

OPINION ARTICLE



## **GFIA and sustainability**

A truly global body for a  
truly global issue





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Four out of the five most likely global risks are environmental, as are three of the five with the largest potential impact, according to the World Economic Forum's 2021 Global Risk Report. Not that this is anything new; "extreme weather" has been ranked the greatest risk by likelihood for five straight years, with "climate action failure" ranked second for the last three.

Insurers have been aware of climate-related risks — and measuring them and sounding warning bells — as long as scientists. Risk coverage and management are, after all, our business, and the measurement of physical climate-related risks and the design of innovative new adaptation and mitigation solutions lie at the heart of many insurers' business models.

With members responsible for 90% of the world's premiums, the Global Federation of Insurance Associations is the right body to bring insurance expertise to the transition to a sustainable economy.

## G20 ENGAGEMENT

The world's insurers are committed to enhancing their already [significant efforts](#) to make the global economy more sustainable. As their global federation, GFIA is active in all areas of sustainability in which the (re)insurance industry is involved. Beyond the adaptation to and coverage of the extreme weather events brought about by the alterations in climate, insurers also consider the risks created by the changing climate in their investments. In addition, (re)insurers' investments directly finance environmental activities and support the transition to a more sustainable economy, hence mitigating climate risks.

Over the years, GFIA has liaised with successive G20 presidencies on resilience and sustainability issues. GFIA therefore welcomed the leadership shown by G20 finance ministers, who stressed in their April 2021 communiqué that tackling climate change, promoting environmental protection and mobilising sustainable finance are vital actions as we shape recovery from the COVID-19 pandemic and create more sustainable economies and societies.



Response to IAIS consultation on financial disclosures

## CONSULTATION RESPONSES AND OWN-INITIATIVES

GFIA also regularly engages with — and provides responses to — consultations from the International Association of Insurance Supervisors (IAIS) and the Organisation for Economic Co-operation and Development (OECD). Most recently, it responded to IAIS consultations on financial disclosures and on climate-risk supervision.

Of course, GFIA also engages in its own sustainability work. In September 2020 it published a position paper on climate adaptation and mitigation and in December 2020 it issued a position on insurers' capacity as sustainable investors.

### Position paper on insurers' capacity as sustainable investors

GFIA's [December 2020 paper](#) outlines the roles many (re)insurers are already playing in sustainable finance:

- Supporting green activities and transitions through their asset purchases and sustainability-linked bond issuance.
- Using their shareholder power to engage with the companies in which they invest on climate-related considerations.
- Integrating ESG (environmental, social and governance) factors into their corporate governance and investment strategies.
- Engaging with sustainable finance initiatives, such as the Principles for Responsible Investments, the UN Principles for Sustainable Insurance, the UN-convened Net Zero-Asset Owner Alliance and the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

GFIA's wide-ranging paper also includes proposals for tackling current limitations to the availability of long-term investments, among which are:

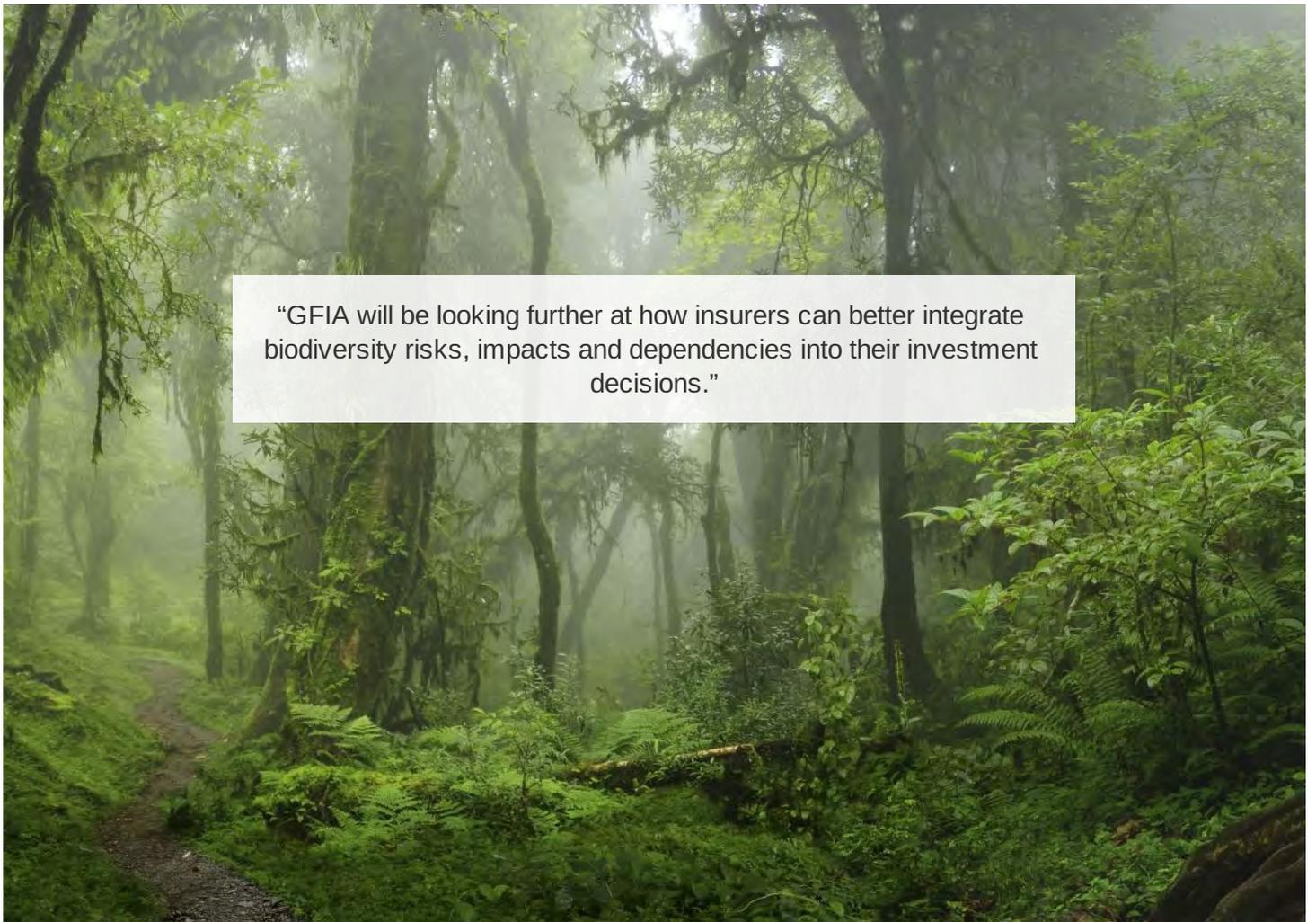
- Putting an adequate price on greenhouse gas emission or using another cost mechanism to provide incentives for emitters to reduce their emissions, as well as modernising public sector infrastructure to reduce carbon emissions in order to increase the sustainable investment options for (re)insurers.
- Introducing regulatory measures, such as green taxonomies that are suitable for regional and local needs, and fixing barriers to long-term investment by (re)insurers rather than introducing artificial investment incentives based on green qualifications.
- Increasing the financial literacy and understanding of sustainability of all citizens.



Response to IAIS consultation on climate-risk supervision



Position paper on climate adaptation and mitigation



“GFIA will be looking further at how insurers can better integrate biodiversity risks, impacts and dependencies into their investment decisions.”

## LOOKING TO THE FUTURE

Climate risks are complex, cross-sectoral and global. Insurers have crucial roles to play, of course, but action is needed now in all business sectors and by all levels of government to prevent, mitigate and adapt to the climate risks that insurers underwrite. GFIA will continue to offer the (re)insurance industry's expertise at the highest global level to ensure this happens.

Specifically, GFIA looks forward to continuing to participate in the growing conversation on the need to build a green and resilient post-COVID-19 world, particularly with the B20 through its policy recommendations to be submitted to the G20 in October 2021 and through the announcement of the Net-Zero Insurance Alliance, which will be launched at the United Nations' COP26 Climate Change Conference in November 2021.

GFIA will also be looking further at biodiversity — how insurers can better integrate biodiversity risks, impacts and dependencies into their investment decisions and unlock investment opportunities in support of biodiversity actions — as well as at the “blue economy” and the need to finance sustainable ocean initiatives.



About  
GFIA



## **IAIS consultation on implementing the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures**

GFIA called for an incremental and phased approach to climate risk disclosures, since one of the main obstacles to complying with the proposed disclosures currently is the lack of high-quality, reliable data. GFIA also encouraged the IAIS to consider the different risk profiles and business models of life and property and casualty insurers; standardised reporting should not come at the expense of the robustness of disclosures.

[GFIA response](#)



## **IAIS consultation on climate-risk supervision**

GFIA stressed in particular the constant evolution of both climate risks and risk assessment tools, which makes it important that supervisors avoid rigid, prescriptive approaches to their supervision of such risks.

[GFIA response](#)



## Position paper on climate adaptation and mitigation

GFIA's September 2020 paper contains key messages, as well as four key principles to guide effective and efficient adaptation and mitigation:

- **Principle 1:** To increase societies' resilience requires society-wide action on adaptation to and mitigation of climate risks. Our industry will continue to demonstrate leadership in addressing climate risk, and will look for further opportunities to do so. The industry will pursue these opportunities alongside governments, international organisations and other stakeholders around the world.
- **Principle 2:** Insurers will continue to play an essential role in enhancing the economic resilience of societies as providers of risk transfer solutions.
- **Principle 3:** Where possible, insurers will continue to pursue opportunities to improve the understanding of climate risk so they may more efficiently advise customers on adaptation measures.
- **Principle 4:** As world economies recover, the insurance industry is positioned to provide guidance and best practices to achieve goals of resilience in connection with rebuilding economies to mitigate problems caused by climate risks.

[GFIA paper](#)



## **About GFIA**

Established in 2012, [GFIA](#) now comprises 41 member associations and one observer association. It represents the interests of insurers and reinsurers in 64 countries that account for more than \$4trn of insurance premiums or nearly 90% of the global total. GFIA's secretariat is run by Insurance Europe.