



Fast Forward

EN



Be the change: Taking a lead in sustainability to build a more resilient future

**July 25, 2022****By Joe Tocco**
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For me, the most rewarding part of being in the insurance industry has always been helping my clients recover -- to see them pick up after something went wrong, bounce back, and carry on in their business. By providing the financial wherewithal to rebuild after suffering a mishap or impact from a natural disaster, we're supporting our clients' resilience.

Now though, after seeing continued patterns of severe weather (losses which totaled some USD 130 billion in 2021), navigating through a global pandemic that knocked supply chains off kilter, and witnessing global inflation that no one has seen in 40 years, it's clear that supporting resilience alone is not enough.

Resilience vs Sustainability

Feeling the impact of record-breaking losses, disruptions and added costs, it can't be a surprise that insurers, like AXA, are paying more attention to sustainability issues given how these issues tend to generate claims. After all, we have a lot of skin in the game.

While we may not be able to directly control the weather that resulted in the majority of 2021's losses, we can take a look at what is in our control to minimize the conditions or issues that may be contributing to current weather patterns and other societal challenges.

We'll certainly continue to help our clients assess their individual risks and pay out on their coverage after a loss. We'll look at their properties to make sure their roofs can withstand high

winds, or their storage practices can protect supplies from flood waters, or sprinklers are in place should a fire erupt. That's all about building resilience or giving our clients, as Merriam-Webster dictionary defines it, "an ability to recover from or adjust easily to misfortune or change."

But then we need to look at the bigger picture. We need to see what we can do to minimize the root causes of these misfortunes or changes. That's why we must also support sustainability initiatives aimed at reducing or eliminating environmental or social impact that tend to lead to unfortunate situations. It's all about partnering with our clients to help build a more resilient future.

Taking a lead

Climate change, of course, is a big sustainability focus. This summer, the impact of recent record-breaking temperatures globally underlines the urgency that we can't continue to operate like we've always done. To do their part, many companies are striving to achieve net zero greenhouse gas emissions by 2050. For insurers, like us, this net zero target requires implementing changes across global underwriting and investment portfolios. AXA's coal underwriting restrictions and even newer oil and gas exclusions have been well publicized.

Making changes to spur on needed change is not an easy thing to do, but it's nothing new for the insurance industry. From advocating for seat belt laws to pushing for improvements in building codes to finding ways to insure pollution liability and potential terrorism concerns, the insurance industry has always been in a unique position to shape and address change, designing innovative insurance products and risk management services that can support businesses and communities' sustainability efforts and support greater resilience.

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Supporting energy transition leaders

Back in 2010, AXA XL (then XL Group) helped launch New Energy Risk (NER) to support energy companies in their transition to cleaner energy sources. NER develops performance insurance solutions for the technical risk associated with new, low-carbon technologies such as renewable energy, fuel cells, energy storage, waste to energy, and more. Having such insurance coverage helps innovative companies secure financing needed to advance emerging energy and other new technology.

In March, NER was sold to Paragon Insurance Holdings. This was an exciting step for NER. NER



will continue to be a key strategic partner for us, working closely as it has in the past, with our Structured Risk Solutions (SRS) team on insurance solutions for new technologies that fit within our risk appetite. Now, as an independent organization though, NER can also enlist additional insurance markets to address the capacity requirements needed to meet growing demand for this kind of coverage to advance energy and other new technologies. Industry collaboration like this is essential in helping our clients address their biggest, most complex risks, in this case, their climate change risks and their preparation for a net-zero future.

Insuring more sustainable business practices

Across industries, businesses are striving for greater sustainability. Consider the construction industry's growing interest in adopting more sustainable building practices and materials, such as Mass Timber. Mass Timber can be prefabricated, requiring fewer workers to build and in turn, less safety concerns. According to some industry sources, replacing steel with mass timber would reduce carbon dioxide emissions by between 15% and 20%. From a risk perspective though, it can be challenging. It's still made from wood and wood burns.

Fortunately, with attention to risk management and growing availability and use of monitoring technology and fire suppression systems, our Construction insurance team grew more confident with this type of wood construction risk and developed a tailored insurance program for mass timber construction projects. Use of more sustainable products – in construction and other industries -- will continue to increase as insurers find ways to grow comfortable with assuming and managing their associated risks.

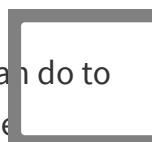
Supporting environmental stewardship

Our Environmental insurance team is a pioneer in the pollution insurance market. First established in 1979, it aimed to help businesses, largely hazardous waste haulers, who needed to show financial assurance that should a pollution incident occur, they had the means to clean it up. The environmental insurance market currently supports a wide range of industries because more businesses realize their operations can impact the environment and if it does, they want to be able to act quickly and clean up to minimize damage.

Our Environmental team continues to find ways to support our clients' sustainability initiatives. The team recently added Green Building Materials Expense supplemental coverage to its Pollution and Remediation Legal Liability (PARLL) policy. Businesses not only have the financial help to clean up a pollution incident but can take it a step further. If the pollution incident causes property damage, our clients can choose to use green, sustainable materials in the property's restoration.

Be the change

Sustainable practices cut across a wide spectrum of issues. And there is plenty that we can do to support sustainability initiatives. Minimize our carbon footprint. Cut down on the waste we



generate. Use our natural resources wisely. Help build financial resilience for families and communities here and in emerging markets. Strive for racial and gender equality and greater inclusion.

Of course, the best place to start is within our own organization, and at all levels. That's certainly how it is being done here at AXA XL:

- On a volunteer basis, our colleague-led Green Committees promotes greater environmental awareness, encouraging us to adopt “green behaviors” in our daily lives and in our offices. Our U.S. Green Committee recently took steps to assure that plastic water bottles, disposable cups and utensils were not provided in quantities at each of our offices to encourage using reusable water bottles and utensils.
- We committed to learning more about climate change. More than 90% of AXA XL colleagues in the Americas have already completed the AXA Climate Academy, an online learning experience designed to help us understand climate change and how it affects the way we work, our clients, and our planet. Other companies can customize similar learning modules through AXA Climate's Climate School.
- AXA has developed a comprehensive policy that sets out AXA's position on responsible investment.
- We've also adopted Responsible Procurement processes, which include a Sustainability clause incorporated into our contracts with our vendors globally.

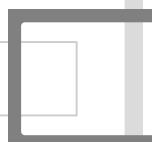
Sustainability is a big picture issue focused on looking across an array of societal challenges to assure that we all not only have the wherewithal to bounce back, to be resilient, but to protect what matters most to us for future generations. I've always been proud to be a part of an industry because of our role in helping businesses build up their resilience. In recent years, this pride has grown. As an industry, we are stepping up to play an even greater role in insuring a sustainable future, and I'm excited for what we can do together.

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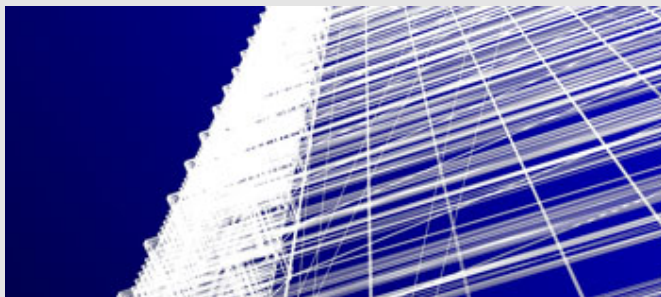
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