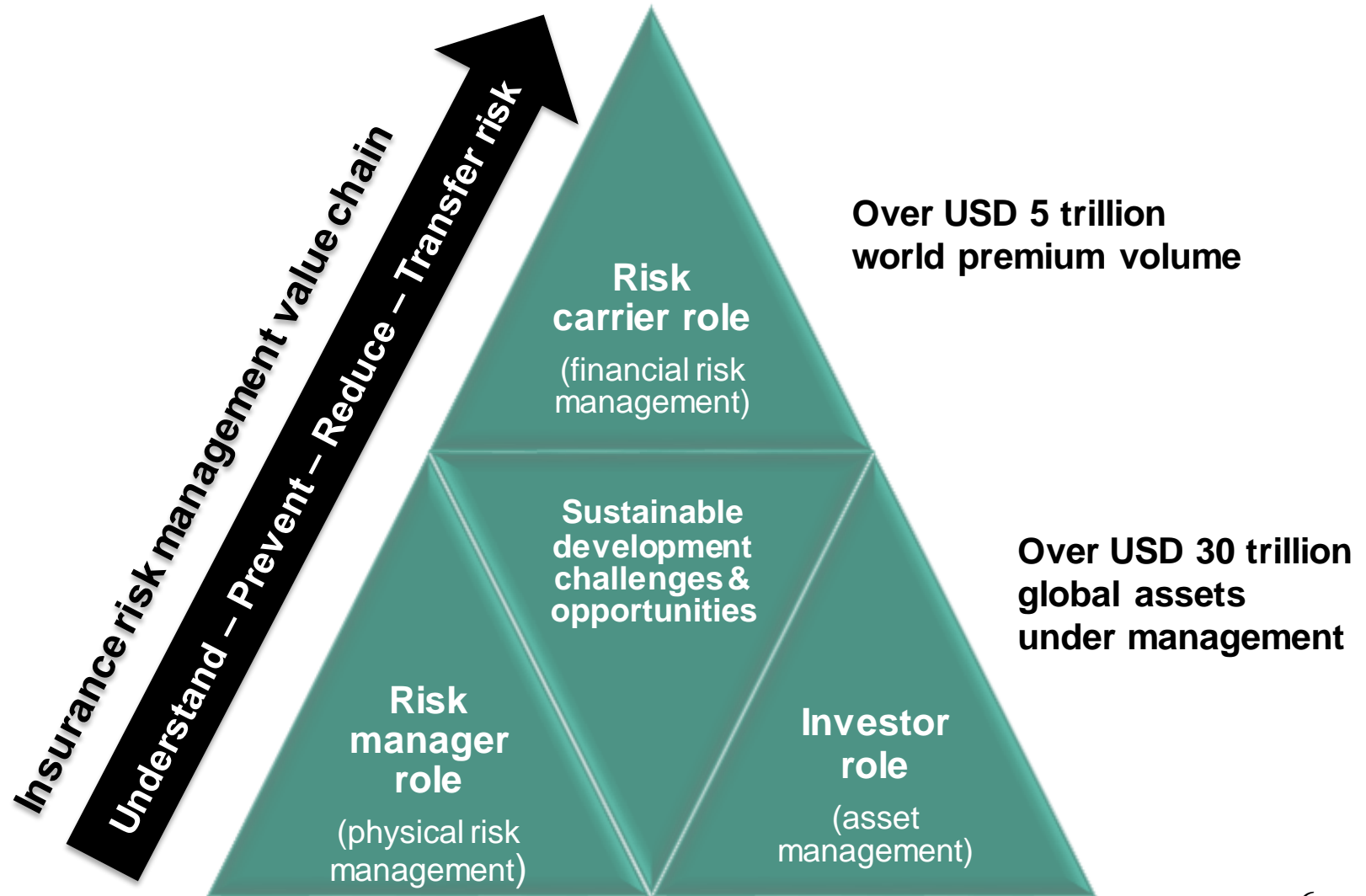
The Principles for Sustainable Insurance

Insuring for sustainable development

15 May 2018, Rio de Janeiro, Brazil

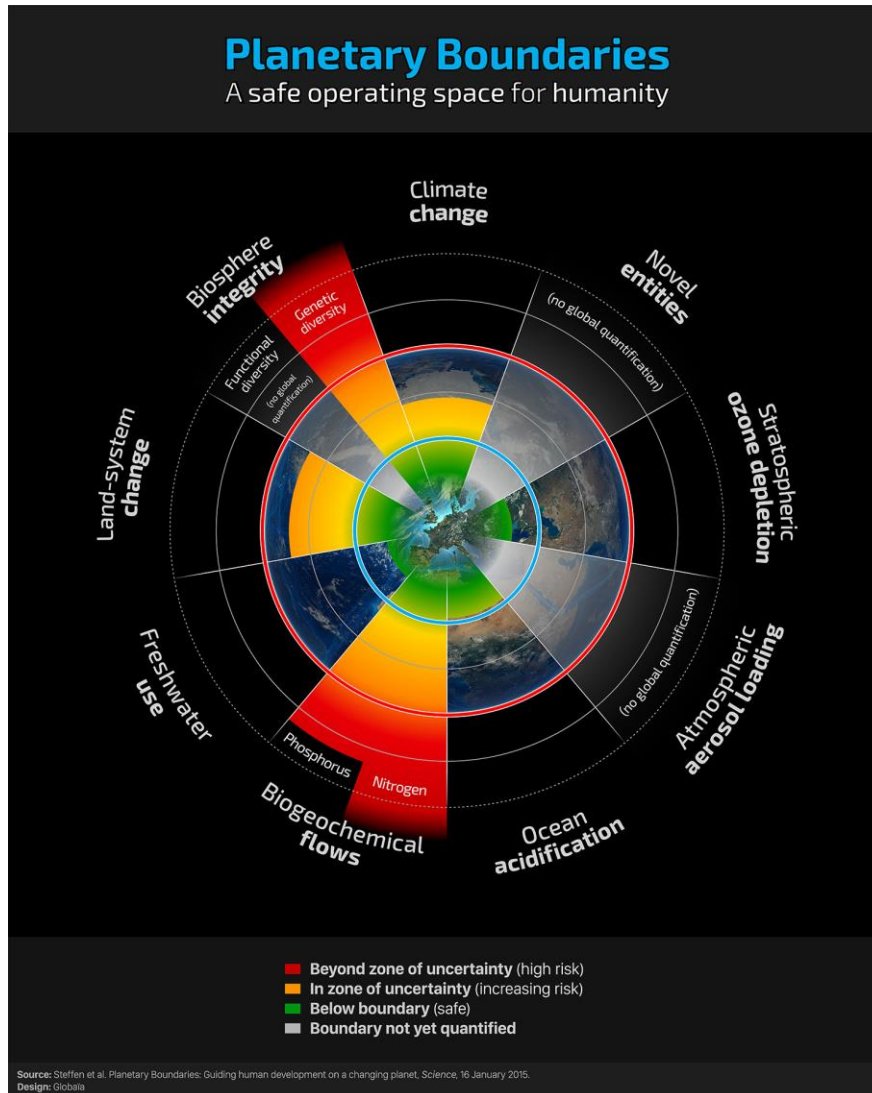
Butch Bacani
Programme Leader
UN Environment's Principles for Sustainable Insurance Initiative

The triple role of the insurance industry in sustainable development



Example of a changing risk landscape

The safe operating space of 4 of 9 interlinked planetary boundaries have already been exceeded



The 9 planetary boundaries

1. Change in biosphere integrity (biodiversity loss and species extinction)
2. Biogeochemical flows (nitrogen and phosphorus cycles)
3. Climate change
4. Land-system change (e.g. deforestation)
5. Ocean acidification
6. Freshwater use
7. Stratospheric ozone depletion
8. Novel entities (not yet quantified) (e.g. organic pollutants, radioactive materials, nanomaterials and micro-plastics)
9. Atmospheric aerosol loading (not yet quantified) (microscopic particles in the atmosphere that affect climate and living organisms)

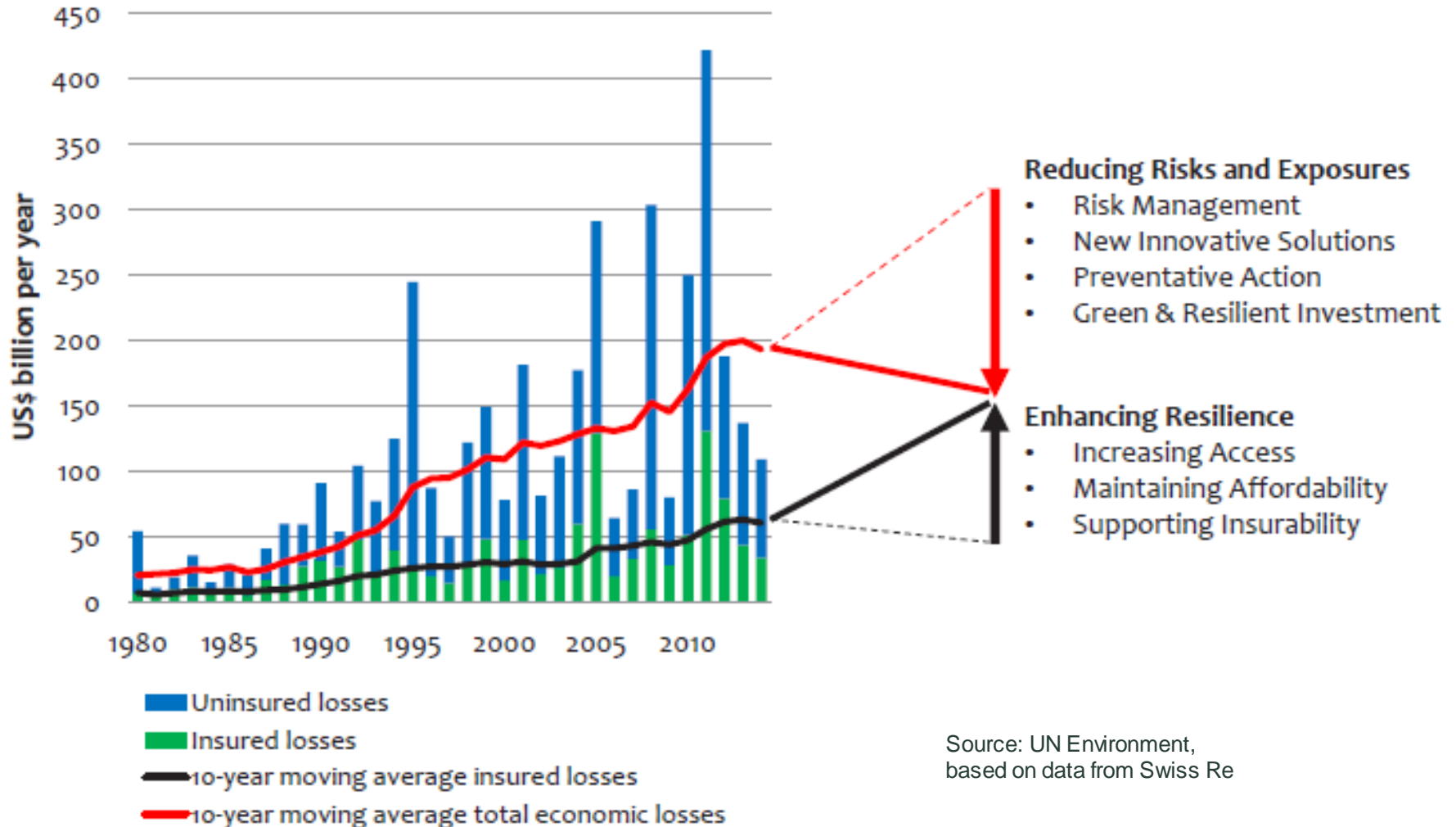
Source: Steffen et al. 2015. Planetary Boundaries: Guiding human development on a changing planet. Science Vol. 347 no. 6223

The sustainable insurance challenge



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Harness the insurance industry's role as risk managers, insurers and investors to close the protection gap and support the transformation to a sustainable economy



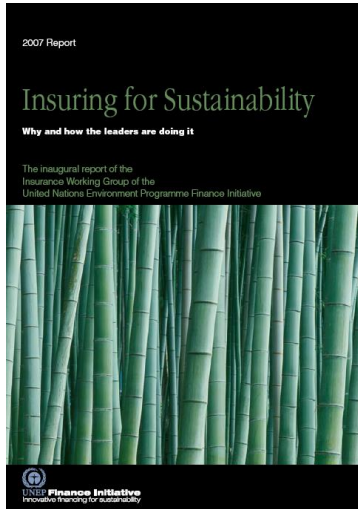
Source: UN Environment,
based on data from Swiss Re

Pioneering global studies by the UN and the insurance industry on ESG issues and sustainable development

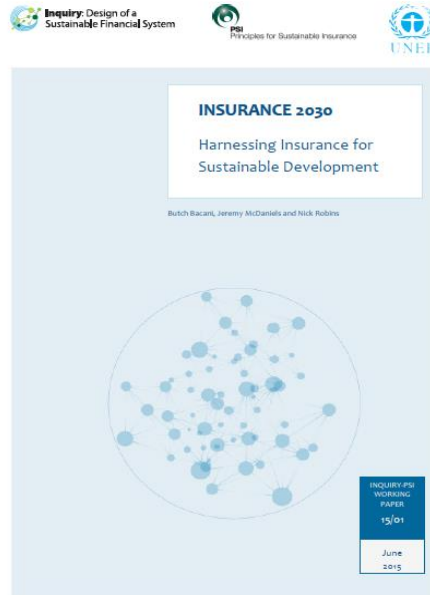


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2007: 1st sustainable insurance study



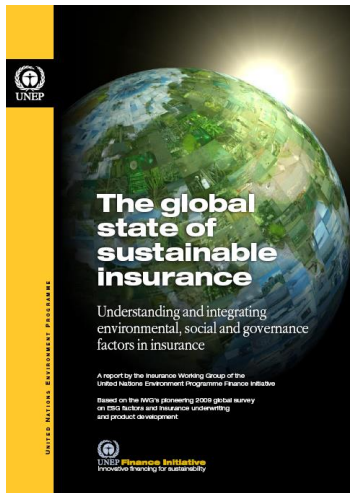
2015: 1st global consultation on insurance policy, regulatory & supervisory frameworks and sustainable development



Examples of key environmental, social and governance (ESG) issues (or “sustainability issues”)

- Climate change & extreme weather events
- Natural disasters
- Biodiversity loss & ecosystem degradation
- Water scarcity
- Food insecurity
- Environmental pollution
- Violation of human rights & labour standards
- Social inequality & financial exclusion
- Emerging health risks & pandemics
- Ageing populations & demographic change
- Technological risks including big data
- Accountability & transparency issues
- Trust & reputation issues
- Unethical business conduct & practices
- Corruption
- Unfair treatment of customers

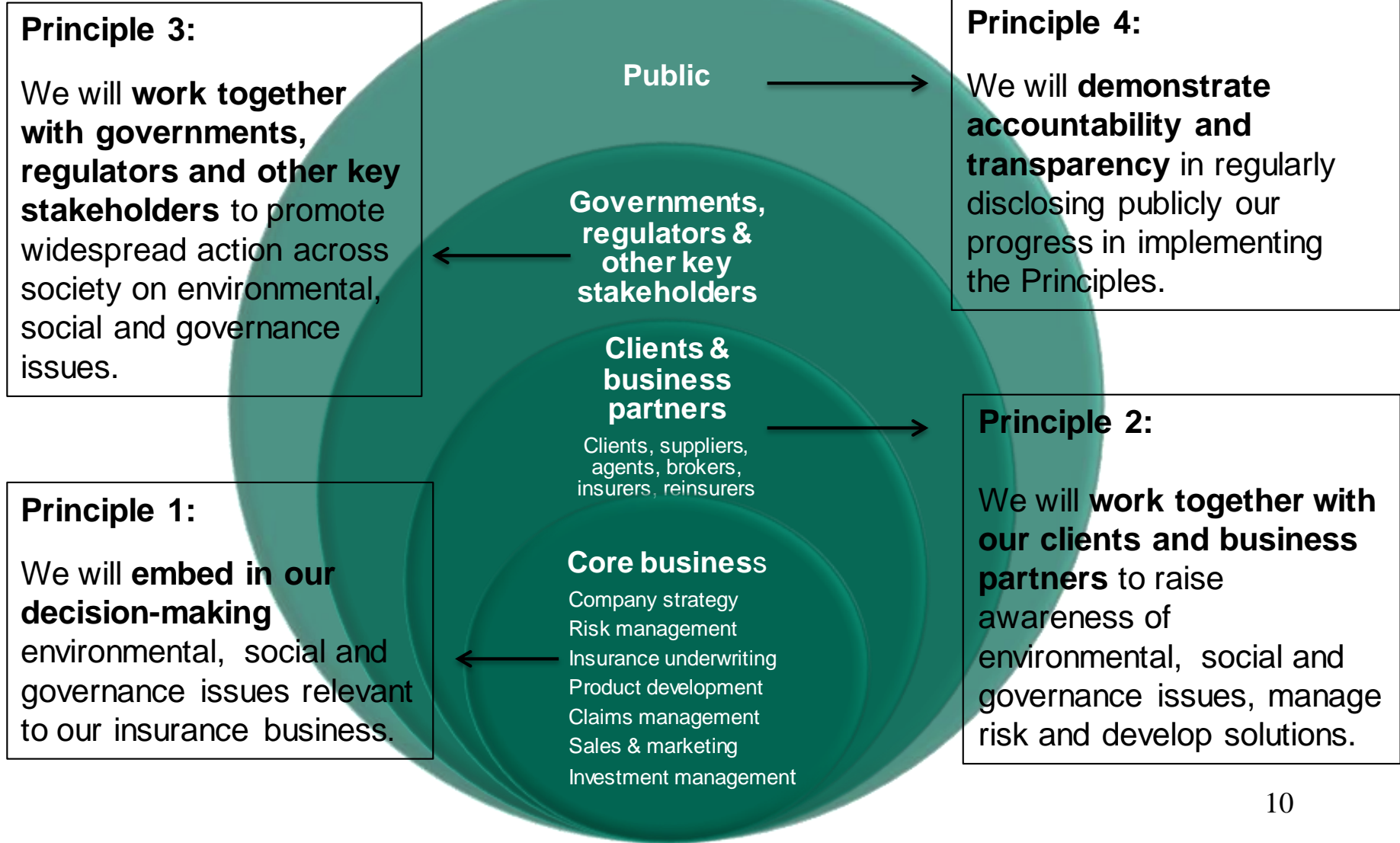
2009: 1st global sustainability survey of insurance industry



2009 report endorsed by UN's top environment official & HRH The Prince of Wales



The Principles for Sustainable Insurance: A global roadmap to drive systemic change



Launch of the PSI at Rio+20 Conference: Endorsed by UN Secretary-General and insurance CEOs worldwide



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

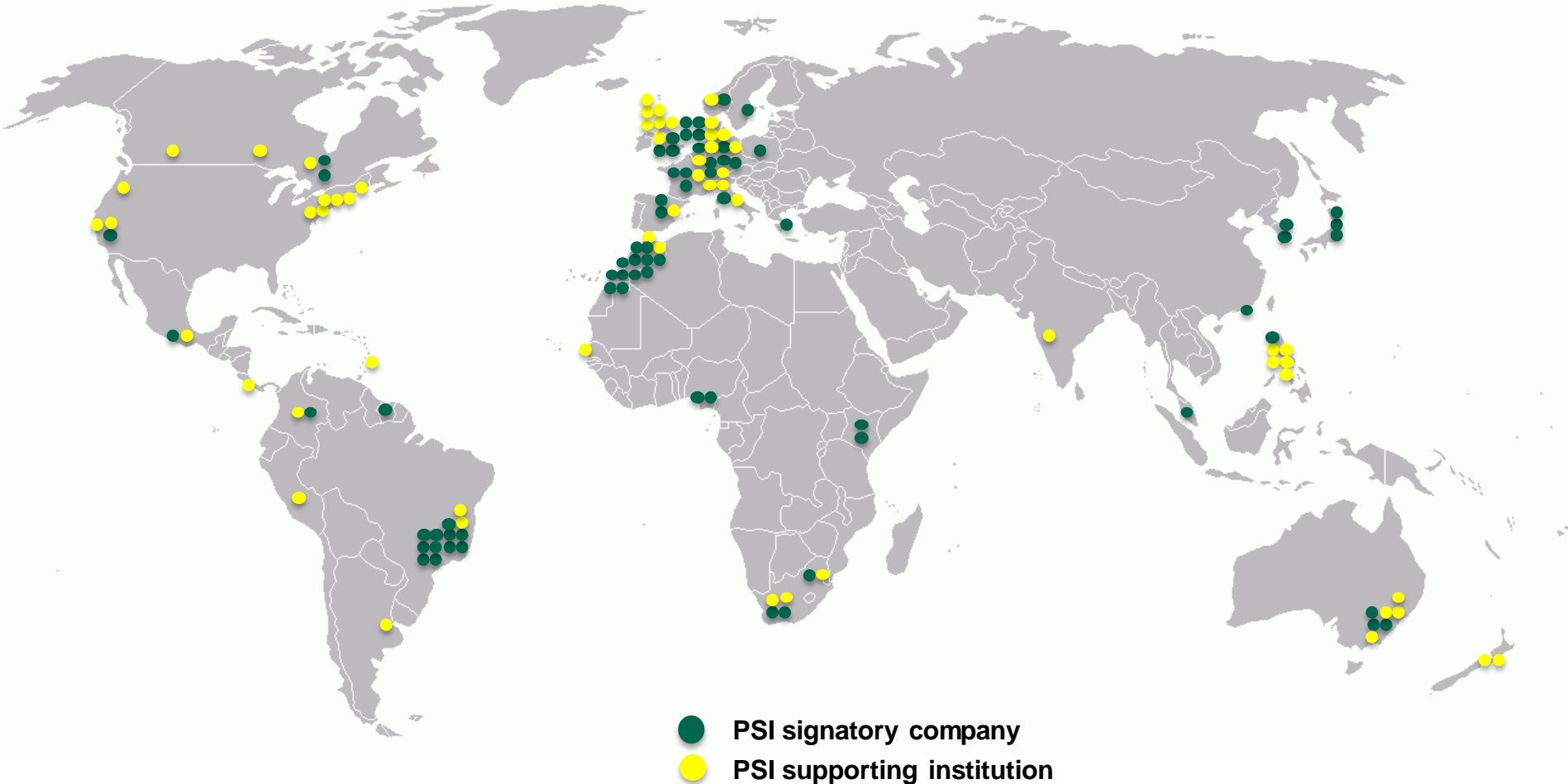


PSI membership by country of domicile



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- Nearly 120 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



PSI as a global sustainability framework for the insurance industry



Dow Jones Sustainability Indexes FTSE4Good

PSI part of insurance industry criteria of sustainability indices
 Dow Jones Sustainability Indices, FTSE4Good, and Brazil's BM&FBOVESPA Corporate Sustainability Index

2016 DJSI: Swiss Re remains insurance industry leader in sustainability
 Swiss Re remains the insurance industry sector leader in the DJSI for the third consecutive year, and the tenth time since 2004

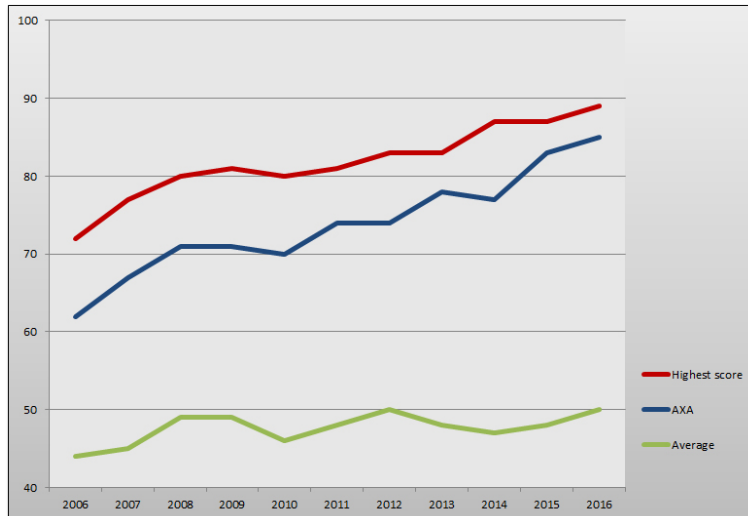
2017 DJSI: AXA's sustainability performance improves again
 AXA moves from fifth position to second-best player in the insurance industry – the Group's best performance ever

2017 DJSI: Allianz ranked No.1 insurer



Source: Allianz

AXA's historical DJSI performance



Source: AXA

■ Industry best score ■ Industry average score ■ Allianz SE



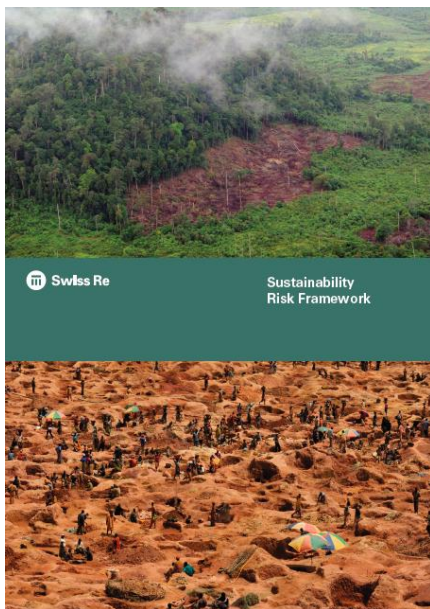
Source: DJSI

Principle 1:

Insurance industry leadership and commitments

Implementing the Principles: Examples

A company commitment



Swiss Re's Sustainability Risk Framework

Umbrella policies

- Human rights
- Environmental protection

Guidelines

- Animal testing
- Dams
- Defence sector
- Forestry, pulp & paper, palm oil
- Mining
- Nuclear non-proliferation
- Oil & gas

Swiss Re among first in the insurance industry to integrate environmental, social and governance (ESG) benchmarks into its investment decisions

(Jul 2017)

- Swiss Re publication explains why ESG integration makes economic sense for long-term investors
- Swiss Re selected benchmarks based on the MSCI ESG methodology for its equities and fixed income portfolios

Environmental, social and governance aspects

Environmental aspects	Social aspects	Governance aspects
Pollution	Political environment and public perception	Responsible and careful planning and assessment
Natural resources and biodiversity	Working conditions	
	Health and safety for the community	Compliance
	Resettlement of people	Consultation and transparency
	Cultural heritage	

Munich Re's processes, guidelines and tools to assess ESG issues in insurance underwriting and investment

Allianz's screening process for ESG issues in insurance and investment transactions

SCOR's scoring grid to help insurance and reinsurance underwriters assess ESG practices in sensitive sectors and lines of business

Implementing the Principles: Examples

A company commitment



“The debate is no longer about whether, it’s about when.

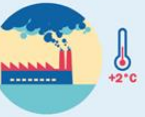
“As an insurer, I have personally witnessed many times humanity's capacity for resilience. This gives me hope that we will learn from the errors of the past and set ourselves on a path towards a more sustainable future, beginning here today and resulting in a comprehensive, fair and ambitious agreement this December. **In any case, we have no choice: a 2°C world might be insurable, a 4°C world certainly would not be.”**

Henri de Castries, Chairman & CEO, AXA Group
22 May 2015, Climate Finance Day, Paris

Henri de Castries at the Climate Finance Day | May 22nd 2015


“As our business is about understanding risks and managing them for our clients, insurers are uniquely positioned to provide innovative solutions in partnership with public authorities but also relevant private players.”

COAL DIVESTMENT



AXA has decided to divest from the companies most exposed to coal-related activities. This initiative represents a divestment of € 0.5 billion


“GREEN” INVESTMENTS



AXA commits to **X3** its green investments aiming to reach over **€ 3 billion** by 2020


Climate Finance Day

ESG* INTEGRATION AND SIGNING THE “MONTREAL CARBON PLEDGE”



AXA has committed to measuring the ESG* footprint of all relevant asset classes of its general account investments by the end of 2015. And we are the first global insurer to sign the Montreal pledge, an initiative to disclose the carbon footprint of our investments, launched under the auspices of the UN Principles for Responsible Investment.

AFRICAN RISK CAPACITY



AXA has joined in May 2015 the African Risk Capacity initiative. A regional insurance pooling mechanism that helps mitigate the short-term cash flow problems that cripple developing countries after natural disasters.

* environmental, social and governance

Various PSI members have made commitments to disengage from coal-intensive business through their investments and/or insurance underwriting, and to increase green investments



Principle 2:

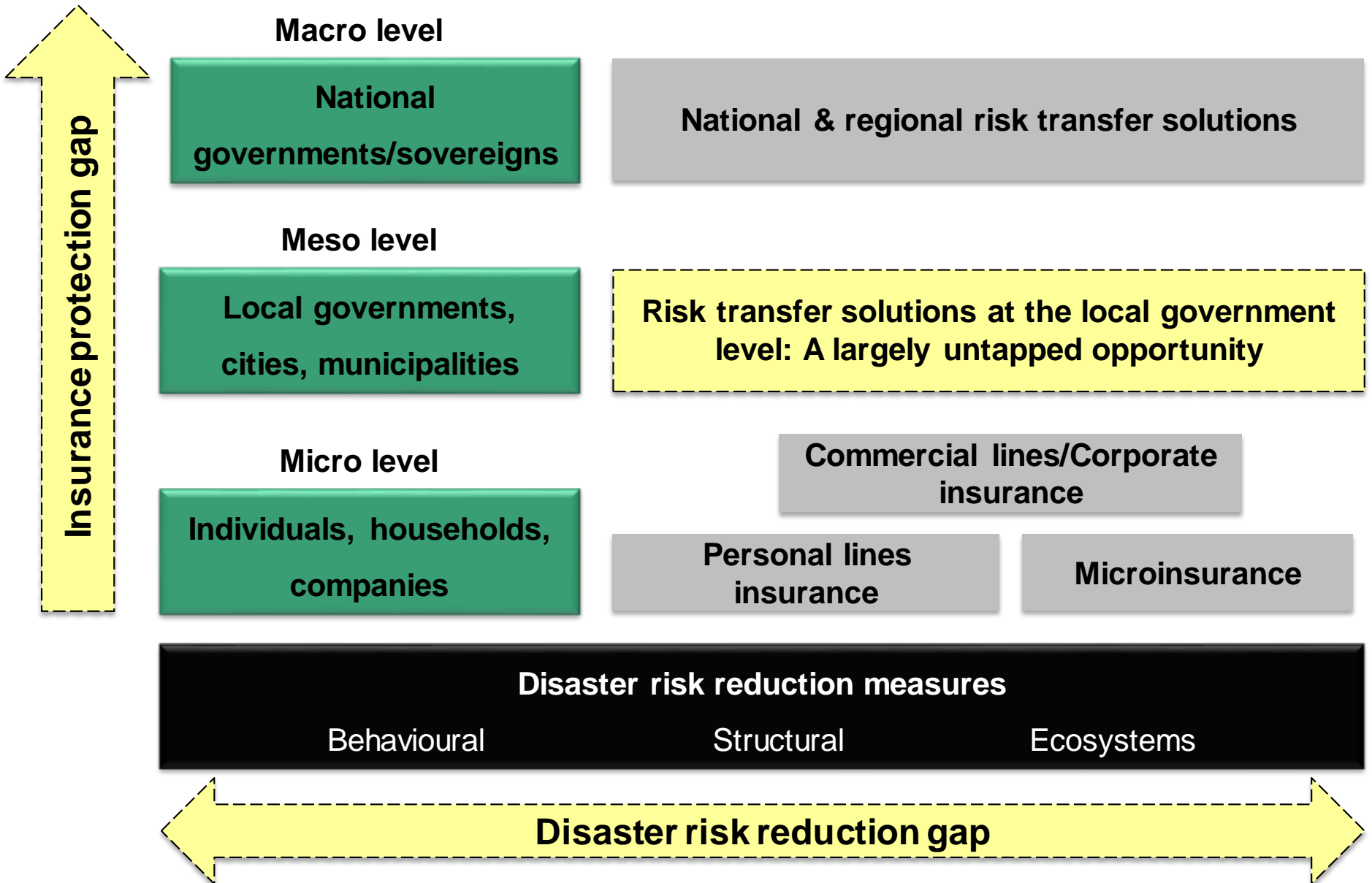
Insurance industry partnerships

PSI Global Resilience Project led by IAG

Building disaster-resilient communities and economies



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AXA-PSI international climate resilience survey of cities & SMEs

- **Over 40 city/urban leaders** (e.g. mayors) in developed and developing countries
- **Over 1,100 small-to-medium-sized enterprises** (SMEs) in Europe, Asia & the Americas
- **Cities** emphasising need to **combine adaptation with mitigation** in climate change response
- Cities need to be **well prepared** to withstand climate impacts, including a **resilient economy**
- **Only 27% of SMEs are well prepared** for consequences of climate change; **only 27% adapting their business** to be more resilient
- **79% of SMEs** think insurers should do more to **help businesses adapt** to the consequences of climate change
- Adaptation and resilience should be **proactive and integrated** into business strategies. **Private sector engagement** is key



PSI global guidance to manage environmental, social and governance (ESG) risks in insurance underwriting (led by Allianz)



- There is **no global guidance for the insurance industry on the integration of ESG risks into insurance underwriting for any line of business**
- PSI project an opportunity to **identify and define ESG risks from an insurance underwriting perspective**
- Aims to engage insurance industry practitioners and stakeholders worldwide to **identify key ESG risks, priority lines of business, and types of insurance cover**
- Aims to develop a **shared understanding** by the insurance industry on **how to approach ESG risks**
- Aims to benefit the economy, society, and the environment by **preventing and reducing ESG risks**
- Aims to contribute to building a **sustainable financial system** and support the **UN Sustainable Development Goals, Paris Agreement on Climate Change, Sendai Framework for Disaster Risk Reduction, and UN Guiding Principles on Business and Human Rights** through improved risk management across the industry

Insurers cutting financial lifeline to pirate fishing



- **Pirate fishing—or illegal, unreported and unregulated (IUU) fishing—a pervasive problem costing global economy billions of dollars yearly**
- **IUU fishing breaks or avoids fisheries management rules and operates outside effective reach of government control**
- **IUU fishing contributes to overfishing and destruction of vital marine habitats and ecosystems**
- **Oceana and PSI facilitated development of world's first insurance industry statement on sustainable marine insurance for insurers to support efforts that can help reduce and eliminate IUU fishing**
- **Statement backed by nearly 30 leading insurers, insurance market bodies and stakeholders worldwide and launched at “Our Ocean” event in Malta in Oct 2017 attended by world leaders**
- **Focus on education, awareness building, risk management, and insurance underwriting to help reduce and eliminate IUU fishing**
- **UN Sustainable Development Goal 14—“Conserve and sustainably use the oceans, seas and marine resources”—explicitly targets overfishing and IUU fishing**



PSI support from Peter Thomson, UN Secretary-General's Special Envoy for the Ocean

2018

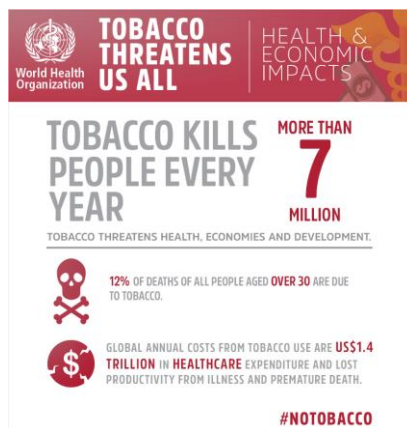
- **Oceana and PSI are working with marine insurers to deliver global risk management guidelines to reduce risk of insuring vessels and companies associated with IUU fishing**
- **PSI will shape broader sustainable marine insurance agenda at global level and harness insurance industry's roles as risk managers, insurers and investors to help achieve UN Sustainable Development Goal 14**
- **First-ever Sustainable Marine Insurance Day**

Investors & insurers supporting tobacco control and tobacco-free finance



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UN General Assembly Week (Sep 2018, New York)

2018

- **Over 50 investors, health systems, pension funds and insurers** representing > **USD 4 trillion in assets under management** signed investor statement through collaboration by Tobacco-Free Portfolios, PSI, and Principles for Responsible Investment (PRI)
- Per the WHO, tobacco consumption poses a **significant risk to global health and economies**
- Tobacco a primary driver of dramatic rise in chronic non-communicable disease, **killing > 7 million people per year**, expected to rise to **8 million by 2030**
- Without urgent action, tobacco-related disease forecast to result in **1 billion premature deaths in 21st century**
- Smoking costs global economy > **USD 1 trillion a year**, far outweighing global revenues from tobacco taxes
- UN Sustainable Development Goal 3 (Health) has target to **strengthen implementation of WHO Framework Convention on Tobacco Control**

- Tobacco Free Portfolios, PSI, PRI and WHO to convene **government, finance and health sector leaders and philanthropic community** during UN General Assembly Week
- Accelerate progress towards **tobacco-free future** by drawing global attention to **financial support for tobacco industry across lending, insurance and investment**
- Launch of **“Tobacco-Free Finance Pledge”** spanning governments, financial sector, health sector and philanthropic community
- Launch of **tobacco-free commitments by financial institutions** and how they support **SDG 3 (Health) & SDG 17 (Partnerships)**

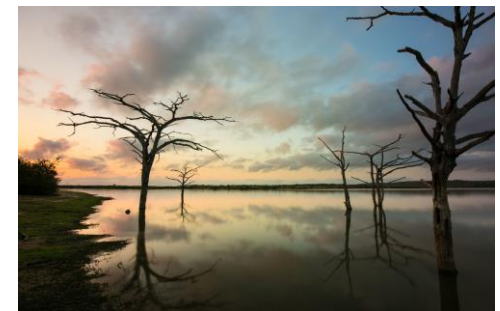
Insurers protecting World Heritage Sites



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United Nations
Educational, Scientific and
Cultural Organization



- PSI, WWF, UNESCO and insurers to deliver **first-ever global insurance industry commitment to protect World Heritage Sites**
- Paper on **importance of World Heritage Sites and protected areas, key challenges and opportunities**, and how the insurance industry can help protect them
- Explore the development of **environmental risk management tools to support insurance underwriting**

PSI & ICLEI – Local Governments for Sustainability global initiative to create “Insurance Industry Development Goals for Cities”



“This landmark initiative by the insurance industry and cities is an **excellent example of the type of ambition and leadership needed to achieve the goals of the Paris Climate Change Agreement.**”

Patricia Espinosa
Executive Secretary, UN Climate Change



Congrès mondial ICLEI
ICLEI World Congress 2018
19 au 22 juin • 19 - 22 June • **Montréal, Canada**

- Create "Insurance Development Goals for Cities", harnessing the insurance industry's role as **risk managers, insurers and investors** in the context of **UN Sustainable Development Goal for cities (SDG 11): "Make cities inclusive, safe, resilient and sustainable"**
- Develop **city-level sustainable insurance roadmaps**
- Organise first-ever **roundtable of insurance industry CEOs and city mayors at the ICLEI World Congress of Cities** in June 2018, Montreal, Canada)
- Example of SDG 11 target: **“By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement...holistic disaster risk management at all levels”**

Shaping the global agenda for the life & health Insurance industry and sustainable development



Developing the PSI Life & Health Work Stream

PSI Life & Health Advisory
Group

Webinars on key topics for
life & health business

Life & health sessions at
PSI events

1st PSI life & health event in
2019

Collaborative PSI activities
on life & health business

Examples of topics proposed:

- ESG guidance for life & health insurance business
- Climate change and mortality
- Primary prevention
- Tobacco
- Air pollution
- Mental illness
- Integrating health issues into investment decisions
- Inclusive life & health insurance, and insurtech
- Urban planning for healthy lifestyles
- Reaching vulnerable populations and SMEs
- Changing demographics
- Social impact measurement and rating agencies
- Antibiotic resistance
- Behavioural economics and new lifestyles
- Disclosure and reporting in life & health insurance

PSI and microinsurance industry's global partnership on inclusive insurance



Key topics:

- Client and impact metrics
- Distribution and insurtech
- Health
- SMEs and value chains
- Agriculture and climate risks
- Insurance regulation and supervision



International
Labour
Organization



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Brazilian market collaboration on sustainable insurance goals



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2015 environmental, social and governance (ESG) goals by the Brazilian insurance industry



Through the work of the Brazilian Insurance Confederation's (CNseg) Sustainability & Innovation Committee

Goal 1:

40% of insurers will integrate environmental, social and governance criteria into their risk underwriting policy

Goal 2:

30% of insurers will have an environmental, social and governance engagement programme targeted at brokers

Goal 3:

50% of insurance industry will integrate official public policy from municipal, state and federal governments into their social responsibility policy

Goal 4:

50% of insurers will report on environmental, social and governance criteria

CNseg monitoring progress through surveys since 2014

CNseg has developed “Balanced Scorecard for 2016-18” to measure progress in achieving strategic objectives on sustainability, including the ESG goals

Shaping the sustainable insurance agenda in North America

- Landmark event convened by the **PSI and Munich Re, US** in Princeton, New Jersey in Nov 2017
- **100 CEOs and senior executives** from US & Canadian insurers, reinsurers, brokers, insurance associations & regulators, investors, business community, development organisations, academia



Insurers working with US mayors to build disaster resilience throughout Mississippi River states



- Mississippi River: America's most essential inland waterway and the world's most agriculturally productive zone
- Transports **40% of America's total agricultural output**, generates nearly **\$500 billion in annual revenue**, and supports **1.5 million jobs**
- Since 2005, Mississippi River has sustained **successive 100, 200, 500, and 1,000-year flood events, 50-year drought, Hurricane Katrina, and Hurricane Isaac**
- Disasters along Mississippi River have resulted in over **\$200 billion in actual losses since 2005**

First-ever roundtable of Mississippi River mayors and insurance industry leaders (Mar 2018, Washington, DC)



- Collaboration between **Mississippi River Cities & Towns Initiative, UN Environment North America, and PSI**
- Dialogue between **mayors and insurance industry leaders to better manage disaster risk** along Mississippi River corridor
- Partnership to **assess disaster vulnerability, reduce disaster risk, and deliver insurance solutions and investments that build corridor-wide disaster resilience**

Principle 3:

Financial policy & regulatory frameworks

European Commission (EC) High-Level Expert Group on Sustainable Finance (HLEG)



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EU HIGH-LEVEL EXPERT GROUP ON SUSTAINABLE FINANCE



Final Report 2018
by the High-Level Expert Group on Sustainable Finance
Secretariat provided by the European Commission

HLEG final report (Jan 2018):

Recommendations for comprehensive EU strategy on sustainable finance as part of the Capital Markets Union

EC will draw on recommendations to determine how to integrate sustainability considerations into EU's rules for the financial sector

EC Action Plan to Finance Sustainable Growth (Mar 2018)

European Commission's proposal for European Supervisory Authorities to promote sustainable finance (Sep 2017)

5th Global Insurance Supervision Conference (Jul 2017, Frankfurt)



European Securities and Markets Authority

PSI invited by EIOPA to speak about “Sustainable insurance: Turning environmental, social and governance challenges into sustainable opportunities”

“European Supervisory Authorities will promote sustainable finance, while ensuring financial stability. They will take account of environmental, social and governance-related factors and risks in all the tasks they perform”

UN Environment's Sustainable Insurance Forum for Supervisors (SIF)



Launch of SIF
Dec 2016, San Francisco, USA



2nd SIF meeting
Jul 2017, Windsor, UK



3rd SIF meeting
Oct 2017, Kuala Lumpur, Malaysia

SIF → International network of insurance regulators and supervisors working together to strengthen their understanding of and response to sustainability issues

Convened by UN Environment, which serves as SIF Secretariat

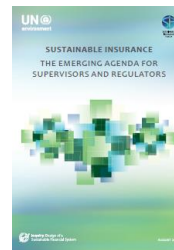
SIF members and meeting participants include: Regulators of Argentina, Australia, Brazil, Canada, France, Germany, Ghana, Italy, Jamaica, Japan, Malaysia, Mongolia, Morocco, Netherlands, Portugal, Singapore, South Africa, South Korea, Sweden, UAE, UK, USA (California & Washington State), European Insurance & Occupational Pensions Authority, and the International Association of Insurance Supervisors (IAIS)

SIF work programme → Disclosure, access & affordability, sustainable insurance roadmaps, climate risks, disaster risk reduction, capacity building for regulators and supervisors

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



2018: SIF and IAIS to produce guidance for insurance regulators and supervisors so insurers can respond effectively to climate risks across insurance and investment activities

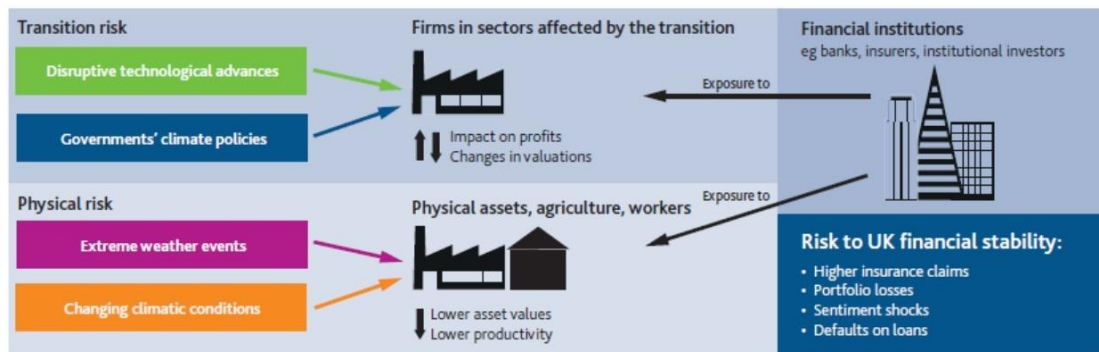
California's pioneering scenario analysis to assess climate-related transition risks in insurers' investments



Dave Jones
California
Insurance
Commissioner

“As a financial regulator, I want insurers to consider climate-related financial risks, including risks to their investments. In order to make sure they are considering these risks, we have undertaken an analysis of the climate-related risk to insurers' investments.”

Primary channels for climate-related financial risks



Source: Bank of England

Transition risks → Transition to a lower-carbon economy (e.g. developments in climate policy, new disruptive technology, or shifting investor sentiment)

Physical risks → Physical impacts of climate change (e.g. increasing frequency and severity of droughts, floods and storms due to rising global temperatures)

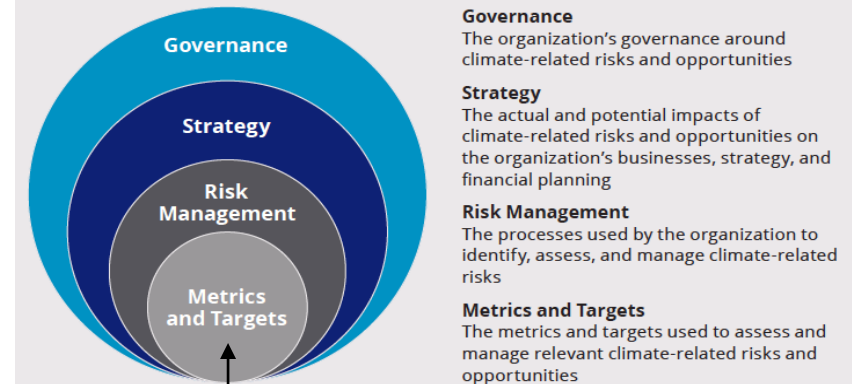
- **Scenario analysis** covers insurers with > **\$100 million in annual premiums** doing business in California
- Arguably **most comprehensive financial stress-test analysis** ever conducted for the insurance industry
- Insurers analysed have > **\$500 billion in fossil fuel-related securities** issued by power and energy companies, with **\$10.5 billion** being investments in **thermal coal enterprises**
- **Individual insurer reports available to all 672 insurers** with > \$100 million in annual premiums and **sent for response to top 100 insurers** (investment portfolio size), representing > 80% of assets analysed
- Reports will explain **how investment plans align with climate scenarios, where individual insurer ranks among its peers, and which securities are driving climate risk exposure** of their investment portfolios
- Results will help insurers apply **Financial Stability Board's climate risk disclosure recommendations**

Insurers piloting recommendations of FSB Task Force on Climate-related Financial Disclosures



- Founding PSI signatory companies **AXA, Aviva, Swiss Re and Tokio Marine & Nichido Fire Insurance** were all members of the FSB's Task Force on Climate-related Financial Disclosures (TCFD)
- TCFD supplemental guidance for insurance companies suggests the **alignment of recommended disclosures with other frameworks**
- For "metrics and targets recommended disclosures", the guidance refers to **Principle 1 of the PSI**

Core Elements of Recommended Climate-Related Financial Disclosures



Source: FSB-TCFD

Alignment of recommended disclosures with other frameworks:

Metrics and targets recommended disclosures: Principle 1 of the PSI



SUSTAINABLE
INSURANCE
FORUM

Sustainable Insurance Forum for Supervisors (SIF) issues statement supporting FSB climate disclosure recommendations (Jul 2017)



UNEP
FINANCE
INITIATIVE



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2018

- PSI members to **pilot TCFD recommendations** for insurers
- Will complement **leadership by UNEP FI banks and investors** to pilot TCFD recommendations for their respective industries
- Will complement **leadership by Sustainable Insurance Forum for Supervisors** in endorsing TCFD recommendations and developing climate risk guidance for insurance regulators
- **Initial TCFD work for insurers** expected to start in **second half of 2018**

Principle 3:

Intergovernmental initiatives & global policy frameworks

Sustainable insurance: A UN system-wide agenda



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UN Global Compact



UN Framework
Convention
on Climate Change



UN Environment



International
Labour Organization



WHO

World Health Organization



Office of the UN High Commissioner
for Human Rights



PSI
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Insurance



UNISDR
The United Nations Office for Disaster Risk Reduction

UN Office for Disaster Risk Reduction



UN Development
Programme



Food & Agriculture
Organization



World
Food Programme



UN Educational,
Scientific & Cultural
Organization



World
Meteorological
Organization



UNITED NATIONS
UNCTAD

UN Conference on Trade
& Development

PSI supporting intergovernmental initiatives on climate change adaptation and mitigation

G7 Climate Risk Insurance Initiative (“InsuResilience”)



G7 and partners to facilitate access to climate risk insurance to an additional 400 million poor and vulnerable people in developing countries by 2020

COP23 launch of InsuResilience Global Partnership on Climate & Disaster Risk Finance & Insurance Solutions



Founding supporters:

- Ethiopia, Fiji, Germany, Japan, Netherlands, UK
- Allianz, Global Facility for Disaster Reduction & Recovery, Munich Re, PSI, Swiss Re, The Nature Conservancy, UN Climate Resilience Initiative (A2R), World Bank

The Vulnerable Twenty Group of Ministers of Finance (V20)



Economic and financial responses to climate change to increase investments in climate resilience and low-emission development, including insurance solutions

Sustainable Insurance & Takaful Facility

Facility to finance climate change adaptation and mitigation solutions in the most climate-vulnerable countries

UNFCCC Clearing House for Risk Transfer



Global repository of information on insurance and risk transfer

UN-Secretary-General’s Climate Resilience Initiative



UN Climate Resilience Initiative A2R

Anticipate, Absorb, Reshape

UN system-backed, multi-stakeholder global platform to catalyse action and address gaps

Insurers supporting UN global policy frameworks on sustainable development



“The **Sendai Conference** outcome represents the first step of our journey to a new future.” – Ban Ki-moon, UN Secretary-General

“United for Disaster Resilience Statement” developed by the PSI

A global commitment by the insurance industry to help implement the **Sendai Framework for Disaster Risk Reduction 2015-2030**

- Developing **risk reduction strategies and risk transfer solutions**
- Informing the debate on **land use, building codes and standards, and zoning** through insurance industry insights, data and tools
- **Protecting investments and economies** and creating long-term value through risk reduction and risk transfer strategies
- **Raising awareness of disaster risk and promoting disaster risk reduction**, in addition to developing **risk transfer solutions and making risk-sensitive investments**
- **Understanding and reducing risk** across industries and public sector entities through **strong risk management processes, models, analytics and metrics** developed by the insurance industry 38

Insurers supporting UN global policy frameworks on sustainable development

Sep 2015

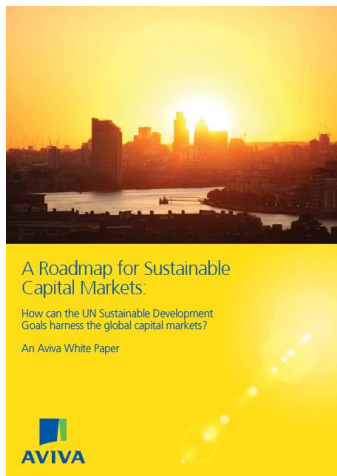


“Insurance sector initiatives... including the **UNEP FI Principles for Sustainable Insurance**... are demonstrating leadership in researching, debating and promoting the role of insurers in sustainable development.

“This includes an explicit recommendation to create a set of **Insurance Development Goals, based on a pioneering global consultation by the PSI Initiative and the UNEP Inquiry** on how insurance companies and insurance regulators could better support development through to 2030.”

– UN Global Compact & KPMG Sustainable Development Goal (SDG) industry matrix for financial services

Jun 2014



Sep 2015



UN General Assembly

Insurers supporting UN global policy frameworks on sustainable development



The Paris Agreement on Climate Change

- Goal to limit global average temperature increase “to **well below 2 °C** above pre-industrial levels and **pursuing efforts** to limit the temperature increase to **1.5 °C**”
- **Adaptation and loss & damage**
- **Regular review and enhancement of ambition**
- Global **stock-taking of progress**
- **Climate finance**

Insurance in the context of the UN Framework Convention on Climate Change:

- **Warsaw International Mechanism for Loss and Damage** associated with Climate Change Impacts
- **Financial instruments (e.g. insurance, catastrophe bonds)** that address the risks of loss and damage
- Establishment of a **clearinghouse for risk transfer**



- **Over 1,300 non-state actors**, including businesses, NGOs, and many insurers signed the Paris Pledge for Action

Examples of how the PSI is addressing ESG issues and contributing to the UN Sustainable Development Goals through risk management, insurance and investment

Global partnership with the world's microinsurance community on inclusive insurance

Shaping the sustainable insurance agenda across regions

First global investment industry statement in support of government action on tobacco control

Tobacco-Free Finance Pledge

Supporting the G7-backed InsuResilience Climate Risk Insurance Initiative and Global Partnership

Supporting the UN Secretary-General's Climate Resilience Initiative (A2R)



SUSTAINABLE DEVELOPMENT GOALS



“Insurance Industry Development Goals for Cities” across risk management, insurance & investment

First global insurance industry statement to protect World Heritage Sites

Piloting the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) for insurers

First global insurance industry statement on illegal, unreported and unregulated fishing

First global risk management guidelines on illegal, unreported and unregulated fishing for the marine insurance industry

First global guidance to manage ESG risks in insurance underwriting

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.”



PSI

Principles for Sustainable Insurance

Insuring for sustainable development

www.unepfi.org/psi



Shaping the sustainable insurance agenda in Latin America

An event convened by UN Environment's Principles for Sustainable Insurance Initiative (PSI) and the Brazilian Insurance Confederation (CNseg), and supported by the Brazilian Superintendence for Private Insurance (SUSEP)

15 May 2018, Rio de Janeiro, Brazil

Session 1 (1030-1130)

Developing PSI global guidance on the integration of environmental, social and governance risks into non-life insurance underwriting

- **Marcelo Homburger, Executive Vice President & Leader of Risk, Aon Brazil**
- **Helga Tomagini, Executive Manager, Group Segurador Banco do Brasil e MAPFRE**
- **Natalie Haanwinckel Hurtado, Advisor to the Director of Conduct, Brazilian Superintendence of Private Insurance (SUSEP)**

Session 2 (1130-1230)

Developing the PSI Life & Health work stream: Key sustainability challenges and opportunities

- **German Rodriguez Aguilar, Counsel, General Superintendence of Insurance of Costa Rica (SUGESE)**
- **Sam Gutterman, Co-Vice-Chairperson, Resource & Environment Working Group, International Actuarial Association, USA**
- **Martha Ferreira, Head, Insurance Regulatory Framework Department, Prudential Authority, South Africa**
- **Patrick Antonio Claude de Larragoiti Lucas, Chairman of the Board of Directors, SulAmérica, Brazil**
- **Edson Luis Franco, CEO, Zurich Brazil and President, Brazilian Federation of Private Pension & Life Insurance (FenaPrevi)**

Shaping the global agenda for the life & health Insurance industry and sustainable development



Developing the PSI Life & Health Work Stream

PSI Life & Health Advisory
Group

Webinars on key topics for
life & health business

Life & health sessions at
PSI events

1st PSI life & health event in
2019

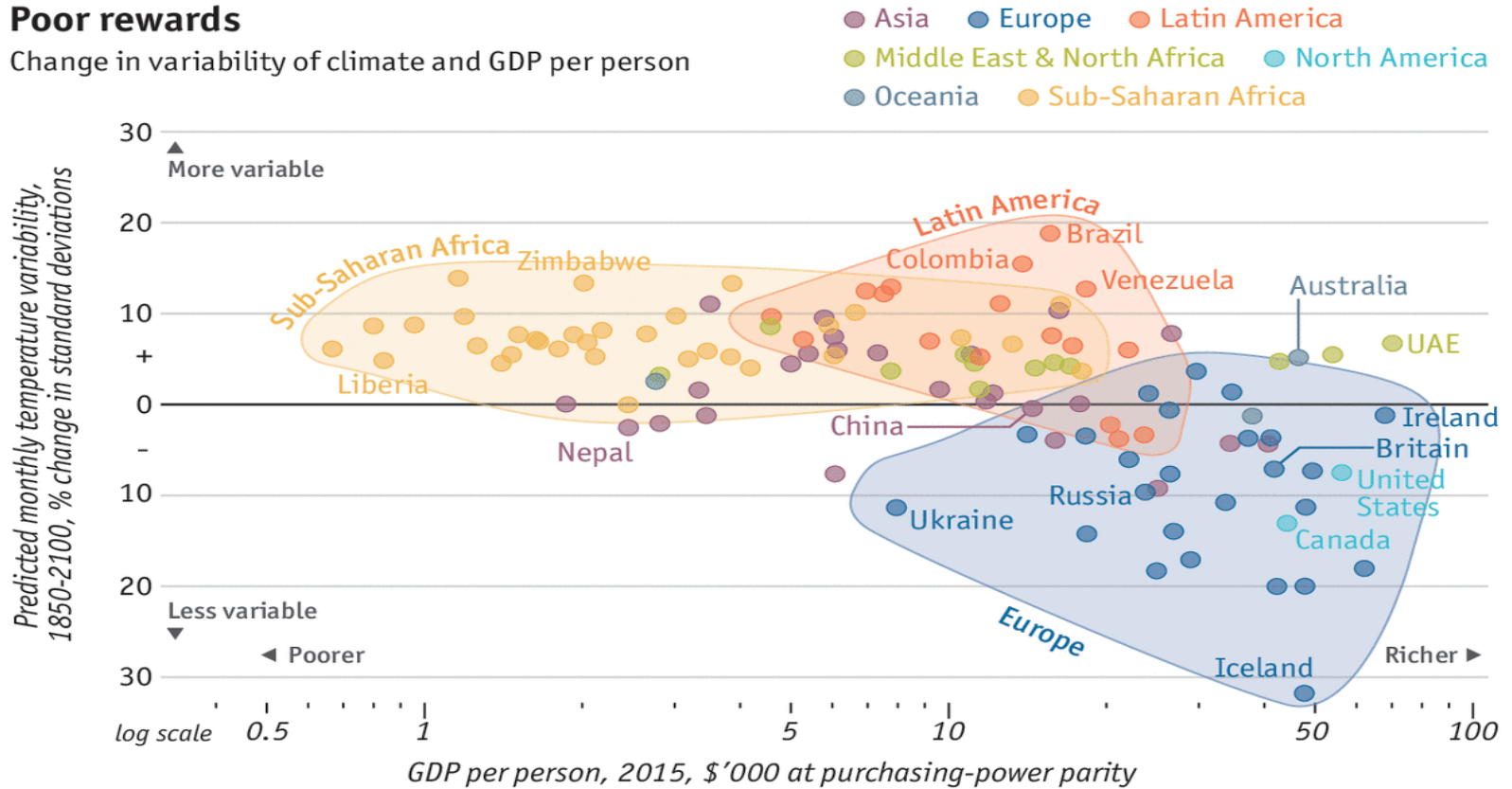
Collaborative PSI activities
on life & health business

Examples of topics proposed:

- ESG guidance for life & health insurance business
- Climate change and mortality
- Primary prevention
- Tobacco
- Air pollution
- Mental illness
- Integrating health issues into investment decisions
- Inclusive life & health insurance, and insurtech
- Urban planning for healthy lifestyles
- Reaching vulnerable populations and SMEs
- Changing demographics
- Social impact measurement and rating agencies
- Antibiotic resistance
- Behavioural economics and new lifestyles
- Disclosure and reporting in life & health insurance

Poor rewards

Change in variability of climate and GDP per person



Source: "Climate models predict increasing temperature variability in poor countries", by Sebastian Bathiany, Vasilis Dakos, Marten Scheffer and Timothy M. Lenton, *Science Advances*, May 2018

Increasing Greenhouse Gases

Rising Temperatures

More Extreme Precipitation and Other Climatic Factors

Extreme Weather Events

●
Rising Sea Levels

Many

● ●
Air Pollution and Warmer Weather

- Cardiovascular diseases
- Respiratory diseases
- Asthma
- Lyme disease

● ●
Mosquitoes and Other Carriers

- Malaria
- Dengue
- Gastrointestinal tract diseases

● ● ●
Heat Extremes

- Heat stress
- Heart failure

● ● ●
Water Quality and Security

- Diarrheal diseases
- Cancer
- Water insecurity

● ● ●
Food Security

- Undernutrition
- Malnutrition
- Mental health
- Reduced fruit and vegetable consumption

● ● ●
Natural Disasters

- Injuries
- Civil conflicts
- Drought/famine
- Storms/wildfires
- Floods

● ● ●
Migration

- Population over-concentration
- Pollution
- Epidemics



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Special message (1400-1420)

What is the significance of sustainability issues to insurance regulation and supervision?

Geoff Summerhayes:

- **Executive Board Member, Australian Prudential Regulation Authority (APRA)**
- **Executive Committee Member, International Association of Insurance Supervisors (IAIS)**
- **Chair, UN Environment's Sustainable Insurance Forum for Supervisors (SIF)**



Climate change risk, supervisory responses and international engagement.

Geoff Summerhayes
Executive Board Member
Australian Prudential Regulation Authority (APRA)



Shaping the sustainable insurance agenda in Latin America
Rio de Janeiro – 15 May 2018



Changes in climate requiring adaptation



Increased frequency of large-scale heatwaves and record-high temperatures

Longer fire season with more extreme fire danger days

Prolonged high ocean temperatures

More time spent in drought

Greater proportion of rainfall from heavy rainfall events

Increased frequency of coastal storm surge inundation

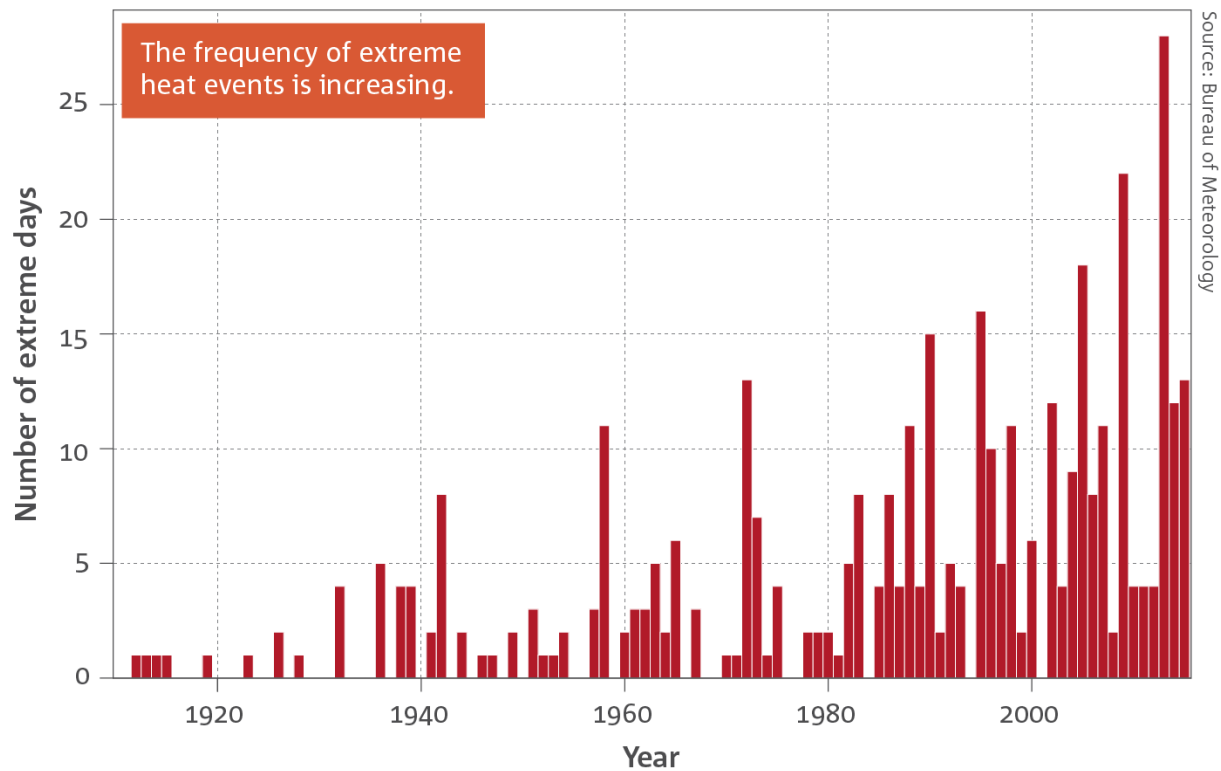
occurring
now



emerging
threat



Australia: increasing extreme heat stress



Australia greatly exposed to physical risks

- A land of “droughts and flooding rains”, also bushfires, cyclones and hail storms
- Vulnerable to sea level rise and coastal inundation – 85% of population live within 50km of coast
- Driest inhabited continent yet economically reliant on agriculture
- Natural disasters cost ~1.2% of GDP annually



Transitional risks in the global economy

Systemic shifts needed to mitigate physical risks



Source: Centre for Policy Development

1. Energy systems – including big implications for real estate.



2. Transportation systems – decarbonised mobility, freight and mass transit.



3. Food systems – agriculture, processing, transport and consumption habits.



Lack of appropriate disclosure leading to mispricing of risk and assets





APRA's supervision response

- Duty to warn of emerging prudential risks to regulated entities, including from climate change
- Show leadership - lay down public marker through two high-profile speeches:

“Climate risks are foreseeable, material and actionable now.”

February, 2017

“The transition to a low carbon economy is underway and moving quickly. The weight of money, pushed by commercial imperatives such as investment, innovation and reputational factors, is increasingly driving that shift, rather than scientists or policymakers.”

November, 2017

- Australian legal opinion on directors' duties – company directors could be personally liable
- Australian internal response: working group, heat map, supervisory guidance, industry survey
- Council of Financial Regulators Working Group on Climate Change



APRA’s supervision response – risk heat map

APRA’s supervisory thinking on climate risk is grounded in our cross-industry Prudential Standard *CPS 220: Risk Management*.

Focus on financial impacts on regulated entities from physical, transitional and liability risks.

Implication: Climate change is not a stand-alone risk area but something to be managed across the entire risk management framework.

CPS 220 - Risk Management	Insurance*			Banking	Superannuation (pensions)
	GI	LI	PHI		
Credit Risk	Green	Green	Green	Red	Green
Market/ Investment Risk	Yellow	Yellow	Yellow	Yellow	Red
Liquidity Risk	Green	Green	Green	Green	Green
Insurance Risk	Red	Yellow	Yellow	N/A	Yellow
Operational Risk	Yellow	Yellow	Yellow	Yellow	Yellow
Strategic/ Reputation Risk	Red	Red	Red	Red	Red

*General Insurance (GI), Life Insurance (LI), Private Health Insurance (PHI)



International engagement and global regulatory response

- Sustainable Insurance Forum (SIF)
- **IAIS “Issues Paper on Climate Risk to the Insurance Sector”**
- Central Bank and Supervisors Network for Greening the Financial System (NGFS)
- International Investors Group on Climate Change (IIGCC)



Session 3 (1420-1520)

Implementing the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) for the insurance industry

- **Geoff Summerhayes, Executive Board Member, APRA; Executive Committee Member, IAIS; Chair, SIF**
- **Aaron Ezroj, Director of the Office of Climate Risk Initiatives, California Department of Insurance, USA**
- **Tom Herbststein, Senior Programme Manager, ClimateWise, University of Cambridge Institute for Sustainability Leadership, UK**
- **Jakob Thomä, Managing Director, 2 Degrees Investing Initiative, Germany**



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Session 4 (1535-1635)

Sustainable investment strategies, innovations and trends in the insurance industry

- **Murray Birt, Vice President, Senior ESG Strategist, Deutsche Asset Management, UK**
- **Tatiana Assali, Partner, Resultante, Brazil**
- **Paulo Vianna Jr, Technical Analyst, Brazilian Superintendence of Private Insurance (SUSEP)**
- **Maud Chalamet, Director, Green Finance Programme, Prosperity Fund, UK Council, UK**
- **Nick Robins, Special Adviser on Sustainable Finance, UN Environment & Professor in Practice for Sustainable Finance, London School of Economics & Political Science**

Closing remarks



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