



PSI

Principles for Sustainable Insurance



UNEP Finance Initiative

The UN's Principles for Sustainable Insurance

A pioneering global sustainability framework and initiative

ADB International Insurance Seminar
21-22 October 2013, Manila, Philippines

Butch Bacani

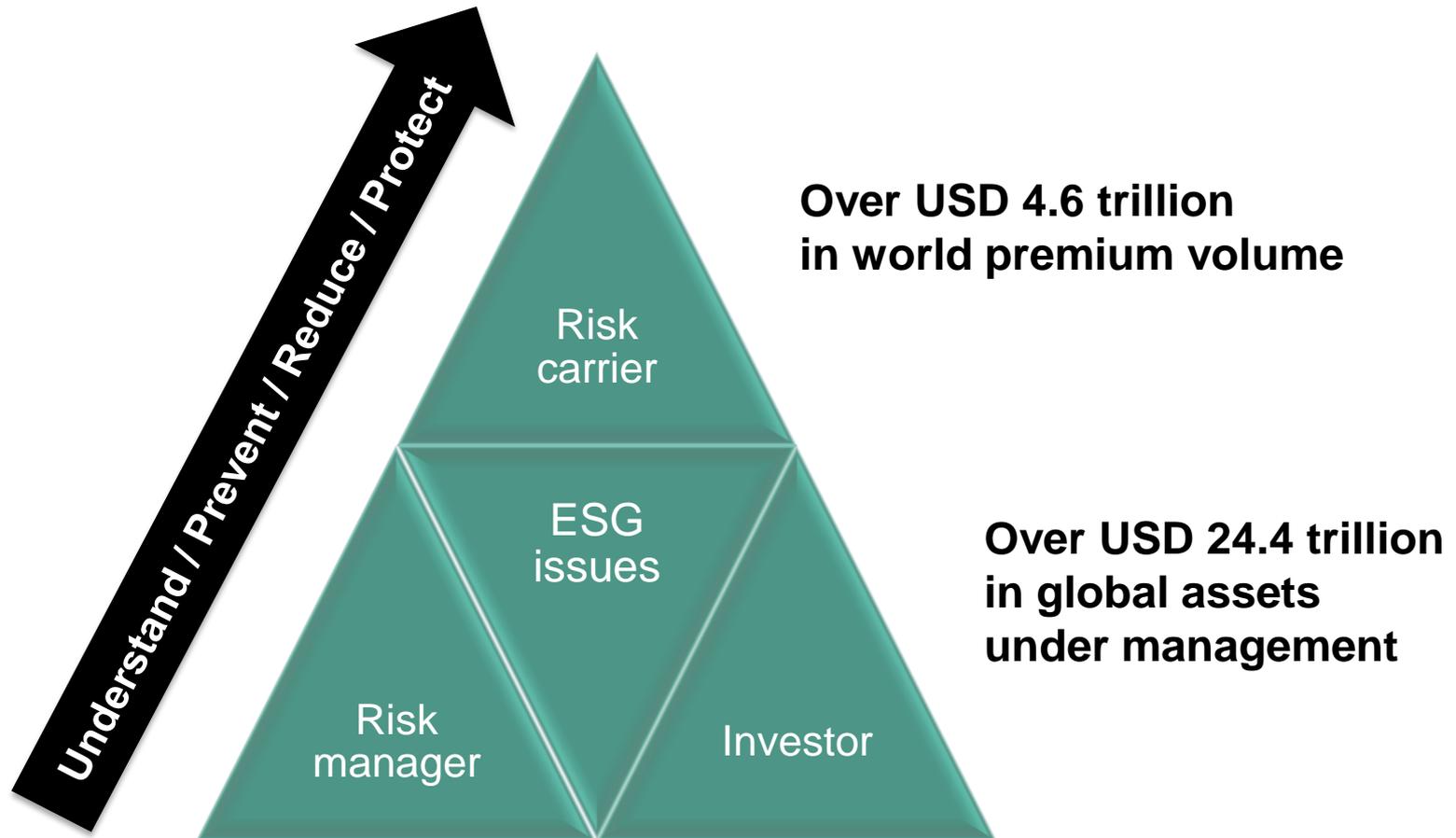
Programme Leader

The UNEP FI Principles for Sustainable Insurance Initiative

This is not an ADB material. The views expressed in this document are the views of the author/s and/or their organizations and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy and/or completeness of the material's contents, and accepts no responsibility for any direct or indirect consequence of their use or reliance, whether wholly or partially. Please feel free to contact the authors directly should you have queries.

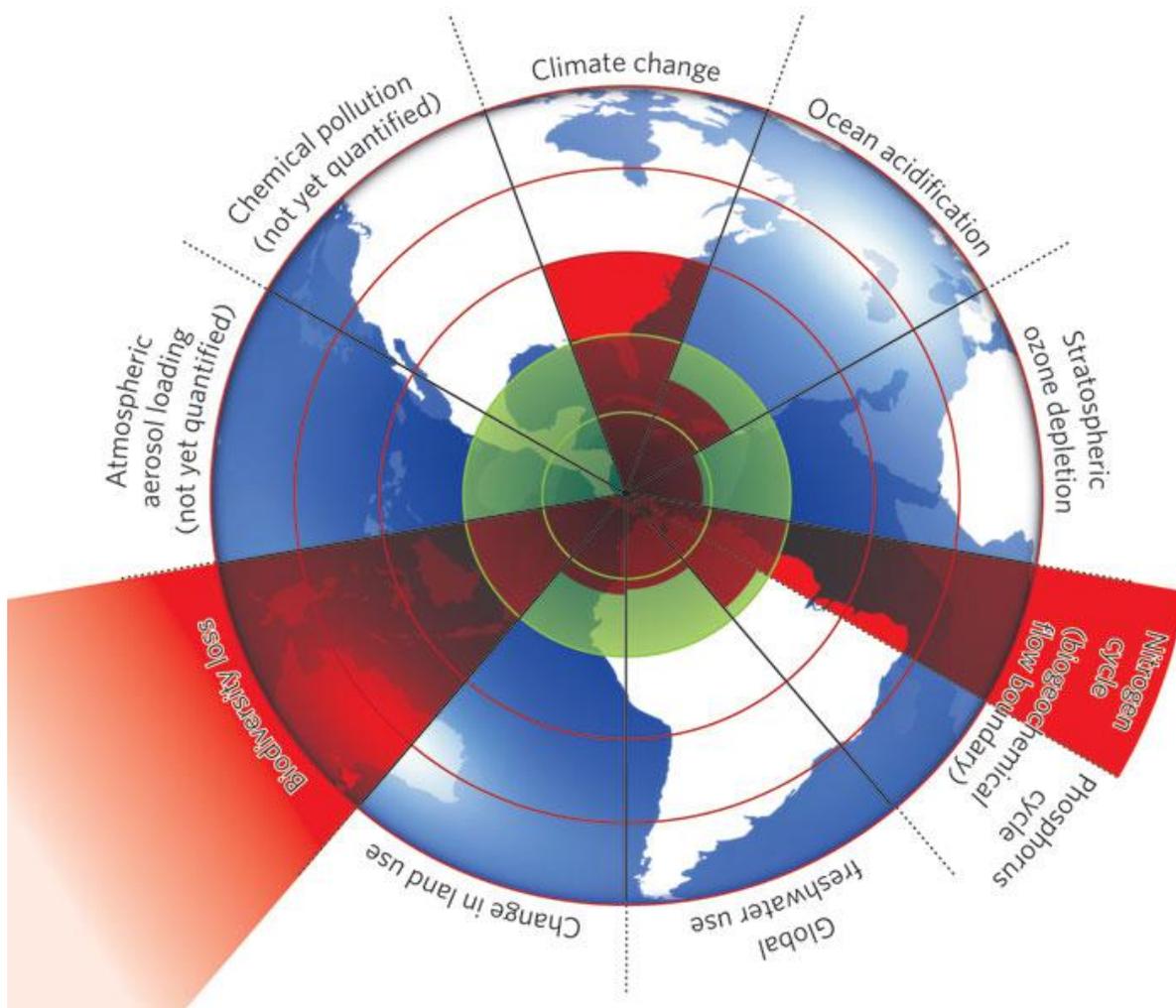
Why the insurance industry?

Uniquely positioned to tackle environmental, social and governance (ESG) risks and opportunities in a changing risk landscape



Example of a changing risk landscape

The safe operating space of 3 of 9 interlinked planetary boundaries have already been exceeded

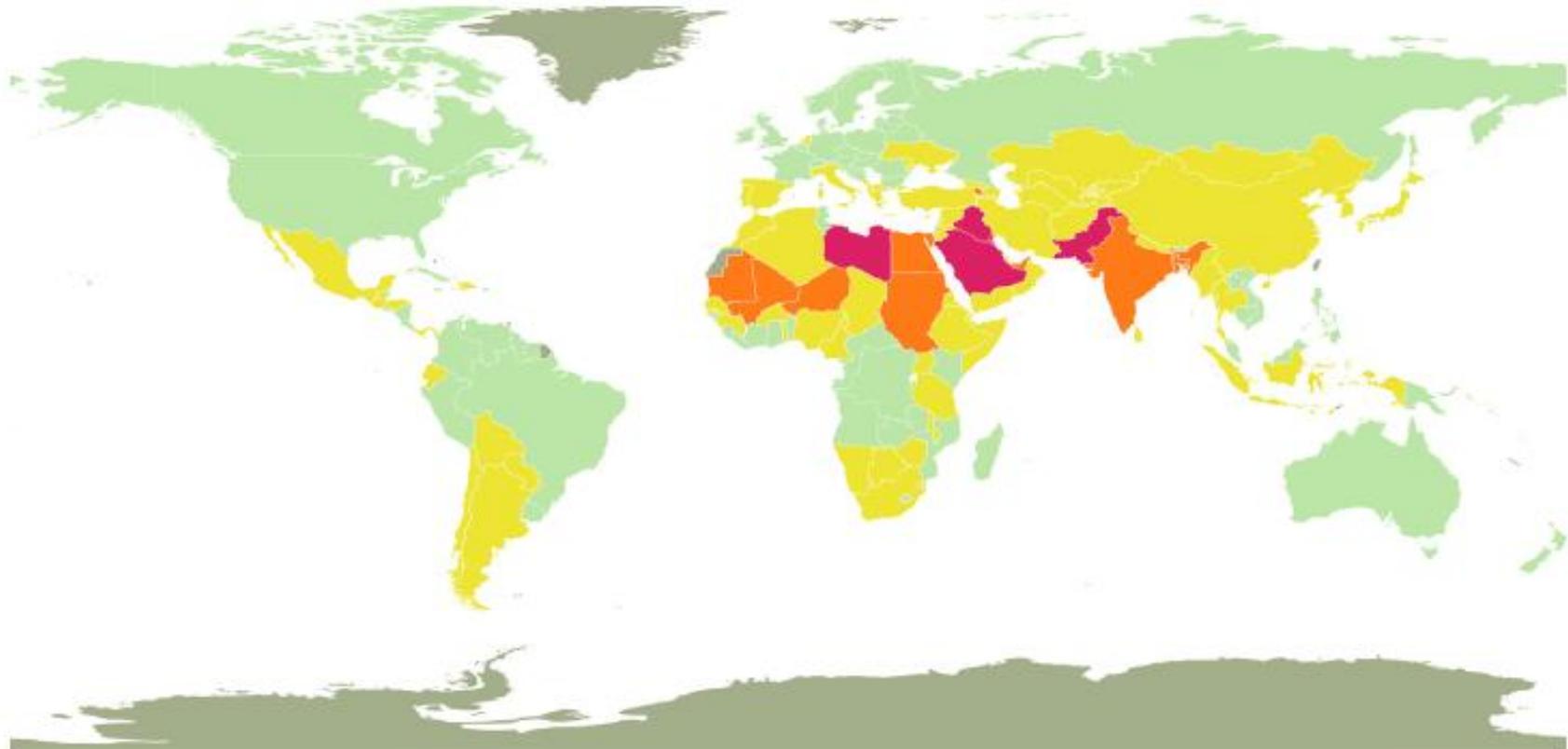


The 9 planetary boundaries

1. Biodiversity loss
2. Nitrogen and phosphorus cycles (biogeochemical flow boundary)
3. Climate change
4. Ocean acidification
5. Land use change
6. Global freshwater use
7. Stratospheric ozone depletion
8. Chemical pollution (not yet quantified)
9. Atmospheric aerosol loading (not yet quantified)

Source: J Rockström,
Stockholm Resilience Centre,
Nature, Vol 461, 24 Sep 2009

State of global environmental degradation based on the Risk Reduction Index 2012



Environmental degradation Index

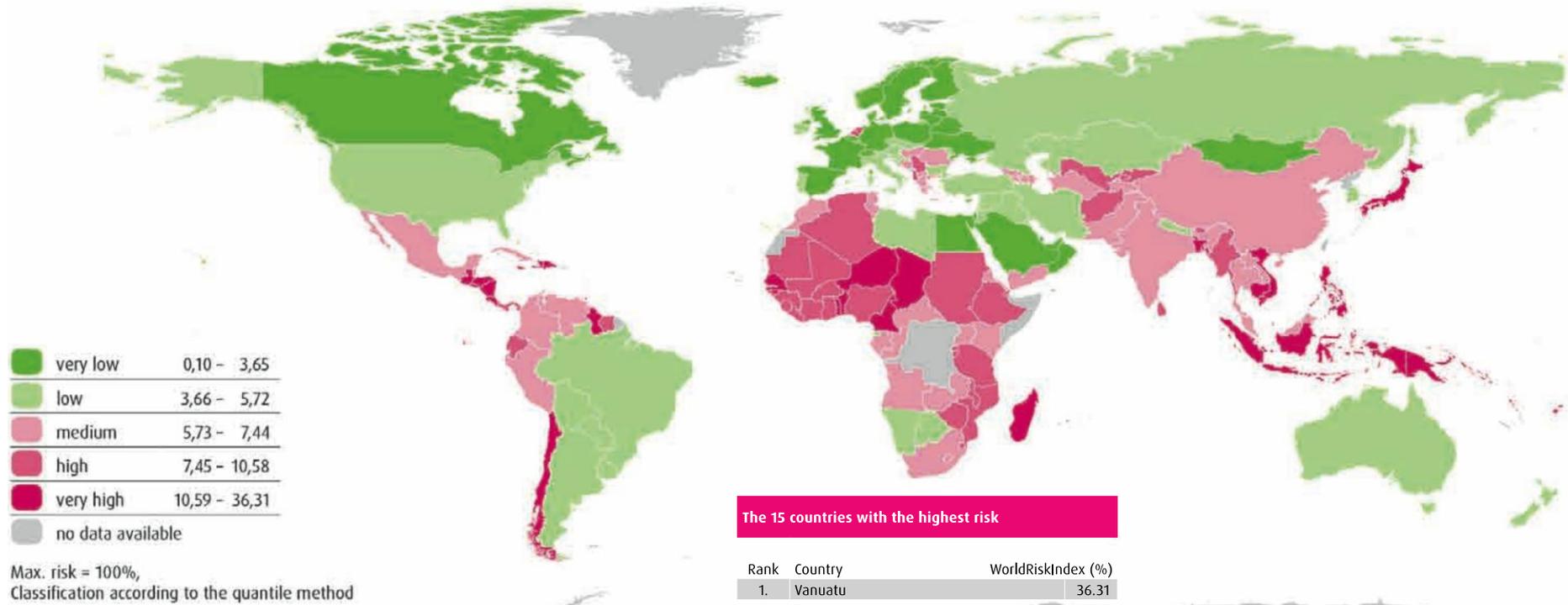
- High degradation
- Mid-high degradation
- Mid-low degradation
- Low degradation
- No data

0 2,000
Kilometres

Disaster risk is acute in developing countries

WorldRiskIndex

WorldRiskIndex as the result of exposure and vulnerability

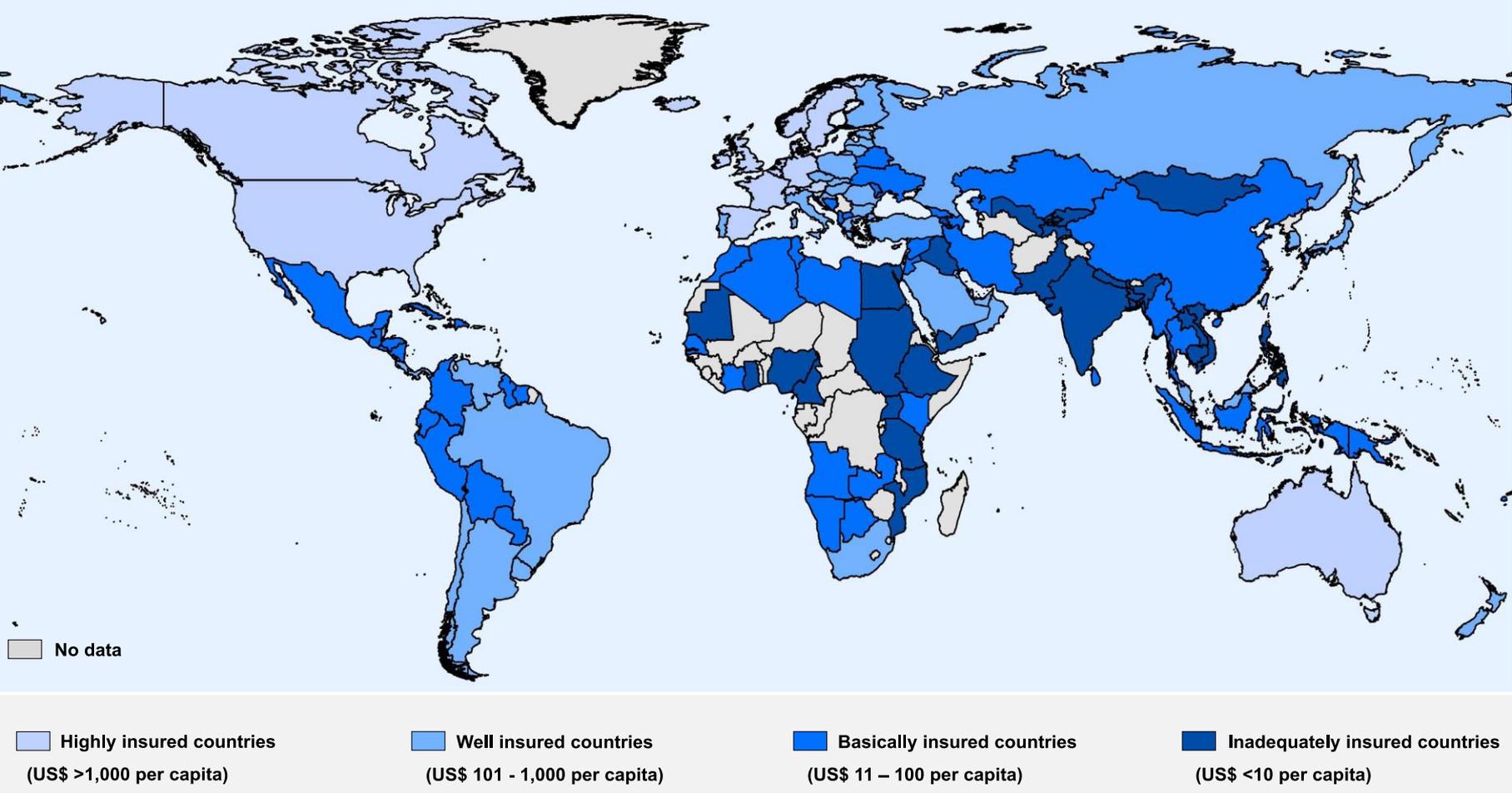


The 15 countries with the highest risk

Rank	Country	WorldRiskIndex (%)
1.	Vanuatu	36.31
2.	Tonga	28.62
3.	Philippines	27.98
4.	Guatemala	20.75
5.	Bangladesh	20.22
6.	Solomon Islands	18.15
7.	Costa Rica	17.38
8.	Cambodia	17.17
9.	Timor-Leste	17.13
10.	El Salvador	16.89
11.	Brunei Darussalam	15.92
12.	Papua New Guinea	15.81
13.	Mauritius	15.39
14.	Nicaragua	15.36
15.	Fiji	13.69

Worlds apart: Insurance density in developed and developing countries

Property insurance premium per capita*



*Property insurance premium (non-life including health) per capita

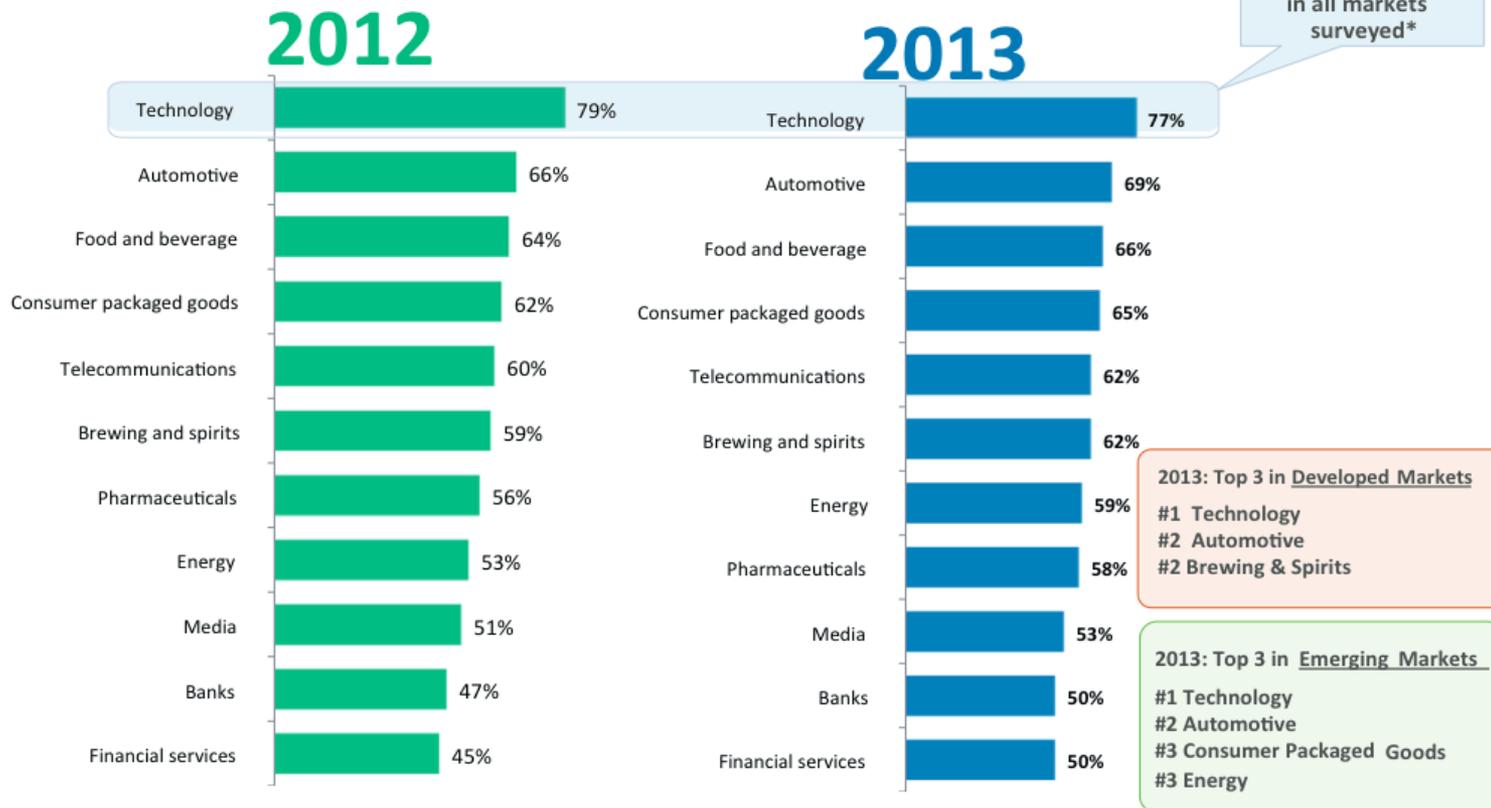
Source: Munich Re (as at July 2010)

Trust and reputation is a fundamental issue

Global survey: Financial services and banks are least trusted across industries

How much do you trust businesses in each of the following industries to do what is right?

TRUST IN INDUSTRIES



Source: 2013 Edelman Trust Barometer

Reputation: From responsibility to accountability



Responsibility = Compliance

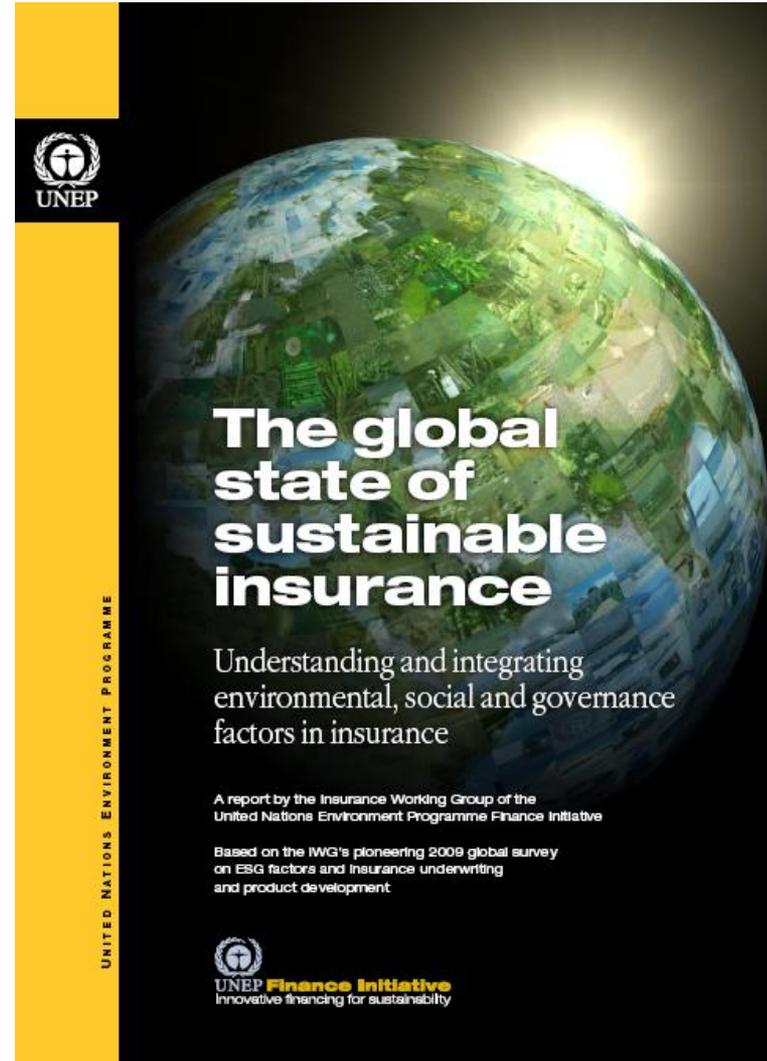
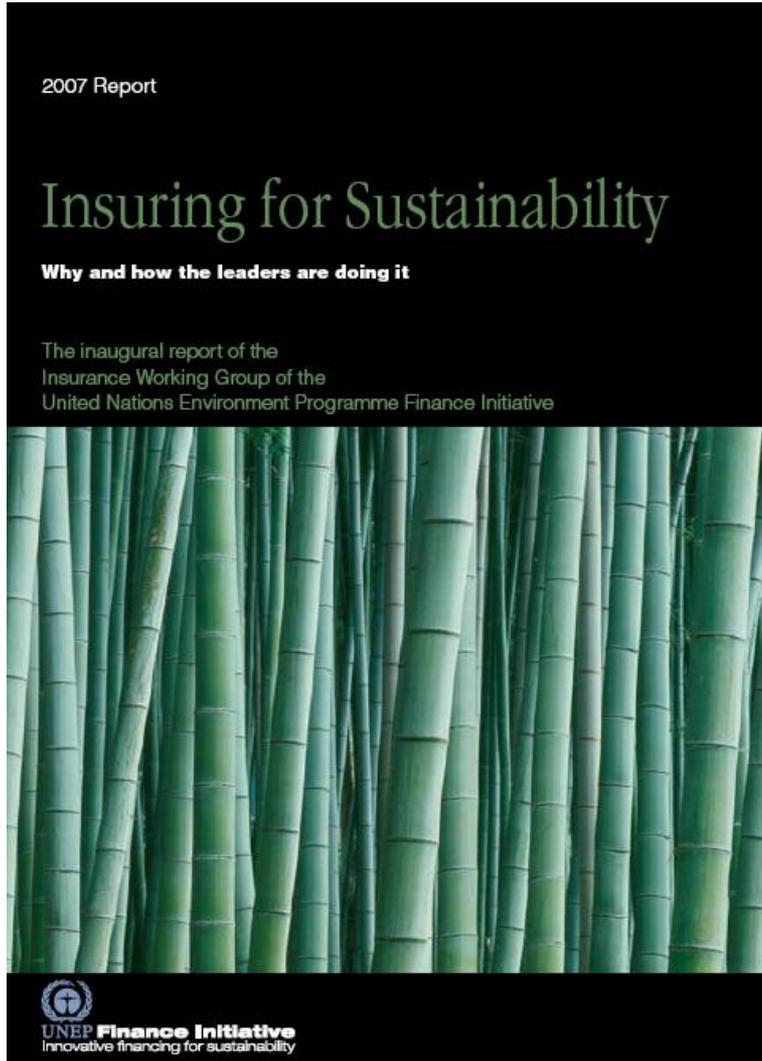
- A manager's duty to comply with rules and regulations
- "Is it legal?"

Accountability = Commitment

- A manager's contribution to enhance the "common good"
- "Is it legitimate?"

→ Legitimacy will become the main focus of reputation risks

Research foundation (2006-09)



Examples of environmental, social and governance issues relevant to insurance

- Climate risks and extreme weather events
- Natural catastrophe risks
- Disaster risk reduction
- Resource depletion
- Biodiversity loss and ecosystem degradation
- Water management and scarcity
- Food insecurity
- Pollution
- Human rights and labour standards
- Social and financial exclusion
- Emerging health risks and pandemics
- Ageing populations
- Regulations (building codes, workplace and product safety standards, environmental laws)
- Accountability and transparency
- Business principles and ethics
- Corruption
- Misaligned interests

UN goals are linked to environmental, social and governance issues

- UN Millennium Development Goals
- UN Convention against Corruption
- UN Convention on Biological Diversity
- UN Framework Convention on Climate Change
- UN Global Compact Principles
- UNEP Green Economy Initiative
- Universal Declaration of Human Rights
- Hyogo Framework for Action 2005-2015: “Building the resilience of nations and communities to disasters”
- ILO’s Declaration of Fundamental Principles and Rights at Work
- Rio Declaration on Environment and Development
- Rio+20 Outcome Document: “The future we want”

Creating a pioneering global framework and global initiative



Phase 1 → The global framework

- Create **voluntary and aspirational global principles, including possible actions**, to better understand and manage risks and opportunities in the insurance business associated with environmental, social and governance issues

Phase 2 → The global initiative

- Create a **United Nations and global insurance industry initiative** to promote the global adoption and implementation of the Principles

Scope of the Principles

■ All lines of insurance

Accident & Health, Agroforestry, Aviation, Casualty/Liability, Credit & Surety, Engineering, Life, Marine, Motor, Property

■ All insurance company business strategies and operations

Company strategy, risk management & underwriting, product & service development, claims management, sales & marketing, investment management

■ All insurance industry participants

Insurers, reinsurers, retrocessionaires, agents, brokers, other insurance service providers

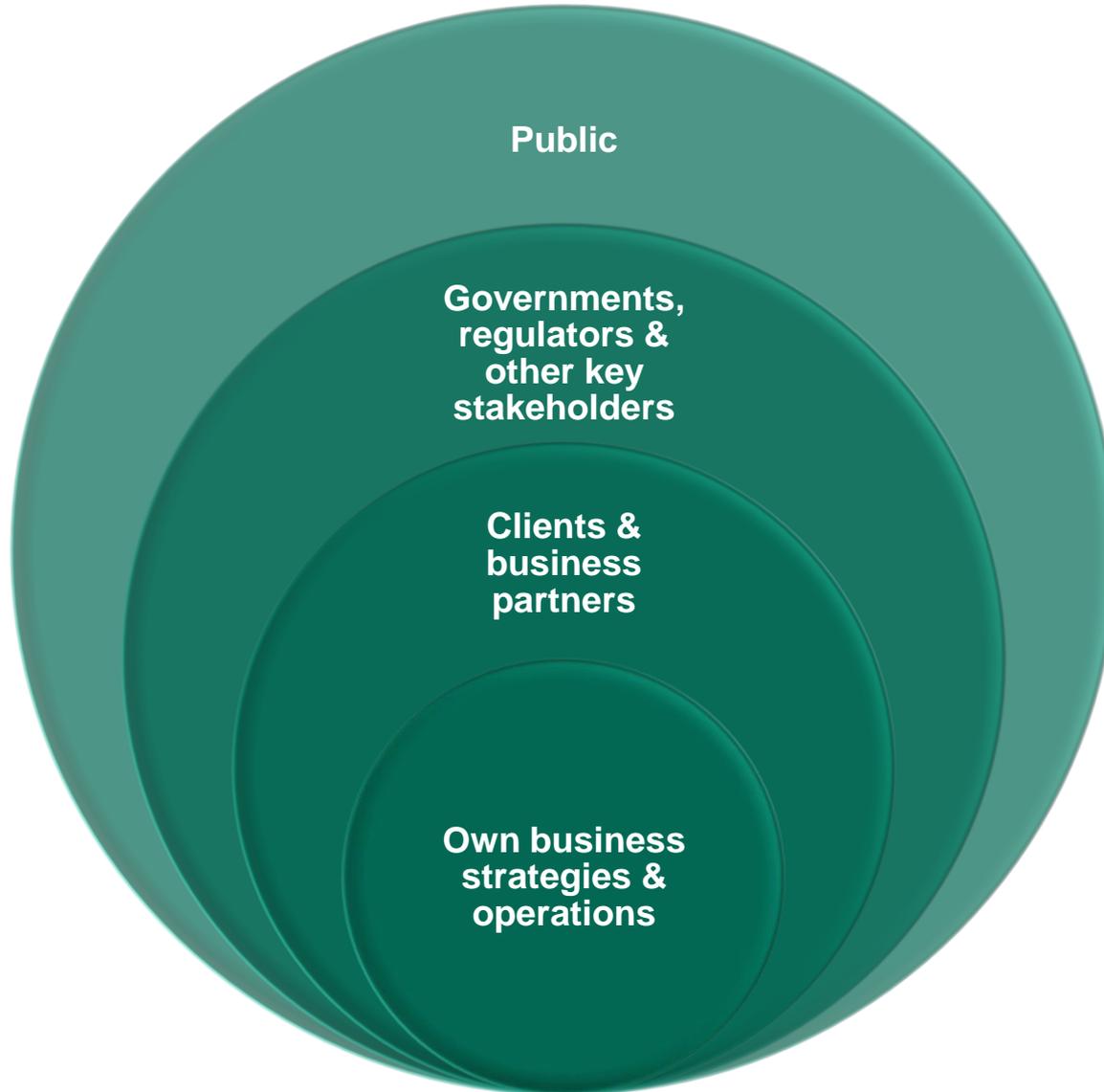
■ All regions

Africa, Asia, Europe, Latin America & the Caribbean, Middle East & North Africa, North America, Oceania

The 2011 PSI development process: Global, inclusive and consultative



Sphere-of-influence structure of the Principles



Global launch of the Principles

The insurance industry and sustainable development

19 June 2012, Rio de Janeiro, Brazil



RIO+20
United Nations
Conference on
Sustainable
Development



PSI
Principles
for Sustainable
Insurance



Message from the UN Secretary-General



Ban Ki-moon
UN Secretary-General

***“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.*”**

***“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.”*”**

CEO messages



Dr Nikolaus von Bomhard, CEO, Munich Re



“Munich Re has adopted an active role in developing the PSI. Our success factors include not only efficient risk and capital management but also forward thinking and action. This is how we create lasting value. Putting quality before quantity enables us to achieve long-term profitable growth.

“We will use the Principles as a blueprint to further integrate environmental, social and governance factors into our core business. In doing so, we enhance our risk management.”

Michel Liès, CEO, Swiss Re



“The Principles for Sustainable Insurance create a global framework to manage environmental, social and governance challenges.

“I am proud that the insurance industry has now formally agreed to take the necessary steps towards this important common goal of making societies more resilient, innovative and inclusive in the interest of all.”

The PSI as an initiative

A UN and global insurance industry initiative to promote the adoption and implementation of the Principles



PSI signatories & supporters

- Achmea (Netherlands)
- AEGON (Netherlands)
- ASR Nederland (Netherlands)
- Association of Insurers & Reinsurers of Developing Countries (Philippines)
- Atlanticlux (Luxembourg)
- Aviva (UK)
- AXA (France)
- Bradesco Seguros (Brazil)
- Brazilian Insurance Confederation (CNseg) (Brazil)
- Cadre d'Actions et de Recherche pour la Démocratisation de l'Assurance (CAREDas) (Senegal)
- Continental Re (Nigeria)
- Custodian & Allied (Nigeria)
- Delta Lloyd (Netherlands)
- Dutch Association of Insurers (Netherlands)
- Environment & Security Initiative (Switzerland)
- FATUM (Suriname)
- Finance Norway (Norway)
- Financial Services Council of New Zealand (New Zealand)
- Global Organizational Learning & Development Network for Sustainability (Belgium)
- Grupo Segurador Banco do Brasil e MAPFRE (Brazil)
- HSBC Insurance (UK)
- ING (Netherlands)
- Insurance Association of the Caribbean (Barbados)
- Insurance Australia Group (Australia)
- Insurance Commission of the Philippines (Philippines)
- Insurance Council of Australia (Australia)
- Insurance Council of New Zealand (New Zealand)
- Insurance Institute for Asia & the Pacific (Philippines)
- Insurance Institute of India (India)
- Interamerican Federation of Insurance Companies (FIDES) (Peru)
- Interamerican Hellenic Insurance Group (Greece)
- International Cooperative & Mutual Insurance Federation (UK)
- International Finance Corporation (US)
- International Insurance Society (US)
- Italian Banking, Insurance & Finance Federation (FEBAF) (Italy)
- Itau Seguros (Brazil)
- La Banque Postale (France)
- Macif (France)
- MAPFRE (Spain)
- Mexican Association of Insurance Institutions (AMIS) (Mexico)
- Mitsui Sumitomo Insurance (Japan)
- Mongeral AEGON (Brazil)
- Munich Re (Germany)
- National Committee on International Cooperation & Sustainable Development (NCDO) (Netherlands)
- Philippine Insurers & Reinsurers Association (Philippines)
- Philippine Life Insurance Association (Philippines)
- Porto Seguro (Brazil)
- RSA Insurance Group (UK)
- Sanlam (South Africa)
- Santam (South Africa)
- SCOR (France)
- Seguradora Lider (Brazil)
- Sompo Japan Insurance (Japan)
- South African Insurance Association (South Africa)
- Sovereign (New Zealand)
- Storebrand (Norway)
- SulAmerica (Brazil)
- Swiss Re (Switzerland)
- TAL (Australia)
- Terra Brasis Resseguros (Brazil)
- The Co-operators Group (Canada)
- Tokio Marine & Nichido Fire Insurance (Japan)
- University of Cape Town, Centre of Criminology (South Africa)
- Zwitserleven (Netherlands)

Governing the PSI Initiative

1st PSI Annual General Meeting

October 2012, United Nations Office, Geneva, Switzerland

- Governance framework of the PSI Initiative

1st PSI Board Meeting

July 2013, Swiss Re global headquarters, Zurich, Switzerland

2nd PSI Annual General Meeting

November 2013, Beijing, China

- Global strategy and work programme of the PSI Initiative

PSI survey: Top 5 ESG issues

Which ESG issues—risks or opportunities—do you consider most important for the insurance industry to address globally?

1. Adaptation and resilience to extreme weather events (E)
2. Mis-selling and treating customers unfairly (G)
3. Insurance access and affordability (S)
4. Trust and reputation (G)
5. Regulatory risks (G)

PSI survey: Next 10 ESG issues

Which ESG issues—risks or opportunities—do you consider most important for the insurance industry to address globally?

6. Ageing populations (S)
7. Human rights and labour standards (S)
8. Biodiversity loss and ecosystem degradation (E)
9. Environmental pollution (E)
10. Reduction of greenhouse gas emissions (E)
11. Earthquakes, tsunamis and other geologic hazards (E)
12. Corporate governance and executive remuneration (G)
13. Corruption (G)
14. Chronic diseases and pandemics (S)
15. Cyber risks (S)

PSI survey: Key stakeholders

Insurance industry value chain



Please rank from 1 to 6 (1 = top priority) insurance industry value chain players the PSI Initiative should engage to shift behaviour on ESG issues and deliver positive outcomes.

1. Insurers
2. Clients
3. Reinsurers
4. Brokers
5. Agents
5. Suppliers

PSI survey: Key stakeholders

Insurance market bodies



Please rank from 1 to 3 (1 = top priority) insurance market bodies the PSI Initiative should engage to shift behaviour on ESG issues and deliver positive outcomes.

1. Insurance regulators and supervisors
2. Insurance associations and federations
3. Insurance institutes and academies

PSI survey:

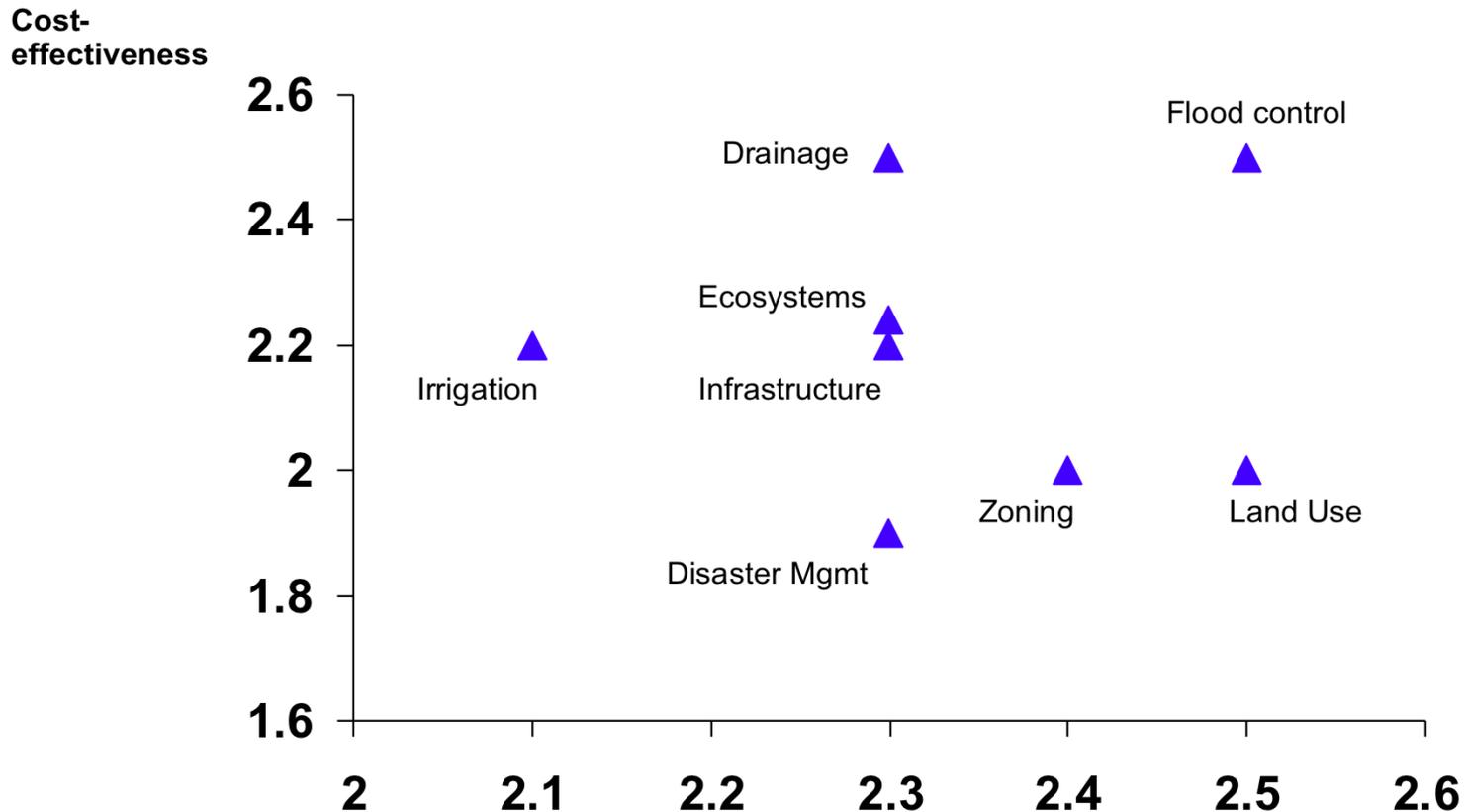
Insurance industry stakeholders

Please rank from 1 to 8 (1 = top priority) insurance industry stakeholders the PSI Initiative should engage to shift behaviour on ESG issues and deliver positive outcomes.

1. Insurance company owners (e.g. shareholders for stock companies, members and policyholders for cooperatives and mutuals)
1. Governments
2. Business and industry associations
3. Intergovernmental organisations (e.g. UN agencies)
4. Academia and the scientific community
5. Media
1. Rating agencies
1. Non-governmental organisations

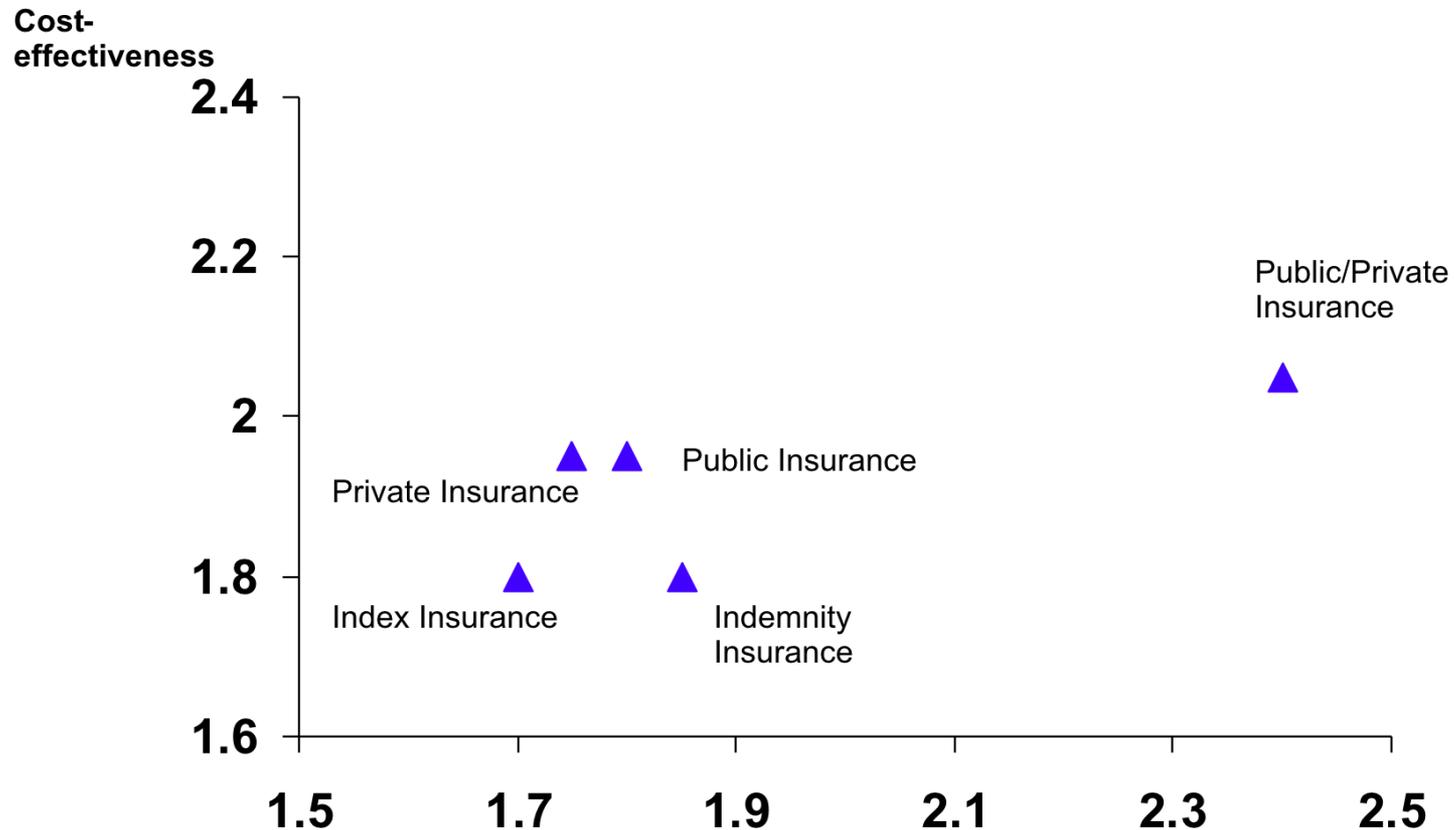
Global insurance industry survey: Building climate resilience

Which types of physical risk management solutions are cost-effective and beneficial in building the climate resilience of vulnerable communities?



Global insurance industry survey: Building climate resilience

Which types of financial risk transfer solutions are cost-effective and beneficial in building the climate resilience of vulnerable communities?



Implementing the Principles: Examples



Working with the UN system and governments



UN Global Compact



UN Environment Programme



UN Office for Disaster Risk Reduction



PSI
Principles
for Sustainable
Insurance



World Meteorological Organization



UN Framework Convention on Climate Change

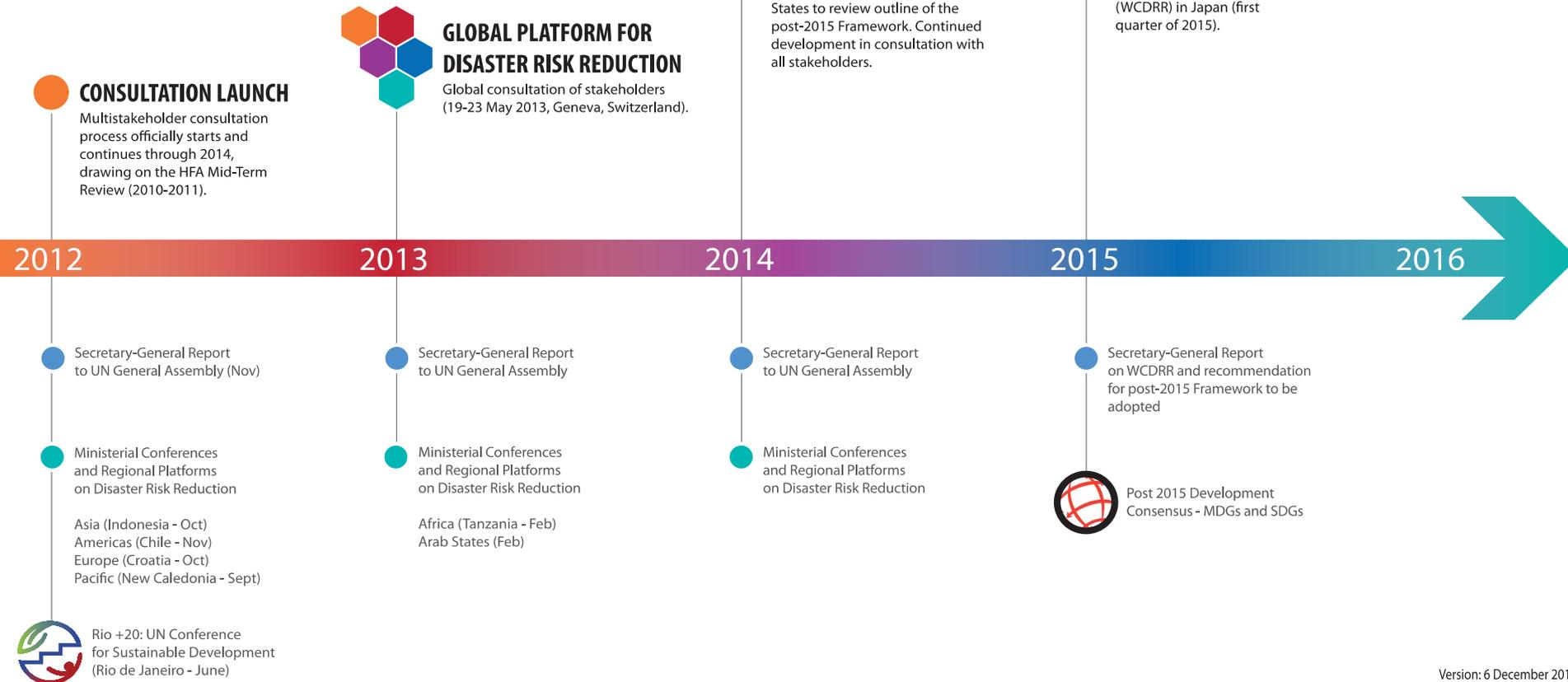


International Labour Organization

Towards a post-2015 DRR Framework

- Requested by the UN General Assembly (GA) Resolution A/RES/66/199
- UNISDR is facilitating a multistakeholder consultation process
- Consultation process engages a full range of actors from Member States to civil society. Events include regional platforms, the Global Platform, national and local events, and targeted events of DRR stakeholders, partners and networks.
- Builds on the *Hyogo Framework for Action 2005-2015 (HFA) - Building the Resilience of Nations and Communities to Disasters*.
- Expected to be adopted by the World Conference for Disaster Risk Reduction and endorsed by the GA in 2015.

For more information, visit:
<http://www.preventionweb.net/posthfa/>



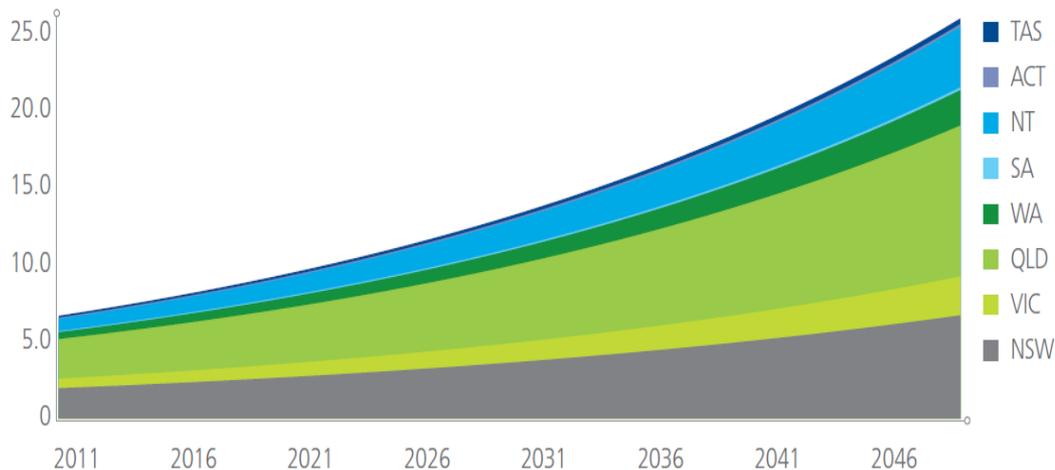
Implementing the Principles: Examples

The Australian Business Roundtable for Disaster Resilience and Safer Communities



Chart 2.2: Forecast total economic cost of natural disasters: 2011 – 2050

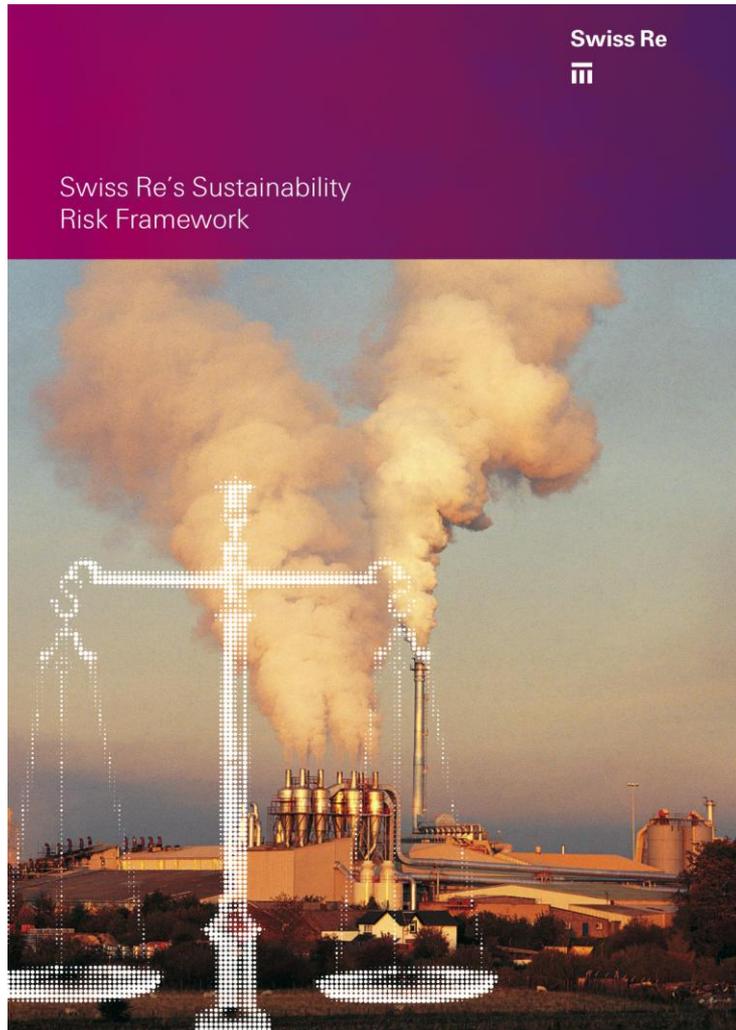
\$bn (2011 prices)



Source: Deloitte Access Economics (2013)

- The total economic costs of natural disasters in Australia average \$6.3 billion annually and due to material growth and urbanisation, projected to rise to \$23 billion by 2050
- The Australian government invests \$50 million each year in mitigation measures but more than \$560 million on post loss recovery
- For every \$10 spent on post-disaster recovery, only \$1 is spent on pre-disaster mitigation
- Recognising that this level of investment is unsustainable, and that governments acting alone cannot address these challenges, Insurance Australia Group initiated the formation of the Australian Business Roundtable for Disaster Resilience and Safer Communities in December 2012

Implementing the Principles: Examples



Sustainability risk framework of a global reinsurer spanning various sectors and issues

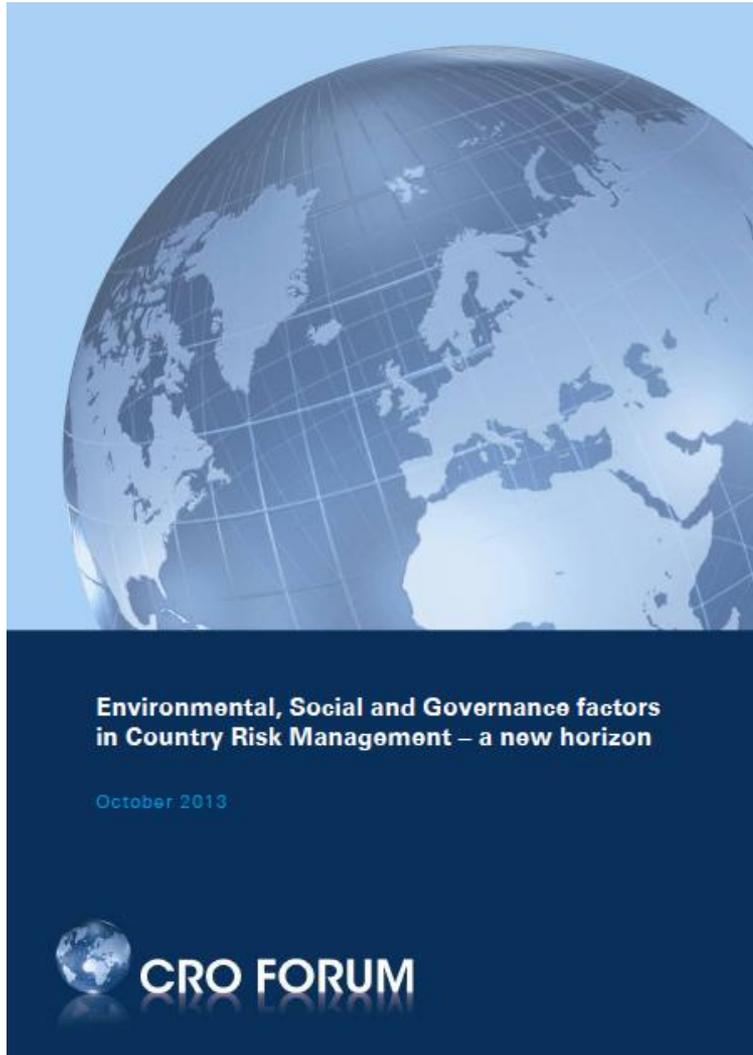
- Oil & gas
- Defence
- Mining
- Dams
- Forestry & logging
- Animal testing
- Nuclear weapons proliferation
- Human rights & environmental protection

Implementing the Principles: Examples

The Chief Risk Officers Forum:

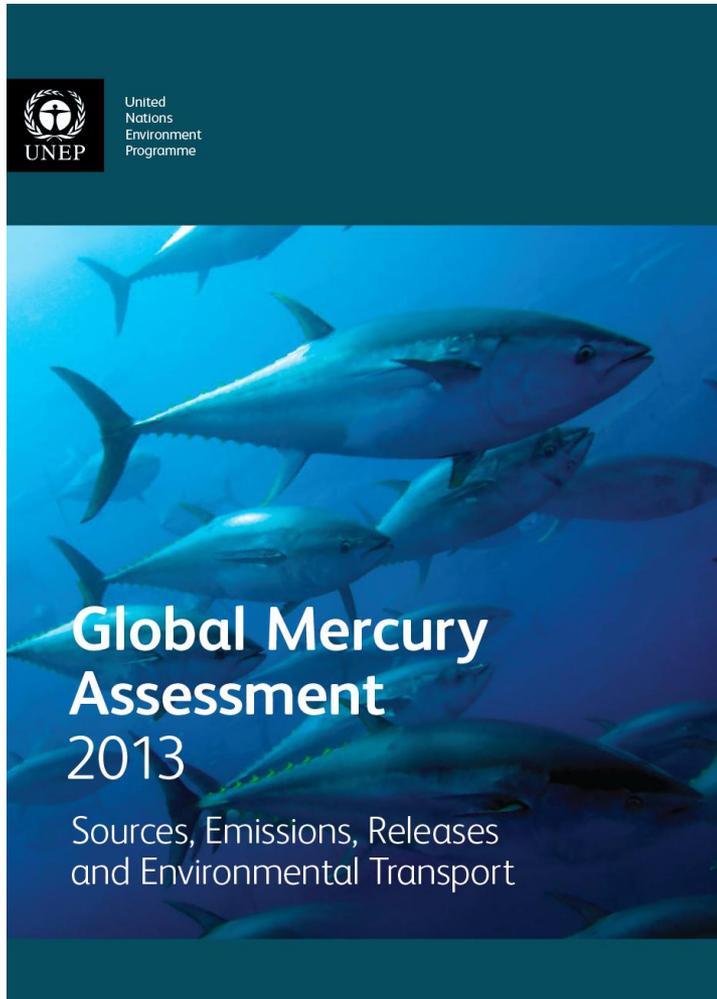
Environmental, social and governance factors in country risk management

- Insurance underwriting
- Investment management
- Reputation management
- Sustainable development



Implementing the Principles: Examples

Working with the UN system and governments

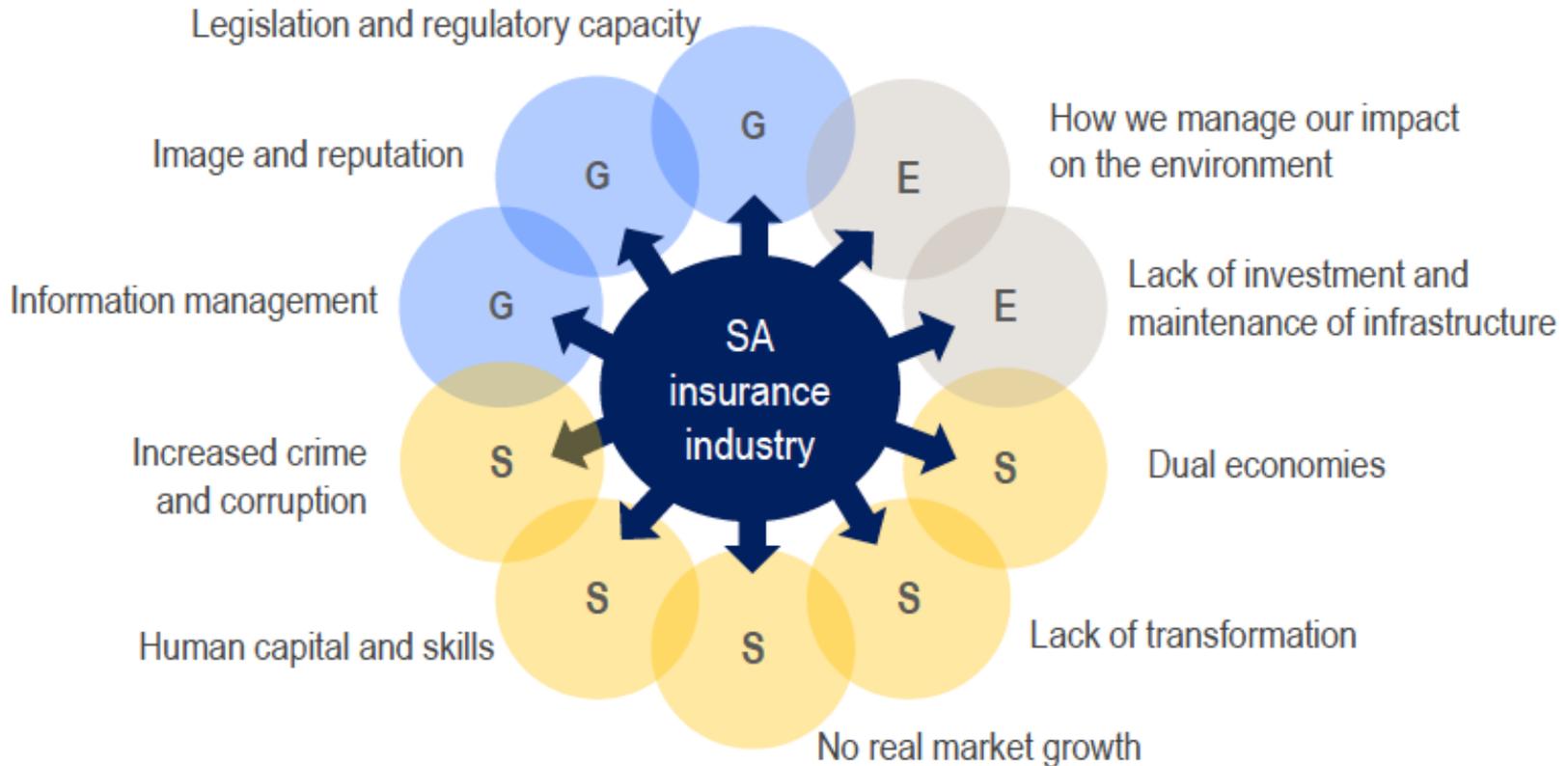


The Minamata Convention on Mercury

- Global legally binding treaty
- Convention text to be presented for adoption and opened for signature in Japan in October 2013
- Direct implications on the insurance industry

Implementing the Principles: Examples

Priority environmental, social and governance risks and opportunities identified by the South African Insurance Association’s Strategic Risk Forum



Implementing the Principles: Examples

Demonstrating accountability and transparency

- Annual public disclosure of implementation progress by PSI signatory companies

Aegon's 2012 Sustainability Supplement Aegon's 2012 Review ▶


Contact

[Strategy](#) [Stakeholders](#) [Business](#) [Employees](#) [Community](#) [Rating](#) [About](#) [GRI](#)

Home > [About](#) > Principles for Sustainable Insurance
 [Save in my personal Report](#)

Principles for Sustainable Insurance



Last year, Aegon joined thirty other leading insurance companies in signing the UN Principles for Sustainable Insurance. These principles are about making sure sustainability becomes "business as usual". There are four principles in all. Against each one, Aegon has set itself targets and objectives, and will be reporting its progress every year, both in the company's yearly Review and on its corporate website.

	Targets and objectives	Progress 2012
Principle 1	Implement minimum standards of market conduct – for ourselves and our intermediaries.	Aegon has adopted a set of six basic market conduct principles, applying to all its businesses worldwide. These principles encourage open, fair and honest treatment of the company's customers at all times.
We will embed in our decision-making environmental, social and governance issues, relevant to our insurance business.		Aegon has had a human rights policy in place for the past six years. Respect for human rights is also included in the company's Responsible Investment Policy. As part of this policy, Aegon excludes investments in securities and bonds issued by governments that systematically breach internationally-proclaimed human rights.

About

- About this Supplement
- Reporting structure
- Policies, statements and guidelines
- Global Reporting Initiative
- UN Global Compact
- **Principles for Sustainable Insurance**
- Scope of Aegon's Review and Supplement
- External auditors' report

Downloads

-  [Annual Report 2012](#)
-  [Review 2012 EN](#)
-  [Review 2012 NL](#)
-  [Sustainability Supplement](#)

 [My personal Report \(0\)](#)

Quick links

Implementing the Principles: Examples

The insurance supervisory and regulatory regime



International Association of Insurance Supervisors

- What are the links between the PSI and the Insurance Core Principles of the International Association of Insurance Supervisors (e.g. risk management and internal controls, corporate governance, enterprise risk management, reinsurance, conduct of business, public disclosure)?
- What are the links between the PSI, macroprudential surveillance and financial stability?
- What value can the PSI disclosure framework deliver to policyholders, regulators, rating agencies, investors and other stakeholders?
- How else can the PSI complement prudential insurance supervision and regulation?
- How can the PSI Initiative work with insurance supervisors and regulators to support the aims of sustainable insurance?

The global sustainable development agenda for 2015 and beyond

What role will the global insurance industry play?

What role will the Asia-Pacific insurance industry play?

- The post-2015 Framework for Disaster Risk Reduction, which will succeed the “Hyogo Framework for Action 2005-2015: Building the resilience of nations and communities to disasters”
- The post-2015 Development Agenda, which will succeed the UN Millennium Development Goals
- An international Climate Agreement under the UN Framework Convention on Climate Change
- The Global Framework for Climate Services under the World Meteorological Organization
- The 2016 World Humanitarian Summit



UNEP Finance Initiative



PSI

Principles for Sustainable Insurance

The PSI journey continues.

Learn more at www.unepfi.org/psi