

Principles for Sustainable Insurance

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The Principles for Sustainable Insurance (PSI) was developed by the United Nations Environment Programme's Finance Initiative (UNEP FI). It was launched at the UN Conference on Sustainable

Development (Rio+20 Summit) in June 2012, or two decades after the Rio Earth Summit of 1992. The launch event was co-hosted by the International Insurance Society and the Brazilian Insurance Confederation. Also known as the PSI Initiative, it is the largest collaborative initiative between the United Nations and the insurance industry. As of July 2015, 83 organizations have adopted the Principles, including insurers representing approximately 20% of world premium volume.

The Principles are a framework for the global insurance industry to address environmental, social and governance (ESG) risks and opportunities. It is a movement to build a green economy. It provides “a Global roadmap to develop and expand the innovative risk management and insurance solutions that we need to promote renewable energy, clean water, food security, sustainable cities and disaster-resilient communities.” It is a recognition that the world is facing increasing environmental, social and governance (ESG) challenges.

The UNEP FI conducted research studies from 2006 to 2009 to develop the Principles. The insurance industry was extensively consulted.

Sustainable insurance has been defined as “a strategic approach where all activities in the insurance value chain, including interactions with stakeholders, are done in a responsible and forward-looking way by identifying, assessing, managing and monitoring risks and opportunities associated with environmental, social and governance issues. Sustainable insurance aims to reduce risk, develop innovative solutions, improve business performance, and contribute to environmental, social and economic sustainability.”

Under the PSI, insurers joining this global initiative will integrate environmental, social and governance (ESG) issues into a company's management and operations. This will raise awareness of ESG issues.

The four Principles are: *First*: “We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.” *Second*: “We will

work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.” *Third:* “We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.” *Fourth:* “We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.”

To illustrate the implementation of the PSI, under the first Principle, the company strategy should “establish a company strategy at the board and executive management levels to identify, assess, manage and monitor ESG issues in business operations”; “dialogue with company owners on the relevance of ESG issues to company strategy”; and “integrate ESG issues into recruitment, training and employee engagement programmes.”

The Principles are not legally binding and therefore not legally enforceable. They are instead voluntary and aspirational. The Principles are supported and implemented by signatory organizations. To be a signatory, an organization must agree to participate in the annual public disclosure process and the payment of annual fees. Currently (2017), there is only one signatory from the Philippines. It is the National Reinsurance Corporation of the Philippines (PhilNaRe), represented by its Chief Executive Officer, Augusto P. Hidalgo.

The PSI Initiative is governed by a Board comprising representatives from the insurance industry and the UNEP, which occupies a permanent board seat. Currently (2017), the Secretariat Programme Leader of the UNEP FI Principles for Sustainable Insurance Initiative is a Filipino in the person of Mr. Butch Bacani, and based in Geneva, Switzerland.

Dennis B. Funa (dennisfuna@yahoo.com) is the current Insurance Commissioner. Atty. Funa was appointed by President Rodrigo R. Duterte as the new Insurance Commissioner in December 2016.