

UN



environment
programme

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Principles for
Sustainable Insurance

The UN Principles for Sustainable Insurance

Amplifying sustainable insurance in the UN's Decade of Action

FIDES and CNseg event: Innovation for insurers
13 April 2023

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**

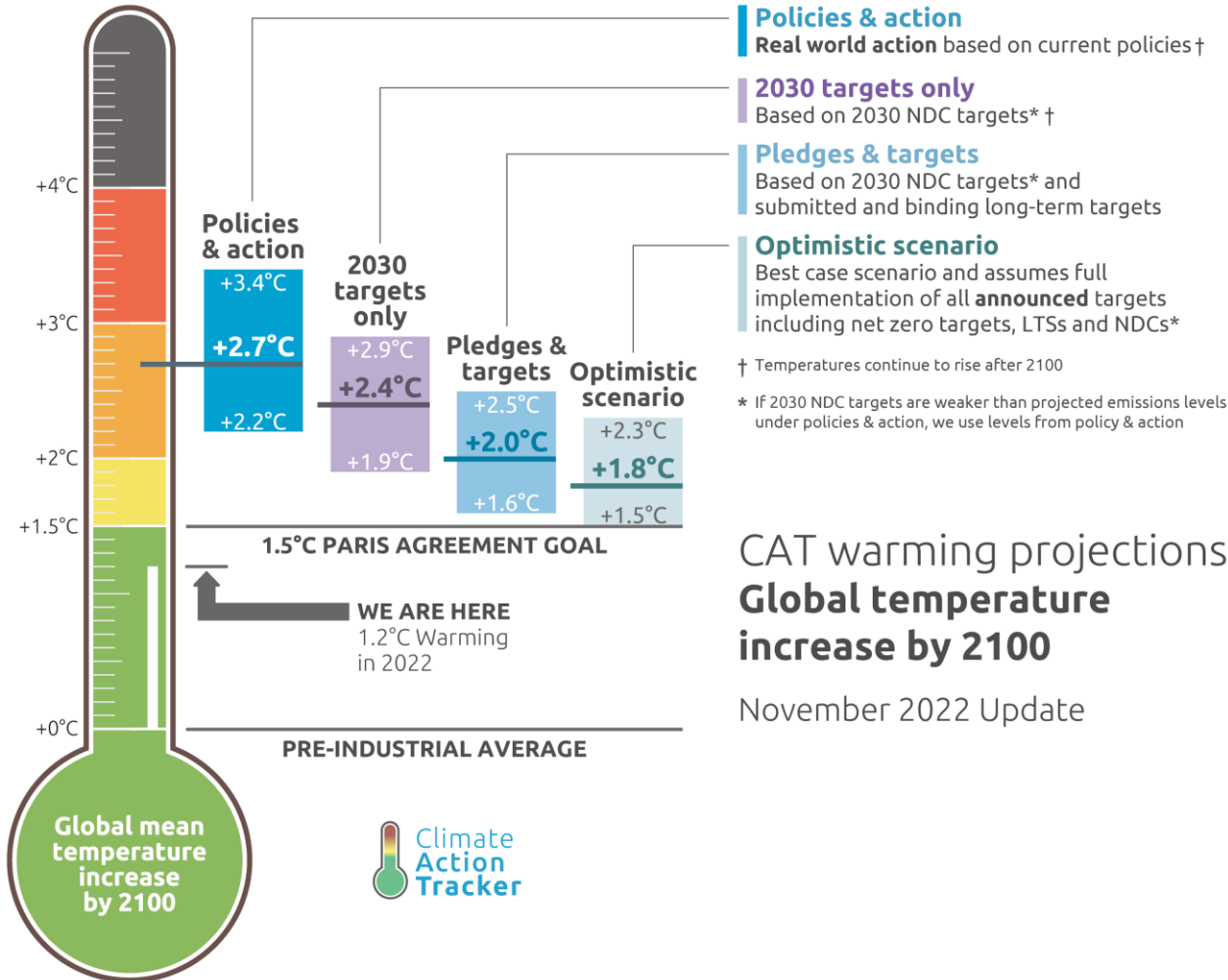
**ESG
integration
(non-life
and life &
health)**

**Aligning
insurance
portfolios
with the
SDGs**

**Sustainable
insurance
roadmaps
and
strategies**

**Policy,
regulatory
and real
economy
engagement**

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

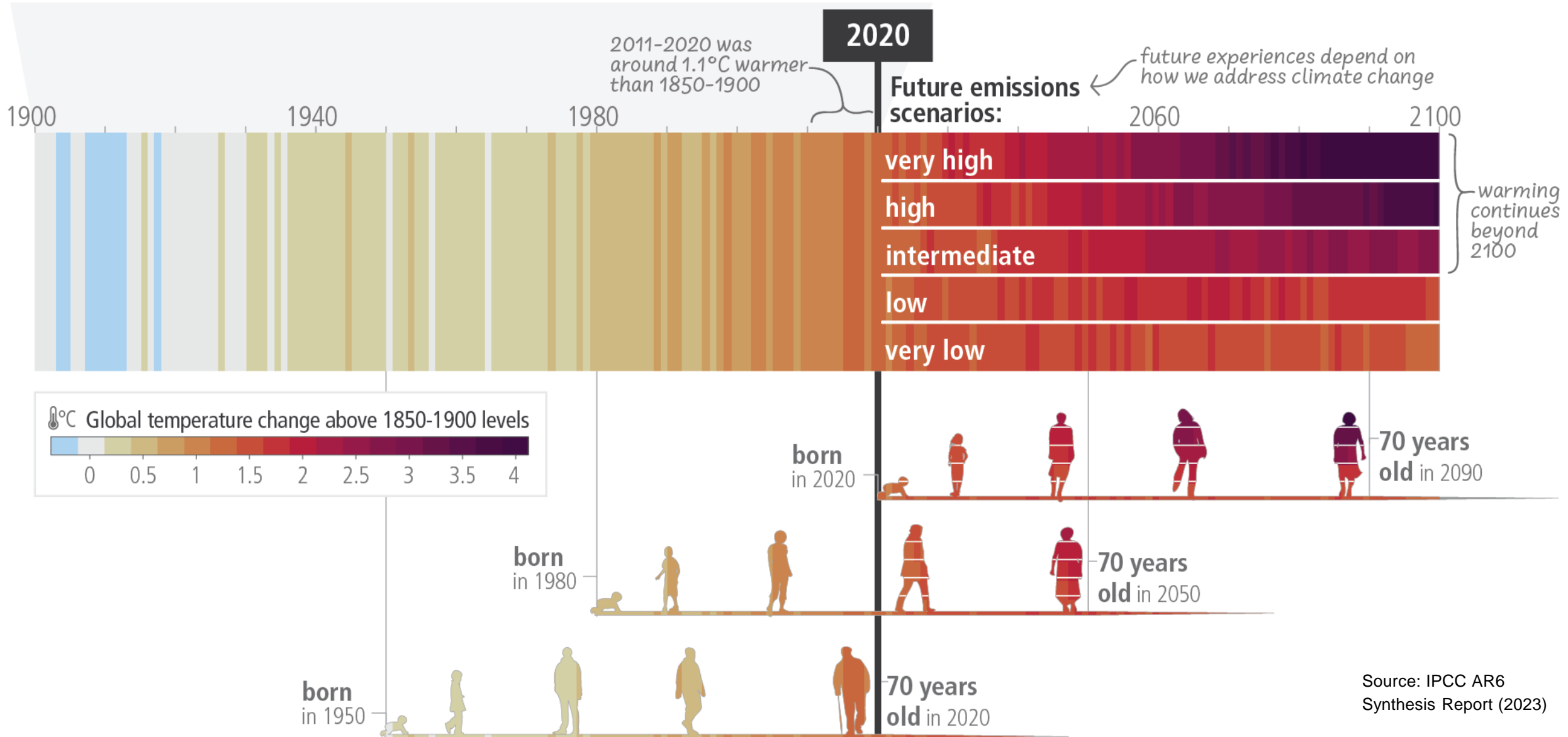
A 1.5°C vs. a 2°C world: Half a degree of warming is a world of a difference (based on 2018 IPCC special report on 1.5°C)

	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

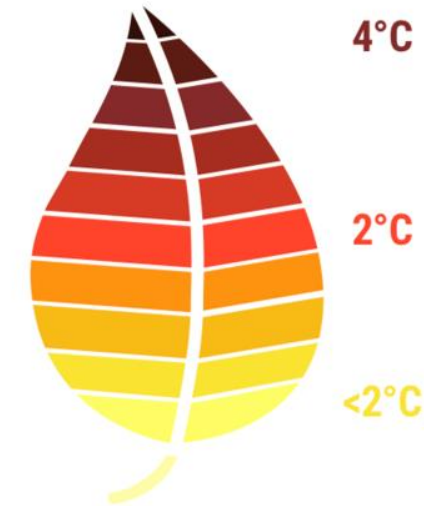
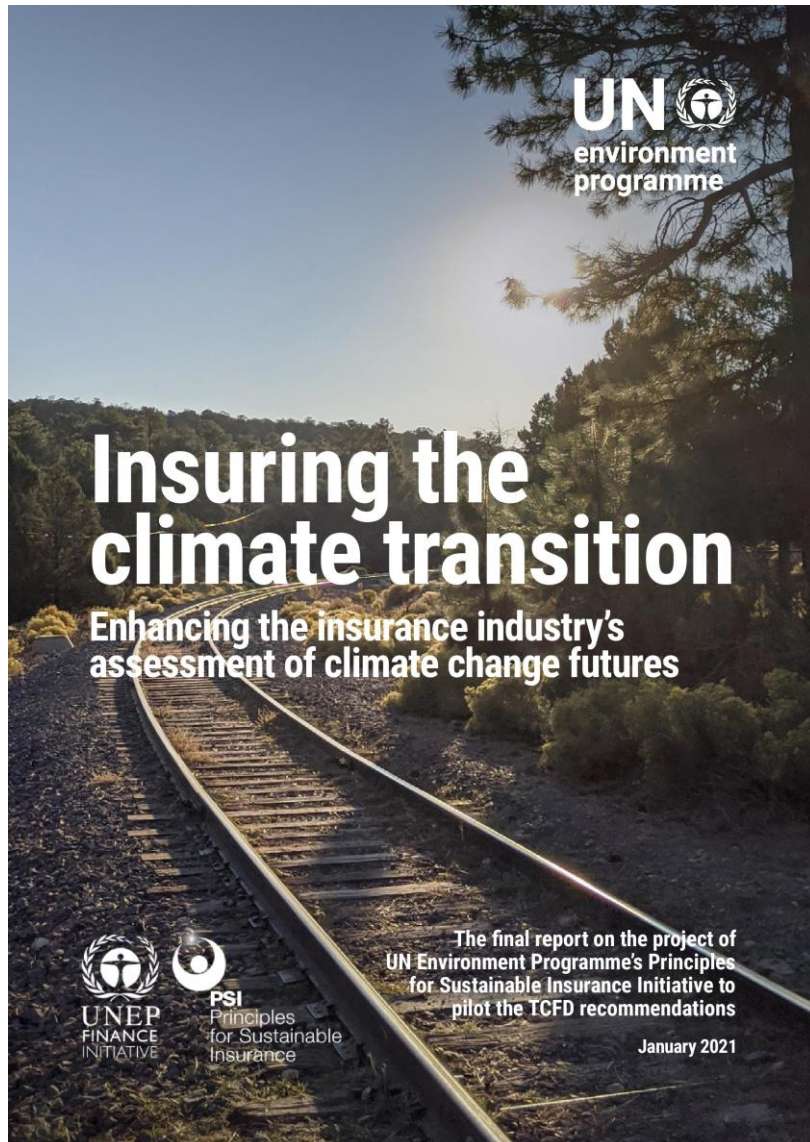
	1.5°C	2°C	2°C IMPACTS
ECOSYSTEMS Amount of Earth's land area where ecosystems will shift to a new biome	7%	13%	1.86x WORSE
PERMAFROST Amount of Arctic permafrost that will thaw	4.8 MILLION KM ²	6.6 MILLION KM ²	38% WORSE
CROP YIELDS Reduction in maize harvests in tropics	3%	7%	2.3x WORSE
CORAL REEFS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

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



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

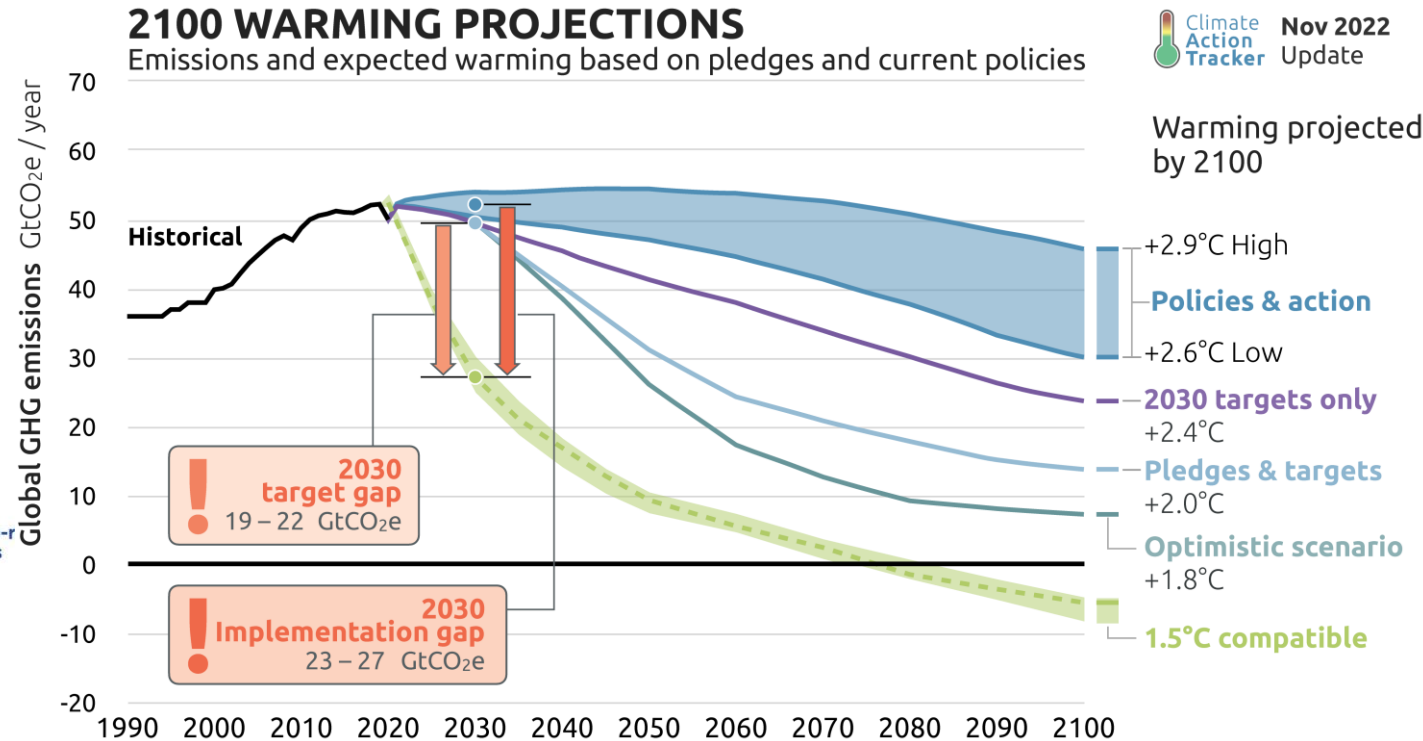
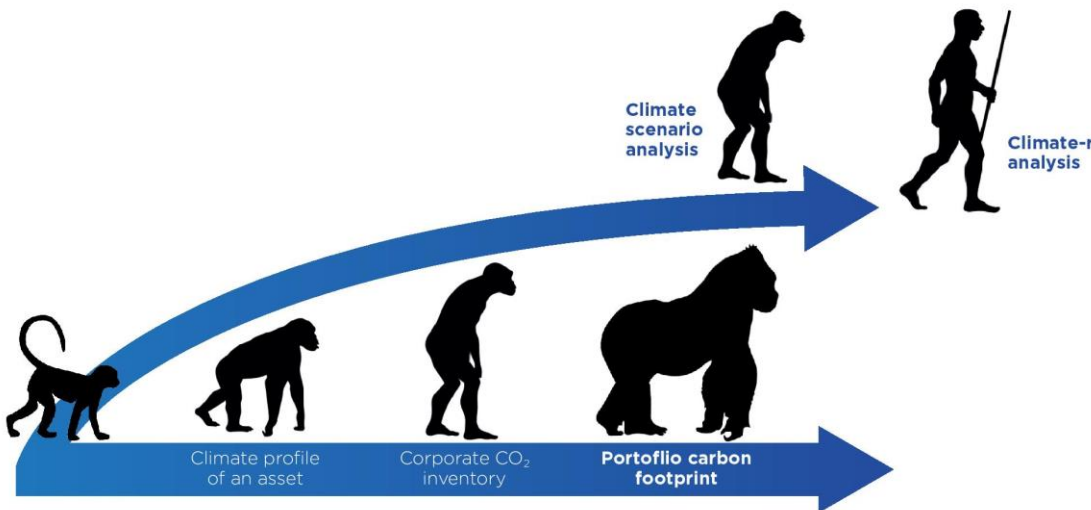
Economic sector

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

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



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

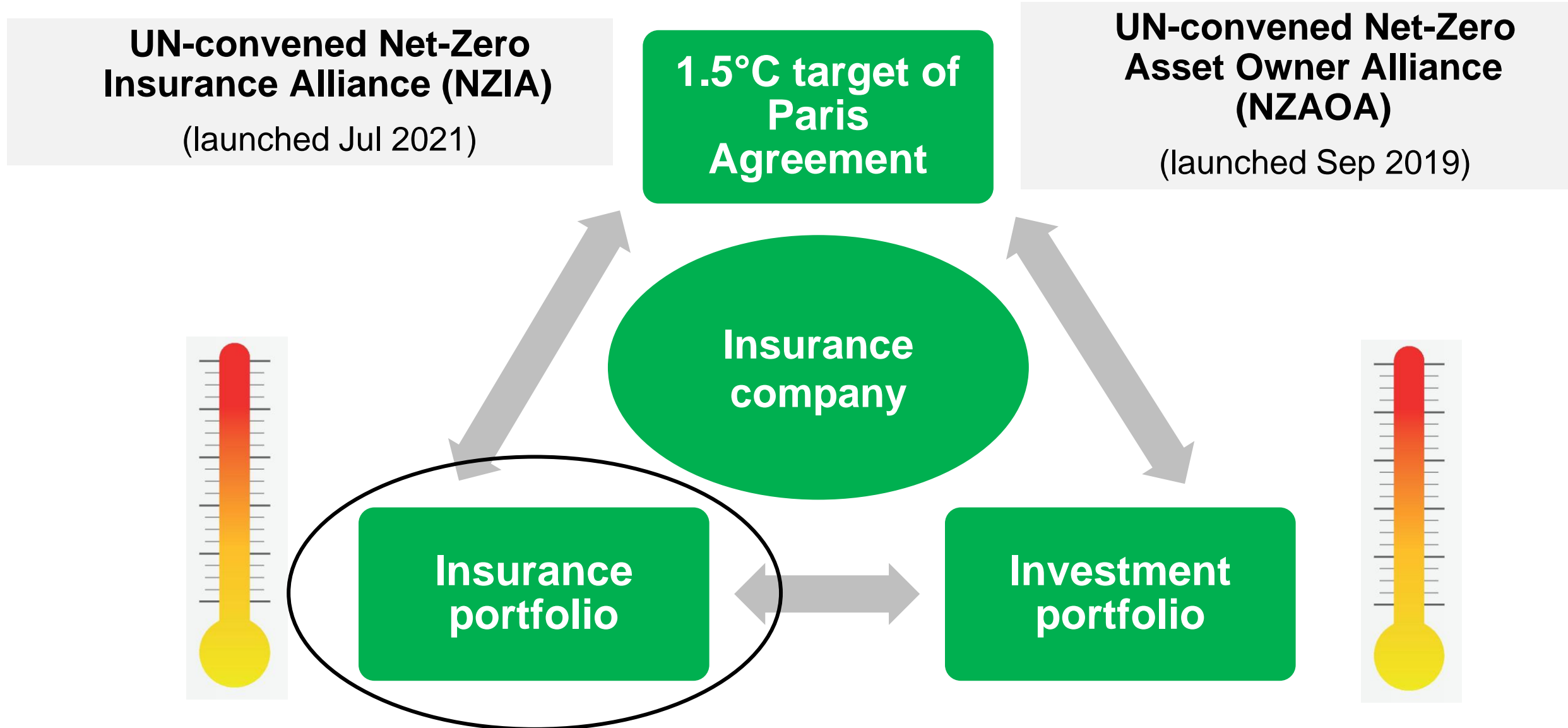


unepfi.org/net-zero-insurance



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

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



Key NZIA implementation milestones (2022-23)

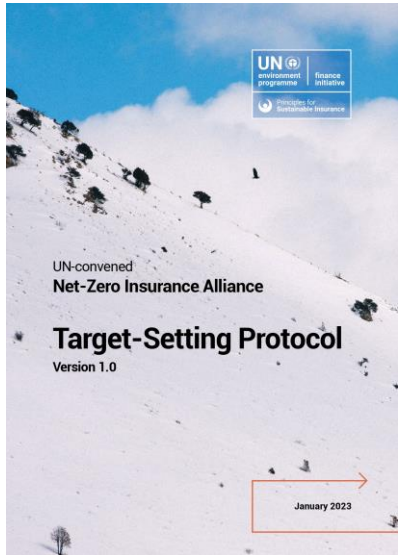
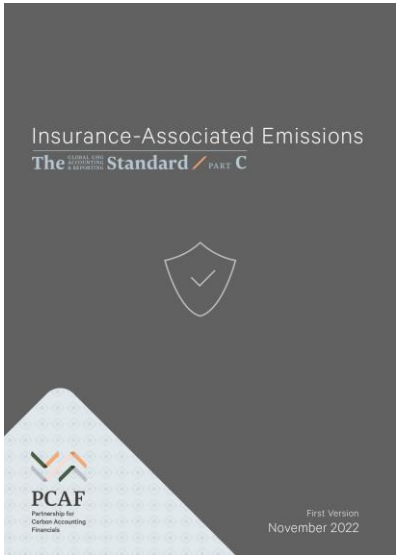


Launch of NZIA White Paper on Net-Zero Insurance
(Apr 2022)

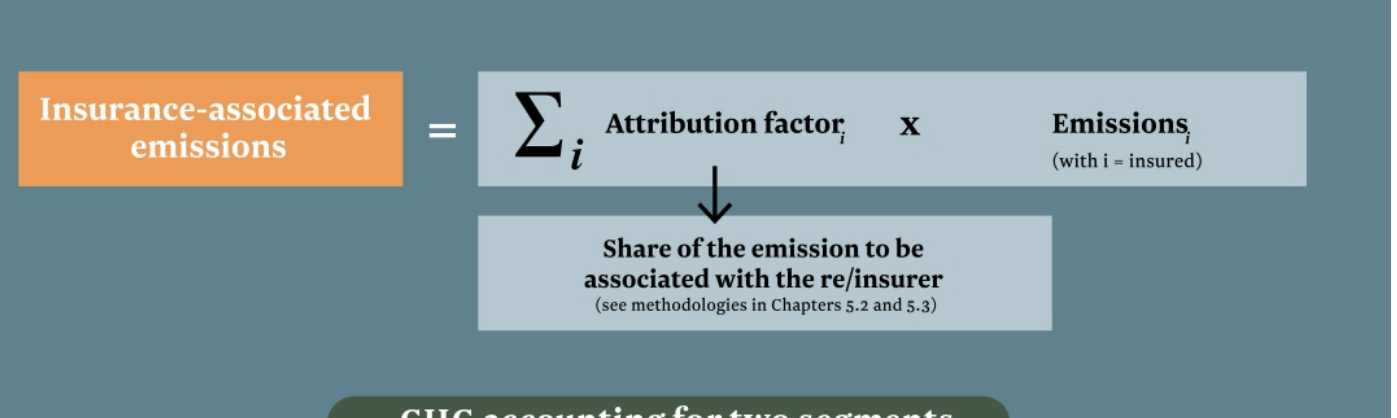
Launch of PCAF Insurance-Associated Emissions Standard
(in collaboration with NZIA)
(Nov 2022)

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

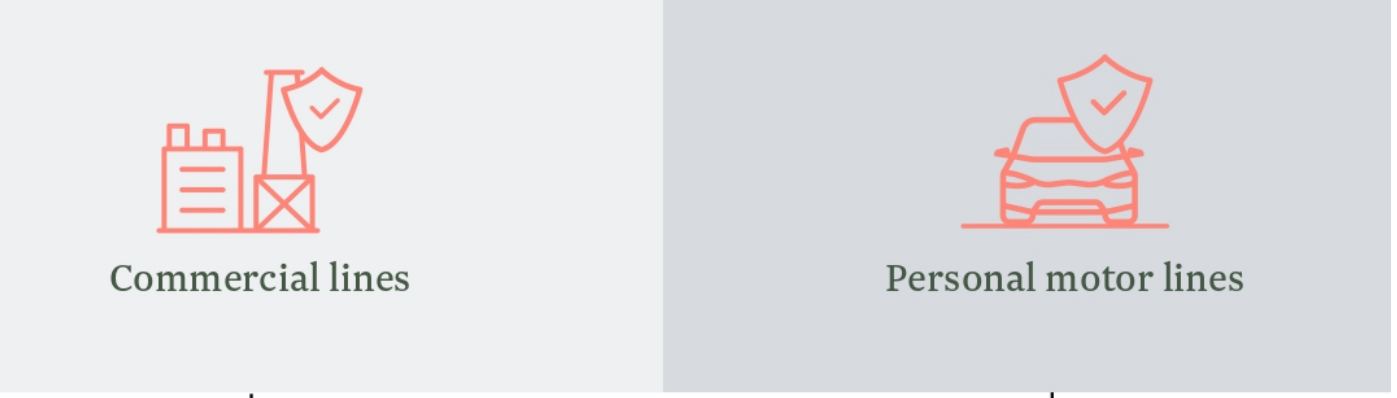
NZIA members to individually set and publish first interim science-based targets
(Jul 2023)



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



The Net-Zero Insurance Alliance after one year: How can insurers ensure real-world impact?



**Roundtable discussion between Chief Underwriting Officers and CEOs
from companies in the real economy (Jun 2022, PSI 10th anniversary event)**



Resilience, adaptation and loss and damage: COP26 launch of Vulnerable Twenty Group of Finance Ministers (V20) Sustainable Insurance Facility to protect MSMEs (Nov 2021)

- 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

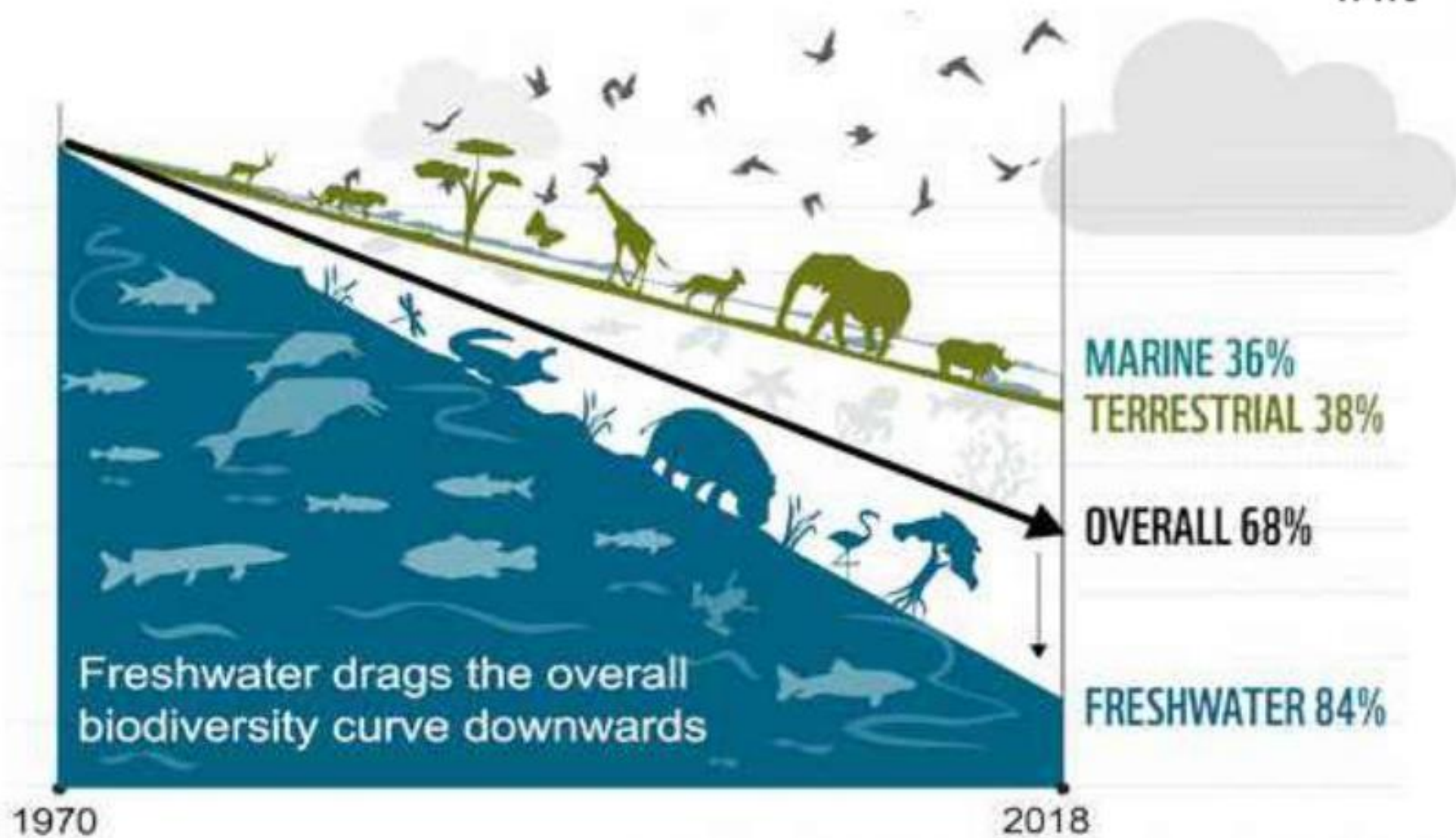


V20 Sustainable Insurance Facility (COP26)

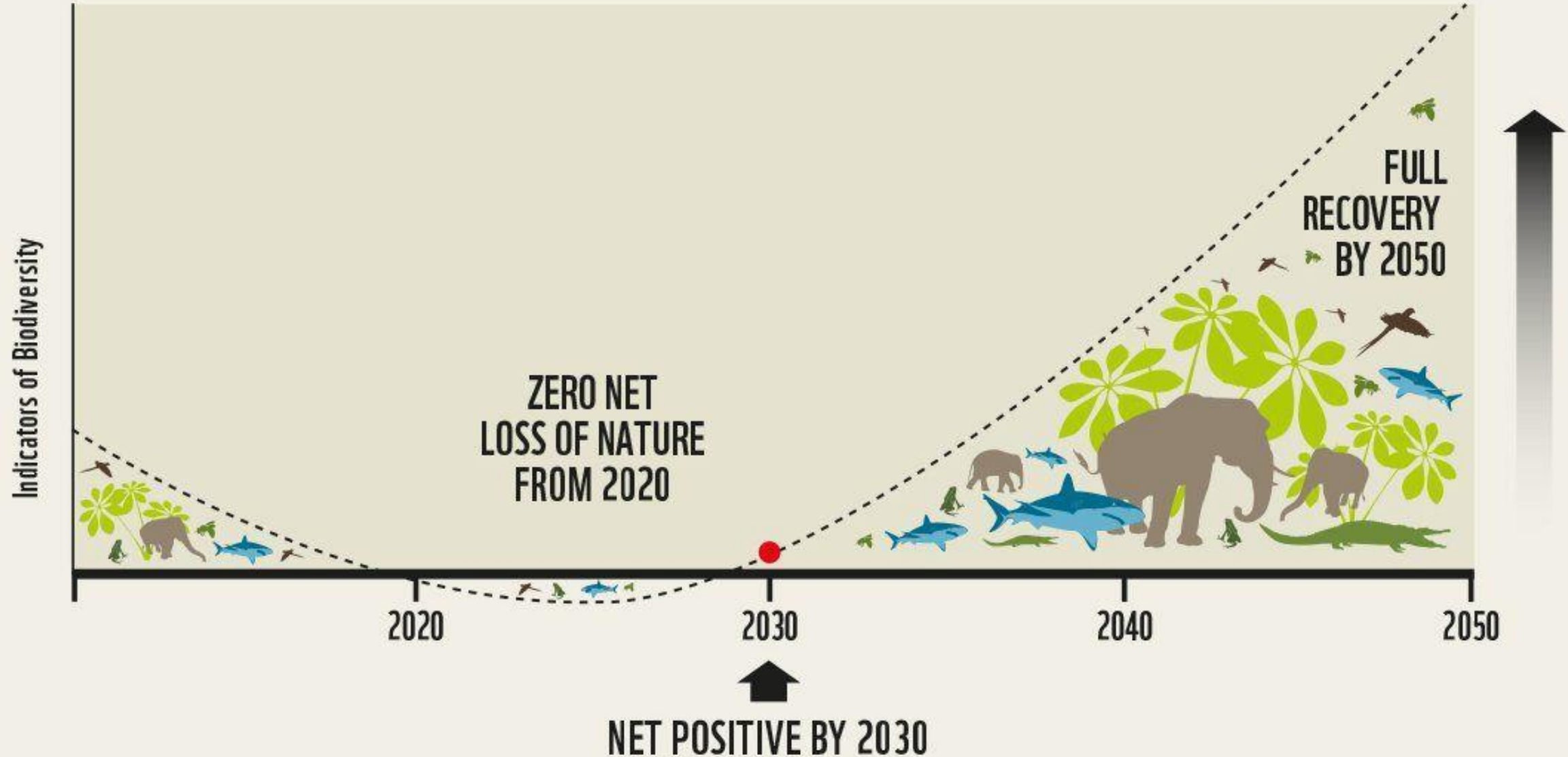
Global Shield Against Climate Risks (COP27)

UNFCCC Loss & Damage Fund (COP27)

Global decline in biodiversity since 1970



Global Goal for Nature: Nature Positive by 2030



Nature-positive insurance and pollution prevention

Kunming-Montreal Global Biodiversity Framework (Dec 2022)

UN High Seas Treaty (Mar 2023)

UN Plastic Pollution Treaty (2024)

PSI collaborative initiatives relevant to reversing nature loss and preventing pollution

Guide to protect World Heritage Sites (2019)

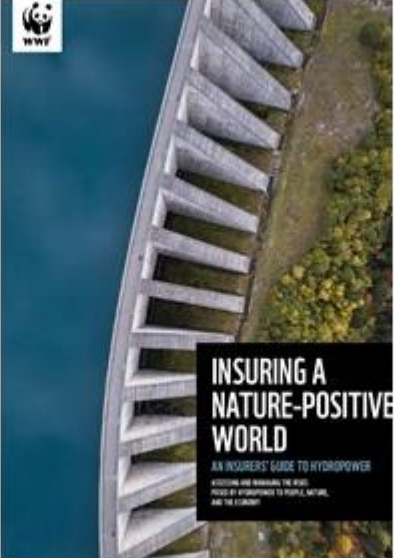
Guide to tackle illegal, unreported & unregulated fishing (2019)

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

UN environment programme | finance initiative
Principles for Sustainable Insurance

Convention on Biological Diversity

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



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)



NDSI launches African Climate Risk Facility at COP27 (2022)



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



Insurance Council of Australia Climate Change Roadmap (2022)



PSI Canadian Sustainable Insurance Task Force (2019)



Examples of PSI priorities to amplify sustainable insurance

Insurance SDGs



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

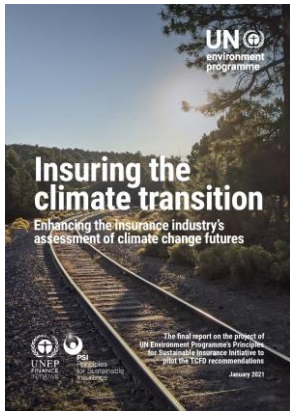


V20 Sustainable Insurance Facility for most climate-vulnerable countries

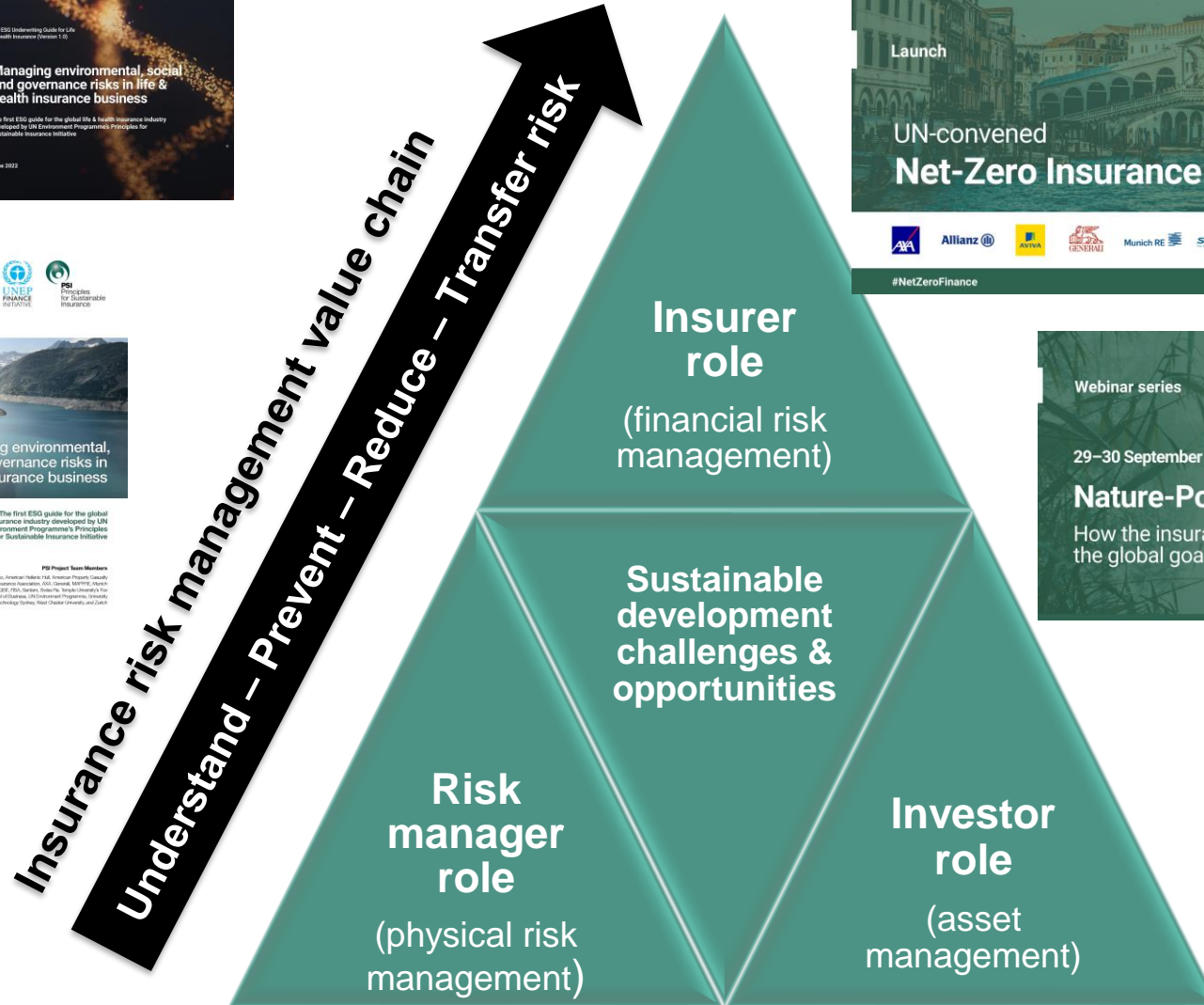
PSI guide to better manage ESG risks in non-life insurance



PSI-supported sustainable insurance roadmaps



PSI TCFD projects to better understand and manage climate risks



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Principles for
Sustainable Insurance

Insuring for sustainable development

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www.unepfi.org/net-zero-insurance

<https://v20sif.org>