



Deloitte.



UNDERWRITING OUR PLANET:

HOW INSURERS CAN HELP ADDRESS THE
CRISES IN CLIMATE AND BIODIVERSITY



EXECUTIVE SUMMARY AND RECOMMENDATIONS

This report is the first comprehensive guide for insurance companies to understand the impacts of their underwriting business on climate and biodiversity. It lays out the most important actions they should take to assume their responsibilities and contribute to the achievement of global climate and biodiversity goals.

The climate and biodiversity crises are having increasingly devastating effects on nature and humanity. They pose serious challenges to the insurance sector through mounting claims, increasing uncertainty and the threat of uninsurability. Insurance companies have recognized these challenges and are responding with risk mitigation and resilience efforts, increasing premiums or tightening eligibility. However, the increasing challenges linked to climate change and nature loss must be sustainably tackled by addressing their root causes and reversing damages caused.

The most powerful action insurance companies can take to mitigate the risks they face is to become catalysts, in their twin roles as institutional investors and risk underwriters, for reaching the global climate and biodiversity goals. Whereas the first role – as investors – has been covered extensively in the literature, the relevance of the underwriting business to achieving those goals has been largely overlooked. Many insurance companies do not fully embrace the responsibility they have for the economic activities they insure. This report, then, aims to shed light on the positive and negative links between insurance underwriting and climate change and biodiversity loss. It argues that insurance companies need to better understand those links, reduce their negative effects and leverage the opportunities offered by a green, fast and fair transition. It suggests a range of concrete actions that insurers can undertake to do so.

This report focuses on the non-life insurance underwriting lines of business. It builds on established literature and interviews with subject matter experts to identify the interactions and key levers between insurance companies and climate change and biodiversity loss. It discusses the association of underwriting activities with the five most important drivers of biodiversity loss, namely: i) changes in land and sea use; ii) direct exploitation of organisms; iii) climate change; iv) pollution; and v) invasive alien species.

To do this, the report explores how specific underwriting practices interact with those drivers of biodiversity loss and describes current strategies that aim to decrease the negative and improve the positive impact of insurance underwriting on climate and biodiversity, illustrated with several real-world examples of potential actions that insurers can undertake. The levers and strategies insurance companies can deploy to

contribute to global climate and biodiversity goals are explored, along three main conceptual categories:

- **The activities that an insurer chooses to underwrite or not.** Freight shipping would not take place in the same way as it does today without insurance coverage, for example, while renewable energy needs special insurance coverage to flourish. The identified levers in this category are: new insurance products supporting the green, fast and fair transition; specific products to insure natural assets, including nature-based solutions; surety for restoration; and exclusion and phase-out policies.
- **Product design and claims management.** The incentives created by insurance products are important. For instance, an environmental insurance liability product with inadequate terms and conditions could lead to riskier behaviour by the insured (moral hazard), thus increasing the risk of environmental pollution. Insurance companies could better design products to prevent moral hazard, and promote green choices, such as repair over replace, and build back better and green-for-old approaches.
- **The supportive activities that insurers engage in.** Insurance companies are important stakeholders for companies and public authorities. They can leverage that position for engagement and advocacy to accelerate the green, fast and fair transition. They could: more actively engage with clients, peers and policymakers; share research and data; and finance projects to directly protect and restore nature.

By stressing the environmental impact of insurance underwriting, the report aims to raise awareness and improve understanding in the insurance industry about its important role and responsibility in reining in climate change and halting and reversing nature loss. It is aimed not only at the sector, but also at its clients and investors, and the policymakers and financial supervisors who regulate it. The report further offers a catalogue of measures that insurers can undertake within their underwriting activities. WWF strongly recommends the insurance companies and the broader insurance industry integrate and advance the considerations below into their strategies, frameworks and policies.

KEY WWF RECOMMENDATIONS FOR INSURANCE AND REINSURANCE UNDERWRITING

The following recommendations are a summary of the most relevant measures WWF proposes to insurance companies to reduce their negative effects on the environment and to simultaneously contribute to global climate and biodiversity goals through their underwriting business. For a more granular discussion of the recommendations by line of business, please consult the recommendations section (chapter 5) of this report.

01. OVERALL, CORPORATE STRATEGY-LEVEL RECOMMENDATIONS



Pledges, transition plans and disclosure

- a. Commit to reach net-zero GHG emissions by 2050 at the latest, in line with global efforts to limit global warming to 1.5°C, preferably via committing to the Science Based Targets initiative.
- b. Publish and implement transition plans covering climate and nature, aligned with global climate and biodiversity goals.
- c. Foster transparency through state-of-the-art climate and nature-related disclosure and reporting.

Coalitions, cooperation and political advocacy

- a. Collaborate in industry initiatives, with other sectors, public entities, NGOs and academia to advance the green, fast and fair transition.
- b. Advocate for stringent environmental regulation, effective fiscal incentives, consistent disclosure requirements for companies (covering climate and biodiversity-related disclosure; and asset-level disclosure) and other necessary framework conditions for the green transition.

02. RECOMMENDATIONS FOR INCREASING POSITIVE IMPACTS



Promotion of green choices and adoption of green technologies and practices

- a. Incentivize environmentally-friendly decisions when customers seek to replace or acquire new products or assets, for example, the adoption of sustainable transportation patterns (bicycles, public transportation, shared mobility) or energy efficient real estate renovations.
- b. Incentivize environmentally-friendly decisions by companies such as more sustainable agricultural or construction practices.
- c. Implement circular economy and emission reduction considerations in claims management, for example, by integrating 'repair over replace' covenants to reduce material use, waste and pollution.
- d. Offer new underwriting products that support the development and adoption of green technologies, like renewable energy technologies, or recycling techniques through risk management support, research and innovation.

Foster Resilience

- a. Prevent damages and rebuild sustainably along the concept of 'build back better'.
- b. Participate in multi-stakeholder initiatives to foster landscape resilience.

Nature-based solutions and protection of natural assets

- a. Promote nature-based solutions and the restoration of natural assets with novel underwriting products, research, multi-stakeholder collaboration and through grants and investments.



“This summer, we witnessed devastating heatwaves and wildfires across Southern Europe, Northern Africa, Asia and Northern America. Insurance companies and their clients are particularly affected by these events as they lead to greater payouts and entire regions become uninsurable. It’s high time insurers address these risks by aligning their underwriting business with global climate and biodiversity goals to protect what is of value for our future.”

THOMAS VELLACOTT
CEO | WWF SWITZERLAND

Freepik – olgsera

03. RECOMMENDATIONS FOR REDUCING NEGATIVE IMPACTS



Review terms & conditions


- a. Prevent moral hazard and ensure clean-up and restoration with regards to environmental liability by combining broad coverage and ample pay-out limits with significant deductibles.
- b. Require (and verify) ambitious climate- and biodiversity-related practises or exclude a company’s contribution to biodiversity loss and climate change from insurance directors’ and officers’ liability coverage.
- c. Include strict environmental and safety standards in terms and conditions and enforce them through remote sensing and on-site inspections to make sure the highest environmental standards are respected, e.g., in case of construction all-risk insurance or surety.

Engagement with commercial clients and insurance brokers

- a. Engage and require clients to set science-based climate and nature targets and to publish and implement a transition plan covering climate and nature.
- b. Engage with clients to meet the highest environmental standards, e.g., with regards to pollution prevention or the tracing of raw materials.
- c. Engage with brokers on their biodiversity and climate goals, phase-out and exclusion policies as well as on the desired safety and environmental standards. For high-impact insurance deals led by brokers, the insurance companies involved should additionally perform their own environmental due diligence.
- d. Support clients in understanding risks from climate change and nature loss, e.g., by leveraging inhouse knowledge and research capacities to advance innovation, mitigation and adaptation measures.

Exclusion and phase-out policies

- a. Immediately exclude any insurance services for severely damaging economic activities such as:
 - The expansion of the coal, oil and gas industry.
 - Unconventional oil and gas extraction and deep sea-bed mining.
 - Severe-risk activities that may negatively impact World Heritage Sites or other areas of high biodiversity importance.
 - Projects that do not benefit from free, prior and informed consent by Indigenous Peoples and local communities or in any other way infringe on their rights.
 - Activities that drive deforestation and land conversion after 2025 within the project, company or supply chain.
 - Activities that use or produce persistent organic pollutants in violation of the rules set by the Stockholm Convention.
 - Vessels that are engaged in illegal, unreported or unregulated fishing.
- b. Communicate clear phase-out of any fossil fuel-related business in line with the International Energy Agency’s Net Zero Emissions by 2050 Scenario and do not renew contracts with any customers from the fossil fuel sector, including downstream sectors like transport (motor, aviation, marine), which are not aligned with a credible 1.5°C pathway.
- c. Exemption: Environmental liability, surety, or insurance for decommissioning should be maintained for existing severely damaging activities without any expansion plans to ensure restoration.



“The insurance industry has the power to play a leading role in our effort to work towards a sustainable future. With their reach to all industries, insurance companies have the ability to incentivize sustainable practices and promote responsible behaviors of its customers. By incorporating environmental considerations into their business practices, insurers can help protect biodiversity, mitigate climate change, and build a more resilient and sustainable future.”

MARCEL MEYER
HEAD SUSTAINABILITY | DELOITTE SWITZERLAND

DOWNLOAD FULL REPORT HERE



Authors:

- **Amandine Favier** | WWF Switzerland
- **Regula Hess** | WWF Switzerland
- **Stephan Kellenberger** | WWF Switzerland
- **Dominik Rothmund** | WWF Switzerland
- **Jérôme Crugnola-Humbert** | Deloitte Switzerland
- **Tina Dastgheib Shirazi** | Deloitte Switzerland
- **Simon Itim** | Deloitte Switzerland
- **Lucy Saye** | Deloitte UK
- **Antoine Wannier** | Deloitte Switzerland

Advisory Group

- **Peter Bosshard** | The Sunrise Project
- **Prof. Dr. David N. Bresch** | Institute for Environmental Decisions, ETHZ
- **Monika Henn** | AXA XL
- **Lukas Stricker** | ZHAW School of Management and Law
- **Dr. Michaela Willert** | GDV – German Insurance Association

Editing by:

- **Mark Nicholls** | MRG Comms Ltd

Production and design:

- **The Corner Shop Creative**

Cover image: © Shutterstock – Jo Crebbin

© 1986 Panda Symbol WWF
® «WWF» is a trademark registered by WWF

WWF Switzerland:

The mission of WWF is to stop the global destruction of the environment and shape a future in which people and nature can live together in harmony. In order to fulfil this mission, WWF is dedicated to preserving global biodiversity. WWF also fights to reduce the use of natural resources to a sustainable level. In order to meet its objectives, WWF works at four levels: in the field, with companies, in the political arena and with the population. WWF regularly performs company ratings and thus assesses the sustainability performance of companies in important sectors.

Deloitte.



Our Mission

Together, we protect the environment and create a future worth living for generations to come.

© 2023

© 1986 Panda Symbol WWF ® «WWF» is a trademark registered by WWF

WWF Switzerland, Hohlstrasse 110, PO Box, 8010 Zurich. Tel: +41 (0) 44 297 21 21, wwf.ch/contact
For contact details and further information, please visit our international website at wwf.panda.org