FRDO
FEDERAL COUNCIL FOR SUSTAINABLE DEVELOPMENT BELGIUM

|29/01 | SUSTAINABLE INVESTMENT IN BELGIUM: BETTER SAFE THAN SORRY

Socially responsible investing: viewpoint of the insurance sector

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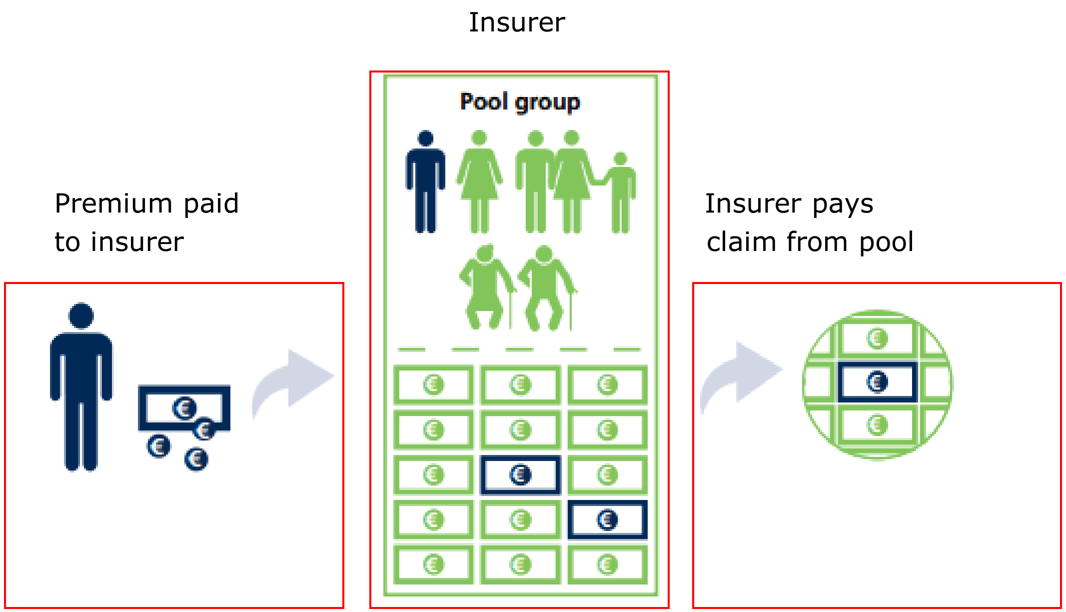
Assuralia

EC Action Plan financing sustainable growth
National Pact for strategic investments
Juncker plan
Capital Markets Union
Sustainable investments
Flemish decree on alternative financing
ELTIFS
Solvency II rules
Eurostat rules on PPPs
IFRS 9, 16, 17 …

Just as a reminder…

(1) Insurance is the transformation of risks:



- → The individual risk is transferred to a pool and supported by a group of affiliates
- → A possible huge, unsupportable loss in the future becomes a much smaller loss through periodic premium payments to the insurer

How does it work?

(2) The premiums received are invested (in a pool) until a claim needs to be paid

Policyholders pay premiums…

… to insurers

… who also transfer risk to reinsurers

… who then invest in the wider economy via …

Corporate bonds | Euro-area bank debt | Government debt | Public equity

Securitisations | Infrastructure Projects & Real estate | Direct loans | Funds

Investments
in billion euro (book value)

	2017	
	Bn. €	%
Bonds and other fixed income products	180,1	*68,4%*
Equity and securities with variable returns	37,5	*14,2%*
Participations	14,5	*5,5%*
Property (land & buildings)	2,8	*1,1%*
Mortgage loans & other loans	22,2	*8,4%*
Deposits & other investments	6,4	*2,4%*
Total	**263,5**	

Source: Assuralia

Financing the economy 2017

The insurance sector supports the real economy

- Corporate bonds 65,0 billion
- Equity & participations 37,5 billion
- Mortgage loans, other loans 22,2 billion

→ **123 billion euro**

HOWEVER

The insurance sector has also invested for 109 billion euro in government bonds

“Sustainable investment projects” bring new opportunities for investment

Insurers’ role in society

Sustainability

Offering of “long-term guarantees”

- Financing of pensions
- Protection against risks e.g. premature death, longevity
- Workers’ compensation
- Health insurance
- Accident insurance etc.

Long-term investments

- Financing of governments and public entities
- Financing of public infrastructure (roads, tunnels, railways, windmills, etc.)
- Financing of socially relevant projects (schools, hospitals, elderly homes, rehabilitations centres, municipal swimming pools, prisons, etc.)

Community investments

- Sponsorship (sport events, cultural events, concerts, etc.)

Mitigate climate change

- Reduce carbon emissions, reduce energy consumption, etc.

… gets a clear focus

Sustainability

Through their investments insurers can help:

1. Improving the contribution of finance to sustainable and inclusive growth, notably by funding long-term needs such as innovation and infrastructure, and accelerating the shift to a low-carbon and resource efficient economy.

2. Strengthening financial stability by improving the management of long-term risks and tangible value creation including related to ESG issues.

Broaden the risk spectrum to include ESG factors

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Key challenges
Mobilising long-term investment

EC Action Plan on Financing Sustainable Growth:

1. Reorienting capital flows towards sustainable investment

2. Assess and manage relevant financial risks stemming from climate change etc.

3. Foster transparency and "long-termism" in financial and economic activity

Lengthening the time horizon of investments

Key challenges

Mobilising long-term investment

Examples:

LEVEL
Macro
Company
Client

	GOAL		PREREQUISITE
1.	Boosting infrastructure investment	⟺	Creation of a projects pipeline
2.	**Supporting 'sustainable' long-term investment**	⟺	**Adjusting prudential and accounting rules**
3.	Development of sustainable investment products	⟺	Availability of sufficient sustainable assets
4.	Screening of sustainable assets / projects	⟺	Required information on ESG factors
5.	Adaptation of investment portfolio	⟺	Transparent supervisory and audit process
6.	Offering of investment products with ESG factors and risks	⟺	Client suitability and appropriateness analysis
7.	Improve understanding of sustainability risks	⟺	Disclosure and financial reporting on sustain. risks

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Thank you

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