

Report of the UNEP FI Global Survey on ESG factors and Insurance

AIO members contributed to [the success of] the UNEP Finance Initiative (UNEP FI) global survey on environmental, social and governance (ESG) factors and insurance.

I. Background

At the UNEP FI Global Roundtable in Cape Town, South Africa, in the week of 19th October, 2009, the UNEP FI Insurance Working Group launched this ground-breaking report exploring the complex relationship between ESG factors, core insurance operations, and the insurance industry.

This landmark report, with forewords from UN Under-Secretary-General and UNEP Executive Director, Achim Steiner, and HRH The Prince of Wales, is titled, "**The global state of sustainable insurance – Understanding and integrating environmental, social and governance factors in insurance**". The report is based on the pioneering global survey conducted in 2009 by the UNEP FI Insurance Working Group and its Academic Working Group on the understanding and integration of ESG factors in insurance underwriting and product development.

The comprehensive survey covered a wide spectrum of ESG factors as they relate to the insurance business, primarily:

- Environmental --- climate change, biodiversity loss & ecosystem degradation, water management, pollution
- Social --- financial inclusion, human rights, emerging manmade health risks, ageing populations
- Governance --- regulations, disclosure, ethics & principles, alignment of interests

The survey generated nearly 2,700 pages of data from 60 territories worldwide and from respondents with over 3,800 years of cumulative insurance experience. This report represents the analysis of five broad themes that emerged from survey results.

II. Five broad themes that emerged from the global survey

Theme 1 --- ESG factors influence underwriting, and have varying degrees of impact across lines of insurance.

Theme 2 --- Proper management of ESG factors potentially enhances insurance company earnings and long-term company value via avoided loss and new product offerings.

Theme 3 --- Given their assessment of ESG risks, underwriters judge the societal response for many ESG factors as underdeveloped.

Theme 4 --- The evolution of ESG factors in developing regions is different, but there are aspects common globally.

Theme 5 --- Active promotion and adoption of integrated ESG risk management and financing is needed. Actions called for are:

- Working together within a fragmented insurance industry structure on how to achieve collective industry action on ESG factors
- Creating enhanced forums for dialogue on ESG factors within the insurance industry, and between the industry and its stakeholders

- Embedding material ESG factors in underwriting guidelines, and building the appropriate skill sets
- Addressing ESG communication gaps and barriers within insurance companies
- Recognising and respecting divergent interests on ESG factors

III. Recommendations

This report provides recommendations at the company, industry, and regulatory & stakeholder levels.

IV. Overall conclusions

Overall, the key conclusions of this report are that in order to sustain the long-term economic health and resilience of the insurance industry — and unleash its immense capacity to tackle ESG factors as risk managers, risk carriers and institutional investors — material ESG factors must be systematically integrated into underwriting guidelines and product development, and other core insurance processes such as investment management, claims management and sales & marketing.

Equally, this report articulates the insurance industry's assessment that the societal response to managing the global, long-term and systemic risks posed by many ESG factors is underdeveloped. In this vein, it builds a case for the industry to develop "Principles for Sustainable Insurance" that can act as a dynamic best practice framework, pool information and resources, inform regulators and policymakers, create a global sustainability forum for the industry and its stakeholders, foster inclusiveness across markets, drive innovative solutions, and accelerate collective action on global sustainability challenges.

To view the official UNEP press release:

- <http://www.unepfi.org/fileadmin/documents/global-state-of-sustainable-insurance-press-release.pdf>

To view the "launch document" (there are design details that will be completed in the coming weeks):

- <http://www.unepfi.org/fileadmin/documents/global-state-of-sustainable-insurance.pdf>