



UNITED NATIONS ENVIRONMENT PROGRAMME

Programme des Nations Unies pour l'environnement Programa de las Naciones Unidas para el Medio Ambiente

Программа Организации Объединенных Наций по окружающей среде برنامج الأمم المتحدة للبيئة

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EMBARGOED: Not for publication or broadcast until after  
1200 noon Central European Time on 22 October 2009

## World's Insurers Unite to Cover a Green Economy

Long-term economic health of insurance industry hinges on management of sustainability & climate risks says United Nations-backed global survey

### **United Nations and HRH Prince Charles welcome landmark study**

Cape Town/Geneva/Nairobi, 22 October 2009—Global insurers controlling assets worth trillions of US dollars have joined with the world's leading academics in a United Nations-backed survey putting the industry's approach to sustainability and climate risks under forensic examination.

Coming just six weeks before the pivotal United Nations climate summit in Copenhagen, Denmark, the report has been welcomed by the UN's environmental head and HRH Prince Charles.

The report highlighting the first-ever such global survey of the powerful insurance sector, and backed by the United Nations Environment Programme (UNEP), says that the industry has a fundamental role to play to speed the transition to a clean, green, low carbon global economy that supports sustainable development and tackles the threat of global warming head on.

The document, to be launched today (22 October) at a major UN gathering of financial service companies in Cape Town, South Africa ([www.unepfi.org](http://www.unepfi.org)), reveals that senior executives from the powerful sector are convinced that in order to sustain their industry's long-term economic health, they must systematically integrate key environmental, social and governance (ESG) factors into insurance company underwriting guidelines and product development, and other core operations such as investment management, claims management, and sales and marketing.

The report, titled, "*The Global State of Sustainable Insurance — Understanding and integrating environmental, social and governance factors in insurance*", summarises the key findings of the UNEP Finance Initiative global survey conducted this year, the nature and scope of which made it the first of its kind ever. (Please see some of the key findings and recommendations of the report under **Notes to editor** below.)

**Achim Steiner, UN Under-Secretary-General and UNEP Executive Director**, commenting on the report said: "The insurance industry has long been in the vanguard of understanding and managing risk, and has served as an important early warning system for society by amplifying risk signals. Through loss prevention and mitigation, by sharing risks over many shoulders, and as major investors, the insurance industry has protected society, shaped markets and underpinned economic development.



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“And the message is loud and clear—insurers are communicating strong risk signals stemming from a wide range of environmental, social and governance issues—from climate change, biodiversity loss and ecosystem degradation and water scarcity, to poverty, emerging manmade health risks, ageing populations, child labour and corruption,” he said.

**HRH The Prince of Wales**, in a foreword to the report, writes: “Insurance companies play a pivotal role in identifying and assessing new and emerging risks. No other sector takes a longer term or more carefully calculated professional view of the future. Their approach to sustainability is therefore of fundamental importance, not only to the rest of the corporate sector, but to the whole of human society. So I am delighted to introduce this timely and comprehensive global sustainability survey of the insurance industry by the UNEP Finance Initiative.”

HRH Prince Charles concluded: “Climate change is the global challenge that will define our generation. But it is important not to lose sight of the other sustainability challenges that we face, such as biodiversity loss, water management, rapidly increasing population growth and rapid, unplanned urbanization. In all these and many other areas of human life we need to find more sustainable ways of running our economies. This survey demonstrates that the insurance industry recognizes the importance of these challenges and is developing responses that truly reflect the level of risk.”

The report is based on a pioneering global survey conducted this year by the Insurance Working Group and Academic Working Group of UNEP Finance Initiative (UNEP FI), a strategic partnership between the UN’s environmental arm and over 180 financial institutions and partner organizations worldwide.

The 100-plus page 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. The report builds a case for the industry to develop “Principles for Sustainable Insurance” similar to the UN-backed Principles for Responsible Investment (PRI, [www.unpri.org](http://www.unpri.org)) which were incubated by UNEP FI between 2003-2006 and launched by the institutional investment industry in April 2006. The PRI is now backed by more than 600 institutions representing USD 18 trillion in assets.

**Paul Clements-Hunt, responsible for the team preparing the UNEP FI study**, explained: “Insurers and reinsurers have been at the forefront of the financial service sector’s efforts to come to grips with climate risk over the past fifteen years and now they are turning to a broader range of ESG issues in a way that has the power to fundamentally shift thinking across the sector about how to manage planetary challenges and risks associated with resource depletion.”

Clements-Hunt added: “If a set of Principles for Sustainable Insurance are developed then they will serve a range of purposes, including: acting as a dynamic best practice framework; pooling the industry’s information and resources on ESG issues; informing regulators and policymakers about the industry’s actions; creating a global sustainability forum for the industry and its stakeholders; driving innovative solutions; and accelerating collective action on global sustainability challenges.”

The comprehensive UNEP FI survey covers a wide spectrum of ESG factors as they relate to the insurance business, primarily—climate change, biodiversity loss and ecosystem degradation, water management, pollution, financial inclusion, human rights, emerging manmade health risks, ageing populations, regulations, disclosure, ethics and principles, and alignment of interests.



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联合国环境规划署



The survey obtained respondents from 60 territories worldwide—from Africa, the Asia-Pacific, Europe, North America, and Latin America and the Caribbean—with over 3,800 years of cumulative insurance experience, and generated nearly 2,700 pages of data.

**Butch Bacani, Programme Officer for Insurance and Investment at UNEP Finance Initiative and the report's Project Lead and Chief Editor**, said: “This report is the result of a truly collaborative, global effort, and offers profound insights on the dynamics of ESG factors and core insurance operations, the state of play of sustainable insurance thinking and practice, global sustainability challenges and potential solutions, and the many opportunities that remain largely untapped. Equally, it is a testament to the vital role of the insurance industry as an early warning system for society, as a catalyst for finance and investment, and as a pillar of economic prosperity and sustainable development.

“Since the insurance industry’s core business is to understand and manage risk, it has tremendous capacity to tackle global sustainability challenges. In line with its provision of risk management services and insurance products, and as major institutional investors, the insurance industry is uniquely positioned to help identify and mitigate global systemic risks and avert crises, including the potentially highly complex and profound ‘natural resources crisis’ arising from the unsustainable use of a wide range of natural resources such as the climate, biodiversity and ecosystems, and water,” he added.

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Notes to editor

The new UNEP Finance Initiative report, “*The Global State of Sustainable Insurance — Understanding and integrating environmental, social and governance factors in insurance*”, can be downloaded at: <http://www.unepfi.org/fileadmin/documents/global-state-of-sustainable-insurance.pdf>

Some key findings and recommendations of the comprehensive report:

1. ESG factors are relevant to both the insurance and investment operations of insurance companies. Therefore, the global, long-term and systemic risks posed by many ESG factors can undermine the solvency of an insurance company and the long-term economic health of the insurance industry, including insureds and entities financed by insurance capital.



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联合国环境规划署



2. Given their multiple roles as risk managers, risk carriers and institutional investors, insurance companies have immense capacity to manage ESG factors. However, in a highly competitive, fragmented and regulated industry, tackling ESG factors entails overcoming major challenges.
3. ESG factors influence insurance underwriting, and have varying degrees of impact across lines of insurance.
4. Proper management of ESG factors potentially enhances insurance company earnings and long-term company value via avoided loss and new product offerings.
5. Given their assessment of ESG risks, insurance underwriters judge the societal response for many ESG factors as underdeveloped.
6. The evolution of ESG factors in developing regions is different, but there are aspects common globally.
7. Active promotion and adoption of integrated ESG risk management and financing is needed.
8. Effective ESG risk management and financing entail the systematic integration of material ESG factors into company-wide policy and core insurance processes (e.g. underwriting, product development, investment management, claims management, sales & marketing).
9. In order to effectively promote and adopt ESG risk management and financing at the industry and global levels, the insurance industry should develop and adopt “Principles for Sustainable Insurance”, a best practice framework focused on ESG factors, tailored to the insurance business, grounded on risks and opportunities, and in line with the goals of sustainable development.
10. Policymakers and regulators should ensure prudential regulatory or legal frameworks on ESG factors, where appropriate.
11. Civil society institutions should collectively bolster their understanding of the insurance industry such that they can play a full role in ensuring that the insurance industry is sustainable and providing products and services that duly take ESG factors into account.
12. The academic community should continue to advance research on ESG factors and the insurance industry.

### UNEP Finance Initiative (UNEP FI)

UNEP FI is a strategic public-private partnership between UNEP and the global financial sector. UNEP works with over 180 banks, insurers and investment firms, and a range of partner organisations, to understand the impacts of environmental, social and governance factors on financial performance and sustainable development. Through a comprehensive work programme encompassing research, training, events and regional activities, UNEP FI carries out its mission to identify, promote and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

Learn more at: <http://www.unepfi.org>



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### UNEP Green Economy Initiative

Mobilizing and refocusing the global economy towards investments in clean technologies and 'natural' infrastructure such as forests and soils is the best bet for real growth, combating climate change and triggering an employment boom in the 21st Century. On 22 October 2008, UNEP and leading economists launched the Green Economy Initiative (GEI) aimed at seizing an historic opportunity to bring about tomorrow's economy today. The GEI, which will initially run for a period of two years, has three key elements: the Green Economy report, which will provide an overview, analysis and synthesis of how public policy can help markets accelerate the transition towards a green economy; The Economics of Ecosystems and Biodiversity (TEEB), a partnership project focusing on valuation issues; and finally the Green Jobs report, published in September 2008, that looked at employment trends.

Learn more at: <http://www.unep.org/greeneconomy>

### UNEP FI Insurance Working Group

The UNEP FI Insurance Working Group is a strategic alliance of insurers and reinsurers that work together to understand the impacts of environmental, social and governance (ESG) factors on the insurance business and sustainable development, and to advance the integration of ESG factors into core insurance processes.

Member institutions:

Achmea, Allianz, Aviva, AXA, Chartis International, Folksam, HSBC Insurance, Insurance Australia Group, Interamerican Hellenic Insurance Group, Lloyd's, MAPFRE, Munich Re, RSA Insurance Group, Swiss Re, Storebrand, The Co-operators Group, Tokio Marine Nichido, and XL Insurance.

Learn more at: [www.unepfi.org/work\\_streams/insurance](http://www.unepfi.org/work_streams/insurance)

### UNEP FI Academic Working Group

The UNEP FI Academic Working Group was established by the UNEP FI Insurance Working Group to support its research on the impacts of environmental, social and governance factors on the insurance business and sustainable development.

Lead academic institution:

Fox School of Business, Temple University

Advisory academic institutions:

Earth Institute, Columbia University; Glasgow Caledonian University; International Institute for Applied Systems Analysis; Institute for Catastrophic Loss Reduction; University of Cambridge; University of Karlsruhe; University of Oxford; and University of Verona

Learn more at: [www.unepfi.org/work\\_streams/insurance](http://www.unepfi.org/work_streams/insurance)