

The Interrelationship between Climate Change & Insurance

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What are Environmental, Social & Governance (ESG) factors?

The consideration of environmental, social and governance factors alongside financial factors in the investment and underwriting decision-making processes.



Environmental factors: concern issues related to resource use, pollution, climate risk, energy use, waste management and other physical environmental challenges and opportunities.



Social factors: concern issues related to how a company interacts with the communities it operates in, its suppliers, employees and customers. These include, for example, labour standards, health and safety, supply chain management and nutrition and obesity.



Governance factors: concern procedures and processes according to which an organization is directed and controlled.

ESG Factors and Credit Factors

ESG Credit Factors are the intersection between standard credit factors and ESG factors that are applicable to the insurance industry – these are not new factors but a subset of credit factors



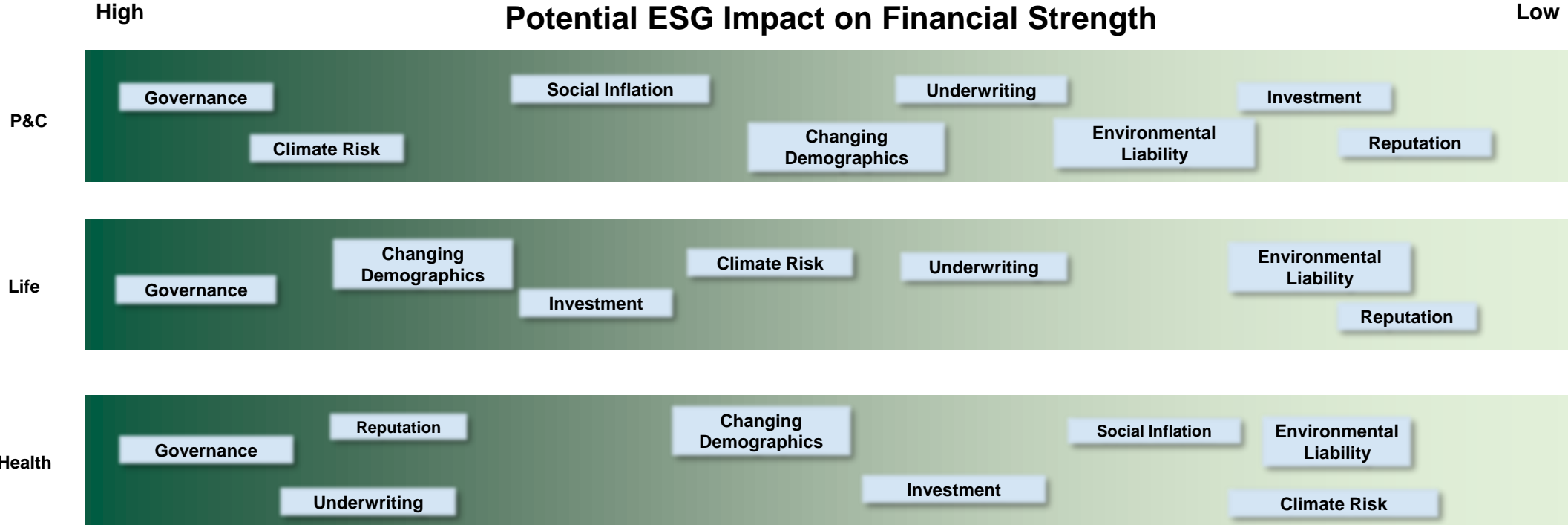
AM Best analyzes ESG Credit Factors and how these risks / opportunities can affect the Financial Strength of insurers.



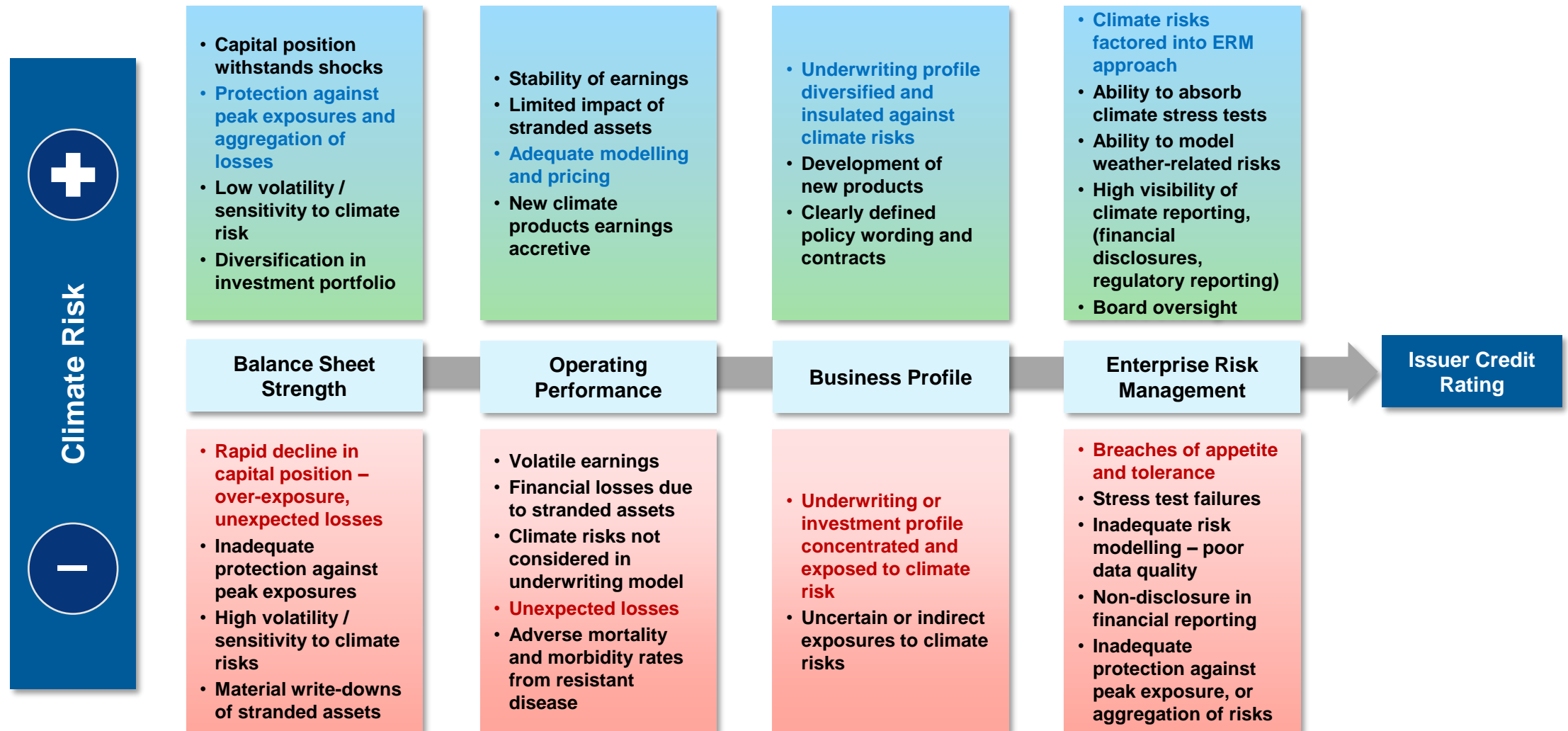
Some ESG issues may seem less important today, but may have greater importance over the medium-to-long term, and thereby have the possibility to impact financial strength, particularly if no action is taken.



ESG Impact on Credit Quality is not Uniform – Examples



Assessing Physical Climate Risk through the Rating Process



Q&A

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