

Best Practice on Climate

Assessing risks and implementing measures

Nordic Insurers' Responses to Climate Change



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1. Introduction

The Nordic insurance industry collaborates in their efforts on social responsibility and climate mitigation issues.

This report is a result of the climate survey for the Nordic insurance sector carried out by Forsikring & Pension, Finanssialan Keskusliitto, Sverige Forsäkringsförbund and Finansnæringens Hovedorganisasjon in spring 2009.

The purpose of the survey is to produce a Nordic Best Practice guideline for insurers. The best practice guideline is based on the top measures to fight climate change and its consequences, reported by the companies.

The document shows the current status of the insurance industry, risk assessment and implemented measures, related to climate change. The aim is to bring social and environmental responsibility to focus and for the industry to set new and ambitious goals to tackle future challenges.

All the insurance companies in the Nordic region were invited to participate in the survey. Companies equivalent to 77 % of the market share participated in the survey.

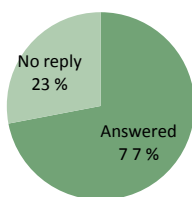


Fig. 1: Breakdown of participants, based on market share

The survey indicates that the insurance companies with the highest market shares are taking social responsibility and climate issues seriously, generating new standards for the future performance in the Nordic Insurance Industry.

The planned and coming regulations in the Nordic countries are stressing this issue further:

- **Denmark:** As of 2009, the 1100 largest companies, listed companies, state-owned companies and institutional investors, in Denmark are obliged to disclose on CSR in their annual reports according to the GRI standard.
- **Sweden:** From 2009, all Swedish state-owned companies must report according to the GRI standard.
- **Norway:** The Norwegian government launched its first national white paper on corporate social responsibility in a globalised economy in January 2009. The Government will propose amendments to the Accounting Act that extend the duty of Norwegian companies to provide information on what they are doing to implement ethical guidelines.
- **Finland:** Many companies in Finland already have to report all their relevant environmental costs in the annex of the Balance Sheet.

The survey shows that the regulations have not at this stage had a major effect, but it has more likely started a process of awareness and pushed the insurance industry to take action.

The assessment of the companies followed the ClimateWise model developed for and with the insurance industry in the UK in 2007. The questions sent out to the companies were however adapted to Nordic conditions.

2. Survey questions

The survey consisted of 20 questions divided into the following six themes:

I. RISKANALYSIS

1. We have included climate-related measures in our business strategy.
2. We use climate change data in our risk analyses and premium rating.
3. We set aside funds to be able to pay any future climate-related claims that may arise.

II. COOPERATION WITH STAKEHOLDERS

4. We work with stakeholders and decision makers who specialise in climate issues.
5. We engage in public debate on climate change and on the need to respond to the change.
6. We are involved in cooperation done to prepare for major climate-related disasters.
7. We report on our climate issue measures in accordance with guidelines made available by various climate programmes (ClimateWise, Carbon Disclosure Project, Global Compact, etc).

III. MOTIVATING POLICYHOLDERS AND IMPOSING REQUIREMENTS ON SUPPLIERS

8. We inform policyholders about climate change issues and give information on what policyholders can do as consumers and businesses to prevent losses and adapt to climate change.
9. We have incentives in policy terms devised to reduce greenhouse gas emissions.
10. We have cooperation agreements with damage repairers which either encourage climate-friendly work or require climate-friendly working methods.

IV. INVESTMENT STRATEGIES

11. We have an investment strategy that takes account of environment-friendly action in companies that we invest in.
12. We have asked the companies that we invest in to report on how they tackle climate change and what kind of reduction targets they have set for their emissions.
13. We have informed our shareholders about the investment strategies that we pursue on account of climate change.
14. We have discussed the consequences of climate change with companies that are part of our group or companies that we work with.

V. ACTIONS WITHIN THE ORGANISATION

15. We have calculated the direct and indirect effects of greenhouse emissions using internationally recognised methods and standards
16. We have set reduction targets for the greenhouse emissions generated in our operations.
17. We have made changes in our employees' working processes and encouraged them to climate-friendly working methods.
18. We have encouraged our employees to choose climate-friendly products, services and working processes in their leisure time.
19. We have improved our competence in climate issues by training and educating employees and cooperation partners.

VI. REPORTING

20. We disclose our climate policy in our Annual Report and reported on the most important measures taken to mitigate climate change.

Though not always relevant to all companies, all the questions had to be answered to the best of their knowledge and with a description of each measure. A question answered without description was considered blank. Companies that operate in more than one Nordic country and submitted different answers got a country specific score. Companies that only delivered one answer for the entire Nordic group, had the same answer duplicated.

The diagram below shows the distribution of answers for each of the 20 questions. The questions rated (A) "Yes" and (B) "Partly" had descriptions of already and partly implemented measures. Answers not relevant to the question or clearly misunderstood were rated (C) "Inadequate answer". Blank, negative/not relevant for the company or "yes/no" answers were classified (O) "No answer/not relevant". The blank and negative answers can be interpreted as if 1) the questions have no relevance for the company or 2) that the measures have not been implemented.

The survey shows that small companies had more negative, blank or not relevant answers. Companies with a higher market share and wide product range seem to have included climate-related measures in their business strategy.

A higher percentage of smaller companies from Sweden and Denmark have answered the questions and a lower percentage of smaller companies from Norway and Finland. The number of blank / not relevant reflects the consolidation in the market and amount of smaller companies.

3. Benchmarking

The following tables give an overview of all the submitted answers based on market share for non-life companies and life and pension companies.

3.1 Denmark

The Danish insurance industry responded the following:

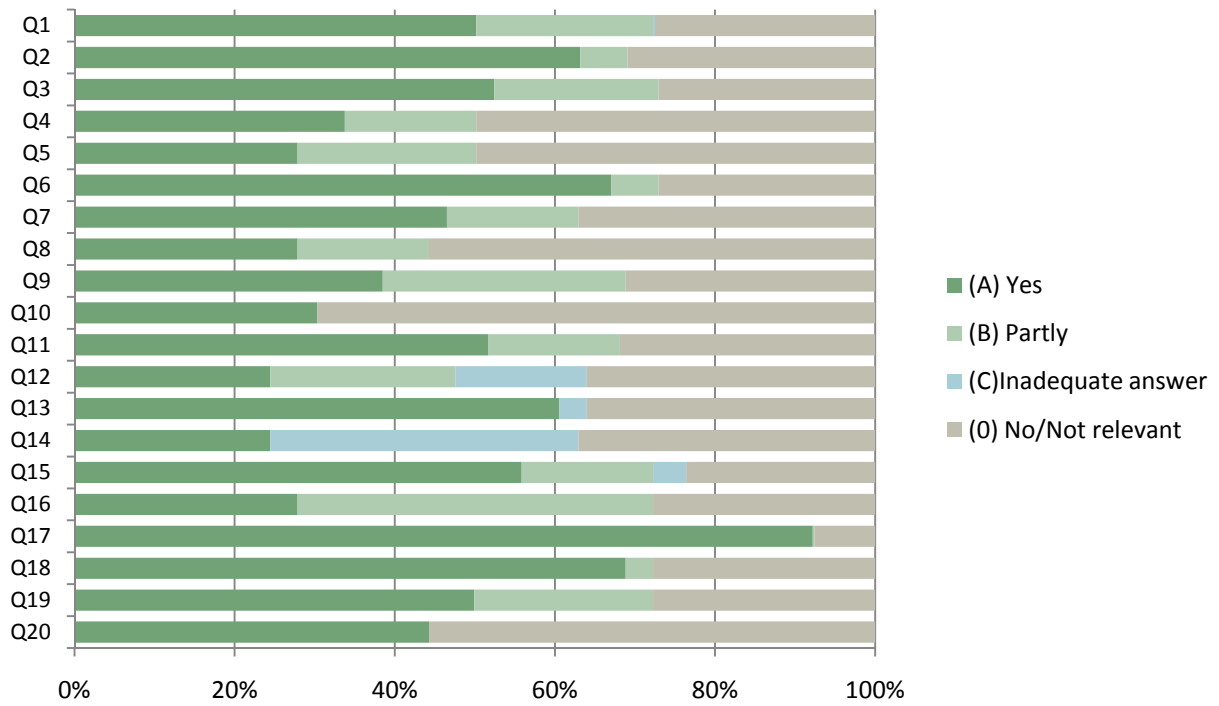


Fig. 2 Denmark: Breakdown of survey showing the weighted answers based on the Danish market share for non-life companies.

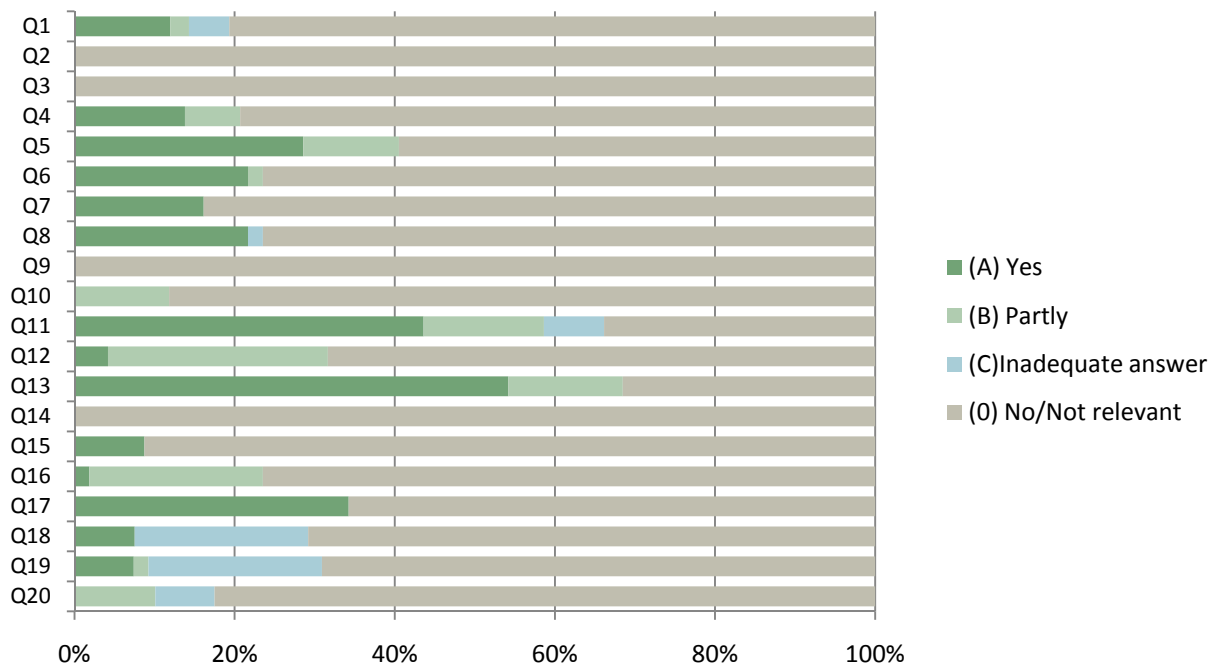


Fig. 3 Breakdown of survey showing the weighted answers based on the Danish market share for life and pension companies. Life and pension segments are merged in this figure.

3.2 Sweden

The Swedish insurance industry responded the following:

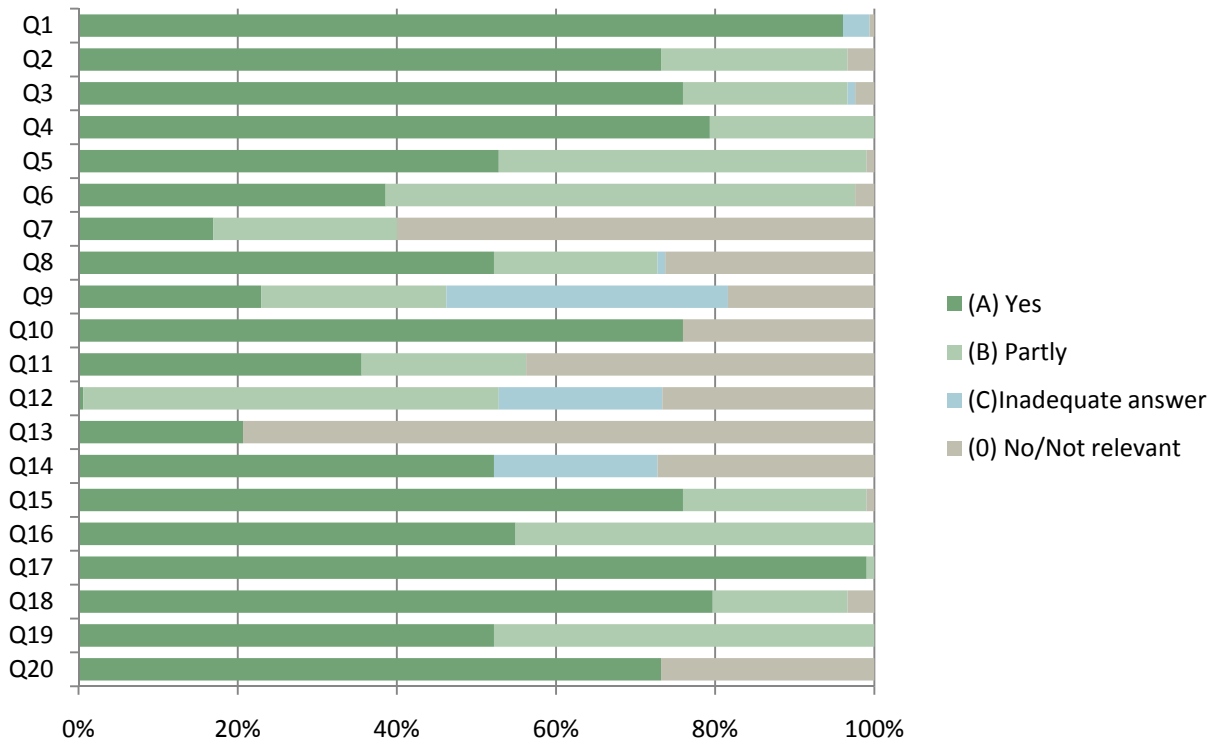


Fig. 4 Sweden: Breakdown of survey showing the weighted answers based on the Swedish market share for non-life companies.

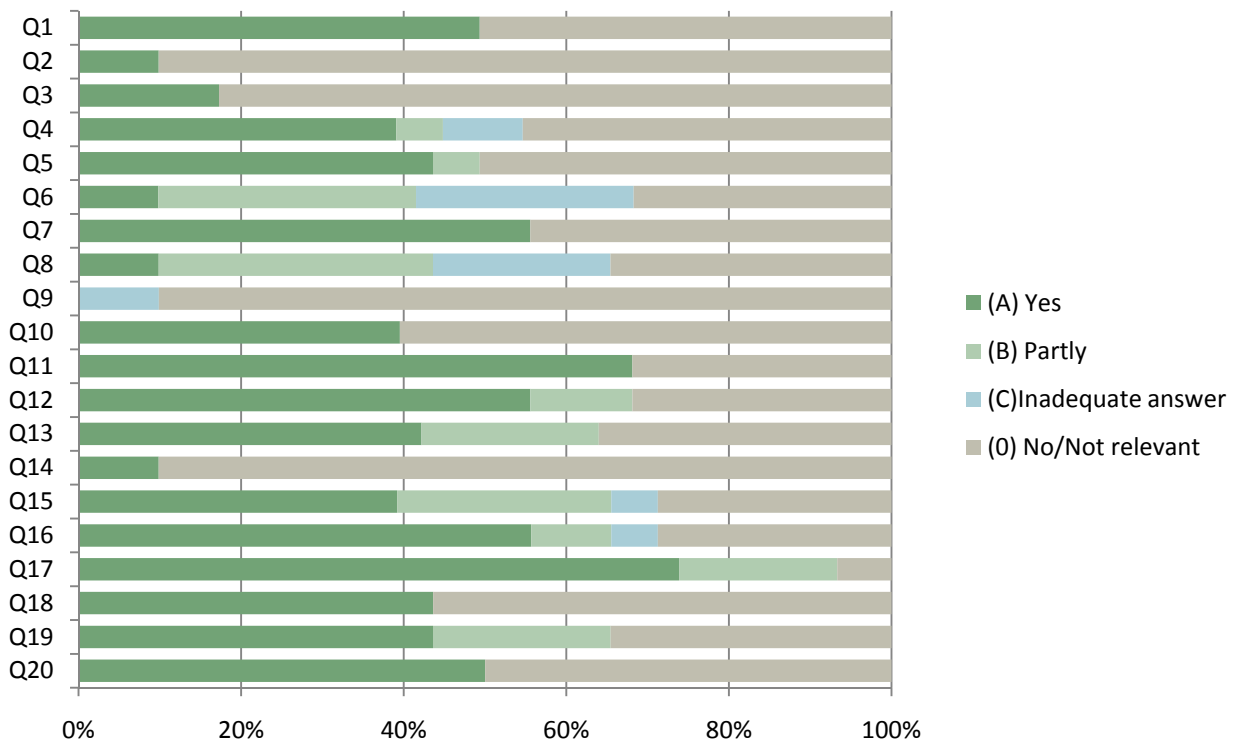


Fig. 5 Breakdown of survey showing the weighted answers based on the Swedish market share for life and pension companies. Life and pension segments are merged in this figure.

3.3 Norway

The Norwegian insurance industry responded the following:

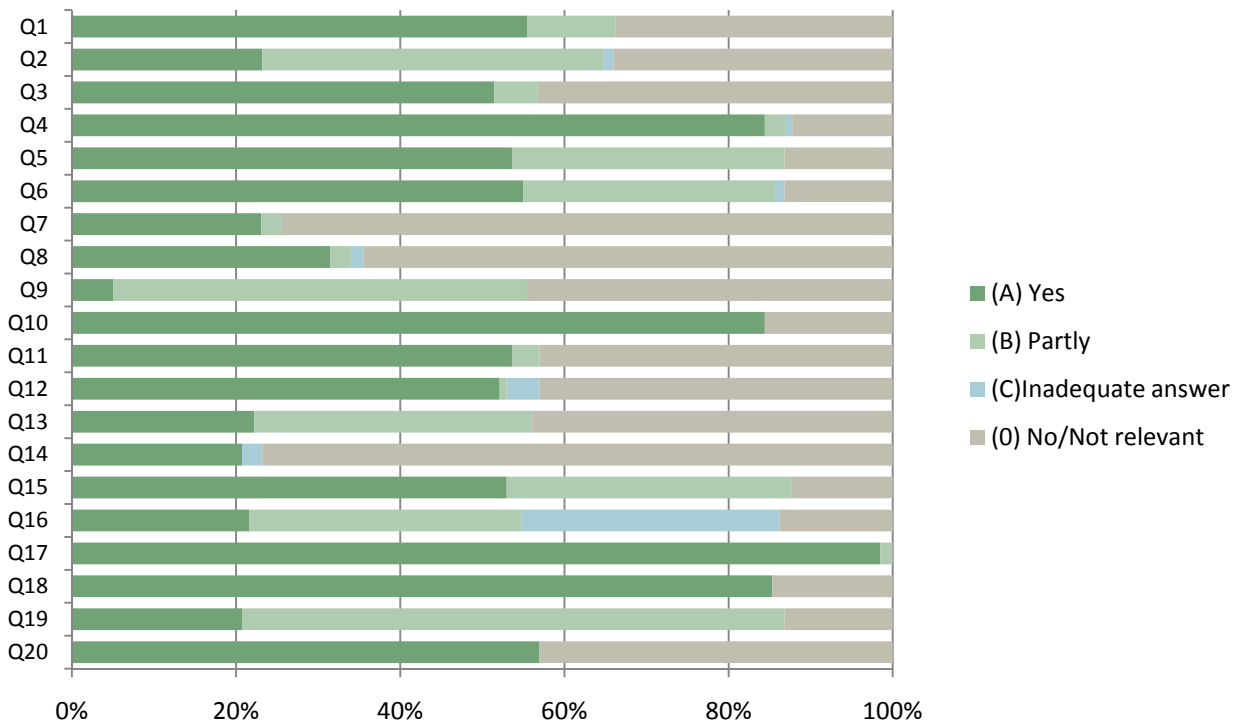


Fig. 6 Norway: Breakdown of survey showing the weighted answers based on the Norwegian market share for non-life companies.

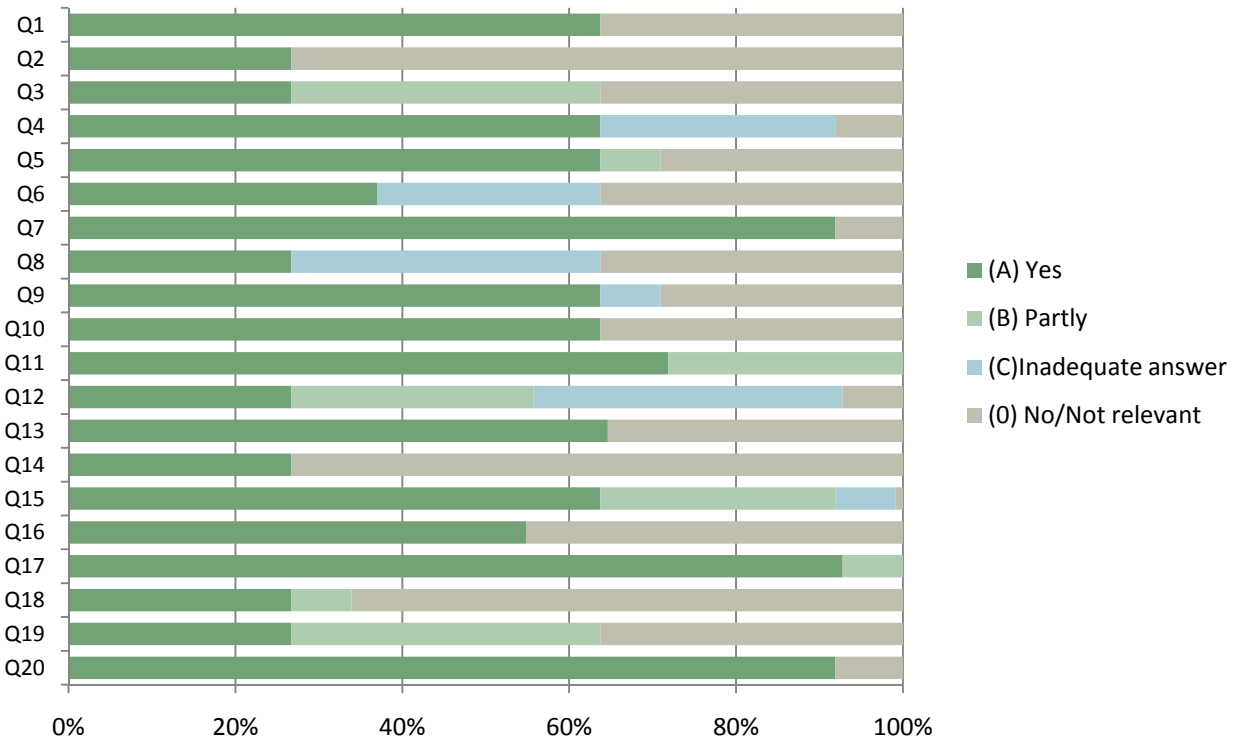


Fig. 7 Breakdown of survey showing the weighted answers based on the Norwegian market share for life and pension companies. Life and pension segments are merged in this figure.

3.4 Finland

The Finnish insurance industry responded the following:

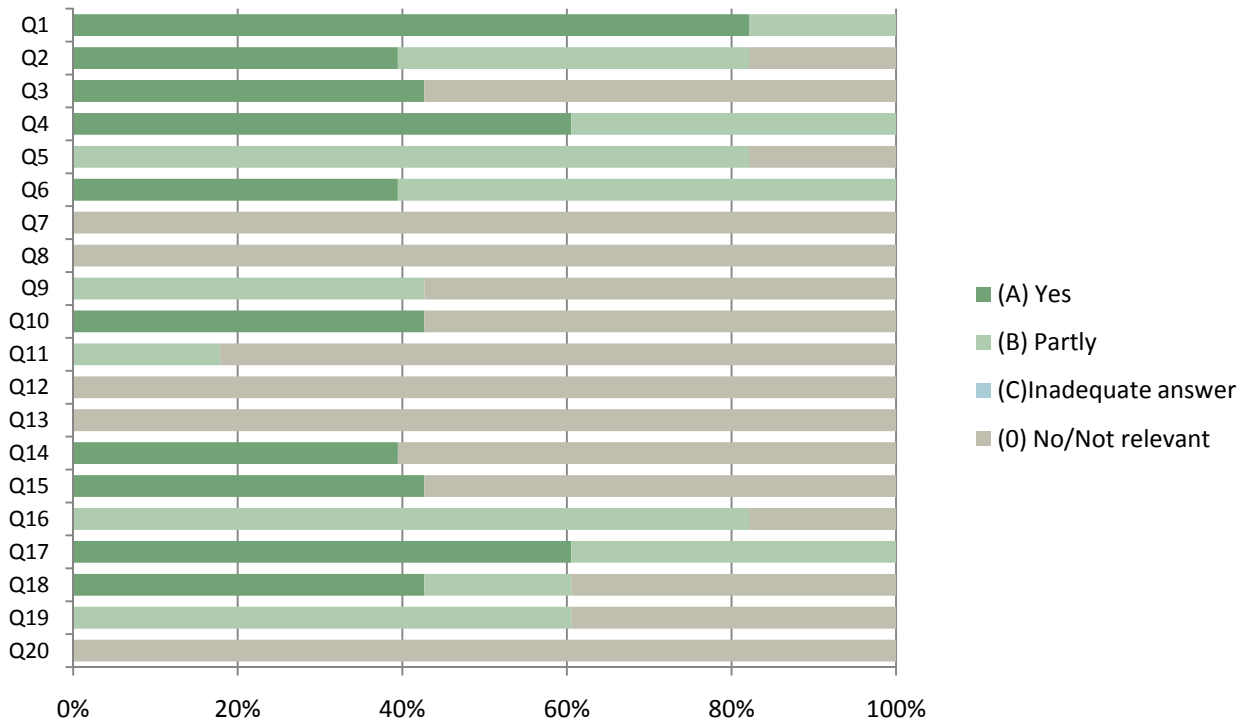


Fig. 8 Finland: Breakdown of survey showing the weighted answers based on the Finnish markets share for non-life companies.

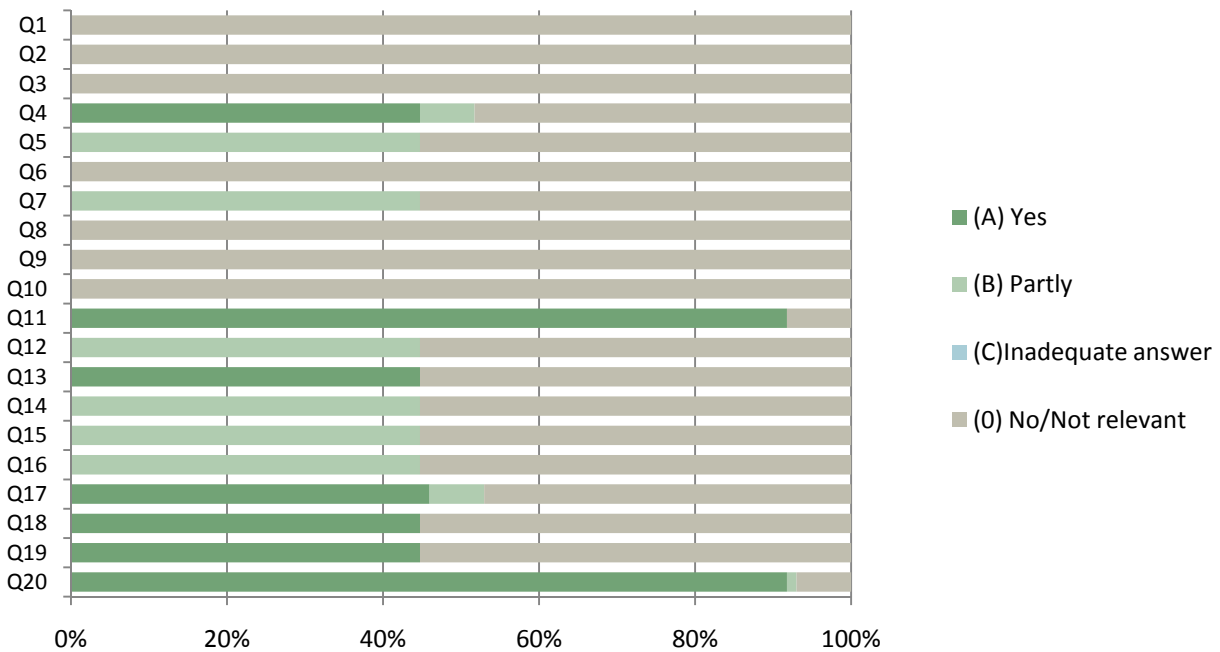


Fig. 9 Breakdown of survey showing the weighted answers based on the Finnish markets share for life and pension companies. Life and pension segments are merged in this figure.

4. Best practice

This section contains examples of the best measures implemented by the companies within each theme. This collection will form the best practice climate guideline for the Nordic Insurance Industry.

I. RISK ANALYSIS

1. We have included climate-related measures in our business strategy.

- Environment and climate: policy, strategy, action plan with defined goals and timeline.
- Cooperate Social Responsibility (CSR guidelines)
- Certified with ISO 14001 Environmental management system.
- Carbon neutral company

2. We use climate change data in our risk analyses and premium rating.

- It is part of the risk- and premium analysis which defines the premium rating.
- Risk analyses specially related to natural disasters.
- Technical and statistic analyses to predict regional and specific areas that will be more affected due to climate change.
- Product portfolio review with focus on climate related risks.

3. We set aside funds to be able to pay any future climate-related claims that may arise.

- Naturskadepoolen (Norway)
- Stormflodrådet (Denmark)
- Specific fund related to claims due to climate change.

II. COOPERATION WITH STAKEHOLDERS

4. We work with stakeholders and decision makers who specialise in climate issues.

- **Research:** CICERO, SINTEF, Zero Emission, Norwegian Computing Center, LSE on climate, other Universities and SIWI.
- **Decision makers:** see examples in abbreviations
- **NGO:** see abbreviations for examples
- **Networks:** UNEP FI, the Geneva Association, WBCSD and CDP
- **Norway:** climate panel of NHO, Climate Benefit 2020, Cities of the future, the Climate promise.
- **Finland:** Federation of Finnish Financial Services Climate Working Group and Flood Insurance Working Group. Efficiency agreement promoted by the Confederation of Finnish Industries.
- **Sweden:** Sustainability Day 2009
- **Consultant companies:** Respect Europe, CO2focus, U&W.

5. We engage in public debate on climate change and on the need to respond to the change.

- Annual- and CSR report.
- Press releases
- Debate articles
- Think tanks (CONCITO etc).
- Articles in newspaper
- Blogs on the website SIND.NO
- Campaign: Earth Hour 2009, "Climate Danish Championship"

6. We are involved in cooperation done to prepare for major climate-related disasters

- **Norway:** Norwegian Natural perils Pool, Norwegian Water Resources and Energy Directorate
- **Sweden:** FSPOS, MSB.
- Raised the capacity of our claims services together with our cooperation partners
- Cooperation with ISS that guarantees emergencies services in cases like natural disasters.

7. We report on our climate issue measures in accordance with guidelines made available by various climate programmes (ClimateWise, Carbon Disclosure Project, Global Compact, etc).

- CDP, UN GC, GRI, Dow Jones Sustainability Index, FTSE4Good Index Series, GHG protocol, ICC, Environmental management system ISO 14001, Climate Wise.

III. MOTIVATING POLICYHOLDERS AND IMPOSING REQUIREMENTS ON SUPPLIERS

8. We inform policyholders about climate change issues and give information on what policyholders can do as consumers and businesses to prevent losses and adapt to climate change.

- Website, newsletter, articles, information brochures, projects.
- Social and environmental responsible investments.
- Climate impact from fire and water damages.
- Environmental and climate screening in connection to contract or renewal of contract, to prevent the risk of loss.
- Eco-driving courses, CO2 emissions calculator and saving potential.

9. We have incentives in policy terms devised to reduce greenhouse gas emissions.

- Financial support to implement energy efficient measures in rebuild after loss.
- Free public transportation while the car is being repaired.
- Vehicle insurance terms related to distance driven, size of the engine, CO2 –emissions and carbon credits.

10. We have cooperation agreements with damage repairers which either encourage climate-friendly work or require climate-friendly working methods.

- Environment management system, policy, goals, responsible, report, documentation, compliance with existing legislation.
- SAI, ethical guidelines
- Green procurement policy, rating system where the environmental and social impacts have an importance of 20 %.
- Suppliers that are excluded to invest in the company due to the environmental and social requirement cannot give any offers.

IV. INVESTMENT STRATEGY

11. We have an investment strategy that takes account of environment-friendly action in companies that we invest in.

- Social Responsible Investment policy
- Investment criteria: No investments in specific harmful industries and exclusion of poorly performing (in CSR) companies.
- Compliance with the guidelines of UN GC, OECD etc.
- Screening systems for national and international shares and bonds.
- Carbon footprint analysis of the entire portfolio.
- Trustees are committed to UN PRI.
- Specific investments related to renewable energy and sustainable development.

12. We have asked the companies that we invest in to report on how they tackle climate change and what kind of reduction targets they have set for their emissions.

- Climate investment analysis
- Climate goals, -action plans and -activities.
- Companies support to improve the climate and environmental performance

13. We have informed our shareholders about the investment strategies that we pursue on account of climate change.

- Internet
- General assembly
- Group executive board
- Six months report to the group executive board
- CSR report
- Capital market day
- Meeting with investors
- Bilateral meetings
- Annual report

14. We have discussed the consequences of climate change with companies that are part of our group or companies that we work with.

- Part of the Climate strategy
- Environmental Management System

V. ACTIONS WITHIN THE ORGANISATION

15. We have calculated the direct and indirect effects of greenhouse emissions using internationally recognised methods and standards

- The GHG Protocol
- Climate neutral by purchasing CER from CDM based projects.

16. We have set reduction targets for the greenhouse emissions generated in our operations.

- 10 % emission reduction in a 3 year period.
- 20% emission reduction from 2009 - 2010
- 50% emission reduction since 1998 while the numbers of workers increased with 27%.
- 5% annual reduction
- Emission reductions from flights and cars.

17. We have made changes in our employees' working processes and encouraged them to climate-friendly working methods.

- "Climate kit" education, seminars and discussion for the employees that ended up in the internal climate and environmental strategy with an action plan.
- Travel: policy use of environmental friendly transportation and company car, installation of video conference equipment, bicycle for shared use, cooperation with the public transportation company.
- Energy efficiency: premises are equipped with automatic lighting, ventilation efficiency, zone divisions, Green IT project.
- Electronic solutions towards customers
- Waste reduction, no disposable articles.
- Paperless offices, printer control, print on both sides of paper, print on demand, shared printers.
- Improved network: improved digital work, video meetings, online workshops etc.

18. We have encouraged our employees to choose climate-friendly products, services and working processes in their leisure time.

- Transportation to work.
- Eco-driving lessons
- Campaigns: Earth hour, "1 tonne less", Travel smart, campaign in cooperation with IKEA.
- Seminars

19. We have improved our competence in climate issues by training and educating employees and cooperation partners.

- Courses, workshops, seminars, environmental certificate

VI. REPORTING

20. We disclose our climate policy in our Annual Report and reported on the most important measures taken to mitigate climate change.

- Annual report, CSR report, Website

5. Conclusion

This report shows the current status of the insurance industry in the Nordic countries, regarding investments, risk assessment and implemented measures, related to climate change and social responsibility. The aim of this document is to focus on these topics and for the insurance industry to learn from each other's best practices and promote further action on social and environmental issues.

Answers from companies adding up to 77 % of the market share in the Nordic region were gathered in the survey. It is a positive indication for the insurance industry that a high percentage of the market has included social responsibility and climate issues in their business strategy. Denmark, is leading in incorporating GRI standards as a part of the companies' annual reports and this will probably improve the efforts of the largest insurance companies. Smaller insurance companies will not be affected by the regulations, and will therefore not be obliged to improve. In Norway, Finland and Sweden these standards have not been implemented as a regulation, which means that the efforts so far have been voluntary. The regulations that are in place will affect the companies to a greater extent in the future and there will most likely be more regulations in the years to come. This will lead to bigger differences between the companies in each of the Nordic countries, depending on how strict the regulations are. The survey shows that regulations have not so far had a major impact compared to the demands from costumers and media; to show transparency and to improve their efforts.

In this survey a large group of smaller insurance companies have answered negative, blank, not relevant or have not participated in the survey at all. A consolidation in the market or less smaller insurance companies could have led to a different result. Denmark and Sweden have a higher number of insurance companies, therefore a higher number of smaller companies. This results in a higher percentage of negative, blank and not relevant answers. The Norwegian and Finnish market consists of a smaller amount of larger companies, which has resulted in a higher number of relevant answers and descriptions.

The risk and consequences related to climate change will differ for each of the companies and their policyholders. Insurance companies with a developed risk analysis and awareness will be the best adapted, thus minimizing the economical impact of climate change for their company and their policyholders. The insurance companies will in many cases be economically vulnerable for climate change related to incidents (extreme weather, floods etc.) and should therefore be the frontrunners on these topics. Both within their own companies and companies they invest in.

Insurance companies who focus on climate change and social responsibility will increase the awareness among policyholders, shareholders and most important encourage companies that they are investing in, to take action.

The Best Practice list demonstrates some very good examples, for instance, how to motivate policyholders, to provide climate friendly options, and offering green products and services. The customers receive information on how to, for example, lower their premium rate by minimizing risks due to climate change.

The Best Practice List in this report can be used as a guideline, so that companies can adapt the actions according to what is the most relevant for them. Hopefully this report will encourage and enlighten all of the insurance companies in the Nordic region. This report can promote a higher awareness of what to do, by learning from each other's "Best Practices", and further inspire to take action on social and environmental issues.

6. Abbreviations and explanation

CDM	Clean Development Mechanism (United Nations)
CDP	Carbon Disclosure Project
CER	Certified Emission Reduction
CICERO	Center for International Climate and Environmental Research
Climate Consortium Denmark	Official focal point for all Danish business-related activities leading up to the UN Climate Change Conference
CONCITO	Danish green think tank
CSR	Cooperate Social Responsibility
Decision makers	Danish council for sustainable business development, business panel on climate change, climate consortium Denmark. Norwegian government consultant agency on environment and social responsibility, county administrative board
FSPOS	Financial sector Private - Public cooperation Group
GHG protocol	Green House Gas Protocol Initiative
GRI	Global Reporting Initiative
ICC	International Chamber of Commerce
ISS	Integrated Services Solutions
MSB	Swedish Civil Contingencies Agency
NGO	Non- governmental organisation: WWF, Friends of the Earth, Nature and Youth, Nordic Ecolabel, The Natural Step, the Future in Our Hands (Norway), the Swedish Society for Nature Conservation, The Swedish Association of Green Motorists.
NHO	Confederation of Norwegian Enterprise
Norwegian Computing Center	Research in the area of applied statistical modelling etc.
OECD	Organisation for economic co-operation and development
SAI	Social Accountability international
SIND.NO	Sustainable Insurance and Finance Development
SINTEF	Norwegian research organisation
SIWI	Stockholm International Water Institute
The Geneva Association	The International Association for the Study of Insurance Economics
The Swan	Nordic Ecolabel
UN GC	United Nations Global Compact
UN PRI	United Nations Principles of Responsible Investments
UNEP FI	United Nations Environment Programme Finance Initiative
WWF	World Wide Fund for Nature

