



SUSTAINABILITY ACCOUNTING STANDARD | FINANCIALS SECTOR

INSURANCE

Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #FN0301

Prepared by the
Sustainability Accounting Standards Board®

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Provisional Version

INSURANCE

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly-listed corporations in the U.S. in disclosing material sustainability issues for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization and is accredited to set standards by the American National Standards Institute (ANSI).

SASB is developing standards for more than 80 industries in 10 sectors. SASB's standards-setting process includes evidence-based analysis with in-depth industry research and engagement with a broad range of stakeholders. The end result of this process is the creation of a complete, industry-specific accounting standard which accurately reflects the material issues for each industry.

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INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for Insurance.

SASB Standards are comprised of (1) disclosure guidance and (2) accounting standards on sustainability topics for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as the Form 10-Q, Form S-1, and Form 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material— depending on a company's specific operating context— to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

Industry Description

Companies in the Insurance Industry provide both traditional and nontraditional insurance-related products. Traditional policy lines include property, life, casualty, and reinsurance. Nontraditional products include annuities, alternative risk transfers, and financial guarantees. Companies in the insurance industry also engage in proprietary investments for asset-liability management.

Note: Accounting metrics for the material sustainability issues associated with the provision of health insurance are outlined in the SASB Managed Care (HC0303) Industry Standard.

Guidance for Disclosure of Material Sustainability Topics in SEC filings

1. Industry-Level Material Sustainability Topics

For the Insurance Industry, SASB has identified the following material sustainability topics:

- **Environmental Risk Exposure**
- **Policies Designed to Incentivize Responsible Behavior**
- **Plan Performance**
- **Systemic Risk Management**
- **Integration of Environmental, Social, and Governance Risk Factors in Investment Management**

2. Company-Level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is “a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of the information made available.”¹

SASB has attempted to identify those sustainability topics that evidence suggests may be material for all companies within each SICs industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires companies, among other things, to describe in the Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K “any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.”²

Furthermore, Instructions to Item 303 state that the MD&A “shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition.”

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.
- If a company’s management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant’s financial condition or results of operation is not reasonably likely to occur.

3. Sustainability Accounting Standard Disclosures in Form 10-K

a. Management’s Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **“Sustainability Accounting Standards Disclosures.”**³

b. Other Relevant Sections of Form 10-K

¹ TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

² C.F.R. 229.303(Item 3030)(a)(3)(ii).

³ [SEC \[Release Nos. 33-8056; 34-45321; FR-61\] Commission Statement about Management’s Discussion and Analysis of Financial Condition and Results of Operations](#): “We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing.”

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Specifically Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State, and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations targeting discharge of materials into the environment or primarily for the purpose of protecting the environment.
- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, “such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading.”

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via <http://www.sasb.org/approach/conceptual-framework/>.

Guidance on Accounting of Material Sustainability Topics

For sustainability topics in the Insurance Industry, SASB identifies two categories of accounting metrics:

1) Quantitative and 2) Discussion and Analysis.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-20⁴—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following related to the topic:

⁴ SEC Rule 12b-20: “In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made not misleading.”

- the registrant's **strategic approach** to managing performance on material sustainability issues;
- the registrant's **competitive positioning**;
- the **degree of control** the registrant has;
- any **measures the registrant has undertaken** or **plans to undertake** to improve performance; and
- data for registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the [Sustainability Industry Classification System \(SICS™\)](#). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act)⁵, for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);⁶
- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and
- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that such registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically this disclosure would be limited to risks and opportunities associated with these entities).

⁵ Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than \$10 million in assets.

⁶ See US GAAP consolidation rules (Section 810).

Reporting Format

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparison of disclosure, to the extent that they are not already disclosed in the Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed “activity metrics” —may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.
- Be explained and consistently disclosed from period to period to the extent they continue to be relevant – however, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

Where relevant, SASB recommends specific activity metrics that – at a minimum – should accompany SASB Sustainability Accounting Metric disclosures to aid investors in interpretation, analysis, and benchmarking.

For the Financials Sector, metrics measuring revenue, returns, margins, and regulatory capital are relevant for normalizing and analyzing SASB disclosures. Because these and other relevant financial metrics are readily available in financial statements and from financial data vendors, SASB does not specify activity metrics for the industries within the Financials Sector.

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables like the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically-based estimates, such as the reliance on certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company and, therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Forward Looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as forward looking and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

Assurance

In reporting on SASB Standards, it is expected that registrants report with the same level of rigor, accuracy, and responsibility as all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation), for example, an Examination Engagement as described in AT Section 701.

The following sections contain the technical protocols associated with each accounting metric such as guidance on definitions, scope, accounting guidance, compilation, and presentation.

The term “shall” is used throughout this Standard to indicate those elements that reflect SASB’s mandatory disclosure requirements. The terms “should” and “may” are used to indicate guidance, which, although not mandatory, provides a recommended means of disclosure.

Table 1. Material Sustainability Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Environmental Risk Exposure	Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes, by insurance segment, type of event, and type of risk insured	Quantitative	U.S. dollars (\$)	FN0301-01
	Total annual losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes	Quantitative	U.S. dollars (\$)	FN0301-02
	Description of how environmental risks are integrated into: (1) The underwriting process for individual contracts (2) The management of firm-level risks and capital adequacy	Discussion and Analysis	n/a	FN0301-03
	List of markets, regions, and/or events for which the registrant declines to voluntarily write coverage for weather-related natural catastrophe risks	Discussion and Analysis	n/a	FN0301-04
	Percentage of policies in which weather-related natural catastrophe risks have been mitigated through reinsurance and/or alternative risk transfer	Quantitative	Percentage in U.S. dollars (\$)	FN0301-05
Policies Designed to Incentivize Responsible Behavior	Discussion of products or product features that incentivize healthy, safe, and/or environmentally responsible actions or behavior	Discussion and Analysis	n/a	FN0301-06
	Net premiums written related to energy efficiency and low carbon technology	Quantitative	U.S. dollars (\$)	FN0301-07
Plan Performance	Complaints-to-claims ratio	Quantitative	n/a	FN0301-08
	Customer retention rate	Quantitative	Percentage (%)	FN0301-09
	Average number of days from reported claim to settlement of claim	Quantitative	Days	FN0301-10
	Description of efforts to provide information to new and returning customers in a clear and conspicuous manner	Discussion and Analysis	n/a	FN0301-11

Table 1. Material Sustainability Topics & Accounting Metrics (cont.)

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Systemic Risk Management	Non-policyholder liabilities	Quantitative	U.S. dollars (\$)	FN0301-12
	(1) Notional amount of CDS protection sold, (2) notional amount of debt securities insured for financial guarantee, and (3) risk-in-force covered by mortgage guarantee insurance	Quantitative	U.S. dollars (\$)	FN0301-13
	Value of collateral received from securities lending and amount received from repurchase agreements	Quantitative	U.S. dollars (\$)	FN0301-14
	Amount of life and annuity liabilities that can be surrendered upon request: (1) Within three months without penalty (2) With penalties lower than 20%	Quantitative	U.S. dollars (\$)	FN0301-15
Integration of Environmental, Social, and Governance Risk Factors in Investment Management	Discussion of how environmental, social, and governance (ESG) factors are integrated into the investment of policy premiums	Discussion and Analysis	n/a	FN0301-16
	Discussion of the investment portfolio risks presented by climate change, natural resource constraints, human rights concerns, or other broad sustainability trends	Discussion and Analysis	n/a	FN0301-17

Environmental Risk Exposure

Description

Catastrophe losses associated with extreme weather events will continue to have a material, adverse impact on the insurance industry. The extent of this impact is likely to evolve as climate change increases the frequency and severity of both modeled and non-modeled natural catastrophes, including hurricanes, floods, and droughts. Subsequently, insurance companies that integrate climate change into their analysis, pricing, and overall exposure will be better positioned to protect shareholder value. The enhanced disclosure of this integration, in addition to the probable maximum loss, total losses, and the mitigation of risk, will provide investors with the information necessary to assess current and future performance on this issue.

Accounting Metrics

FN0301-01. Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes, by insurance segment, type of event, and type of risk insured

- .01 Probable maximum loss (PML) is defined as the anticipated value of the largest monetary loss affecting the registrant's insurance portfolio that could result from weather-related natural catastrophes and is based on catastrophic modeling and exceedance probability (EP).
- .02 The registrant shall disclose the PML, expressed in a dollar amount, from weather-related natural catastrophes, including meteorological events (e.g., hurricanes and storms), hydrological events (floods), and climatological events (e.g., heat waves, cold waves, droughts, and wildfires) and excluding geophysical events (e.g., earthquakes and volcanic eruptions).
- .03 The registrant should provide a breakdown of the PML for two major segments: consumer and commercial.
- .04 The consumer segment includes homeowners, automotive, supplemental health and accident, and other personal insurance.
- .05 The commercial segment includes casualty (e.g., liability, workers' compensation), property, specialty (e.g., crop, marine, political risk), and financial (e.g., errors and omissions, fiduciary liability) insurance.
- .06 The registrant shall provide a breakdown of the PML for the consumer segment by type of event and type of insured risk in the following table format:

Consumer Probable Maximum Loss (in millions \$)						
Risk	Property & Casualty			Life & Retirement		Total
	Homeowners	Automotive	Other	Life	Retirement	
Floods						
Hurricanes						
Tornadoes						
Droughts						
Extreme heat						
Winter weather						
Tsunamis						
Total						

.07 The registrant shall provide a breakdown of the PML for the commercial segment by type of event and type of insured risk in the following table format:

Probable Maximum Loss (in millions \$)				
Risk	Property & Casualty			Total
	Property	Crop	Other	
Floods				
Hurricanes				
Tornadoes				
Droughts				
Extreme heat				
Winter weather				
Tsunamis				
Total				

FN0301-02. Total annual losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes

.08 The registrant shall disclose losses (in U.S. dollars) from insurance claim payouts for natural catastrophes, broken down by payouts for modeled and non-modeled events.

- .09 Total annual losses are the sum of all payouts from the registrant that are associated with natural catastrophes, including meteorological events (e.g., hurricanes and storms), hydrological events (e.g., floods), climatological events (e.g., heat waves, cold waves, droughts, and wildfires), and geophysical events (earthquakes, volcanic eruptions, and dry mass movements).
- .10 Modeled natural catastrophes are typically large-scale events, such as hurricanes and earthquakes, that the registrant has analyzed using a catastrophic risk model.
- .11 Non-modeled events are typically smaller-scale events, such as floods, droughts, snowstorms, and tornados, that the registrant has not analyzed using a catastrophic model (cat model).
- .12 Cat models are probabilistic mathematical models that simulate hazardous events and estimate the associated potential damages and insured losses. They may be conducted by the registrant or by a third party on behalf of the registrant.

FN0301-03. Description of how environmental risks are integrated into:

(1) The underwriting process for individual contracts

(2) The management of firm-level risks and capital adequacy

- .13 The registrant shall describe how it integrates environmental risks into both individual policyholder contracts and enterprise-wide assessments of risk.
- .14 Integration of risks into individual policyholder contracts may include activity by the actuary, underwriter, and/or risk modeler, such as the use of probabilistic mathematical models (i.e., catastrophic models); the use of new and emerging datasets (e.g., for dam burst risk); consideration of company size (i.e., risk to an SME versus a large company); assessments of new, insurable liabilities (e.g., legal liability for not planning for weather-related events); and/or consideration of new regulations (e.g., those associated with climatic changes).
- .15 Integration of risks into enterprise-wide assessments may include how risks are considered by segment (e.g., life versus property & casualty), capital adequacy, contingency planning for market failure (i.e., from numerous disaster-related claims), and use of alternative risk transfer (e.g., catastrophe bonds, weather derivatives).
 - The registrant may discuss how sustainability risks are integrated into its use of an enterprise risk management (ERM) framework, such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management–Integrated Framework.
- .16 Environmental risks may include changes in weather patterns, increased frequency of extreme weather, biodiversity loss and ecosystem disruptions, water management, and pollution.

FN0301-04. List of markets, regions, and/or events for which the registrant declines to voluntarily write coverage for weather-related natural catastrophe risks

- .17 The registrant shall list any markets, regions, and/or events for which it does not offer coverage at the time of disclosure, including situations in which the registrant maintains existing coverage but does not offer new coverage for the same risks.

- .18 The registrant shall disclose the instances when it cancelled or did not renew coverage for weather-related natural catastrophes after a disaster event.
- Weather-related natural catastrophes include meteorological events (e.g., hurricanes and storms), hydrological events (e.g., floods), and climatological events (e.g., heat waves, cold waves, droughts, and wildfires) but exclude geophysical events (earthquakes, volcanic eruptions, and dry mass movements).
- .19 Markets may include specific U.S. states, such as California or Florida, or counties within states, such as Galveston County, Texas.
- .20 Regions are specific geologic or physical zones for which the registrant does not write coverage, such as coastal areas and flood-prone areas.
- .21 Events may include “named” storms (i.e., by the U.S. National Weather Service and/or the U.S. National Hurricane Center), earthquakes, and flooding.

FN0301-05. Percentage of policies in which weather-related natural catastrophe risks have been mitigated through reinsurance and/or alternative risk transfer

- .22 The registrant shall calculate the percentage as the amount (in U.S. dollars) of risk transferred through reinsurance and/or alternative risk transfer (ART) mechanisms divided by the projected losses from coverage written for weather-related natural catastrophes.
- .23 Alternative risk transfer (ART) includes catastrophe bonds (i.e., those that are paid out on a proof of loss), weather derivatives (which are triggered by a weather event), and other forms of securitization.
- .24 The projected losses from coverage written for weather-related natural catastrophes shall be calculated as the risk-weighted losses anticipated using probabilistic mathematical modeling (e.g., catastrophic models).
- .25 Reinsurance shall include industry loss warrantees (ILWs).

Additional references

[Climate Risk Disclosure by Insurers: Evaluating Insurer Responses to the NAIC Climate Disclosure Survey](#), September 2011.

[Chapter 4 - Climate change and its implications for catastrophe modelling](#), Climate Change Research Report, The Chartered Insurance Institute (CII), 2009.

Policies Designed to Incentivize Responsible Behavior

Description

Advances in technology and the development of new policy products have allowed insurance companies to limit claim payments while encouraging responsible behavior. The industry is subsequently in a unique position to generate positive social and environmental externalities. In order to demonstrate how shareholder value is being enhanced through the development of such policies, insurance companies should disclose products that incentivize responsible behavior and a low-carbon economy.

Accounting Metrics

FN0301-06. Discussion of products or product features that incentivize healthy, safe, and/or environmentally responsible actions or behavior

- .26 Disclosure shall include a description of aspects of traditional products that incentivize healthy, safe, and/or environmentally responsible actions or behavior. Examples include premium discounts for green buildings, incentives for using sustainable building materials after a loss, discounts for properties in communities with building codes requiring climate-risk adaptations, and actuarially adjusted premiums for the use of low-emission vehicles, fuel-efficient non-hybrid vehicles, or alternative-fuel vehicles.
- .27 Disclosure shall also include a discussion of insurance policies that may be different from traditional insurance products by being structured to incentivize healthy, safe, and/or environmentally responsible actions or behaviors (for example, mileage/usage-based automotive insurance).
- .28 The scope of disclosure shall include products designed and intended to reduce moral hazards as well as those through which healthier, safer, or environmentally responsible outcomes are created as a byproduct.
- .29 If applicable, the registrant shall provide a discussion for the consumer insurance segment and the commercial insurance segment.
 - The consumer segment includes homeowners, automotive, supplemental health and accident, and other personal insurance.
 - The commercial segment includes casualty (e.g., liability, workers' compensation), property, specialty (e.g., crop, marine, political risk), and financial (e.g., errors and omissions, fiduciary liability) insurance.

FN0301-07. Net premiums written related to energy efficiency and low carbon technology

- .30 The registrant shall disclose the net premiums written (in U.S. dollars) for policies related to energy efficiency and low carbon technology, including renewable energy insurance, energy savings warranties, and carbon capture and storage insurance).
- .31 Renewable energy insurance may range from specialized protection against natural hazards or mechanical breakdowns to insurance against fluctuations in the availability of wind or solar radiation.
- .32 Energy savings warranties insure the energy savings guaranteed by Energy Services Companies (ESCOs) for building retrofitting and other energy efficiency projects.
- .33 Disclosure should include policies that can be demonstrated to absorb environmental risks, thereby enabling sustainability-related projects, technologies, and activities.

Plan Performance

Description

Insurance companies compete on the basis of price, brand reputation, services offered, and customer relationships. As financial regulators continue to emphasize consumer protection and accountability, firms that are able to ensure strong plan performance will be better positioned to protect shareholder value. Specifically, firms that are able to ensure timely claim payments and transparent information will be better positioned to retain customers and protect shareholder value.

Accounting Metrics

FN0301-08. Complaints-to-claims ratio

- .34 The registrant shall calculate the ratio as the number of complaints the registrant received from its customers across all insurance segments and regions per 1,000 claims that have been filed across all segments and regions.
- .35 What constitutes a complaint may be defined by the registrant but, at a minimum, shall include those complaints that are tracked and reported by each state insurance department.
- Typically, state insurance departments classify a reportable complaint as a communication from or on behalf of a consumer that is confirmed, is justified, requires further investigation, is closed, or is otherwise substantiated, in the view of the department.
- .36 Complaints are communications of dissatisfaction that relate, but are not limited to, excessive rates, misleading advertising or marketing, claim delays, denial of claims, unsatisfactory settlement offers, disputes over settlement value, coverage/policy cancellation or non-renewal, billing issues, and claim adjuster handling.
- Note: there may be more than one reason for a single complaint.
- .37 Where relevant, the registrant may additionally choose to disclose the complaints-to-claims ratio by product segment (e.g., commercial, consumer), insurance type (e.g., property, casualty, life), geographic region, or other breakdown.

FN0301-09. Customer retention rate

- .38 The registrant shall disclose its customer retention rate using the following the calculation: $(\text{Total number of customers at close of fiscal year} - \text{new customers added during the fiscal year}) / (\text{customers at the close of the previous fiscal year} - \text{customers involuntarily terminated during the fiscal year} - \text{attrition of customers in employer-sponsored plans})$.
- Involuntarily terminated customers—those whose coverage was terminated by the registrant due to non-payment, fraud, or intentional misrepresentation of material facts—shall be excluded from the calculation.
 - Attrition of customers in employer-sponsored plans (e.g., life insurance plans) due to turnover (voluntary or involuntary) shall be excluded from the calculation.

.39 Where relevant, the registrant may additionally choose to disclose the retention rate by product segment (e.g., commercial, consumer), insurance type (e.g., property, casualty, life), geographic region, or other breakdown.

FN0301-10. Average number of days from reported claim to settlement of claim

.40 The registrant shall disclose the average time to settlement of claims as the mean number of days from first notice of loss until the claim is settled (i.e., when the first payment is made to the customer).

.41 For the purposes of this disclosure, a claim is considered to be settled once the first payment is made to the customer, regardless of when the registrant informs a claimant about the settlement terms (if different from when the first payment was made).

.42 Where relevant, the registrant may additionally choose to disclose the average days until settlement by product segment (e.g., commercial, consumer), insurance type (e.g., property, casualty, liability, life), claim type (e.g., repairable, total-loss), geographic region, or other breakdown.

FN0301-11. Description of efforts to provide information to new and returning customers in a clear and conspicuous manner

.43 The registrant shall describe how it communicates clearly and transparently to customers regarding the terms of their insurance coverage (e.g., limits, deductible), the scope of their insurance coverage (e.g., what is covered by the policy), any unique policy exclusions or exceptions (e.g., anti-concurrent causation clauses), processes for payment of claims (e.g., role of adjuster, disputes, settlement), and availability of information throughout the customers' lifecycles (e.g., through online access).

.44 The registrant shall describe its communication processes, including the mechanisms (e.g., direct mailing, online accounts, telephone hotlines) and responsible personnel (e.g., sales and marketing, adjusters) involved.

.45 The registrant shall describe its communication practices for both new and returning customers, as well as any key points of communication, during a customer's lifecycle, such as during initial coverage or when a claim is filed.

Additional references

National Association of Insurance Commissioners (NAIC) Consumer Information Source [State Complaint Map](#).

California Insurance Code Section 12921.1, [Consumers: Consumer Complaint Study Definitions](#).

Systemic Risk Management

Description

Similar to other financial institutions, insurance companies face risks associated with credit and financial markets. Within the industry, companies that engage in nontraditional or non-insurance activities have been identified by regulators as being more vulnerable to financial market developments and subsequently more likely to amplify or contribute to systemic risk. As a result, insurance companies in the U.S. and abroad face the potential of being designated as systemically significant, nonbank financial institutions. Although the regulatory implications of this designation remain undetermined in the U.S., firms will be subject to stricter prudential regulatory standards and oversight by the Federal Reserve Board. Specifically, insurance companies will likely face limitations relating to risk-based capital, leverage, liquidity, and credit exposure. In addition, firms will be required to maintain a plan for rapid and orderly dissolution in the event of financial distress. To demonstrate how these risks are being managed, insurance companies engaged in nontraditional activities should enhance their disclosures of key aspects of systemic risk management.

Accounting Metrics

FN0301-12. Non-policyholder liabilities

- .46 The registrant shall disclose the amount (in U.S. dollars) of liabilities that are not policyholder liabilities, where policyholder liabilities are the total amount of technical provisions held by the registrant to fulfill insurance contracts.
- .47 Technical provisions (policy liabilities/technical liabilities) are defined as the amount that the registrant has set aside to fulfill its insurance obligations and settle all commitments to policyholders and other beneficiaries arising over the lifetime of the portfolio, including the expenses of administering the policies, reinsurance, and the capital required to cover the remaining risks.

FN0301-13. (1) Notional amount of CDS protection sold, (2) notional amount of debt securities insured for financial guarantee, and (3) risk-in-force covered by mortgage guarantee insurance

- .48 The registrant shall disclose the gross notional amount of credit default swap protection that it has sold (in U.S. dollars).
- .49 The registrant shall disclose the gross notional amount of structured debt securities for which the registrant provides financial guarantee insurance (i.e., through non-cancellable indemnity bonds)
- This figure shall exclude the CDS protection disclosed in part (1)
 - Debt securities include bonds (government, corporate, and municipal) and structured financial products.
- .50 The registrant shall disclose the risk in-force for its mortgage guarantee insurance, where risk in-force is defined as the amount of expected gross default covered by all mortgage guarantee policies.
- .51 The scope of disclosure excludes surety bonds.

FN0301-14. Value of collateral received from securities lending and amount received from repurchase agreements

- .52 The registrant shall disclose the amount of collateral it received from lending securities, including the amount of cash (in U.S. dollars) or the market value (in U.S. dollars) of non-cash collateral instruments (e.g., government securities, mortgage-backed securities, letters of credit).
- .53 Securities lending is defined as the loaning of a stock, derivative, or other security to an investor or firm in exchange for collateral (e.g., cash, security, or a letter of credit). When a security is loaned, the title and the ownership are also transferred to the borrower.
- .54 The registrant shall disclose the amount of cash it receives from the sale of securities in repurchase agreements.
- .55 A repurchase agreement consists of the sale of securities together with an agreement for the seller to buy back the securities at a later date. It is a form of short-term borrowing (typically overnight) involving government securities. For the party selling the securities (and agreeing to repurchase it in the future), it is a repurchase agreement.

FN0301-15. Amount of life and annuity liabilities that can be surrendered upon request:

(1) Within three months without penalty

(2) With penalties lower than 20%

- .56 The registrant shall disclose the amount (in U.S. dollars) of life insurance and annuity liabilities that can be surrendered upon customer request within three months without the customer being subject to a financial penalty (e.g., fees or taxes).
- .57 The registrant shall disclose the amount (in U.S. dollars) of these liabilities that can be surrendered upon customer request when the customer is subject to a financial penalty (e.g., fees or taxes) less than or equal to 20% of the customer's contributed funds.
 - For annuities with variable surrender fees (e.g., those that decrease over the life of the annuity on a fixed schedule), the registrant shall consider the current penalty rate effective at the close of the fiscal year.

Additional references

International Association of Insurance Supervisors, Global Systemically Important Insurers: Initial Assessment Methodology, July 18, 2013

Integration of Environmental, Social, and Governance Risk Factors in Investment Management

Description

Insurance companies are responsible for investing capital to ensure the preservation of premium revenues equivalent to expected policy claim payouts and must be able to maintain long-term asset–liability parity. As environmental, social, and governance factors have increasingly been shown to have a material impact on the performance of corporations and other assets, insurance companies have a responsibility to integrate these factors into the management of their investments, including corporate bonds, mortgage loans, real estate, and corporate equity. Failure to address these issues could lead to diminished returns and limit a company’s ability to issue claim payments.

Accounting Metrics

FN0301-16. Discussion of how environmental, social, and governance (ESG) factors are integrated into the investment of policy premiums

- .58 ESG integration is broadly defined as the incorporation of environmental, social, and governance factors alongside traditional financial considerations in the range of activities and decision-making processes that are involved in investment decisions.
- .59 Environmental, social, and governance (ESG) factors are defined—and their basic uses in financial analysis is described—in the SASB [Conceptual Framework](#) in the section, “Key Definitions and Characteristics of Sustainability Accounting and Disclosure.”

Investment Fund Construction

- .60 The registrant should discuss how ESG factors are incorporated into its diversification strategies (within an asset class) for its investment portfolio management, including whether the registrant assesses for concentrations of ESG risks and attempts to mitigate them through diversification of these risks.
 - This may include how ESG factors intersect with or influence the registrant’s view of fundamental factors (economic conditions, Federal Reserve Policy, industry trends, geopolitical risks, etc.).
- .61 The registrant should discuss how ESG factors are integrated into its asset allocation practices, including whether assets are allocated in part based on sustainability risks/exposures and opportunities that are particular to specific asset classes.
 - Discussion may include integration in the context of strategic asset allocation (where asset classes are fixed and rebalanced with periodic management) or tactical asset allocation (where there is a range in the balance of asset classes with more active management).

.62 The registrant should discuss how it factors the macroeconomic value of investments into its asset selection or recommendations, which, broadly, may include considering one or more of the following alongside the projected financial returns of an investment strategy:

- Whether the investment could create or contribute to systemic risk for the economy
- The potential for the investment to create negative externalities

Equity and Asset Selection

.63 The registrant shall discuss how it integrates ESG factors into its selection and/or recommendation process for individual assets during—although not limited to— the following stages or activities:

- Initial screening for opportunities within the investment mandate of its portfolio
- Conducting qualitative due diligence on management quality, tax and legal compliance, peers, and business model strength
- Performing technical analysis, including valuation and pricing
- The identification and prioritization of risks to the thesis

.64 The registrant shall discuss how it incorporates ESG metrics into its quantitative financial analysis and modeling, including which metrics, standards, benchmarks, or datasets are used and how they are weighed alongside traditional financial metrics in valuation and pricing.

FN0301-17. Discussion of the investment portfolio risks presented by climate change, natural resource constraints, human rights concerns, or other broad sustainability trends

.65 The registrant shall discuss how it assesses and has identified the risks to its investment portfolio(s) presented by climate change, natural resource constraints, human rights, and/or other broad sustainability trends.

- Climate change risks should be understood to include, but not be limited to, direct regulatory costs (e.g., emissions trading costs), anticipated shifts in demand, supply chain impacts, capital expenditure requirements for adaptations, and GHG emissions reductions.
- Risk of natural resource constraints should be understood to include, but not be limited to, decreased availability, increased competition, or volatility in availability of water, forestry products, fossil fuels, and/or extractives.
- Human rights concerns should be understood to include, but not be limited to, the operational risks (project delays or cancellation), legal and regulatory risks (lawsuits or fines), and reputational risks (negative press coverage and brand damage) associated with violations of basic human rights (i.e., those enumerated in the U.N. Universal Declaration of Human Rights).
- Other broad sustainability trends include, but are not limited to, high-risk (or predatory) lending, offshore outsourcing, global supply chains, and shifting population demographics.

.66 The registrant shall identify the specific industries (or sectors) in which it has exposure to risks from the trends it has identified, where industries are categorized according to a standard industry classification system (e.g., GICS, ICB, NAICS).

- The registrant should quantify its exposure to sustainability risks as a dollar amount of investment in the industries most susceptible to the risks that the registrant has identified or, if available, as a risk-adjusted exposure (e.g., to cash flow or discount rates) to these industries.

.67 The registrant shall identify specific geographies (e.g., regions, countries, states) and/or demographic segments (e.g., income, education) in which the registrant has activity and recognizes risks from the broad sustainability trends disclosed.

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