

CLIMATE PRINCIPLES DISCLOSURE GUIDANCE - SECTION 2.4: INSURANCE & REINSURANCE

This document provides guidance for how financial institutions should implement and report on their activities under 'Section 2.4: Insurance & Reinsurance' of the Climate Principles. The examples – for illustration only – show the types of things institutions might report.

GENERAL INFORMATION:

- Define the scope and nature of your organisation's insurance and reinsurance activities.

SPECIFIC INFORMATION:

| # | CLIMATE PRINCIPLE | HOW TO REPORT | CLARIFICATION | EXAMPLES |
|-------|--|---|--|--|
| 2.4.1 | We will develop the necessary knowledge, skills and tools to assess carbon and climate risks associated with our transactions and the financial implications they have for our business. | <p>Provide an overview, where relevant to the adopting organization, of the processes, activities and research undertaken to assess:</p> <ul style="list-style-type: none"> • How climate change will affect weather-related risks (e.g. storm, flood, drought, etc.) covered by your insurance products • Whether climate change-related policies, legislation or litigation practices will affect certain lines of business or risks covered by your insurance products • Whether climate change risks (weather- and policy-related) will affect risk selection, pricing and insurance capacity deployment | <ul style="list-style-type: none"> • The focus here is on understanding how financial institutions assess climate risks in the context of weather-related risks (e.g. storm, flood, drought, etc.) and how they use this information to make decisions. • An assessment of policy, legislation or litigation practice means how potential carbon assets or liabilities may affect insurance products - e.g. climate litigation affecting Directors' & Officers insurance coverage. | <ul style="list-style-type: none"> • Research collaborations with leading universities • Business risk process to assess business transactions which do not comply with core values or may pose a reputation risk • Emerging risks process to identify trends - e.g. identified climate litigation in the US • Efforts to translate general risk data into specific regional forecasts • Efforts to develop climate-related business scenarios based on IPCC data • Use of geographical risk analysis tool(s) allowing assessment of flood risk and subsidence or other weather-related risk |

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|-------|--|---|--|--|
| 2.4.1 | | <ul style="list-style-type: none"> How climate change will affect the macro economy and insurance sector overall <p>Indicate the knowledge and skills used to undertake the assessments.</p> <p>Indicate how the information is used in decision-making.</p> | | |
| 2.4.2 | We will develop risk assessment techniques to assist our clients to understand better and respond to climate change. | Provide an overview of assistance provided to clients to enable them to understand and respond to climate risks. | <ul style="list-style-type: none"> Clients will be defined by the nature of the insurance/reinsurance business – e.g. for re-insurers, clients refer mainly to primary insurers, while for primary-insurers clients refer to corporations and individual consumers. It is recognized that the information and tools provided to clients will take many different forms. While information and tools provided to corporate clients will relate to their business, that provided to consumers will most likely refer to the type of product or service offering – e.g. car insurance products might provide assistance in understanding the carbon emissions from driving. Throughout the claims management process, the financial institution will help clients understand and respond to relevant climate risks. This includes providing claims policies that enable customers to rebuild to a higher environmental standard in the event of a loss - e.g. loss of home, office or industrial facility - and processes to encourage recycling and reuse of parts post-loss. | <ul style="list-style-type: none"> Tools providing natural hazard information through combined maps and satellite imagery Publications providing comprehensive information on economic trends and issues relevant to insurance and reinsurance as a result of climate change. Climate research collaborations with the public and/or clients Tools to calculate personal carbon footprints and offset emissions Information for business customers on improving environmental performance Advisory services Climate change experts at client seminars |

| # | CLIMATE PRINCIPLE | HOW TO REPORT | CLARIFICATION | EXAMPLES |
|-------|---|---|--|---|
| 2.4.3 | We will develop insurance products and services that encourage our customers to reduce their carbon and climate risks, assist the development and adoption of GHG mitigation technologies and strategies and take advantage of the carbon market. | Provide an overview of the products and services offered to clients to reduce their carbon and climate risks and assist the development and adoption of GHG mitigation and climate change adaptation technologies and techniques. | <ul style="list-style-type: none"> • It is recognised that different insurance/ reinsurance companies will be at different stages of product development. Each company will develop specific products based on its clients' needs. • Through the process of disclosure against the principles it will be possible to increase understanding of the types of products and services available. • This section covers activity in developed and developing economies. • Adopting organizations may choose also to disclose their strategy for the development of products and services. | <ul style="list-style-type: none"> • Conventional reinsurance – e.g. natural catastrophe covers • Insurance-linked securities covering weather-related risks, e.g. catastrophe bonds • Weather risk transfer solutions - e.g. weather derivatives • Carbon trading (allowances, certificates), carbon insurance for certificates projects • Climate adaptation initiatives aimed at developing weather risk transfer products for clients in non-OECD countries • Carbon offset programs for retail clients • Insurance for renewable energy technologies and forests • Directors' liability insurance dependent on climate change strategy in place and with differential pricing related to climate impact and level of climate risk management in place • Home insurance that covers domestic renewable technologies as standard • Lower premiums for climate-resilient construction |