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TO: ALL INSURERS AND REINSURERS

RE: GUIDANCE ON PRINCIPLES OF SUSTAINABLE INSURANCE

Insurance business involves comprehending, controlling, and assuming risks. By preventing and reducing risks, as well as distributing them across a broad base, the insurance industry plays a crucial role in safeguarding society, encouraging innovation, and supporting economic progress. These contributions are essential to a well-functioning and sustainable society.

Like other regions globally, Kenya is faced with growing environmental, social, and governance (ESG) challenges. These evolving risk dynamics result to a wide array of interconnected and intricate risks, alongside emerging opportunities. Accordingly, it is prudent for the insurance industry to adjust the range of risk factors considered in managing its business.

ESG issues are increasingly influencing traditional risk factors and can have a significant impact on the industry's viability. A resilient insurance industry depends on holistic and far-sighted risk management in which ESG issues are considered.

As risk managers, the insurance industry holds a significant stake and plays a crucial role in promoting sustainable economic and social development. Enhanced management of ESG issues will bolster the insurance industry's efforts to foster a resilient, inclusive, and sustainable society.

It is on this backdrop that the Authority encourages the industry to adopt and implement the Principles for Sustainable Insurance, as outlined by the United Nations Environment Programme's Finance Initiative, as follows: -

Principle 1: Embed in your decision making environmental, social and governance issues relevant to your insurance business.

1) Establish a company strategy to identify, assess, manage and monitor ESG issues in business operations.

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2) Dialogue with shareholders on the relevance of ESG issues to company strategy.
3) Integrate ESG issues into recruitment, training and employee engagement programmes.
4) Establish processes to identify and assess ESG issues inherent in the business portfolio and be aware of potential ESG-related consequences of the company's transactions.
5) Integrate ESG issues into risk management and underwriting practices.
6) Develop products and services which reduce risk, have a positive impact on ESG issues and encourage better risk management.
7) Develop or support literacy programmes on risk, insurance and ESG issues.
8) Respond to clients quickly, fairly, sensitively and transparently always and make sure claims processes are clearly explained and understood.
9) Integrate ESG issues into repairs, replacements and other claims services.
10) Educate sales, marketing staff and intermediaries on ESG issues relevant to products and services and integrate key messages responsibly into strategies and campaigns.
11) Make sure product and service coverage, benefits and costs are relevant and clearly explained and understood.
12) Integrate ESG issues into investment decision-making and ownership practices.

Principle 2: Work together with your clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

1) Dialogue with clients and business partners on the benefits of managing ESG issues and the company's expectations and requirements on ESG issues.
2) Provide clients and business partners with information and tools that may help them manage ESG issues.
3) Integrate ESG issues into tender and selection processes for suppliers.
4) Encourage clients and business partners to disclose ESG issues and to use relevant disclosure or reporting frameworks.
5) Support the inclusion of ESG issues in professional education and ethical standards in the insurance industry.

Principle 3: Work together with the National and County Governments, the Authority and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

1) Dialogue with intergovernmental and non-governmental organisations to support sustainable development by providing risk management and risk transfer expertise.
2) Dialogue with business and industry associations to better understand and manage ESG issues across industries.
3) Dialogue with academia and the scientific community to foster research and educational programmes on ESG issues in the context of the insurance business.
4) Dialogue with media to promote public awareness of ESG issues and good risk management.

Principle 4: Demonstrate accountability and transparency in regularly disclosing publicly your progress in implementing these Principles.

1) Assess, measure and monitor the company's progress in managing ESG issues and proactively and regularly disclose this information publicly.
2) Participate in relevant disclosure or reporting frameworks.
3) Dialogue with clients, regulators, rating agencies and other stakeholders to gain mutual understanding on the value of disclosure through the Principles.

Yours faithfully

GODFREY K. KIPTUM
COMMISSIONER OF INSURANCE & CHIEF EXECUTIVE OFFICER