



# United Nations Environment Programme

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PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE  
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

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**February 2011**

## **The United Nations Framework Convention on Climate Change work programme on loss and damage**

**Input from the United Nations Environment Programme and the  
United Nations Environment Programme Finance Initiative**

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## **1. Introduction – Purpose of document and the development of a loss and damage work programme under the Cancun Adaptation Framework**

This document represents input from UNEP and UNEP Finance Initiative (collectively 'UNEP') on the elements of the loss and damage work programme, including offering to use existing and upcoming UNEP Finance Initiative platforms to help further develop the elements from now until the 18<sup>th</sup> Conference of the Parties (COP 18). The proposals, captured in Section 3, were developed through a consultative process including a workshop in London, UK on 16 February 2011 that engaged insurance industry representatives and other groups. The elements identified are 'placeholders' for issues that require further debate and development in the coming months. This submission has not only identified items for consideration and inclusion in the loss and damage work programme, but also highlighted areas where UNEP can contribute to further discussion, analysis and input. The primary channel for this discussion and input will be the upcoming global consultation process of UNEP Finance Initiative to develop Principles for Sustainable Insurance for the global insurance industry.

The significant experience and skills gathered in recent years in the areas of disaster risk reduction, insurance (e.g. microinsurance, index-based weather insurance and other parametric schemes) and alternative risk transfer instruments (e.g. insurance-linked securities) has stimulated interest among Parties on how the benefits from these risk management approaches and risk transfer instruments could be seized in the context of climate change adaptation. Efforts by Parties, Blocs (e.g. Alliance of Small Island States) and Observers (e.g. Munich Climate Insurance Initiative, ClimateWise, The Geneva Association, UNEP Finance Initiative) over the years have culminated in the loss and damage component of the Cancun Adaptation Framework.

The Framework acknowledges the potential benefits from risk management and risk transfer and has set in motion the development of a work programme on loss and damage associated with the adverse effects of climate change through one of the UNFCCC technical subcommittees—the Subsidiary Body for Implementation (SBI). This process could lead to the incorporation of risk management and risk transfer elements into the next international climate change regime architecture.

The SBI work programme aims to inform the UNFCCC process and make specific recommendations for a UNFCCC decision at COP18 in December 2012. As a starting point, the UNFCCC is inviting Parties (i.e. country governments) and relevant organisations (e.g. private sector platforms, civil society organisations) to provide input by 21 February 2011 on the design, modalities and thematic elements of this work programme, including the following:

- (a) Possible development of a climate risk insurance facility to address impacts associated with severe weather events;*
- (b) Options for risk management and reduction; risk sharing and transfer mechanisms such as insurance, including options for micro-insurance; and resilience building, including through economic diversification;*
- (c) Approaches for addressing rehabilitation measures associated with slow onset events;*
- (d) Engagement of stakeholders with relevant specialized expertise*

Our initial understanding and assessment of the four components of the loss and damage work programme is outlined below. This will be confirmed in greater depth by our proposals under Section 3 of this document.

*(a) Possible development of a climate risk insurance facility to address impacts associated with severe weather events*

There is already significant experience within the insurance industry in the area of severe weather events, and there are examples of insurance facilities addressing this area at the local, national, regional or international level. However, new approaches and facilities and potentially new institutions will be required to operationalise mechanisms for vulnerable countries since they are currently outside the scope of commercial insurance.

*(b) Options for risk management and reduction; risk sharing and transfer mechanisms such as insurance, including options for micro-insurance; and resilience building, including through economic diversification*

There is already considerable activity in this area, involving the insurance industry and other disciplines such as disaster risk reduction.

- Physical risk management is a prerequisite for financial risk management. Such physical risk management is a responsibility of those at risk and the community to which they belong (in the case of vulnerable countries—the UNFCCC). The insurance industry can advise on how such measures can make risks insurable.
- Insurance-style risk sharing and risk transfer mechanisms are already in use in a variety of situations involving vulnerable communities and countries. Here there is a possibility that, provided appropriate regulatory and informational infrastructure and international support are put in place, such mechanisms can become self-sustaining in a commercial context.
- Resilience-building should incorporate lessons on how to ‘climate-proof’ existing activities to physical loss and damage. Here the insurance industry can contribute the knowledge and experience from its claims adjustment function.

*(c) Approaches for addressing rehabilitation measures associated with slow onset events*

This is the most difficult element of the work programme since it is a novel issue. The progress of slow onset events is still very uncertain, which makes the assessment of costs very difficult. However, it is possible that some insurance tools (e.g. life insurance, pension provision, investment management) may be relevant.

*(d) Engagement of stakeholders with relevant specialized expertise*

There is currently no substantial process to achieve this. The proposals in this document will address this gap.

## **2. Catalysing global insurance industry input on the loss and damage work programme**

### **2A. Global insurance industry input**

It is vital to catalyse global insurance industry input on the development of the SBI loss and damage work programme, and to do so in a structured and complementary manner. The industry has gained much valuable experience and acquired skills in this field over decades. Global insurance industry input means that such input is derived from an inclusive and comprehensive process engaging the whole range of insurance industry operators and stakeholders. Structured input means that the views and recommendations of the global insurance industry will be generated in a substantive (e.g. in-person meetings) and cumulative manner (e.g. series of meetings). Complementary input means that consultations with the global insurance industry shall take place in support of and in line with the UNFCCC process of developing the SBI loss and damage work programme. This will help provide insurance industry input for consideration by Parties and Observers in a timely, effective and efficient manner. This can also enhance insurance industry responsiveness to the latest developments and circumstances of the UNFCCC process.

Global insurance industry input is important for the following reasons:

- Loss and damage associated with the adverse effects of climate change present a wide range of risks and opportunities to the global insurance industry in both its insurance and investment activities. Greater understanding of and reducing climate risks will enable the industry to better adapt itself to help support national adaptation efforts through risk management and risk transfer. It is important to stimulate innovation, uncover new opportunities and improve the insurance industry's ability to meet its commitments to all its stakeholders and better serve society.
- The global insurance industry possesses significant expertise and capacity on risk management and risk transfer, and insurance companies are also major institutional investors, all of which could be mobilised to more effectively and efficiently reduce climate risks and build climate-resilient communities.

### **2B. UNEP Finance Initiative input**

UNEP Finance Initiative, the largest and oldest public-private partnership between the United Nations and the financial services sector—comprising insurance companies, banks and investment firms—aims to facilitate industry dialogue on loss and damage and provide substantive input to the UNFCCC process and the SBI loss and damage work programme.

A preliminary brainstorming workshop on the SBI loss and damage work programme was convened by UNEP Finance Initiative on 16 February 2011 in London, UK. The workshop engaged, among others, representatives

from the UNFCCC Secretariat, UNEP, Alliance of Small Island States, insurance industry participants<sup>1</sup>, and other insurance initiatives<sup>2</sup>.

UNEP Finance Initiative convened the workshop to stimulate collective and coordinated action on the loss and damage issue, and to structure a global insurance industry process that would proactively and substantively follow through on the 'Global insurance industry statement on adapting to climate change in developing countries' that was jointly produced in 2010 by ClimateWise, Munich Climate Insurance Initiative, The Geneva Association and UNEP Finance Initiative.<sup>3</sup>

The workshop informed the conceptualisation of the components and deliverables of the loss and damage work programme outlined under Section 3 of this document. The aim of these components and deliverables is to enable an effective and efficient dialogue between the UNFCCC community and the global insurance industry in the short to medium term (2011-12), and in the long term (beyond 2012).

## **2C. The Principles for Sustainable Insurance Initiative**

The consultation meetings on the SBI loss and damage work programme will be integrated as sessions into the wider scope of the upcoming global consultation process of UNEP Finance Initiative to develop Principles for Sustainable Insurance for the global insurance industry.

UNEP Finance Initiative will obtain input by undertaking a global consultation process, involving meetings in all regions. The meetings will convene senior representatives from the insurance industry and its stakeholders:

- Insurance and reinsurance companies, insurance and reinsurance agents and brokers, risk modelling vendors, insurance and reinsurance associations and initiatives (e.g. national, regional and international insurance associations, ClimateWise, Munich Climate Insurance Initiative, The Geneva Association)
- Governments and regulators (e.g. UNFCCC delegation members, finance ministries, environment ministries, insurance regulators)
- Intergovernmental organisations (e.g. UNFCCC Secretariat, relevant UN system agencies)
- Business and industry organisations
- Civil society organisations
- Academia and the scientific community

The outcomes of the global insurance industry consultation process will be submitted to relevant sessions and forums, including the 17<sup>th</sup> Conference of the Parties (COP 17) in Durban, South Africa.

Please refer to Appendix A for:

- Background information on the Principles for Sustainable Insurance Initiative
- The dates, locations, host insurance institutions and CEO leadership of all meetings

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<sup>1</sup> Lloyd's, Chartis Insurance, Parhelion Underwriting, The Willis Group

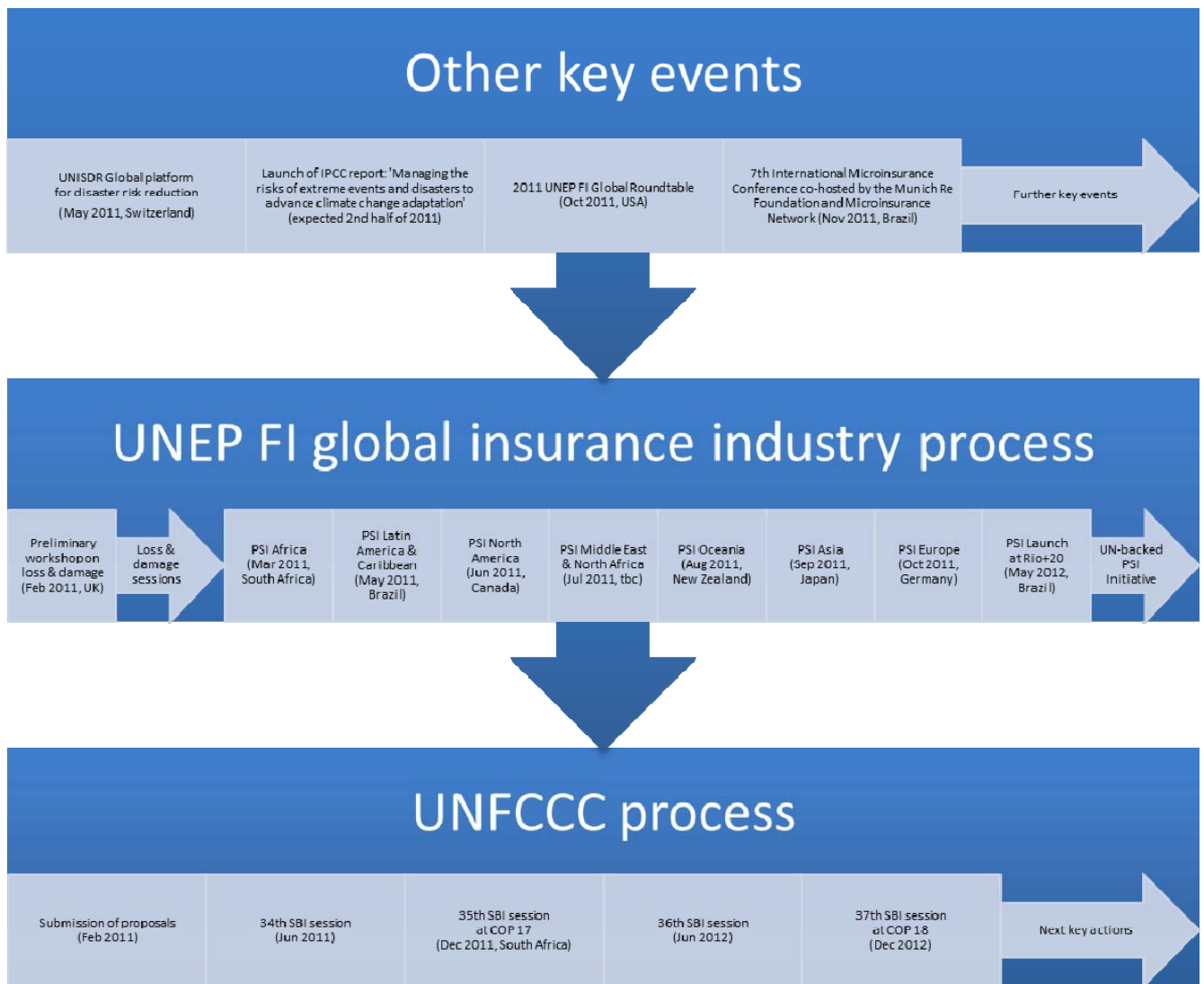
<sup>2</sup> ClimateWise, Munich Climate Insurance Initiative, The Geneva Association

<sup>3</sup> See [www.unepfi.org/fileadmin/documents/insurance\\_climatechange\\_statement.pdf](http://www.unepfi.org/fileadmin/documents/insurance_climatechange_statement.pdf)

## 2D. The 2011 UNEP FI Global Roundtable

Additionally, UNEP Finance Initiative has included a session on the SBI loss and damage work programme in the agenda of its biennial flagship event—the UNEP FI Global Roundtable. The event has spanned continents over the years and the next UNEP FI Global Roundtable will take place in Washington DC, USA from 19 to 20 October 2011. The event offers a global platform for leaders and professionals in the financial sector (across the banking, insurance and investment industries), along with senior representatives from governments, the broader business community, civil society and academia, to exchange views and best practices on environmental, social and governance risks and opportunities in the context of financial performance and sustainable development.

The figure below shows the timeline of relevant UNFCCC and UNEP Finance Initiative meetings, and examples of other key events.



### 3. Components and deliverables of the loss and damage work programme taking into account views from the insurance industry

As mentioned above, a preliminary brainstorming workshop on the SBI loss and damage work programme was convened by UNEP Finance Initiative on 16 February 2011 in London, UK.

The workshop led to the conceptualisation of the following components and deliverables of the loss and damage work programme. The aim of these components and deliverables is to enable an effective and efficient dialogue between the UNFCCC process and community and the global insurance industry in the short to medium term (2011-12), and in the long term (beyond 2012).

The aim of this dialogue is to help promote the understanding and incorporation of effective public-private approaches to risk management and risk transfer in the next international climate change regime. Moreover, the dialogue will promote the effective mobilisation of the significant expertise and capacity on risk management and risk transfer of the insurance industry in order to reduce climate risks and build climate-resilient communities.

#### **Component 1 → Establish a common language on loss and damage**

Speaking the same language is a foundation of effective dialogue. Currently, there appears to be no common language on loss and damage between the insurance industry and the UNFCCC community, and this could impede mutual understanding from the outset. In the insurance industry, risk transfer (in the form of insurance) is preceded by a range of fundamental risk management steps, including risk identification, risk assessment, risk prevention and risk reduction.

Therefore, a first short-term deliverable under the work programme should seek to bridge this gap. This could take the form of a glossary of terms in the context of risk management, risk transfer and climate change adaptation. This would also seek to be compatible with the definitions in use within the framework of the UN International Strategy on Disaster Reduction and the disaster risk reduction community.

**Potential UNEP contribution:** UNEP Finance Initiative, through its insurance company members and partners, could provide a draft of such terminology, if deemed useful by the UNFCCC Secretariat.

#### **Component 2 → Establish a clear understanding of the scope, operations, needs and practices of the UNFCCC and the insurance industry**

To realise effective public-private approaches to risk management and risk transfer, both the UNFCCC community and the insurance industry should have a clear understanding of each other's scope, operations, needs and practices. For example, the nature and scope of paragraph 28 under the Cancun Adaptation Framework— specifically items (a), (b) and (c)—can be interpreted by the insurance industry in different ways.<sup>4</sup>

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<sup>4</sup> See [http://unfccc.int/files/meetings/cop\\_16/application/pdf/cop16\\_lca.pdf](http://unfccc.int/files/meetings/cop_16/application/pdf/cop16_lca.pdf)



Equally, it must be made clear what the insurance industry can deliver—and what it cannot. This should not be limited to previous models and paradigms, but should also include forward-looking ones that make the insurance industry a partner in efforts to support countries adapt to a changing climate. There is a need to identify the prerequisites from the public sector (at the local, national, regional and international levels) in order for the insurance industry to play a greater and sustainable role in climate change adaptation.

This includes, for example, the premise that involvement by the insurance industry at the required scale would need to be based on commercial grounds; that risk exposure data is available, reliable and accessible; and that insurance risk premiums accurately reflect the level of risk. Involvement by the insurance industry based on philanthropic grounds is unlikely to deliver the required scale and to be sustainable. Having said that, the insurance industry needs to articulate how it could be able to adapt its own insurance paradigm to better reflect the rapidly changing needs of countries and communities.

A clear understanding is essential of the nature, scope and level of risks (e.g. micro, meso or macro), and where the insurance industry is expected to and can play a role. This understanding is a prerequisite to provide answers to relevant questions such as:

- Should the work programme address unavoidable losses only, or should it also address those that are not avoided due to reasons of cost or technical constraints?
- Should the work programme address direct physical losses only, or also indirect losses such as loss of life and health, loss of livelihood or environmental degradation?
- Will the work programme address all weather-related loss and damage, or is it intended to handle only those attributed to climate change? If the latter, how will those losses be determined?
- Which risks can be best addressed nationally, regionally or internationally?
- Which risks can be addressed through existing tools and institutions and which may need new ones?

**Potential UNEP contribution:** The UNEP Finance Initiative consultation meetings can inform the insurance industry on the context of loss and damage in the UNFCCC process, and the nature of adaptation objectives under the Convention and the SBI work programme. A compilation of insurance industry views on their role in the SBI loss and damage work programme could be delivered as an input to UNFCCC negotiations at COP 17 in Durban, South Africa.

### **Component 3 → Use a principles-based approach to loss and damage in the context of climate change adaptation and insurance industry involvement**

To support the aims of the Component 2 above, it is proposed that the work programme pursue a principles-based approach to loss and damage that would enable the prerequisites and conditions for effective, scaled up and sustainable involvement by the insurance industry in climate change adaptation efforts.

The rationale for a principles-based approach to address the loss and damage issue is that engineering a 'one-size-fits-all' solution will be difficult, and even if done, it will unlikely be effective. A principles-based approach will allow sufficient flexibility to determine the most appropriate solutions for the different types and levels of risk associated with loss and damage. Such principles can enable the UNFCCC community to more fully consider

public-private approaches to risk management and risk transfer, and ways to effectively embed these elements in the next international climate change regime.

For example, the following overarching principles have already been articulated by certain institutions<sup>5</sup>:

- Country ownership (no ‘one size fits all’)
- Flexibility regarding integration in funding architecture
- Private sector involvement
- Principles of insurability have to be met

In particular, the principles of insurability (including assessability, randomness, mutuality, economic viability) are intrinsic to the business model of the insurance industry.

**Potential UNEP contribution:** Dialogue and collaborative action on a principles-based approach to loss and damage and insurance industry involvement could be pursued via the Principles for Sustainable Insurance Initiative currently being developed by UNEP Finance Initiative, following the successful model of the United Nations-backed Principles for Responsible Investment<sup>6</sup> (see also Component 6).

#### **Component 4 → Conduct research and propose pilot projects on public-private partnership models for integrated risk management approaches and climate insurance**

Significant experience and skills have been gathered in recent years in the areas of disaster risk reduction, microinsurance, index-based weather insurance and other parametric schemes, and alternative risk transfer instruments such as insurance-linked securities (e.g. catastrophe bonds). This collective experience and the innovation it has stimulated needs to be considered in-depth by the SBI work programme, and should inform the assessment of priorities and needs, as well as the formulation of policy recommendations.

Based on previous experience and lessons learned, further research could assess and highlight current thinking and promising avenues on how innovative public-private partnership models and enabling policy, regulatory and legal frameworks can accelerate, expand and deepen insurance industry involvement in vulnerable countries.

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<sup>5</sup> See ‘Insurance as an adaptation option under UNFCCC – Background paper’ (INFRAS; International Research Institute for Climate and Society, Columbia University; Swiss Re; 2010) <http://www.infras.ch/e/projekte/displayprojectitem.php?id=4280>

<sup>6</sup> UNEP Finance Initiative has had a similar experience regarding the Principles for Responsible Investment (PRI) that it conceptualised and delivered together with the UN Global Compact and investment industry. The PRI was launched in April 2006 by then UN Secretary-General Kofi Annan and subsequently endorsed by current UN Secretary-General Ban Ki-moon. The PRI swiftly became the global benchmark for responsible investing. To date, nearly 900 investors from 45 countries, representing more than USD 25 trillion in assets under management, have committed to implement the PRI and are progressively building sustainable capital markets through an active and global PRI Initiative. In January 2011, the Principles for Investors in Inclusive Finance (PIIF) were launched, providing a framework for responsible investment in inclusive finance. These principles were developed in response to growing interest and investments in inclusive finance and demand for investor guidance. The PIIF is an initiative of investors and Her Royal Highness Princess Máxima of the Netherlands, the UN Secretary-General’s Special Advocate for Inclusive Finance for Development. The group developed PIIF together with the United Nations-backed Principles for Responsible Investment, the World Bank’s Consultative Group to Assist the Poor, and several key industry players. The PIIF is housed by the PRI Initiative as a separate work stream. See [www.unpri.org](http://www.unpri.org) and [www.unpri.org/piif](http://www.unpri.org/piif)

Research should take stock of existing policy, regulatory and legal frameworks and the body of analysis and evidence available and address, in particular, how integrated risk management approaches<sup>7</sup> and climate insurance solutions can build the resilience of poor and vulnerable communities who do not have access to appropriate and affordable insurance.

Research and technical advice could be supplemented by identifying pilot projects in selected countries in order to facilitate implementation.

### **Potential UNEP contribution:**

#### Short to medium term (2011-12)

- A summary for policymakers of relevant information on practice, experience and success stories in the area of integrated risk management and climate insurance, building on previous work by various agencies, organisations and UNEP Finance Initiative itself, if deemed useful by the UNFCCC Secretariat.
- A shortlist of potential pilot projects to gain further knowledge, in order to develop a scaled-up work programme and facilitate implementation at the national, regional and international levels.<sup>8</sup>

#### Long term (beyond 2012)

- Dialogue and collaborative action to accelerate, expand and deepen the implementation of integrated risk management approaches and climate insurance solutions at the national, regional and international levels could be pursued via the Principles for Sustainable Insurance Initiative currently being developed by UNEP Finance Initiative (see also Component 6).

### **Component 5 → Address the lack of relevant, systematic and reliable risk data**

A major obstacle to insurance industry involvement is the lack of relevant, systematic and reliable risk exposure data, both historical and forward-looking. UNEP Finance Initiative, through its Climate Change Working Group, and partners recently initiated a work stream on the issue of how existing gaps in the availability and accessibility of climate information could be addressed. This work stream will run in parallel to and aim to provide input into both the UNEP Finance Initiative global consultation process on loss and damage, and the SBI loss and damage work programme.<sup>9</sup>

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<sup>7</sup> See 'Insurance as an adaptation option under UNFCCC – Background paper' (INFRAS; International Research Institute for Climate and Society, Columbia University; Swiss Re; 2010) <http://www.infras.ch/e/projekte/displayprojectitem.php?id=4280>

<sup>8</sup> See 'Mechanisms to manage financial risks from direct impacts of climate change in developing countries – Technical paper' (UNFCCC, 2008) <http://unfccc.int/resource/docs/2008/tp/09.pdf>

<sup>9</sup> See 'Advancing adaptation through climate information services – Results of a global survey on the information requirements of the financial sector' (UNEP Finance Initiative, Sustainable Business Institute; 2011) [www.unepfi.org/fileadmin/documents/advancing\\_adaptation.pdf](http://www.unepfi.org/fileadmin/documents/advancing_adaptation.pdf)

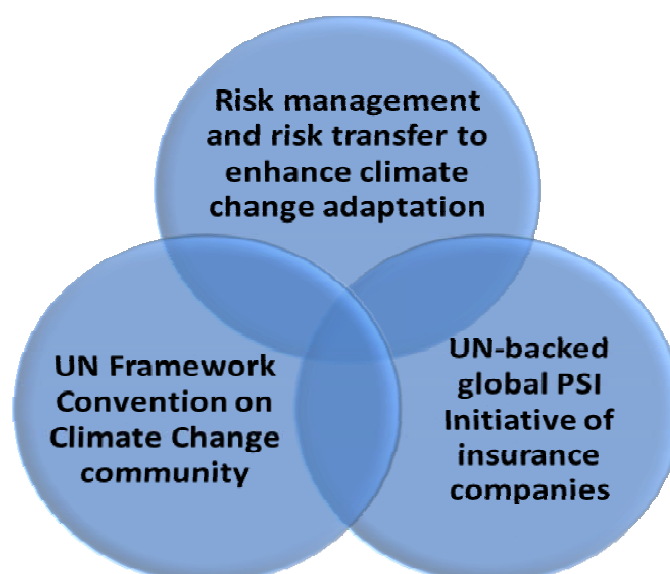
There appears to be a role for the international community in improving data availability, reliability and accessibility. The question of whether and how international climate finance could be invested for this purpose is of significant importance and should be dealt with as early as possible in the SBI work programme. At the same time, a wide range of tools and methods exist in the insurance industry (e.g. climate and catastrophe risk models, Global Earthquake Model Initiative) that could form the foundation of more systematic risk assessment at the national and sub-national levels. These tools and methods need to be analysed, complemented by other appropriate assessment tools, and integrated into UNFCCC planning (e.g. National Action Programmes) and reporting (e.g. National Communications).

**Potential UNEP contribution:** Proposals for a work stream in collaboration with relevant meteorological, academic and public agencies

### **Component 6 → Initiate long-term dialogue and collaboration between the UNFCCC community and the global insurance industry**

The nature, scale and timeframe of loss and damage associated with the adverse effects of climate change require long-term dialogue and sustained collaboration between the UNFCCC community and the global insurance industry.

**Potential UNEP contribution:** The Principles for Sustainable Insurance (PSI) that UNEP Finance Initiative is developing for the global insurance industry will establish a United Nations-backed, global PSI Initiative of insurance companies proactively addressing a wide range of environmental, social and governance risks and opportunities. The PSI Initiative can therefore serve as an effective and efficient global platform for the insurance industry to support the UNFCCC process on loss and damage, including risk management and risk transfer elements that can form part of the next international climate change regime, and the development and implementation of appropriate risk management approaches and risk transfer instruments at the local, national, regional or international levels. Equally, the PSI Initiative can catalyse enhanced collaboration and coordinated action between various insurance initiatives in support of a common climate imperative.



## Appendix A

### Background information on the Principles for Sustainable Insurance Initiative

#### I. Aims of the Principles for Sustainable Insurance

The PSI has two primary aims:

- **The development of the principles themselves** – A set of globally-applicable best practice principles—including concrete actions for success—that would facilitate the systematic consideration of environmental, social and governance risks and opportunities in core insurance company business strategies and operations, including risk management, risk underwriting, product and service development, claims management, sales and marketing, and investment management (via the United Nations-backed Principles for Responsible Investment)
- **The establishment of the PSI Initiative to drive the adoption and implementation of the principles** – A United Nations-backed global initiative of insurance companies proactively addressing environmental, social and governance risks and opportunities based on their commitment to implement the principles

Key environmental, social and governance risks and opportunities for the insurance industry include climate change, natural catastrophe risks, disaster risk reduction, biodiversity loss and ecosystem degradation, water scarcity, pollution, human rights, social and financial inclusion, emerging health risks, ageing populations, regulations, disclosure and transparency, business ethics and principles, and alignment of interests.

#### II. Background on the initiative to develop Principles for Sustainable Insurance

From 2007 to 2009, the UNEP FI Insurance Working Group, comprising leading global insurers, produced pioneering research on the impacts of environmental, social and governance risks and opportunities on the insurance business and sustainable development.<sup>10</sup> In 2010, UNEP FI co-produced with other insurance initiatives a global insurance industry statement on adapting to climate change in developing countries.<sup>11</sup>

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<sup>10</sup> See 'Insuring for sustainability – Why and how the leaders are doing it' (UNEP Finance Initiative, 2007) [www.unepfi.org/fileadmin/documents/insuring\\_for\\_sustainability.pdf](http://www.unepfi.org/fileadmin/documents/insuring_for_sustainability.pdf); 'Making forests competitive – Exploring insurance solutions for permanence' (UNEP Finance Initiative, 2008) [www.unepfi.org/fileadmin/documents/Exploring\\_Insurance\\_Solutions\\_for\\_Permanence.pdf](http://www.unepfi.org/fileadmin/documents/Exploring_Insurance_Solutions_for_Permanence.pdf); 'The global state of sustainable insurance – Understanding and integrating environmental, social and governance factors in insurance' (UNEP Finance Initiative, 2009) [www.unepfi.org/fileadmin/documents/global-state-of-sustainable-insurance\\_01.pdf](http://www.unepfi.org/fileadmin/documents/global-state-of-sustainable-insurance_01.pdf)

<sup>11</sup> See 'Global insurance industry statement on adapting to climate change in developing countries' (ClimateWise, The Geneva Association, Munich Climate Insurance Initiative, UNEP Finance Initiative; 2010) [www.unepfi.org/fileadmin/documents/insurance\\_climatechange\\_statement.pdf](http://www.unepfi.org/fileadmin/documents/insurance_climatechange_statement.pdf)

Following these research outputs, a core group of globally-operating UNEP FI insurance company members<sup>12</sup> (the 'PSI Team') embarked on the initiative to develop Principles for Sustainable Insurance.

From November 2009 to February 2011, the PSI Team undertook an extensive process of in-depth deliberations to produce a global consultation version of the principles.

### **III. The 2011 PSI Regional Consultation Meetings**

The purpose of the 2011 PSI Regional Consultation Meetings is to obtain global input on the principles. The meetings will be UNEP FI-facilitated, insurance industry-led and multi-stakeholder, and will be held in seven geographic regions—Africa, Asia, Europe, Latin America and the Caribbean, Middle East and North Africa, North America, and Oceania.

The nature and scope of these meetings are ground-breaking and will ensure that the PSI development process is global, inclusive and consultative.

This early, the PSI Initiative is already fully supported by the South African Insurance Association, and there will be continued efforts to seek support from other insurance associations around the world.

Each regional meeting will be a two-day event including a networking reception, a comprehensive presentation on the background and aims of the PSI Initiative, a CEO-led discussion, and a full-day interactive workshop with brainstorming sessions and roundtable discussions to maximise collective learning experience.

Insurance industry representatives will include Board Chairs and Members, Chief Executive Officers and other executive management functions, Chief Underwriting Officers, Chief Risk Officers, Chief Investment Officers, Heads of Strategy, Heads of Sustainability or Corporate Responsibility, and other relevant functions.

UNEP FI will also be inviting senior representatives from insurance industry stakeholders such as governments and regulators, intergovernmental organisations, business and industry, civil society, academia, and the scientific community.

The 2011 PSI Regional Consultation Meetings are the first of their kind. They represent an exceptional opportunity to convene the global insurance industry and its stakeholders to collectively address sustainability issues.

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<sup>12</sup> The UNEP FI insurance company members leading the PSI Initiative and their respective countries of domicile are Achmea (Netherlands), Allianz (Germany), Argo Group (Bermuda), Aviva (UK), AXA (France), Chartis (US), Folksam (Sweden), HSBC Insurance (UK), Insurance Australia Group (Australia), Interamerican Hellenic Insurance Group (Greece), Lloyd's (UK), MAPFRE (Spain), Munich Re (Germany), RSA Insurance Group (UK), Santam (South Africa), Sompo Japan (Japan), Sovereign (New Zealand), Storebrand (Norway), Swiss Re (Switzerland), The Co-operators Group Ltd. (Canada), The Willis Group (UK), and Tokio Marine and Nichido (Japan).

#### **IV. Schedule of the 2011 PSI Regional Consultation Meetings**

##### **PSI Regional Consultation Meeting for Africa**

Dates and location : 15-16 March, Johannesburg, South Africa  
Hosts : Santam and the South African Insurance Association  
PSI Leadership : Ian Kirk, Chief Executive, Santam  
Barry Scott, Chief Executive, South African Insurance Association

##### **PSI Regional Consultation Meeting for Latin America and the Caribbean**

Dates and location : 16-17 May, Sao Paulo, Brazil  
Host : HSBC Insurance Brazil  
PSI Leadership : Fernando Moreira, Chief Executive Officer, HSBC Insurance Brazil

##### **PSI Regional Consultation Meeting for North America**

Dates and location : 12-13 June, Guelph, Ontario, Canada  
Host : The Co-operators Group Ltd.  
PSI Leadership : Kathy Bardswick, President and Chief Executive Officer, The Co-operators Group Ltd.

##### **PSI Regional Consultation Meeting for the Middle East and North Africa**

Dates and location : July, exact dates and location to be advised  
Host : The Willis Group  
PSI Leadership : Grahame Millwater, President, The Willis Group

##### **PSI Regional Consultation Meeting for Oceania**

Dates and location : 11-12 August, Auckland, New Zealand  
Host : Sovereign  
PSI Leadership : Charles Anderson, Chief Executive Officer, Sovereign

##### **PSI Regional Consultation Meeting for Asia**

Dates and location : 5-6 September, Tokyo, Japan  
Host : Tokio Marine and Nichido Fire Insurance Co., Ltd.  
PSI Leadership : Shuzo Sumi, President, Tokio Marine and Nichido Fire Insurance Co., Ltd.

##### **PSI Regional Consultation Meeting for Europe**

Dates and location : 25-26 October, Munich, Germany  
Host : Munich Re  
PSI Leadership : Nikolaus von Bomhard, Chairman of the Board of Management, Munich Re

## **V. Launch of the PSI at the 2012 UN Conference on Sustainable Development**

The Principles for Sustainable Insurance underpin many UN aims such as the UN Framework Convention on Climate Change, Hyogo Framework for Action, UNEP Green Economy Initiative, UN Millennium Development Goals, UN Convention on Biological Diversity, Universal Declaration of Human Rights, International Labour Organization's Declaration on Fundamental Principles and Rights at Work, UN Convention against Corruption, UN Global Compact Principles, and United Nations-backed Principles for Responsible Investment.

In line with UNEP's strategy, UNEP Finance Initiative is committed to launching the principles at the UN Conference on Sustainable Development ('Rio+20 Conference') in Rio de Janeiro, Brazil in May 2012. The launch of the principles will represent a landmark contribution and long-term commitment of the global insurance industry—in partnership with the UN—to the goals of sustainable development.

The launch of the principles will also mark the commencement of the PSI Initiative as a global partnership between the UN and the insurance industry to promote the adoption and support the implementation of the principles.

## **VI. The PSI Initiative in 2012 and beyond**

En route to and after the launch of the principles and the PSI Initiative in 2012, it is expected that a critical mass of insurance companies globally will adopt the principles.

The PSI Initiative is designed to serve as a catalytic global platform to address environmental, social and governance issues and facilitate their strategic and operational management in the insurance business, and to foster sustainable development in and via one of the world's largest economic sectors—the insurance industry.

Overall, the PSI Initiative will:

- Enable insurance companies to have a more complete understanding of material risks and holistic risk management practices in order to reduce risk, stimulate innovation and increase opportunities to enhance financial returns, business performance and company value
- Create a global forum for the insurance industry and the UN to establish thought leadership on environmental, social and governance issues in the context of risk management and insurance; to pool information, resources and best practices; and to foster inclusiveness across markets
- Promote cooperation on environmental, social and governance issues where the insurance industry and the UN needs to in order to reduce long-term and systemic risks, develop appropriate risk management approaches, risk transfer solutions and partnerships, and enhance the value of risk management and insurance to society





- Support the insurance industry in engaging with governments and regulators to ensure that relevant environmental, social and governance issues are considered within prudential policy, regulatory and legal frameworks to benefit the insurance industry and society
- Build a more resilient, responsible and sustainable insurance industry to better serve all its stakeholders, and in partnership with the UN, accelerate the transition to a sustainable global economy and advance the goals of sustainable development



**UNEP Finance Initiative**  
Innovative financing for sustainability

## Appendix B

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