

Sustainability in Storebrand insurance

Storebrand's purpose is to create a future to look forward to. We are committed to creating good solutions and products for our customers that economically enable them to live good lives.

To achieve this purpose, we need a sustainable business model. This means that we will deliver returns to our owners, while creating positive ripple effects for society and managing our business activities in a way that does not deprive future generations. Our business model should provide long-term value for shareholders, customers and society. This means that economic, social and environmental aspects are considered before we make decisions.

Storebrand has six sustainability principles that sum up how sustainability is an integral part of our overall strategic goals. The principles were updated in 2018 and encompass all parts of Storebrand's activities, including investments, product development, procurement, employee follow-up and internal operations.¹⁾

Storebrand has identified eight Sustainable Development Goals (SDGs) (3, 5, 6, 7, 8, 9, 12, and 13) that we have the greatest impact on through our investment activities. Storebrand has also identified two sustainability goals in which we can make a difference through our Group business activities. Sustainability Goal 8, decent work and economic growth shall ensure access to and an understanding of financial services. Storebrand encourage more people to save for their pensions and secure their personal finances. Through our business activities, Storebrand should also contribute to achieving Goal 5, gender equality.

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Insurance supporting the UN Sustainable Development Goals

Sustainability criteria are incorporated when Storebrand Insurance performs product development, risk management, underwriting, pricing, legal terms, and settlement. Below are some examples of how we work with selected SDGs within our insurance operations.



Responsible consumption and production

Insurance activity sometimes means replacing damaged products with new. This is not necessarily a sustainable activity, and therefore, the most important work Storebrand Insurance can do in terms of sustainability is to actively work towards damage prevention. Therefore, in addition to taking sustainable measures when accidents do occur, Storebrand insurance has a large focus on damage prevention through the underwriting process and in customer engagement.

Key sustainability indicators in Insurance

In our operations and for all suppliers and business partners we set criteria for sustainability, social responsibility, environmental considerations, and ethics. We weight sustainability at least 20% in all our procurement processes to incentive sustainable solutions. By 2025, the goal is that all suppliers and business partners have set short- and medium-term verifiable emission reduction targets.



¹⁾ The principles are: 1) We base our business activities on the UN Sustainable Development Goals, 2) We help our customers to live more sustainably. We do this by managing our customers' money in a sustainable manner, in addition to providing sustainable financing and insurance, 3) We are a responsible employer, 4) Our processes and decisions are based on sustainability – from the Board and management, who have the ultimate responsibility, to each employee who promotes sustainability in their own area, 5) We collaborate to achieve the UN Sustainable Development Goals with our customers, suppliers, the authorities and partners, 6) We are transparent about our work and our sustainability results.

Damage prevention to ensure responsible consumption and reduced costs

Insurance customers in Storebrand taking measures to reduce damages will benefit from discounted insurance rates. Behaviour that has damage prevention potential is rewarded in the insurance terms. The insurance price for motor insurances is reduced each year of no injuries through the [bonus system](#). The deductible is removed for home insurance if the alarm was active at the time of the damage.

Storebrand works together with partners such as Homely to give our insurance customers access to discounts on products that mitigate damages. Mitigating damages and risks with renewed door locks, heat, and light control systems as well as fire, theft and water detection alarms will result in reduced price for home insurance.

The insurance terms also set requirements for use, storage, prevention, and maintenance to limit damage through safety regulations and liability limitations. For instance, Storebrand includes requirements for public registration of boats, in order to limit illegal wrecking.

We have prioritized applying for recourse, especially to municipalities, where measures to limit water damage are not carried out. This has led to a collaboration with Finance Norway, committing us to share our damage data, and compare it to the municipalities' injury data. This helps determine how the municipalities should prioritize infrastructure improvements. This is an important outcome of our climate risk assessment, which is explained further below.

Damage prevention measures for Corporate Insurance, are specified in requirements such as safety regulations, documented damage prevention and safety measures found in buildings. Examples of preventative measures can be:

- Sprinkler systems
- Protective measures against theft
- Alarms; burglary, water, fire
- Charging stations
- Fire sectioning

Climate Action: Our insurance schemes support climate friendly solutions and products

Climate risk



The direct impact on insurance liabilities from climate change is well controlled for Storebrand. The greatest climate-related financial risk for our real estate and casualty insurance business is physical risk in the form of increased payments due to climate-related damage. Storebrand is a member of the Norwegian Natural Perils Pool (NNPP) together with all other insurance companies writing property insurance in Norway. The largest short-term climate risk is heavy downpours that is not covered

by the NNPP. In the long term, rising sea levels and changes in weather patterns may also have an impact. We believe that transitional risks, such as changing customer behaviour, technological developments, and new regulations, will affect the real estate and casualty insurance markets. Our most important initiatives to mitigate climate risks are:

- Risk assessment and pricing: climate factors are included in risk assessment and pricing in the underwriting process.
- Diversified risk through national plan: Participation in Norwegian natural perils pool is statutory and provides joint reinsurance protection linked to property insurance for real estate and housing.
- Rewarding damage prevention: We actively communicate with our customers, encouraging damage prevention measures, such as securing property during periods prone to flooding.
- Circular collaboration: Cooperation with car repair partners to repair vehicles with used car parts.
- Support green transition: Increase our insurance offering to electric vehicles.

Pricing and product development



Storebrand Insurance has incorporated environmental aspects into insurance pricing and product development. The product specific insurance coverage provisions used in underwriting, have separate paragraphs covering sustainability in insurance, and how this is to be considered for each product line. Sustainability is one of the subjects that shall always be covered in the process of developing new insurance products.

For all car insurances, the price is linked to type of engine and engine size, where larger fossil engines lead to higher insurance prices. Annual premium of electric cars, as part of the total motor insurance portfolio, has increased from 17.92% in 2020 to 21.36% in 2021. Products that might cause damage to the environment could mean higher risks, and might result in increased prices, reduced coverage or not offering insurance. If insurance is offered for these high-risk products, Storebrand is particularly concerned with preventative and mitigating measures for the customers.

We increase the price in areas where we see that climate change and other causes lead to repeated injuries of the same kind.

Sustainability nudging

In order to nudge our home insurance customers to behave more sustainably, we offer a grant of up to NOK 150 000 for installation of climate-friendly or safety-related measures beyond what is required by law or regulations when rebuilding insured houses. Climate-friendly measures are defined as fixed installations, construction methods and use of building materials that are intended to reduce carbon emissions and energy consumption.

Storebrand's car insurance customers are offered a cash compensation if they choose not to use a rental car while their car is being repaired, nudging the customer to use more environmentally friendly transportation in this period.

In addition to reducing emissions further, we operate by a strict safety policy stating that environmental issues are to be prioritized. We have a defined safety regulations when handling buried oil and kerosene tanks in insured homes (an issue in the Norwegian housing market). In line with marine laws and regulations we specify in boat insurance conditions that we aim to remove wreckages at the bottom of the sea, which means that all sunken boats are to be raised, safely handled, repaired and disposed when necessary.

Storebrand's strategy is to be a 100% digital insurance provider, and today 89% of our customers are digital. As of 2020, we have introduced a significant fee for customers who want to receive their insurance documents on paper in the mail, and electronic insurance documents the default option.

Customer engagement about sustainable insurance

We engage with our customers on business risks and opportunities within our insurance operations. As stated in the beginning of the document, damage prevention is the most important factor when it comes to sustainability in insurance. No matter how environmentally friendly a damage repair is, it will never be less environmentally degrading than no damage at all. The most important way we can reduce damages is through engaging with our customers on measures to prevent damages.

For Corporate Insurance, there may also be a path to sustainability through a strict risk selection through underwriting guidelines and advice in connection with the sale. The customer will inform about their risk so that the company receives sufficient technical information for the process to begin. In this process, risks will be identified, exposures will be assessed, the risks will be checked against underwriting guidelines (UWGL) and whether an offer will be made.

The channels that are used for customer engagement are:

- [Storebrand.no](https://www.storebrand.no) - this is probably one of the best places for our customers to attain information on how to prevent damages. In recent years, the information has to a larger degree also included prevention of damages from a changing climate.
- Advisor's dialogue with the customer, this can be internal sellers, agents, and brokers.
- Season based newsletter (e-mail) to all customers
- Storebrand Facebook page
- Media exposure – interacting with media on insurance related topics

All engagement channels outlined above cover 100% of our customers.

Volume of ESG products and services

Storebrand Insurance provides insurance products to private customers and to corporate customers. Storebrand offer differential pricing for low-carbon alternatives (such as low-emission cars/electric cars and homes) in all our products, except travel and other insurance.

- Motor insurance: 56.6% of Storebrand's insurance revenue. Motor insurance includes all type of car, motorcycle, among others, to retail and to corporate customers. We differentiate on risk characteristics, such as car type, engine size, usage, and previous claims, among others.
- Property insurance: 31.8% of Storebrand's insurance revenue. We differentiate on age, condition, building characteristics, safety measures such as fire alarm, burglar alarm, sprinkler, etc. Coverage may also be limited to fire only if e.g., the property is in bad condition. Content insurance: is differentiated on security measures such as theft and fire alarms.
- Travel insurance: 5.6% of Storebrand's insurance revenue.
- Natural perils pool insurance: 1.7% of Storebrand's insurance revenue.
- Other insurance: 4.2% of the portfolio includes among other liability insurance, transport insurance, occupational injury insurance, sick leave insurance and accident insurance.
- On the settlement side, the same principles and conditions are built up in the same way with security regulations to ensure sustainable behaviour of the customer.

- 1) Total revenues from non-life/non-health (re)insurance business: 2 203 868 614 NOK
- 2) Total revenues from travel insurance and other insurance: 217 383 589 NOK
- 3) Total revenues from ESG based non-life/non-health (re)insurance products: 1 - 2 = 1 986 485 025 NOK

In order to calculate the percentage of ESG based non-life product lines vs total revenues from non-life/non-health insurance at Storebrand Insurance, we use the following calculation (with numbers from above):

$$3) / 1) * 100 = 90.1\%$$

Exclusion criteria and ESG integration in the underwriting process

Storebrand's term conditions limit coverage of unwanted risk and behavior. Examples are exemptions for driving on racetracks and iced lakes/sea, illegal tuning/rebuilding of vehicles, private vehicles used in transport and other commercial use and the use of vehicles beyond what has been agreed on with the company. The conditions also set limits for vehicles being wrecked after accident with demands of repairs – often with the use of used parts.

We have three levels of underwriting and authorization documents. Our escalation process is as follows: The lowest level is available to all sales personnel, level two is handled by sales personnel with special authorization, and high-risk cases

are lifted to level three, the underwriting department with product managers and senior management.

For Corporate Insurance, we have one level of underwriting and authorization documents.

- Sales mandate (Not an underwriting level). Persons holding a sales mandate can sell Storebrand's products within the following framework:
 - o Storebrand's tariffs
 - o Storebrand's standard terms
 - o The drawing regulations in force at any given time (General and product-specific).
- Underwriting (UW). Risk that goes beyond the sales mandate must be sent to UW for assessment and approval. Underwriter is person with authorization delegated from the Product & Price manager to approve which risk is to be allowed to be included in Storebrand's portfolios.

High-risk cases such as large, expensive cars or boats with high emissions or special buildings are to be assessed by underwriting and here, the underwriting instructions clearly define that sustainability principles are to be assessed in terms of, and under what conditions insurance can be offered. Most of the underwriting cases are defined as high risk ESG cases:

- Large expensive cars with large fossil engines and large damage potential if involved in an accident
- Large expensive boats with large fossil engines and large damage potential if involved in an accident
- Older / veteran vehicles with large fossil engines and large damage potential if involved in an accident
- Large buildings with large damage potential in case of fires or water damage
- Buildings in areas with high risk of flooding
- Buildings with special building materials, in poor condition or otherwise with large damage potential

Some examples of the ESG related underwriting risks factors that are considered in high-risk cases are:

- Objects that are in particularly high-risk areas must be given a higher price. This can be a risk of water damage from for example flooding or areas that are particularly vulnerable to burglary
- Sustainable, environmentally friendly and in other ways less risk prone homes must be given a discount / lower price
- Sustainable, environmentally friendly and in other ways less risk prone vehicles must be given a reduced price
- Particularly expensive / special / damaged / polluting vehicles must not be insured or may be considered separately. If they are to be insured, the price must be increased and / or coverage reduced.

Exclusion criteria and sensitive sectors for Corporate Insurance

We exclude all the sectors that we consider sensitive. Therefore, we do not currently underwrite:

- Coal
- Unconventional oil & gas
- Heavy process industry, such as pulp and paper, steel works.
- Chemical production industry
- Pharmaceutical & Biotech Industry

EU taxonomy for sustainable activities

The EU Taxonomy for sustainable finance is a classification system that aims to establish common criteria for sustainable economic activities. The Taxonomy regulation entered into force on 12 July 2020 in the EU, but the new requirements will only apply from 2022 for the first two environmental goals (climate change mitigation and climate change adaptation), and from 2023 for the other four environmental goals (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biological diversity and ecosystems).

Please, see our reporting of key figures related to the EU Taxonomy in our [2021 Annual Report](#) (page 248).

Cooperation to achieve the SDGs

UN Environment Programme Finance Initiative's Principles for Sustainable Insurance (PSI)

Storebrand is actively aiming to shape the global insurance agenda in a sustainable direction.

Storebrand has been member of the PSI Board since 2020 and Karin Greve-Isdahl, EVP Sustainability, Public Affairs and Corporate Communication has been elected to sit as Board Chair in the Board this tenure.

In this capacity we are committed to help coordinate effective progress on global work streams and expand members aligned to the UNEP FI's Principles for Sustainable Insurance.

Committing to the PSI is important to share and disseminate knowledge within insurance and sustainability across global regions. It is also important to align companies on topics such as how to address insurance protection gaps, how to set good standards and create tools to map insurance activities that are sustainable or that will help push towards more sustainability.

Partnerships

In addition to the sustainability requirements set in Storebrand's [procurement policy](#), we have established cooperation with partners who help us become more sustainable. Here are two examples.

We recycle and repair when possible. In 2019, we started a strategic partnership with Hurtigruta Carglass, a car glass company with a high repair ratio. Instead of replacing all car windows after accidents, four out of ten windows are now repaired through Hurtigruta Carglass. This helps reduce waste. 40 replaced car windows fill a trailer with waste, while the waste of 40 repaired car windows can be held in the palm of your hand.

Storebrand has established a strategic partnership with Løvenskiold Handel / Maxbo, a provider of building materials. The partnership entails that they will support our main partner in insurance claims for the housing insurance market, Polygon Norway, in choosing more environmentally friendly materials and products in the reconstruction / rebuilding of damaged property. The partnership is one of a kind, and is contingent on active participation from all parts. We collaborate closely in order to make real world changes in settling insurance claims. In practice, all proposed resettlement plans are sent to Maxbo, who do a quality check of the listed materials and products.

Through the quality check, they investigate whether there are more sustainable and certified environmentally friendly products on the market. In addition, the order will go into their large platform in order to ensure more efficient shipping. This reduces emissions from transportation. Moreover, if the customer chooses a cash settlement, Maxbo will provide direct consultation on the benefits of sustainable and certified materials when reconstructing /rebuilding the damage.

Storebrand in turn covers the extra cost of the environmentally friendly / certified products and materials, based on the fact that we believe it will be the best option for the customer. Moreover, we want to push the insurance business to integrate sustainability into the way claims are handled. The partnership is one of a kind in Norway, and it gives us the possibility to calculate, and in turn communicate the environmental footprint of a settled claim. Both for internal use, but also in our communication with customers. We believe this will help clarify to our customers the potential environmental impact they can have in their everyday lives and push the insurance industry to be better.

The profile of the two partners in the strategic partnerships is a good fit, as we are all in the forefront of sustainability in our respective fields and strive to make real world impact for the environment. The partnership pushes the limits for

sustainable insurance claims settlements on the product side, in transportation – both of fossil free deliveries and otherwise reduced emissions from collective deliveries and pick-ups. This is positive for the customers, and for Storebrand.

Being sustainable also needs to be profitable, and with this bold partnership, we intend to speed up the transition to a low carbon economy while at the same time increasing about sustainability both for our customers, suppliers, and our employees.

How we work with our suppliers

In 2017, Storebrand Insurance terminated all previous agreements with car repair shops, with the purpose of building a more robust supplier network with good coverage in terms of geographical area, in line with Storebrand's customer portfolio with regard to current car types, especially also with respect to the growing portfolio of Electric vehicle insurance. The ability to influence fewer, more significant partners in terms of their work on sustainability was also an important factor.

Since the end of 2020, we have increased our focus on environmental sustainability, and we have set clear requirements for the increased use of environmentally certified building materials in construction in relation to residential damage. Therefore, we set requirements for remediation companies, which in turn affect building material suppliers.

Storebrand's use of contract partners has increased from less than 10% to over 85% in the last 4 years. Of course, controlling the claims volume has been important to improve our cost structure, but also to increase the bargaining power by being able to set clear requirements for partners. We are now in a position where, when renegotiating existing and entering into new agreements, we can impose requirements on suppliers with regard to environmental certification, use of used parts, more environmentally friendly equipment, use of the smart-repair concept and the like.

In addition, we have acquired good data quality on our repairs, which means that we can report back to the suppliers to a greater extent on our expected level of customer satisfaction. This has placed us in a position where it is possible for Storebrand to require that a supplier must have documented environmental certification such as an environmental lighthouse or similar, or must commit to attain this within a given period. We work actively to ensure that the suppliers who make a proven choice with regard to sustainability are prioritized when it comes to cooperation with Storebrand Insurance.