

Sustainability positioning

of the German Insurance Association (GDV)

ID-number 6437280268-55

Introduction

1. Insurers **support the Sustainable Development Goals of the United Nations (SDGs) and the goals of the Paris Agreement**. They support the aim of a climate-neutral Europe by 2050 and the Green Deal. The fundamental principle of the collective assumption of risk requires a very long-term orientation spanning several generations. Insurers stand for risk protection, security and provision in all areas of life. Their central role is to make risks calculable and bearable for the individual through long-term risk transfer. They apply their expertise in claims management to develop preventive measures, so that (for example climate-related) losses might not happen in the first place. Occupational and private retirement provision makes a major contribution to security in old age and fosters intergenerational justice. Insurers lay a critical foundation for business activity and growth. In their capacity as risk bearers and investors, insurers make a key contribution to innovation and economic growth.
2. The economic and social transition towards a sustainable future is a core challenge and an obligation towards both current and future generations. **Climate protection necessitates rapid and efficient measures** to reign in global warming. Also, it is high time that society and the economy are enabled to weather the consequences of climate change. Political, business and civic leaders need to work together to that end.
3. This positioning of the German Insurance Association focuses on the contribution made by insurers to the SDGs to take action to combat climate change and its impacts, ensure sustainable production and consumption patterns and fos-

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ter gender equality in economic and social life. Insurers commit to intensifying their efforts to make sustainability an integral part of their own business operations, investments, underwriting and product design. The legal and regulatory requirements applicable to insurers set high standards in terms of sustainable corporate governance. The industry's own ambition, however, goes far beyond those external requirements.

4. To meet this aspiration, insurers need a reliable political framework strongly oriented towards ambitious sustainability goals. Putting a price on greenhouse gas emissions, providing a stable legal framework for renewable energies and launching initiatives for climate-resilient infrastructure are indispensable to the promotion of market innovations for more sustainability in business and investment. Politics, businesses and individuals need comprehensive, reliable and easy-to-use ESG information to incorporate sustainability and climate-neutrality into their operations.

Sustainable and climate-friendly own business operations

5. In Germany, there are 530 insurers that have underwritten a total of 446 million insurance policies for their customers. **They support responsible, resource-lite business processes**, for example in their office buildings and infrastructure. Insurers want to achieve climate-neutrality in their own business operations (Scope 1 and 2) by 2025, at least in their German premises. They are improving their energy efficiency, reducing CO2 emissions and compensating/neutralising their remaining emissions to achieve climate neutrality.
6. Insurers are committed to diversity and actively promote equal opportunities among their workforce. **They aim in particular for their management boards to reflect the diversity that defines their companies and customers. They are committed to increasing the share of women in executive positions and on boards.** Insurers are dependable and attractive employers with high social standards for more than 200,000 people in Germany. They offer a great variety of jobs and specialisations and put significant effort into staff development through targeted further training and development.
7. Insurers embed sustainability in their **governance structures**. They work to optimise their risk management and apply available sustainability data to risk steering. They continually develop company-specific sustainability strategies and encourage their employees to act sustainably.

Sustainable and climate-friendly investment

8. **Insurers support sustainable investment and actively assume their significant role in transforming the economy.** They are one of the biggest institutional investor groups with a portfolio of EUR 1.7 trillion. As long-term investors with an average remaining investment duration of well over ten years, they have a

strong interest in exploiting the opportunities of the transition to a sustainable and low-carbon economy and managing the risks as early as possible.

9. **Insurers aim for greenhouse gas neutrality in their investment portfolios by 2050.** They support the Paris Agreement goal of limiting global warming to well below 2 degrees Celsius, compared to pre-industrial levels, and aligning finance flows more closely to climate targets. They use scientific findings and available measurement techniques **to work towards reducing CO2 emissions in their portfolios, with initial targets until 2025 and incrementally beyond that year.**
10. **Insurers aim to align their investments still more closely to sustainability concepts to fulfil their responsibility as significant and long-term investors.** ESG concepts, such as exclusions, best-in-class, engagement or ESG integration are already a major investment component for insurers. They develop these concepts on an ongoing basis: from universal exclusions to integrated ESG concepts based on stewardship. Insurers thus support the necessary economic transformation.
11. Many insurers already commit to voluntary initiatives, such as the Principles for Responsible Investment. Some insurers have committed to climate-neutral investment portfolios by 2050 as members of the Net-Zero Asset Owner Alliance. **The sector recognises the importance of voluntary initiatives to a sustainable financial sector and wants to promote their expansion.**
12. Responsible investment is in the best interests of the business sector. Applying ESG concepts to investment **not only enables earlier risk identification but also an improved risk-return profile of investment portfolios through allocation adjustments.** Insurers exploit the opportunities presented by new investment opportunities as the economy goes through a transformation process.

Sustainable and climate-friendly underwriting

13. **Insurers support a responsible approach to sustainability risks and the strengthening of sustainable risk transfer.** Insurance products comprise risk analyses, risk transfer and risk and loss prevention. Climate change alters risks and risk analysis parameters over the medium to long term. It can even impact risk transfer itself: it is currently possible to offer comprehensive cover against natural disasters. If global warming is to continue unchecked, comprehensive cover will become much less likely in the future. That could entail economic losses and social challenges. Over the long term, affordable natural disaster cover depends on adhering to the goals of the Paris Agreement.
14. The sector already counts contributing to sustainable development and **creating solutions to the challenges of climate change** among its core competencies:

- Insurance for renewable energy and other clean technology plants enables the expansion of renewable energies and transformation of the economy. The sector specialises in offering innovative solutions for new technologies.
 - Cover for natural disaster losses and the availability of climate risk insurance offer comprehensive risk transfer for the financial consequences of extreme weather events, which will ensue directly from a rise in average temperatures in Europe.
 - Insurers are quick to recognise and analyse change signals in their databases. They contribute their knowledge to the socio-political debate and promote risk awareness through customer advice, public relations work and data provision.
 - In addition, insurers are continually adjusting their processes to offer business and society financial protection during changing climate conditions.
15. **Insurers consider sustainability aspects in company-specific processes. They aim to advance the integration of ESG criteria in underwriting guidelines by 2025.** When writing risks, insurers **follow the principle of risk-appropriate premium calculation.** That is the key to being able to meet their value proposition.
16. Insurers support the economic transformation process – including for difficult risks. The sector helps its customers to pursue sustainability goals. To that end **insurers identify with the long-term goal of no longer accepting business or industrial risks that negate the transformation process to a sustainable and climate-neutral economy.** The insurance sector thus stands by the German federal government's plan to phase out coal-fired power. Insurers will decide on the basis of their own portfolios, whether and when to implement specific goals ahead of schedule.
17. **Insurers strive for an active dialogue with their business partners to raise awareness of the consequences of climate change, address ESG issues, manage risks and implement solutions.** This enables them to strengthen sustainable business models. Insurers support every economic sector – including those companies standing at the very beginning of their sustainability journey. After all, reliable risk transfer is indispensable to the transformation of all economic activities. This leads directly to added social value and protects people, companies and nations from risks.
18. **The sector recognises the significance of voluntary initiatives for sustainable risk transfer and wants to promote the growth of such initiatives.** Some companies are already involved in voluntary initiatives, for example the Principles for Sustainable Insurance (PSI). The initiatives offer ways of identifying, assessing, steering and monitoring risks and opportunities connected to ESG criteria.

Sustainable and climate-friendly products and claims management

19. Identifying and managing risk is a key competency of the insurance sector. **Insurers invest in numerous preventive measures.**
20. Insurers support business and society in containing climate heating and managing its inevitable consequences. They provide insurance cover against the financial consequences of climate change that has already happened by insuring, for example, private, commercial and industrial property against the growing number of extreme weather events.
21. **Insurers aim to grow the supply of sustainable insurance products.** That includes innovative insurance concepts ('use' instead of 'own', 'repair' instead of 'replacement', e-mobility). They strongly advocate targeted and effective adjustment to climate change through the repair and reconstruction of destroyed tangible assets. In so doing, insurers are following the building back better concept. **Insurers will integrate more sustainability criteria into their claims management practices until 2025.**
22. In their capacity as providers of capital-funded retirement provision insurers make a material contribution to generational equality. **Insurers endeavour, in synchronisation with their more sustainable and climate-friendly investments, to expand the offering of sustainable retirement products.**

Transparency, research and knowledge transfer

23. Politics, businesses and individuals need comprehensive, reliable and easy-to-use ESG information to incorporate sustainability and climate-neutrality into their operations. New European requirements for increased ESG transparency (e.g. Taxonomy, Regulation on sustainability-related disclosure) will soon come into force. **Insurers relate to these requirements and are working to become more transparent. Insurers need ESG data from the real economy as well as measuring techniques and models** to adjust their investment, risk management and insurance cover, e.g. regarding climate stress tests. The necessary ESG data must be provided in a standardised format (ready to use) and free of charge. **Insurers are continually developing the necessary measurement techniques and models. This requires intensive dialogue with the scientific community and regulatory bodies.**
24. **Insurers will continue their pioneering efforts in researching the causes and consequences of climate change.** They provide information about the dangers of extreme weather events and natural disasters, thus creating risk awareness. They exploit their expertise in long-term natural disaster research and targeted cooperation to support further research in dealing with climate risks. Education and prevention are indispensable to containing future losses and insuring natural hazards both now and in the future.

25. Insurers reinforce their commitment to supporting the necessary climate change adjustment processes by continuing their many studies and support measures:

- In 2018, insurers conducted an extensive survey of academic studies and expert interviews to determine the **effects of sustainability concepts on investment profitability**. They concluded that sustainability concepts can positively influence the risk-return profile of an insurer's investments. This study is updated regularly.
- From 2008-2012, insurers cooperated with leading climate researchers to examine the **effects of climate change on the claims situation** in the insurance industry. Since then, they have documented and assessed the development of natural disasters in an annual **natural hazard report**.
- Insurers are calling for a **nationwide natural hazards portal**. The availability of localised information about the dangers of flooding, heavy rain, lightning and overvoltage as well as storm and hail should be self-evident in a digitalised society. Insurers have already provided a very good example of how that can be put into practice with the feasibility study entitled "Kompass Naturgefahren" (natural hazard compass).
- **The cooperation with the German meteorological service (Deutscher Wetterdienst)** is being continued to systematically examine heavy rain and claims data.
- With their overview of the state of development and risk potential of **renewable energies** from an technical insurance perspective, insurers are helping both the energy plant operators and themselves with risk analysis.
- Insurers are also highlighting the growing danger posed by heavy rainfall through the "**Stand.Land.unter**" initiative and showing how buildings can be protected.

Berlin, 21 January, 2021