Associazione Nazionale fra le Imprese Assicuratrici

BUILDING THE FUTURE: HUMAN DEVELOPMENT, SUSTAINABILITY AND RESILIENCE

THE ROLE OF INSURANCE SECTOR

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THREE ASPECTS OF INSURERS' CORPORATE SOCIAL RESPONSABILITY

1. INSURERS AS ENTREPRENEURS

2. INSURERS AS RISK MANAGERS

3. INSURERS AS INVESTORS

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Focus today will be on points 2. and 3.

1. INSURERS AS RISK MANAGERS

FUNDAMENTAL ASPECTS/PRINCIPLES:

- MUTUALITY
- RISK ASSESSMENT
- RISK PREVENTION

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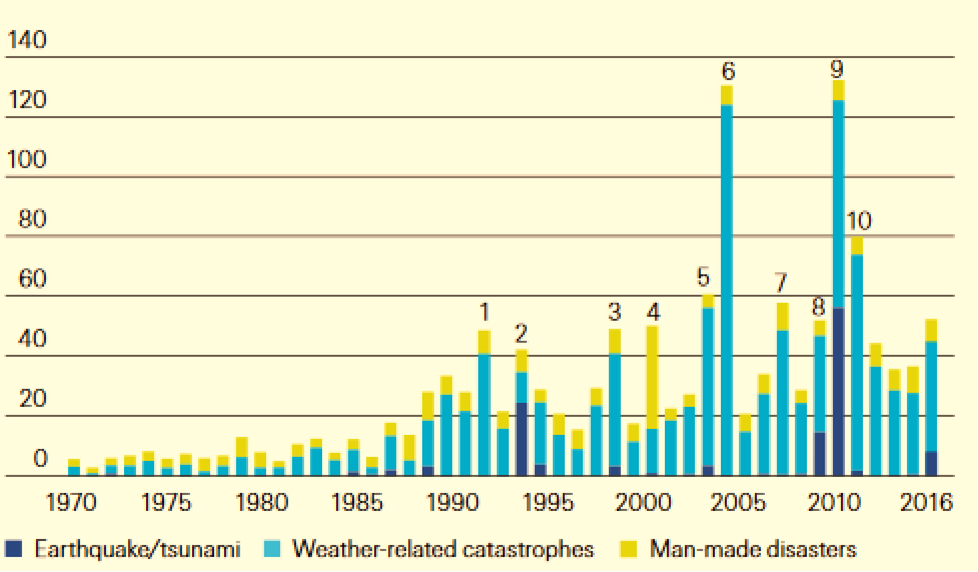
THE EXAMPLE OF CATASTROPHE RISK

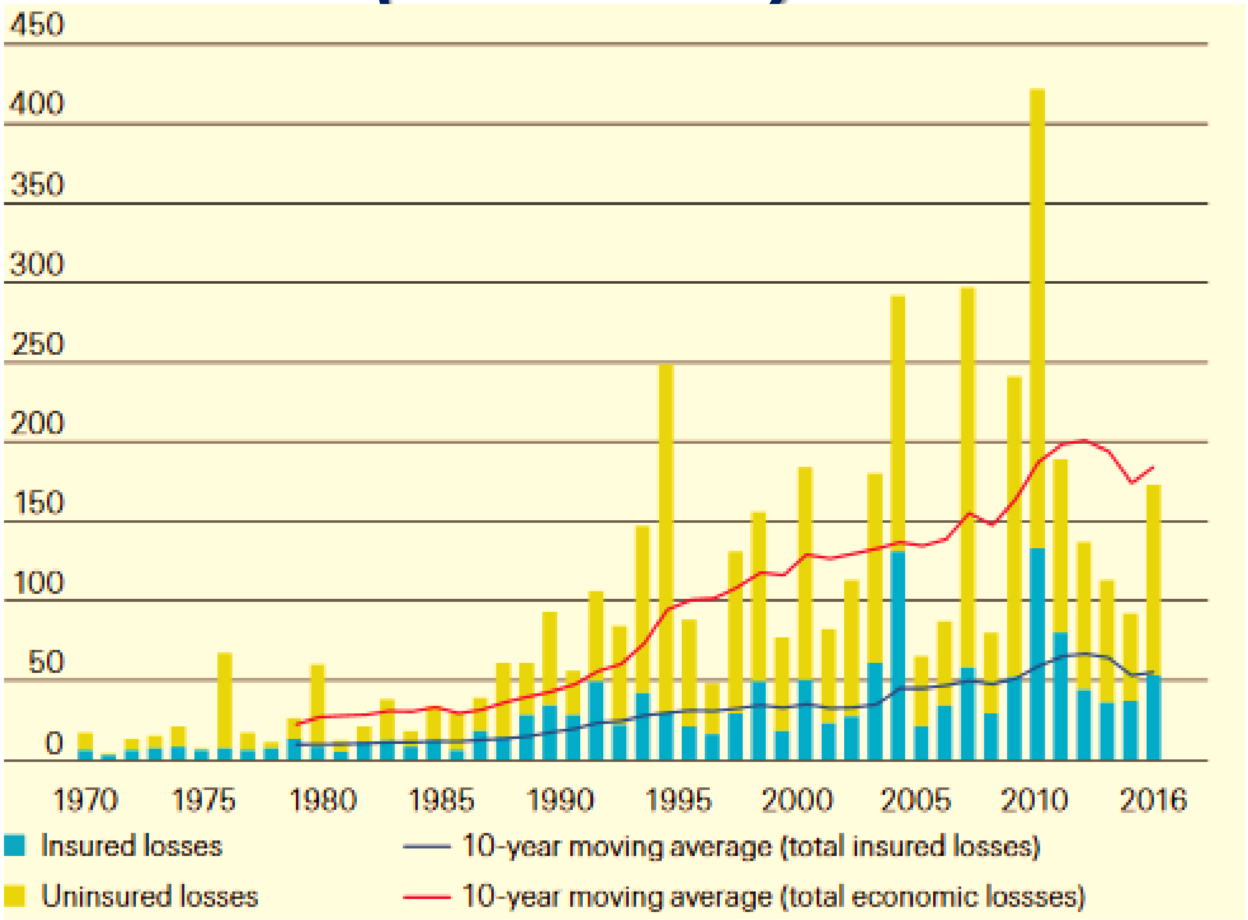
CATASTROPHE RISK: NATURAL AND MAN-MADE INSURED LOSSES (1970-2016)



1 1992: Hurricane Andrew
2 1994: Northridge earthquake
3 1999: Winter Storm Lothar
4 2001: 9/11 attacks
5 2004: Hurricanes Ivan,Charley, Frances
6 2005: Hurricanes Katrina, Rita, Wilma
7 2008: Hurricanes Ike, Gustav
8 2010: Chile, New Zealand earthquakes
9 2011: Japan, New Zealand earthquakes, Thailand flood
10 2012: Hurricane Sandy

Source: CAT PERILS and SWISS RE INSTITUTE

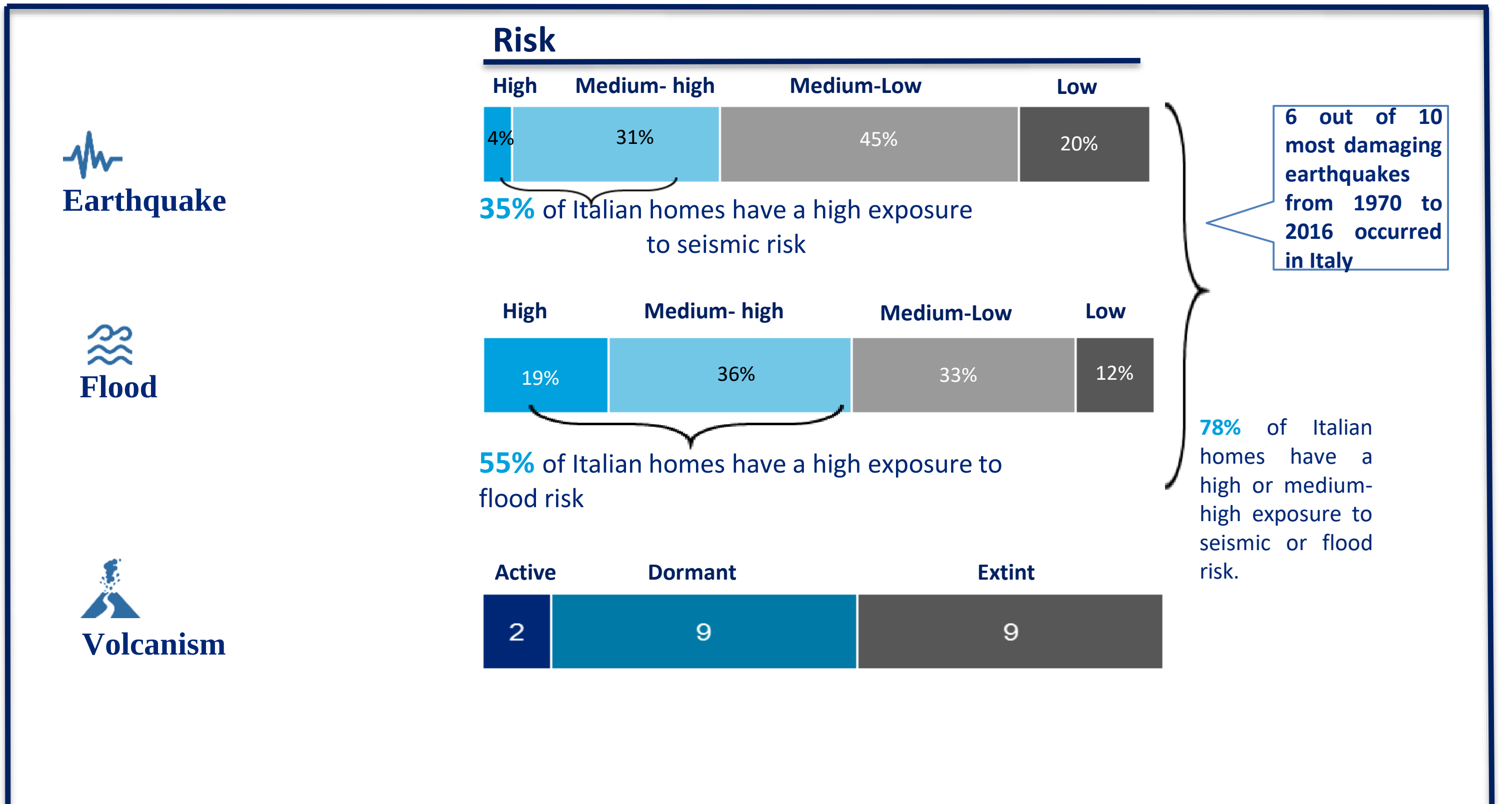
PROTECTION GAP FOR CATASTROPHE RISKS (1970-2016)



Source: CAT PERILS and SWISS RE INSTITUTE

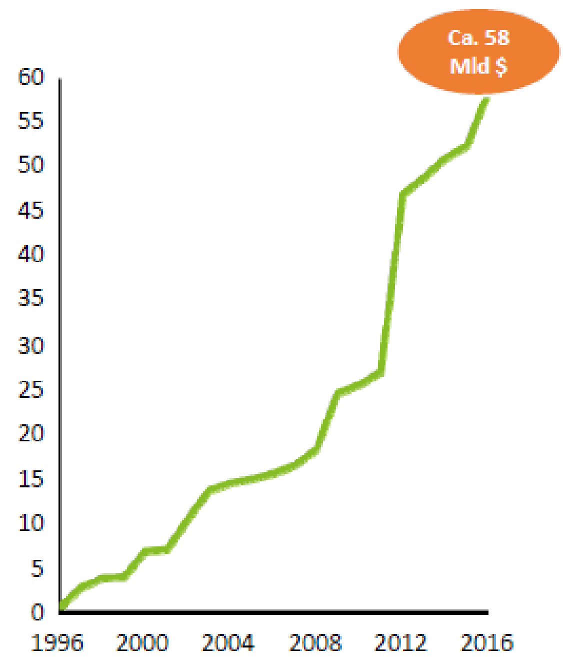
ITALY: EXPOSURE TO NAT CAT RISK

78% OF HOMES IN ITALY ARE IN AREAS EXPOSED TO A HIGH (OR MEDIUM-HIGH) RISK OF EARTHQUAKE OR FLOODING

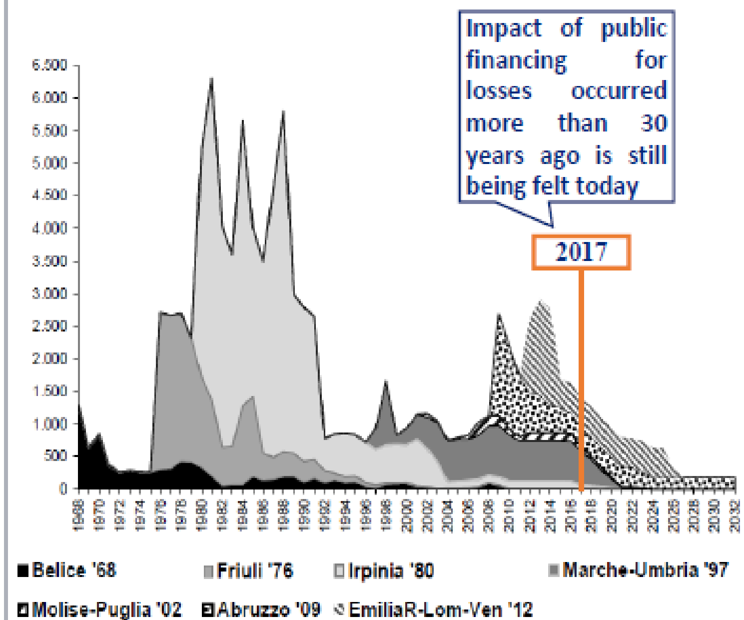


ECONOMIC LOSSES FROM NATURAL CATASTROPHES IN ITALY (1996-2016) AND RELATED PUBLIC FINANCING (1968-2012)

Cumulative economic losses from natural catastrophes in Italy (1996-2016)



Public financing for earthquake losses (1968-2012)



Italy is the 6th country in the world in terms of cat losses in the last 20 years

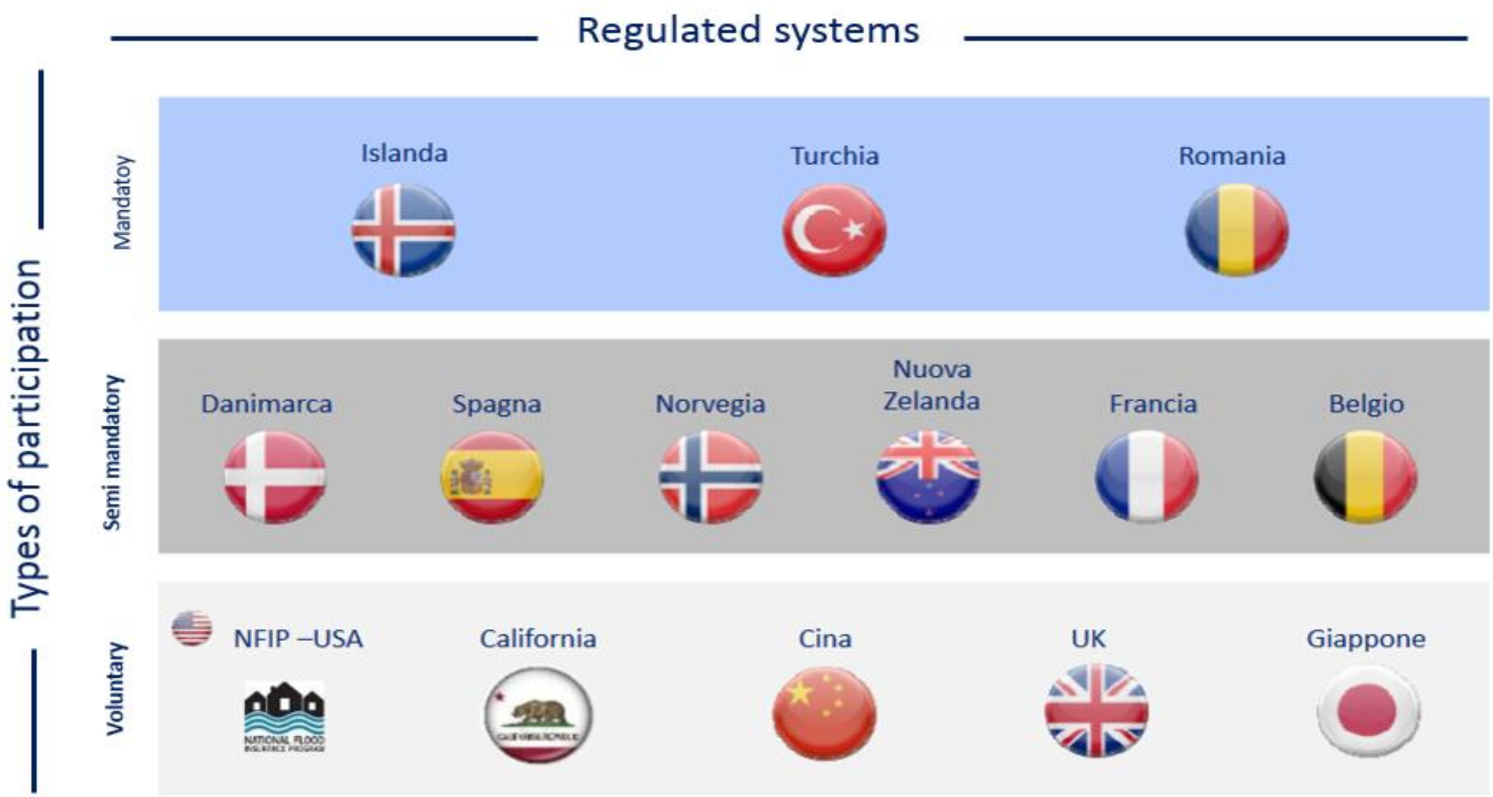
THREE BENEFITS OF AN INSURANCE SYSTEM FOR NAT-CAT RISK

1. COMPENSATING LOSSES AND AVOIDING LONG-TERM NEGATIVE IMPACTS WHEN DISASTERS STRIKE

2. STIMULATING ECONOMIC ACTIVITY BY REDUCING ACTUAL AND PERCEIVED DISASTER RISK

3. SOCIAL, ENVIRONMENTAL AND ECONOMIC CO- BENEFITS

REGULATORY SYSTEMS FOR DISASTER INSURANCE IN THE WORLD



2. INSURERS AS INVESTORS

The insurance sector is the largest institutional investor in Europe, accounting for nearly €10 trillion in assets, or about 60% of EU GDP. At portfolio level, most sector liabilities are predictable and long-term.

The business model of the insurance sector is particularly suited to supporting sustainability. Insurance products enable households and firms to focus on the longer term, knowing that they have financial protection against possible short-term misfortunes.

SUSTAINABILITY AND REGULATION

Insurance is regulated by Solvency II, which is an advanced, comprehensive and complex framework for risk management. The move to a harmonised risk-based regime, combined with strengthened internal risk governance, has many positive points. But in the context of sustainable and long-term finance, the question arises whether the approach leads to excessive penalisation of long-term investments and/or illiquid assets.

SUSTAINABILITY AND REGULATION

The Solvency II Review 2018 aims, among other objectives, at “removing unjustified constraints to financing”.

- Something has already been done
  - more adequate treatment of infrastructures

- More can be done in the near future:
  - treatment of unrated debt, and
  - unlisted equities

- And, in a more distant future:
  - how to cope with the issue of volatility and procyclicality

SUSTAINABILITY AND REGULATION

As regards the notion of ‘sustainability’, the prudential regulatory regime for insurance companies set out in Solvency II does not as yet explicitly require sustainability issues to be addressed by firms or supervisors. Recognising sustainability issues more explicitly could facilitate investment in (green) infrastructure projects.

EUROPEAN COMMISSION'S PLAN

The European Commission intends to present a comprehensive Action Plan in March 2018, with initiatives to stimulate the market for sustainable financial products. These will include:

1. **Integrating sustainability considerations into the duties that asset managers and institutional investors have** towards those whose money they manage, to clarify the requirement to take into account risks related to environmental, social, and governance factors.

2. Exploring the modalities of a **'green supporting factor' in prudential rules**, to boost investments. Lower capital charges would create incentives for investors to favour low-carbon investments or loans.

3. **Incorporating ESG** (Environment, Social and Governance) **factors into the mandate of supervisory authorities**, to enable them to monitor how financial institutions identify, report, and address environmental, social and governance risks.

ITALIAN INSURERS' INITIATIVES

- "GREEN" PRODUCTS
- SUSTAINABLE INVESTMENT POLICIES
- ENVIROMENTAL CERTIFICATIONS

WHAT ANIA IS DOING

- SUSTAINABLE FINANCE FORUM
- NATIONAL DIALOGUE FOR SUSTAINABLE FINANCE
- APPEAL ON CLIMATE CHANGE, 12TH DEC 2017

Ania

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THANKS FOR YOUR ATTENTION

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