

Sustainability in Storebrand insurance

Storebrand's purpose is to create a future to look forward to. We are committed to create 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 for society. This means that economic, social and environmental aspects are considered before we make decisions.

Storebrand has 6 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, 11, 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.

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. Therefore, the most important work Storebrand Insurance can do in terms of sustainability is active work on 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. See more detailed examples below.

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 is reduced each year of no injuries through the [bonus system](#), and the deductible is removed for home insurance if the alarm was active at the time of the damage.



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.

Storebrand has entered into an exclusive partnership with Homely, a provider of sustainable products made to give "peace of mind". The partnership gives our insurance customers access to great discounts on products that mitigate damages such as door locks, heat and light control systems as well as fire, theft and water detection alarms.

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 municipality's should prioritize infrastructure improvements. This is an important outcome of our climate risk assessment, which is explained further below.



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

Climate risk



The direct impact on insurance liabilities from climate change is limited 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. 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.
- Exposure mapping and reinsurance: We reinsure assets in areas with a high exposure to physical risks associated with climate change.
- 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.
- Pilot project under the auspices of UNEP FI: We are currently participating as one of 18 insurance companies to further develop standardised reporting for insurance providers in accordance with TCFD. The work is expected to be finalised in 2020.
- Rewarding damage prevention: We actively communicate with our customers, encouraging damage prevention measures, such as securing property during periods prone to flooding.

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.

Storebrand cooperates with the Norwegian association for electric cars ([Elbilforeningen](#)), offering a specialized car insurance. For all car insurances, the price is linked to fuel usage, where higher usage leads to higher insurance prices. As a result, electric cars, as part of the total car insurance portfolio, has increased from around 3% in 2015 to 14% in 2020. 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.

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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 paraffin tanks in insured homes (an issue in the Norwegian housing market). We also have a zero tolerance for leaving waste at the bottom of the sea which means that all boats that have sunken are to be raised and safely restored. Storebrand's strategy is to be a 100% digital insurance provider, and today 80% 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. We estimate that these efforts reduce paper consumption by about 400.000 sheets of paper annually.

Cooperation to achieve the SDGs

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.

Storebrand insurance have introduced "green settlement" through a cooperation with a company, [GIAB](#), which specializes in circular economy. All products and movables that are

condemned in an injury are collected by GIAB. The company then repairs and prepares the products for resale/reuse. This partnership will reduce the waste from our insurance operations, and the reduction in CO2 emissions which will be reported monthly by GIAB.

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 the 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 scrutinize 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 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 all three 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.

Storebrand's use of contract partners has increased from less than 10% to over 80% in the last 3 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 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.

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 race tracks and iced water, illegal rebuilding of vehicles and use of vehicles beyond what has been agreed on with the company. We have three levels of underwriting and authorization documents, and a clear escalation process for high-risk ESG cases. The lowest level is available to all sales personnel, level two sales personnel with special authorization, and high-risk cases are lifted to level three, the underwriting department with product managers.

Special risks such as large, expensive cars or boats or special buildings are to be assessed by level 3 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.

Some examples of the ESG related underwriting risks factors that are considered are:

- Objects that are in particularly high risk areas must be given a higher price. This can be a risk of water damage form 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.



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.

The channels that are used for customer engagement are:

- [Smartere valg](#) (smarter choices) - 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. An example is our tips on how to prevent water damages from flooding.
- Season based newsletter (e-mail) to all customers
- Storebrand Facebook page
- Articles on Storebrand's web page about risks and opportunities
- 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 not to businesses, which contributes 5.9% to the Storebrand Groups total annual revenue.

Storebrand offer differential pricing for low-carbon alternatives (such as low-emission cars/electric cars and homes) in all our products except travel insurance.

- Car insurance: 59.5% of Storebrand's insurance revenue comes from car insurance, of which 14% is electric car insurance which has more attractive conditions when compared to non-electric cars. We price-differentiate based on fuel usage. Storebrand has a larger market share for electric vehicle insurance than for non-electric car insurance.
- House insurance: we differentiate on age, condition, safety measures such as fire alarm, burglar alarm, etc. Coverage may also be limited to fire only if e.g. bad condition
- Home insurance (contents insurance): is differentiated on security measures such as theft and fire alarms.
- On the settlement side, the same principles and conditions

are built up in the same way with security regulations to ensure sustainable behavior of the customer.

- 1) Total revenues from non-life/non-health (re)insurance business: 1 150 312 647 NOK
- 2) Total revenues from travel insurance: 88 560 084 NOK
- 3) Total revenues from ESG based non-life/non-health (re)insurance products: $1 - 2 = 1\,061\,752\,563$ 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):

$$3) / 1) * 100 = 92.3\%$$

