

# **AIDA October 2022, Zurich ESG Footprint of Insurers**

Rachel Delhaise

Head of Sustainability

Convex Insurance Group

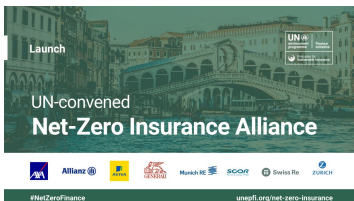
6<sup>th</sup> October 2022

## Stakeholder relevance

- **Shareholders;** Investor expectations of ESG strategy and reporting requirements
- **Clients / Brokers;** Blue chip clients have increasing ESG criteria / demands
- **Employees;** Firms' sustainability profile increasingly an important consideration
- **Regulatory requirements;** Regulators are stepping up in terms expectations;
  - UK financial sector has mandated net zero plans by 2023;
  - EU CSRD (Corporate Sustainability Reporting Directive) 2024
- **Rating agencies;** Building ESG factors into financial strength assessments
- **Financial partners / other supply chain;** Scope 3 reporting demands develop
- **Societal pressure** to demonstrate corporate responsibility and engagement

# Net Zero Alliances and Standards

- Keeping up with ever evolving reporting expectations



# Building ESG metrics, targets and data sources

## Operations

- Building realistic interim targets
- Role of offsets
- Challenges with getting to net zero business travel targets
- Growing expectations on Scope 3 reporting

# Building ESG metrics, targets and data sources

## Investments

- More established investment linked ESG data sources
- Improved transparency; best tool to influence strategy
- Focus on carbon intensity measures
- ESG ratings to derisk investment – are they additive to transition?
- Role of rating agency – good data sources but focussed on current risk profile
- Risks associated with committing to Science Based Targets (SBTi)

# Building ESG metrics, targets and data sources



## Underwriting

- Practical implications of implementing robust ESG data profiling
- Developing insurance associated science based targets
- ISSB likely to dominate sector approach
- Advantages and risks of a prescriptive approach to insurance emissions calculations (PCAF)
- ESG considerations as a risk factor in underwriting
- Influencing net zero strategies of clients

# The complexity of a changing risk profile

## **Transition risk from an underwriting perspective**

- Changing risk profile of some sectors
- Huge scaling in renewable energy
- Traditional models (past loss experience) will not be predictive of the future
- Technical insurance capabilities will need to evolve
- Climate related litigation risk; systemic issues
- Evolving importance of biodiversity risk

## Leaning into transition

- Challenges of societal sustainability expectations and real world energy needs
- Insurance profile; need to improve communications
- Crucial role to play in derisking transition
- Supporting customers on path to net zero
- Managing reputational risk
- Physical hazard risk understanding and importance to society



## Harnessing the opportunity

- \$130 trillion committed; needs mobilisation
- Understand sector decarbonisation; don't be left stranded or risk averse
- Adapting the insurance model; SMART systems, individualised risk, live risks
- Claims; needs to evolve from compensating financially to building resilience
- Impact investment; commercial, progressive and informative

2019 \$5 trillion of assets committed to Net Zero, **by COP26 \$130 trillion** from 450 GFANZ members