





THE NAIROBI
DECLARATION ON
SUSTAINABLE
INSURANCE

Webinar 4: Sustainable Underwriting

February 2025


Tedd George














Meet your trainer: Tedd George





Tedd George

- More than 20 years of banking sector experience, focused on research/strategic advisory in emerging markets.
- Expertise in trade & commodities financing, syndicated loans & fintech.
- Extensive experience in delivering high-level training to professionals, including on structured commodity trade finance and ESG/sustainability issues.
- Thought leader on intersection of ESG and disruptive technology.











Course programme

Day 1	• Webinar 1: Sustainability Risk Concepts	
Day 2	• Webinar 2: Dependencies and Impacts for insurers' clients	
Day 3	• Webinar 3: Climate-related Risks for Insurers	
Day 4	• Webinar 4: Sustainable Underwriting	
Day 5	• Webinar 5: Sustainable Investments	
Day 6	• Webinar 6: Sustainable Finance Reporting and Disclosures	



Skills you will learn



This webinar will help you to:

- understand how to integrate ESG issues into underwriting guidelines and risk management frameworks
- incorporate ESG considerations into product development and claims by addressing sustainability-focused customer needs.
- learn strategies to engage clients on sustainability risks and opportunities during the underwriting process.



Agenda – webinar 4



- 1 Underwriting practices**
- 2 Product development and claim management**
- 3 Client engagement**
- 4 Wrap up and Q&A**

Implementing the FSD ESG Roadmap

- 1 Develop ESG approach**
 - Evaluate ESG risks.
 - Determine ambition level.
 - Identify gaps.
- 2 Define client/portfolio risk framework and appetite**
 - Integrate ESG into existing client risk framework
 - Define risk appetite.
 - Engage clients on risk mitigation
- 3 Assess and escalate climate risk**
 - Assess physical risks
 - Identify transition risks
 - Comply with climate-related regulation
- 4 Integrate ESG into core operations - Underwriting**
 - Underwriting practices**
 - Product development and claim management**
 - Client engagement**
- 5 Integrate ESG into core operations - Investment**
 - Investment practices
 - Sustainable product development
 - Client engagement
- 6 Governance framework, monitoring and reporting**
 - Develop governance structure
 - Set KPIs
 - Establish reporting mechanisms

Step 4: Integrate ESG into core operations - Underwriting

Integrate ESG into core operations

Underwriting

4

- Underwriting practices:
 - Embed ESG criteria into underwriting guidelines and risk assessment frameworks.
- Product development and claim management:
 - Incorporate ESG considerations into product development and claim management by identifying customer needs driven by sustainability.
- Client engagement:
 - Work closely with clients to understand their ESG practices and provide guidance for improvements.

Agenda – webinar 4



1 Underwriting practices

2 Product development and claim management

3 Client engagement

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Underwriting practices



Integrate ESG into core operations

Underwriting

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5 key ways to embed ESG criteria



Non-Life Insurance

- 1 ESG risk scoring and pricing integration
- 2 Refined climate risk modeling in underwriting
- 3 ESG-based exclusion

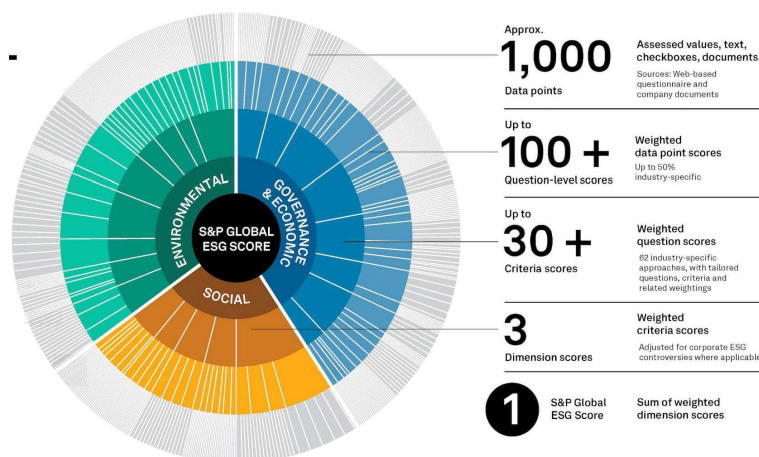


Life Insurance

- 1 Longevity and mortality risk adjustment
- 2 ESG risk scoring for individual underwriting



Non-life: ESG risk scoring and pricing integration (client level)



Scoring at a client level

ESG issues scored based on data provided by:

- the client
- an ESG rating provider

ESG score can be used to:

- refine premium pricing,
- engage with client on ESG performance

S&P



Non-life: ESG risk scoring and pricing integration (product level)



Energy	Construction	Agriculture	Transportation
Property Insurance <ul style="list-style-type: none"> • E: Exposure to natural disasters, pollution risks • S: Community impact of operations, safety protocol 	Contractors All Risk Insurance <ul style="list-style-type: none"> • E: Sustainable building materials, waste management • S: Site safety practices, local community impact • G: Project management quality, subcontractor vetting 	Crop Insurance <ul style="list-style-type: none"> • E: Climate change impacts, pesticide use, water management • S: Fair labor practices in harvesting 	Motor Fleet Insurance <ul style="list-style-type: none"> • E: Vehicle emissions, transition to electric vehicles • S: Driver working conditions, road safety practices • G: Fleet management systems, vehicle maintenance protocols
Liability Insurance <ul style="list-style-type: none"> • E: Potential for environmental damage, carbon emissions • S: Worker safety standards, community health impacts 	Professional Indemnity Insurance <ul style="list-style-type: none"> • E: Green building design expertise • S: Diversity and inclusion in project teams • G: Quality control processes, professional certifications 	Livestock Insurance <ul style="list-style-type: none"> • E: Animal welfare standards, antibiotic use policies • G: Disease outbreak preparedness, traceability systems 	Marine Cargo Insurance <ul style="list-style-type: none"> • E: Ship fuel efficiency, ballast water management • S: Crew working conditions, piracy risk management • G: Compliance with international maritime regulations, cargo safety practices

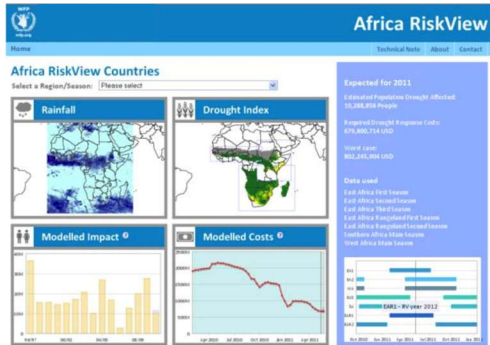


CASE STUDY

Non-life: Refined climate risk modeling in underwriting



Use of data and technology to assist with climate risk modelling.

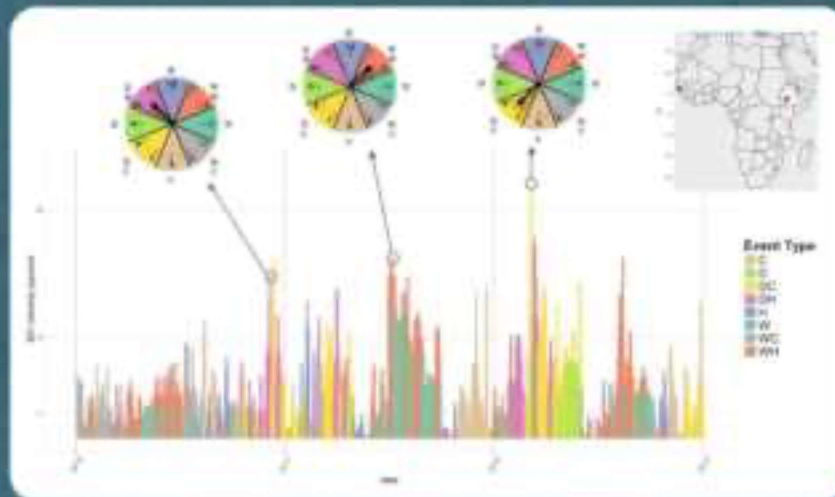


ARC Ltd. incorporates climate data to assess and price risks. Africa RiskView is designed to:

1. Interpret satellite-based weather data
2. Analyze crop and soil information
3. Convert data into agri production indicators
4. Estimate the impact on vulnerable populations

Once the system identifies that drought conditions have gone above the trigger, it automatically pays out a value which takes into consideration the number of people affected and the agreed 'cost per person'.

African Risk Capacity



The Extreme Climate Index is based on multiple climate hazards

Non-life: ESG-based exclusion

Exclusions have evolved from a religious focus to a broader, ethical one.

Exclusions can be applied in two levels:

- Exposure to economic activity (direct exclusion)
- Insufficient action to manage high risk economic activity (assessed exclusion)

Direct exclusion by Allianz



Assessed exclusion by Allianz



Allianz

Life: Longevity and mortality risk adjustment

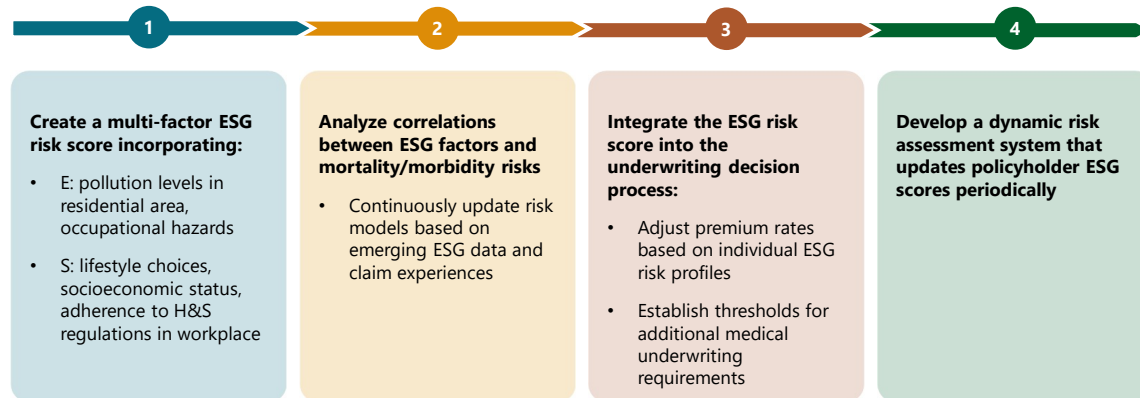
Use predictive analytics to adjust mortality tables based on ESG trends and their impact on population health.

Risk criteria	Risk impact			
	Mortality	Longevity	Morbidity	Hospitalisation
Bacteria or viruses change over time and no longer respond to medicines	H+	H-	H+	H+
Air pollution	L+	L-	H+	H+
Greenhouse gas emissions	L+	L-	H+	H+
Physical risk - acute (refers to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods)	H+	L-	H+	H+
Physical risk - chronic (refers to longer-term shifts in climate patterns, e.g. sustained higher temperatures that may cause sea level rise or chronic heat waves)	L+	L-	L+	L+
Transition risk	N	N	L+	L+
Biodiversity loss	L+	L-	L+	L+

Risk criteria	Risk impact			
	Mortality	Longevity	Morbidity	Hospitalisation
Artificial intelligence (AI) bias	L+	N/A	L+	L+
Ageing population (i.e. increase in life expectancy of the population)	H-	H+	L+	L+
Biological sex - Male	L+*	N*	L+*	L+*
Biological sex - Female	N*	L+*	N*	N*
Elderly population (i.e. increase in the relative number of elderly people in the population)	H+	H-	L+	L+
Ethnicity	N	N	N	N
Family relationship	N	N	N	N
Genetic inheritance	H+	L-	H+	H+

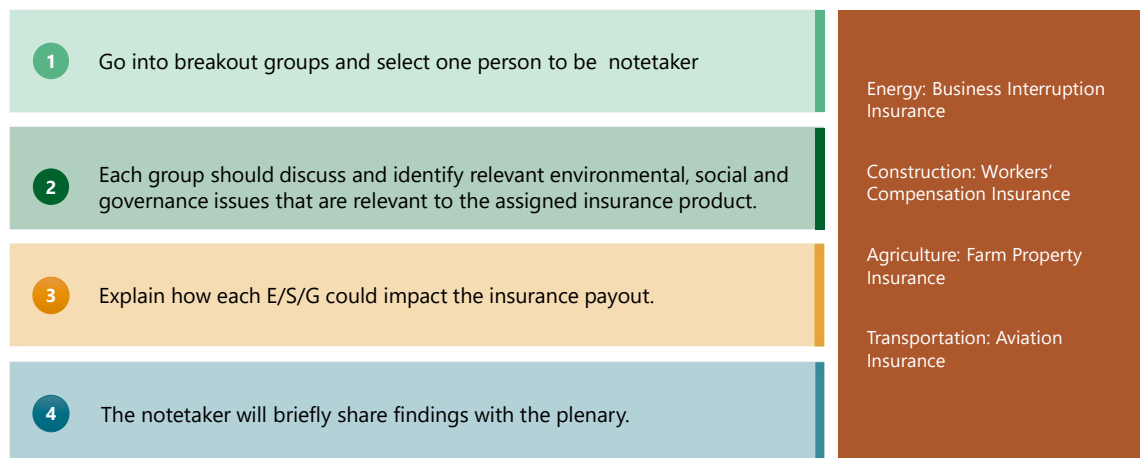
Non-life: ESG risk scoring for individual underwriting

Develop a comprehensive ESG risk assessment tool for individual life insurance applicants:



GROUP EXERCISE

Exercise: ESG risk scoring at product level



Answer: ESG risk scoring at product level

Energy	Construction	Agriculture	Transportation
Business Interruption Insurance <ul style="list-style-type: none"> Environmental: Climate change risks, transition to renewable energy Social: Supply chain labor practices Governance: Crisis management preparedness, business continuity planning 	Workers' Compensation Insurance <ul style="list-style-type: none"> Environmental: Exposure to hazardous materials Social: Occupational health and safety practices, fair labor policies Governance: Incident reporting procedures 	Farm Property Insurance <ul style="list-style-type: none"> Environmental: Flood and drought risks, soil conservation practices Social: Rural community engagement, farm worker housing conditions Governance: Land use rights, compliance with agricultural regulations 	Aviation Insurance <ul style="list-style-type: none"> Environmental: Aircraft fuel efficiency Social: Passenger safety measures, employee training programs Governance: Compliance with aviation regulations, crisis management protocols

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4 Wrap up and Q&A

Product development and claim management

Integrate ESG into core operations

Underwriting

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- Underwriting practices:
 - Embed ESG criteria into underwriting guidelines and risk assessment frameworks.
- **Product development and claim management:**
 - **Incorporate ESG considerations into product development and claim management by identifying customer needs driven by sustainability.**
- Client engagement:
 - Work closely with clients to understand their ESG practices and provide guidance for improvements.

Opportunities for product development with positive impact

Develop products and services that:

- reduce risk, have a positive impact on ESG issues, and encourage better risk management.
- improve customer access and education.
- address ESG risks with solutions that help clients manage transition risks, reduce their impacts and innovate new/emerging business models.

Life Insurance



- Preventative healthcare
- Financial inclusion
- Digital health solutions






General Insurance

- Resilience building
- Green technologies
- Nature-based solutions









Opportunity for product development: individuals and SMEs

	Positive environmental impact	Positive social impact
 Climate insurance Risk transfer products providing coverage for weather-related extremes, such as tropical cyclones, storms, floods, forest fires etc	Improving clients' resilience and ability to respond to climate-induced shocks in case of extreme weather events.	Improved financial stability and business continuity, jobs and livelihoods maintained.
 Car insurance Usage based insurance	Pay-as-you-go car insurance encourages drivers to be more mindful of driving habits and mileage. Premiums based on usage motivate to drive less, resulting in a decrease in carbon emissions.	Traditional fixed insurance premiums can be burdensome for lower-income individuals. Pay-as you-go insurance offers a more accessible pricing model, where people who drive less pay less.
 Climate-related morbidity insurance Inclusive heatstroke insurance, insurance related to climate-induced epidemics and pandemics	Helping clients to recover from climate-induced health-related challenges by creating complementary financial support mechanisms for individuals and communities.	Maintaining financial resilience of populations affected by extreme heat, increased morbidity, epidemics, and pandemics, protecting their productive capacity and livelihoods.

Source: UNEP FI, ILO



Opportunity for product development: individuals and SMEs

	Contribution to environmental elements of a just transition	Contribution to social elements of a just transition
 Property insurance	Supporting clients to manage the financial effects of damage to property as a result of climate-related events.	Allows for improved financial stability of households and businesses as they are able to withstand the costs of damaged property.
 Agricultural insurance	Supporting climate change adaptation by ensuring financial stability and protection in case of extreme events.	Lower costs, quick and reliable financial support to farmers, facilitating faster recovery—enabling business continuity, maintenance of livelihoods; better access to credits and investments.
 Business insurance Business interruption insurance	Business interruption insurance can support businesses to withstand climate events which impact their operations.	Allows for business stability and continuity, in turn sustaining livelihoods in the face of climate events
 Complementary unemployment insurance	Complementary support for businesses and individuals impacted by the climate transition	Provides support to complement state protection for employees while they search for new opportunities or are working on new skills development.

Source: UNEP FI, ILO



CASE STUDY

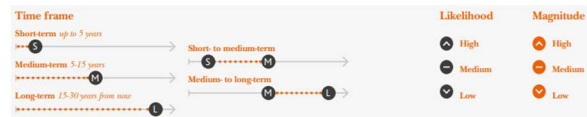
Case study: Lancashire Group



Insurance products that support clients navigate climate risk can be important commercial opportunities in the short and long-term

Lancashire

Risk Description	Market Opportunity	Time frame	Likelihood	Magnitude
Political risk insurance	Currently, a strong uptick in ESG-related funding from our existing client base and this trend is expected to continue.	Short-term up to 3 years	High	High
Natural catastrophe (re)insurance	Additional limit purchased by insureds and reinsurers at improved pricing levels as catastrophe risk increases with both earnings protection and capital protection being sought.	Short-term up to 3 years	High	High
Renewables	The trend for global renewable electricity generation is fully expected to continue. As our clients transition from fossil fuels to renewable energy, there will be sizeable opportunities in the market to grow this part of our portfolio.	Short-term up to 3 years	High	High
Decommissioning insurance: Oil & gas assets	Energy transition will accelerate the decommissioning of many offshore platforms and complexes. As these assets reach the end of their commercial life, there will be increased pressure to ensure that their decommissioning is done in an environmentally friendly way with appropriate risk management solutions.	Medium-term 5/15 years	Medium	Medium
Carbon capture: Injection of CO₂ into depleted gas fields	Offshore carbon capture and storage may play a major role in global efforts to reduce emissions with appropriate risk management solutions.	Medium-term 5/15 years	Medium	Medium
Environmental insurance products	Environmental insurance provides coverage for loss or damages resulting from unexpected releases of pollutants typically excluded in general property and liability policies.	Medium-term 5/15 years	Medium	Medium
Parametric (weather) insurance products for food and agriculture industry	Industries will look at new ways of managing weather risk where parametric triggers are more likely to offer a form of indemnity.	Long-term 15-30 years from now	Low	Low



Source: Lancashire Group

weesg IMPACT ACTUARIAL

fsdafrica UK International Development Partnership - Progress - Prosperity

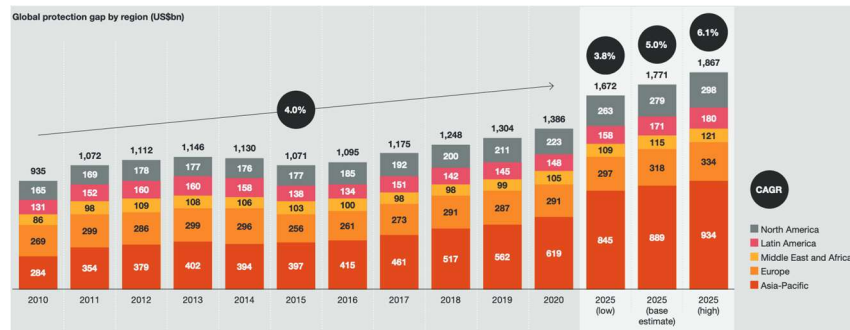
Protection gap projected to set historic highs

THE NAIROBI DECLARATION ON SUSTAINABLE INSURANCE



In 2022, 80% of Africa's natural catastrophe losses were uninsured, up from 58% in 2021.

This underscores the region's vulnerability to disasters and its limited financial protection.



Source: Swiss RE, PwC, IMF

weesg IMPACT ACTUARIAL

fsdafrica UK International Development Partnership - Progress - Prosperity



Addressing the protection gap

1

Education Programs

Improve insurance literacy and raise awareness.

2

Affordable Products

Develop tailored solutions for vulnerable populations.

3

Public-Private Partnerships

Collaborate to expand insurance coverage.



CASE STUDY

Addressing protection gap: Axa



By providing innovative climate risk protection to previously uninsured rural communities, AXA strengthens financial inclusion and economic resilience related to climate adaptation



HOW DOES PARAMETRIC INSURANCE WORK?



- AXA offers parametric insurance for smallholder farmers in developing countries, with payouts based on predefined weather events.
- AXA benefits from lower claims costs and can now provide coverage in regions where traditional insurance was not viable
- By providing innovative climate risk protection to previously uninsured rural communities, AXA strengthens financial inclusion and economic resilience related to climate adaptation

Source: AXA, Index Insurance Forum



CASE STUDY

PPP for crop insurance: CARD Pioneer



Innovations can revolutionize the agriculture insurance industry



- 1st public-private partnership on crop insurance with support from the ADB and participation of the government's Philippine Crop Insurance Corporation and private insurer CARD Pioneer Microinsurance
- **For the farmers:** Enhances resilience and financial security by mitigating the financial risks of typhoons and other disasters.
- **For the insurer:** Provides market expansion, opportunities to diversify into other agricultural sectors and, shared risks with the government.

Source: ADB



Sustainable claims: aligning with customer needs.



- Use claims to promote sustainable choices: EVs, repairs, home insulation, and low-carbon heating.
- Prioritize "repair over replace" and circular solutions in restorations.
- Accelerate claims with tech like drones, reducing costs and assessment time by up to 75%.
- 'Build back better': encourage resilience measures like flood defenses post-loss



Reflection



What challenges prevent developing these products and how can these be overcome?

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Client engagement



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Client engagement on corporate sustainability



An effective client engagement strategy is critical to achieve net-zero goals.

Some approaches used in client engagement strategy:

- | | | |
|---|----|---|
| • Climate advisory services for clients | 79 | Climate advisory services for clients |
| • Evaluating a client's transition plan | 74 | Evaluating a client's transition plan |
| • Requesting a meeting to discuss client's transition | 69 | Requesting a meeting to discuss client's transition |
| • Requesting emissions/other data that is not publicly available | 66 | Requesting emissions/other data that is not publicly available |
| • Requesting clients to have emissions targets in place/validated | 52 | Requesting clients to have emissions targets in place/validated |
| • Providing the client with a carbon calculator tool | 38 | Providing the client with a carbon calculator tool |

Source: UNEP FI



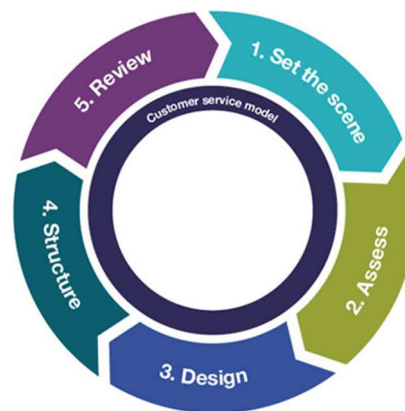
Recap: How can insurers engage clients on sustainability

Corporates need to engage with sustainability, but their level of awareness differs.

An **engagement model** was developed by Cambridge University.

It helps financial institutions have structured conversations with their clients on sustainability and the financing solutions that support it.

This process can be used to scope out client interest during regular client engagements of account managers.



Source: CISL

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Wrap up



This webinar has looked at

- exploring integrating ESG criteria into underwriting guidelines and risk management frameworks.
- how to identify key sustainability risks and opportunities in general insurance, life and health, and closing the protection gap.
- incorporating ESG considerations into product development and claims by addressing sustainability-driven customer needs.
- developing strategies to engage clients on sustainability risks and opportunities during underwriting



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Thank you for participating.



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