GDV German Insurance Association

SUSTAINABILITY REPORT 2024

How insurers contribute to climate protection

Sustainability report 2024

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Editorial

The German economy is struggling with weak growth and long-term structural challenges. It is therefore unsurprising that the media and policymakers are more focused at present on competitiveness than on sustainability issues. Yet climate change and biodiversity loss continue. Sustainable transformation is like a marathon: sometimes the running is easier, sometimes harder. Policymakers, companies and consumers are urged to stay the course and realise the available potential for sustainability.

Policymakers and companies should not sacrifice their sustainability goals for short-term gains in competitiveness. Instead, better enabling conditions need to be swiftly created for green growth, and greater trust placed in the innovating power of the markets. There is in fact a regulatory imbalance that urgently needs correcting. Instead of more and increasingly detailed requirements and reporting obligations, policymakers in Berlin and Brussels should make greater use of market-based instruments. The pricing of emissions that harm the climate and the environment is crucial here. This results in adjustment costs and risks for companies. To support companies, so-called contract for difference (CFD) have been concluded for the first time between government and industry. Their effects will show in the next few years.

Competitiveness and sustainability are not in opposition to each other. Releasing business from bureaucratic burdens, speeding up approval procedures and facilitating investment in sustainable infrastructure all accelerate the transformation and strengthen the competitiveness of companies in Germany and across Europe.

At the same time, companies can take a closer look at their entire value chain to make themselves more sustainable and resilient. Because as research shows, successful collaboration between companies along the value chain, in regional clusters and dynamic business ecosystems leads to innovation and hence competitive advantages. Strategic alliances with trading partners and industry initiatives offer further potential that should be exploited.

For us insurers, one thing is clear: sustainability is here to stay as a major strategic focus, because it is a long-term economic necessity. That is what the sustainability roadmap stands for that we introduced in early 2021 and updated in 2023. Insurers are a strong, reliable partner for sustainable transformation – with their investments, together with their policyholders and in their business processes.

This year's Sustainability Report is our fourth, and we are pleased to say that insurers are making further progress in the strategic integration of sustainability. There are initial successes to report: the carbon footprint of our investments has become smaller and ESG criteria feature in almost all investment decisions. However, after strong growth in the last few years, the integration of ESG criteria in underwriting has stagnated. Once the regulatory stress from meeting the new sustainability reporting requirements has eased, we may be able to focus more on other issues, such as the circular economy and biodiversity.

The report shows in detail where we stand as the insurance industry. You, our readers, are invited to join us in discussing how we can achieve the sustainable transformation together.

Norbert Rollinger and Jörg Asmussen
Berlin, November 2024

Executive Summary

Insurers operating in Germany are taking a strategic approach to supporting and achieving the sustainable transformation. In the Sustainability Positioning adopted in 2021 and updated in 2023, they have set themselves specific sustainability goals. The Sustainability Positioning highlights how insurers contribute to the Paris climate goals and the UN Sustainable Development Goals. The GDV documents the industry's progress and identifies current challenges in a detailed annual sustainability report. This structured approach places the GDV and its member companies among the leaders when compared to other national and European industry associations.

The data basis for the report consists of surveys among GDV member companies: an investment survey as of 31 December 2023 and a survey on sustainability governance, sustainability reporting, own business processes and property and casualty insurance in summer 2024. As in the previous year, the surveys have a very high market coverage: 90% of total investment volume in the investment survey and 85% of the gross premium volume in the sustainability survey. They thus make it possible to draw reliable conclusions. The high level of participation by member companies in the sustainability survey also demonstrates the industry's broad support for the path we have collectively chosen.

Embedding of sustainability: Insurers take a strategic approach to sustainability, set themselves targets and create suitable structures to implement them. Almost all companies (82%) have a sustainability strategy that goes beyond the consideration of risks. While neither political and economic developments nor the implementation costs of regulation have thwarted sustainability initiatives in companies, the policy framework and the ailing economy have prompted a third of the insurance market to make adjustments to strategy. Regulation is considered by 55% of the market to go both ways – as a help to sustainability in some instances and as a hindrance in others.

To achieve this transformation, almost half of the market (46%) is preparing transition plans to reach the net zero target by 2050. Across almost the entire industry (85%), responsibility for implementing the sustainability strategy lies with the management board or C-level. In almost all companies (85%, previous year 74%), dedicated sustainability departments or officers now coordinate activities in the various divisions. About 54% (previous year 40%) have incentivised their employees to help achieve sustainability goals.

Transparency: From the 2025 financial year, 99% of the market will come under the requirements of the EU Corporate Sustainability Reporting Directive (CSRD). This will take transparency on sustainability to a new level. Preparations in companies are in full swing. Almost half of the market (45%) consider themselves well prepared. Just under a third (30%) have set up a project group or workstream for implementation. Only a small number of companies are in the process of conducting a preliminary study or are at a very early stage. The varying degrees of progress in preparations are also due to the phased initial application.

In parallel, implementing the uniform European Sustainability Reporting Standards continues to be a major undertaking for the entire industry. Large parts of the market see reporting along the value chain (60%) and synchronisation with financial reporting (40%) as a challenge. At political level, the GDV advocates more efficient and proportionate sustainability reporting.

Investments: The share of investments managed according to ESG criteria is 89% (previous year 90%). As in the previous year, insurers accounting for 90% of investments align their investment decisions with the net zero target and have also specified the year they aim to achieve it. Companies accounting for 89% of investments (previous year 69%) have adopted target pathways with specific emission targets for set points in time. This makes target achievement verifiable both internally and externally.

The GDV is one of the few industry associations that measures and publishes the carbon footprint of its members' investments. This year, Scope 1 and Scope 2 emissions from real estate investments were included in the calculations for the first time. In total in 2023, insurers financed about 20.5 million tonnes of CO_2e (Scopes 1 and 2; previous year 23 million tonnes of CO_2e) through 334 billion euros of investment in listed equities, bonds and real estate. The carbon footprint fell significantly to 61 tonnes per million euros invested (previous year 79 tonnes). This is due, among other things, to the sharp decline in European carbon emissions in connection with the 2023 energy crisis and to the inclusion of real estate investments in the calculation of the carbon footprint.

At the same time, insurers operating in Germany are making an important contribution to financing the transformation. Insurers' sustainable investments amount to 163 billion euros (by the definition in Article 2 (17) of the EU Sustainable Finance Disclosure Regulation). The renewable energy investment volume increased by 4 billion euros to 23 billion euros. The related portion of electricity generated increased to approximately 23.5 billion kWh (previous year 21.2 billion kWh), corresponding to around 17% of the annual electricity consumption of all German households. The GDV advocates better enabling conditions for investment in sustainable infrastructure and more-streamlined planning procedures for the expansion of renewable energy.

Own business operations: At 0.17 million tonnes of CO_2e, Scope 1 and Scope 2 emissions were largely unchanged last year compared to the previous year, while the industry's Scope 3 emissions amounted to between 0.2 and 0.33 million tonnes of CO_2e based on conservative assumptions for projection purposes. In total, the industry offset emissions amounting to 0.26 million tonnes of CO_2e through decommissioned carbon credits – twice the previous year's figure (0.13 million tonnes of CO_2e). For the first time, decommissioned carbon credits exceed the Scope 1 and Scope 2 emissions of insurers' own business processes by a good 50%. As a result, the industry as a whole has achieved its net zero target for Scope 1 and Scope 2 emissions a year earlier than planned.

However, the industry appears to have largely exhausted its short-term reduction potential. Further reductions require relatively large medium-term investment, for example in the areas of vehicle fleets, business travel and energy efficiency. Business travel kilometres were also back up in 2023, with a corresponding impact on Scope 3 emissions. Achieving significant reductions in indirect emissions by 2030 will require further efforts in cooperation with suppliers and business partners.

Risk underwriting: Property & casualty (P&C) insurers are maintaining their strategic direction. As in the previous year, 60% of the market focus on supporting energy-efficient buildings and the mobility and energy transitions. More than a third of the market (38%; previous year 31%) intend to support the circular economy. In contrast, nature-based solutions and biodiversity have lost in importance for the second year in a row (14%; previous year 19%). Innovative risks and business models that support the transformation are underwritten by 68% of the market (previous year 74%).

60% of the P&C insurance market take account of their own sustainability impacts in underwriting (previous year 62%). As in the previous year, the share of P&C insurers with exclusion policies was around 60%. Entering into dialogue with and providing support for corporate policyholders is now selected by 45% of the market as a means of promoting sustainability (previous year 49%). Overall, the integration of ESG criteria in the P&C insurance market has stagnated. This may be due to the difficult economic situation and growing regulatory requirements. As it has a high proportion of small and medium-sized enterprises, the P&C insurance market is affected more heavily by the above-mentioned developments than the insurance market as a whole. For smaller P&C insurers especially, regulatory developments are tying up resources that are consequently unavailable at present for more in-depth integration of sustainability.

Products and damage rectificationclaims settlement: Insurers continue to work on embedding sustainability features into their products. As in the previous year, around half of the market offer products with particularly sustainable compensation, services or repairs. At the same time, the share of insurers that market products as sustainable has fallen by 10 percentage points to 42%. One explanation for the somewhat more defensive approach in marketing insurance products with sustainability features may relate to regulatory uncertainties and greater legal risks in connection with product-related environmental claims.

74% of the market consider sustainability criteria in claims settlement. Examples include energy-efficient replacement (74%), repair over replace (71%) and resource efficiency (57%). Additional impetus is provided by the GDV's "Build back better" guidelines and the GDV guidelines on the definition of sustainability in claims settlement. In another positive development, 63% (previous year 53%) of the P&C insurance market now take sustainability aspects into account when selecting service providers and trade contractors. Specific important criteria in the selection of service providers comprise regional providers (63%), economical use of resources (59%) and waste avoidance and recycling measures (44%).

Climate change adaptation: As climate change makes extreme weather events more frequent, more prevention and adaptation are needed. In order to increase risk consciousness among the public, the GDV provides detailed reporting on losses in an annual natural hazards report and offers a flood risk checkup for consumers. In 2023, P&C insurers incurred 5.6 billion euros in claims expenses due to natural hazards. The GDV estimates that in the absence of countermeasures, homeowners insurance premiums could double in the next ten years.

Key facts

Own business operations

	2022	2023	**2024**
Market share of companies with a sustainability strategy*	86%	84%	**82%**
Market share of companies with dedicated sustainability departments or officers*	85%	74%	**85%**
Carbon footprint of insurers (Scopes 1 & 2)*	0.17 million t CO_2e	**0.17 million t CO_2e**	-
Carbon footprint of insurers (Scope 3)*	0.17-0.29 million t CO_2e	**0.20-0.33 million t CO_2e**	-
Cancelled carbon credits	0.13 t CO_2e	**0.26 t CO_2e**	-
Distribution partners supported in achieving sustainability goals*	–	51%	-
Percentage of women on management boards**	13.2%	15.6%	**18.4%**
Percentage of top 60 insurers with no women on management board**	47%	33%	**26.4%**

Note: Percentages represent proportion of total gross premium income in Germany;
Sources: *GDV sustainability reports, **DIW Managerinnen-Barometer (DIW Berlin (the German Institute for Economic Research) Survey on the representation of women on management and executive boards as well as on supervisory and administrative boards of the largest companies in Germany)

Investments

	2021	2022	**2023**	**2024**
Percentage of assets managed based on ESG criteria	82%	88%	90%	**90%**
Percentage of assets managed based on net zero targets	–	85%	90%	**90%**
of which with defined target pathways	–	51%	70%	**89%**
Percentage of sustainable investments (Article 2.17 SFDR)	4.5%	9.5%	**8.6%**	–
Percentage of green bonds	1.1%	1.5%	**1.7%**	–
Percentage of investment in renewable energy	0.7%	1.0%	**1.2%**	–
Carbon emissions of listed equities, corporate bonds and real estate (since 2024)	22 million t CO_2e	23 million t CO_2e	**20.5 million t CO_2e**	–
Carbon footprint:	71 t CO_2e per €m	79 t CO_2e per €m	**61 t CO_2e per €m**	–
Emissions avoided through investment in renewable energy	8.6 million t CO_2	9.2 million t CO_2	**8.9 million t CO_2**	–

Note: Percentages represent share of investments;
Sources: investment survey

Underwriting and insurance products

Market share of P&C insurers …	2022	2023	2024
… that consider negative impact of own operations in risk underwriting	59%	62%	**60%**
… with ESG review process in underwriting	33%	46%	**44%**
… with exclusions	68%	62%	**60%**
… that engage in dialogue with policy holders	49%	49%	**45%**
… that market products as sustainable	45%	51%	**42%**
… that already rate their products as sustainable in accordance with the EU Taxonomy	33%	43%	**39%**
… with sustainability as a criterion in claims management process	80%	81%	**74%**

Note: Percentages represent proportion of total gross premium income for property & casualty insurance in Germany
Sources: GDV sustainability reports

1 Introduction

"No more hot air… please!" says the UN Environment Programme in view of the ongoing rise in carbon emissions. The signatories to the Paris Agreement have yet to close the gap between talk and action. As before, particular responsibility falls to the G20 countries, who cause three-quarters of emissions. To meet the agreed reduction targets by 2035, emissions would need to fall by 7.5% per year from now onwards. The central policy challenge consists of changing incentive structures in favour of sustainable business models. At international level, this requires impetus from international climate and nature conservation conferences. At European level, the to-do list includes consolidating regulation and making it more efficient. Insurers will continue to work on unlocking their sustainability potential and implementing their sustainability roadmap.

Climate change continues to advance and with its sometimes devastating consequences is having an ever greater impact on people's everyday lives. In Europe, for example, rising sea temperatures in the Mediterranean are leading to more frequent and severe extreme weather events including storms, heavy rainfall and flooding. Yet when it comes to the necessary transformation steps, weak economic growth and high geopolitical risks are sowing uncertainty among policymakers and market players. High energy costs are also placing governments under domestic pressure to maintain resolute climate policies. One ray of hope in efforts to mitigate climate change is the accelerated worldwide growth of renewable energy capacity, as highlighted by the International Energy Agency in its most recent report. Clean technologies and infrastructure now account for two-thirds of global investment in the energy sector. This serves as an example of how quickly markets and companies can drive the transformation forward when climate and environment-friendly technologies and services are market-ready, competitive with fossil options and socially accepted.

The two UN Conferences of the Parties (COPs) on biodiversity loss and climate change must provide further impetus in order to push and support nation states in developing strategies and specific and comprehensive measures. Protecting biodiversity is particularly urgent as the destruction of ecosystems continues unchecked, threatening plant and animal species with irreversible extinction. Good forest stewardship and reforestation is one of the most cost-effective ways of meeting a fifth of the emission targets for 2035 by using natural carbon sinks. Instead of pointing the finger at individual countries, sectors and companies, what is needed is smart environmental and economic policy. For alongside climate change, biodiversity loss directly threatens the foundations of our economy and society. The World Economic Forum estimates that more than half of global GDP – 44 trillion dollars – is moderately to highly dependent on nature. Sectors such as construction, agriculture and tourism are particularly at risk, especially in developing countries.

1.1 Political and sectoral sustainability goals

Insurers are committed to the Paris climate goals and the UN's Sustainable Development Goals (SDGs). The focus is on their contribution to limiting global warming (SDG 13). Insurers also expressly support the objectives of the Green Deal, including the EU's climate targets. The European Green Deal and Germany's Climate Change Act and Sustainable Development Strategy provide the policy framework for economic transformation. In their investment and underwriting decisions, insurers also aim to safeguard the natural foundations of human life and the economy, particularly with regard to areas in need of protection and resource-intensive economic activities.

Insurers play a central role because they are key enablers: without the transformation – if temperatures were to rise unchecked – they would no longer be able in many cases to provide insurance against extreme weather damage. At the same time, insurers help their clients manage the transformation and adapt to the unavoidable consequences of climate change. In 2021, the German insurance industry formulated goals for the entire insurance business model in its Sustainability Positioning (updated 2023):

- Reduction of emissions in own business processes: as a first step, insurers aim to reach net zero emissions in their own business operations by 2025, at least in Germany (in terms of self-generated and purchased energy, referred to as Scope 1 and Scope 2 emissions). By 2030, significant reductions are to be achieved in the Scope 3 emissions from operating processes. Insurers help their distribution partners achieve sustainability goals.

- Alignment of investments with the Paris climate goal: Insurers aim to achieve net zero in their portfolios by 2050 and visible reductions of the carbon footprint in their investments by as early as 2025. On top of that, they plan to define specific interim targets. Guidance is provided here by the ambitious and regularly revised Target Setting Protocol published by the Net Zero Asset Owner Alliance (NZAOA). In addition, insurers are basing their investment decisions more than ever on environmental, social and governance (ESG) factors.

- Underwriting of risks: ESG factors and sustainability goals of commercial clients, industry and agriculture are also set to become increasingly important. In the long run, insurers are not expected to add to their portfolios any commercial and industrial risks that negate the transition process towards a sustainable and climate-neutral economy. Specifically, this would be the case if clients failed to make any sustainability efforts of their own. Above all, insurers need to support businesses on the way towards climate neutrality.

- Insurers aim to promote sustainable conduct by clients and business partners through their products and through damage rectification in a loss event.

- Insurers provide transparency and support the dissemination of knowledge about addressing climate risks and adapting to climate change.

- Sustainable development cannot succeed without considering the social dimension, as the UN's sustainability goals clearly show. In their role as employers, insurance companies owe social responsibility for 206,800 employees (as of 31 December 2023). Promoting diversity and equal opportunities as well as raising the share of women in leadership positions and governing bodies is an important part of sustainable transformation and therefore also included in insurers' sustainability goals. The fact that more than 90% of employees are paid according to collective bargaining agreements makes for excellent employment conditions in the insurance industry. AGV (the German insurance industry employers' association) and Bildungswerk der Versicherer (BWV, a training organisation for the industry) publish important indicators on their websites, including the development of employee numbers, employee turnover and initial and further training.

1.2 Regulatory developments

The European Green Deal has set climate and sustainability goals and has provided a long-term strategic framework for the transformation over the past five years. To achieve those goals, the European Commission, European Parliament and member states in the European Council have issued a large number of directives and regulations. In particular, the comprehensive "Fit for 55" package will have an impact over the years ahead. For example, the European Emissions Trading System, which has been adapted to the more ambitious climate targets, and the Carbon Border Adjustment Mechanism will provide stronger price signals for reducing carbon emissions in the next few years.

However important ambitious and decisive EU climate policy may be, it can also have unintended side-effects. Increasing regulatory density makes for less efficient and less effective regulation as it raises the likelihood of inconsistencies and duplication in requirements. It also increases compliance costs for businesses, which then have to pass on part of the costs to consumers or postpone strategic projects. In some cases, national governments have imposed additional requirements when implementing EU directives. An important task for European and national legislators in the coming years will be to consolidate the existing legal framework and make it more efficient. With this in mind, the GDV also supports the European Commission's goal of reducing the burden of reporting obligations on businesses by 25%.

A range of legal and regulatory requirements aim to promote sustainable finance. Numerous provisions applicable to the insurance sector have been revised or added in the past year (November 2023 to October 2024) – here is a selection:

- The EU Corporate Sustainability Reporting Directive (CSRD) entered into force in 2023. It has yet to be transposed into German law (as of November 2024). The number of companies publishing sustainability reports continues to rise, and the insurance industry is no exception here. The first reports for the 2024 financial year will be published in 2025.

- Under the CSRD, sustainability reports must be prepared in accordance with the uniform European Sustainability Reporting Standards (ESRS). Cross-sectoral standards were issued in August 2023 with the aim of comparability across important disclosures. At the end of May 2024, the European Financial Reporting Advisory Group (EFRAG) published three Implementation Guidelines on the application of key parts of the new standards. EFRAG is working on additional sectoral reporting standards for up to 40 different sectors.

- The Sustainable Finance Disclosure Regulation (SFDR) is under review. A consultation carried out by the European Commission showed that its applicability for companies and the information value of the sustainability information for consumers need to be improved. In addition, unclear requirements increase the risk of greenwashing, or being accused of it. The European Supervisory Authorities (ESAs) have already presented proposals for amendments. The initiative for continuing the process lies with the European Commission.

- The EU Taxonomy was supplemented by two delegated acts at the end of 2023 and now contains screening criteria for the four remaining environmental objectives contained in the Taxonomy. No insurance-specific screening criteria are included here. At the same time, the European Commission clarified a number of rules on the disclosure obligations for P&C insurance. The fact that the rules were published only shortly before companies were required to comply with them, together with complex calculation rules, greatly increased the implementation burden on companies while simultaneously limiting the information value of the disclosures for the time being.

- At the end of 2023, the European Parliament adopted the legislative package establishing the European Single Access Point (ESAP). The purpose of the ESAP is to make financial and sustainability data on European companies available in digital form. It is not expected to be operational until mid-2027 at the earliest. From then onwards, disclosures under up to 16 directives and 19 regulations, including the CSRD (from 2028) and Solvency II (from 2030), will gradually be made digitally accessible. For insurers, the ESAP would already be welcome as a tool for incorporating ESG factors into investment decisions and engagement processes.

- The EU Green Bond Standard entered into force in December 2023 and is applicable from December 2024. In the second quarter of 2024, the European Securities and Markets Authority (ESMA) published a consultation paper on the Implementing Technical Standards (ITS) with regard to the required involvement of external reviewers and the composition of reporting templates.

- In February 2024, European legislators agreed on new regulatory standards for ESG rating agencies. The ESG Rating Regulation is intended to make the methods used by rating agencies more transparent and improve the reliability and quality of ESG ratings. One gap in the legislation remains, however: The new requirements do not apply to ESG data products and their providers.

- Over the last two years, the ESAs have presented reports and opinions on the subject of greenwashing and sustainable financial products. Based on this work, in an opinion published in summer 2024, the European Insurance and Occupational Pensions Authority (EIOPA) set out four principles on sustainability claims. The requirements primarily relate to endowment life insurance policies. EIOPA has announced that it will place a greater focus on non-life products in the future. ESMA has additionally published new guidelines specifying requirements for fund names using sustainability-related terms. Funds of this kind are offered in unit-linked life insurance products.

- The Corporate Sustainability Due Diligence Directive (CSDDD) entered into force in July 2024. In the case of financial undertakings, the requirements apply to the upstream parts of their activities but not to their downstream business partners that receive their products and services. The requirements are to be implemented in three to five years depending on the size of the company. It currently remains to be seen how the new rules will dovetail with the already applicable requirements of the German Supply Chain Act.

1.3 Report structure and sources

In their Sustainability Positioning, insurers have committed to providing transparency on their sustainability activities (para. 23), which is also the purpose of this sustainability report. The GDV also makes use of other formats to promote transparency and dialogue:

→ Since 2023, all interested parties have been able to subscribe to the Sustainability News e-mail newsletter, which provides information on a regular basis about current legislative developments, studies and GDV position papers. The newsletter now has over 1,000 subscribers (as of October 2024).

→ TransVer Day gives insurers the chance to take stock publicly and engage in dialogue with their stakeholders. The motto of TransVer Day 2023 was "Knowledge creates sustainability". The 5,000-euro TransVer Award is conferred on an initiative or a project that contributes to transformation in an impressive way. In 2023, the award went to a Hamburg education programme, CREACTIV für Klimagerechtigkeit ("CREACTIVE for Climate Justice"). The programme motivates young people to engage with the consequences of climate change through artistic activities and by exchanging with young artists from the Global South. Its aim is to make education for sustainable development an integral, everyday part of school life.

→ The report links the information to the goals of the Sustainability Positioning in order to provide transparency on the status of goal achievement. In addition to other external data, two surveys among GDV member companies form a major part of the basis for the report. The surveys were hosted on the GDV members' portal:

→ A survey on investment allocation as of 31 December 2023.

→ A survey on the topics of embedding sustainability in business strategies and in companies' own business processes, sustainability reporting and the sustainable alignment of property and casualty insurance. The GDV sustainability survey took place from 19 June to 21 August 2024.

→ Numerous players in the German insurance market are corporates that make and implement strategic decisions at group level. In such cases, a single questionnaire could be completed for multiple insurance companies. Many insurance groups made use of this option. On average, the responses to a single questionnaire relate to 3.6 insurance companies. Unique identification numbers for each insurer prevented companies from being represented more than once. This approach led to a very high market coverage. Based on a total of around 460 member companies that were able to take part in the surveys, the response rates were as follows (representing insurers of all sizes):

→ Investment allocation survey: respondents account for 90% of the total investment volume of primary insurers.

→ GDV sustainability survey: A total of 239 insurance companies responded. Of these, 172 are primary insurers (excluding health insurers) generating 85% of the gross premium income in the German market. This includes 99 property & casualty (P&C) insurers accounting for 87% of the market based on their business line-specific gross premium income and 73 life insurers in the strict sense of the term accounting for 84% of the market based on their technical provisions. Reinsurers, health insurers and holding companies also took part in the survey.

Responses are presented in the aggregate, based on the insurers' respective market shares, i.e. the reported data is weighted. The maximum achievable percentage score for a given question equals the combined market share of all insurers answering that question in the applicable market segment (85% for the industry as a whole, 87% for P&C and 84% for life). No information is available on the remainder up to 100%. While companies with bigger market shares are overweighted in this presentation, their larger market shares mean that they have large numbers of customers and hence potentially greater influence on sustainable development. The GDV therefore considers this approach suitable for illustrating market trends and providing transparency on developments in the industry. Any differences in presentation in individual sections of this report or in extrapolations for the industry are marked accordingly.

2

Embedding of sustainability in companies

Insurers are adapting to and preparing for climate change and the sustainable transformation, adjusting their organisational structures and training their employees in order to achieve their strategic sustainability goals. Policymakers, companies and consumers need comparable and reliable information so that they can align their actions to sustainability and net zero targets. Preparations for the new sustainability reporting standards are in full swing and continue to be highly challenging in terms of implementation.

The GDV Sustainability Positioning calls for the establishment of appropriate governance structures and optimised sustainability management (para. 7). In addition, insurers have committed to transparent reporting on their sustainability activities (para. 23). Insurers support the aims of the new European requirements for greater transparency on sustainability and are working to become more transparent themselves (para. 23).

The GDV has therefore once again gathered a lot of information about sustainability governance and transparency from its member companies in this year's sustainability survey. Section 2.1 sheds light on insurers' strategic positioning, while section 2.2 explains how they have embedded sustainability in their business organisation. The GDV also asked insurers about their experience with the new CSRD reporting. The findings are shown in section 2.3.[1].

2.1 Strategy and goals

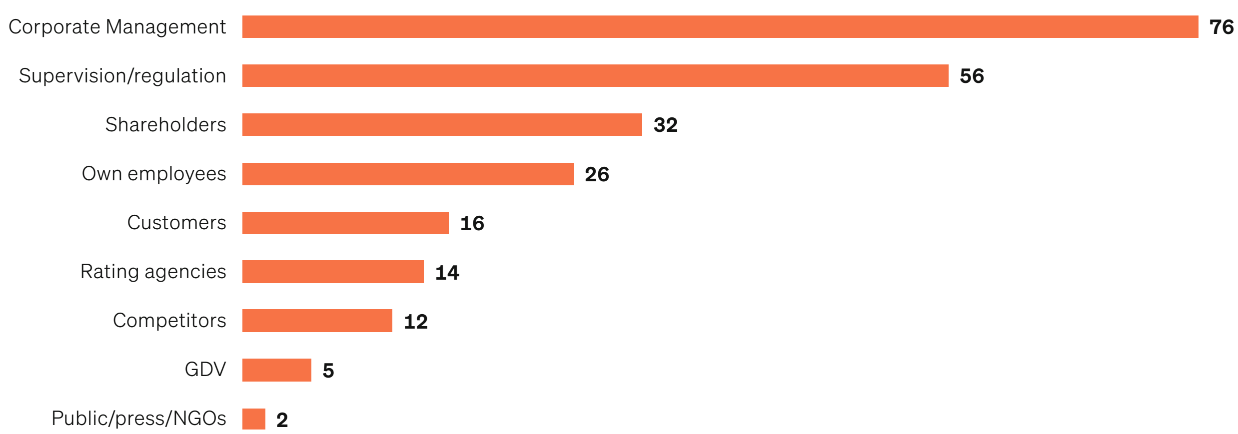
Sustainability is a strategic focus for the entire industry. Almost all insurers participating in the survey (82%) have adopted a sustainability or environmental, social and governance (ESG) strategy that goes beyond risk considerations alone. A further 3.4% of the market, primarily smaller companies, plan to introduce a sustainability strategy.

For 76% or the majority of the market, the most important driver of a company's own sustainability strategy is its own corporate management, followed

[1] As in the previous year, 85% of the market (by gross premium income) took part in the sustainability survey. The findings in this chapter relate in each case to gross premium income as a percentage of the entire market, which means that the maximum figure achievable is 85%, or, for the specific lines of business, 87% in the case of property and casualty (P&C) insurers and 84% based on the liability for remaining coverage in the case of life insurers. No information is available on the remainder up to 100%.

Corporate Management and supervision/regulation as the most important drivers of a company's sustainability strategy

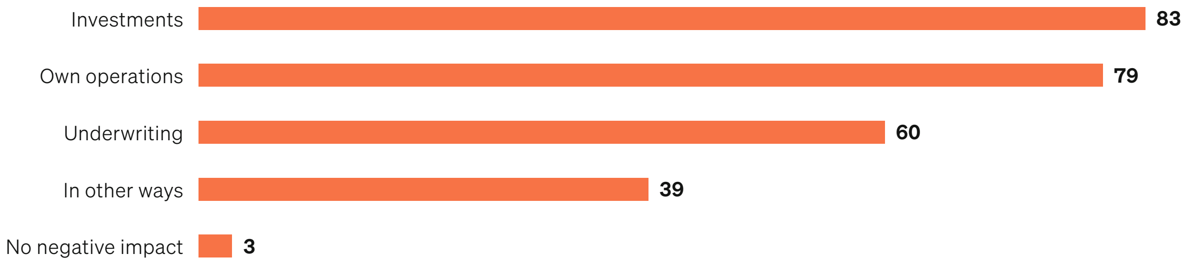
Figure 1 · Stakeholders with the strongest influence on sustainability strategy (a maximum of three stakeholders could be stated), figures in % of total gross premium income.



Source: GDV

Broad consideration of sustainability impacts

Figure 2 · Consideration of sustainability impacts by area; responses in % of the industry's total gross premium income; multiple answers possible; maximum possible: 85%



Source: GDV

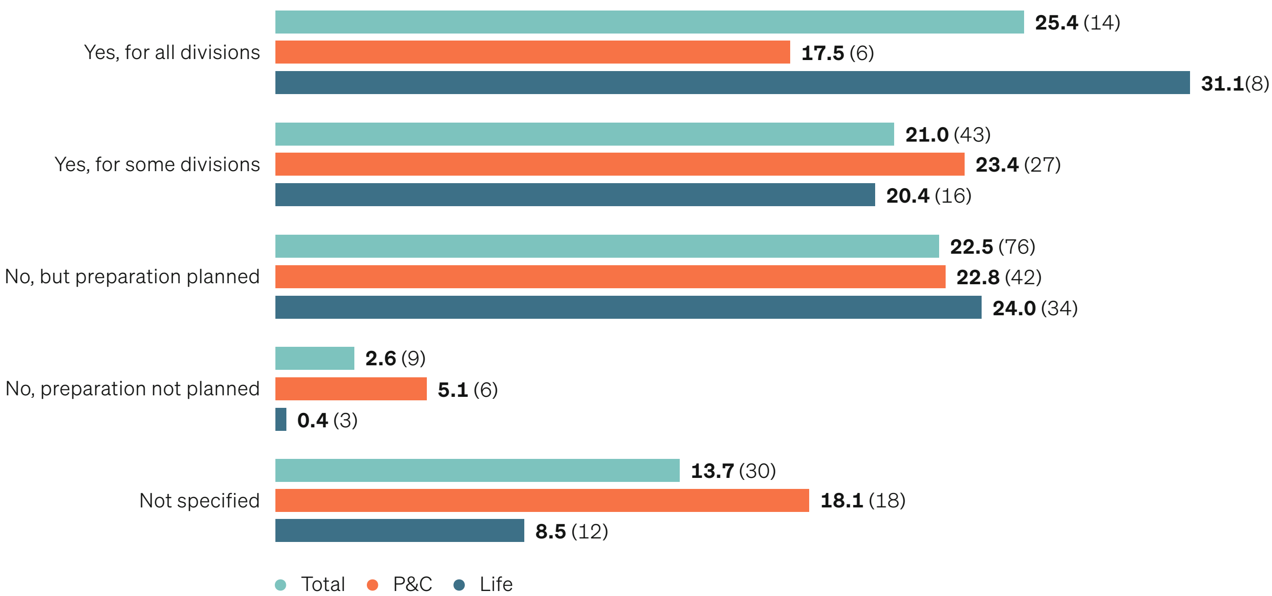
by supervision/regulation at 56% and shareholders at 32% (figure 1). Other relevant stakeholders are a company's own employees (26%), customers (16%), rating agencies (14%) and competitors (12%).

Companies take a nuanced view of the influence of sustainability finance regulation on their sustainability strategy. More than half of the market (55%) consider sustainable finance regulation to be both a help and a hindrance. 15% consider regulation to help the implementation of their sustainability strategy, while 8% emphasise its hindering effect.

The companies believe that the influence of current economic and political developments in recent years has mainly led to gradual adjustments within their sustainability strategy (34%). Around a quarter of the market (27%) believe that economic and political developments have a positive impact on the implementation of their sustainability strategy. A little over tenth of the market (12%) see current economic and political developments as having an inhibiting effect on the implementation of their sustainability strategy, as they give higher priority to other issues.

Preparation of transition plans (according to CSRD, NZAOA, etc.)

Figure 3 · Responses in % of the industry's total gross premium income (in brackets: number of insurance companies); maximum possible 85%, P&C: 87%; life: 84%



Source: GDV

Insurers not only look at their own risk exposure, but also consider negative implications of their own business activities for sustainability factors. Under the Corporate Sustainability Reporting Directive (CSRD), almost the entire market will be legally required to report on material sustainability factors from the 2025 financial year onwards (see also section 2.3). As in the previous year, with very few exceptions, almost all insurers surveyed (83%) consider their own impact on sustainability aspects when making investment decisions (e.g. through ESG-based or industry-specific exclusions or limits). The share of the market accounted for by insurers that consider the sustainability implications of their own operations (e.g. in the selection of service providers or energy sources) is 79% (previous year 81%). For the underwriting of insurance risks, the figure fell slightly to 60% (previous year 62%). The proportion of insurers that also consider sustainability impacts in other ways rose to 39% (previous year 27%). The market share of insurers that do not identify any adverse impacts of their business activities on sustainability factors is 3% (previous year 1%). As before, insurers select a multi-layered approach to addressing the environmental, social and governance aspects of sustainability.

To achieve the transition, almost half of the total market (46%) are preparing transition plans to reach the net zero target by 2050. A quarter of the market (25%) consider all divisions and 21% some divisions. A further 76 insurers accounting for 22% of the market plan to prepare transition plans. Relatively large insurers are more likely to prepare transition plans. According to the survey, many small and medium-sized companies are also considering the preparation of transition plans. Only a small proportion of the industry (2.6%) do not plan to do so, while 14% did not say. There are differences between the lines of business.

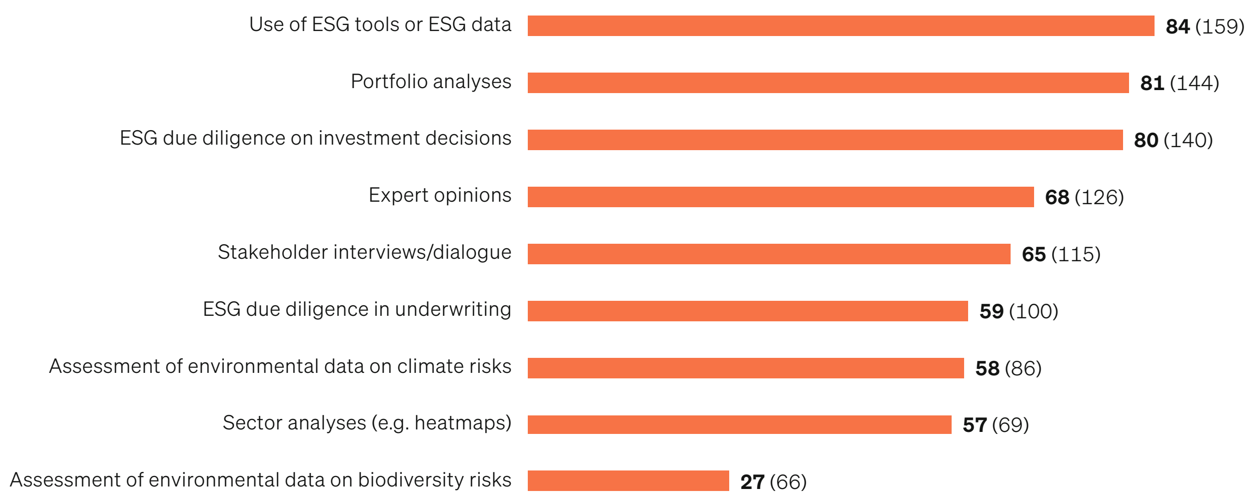
The vast majority of insurance companies already adhere to external sustainability standards on a voluntary basis in order to reach their goals. These include the Principles for Responsible Investments (PRI), the UN Global Compact and the Principles for Sustainable Insurance (PSI). This goes to show that there is no single universally relevant market standard. In some cases, a number of different standards are observed for different areas of the insurance business. The breadth of application of the various standards is covered in subsequent chapters on the individual areas. With few exceptions, the entire market applies at least one external standard.

2.2 Structures, methods and resources

As already noted in the reports published in 2021 to 2023, sustainability is a management responsibility. Across the industry (85%), the entire senior management team/C-level is responsible for implementing the sustainability strategy. At 29% (previous year 15%), responsibility is more concentrated on the CEO. As in the previous year, additional members of senior management (the CFO for 20% and the CRO and CCO for 19% each) or a special committee (16%) are also involved in

Wide variety of methods used to identify sustainability factors

Figure 4 · Responses in % of the industry's total gross premium income (in brackets: number of insurance companies); multiple answers possible; maximum possible of which with defined milestones



Source: GDV

implementation. Only one of the surveyed companies delegated implementation of the sustainability strategy to a layer of the hierarchy below the top tier.

Almost all companies (85%, previous year 74%) now have dedicated sustainability departments or officers who coordinate the activities of the various divisions. Most frequently (38%), these take the form of a staff unit assigned to the management or executive board. Some sustainability units are assigned to accounting (14%), investments (12%), the CFO directly (9%) or communications (7%).

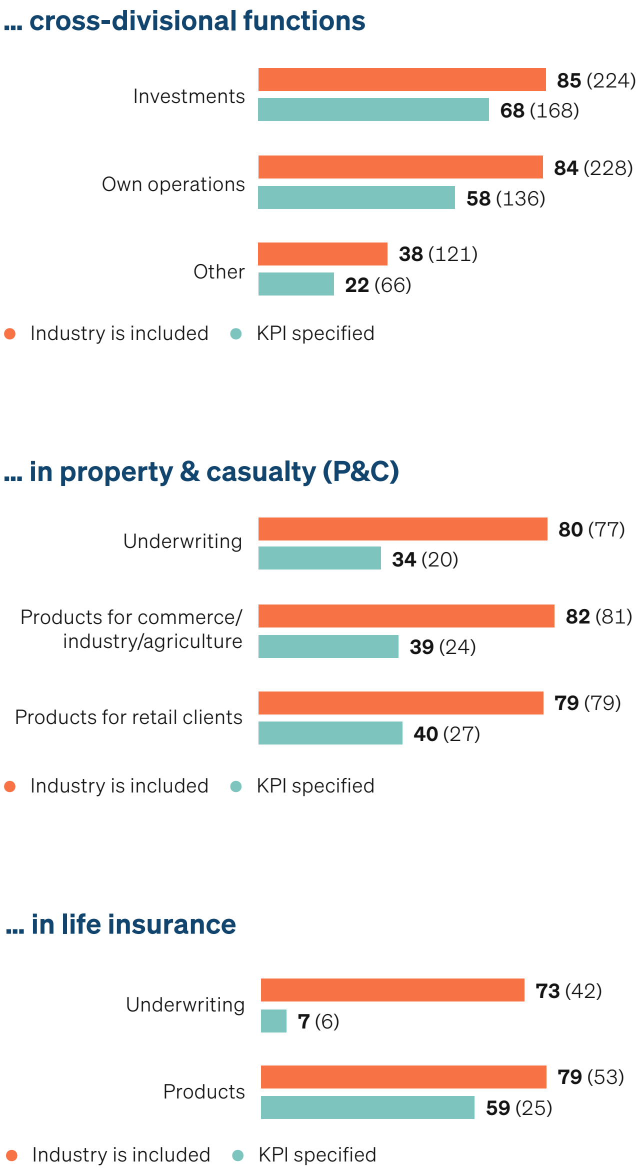
Units that consider the impact of their own operations on sustainability factors are included accordingly when it comes to implementing sustainability strategies (see figure 2). The integrated strategic approach is thus reflected in the involvement of numerous divisions. Subsequent chapters of this report will explore the activities of those divisions in more detail. Many companies also actively include additional functions such as HR, IT, sales and marketing, risk management and compliance, and in some cases all of these functions are involved.

In terms of methodology, insurers employ a wide variety of approaches for managing sustainability factors and their impacts (figure 4). Almost the entire market uses ESG tools or ESG data (84%, previous year 82%), portfolio analyses (81%, previous year 77%) and ESG due diligence when making investment decisions (80%, previous year 81%). Expert assessments are also widespread (68%, previous year 67%). A number of methods that have been applied to a lesser extent in the past are now being used much more frequently than in the previous year. These include stakeholder surveys (65%, previous year 49%), ESG due diligence in underwriting (59%, previous year 45%) and sector evaluations and analyses (57%, previous year 36%). Environmental data relating to climate risks and biodiversity is assessed by 58% (previous year 56%) and 27% of the market respectively.

In their role as risk bearers and investors, insurance companies have to proactively identify and assess the physical and transition risks associated with climate change. Sustainable finance also requires long-term economic stability. Risk management requirements have been increased accordingly. Since 2022, companies have been required to evaluate material climate change risks based on scenario analyses that examine possible developments by way of example. The findings are intended to be taken into account in business planning and business strategy and must be reported to the Federal Financial Supervisory Authority (BaFin) in an Own Risk and Solvency Assessment (ORSA). How insurers use scenario analyses for their risk management was described in detail in the GDV Sustainability Report 2023 (section 2.3, p. 20 et seq.).

Divisions involved in implementation and specification of key performance indicators (KPIs)

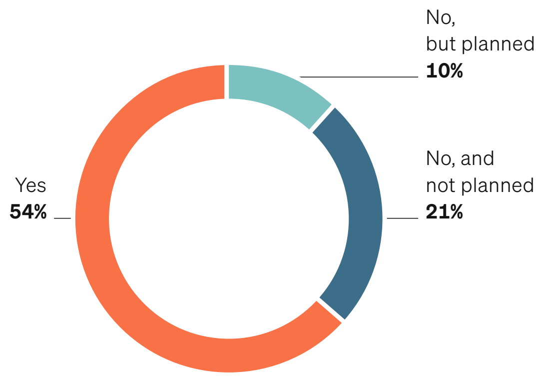
Figure 5 · Responses in % of the industry's total gross premium income (in brackets: number of insurance companies); multiple answers possible; maximum possible of which with defined milestones



Source: GDV

Incentives for employees to achieve sustainability goals

Figure 6 · Responses in % of the industry's total gross premium income; maximum possible: 85%



Source: GDV

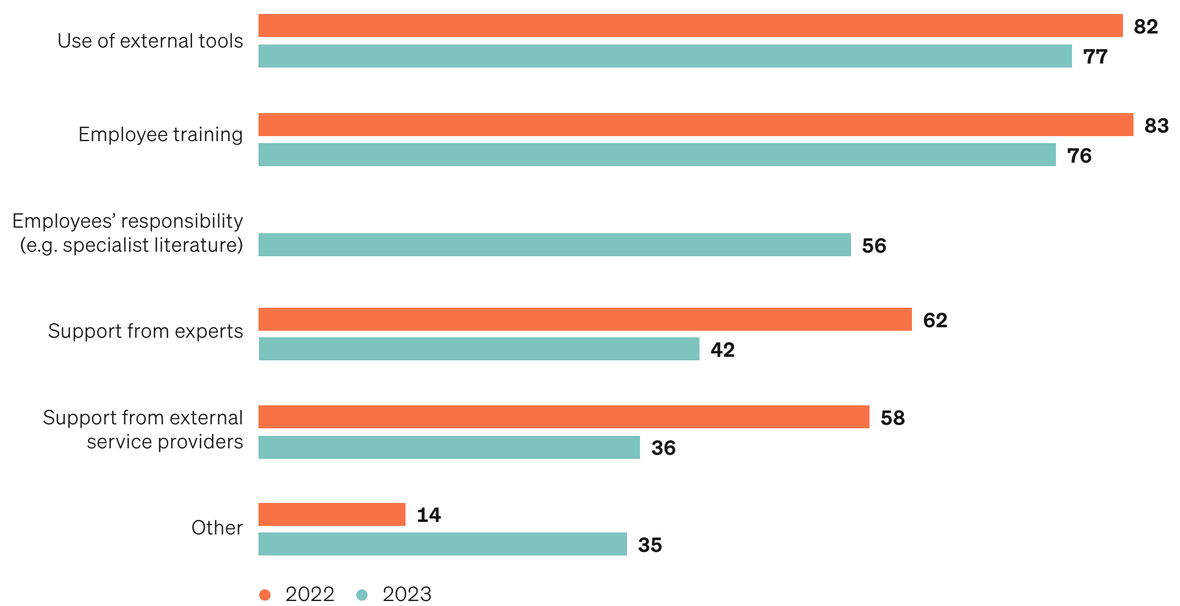
Companies are increasingly linking sustainability goals to concrete incentives for their employees (figure 6). Insurers accounting for 54% (previous year 40%) of the market have implemented incentive schemes for their employees. While a further 10% are considering the introduction of incentive schemes, a little over a fifth of the market so far has no plans to do so. As is to be expected, use is mostly made of monetary incentives in the form of variable remuneration components linked to agreed sustainability-related targets. These are not always limited to senior management and executives, but in some cases also apply to other parts of the workforce. Some insurers also offer non-monetary incentives, such as subsidised bike to work schemes, public transport passes or electric or hybrid vehicles for senior staff. Actively involving employees in the selection of fundraising campaigns can provide additional motivation for supporting sustainability.

To measure progress, over half of the market uses quantitative key performance indicators (KPIs) for sustainability (figure 5) in cross-divisional functions such as investments (68%) and in-house operations (58%). The use of KPIs is somewhat less widespread in P&C insurance (34-40%). KPIs are more frequently specified for products in life insurance (59%) and less frequently in underwriting (7%). Full coverage of all areas with KPIs is not to be expected in the future either, in some cases because no suitable indicators are available or data gathering involves too much effort and expense.

Figure 7 shows how companies ensure access to and the accumulation of expertise. As before, the majority of insurers use external tools (77%, previous year 82%) and invest in training their own staff (76%, previous year 83%). Moreover, companies representing 56% of the market (question not included last year) expect employees to further their knowledge on their own initiative, for example by means of specialist literature. The recruitment of experts for corporate divisions continues to be important (42%, previous year 62%), but

Access to expertise for divisions covered

Figure 7 · Responses in % of the industry's total gross premium income; multiple answers possible; maximum possible: 85%



Source: GDV

significantly less so than before. Companies are also making far less frequent use of outside service providers (36%, previous year 58%), but are increasingly deploying other measures (35%, previous year 14%).

The importance of training is underscored by a training survey by the AGV, the German insurance industry employers' association. Sustainability-related further training is offered in all areas of expertise relevant to people working in the insurance industry. The most widespread topics are investment and risk assessment, two areas that are directly relevant to the core business. Overall, insurers invest an average of over EUR 2,000 per employee per year in in-house further training.

One issue that has attracted growing attention in the public debate for some time now is greenwashing. Increasing disclosure and reporting obligations also make greenwashing an increasing focus for supervisory authorities. In summer 2024, for example, the European Insurance and Occupational Pensions Authority (EIOPA) sent a feedback statement on greenwashing to the European Commission. BaFin also refers to combating greenwashing as a medium-term objective in its Sustainable Finance Strategy. Advertising products with sustainability-related claims and publishing sustainability-related data may also involve legal risks. In its decision of 27 June 2024, Germany's Federal Court of Justice ruled that a 'climate-neutral' claim in advertising was misleading in certain circumstances and therefore unlawful. The defendant company had failed to disclose that it had not in fact reduced its own carbon emissions, but had merely used a service provider to implement offsets. In addition to legal risks, companies also face individual reputational risks, which can also have a negative impact on the reputation of trading partners or the industry as a whole.

In light of this, two thirds of the market have internal processes for addressing greenwashing risk with regard to information they provide and 45% with regard to information from other sources (figure 8). A further 5% plan to set up internal processes for in-house information and 19% for information from elsewhere. Only a small proportion of the market do not plan to implement explicit processes to address greenwashing risk.

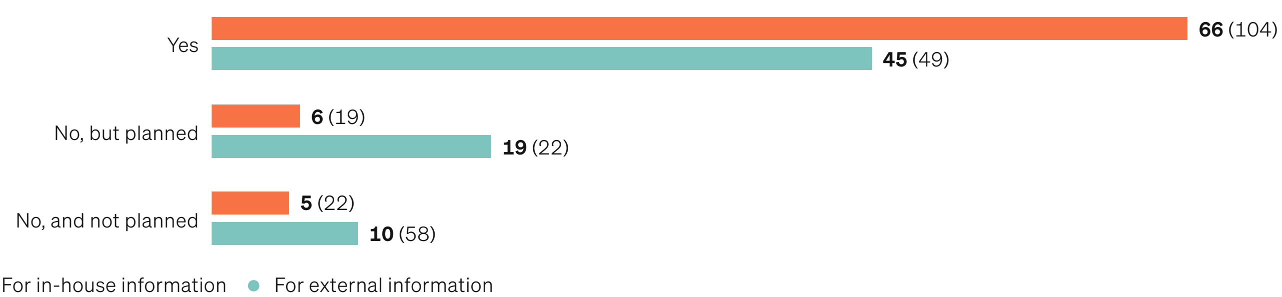
2.3 Transparency and sustainability reporting

The Corporate Sustainability Reporting Directive (CSRD) marks the beginning of a new era in sustainability reporting. Its aim is to increase market transparency with valid and comparable sustainability information. With this in mind, it has greatly increased the range of companies that will have to submit reports in future. The legally binding European Sustainability Reporting Standards (ESRSs) establish cross-sectoral requirements and stipulate on the structure, content and detail level of sustainability reports. An integral part of the new reporting is materiality assessment, which is used to determine which issues companies need to report on. The assessment is based on the principle of double materiality. In addition, CSRD reports are subject to mandatory external auditing.

Taken together, the CSRD and the ESRSs lay down very detailed and extensive requirements that present many insurers with major challenges. Depending on the outcomes of their company-specific materiality assessment, companies subject to the reporting obligation state on the basis of their own estimates that they must report on between 167 and 783 data points. In the government draft of the CSRD Implementation Act, the German federal government estimates the annual

Does your company have internal processes to address greenwashing risks?

Figure 8 · Responses in % of the industry's total gross premium income; maximum possible: 85%



Source: GDV

compliance costs at around EUR 1.6 billion per year for the German economy, commencing in the 2028 financial year. Financial companies have significantly greater total assets and revenues than companies in the real economy. As a result, some insurers with fewer than 100 employees are considered large companies under the EU Accounting Directive and will be fully subject to the CSRD from the 2025 financial year. At present, there are hardly any proportionate exemptions for these small and medium-sized insurers.

For the 2023 financial year, almost three quarters of the German insurance market were already required to publish a sustainability report under the Non-Financial Reporting Directive (NFRD), which has since expired. Under the NFRD, the report content was not standardised by law. Voluntary standards and good practice approaches were developed to specify the report content (see also GDV Sustainability Report 2023, Chapter 6, p. 53 onwards). Some of these were taken into account in the development of the ESRSs.

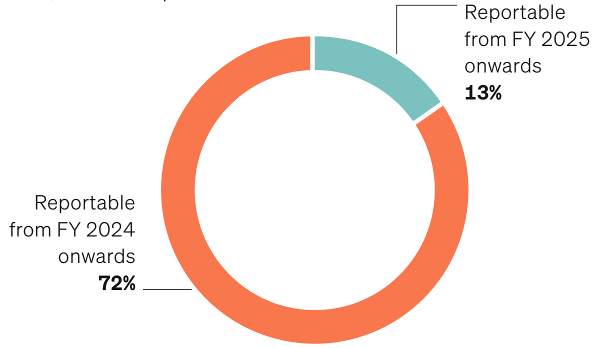
According to the GDV survey, almost three quarters of the market (72%) will already have to report for the 2024 financial year in accordance with the CSRD (figure 9). A further 14% state that they will come under the CSRD from the 2025 financial year. GDV's market analyses indicate that from the 2025 financial year at the latest, more than 99% of the market will be required to publish CSRD reports. As this requirement is generally met at group level, the GDV expects that its member companies will publish a total of 89 CSRD reports in 2026.

Confronted with this major challenge, many insurance companies established structures and processes last year to meet the new reporting requirements. The areas responsible for this are frequently financial reporting (52%) and sustainability (38%). Others (30%) include compliance, investments and risk management. Just under half of the market (49%) plan to publish an additional sustainability report for marketing or corporate communication purposes. A little over a fifth of the market (21%) do not plan to publish any additional reports.

Most companies that are required to publish CSRD reports for the 2024 financial year are already well advanced in their preparations. Almost half of the market (45%) consider themselves well prepared. Just under a third (30%) have set up a project group or workstream for implementation. Only a very small number of companies are in the process of conducting a preliminary study or are at a very early stage.

From 2025, 99% of the market will be covered by the CSRD

Figure 9 · Responses in % of the industry's total gross premium income; maximum possible: 85%



Source: GDV

In light of this, insurers can now better assess whether meeting the new reporting requirements will be readily achievable or challenging. The overall picture is varied as in the previous year, albeit a little more positive. Nevertheless, the survey shows that in the case of four out of seven requirements (previous year six out of seven), the CSRD continues to present in some cases major challenges for the industry.

As in the previous year, companies see the most challenging requirement as being reporting along the value chain and identifying the most important elements (60%, previous year 61%). All the same, 17% (up from 5%) now consider reporting along the value chain to be readily achievable. Synchronicity with financial reporting also remains a challenge (40%, previous year 58%), but is now seen as readily achievable by a good third of the market (36%, previous year 6%). The only requirement that a larger proportion of the market consider challenging compared to last year (39%, previous year 35%) is the external auditing of CSRD reports.

Responsibility for the preparation of sustainability reports

Figure 10 · Responses in % of the industry's total gross premium income; multiple answers possible; maximum possible: 85%

Source: GDV

At the same time, significantly more companies (35%, previous year 17%) consider the external auditing to be doable. The standardised electronic reporting formats (including tagging) remain a challenge for 38% of the market (previous year 43%), although significantly more companies (26%, previous year 3%) consider this requirement to be readily achievable.

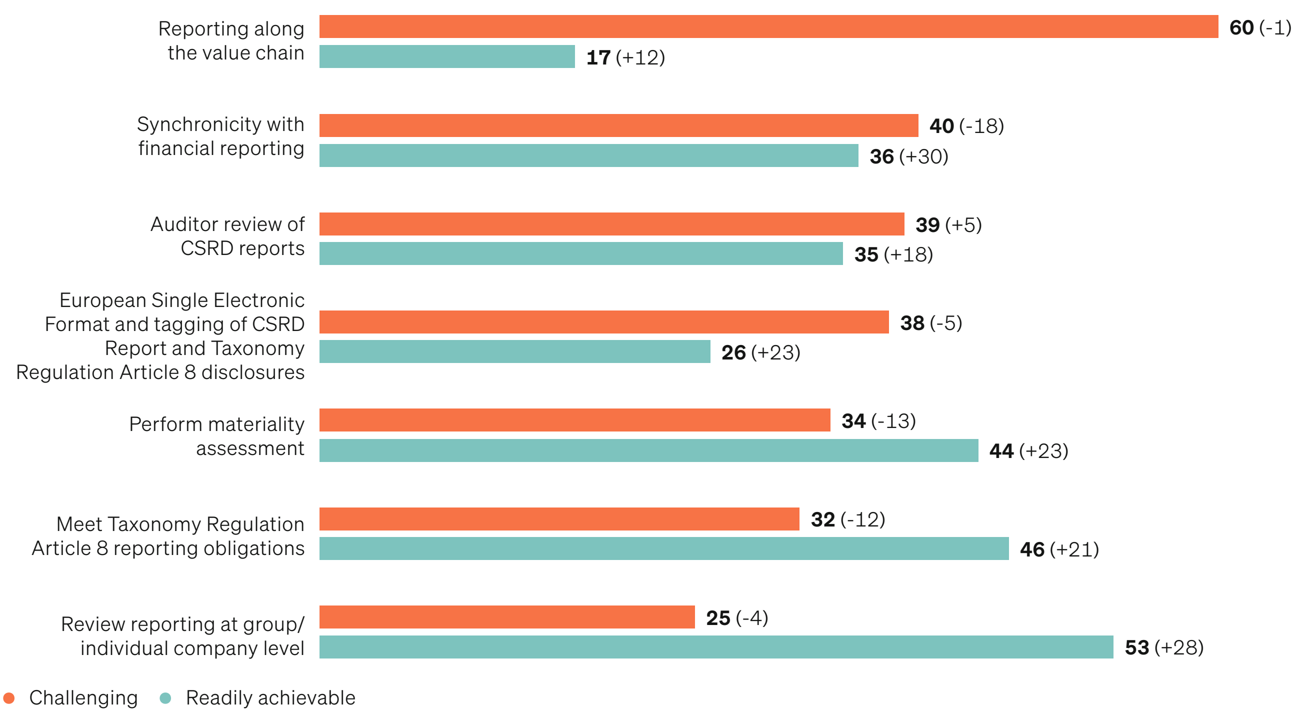
Three out of seven requirements (previous year one out of seven) are now predominantly considered to be readily achievable. These include materiality assessment, meeting the reporting obligations under Article 8 of the Taxonomy Regulation and the review of reporting at group/individual company level. Nevertheless, a quarter to a third of the market still see these requirements as challenging.

Although companies rate the situation slightly more positively overall than in the previous year, CSRD implementation remains challenging. In addition to the continuous work in committees and working groups, the GDV additionally engages in various activities to support its members:

- In summer 2023, the GDV provided its member companies with non-binding guidance on designing a process for company-specific materiality assessment.
- In early 2024, the GDV provided members with non-binding guidance on an industry approach to materiality assessment for the P&C segment. The industry approach is intended to help insurers meet the requirements in relation to materiality assessment and identify relevant parts of the P&C value chain.
- In April 2024, the GDV organised its second symposium on sustainability reporting to discuss regulatory challenges and practical application issues in the implementation of the CSRD. Over 100 industry experts took part.

Despite slight improvement, CSRD reporting requirements remain challenging

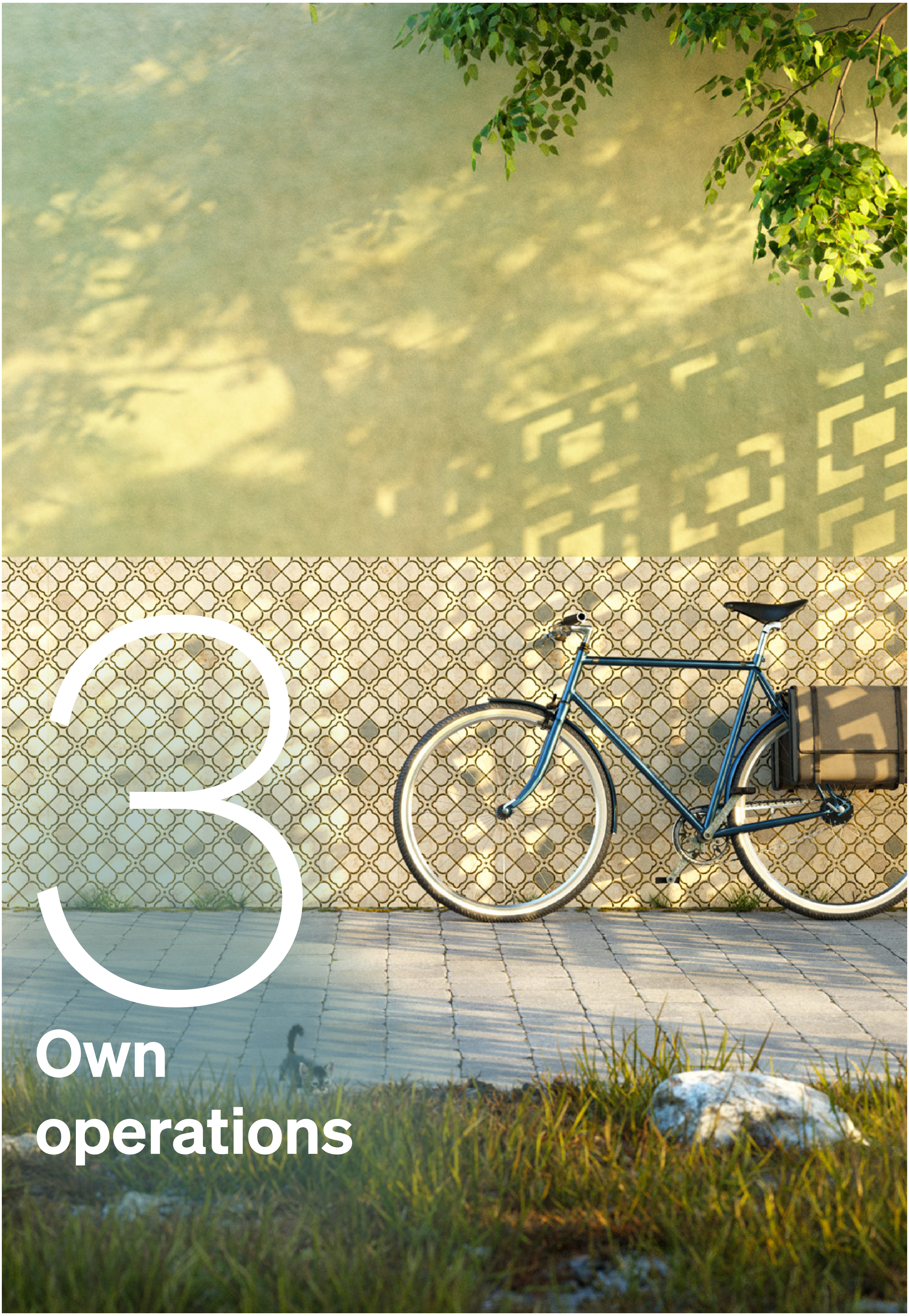
Figure 11 · Responses in % of the industry's total gross premium income; % change relative to previous year in brackets; multiple answers possible; maximum possible: 85%; remainder up to 100%: no information provided



Source: GDV

GDV reform proposals for more efficient and proportionate sustainability reporting

- Implementation of the European Commission's target of reducing burdens associated with reporting requirements by 25%; focus on content that demonstrably contributes to the transition to a sustainable economy
- Review the necessity for sector-specific standards after evaluating the first CSRD reports
- Make sustainability reporting more proportionate, particularly for small and medium-sized insurers



3 Own operations

The transformation of their own operations is a key element of insurers' sustainability strategies. While it offers less leverage than is the case with investments or underwriting, the transformation of their own operations is something that companies generally have direct control over. Changes are immediately visible and tangible, so they can have a positive impact on employee and customer loyalty.

3.1 Carbon footprint and resource efficiency

By 2025, insurers aim to significantly reduce Scope 1 and Scope 2 emissions at their German locations and offset their remaining emissions (with a target of net zero emissions). The updated GDV Sustainability Positioning adds the goal of achieving significant reductions in indirect emissions (Scope 3) by 2030. This section reports on the sector's relevant emissions for its own operations.

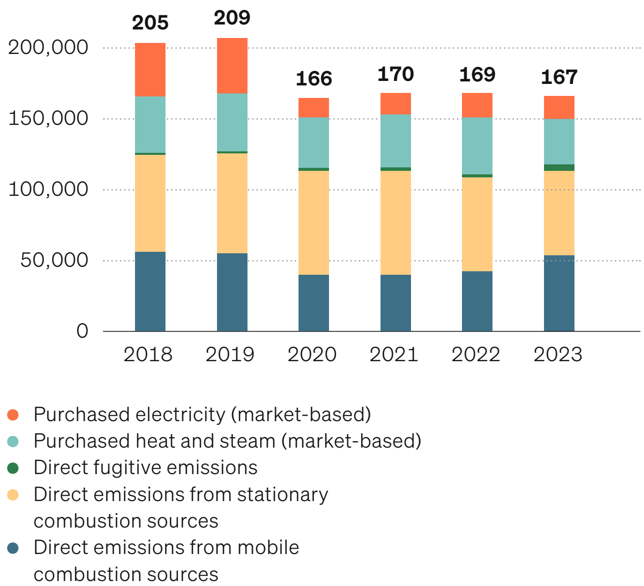
As in the previous year, data for 2023 was collected via a GDV survey of member companies. Like last year, 85% of the market (by gross premium income) took part in the survey. The findings in this section relate in each case to gross premium income as a percentage of the entire market.

Extrapolated to the industry as a whole, and applying the market-based approach, insurers generated 167,000 tons of CO_2 equivalents (CO_2e) in Scope 1 and Scope 2 in the 2023 reporting year (figure 12). Insurers' emissions thus remain at the reduced level seen in 2020 at the time of the COVID-19 pandemic. An analysis of the individual components of Scope 1 and Scope 2 emissions shows where the insurance industry has increased emissions and where it has reduced them. Mobility emissions (mobile assets) increased by 26% compared to the previous year. The number of kilometres travelled increased by 37% across all means of transport in 2023. Mobility in the insurance industry is now almost back to pre-Covid levels. The fact that Scope 1 and Scope 2 emissions are not higher despite these developments is due to the countervailing effect of purchased electricity (-2%), purchased heat (-23%) and self-generated energy (-10%). Electricity consumption thus fell further to 412 million kWh. Part of electricity consumption shifted to remote working. The proportion accounted for by green electricity increased slightly to 93% (previous year: 89%). Despite a low level overall, there was likewise an increase from 0.5% to 0.8% in the share represented by self-generated renewable energy. The reduced heat emissions can be explained by energy savings following last winter's energy crisis.

Under the GHG protocol, indirect Scope 3 emissions relate to a wide variety of business processes (see fig. 13). Last year, a GDV working group made methodological preparations for data collection on Scope 3 emissions in order to ensure comparability (see GDV leaflet, p. 6 et seq.). Examples of the most relevant categories include employee commuting, business air travel and purchased goods and services (such as data centres). The data submitted for the survey has better coverage compared to the previous year but is still incomplete. Few of the respondent companies are able to submit data for all Scope 3 categories included in the survey. Extrapolating Scope 3 continues to be a challenge.

Emissions from own operations have plateaued

Figure 12 · Carbon emissions from own operations in tonnes (scope 1 and 2 emissions)



Source: GDV

Accounting for greenhouse gases in accordance with the GHG Protocol

Figure 13 · Emissions are divided into three categories according to causation

Scope 1	Own energy generation ("stationary assets")	Own fleet ("mobile assets")	Air conditioning and cooling ("fugitive emissions")
Scope 2	Purchased electricity	Purchased district heating	
Scope 3	Insured emissions	Investments	
Own operations within Scope 3	Transportation and distribution	Purchased goods and services	Capital goods
	Paper, water, waste	Business travel	Commuting
	Rented or leased fixed assets	Working from home	Other fuel and energy-related emissions

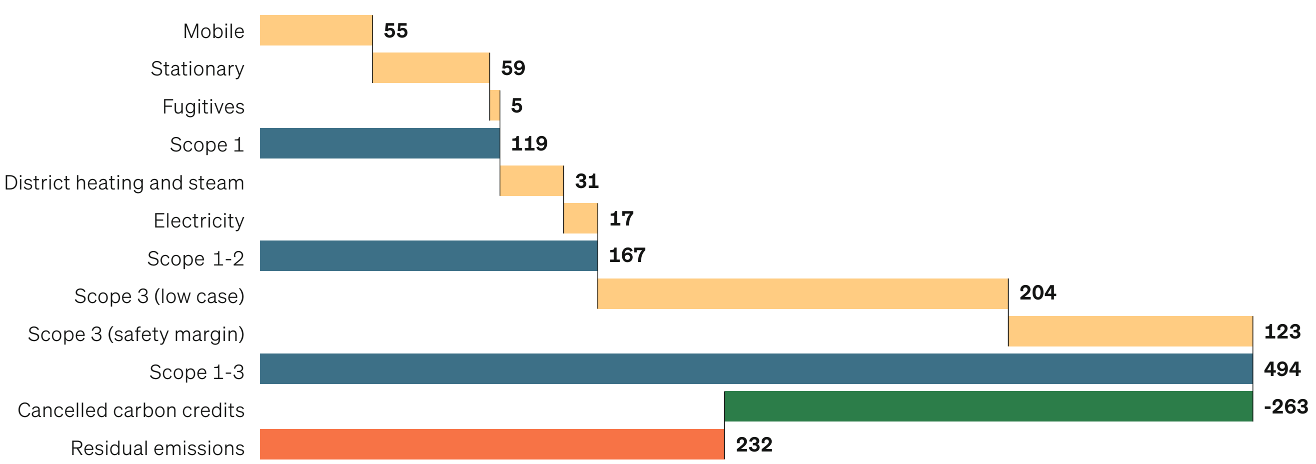
Source: Based on GHG protocol

Scope 3 emissions increased slightly compared to the previous year (+14%) and amounted to 204 thousand tonnes of CO_2 equivalents. In view of the challenging data collection, a large safety margin of 123 thousand tonnes of CO_2 equivalents has been added to the estimate. The increase in Scope 3 is due to increased travel and a slight improvement in the quality of the submitted data. Including the safety margin, the GDV estimates total Scope 1-3 emissions at 494 thousand tonnes of CO_2 equivalents (figure 14). Set against this are carbon offset certificates for 263 thousand tonnes (previous year 133 thousand tonnes) of CO_2 equivalents. Overall, the sector's imputed residual emissions have fallen this year by 28% to 232 thousand tonnes of CO_2 equivalents.

Mobility in the form of employee commuting (35%) and business travel (25%) causes the largest share of Scope 3 emissions (see figure 14). The portion accounted for by purchased goods and services, such as outsourced data centres and cloud computing, also increased this

Integrated analysis of emissions in companies' own operations in accordance with the GHG Protocol

Figure 14 · Scope 1-3 carbon emissions including carbon credits (2023)

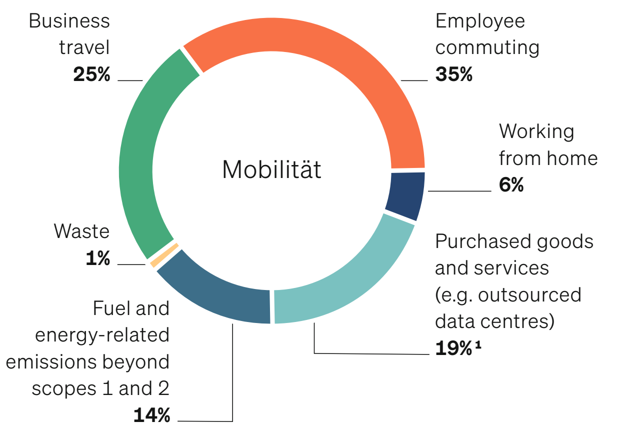


Source: GDV

year to 19% (previous year: 12%). Cloud emissions were also recorded separately and depend heavily on the company-specific cloudification strategy. Within purchased goods and services, cloud emissions account for between 1% and 70%. Some companies stated that they planned to make greater use of outsourcing and cloud computing instead of their own data centres as a response to Germany's Energy Efficiency Act. As in the previous year, there were not enough individual data submissions on the categories "rented or leased assets", "capital goods" (including hardware/electronics) and "upstream transportation and distribution". It is therefore not possible to present these categories separately.

Commuting, business travel and purchased services are the largest Scope 3 emission sources

Figure 15 · Composition of Scope 3 emissions



[1] The proportion of cloud emissions cannot yet be reliably determined; the range is between 1% and 70%

Source: GDV

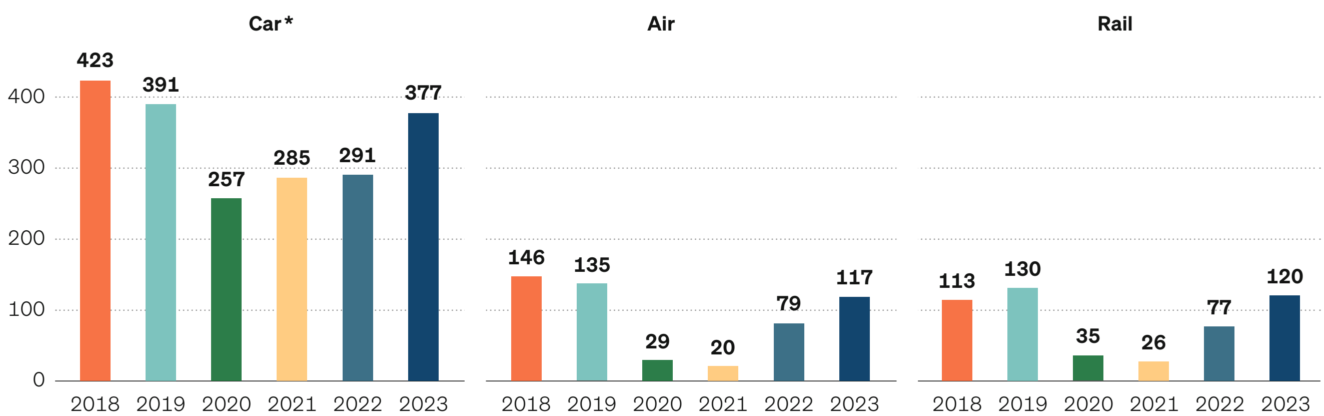
Mobility

Business trips and travel are almost back at pre-Covid levels (figure 16). The number of journeys made by car, the main mode of transport, has increased significantly (+30%). Air and rail travel has also increased substantially (+48% and +55%, respectively). Car and air travel are the most relevant means of transport, as business rail travel (usually using green electricity) is already very low in emissions.

For the first time, the GDV has collected more details on insurers' company cars as the most important means of transport. In terms of type of propulsion, combustion engines account for 75% of the vehicle fleet, followed by hybrid drives with 15%. All-electric company cars make up a significant 10% of the fleet. By comparison, the share of all-electric cars in Germany as a whole is 3% (source: Statista). Paralleling the growth in the electric fleet, insurers are increasingly providing charging points for their employees. In a survey item first included in 2023, the industry provides almost 1,300 charging points with a total nominal capacity of 21 thousand kW. Charging infrastructure is an important element in the further electrification and decarbonisation of company car fleets.

Kilometres travelled almost back to pre-Covid level

Figure 16 · Development of kilometres travelled (in million), by means of transport



*Company-owned and leased fleet plus private cars used for work

Source: GDV

Overview: insurers' operational environmental management

Table 1 · Metrics refer to full-time equivalents (FTEs) or back office FTEs (BO FTEs)

			Total					
Metric	**Unit**	**Type**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Scope 1-2 market-based	tCO_2e	Projected	204,941	208,518	166,287	169,806	169,331	167,120
Scope 1-2 market-based	tCO_2e per FTE	Median	1.34	1.35	0.77	0.89	0.69	0.70
Scope 1-2 market-based	tCO_2e per FTE	Mean	1.04	1.12	0.89	0.90	0.80	0.80
Scope 3 high case	tCO_2e	Projected	n/a	n/a	n/a	n/a	286,298	327,250
Scope 3 low case	tCO_2e	Projected	n/a	n/a	n/a	n/a	169,660	204,058
Electricity consumption	kwh per BO FTE	Mean	3477	3524	3142	2880	2384	2176
Waste volume	t per BO FTE	Mean	0.24	0.22	0.20	0.17	0.14	0.14
Water consumption	m^3 per BO FTE	Mean	14.39	13.99	11.42	9.24	8.54	9.09
Total paper consumption	kg per BO FTE	Mean	134	117	105	125	101	113
Car	km per FTE	Mean	2353	2136	1405	1469	1454	1930
Rail	km per FTE	Mean	632	716	193	129	382	591
Air	km per FTE	Mean	888	810	169	101	389	574

Source: GDV

Total paper consumption increased slightly compared to the previous year, to 113 kg per BO FTE. Water consumption also increased slightly to an average of 9 m^3 per FTE. The volume of waste, on the other hand, has remained constant. The GDV survey also included further environmental indicators relating to insurers (see table 1).

Measures: Reduction

Asked about their top three fields of action for the reduction of carbon emissions, most insurers named the vehicle fleet and business travel. The higher priority given to this field of action comes in response to the significant increase in travel and the associated carbon emissions. Energy efficiency (primarily in buildings other than IT data centres) came in second. Workplace design and commuting took third place, as they did last year. As in the previous year, resource management and digitalisation ranked fourth (including paper, water and waste together with IT data centres) and sustainable energy sources came fifth.

The strategic focus is on mobility and energy efficiency. These fields of action also harbour the greatest potential for savings. As illustrated in figure 16, insurers address the fields of action with a wide variety of different measures. For example, insurers have already laid the foundations for the further electrification of vehicle fleets by establishing their own charging station infrastructure. Some companies allow employees to charge their own cars and company cars for free. By doing so, the companies concerned have managed to increase the proportion of electric vehicles in the fleet as a whole to up to 80%. In the energy efficiency field of action, some companies focus on modernising office buildings while others prefer relocating to more energy-efficient premises.

In addition to efforts and action within companies, improvements are also needed in the policy framework for the mobility and buildings action areas. This includes a universal and sufficiently high carbon price to make low-carbon technologies more competitive. Other key enablers are a nationwide charging infrastructure, the development of sustainable infrastructure and inexpensive green electricity.

Measures: Carbon offsetting almost doubled

For the current 2024 financial year, many insurers will be required to disclose in their CSRD reports the carbon credits they use. The GDV sustainability survey was based on the draft new reporting requirements regarding carbon credits that were available at the time. As the survey findings show, many companies are already using carbon credits to achieve their net zero targets for Scopes 1 and 2. Some companies even offset their entire Scope 3 emissions. In total, the use of carbon credits has nearly doubled compared to the previous year and amounts to 263,000 tonnes (previous year 133,000 tonnes) of CO_2 equivalents (table 2). This means that Scope 1 and 2 emissions from the companies' own operations are already fully offset, and Scope 3 emissions are offset by 50% (see also figure 13). The increase in cancelled carbon credits may be related to the rise in business travel, as many companies offset

Insurers pursue a multidimensional approach to carbon reduction

Figure 17 · Fields of action and measures possibly taken to reduce carbon emissions

Vehicle fleet and business travel	Workplace design and commuting	Energy efficiency	Resource management and digitalisation	Sustainable energy sources
• Fleet electrification • Carbon-oriented fleet policy • Electric vehicle charging points at company locations • Reduction of flight emissions	• Sustainable commuting (Deutschlandticket, cycle leasing) • Flexible remote working arrangements • Employee training • Mobility surveys	• Regular energy audits • Energy-efficient refurbishment • Heat recovery • Space reduction • New office building and IT data centres	• Paperless processes • Reduction of paper, water and waste • Policies sent digitally • Digital sustainability • Digitalisation of communication and processes	• Installing solar panels • Switch to green electricity/green gas • Green district heating

Source: GDV

travel emissions. A broader base of data in connection with the implementation of the CSRD reporting obligations may also be responsible for the increase in reported carbon credits. Furthermore, high standards are important in carbon offsetting in order to create a high-quality market for the permanent removal of CO_2e from the atmosphere.

Support for distribution partners

The Sustainability Positioning stipulates that insurers help their distribution partners reach sustainability targets (para. 5). In November 2023, GDV published Guidance on sustainability and insurance distribution. The publication is intended for insurers' distribution functions. A list of measures illustrates how insurers can help distribution partners make their own operations sustainable.

The GDV conducted an exploratory survey among its member companies in early 2024. As the findings show, many insurers already carry out a range of measures to support their distribution partners. These mostly relate to the social sustainability goal, followed by the governance and environmental goals. Many of the measures are in the list of measures provided in the GDV guidance on sustainability and insurance distribution. Examples include establishing further training on sustainability in distribution, emissions calculations, installing solar panels and sourcing green electricity. The GDV intends to include this topic in the annual sustainability survey and in future to report in greater detail on the extent of support provided to distribution partners.

3.2 Women in leadership und diversity

As employers, insurers are aware that diversity is an important driver of a company's economic success, good corporate culture and their own employer appeal. In light of the large percentage of women in insurance (49%) and the fact that they are underrepresented in leadership and governance bodies (see table 3), the German insurance industry employers' association (Arbeitgeberverband der Versicherer; AGV) has continued its activities on the topic of "Women in Leadership & Culture".

The AGV industry advisory board made up of both male and female board members and executives raises this topic's visibility across the industry and supports companies in gradually raising the share of women, starting from the top. Focal topics of the summer meeting 2024 were "HR Strategies in Times of Polycrisis" and "Mental Health".

→ Every two years, the "Top-Management-Konferenz" (conference of female top executives) brings together the female leaders of the industry.

→ "Fit for Leadership", a leadership coaching initiative for female candidates with potential, has featured among the most important projects since 2017. With the help of external service providers, a leadership programme for female talents has been developed to support companies lacking the capacity for diversity programmes of their own.

- → Digital formats such as INSURWOMEN@NETWORKS and inspiring web talks with female board members enhance visibility, provide encouragement through role models and expand networks. This network for female executives and career-minded women facilitates digital exchange on current professional and personal topics that can help career advancement.

- → The network of diversity officers founded in 2021 and made up of decision-makers from 23 companies and corporate groups has continued the exchange of good practices and current issues.

The GDV survey for this sustainability report shows that 151 insurers accounting for 57% of the market (previous year 121 insurers accounting for 50% of the market) have signed the "Charta der Vielfalt" (Diversity Charter). As the increase compared to the previous year clearly shows, social cohesion is a priority topic for the industry. In the run-up to the European elections in June 2024, the GDV, together with many insurance companies and insurance associations, publicly called for participation in the European elections under the hashtag "#Demokratie versichert" (literally "democracy insures", although in German there is a wordplay between insuring and giving assurance). The GDV also issued a publication highlighting the economic risks of populist policies.

Although the number of companies undergoing the "Career and Family" audit has increased to 90 (previous year 78), the percentage of the market they account for has fallen to 31% (previous year 35%).

The wide-ranging efforts are having a positive effect that is reflected in the numbers. In 2023, the percentage of women was 18.4% at management and executive

Development of the proportion of women by senior management level in back office

Table 2 · in %

	SM 1	SM 2	SM 3	SM4	
2016	10.6	21.3	30.3	26.5	25,5
2017	14.8	23.3	32.7	34.2	27,3
2020	17.5	25.0	35.1	39.2	29,2
2021	18.8	25.9	35.6	36.3	29,8
2022	21.9	26.9	36.4	38.5	29,8
2023	22.1	28.2	38.6	39.7	32,9

Status: 31. December each year

Source: AGV; "Flexible personnel statistics"

board level (previous year 15.6%; DIW-Managerinnen-barometer [The German Institute for Economic Research Survey on the representation of women on management and executive boards] and 22.1% in leadership level 1 (previous year 21.9%; table 3). Women now account for about a third of back-office leadership levels 1 to 4. In the interest of transparency and as a benchmark for insurance companies, the AGV publishes current statistics on the percentage of women in leadership positions on its website.

According to the GDV IT survey, women make up 24% of IT employees and 17% of IT senior managers. Women do not account for the same percentage in IT as they do in the rest of the workforce. Possible reasons for this include cross-cutting factors such as structural differences in occupational profiles and smaller percentages of women in STEM degree programmes. Comparatively, insurance is on a par with the IT industry as a whole. McKinsey, for example, estimates the percentage of women in IT across Europe at 22%.

4

Investments

Insurers make a significant contribution to sustainable transformation through their sizeable total investment volume of 1.9 trillion euros.

In their Sustainability Positioning, insurers have set a net zero target for their portfolios by 2050. The updated Sustainability Positioning states that insurers will specify interim targets (para. 9 of the Positioning). Insurers aim to take into account the influence their investments have on safeguarding the environmental foundations of human life and the economy, especially in areas of conservation value (para. 8). Further important objectives include a stronger alignment of investments with sustaina-bility policies (para. 10) and supporting voluntary initiatives (para. 11). Voluntary standards and building up expertise can provide orientation and help insurers develop and implement sustainability strategies.

This chapter provides an overview of the current state of implementation of these objectives. The information is based on a survey about the status of sustainability in investments as of 31 December 2023 that was responded to by primary insurers accounting for 90% (previous year 85%) of the sector's investment volume. The high coverage level results in findings that are representative of the market as a whole. Companies' responses are included in the survey findings on a capital-weighted basis.

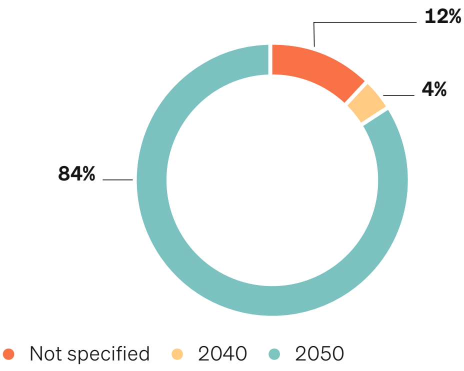
4.1 Emissions of German insurers

Insurers representing 90% of the sector's investments (previous year 90%) aim for net zero portfolios (figure 18). The vast majority of them set a net zero target for 2050. Additionally, 89% of insurers have set out explicit pathways to their net zero targets. The proportion of insurers with explicit pathways for their net zero targets has thus risen by almost 40 percentage points in the last two years. In 2021, the share was still 51%; in 2022, it was 69%.

To measure progress, insurers need to know the carbon footprint of their investments. So far, carbon footprints have primarily been available for publicly traded companies (equities and bonds). Methods for other asset classes are currently under development. Looking ahead, the transition plans of investment targets are likely to become increasingly important in order to infer decarbonisation pathways for portfolios and better assess transition risks.

Vast majority set net zero target for 2050

Figure 18 · Date set for net zero target in %; relative weightings on a market value basis



Source: GDV

Carbon footprint overview

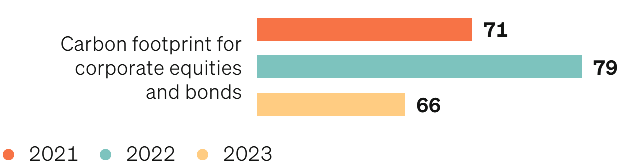
Table 3 · Investment volume, emissions and carbon footprint in 2023

	Investment volume (in EUR billion)	Carbon emissions (in million tonnes of CO_2e)	Carbon footprint (in CO_2e/EUR million)
Corporate equities and bonds	304	20.0	66
Real estate	29	0.5	16
Total	333	20.5	61

Source: GDV

Positive trend in the carbon footprint, 2021 to 2023

Figure 19 · Figures in tons of CO_2e per million euros invested in corporate equities and bonds



Source: GDV

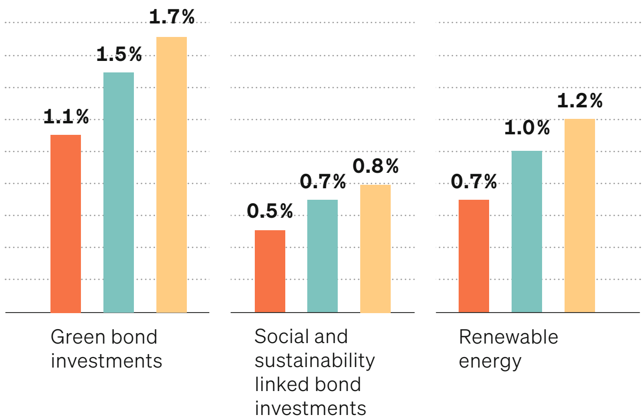
The GDV has compiled a sector-wide carbon footprint for insurers' investments for the third time. This year, for the first time, real estate investments were included in addition to the carbon footprint for listed equities and corporate bonds. **The total carbon footprint is 61 tonnes of CO_2e per million euros invested.** In addition, separate carbon footprints are shown for corporate equities and bonds and for the real estate asset class (see table 3) in order to be able to bring out differences in developments and trends. The carbon footprint will continue to be subject to (market) fluctuations in future years.

Insurers disclosed the carbon footprint for EUR 304 billion (previous year EUR 292 billion) in listed equities and bonds and thus financed around 20 million tonnes (previous year 23 million tonnes) of carbon emissions, which is a decrease of around 13%. The carbon footprint per million euros invested fell from 79 tons to 66 tons of CO_2e (carbon footprint in accordance with the EU Sustainable Finance Disclosure Regulation; figure 19). The decrease compared to 2022 is due to several factors. For one thing, emissions in Germany fell by around 10% in 2023 compared to the previous year (source: Federal Environment Agency 2024). Insurers can also be assumed to have actively reallocated their portfolios.

The GDV bases its definition of "carbon footprint" on that given in the Regulatory Technical Standards (RTS) for the Sustainable Finance Disclosure Regulation (SFDR). The metric reported by insurers in the GDV survey relates to publicly traded bonds and equities for which carbon footprint data is available. Also, for reasons of data availability, only Scopes 1 and 2 are included. The GDV does not share the view of the European Supervisory Authorities (ESAs) that the carbon footprint should be determined in relation to the total investment volume, a preference the ESAs stated during the SFDR review consultation.[2] Based on that calculation, the average carbon footprint of German primary insurers would average just 22 tons of CO_2 equivalent

Positive trend in sustainable investments

Figure 20 · Share of total investments in %; relative weightings on a market value basis; multiple responses possible



Source: GDV

Calculation of the carbon footprint for the real estate asset class

For the purposes of its member surveys, the GDV uses the definition below for the calculation of the portfolio carbon footprint:

Based on this definition, insurers accounting for 42% of investments submitted information about their real estate portfolios to the GDV.

'GHG emissions' in real estate shall be calculated in accordance with the following formula:

For x = {1, 2, 3, Total}

$$\frac{\sum_{i=1}^{n}\left(\frac{\text{current value of investment in real estate asset}_i}{\text{current value of real estate asset}_i} \times \text{scope (x) GHG emissions generated by real estate asset}_i\,(tCO_2eq)\right)}{\text{where n is the number of real estate assets in the investments}}$$

Source: Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022, Annex I Table 2, indicator 18, scope 1 and 2 (https://eur-lex.europa.eu/eli/reg_del/2022/1288/oj)

(CO_2e) per million euros invested. The GDV believes a metric based on that calculation is not very meaningful. Following the ESAs' calculation, it would be possible to influence the carbon footprint simply by shifting the allocation in favour of asset classes with a smaller carbon footprint (such as sovereign bonds).

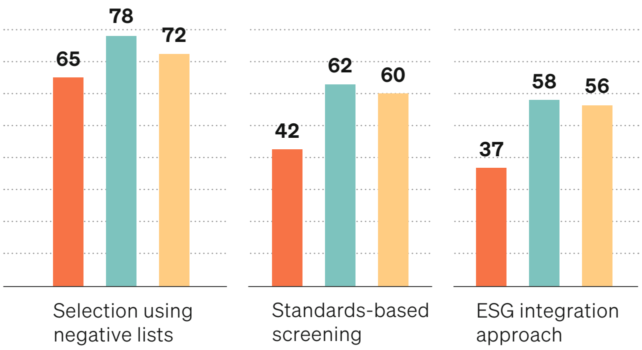
This year, the carbon footprint for real estate investments was calculated for the first time, based on the Technical Regulatory Standards for the SFDR. For the EUR 29.4 billion investment volume, the emissions (Scope 1 and 2) amount to almost half a million tons of CO_2e. The carbon footprint for real estate is therefore 16.1 tonnes of CO_2e per million euros invested. This calculation only relates to real estate operating emissions. It does not include building construction and demolition and the related construction product emissions.

Some of the carbon emissions come from investments in fossil activities. German insurers have invested a total of USD 3.5 billion in coal, oil and gas-related activities. This corresponds to less than 0.2% of their total investment. Broken down by activities, German insurers invested USD 1.2 billion in coal. With regard to oil and gas, they held interests amounting to USD 1.1 billion in downstream activities and USD 2.4 billion in midstream and upstream activities. Due to double counting, the sum of the individual components exceeds the USD 3.5 billion investment total (source: Urgewald). Long-term investors as they are, German insurers have probably held those investments in their portfolios for quite some time. It is safe to assume that a significant share of those insurers will have meanwhile defined and published detailed exit pathways for their portfolios.

The most recent list (as of May 2024) published by the NGO Urgewald lists financial undertakings that invest in companies with coal, oil and gas-related activities. Together with their foreign subsidiaries, the twelve German insurers on the list invested a total of USD 27.5 billion in companies with coal, oil and gas-related activities. The majority (approximately 87%) of those investments in fossil activities relate to foreign subsidiaries. Investments in coal amounted to USD 8.5 billion (previous year USD 6.8 billion), 25% higher than the previous year. The increase is due to a change in the definition of entities with coal-related activities. Compared to the previous year, the threshold for companies with

Sustainability is an integral part of insurers' investments

Figure 21 · Share of investments managed based on different approaches in %; relative weightings on a market value basis; multiple responses possible



Source: GDV

coal-related activities was reduced from 20% to 10% of revenue. Investments in oil and gas for energy generation (downstream) total USD 10.2 billion (previous year USD 10.1 billion). Included for the first time in 2024, investments in oil and gas expansion (upstream) and transport (midstream) amount to USD 19.7 billion. Due to double counting, the sum of the individual components exceeds the USD 27.5 billion investment total.

The carbon footprint relating to Scope 1 and 2 emissions is partly offset by a positive contribution from insurers' portfolios. In 2023, insurers implemented 1,619 projects (previous year: 1,556 projects) in the solar and wind energy sector. The attributable portion of the electricity generated from such projects has increased to approximately 23.5 billion kWh (previous year 21.2 billion kWh), corresponding to around 17% of the annual electricity consumption of all German households (2021: 138.6 billion kWh; source: Destatis). Based on the emissions from Germany's electricity mix, 8.9 million tonnes of CO_2e were avoided as a result (previous year 9.2 million tonnes of CO_2e). The slight decrease in avoided emissions is due to the significant reduction in emissions to 380 grams of CO_2e per kWh in 2023 (previous year 429 grams of CO_2e per kWh; source: German Federal Environment Agency).

[2] ESA JC 2023 09 of 12 April 2023, sections 26-30.

4.2 Investing based on sustainability policies

In the Sustainability Positioning, insurers have also undertaken to base their investments more closely on sustainability policies. This year's survey of GDV members showed that 89% (previous year 90%) of investments are managed according to sustainability criteria. For 59% (previous year 56%) of their investments, they make use of external ESG standards and ratings. Proprietary approaches are used to manage 34% (previous year 44%).

There has been a slight decline in the prevalence of methods and approaches to take sustainability aspects into account in investment (figure 20). Insurers continue to use a variety of methods to implement their sustainability and ESG strategies. The biggest share of investments is managed on the basis of negative or exclusion lists (72%; previous year 78%) followed by standards-based screenings (60%; previous year 62%) and ESG integration approaches (56%; previous year 58%). Engagement approaches are used to manage 24% (previous year 22%) of investments. Far less use is made of best-in-class strategies or positive lists.

The exclusion criteria used by companies show similar coverage figures to last year:

→ All insurers with negative lists state that they exclude the manufacture and sale of controversial weapons (100% as in the previous year).

→ 96% (previous year 95%) exclude investments in companies earning a significant revenue share with coal-related activities (exploration, extraction, processing etc.).

→ Somewhat more insurers – 69% (previous year 61%) – exclude companies with revenues from oil and tar sands.

→ 69% (previous year 68%) of respondents applied exclusions based on human rights violations, while 67% (previous year 65%) explicitly excluded child labour. Those are also categories that are included in standards-based screenings and ESG integration strategies that are likewise very widespread and increasingly applied. These methods include, for instance, that investments be based on the UN Global Compact or on the achievement of minimum ESG scores. It is not then absolutely necessary to specify explicit exclusions.

The share of investments with an expressly positive sustainability contribution has gone up year on year, and **the positive trend of recent years remains intact** (figure 20).

→ The share of green bond investments rose to 1.7% (previous year 1.5%) and that of social bond investments to 0.8% (previous year 0.7%).

→ The share of investments in renewable energy sources increased to 1.2% in 2023 (previous year 1.0%). The renewable energy investment volume rose by EUR 4 billion to around EUR 23 billion (previous year EUR 19 billion).

→ **Insurers' sustainable investments amount to EUR 163 billion** (by the definition in Article 2 (17) of the EU Sustainable Finance Disclosure Regulation). This therefore represents 8.6% of total investment (previous year 9.5%). The definition of sustainable investment in Article 2 (17) of the SFDR is open-ended and is interpreted differently by some companies. The slight fall in sustainable investments compared to the previous year suggests that companies are applying a stricter interpretation. This is likely to improve the information value of sustainable investment in the aggregate. A more precise definition of this item in the SFDR would further enhance that information value.

GDV reform proposals for more sustainable investments

- Better enabling conditions for investment in sustainable infrastructure
- More efficient and more consistent regulation in sustainable finance
- More streamlined and faster planning procedures for the expansion of renewable energy sources

4.3 Supporting activities

Since 2021, the GDV has been a Supporting Partner of the United Nations Principles for Responsible Investment and a member of the Net-Zero Asset Owner Alliance (NZAOA). Many insurers now adhere to voluntary standards and have joined initiatives to work together on applying and building on expertise and methodological knowledge. According to the GDV sustainability survey, insurance companies accounting for 78% of the market have signed the Principles of Responsible Investment. In addition, insurers accounting for 66% of the market are members of the Net-Zero Asset Owner Alliance with clearly stated carbon reduction targets and journeys.

The German Insurance Association (GDV) has taken the lead in developing an ESG data catalogue together with industry associations from the financial sector and the real economy. The ESG data catalogue is a voluntary standard for large companies that harmonises and simplifies data retrieval. It aims to reduce the burden on business partners of insurers and banks. Insurers need standardised ESG data to meet their own reporting obligations and integrate ESG criteria into their investment and underwriting.

The GDV also provides information and material that members can use to develop their own sustainability strategies and employ in their investment decision processes. Among other things, this includes an overview of relevant UN conventions as non-binding guidance for future exclusions and a non-binding questionnaire for the granting of corporate loans that incorporates sustainability factors. In addition, webinars and workshops for GDV members have been held on topics such as taxonomy, disclosure, carbon footprint and biodiversity. External experts from service providers, academia and civil society were also brought in for the association's events.

The German Insurance Association (DVfVW) is funding a research project at Technische Universität Braunschweig, "Berücksichtigung von Nachhaltigkeit in der Kapitalanlage und Portfoliooptimierung in Solvency II-regulierten Versicherungsunternehmen" (Considering Sustainability in Investments and Portfolio Optimisation in Insurance Companies Regulated by Solvency II).

5

Underwriting and insurance products

Dealing with and hedging risks is the core business of insurance. Insurers continue to address the challenge of integrating effective sustainability aspects. Property & casualty (P&C) insurers contribute significantly to the transformation, both through their product design and premium structure as well as through more-sustainable claims management. Life insurance policies with ESG features offer customers access to sustainable investments.

Germany's insurers support businesses on their way to climate neutrality in order to reach the goals of the Paris Climate Agreement. One of the goals under the GDV Sustainability Positioning is for ESG criteria to be incorporated into insurers' underwriting by 2025 (para. 15). In the long term, insurers will not take on commercial and industrial risks that negate the transformation process towards a sustainable and climate-neutral economy (para. 16). Innovative insurance terms and conditions and the integration of sustainability criteria into claims management are also intended to support retail and business customers in the transformation process (para. 21). Safeguarding biodiversity as the foundation of human life and the economy is intended to play a more central role when underwriting risks and in communication with policy holders (paras. 16 and 17 of the GDV Sustainability Positioning).

This chapter reports on the status of target achievement in the areas of underwriting and insurance products. It is based on the GDV sustainability survey[3] and other data sources. Section 5.1 presents the strategies and methods of P&C insurers. Sections 5.1.1 and 5.1.2 show developments in the provision of sustainable products and in claims management. Section 5.1.3 looks at protection against natural hazards and at climate change adaptation. Section 5.2 addresses current developments in life insurance.

5.1 Property & casualty (P&C) insurance

Sustainability is firmly embedded in the goals, structures and processes of P&C insurers. Almost the entire P&C insurance submarket (84%; previous year: 82%) has adopted sustainability strategies that go beyond the analysis of sustainability risks. Approximately 80% of the P&C insurance market incorporates underwriting, commercial/industrial/agricultural products and retail products in the implementation of sustainability strategies (chapter 2, figure 5). Changing economic and political conditions have led the P&C insurance market to shift priorities at the expense of sustainability efforts more quickly than the market as a whole (19% of the P&C insurance market versus 12% of the market as a whole). As in the market as a whole, the general conditions have led in the majority of cases to adjustments within the strategy (37% to 34%).

The market segments also differ regarding the impact of regulatory developments. In greater numbers than the market as a whole, property & casualty (P&C) insurers consider the impacts of regulation to go both ways – that they help and hinder sustainability strategies and their implementation to an equal extent (66%, compared to 55% of the whole market). Only 5%, compared to 15% in the overall market, stated that regulatory developments facilitate the implementation of sustainability strategies.

Insurance cover is an important element for a successful transformation. It helps business and retail customers to avoid massive losses on investments and to make returns on investment more predictable. As in the previous year, P&C insurers place their strategic focus (figure 22) on the transformation areas of energy-efficient buildings (67%), mobility (65%) and energy (64%). While the market coverage figures remained at the same level as in the previous year, there was a slight increase in the number of SME insurers with a strategic focus on these three transformation areas. 50% of the P&C insurance market is geared towards developing solutions for climate change adaptation (previous year 53%). The circular economy has increased in importance for the third year in succession and now stands at 38% (previous year 31%). Biodiversity and nature-based solutions are on an opposite trend. Only 14% of the P&C insurance market have this topic as a business focus.

[3] As in previous years, participation in the GDV survey was very strong. 87% of the P&C market segment by gross premium income took part. The survey findings are reported as shares of business line-specific gross premium income, with 87% the maximum possible. No information is available on the remaining 13%.

Figure 23 shows the approaches and methods applied by insurers to promote sustainable development through their underwriting. As in the previous year, underwriting the risks of innovative business models ranked first (68%, previous year 74%). When it comes to underwriting new business models, little or no information tends to be available on claims development. Working together with their customers, insurers gather data and experience on the risks and develop suitable prevention strategies. In this way, insurers help innovations reach market maturity and ensure that they can be safely used in the future. Examples include constructing and connecting offshore wind farms, hydrogen infrastructure and rooftop solar installations to promote the energy transition. Electric mobility, shared mobility and insuring battery storage systems also play an important role for the insurers surveyed.

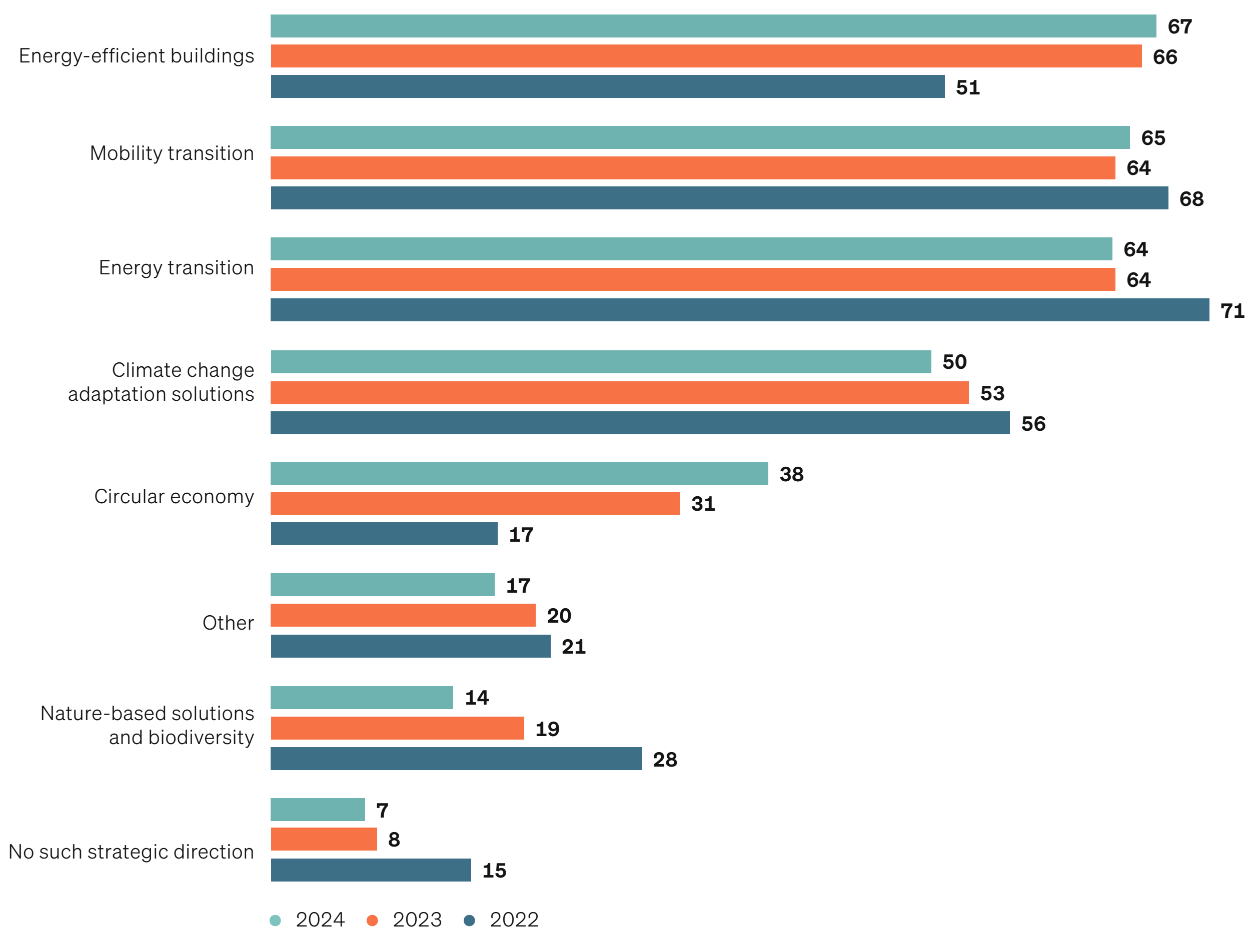
A second major approach to promoting the sustainable transformation involves the exclusion of commercial and industrial risks that run contrary to insurers' long-term sustainability goals. Similar to the previous year, almost two thirds of the P&C insurance market (previous year 62%) specify exclusion criteria. The number of insurers applying exclusions has also risen to 59 (previous year 48 insurers). A further 6% of the market plan to introduce exclusion criteria.

→ 65% of the P&C insurance market (previous year 62%) specify exclusions for coal-related activities. The same percentage apply exclusions for oil and other fossil fuels (previous year 61%).

→ 60% of the P&C insurance market (previous year 62%) specify exclusions for the manufacture and sale of controversial weapons.

Transformation areas are part of the strategic direction

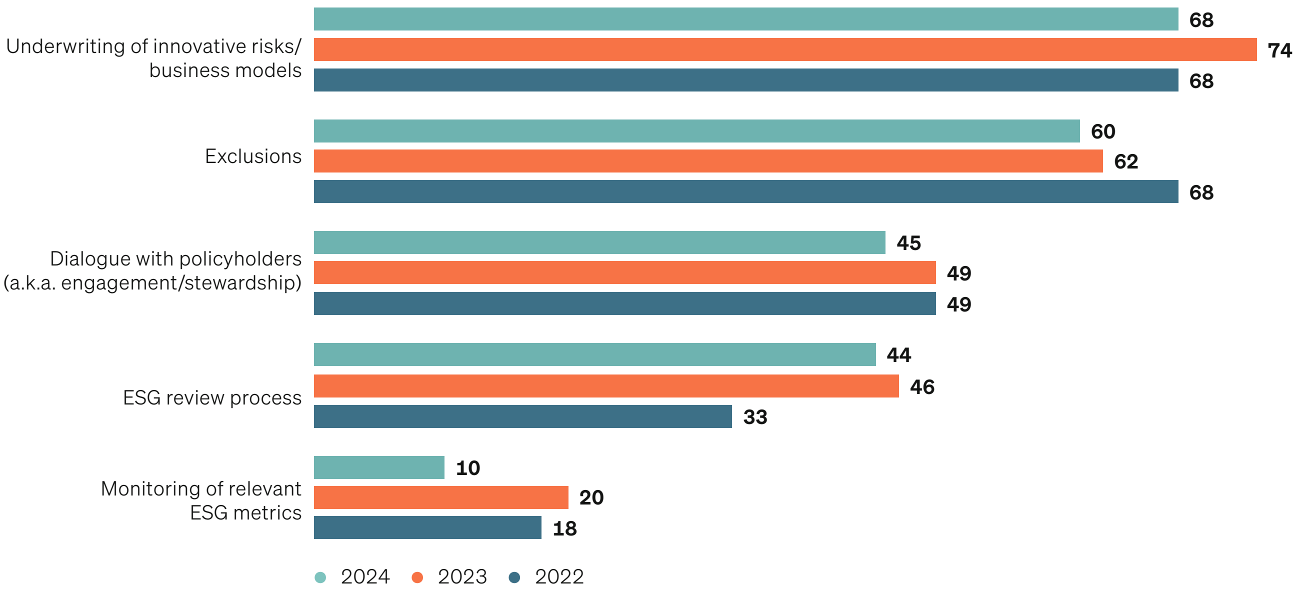
Figure 22 · Responses in % of the P&C insurance market; multiple responses possible, maximum values 2022: 92%, 2023 and 2024: 87%; no data on the remaining share to reach 100%



Source: GDV

Approaches and methods to promote sustainable development in underwriting

Figure 23 · Responses in % of the P&C insurance market; multiple responses possible, maximum values 2022: 92%, 2023 and 2024: 87%; no data on the remaining share to reach 100%



Source: GDV

- 58% and 60% of the P&C insurance market, respectively, explicitly exclude child labour and labour/human rights violations. These exclusions are primarily relevant for companies operating internationally.

- A good third of the P&C insurance market (36%; previous year 42%) specify exclusions for activities that lead to the degradation of forests or endanger other important ecosystems.

In addition to exclusions, engagement with insurance customers has become standard practice in underwriting. Insurers accounting for almost half the market (45%) seek in this way to support customers in the sustainable transformation. A further 14% have plans to do so in the future.

Many P&C insurers review companies for environmental, social and governance (ESG) criteria before underwriting the companies' risks (figure 23). However, the share of the market accounted for by P&C insurers with an ESG review process has fallen slightly to 44% (previous year 46%). 30% of the P&C insurance market plan to introduce an ESG review process. Only 5% of the P&C insurance market (previous year 12%) state that they will not apply ESG review processes in the future.

Social aspects and business practices continue to play a slightly larger role than environmental criteria in ESG reviews:

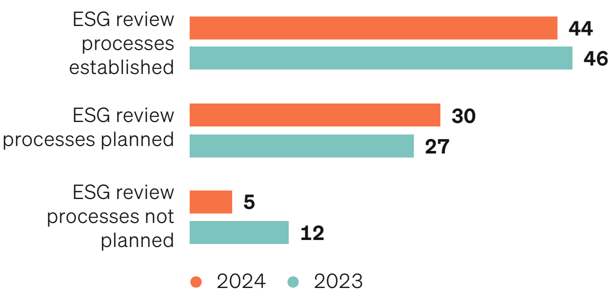
- The most commonly reviewed aspects are respect for human rights (39%; previous year 37%), workers' rights as defined in the Global Compact (33%; previous year 36%) and controversial business practices (32%; previous year 31%). Review for controversial weapons also plays a major role, at 39% (previous year 42%).

- Slightly less frequently reviewed issues include animal welfare (26%; previous year 29%), nature conservation (31%; previous year: 28%) and alignment with the Paris climate goals (28%; previous year 27%).

- With the exception of one insurer with an ESG audit, all rely on in-house data. In addition to that, many carry out internet research (35%). Geographic information systems also play an important role (32%). The use of ESG ratings has continued to increase compared to the previous year (26%; previous year 22%). More frequent use is made of proprietary questionnaires for brokers or applicants (12% each; previous year 5%). In addition, a number of insurers consult NGO databases and scientific reports.

Implementation of ESG review processes in underwriting

Figure 24 · Responses in % of the P&C insurance market; multiple responses possible; maximum values 2023 and 2024: 87%; no data on the remaining share to reach 100%



Source: GDV

A third of the market (33%) have specified targets for the reduction of insured emissions. Operationalising this is a major challenge for many companies as data availability is even more patchy here than in the case of investments. Nevertheless, 13% of the market plans to set a target of this kind in the future.

Supporting activities

The industry also adheres to external standards in insurance activities and builds knowledge and methodological expertise in voluntary initiatives. 29 P&C insurers accounting for 53% of the market have now signed the Principles for Sustainable Insurance (PSI). GDV has been a PSI Supporting Institution since 2021.

The United Nations Environment Programme (UNEP) launched the Forum for Insurance Transition to Net Zero (FIT) this year to support the insurance industry's transition to a carbon-neutral economy. A new institutional structure is designed to address competition-law concerns raised about the previous initiative, the Net-Zero Insurance Alliance (NZIA). The work of the initiative is supported by two advisory boards made up of insurance supervisors, academics and civil society representatives. In addition, a standing legal counsel has been appointed. So far, one insurer operating in Germany participates in FIT.

5.1.1 Products and insurance terms and conditions

P&C insurance has considerable leverage for sustainable transformation. In 2023, P&C insurers paid out 66 billion euros in claims settlement. The segments with the highest payments were vehicle insurance with 30 billion euros, property insurance with 20.7 billion euros and general liability insurance with 5.3 billion euros. Insurance products and damage rectification processes can be designed in such a way that they support sustainable changes in business and society.

Products

A clear definition of what constitutes "sustainable" non-life insurance products has so far been lacking. In its final report on greenwashing of 4 June 2024, the European Insurance and Occupational Pensions Authority (EIOPA) reports on potential sustainability features of non-life insurance products that can be identified in market practices:

- Underwriting of Taxonomy-aligned economic activities
- Incentives for policyholders to support sustainable conduct
- Particularly sustainable claims management or particularly sustainable services
- Giving a proportion of the insurance premium to charity

However, EIOPA does not provide a view as to whether this list should be considered as constituting sustainability features.

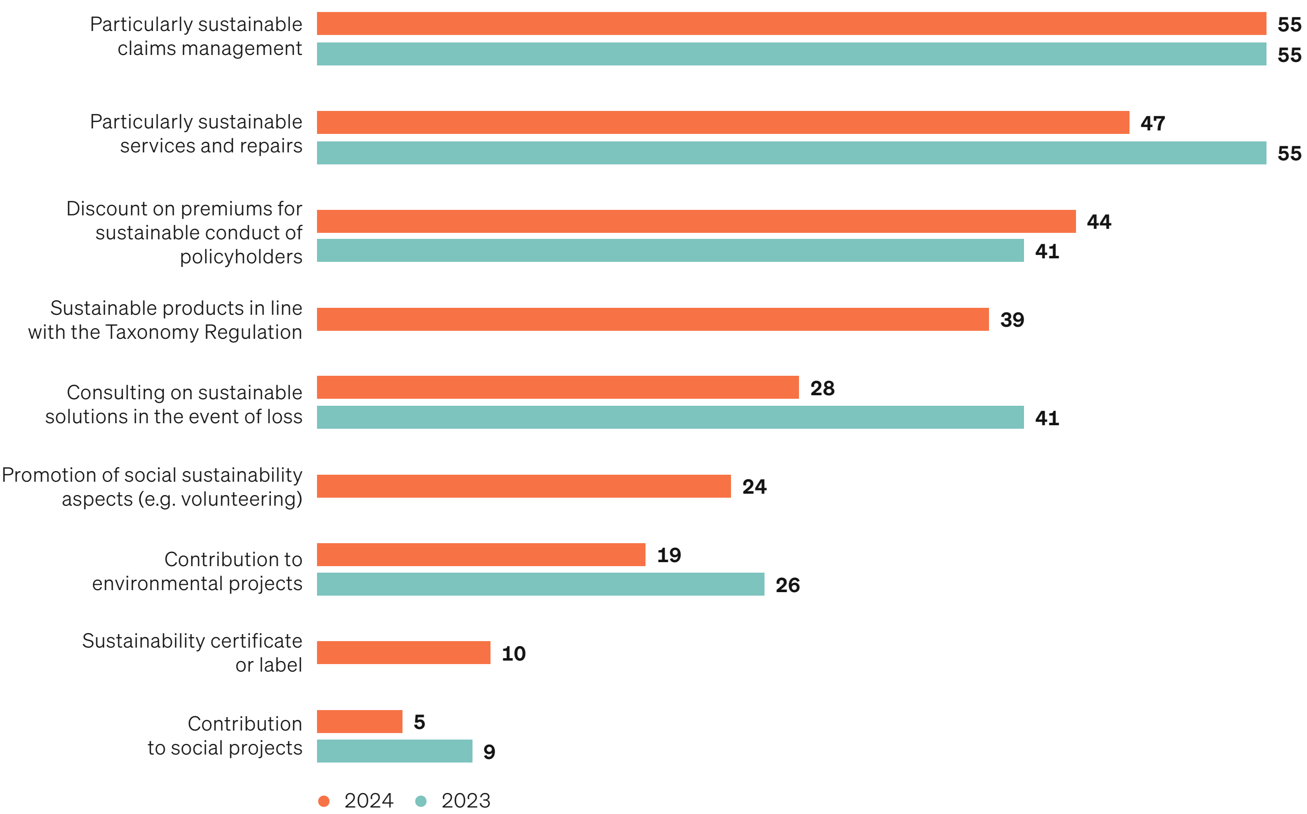
In the GDV survey for the sustainability report, P&C insurers were once again asked whether they market products as sustainable. According to the responses, insurers that market products as sustainable account for 42% of the market. This figure has fallen by almost ten percentage points year-on-year (previous year 51%). Whereas 32% were still planning such a product range last year, the figure is now only 26%. The percentage of insurers that do not envision marketing products or product components as "sustainable" has increased from 3% to 19%.

One explanation for the somewhat more defensive approach of insurers in marketing insurance products with sustainability features may be stricter requirements for the transparency and verifiability of environmental claims. The dynamic evolution of the regulatory environment also makes it harder to assess the legal and reputational risks around greenwashing (see chapter 2). Quite possibly, some insurers refrain from marketing sustainable products or product features because they believe the rewards to be less than the risks.

Insurers nevertheless continue to work on embedding sustainability features into their products (figure 25):

Implementation of products with sustainability features

Figure 25 · Responses in % of the P&C insurance market; multiple responses possible, maximum values 2023 and 2024: 87%; no data on the remaining share to reach 100%



Source: GDV

- For 55% of the market, as in the previous year, products of this kind involve particularly sustainable forms of claims settlement that go beyond legal requirements such as energy-efficient devices or technologies, renewable materials, additional benefits for repair over replace, etc. For 47% (previous year 53%), particularly sustainable services or repairs constitute sustainable insurance products.

- The percentage of the market offering premium rebates for sustainable conduct on the part of policyholders has increased slightly to 44% (previous year 41%).

- The proportion of insurers that consider sustainable investment an element of sustainable products is unaltered at 34%. In 2023, P&C insurers had around 205 billion euros worth of assets under management (AUM) serving to safeguard the payment of insurance benefits.

- Advice on sustainable solutions has become less important this year. The percentage of the market fell to 28%, following a significant increase last year (previous year 41%).

- Asked for the first time whether social sustainability aspects are specifically encouraged among policyholders (e.g. in the form of volunteering on the part of policyholders), 24% of the P&C insurance market answered in the affirmative.

- Sustainability certificates, labels or similar are still not very widespread, at 10% of the market.

- It is once again noticeably less common for insurers to contribute for each policy to environmental projects (19%; previous year 26%) or social projects (5%; previous year 9%).

Insurance terms and conditions

Insurers aim to expand their range of sustainable insurance products. This includes innovative insurance terms and conditions and business approaches (para. 21 of the Sustainability Positioning). In the medium to long term, innovative insurance terms and conditions can contribute to sustainable changes in both business and society. New terms and conditions generally only apply to new contracts or on contract amendment. In some cases, they go hand in hand with an increase in insurance premiums as sustainable alternatives can be more expensive than the conventional way. Sometimes, however, they come with an increased scope of insurance cover.

Within the GDV, multiple working groups are constantly developing non-binding model clauses, provisions and guidelines for sustainable product features. Insurers often use these as a basis or source of ideas for product development. Here are a few examples:

→ Inclusion of balcony solar systems in terms and conditions for household contents and homeowners insurance. These are used by 50% of the market in the case of homeowners insurance and no less than 64% in the case of household contents insurance.

→ 45% use model clauses for homeowners insurance policies covering the additional cost of the use of eco-friendly building materials

→ 37% use model clauses for homeowners insurance policies covering the additional cost of sustainable construction features (such as green roofs or reconstructing a solar installation) in a loss event.

→ 16% of the market use model clauses for homeowners insurance policies that cover the additional cost of energy consulting.

→ 47% of the P&C insurance market use model clauses for household contents insurance that meet the additional cost of new household appliances in the highest energy efficiency class. In addition, 37% use a model clause enabling resource-efficient repairs in a loss event.

→ 67% of the market makes use of a bicycle theft clause developed for household contents insurance.

→ 42% use a module relating to the German General Act on Equal Treatment ("AGG module" after the act's abbreviated title in German) in the model terms and conditions for business and professional liability insurance.

→ 33% make use of the supplementary module on renewable energy developed for personal liability insurance.

→ 32% of the market use a model clause for personal liability insurance supporting repairs of damaged property.

→ This year, the GDV published non-binding Guidance on applying "build back better" in homeowners insurance (see also section 5.1.3).

5.1.2 Claims Settling

Insurers can structure claims settling in such a way that they support sustainable changes in business and society, for example by having service providers and trade contractors take sustainability aspects into account. While the share of the market accounted for by P&C insurers with sustainability criteria in their claims settlement processes has gone down (74%; previous year 81%), the prevalence of specific approaches and policies within the market has remained the same or even increased (figure 26):

→ Reduced travel: to cut down on business travel, 80% (previous year 76%) of insurers implement digitalisation (e.g. for expert opinions or claims settlement) and regional providers (67%, previous year 65%).

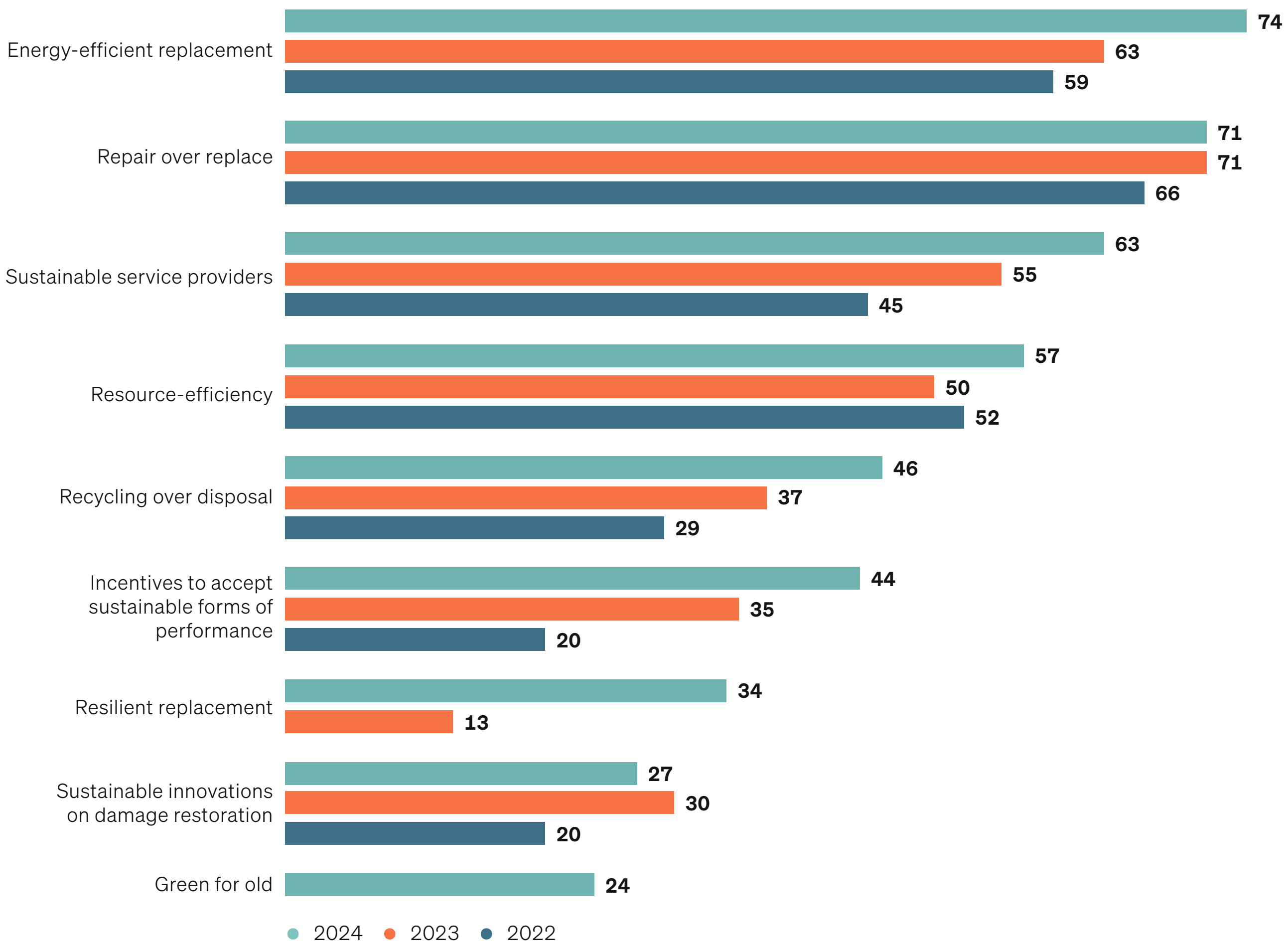
→ Sustainable replacement: Once again, significantly greater focus is placed on energy-efficient replacement, with 74% (previous year 63%) considering this important. "Green for old" – replacement or damage rectification aligned with climate change mitigation, as with the use of reduced-carbon or nature-friendly materials, or net zero technologies – is important to 24%. Companies were surveyed on this for the first time this year.

→ Resilient replacement: The most sustainable approach is to avoid or at least minimise damage. 34% of the P&C insurance market now attach importance to replacement or damage rectification adapted to climate change (e.g. hail-resistant insulation, structural precautions for heightened risk of natural hazards and similar measures in line with the GDV "Build back better" guidelines – see under 5.2.3). The figure last year was only 13%.

→ Circular economy: As in the previous year, 71% of insurers prefer repair over replace. The share of P&C insurers that support recycling instead of disposing of damaged or destroyed items rose once again, from 37% of the market to 46%. The percentage of P&C insurers offering policyholders incentives to accept more sustainable alternatives – such as used parts

Sustainability concepts in claims settlement

Figure 26 · Responses in % of the P&C insurance market; multiple responses possible, maximum values 2022: 92%, 2023 and 2024: 87%; no data on the remaining share to reach 100%



Source: GDV

for repairs – has also increased significantly again (44%, previous year 35%). However, when weighing sustainability against cost-effectiveness, as insurers invariably must, repairs still frequently prove to be more costly than replacement with new products or new parts, for example because they involve more work or because sourcing spare parts is difficult or takes a long time. In other cases, there are standards and laws that require parts to be fully replaced even if they are only slightly damaged.

→ Protecting the environment: 57% (previous year 50%) now promote resource efficiency, while 8% (previous year 7%) consider conserving biodiversity to be of central importance. 11% of the market (previous year 7%) offset the carbon emissions associated with a claim.

→ Innovation: Promoting “sustainable innovations” in damage rectification is a central aim of 27% (previous year 20%).

In claims settlement, many insurers work closely together with service providers and trade contractors. 63% of the market now consider sustainability when selecting service providers and trade contractors[4]; 11% plan to do so in the future. Key factors for insurers are good management on the part of the contractors (60%) and good conditions for employees (56%). The following environmental aspects are central:

[4] Unlike in 2022, but as in the previous year, contracted service providers and those affiliated to an insurer's corporate group were covered together in the questionnaire. It is therefore not possible to compare here with 2022.

- At 63%, regional focus has significantly increased (previous year 45%).
- Significantly more also pay attention to economical resource use (59%; previous year 33%), generally sustainable repair methods (58%; previous year 43%) and exemplary environmental standards (55%; previous year 33%).
- Waste avoidance, waste management and recycling measures now play a role for 44% (previous year 27%).
- The share of the market accounted for by insurers that prioritise the avoidance of greenhouse gases and emissions when selecting service providers and contractors (e.g. in terms of carbon footprint or by avoiding leaks, for example when installing heating/air conditioning) has more than doubled from 20% to 42%.
- A service provider's vehicle fleet plays a role for 37% (previous year 29%), while the energy efficiency of the equipment pool is important for 35% (previous year 26%).
- More and more insurers consider it important that restoration firms promote the circular economy: 33% ensure, among other things, that durable, recyclable or easily dismantled materials are used in damage rectification (previous year 21%). However, there is still a reluctance to deploy used or reconditioned parts instead of new parts (unchanged at 20%).
- The percentage of the market represented by insurers who request sustainability policies from service providers or even go so far as to look for sustainability certification has fallen slightly to 33% (previous year 38%).

Certification for sustainable restoration companies

A clear definition of what constitutes sustainability in restoration practices has so far been lacking. This gap has been closed by a new set of guidelines, "Nachhaltigkeitsziele für die Sanierung von Schäden in der Sachversicherung, Kriterienkatalog des GDV" ("Sustainability goals for the restoration of damage in property and casualty insurance, GDV criteria catalogue", VdS 6038). VdS 6038 is a non-binding industry standard that is intended to contribute to greater transparency and provide guidance for both insurers and restoration companies. The restoration industry was closely involved through the restoration and environment industry association, Fachverband Sanierung und Umwelt e.V. (FSU). A public consultation on the guidelines was held from October 2024 for broader stakeholder involvement.

VdS 6038 together with the guidelines "VdS-Nachhaltigkeitsmanagement" ("VdS Sustainability Management", VdS 6037) also constitute the basis for the certification of sustainable restoration companies by VdS Schadenverhütung GmbH. Certification can enhance the reputation and effectiveness of restoration companies with regard to sustainability. This makes it easier for insurance companies to select and cooperate with sustainable restoration companies. However, certification in accordance with VdS 6038 can also be obtained on the basis of another recognised standard and from other accredited certifiers.

5.1.3 Climate change adaptation and insurance against natural hazards

Insurers support the economy and society in mitigating climate change and dealing with its unavoidable consequences. They provide insurance against the financial consequences of climate change that has already occurred, for example by insuring against increasing extreme weather events (para. 20 of the Sustainability Positioning). Insurers help commercial policyholders to better assess physical and transitory climate risks (para. 2). In addition, insurers provide information on the risks of extreme weather events and natural disasters, thereby raising public awareness of the risks and supporting climate research (para. 24).

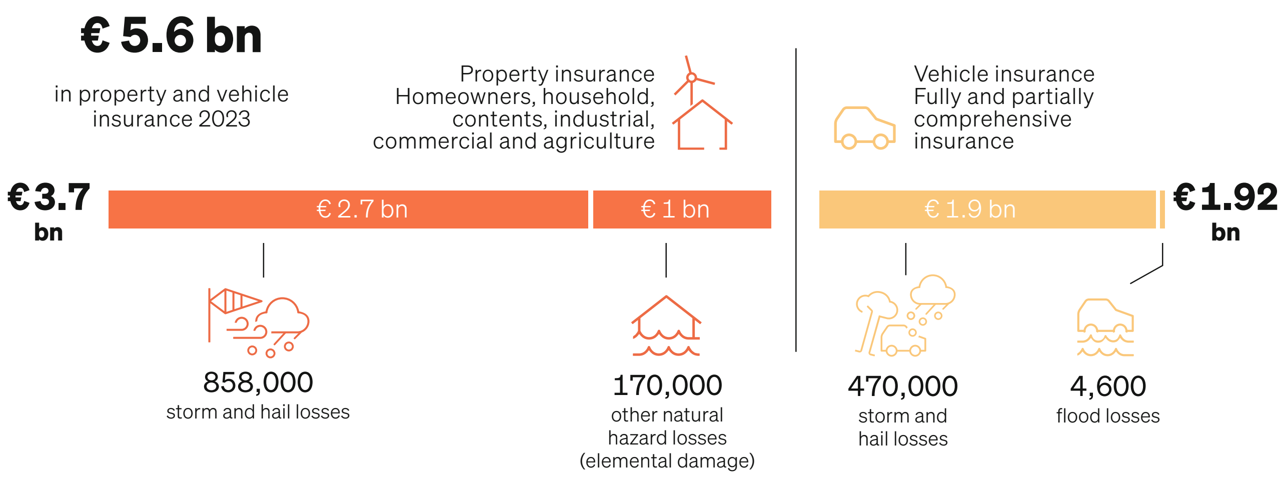
Natural hazards insurance

Insurers in Germany have been insuring against natural hazards for decades, and in 50 years they have paid out more than 200 billion euros for insured losses. In 2023, P&C insurers incurred claims expenses of 5.6 billion euros due to natural hazards (figure 26). Coverage for damage caused by natural hazards, such as flooding due to heavy rain or high water levels, can be obtained in the form of natural hazards insurance. More and more policyholders are opting for this important supplementary component of homeowners insurance. Around 54% of homes in Germany are currently insured, and the figure is increasing.

For risk assessment, insurers use the ZÜRS zoning system for the risk of flooding, backflow and heavy rainfall. The insurance portfolio data for 2023 (figure 27) shows that buildings with a higher risk of flooding (ZÜRS hazard classes 3 and 4) are also insured according to their share in the portfolio. There is no basis whatsoever for

Natural hazard losses of 2023 at a glance

Figure 27 · Claims expenses in property and vehicle insurance, in million euros



Source: GDV Naturgefahrenreport (Natural Hazards Report)

the recurrent media assertion that insurance cover is unavailable in risk-exposed areas.

As climate change makes extreme weather events more frequent, however, more prevention and adaptation are needed. Without any further action, the GDV estimates that premiums for homeowners insurance could double within the next ten years. The German insurance industry therefore believes that the country's federal and state governments have a responsibility to lead the way by initiating climate change adaptation projects as soon as possible. With regard to extreme natural disasters, the GDV is in favour of risk sharing between private-sector insurers and the state. Other European countries already have such arrangements.

GDV reform proposals for rapid and effective climate change adaptation

- Climate-adapted planning, building and restoration: prevention should be embedded in state building codes (Landesbauordnungen).
- Building freeze in flood zones: every year, around 1,500 new buildings are constructed in flood-prone areas.
- A halt to surface sealing: building permits should be predicated in future on a climate risk assessment.
- National natural hazard portal to improve risk awareness among the population.

Build back better

Prevention is one of the most effective ways of addressing the growing risks of climate change. Insurers therefore promote systematic and effective climate change adaptation in the repair and restoration of damaged or destroyed property. In this connection, insurers follow approaches such as "build back better". The GDV has published non-binding guidance for putting this approach into practice so that residential buildings are more resilient to extreme weather events.

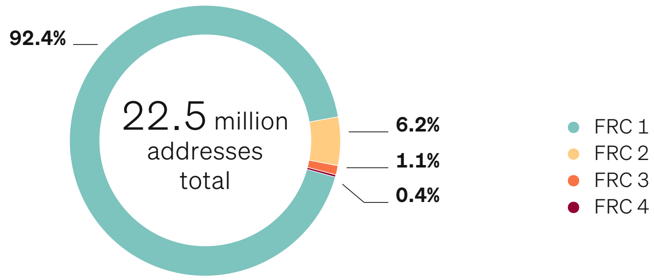
The guidance contains information on how to prevent damage to residential buildings due to natural hazards. It starts with an assessment of the building fabric and the building's local/site-specific risk exposure. More-resistant building materials or components, such as watertight windows and doors to protect against flooding, play an important role. Other suitable protective measures include structural changes such as a lip to prevent water ingress on downward-leading stairs. Cost-benefit analysis can be used to determine the economic efficiency of potential measures.

Support for agriculture in the event of climate damage and climate change adaptation

The Erntebericht (Harvest Report) 2024 published by the German Federal Ministry of Food and Agriculture attributes considerable cereal and fruit crop losses to flooding and extreme weather. Heavy rainfall, drought, hail and late frosts are set to increase as a result of

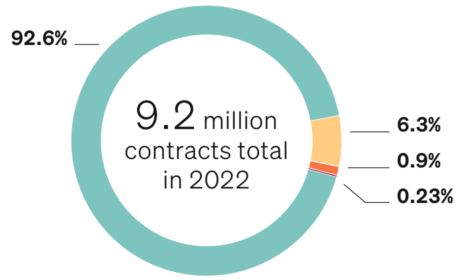
Flood risk

Figure 28 a · Distribution of addresses and residential buildings by flood hazard class



Homeowners – other natural hazards (elemental):

Figure 28 b · Distribution of contracts by flood risk class



Statistical occurrence of flooding:
FRC 1: Not affected by flooding from major bodies of water according to current data
FRC 2: Flooding less frequent than once in 100 years; in particular, areas that could also be inundated by 'extreme' flooding
FRC 3: Flooding once in 10 to 100 years
FRC 4: Flooding at least once in 10 years

Source: GDV

climate change and can lead to significant crop failures. This poses a threat to the survival of agricultural and horticultural enterprises. The ECB is already anticipating increasing inflationary pressure from rising commodity and food prices due to weather damage.

In the face of growing climate-related and political challenges, the agricultural sector is currently undergoing a major transformation. This makes it all the more important for insurers to continue supporting the sector with much-needed risk management. (Agricultural) insurers have detailed their contribution to the sectoral sustainability roadmap in a position paper. By providing and refining their sustainable and climate-friendly insurance products specifically tailored to the agricultural sector, they cover a significant proportion of the financial risk both inside and outside agriculture. Insurers can actively promote innovation, digitalisation and preventive measures in agriculture.

The Taxonomy Regulation

P&C insurers that are required to report under the CSRD (see section 2.3) must now disclose the extent to which their economic activities are environmentally sustainable within the meaning of the EU Taxonomy Regulation ("Taxonomy-aligned"). The Taxonomy is a classification system that aims to channel future investment towards environmentally sustainable economic activities.

However, the Taxonomy Regulation includes non-life insurance products for only one of the six environmental objectives it contains, namely the climate change adaptation objective. Under the EU Taxonomy Regulation, insurance against climate-related perils is a sustainable economic activity that contributes to climate change adaptation. All of the following technical screening criteria (TSCs) must be fulfilled:

- → Leadership in modelling and pricing climate risks.
- → The products must offer risk-based rewards for preventive action by policyholders.
- → Innovative insurance coverage solutions for relevant climate-related perils, such as for increasing losses from changing climate situations or regionally previously unknown risks.
- → (Loss) data is made available to public authorities.
- → High level of service in a post-disaster situation.

Insurers must also comply with the minimum safeguards under the Taxonomy Regulation in order for an economic activity to be considered environmentally sustainable. In addition, they must ensure no significant harm to the climate change mitigation environmental objective. Significant harm would constitute the insurance of the extraction, storage, transport or manufacture of fossil fuels or insurance of vehicles, property or other assets dedicated to such purposes. The energy sector, for example, is considered to be particularly energy-intensive. The GDV therefore considers the insurance of power plants for the generation of energy from fossil fuels to be an activity that does significant harm with regard to the climate change mitigation environmental objective.

On an ongoing basis since 2022, the GDV has been working with a project group on a set of frequently asked questions (FAQs) comprising non-binding interpretation and application guidance for GDV member companies on the implementation of reporting for primary insurers on Taxonomy-aligned economic activities. In the GDV survey on sustainability, P&C insurers accounting for 68% of the market – insurers that are presumably already subject to the reporting requirements – stated that they made use of this guidance. The project group made available an update to the FAQs for member companies in early October 2024. This update became necessary following clarifications published by the European Commission on 21 December 2023. The information in the FAQs is now based on the split premium approach, under which the part of the premium related to climate risks is used to calculate the underwriting KPI. The fact that the European Commission published the clarifications so shortly before the turn of the year resulted in inconsistent approaches being taken in the market for the 2023 reporting year. As a result, the figures have little information value and are not comparable. For this reason, we have refrained from publishing the figures in this report. The indications are that the Taxonomy alignment rates are now very low compared to the previous year. This also applies in part to the levels of Taxonomy eligibility. The split premium approach will probably not be fully applied until next year.

Research, data and service offerings related to natural hazards

Insurers contribute to the accumulation of knowledge about climate change and thus strengthen public awareness of the risks. Every year, the GDV compiles a natural hazards report detailing the damage to buildings, household contents, trade, industry, agriculture and vehicles. Prolonged and heavy rainfall and the resulting floods in Germany at the turn of the year, at Whitsun and in the summer in large parts of Europe are unmistakable consequences of climate change. The Naturgefahrenreport (Natural Hazards Report) 2024 focuses on water-sensitive areas. What strategies exist for dealing with too much and too little water in Germany? How does the dyke system work? How can towns and cities protect themselves from heat and heavy rain? The insurers' climate toolkit ranges from sustainability in damage restoration to climate-adapted construction and flash flood modelling.

The Natural Hazards Report 2024 is supplemented with an online data service. Detailed charts, tables and maps show the damage caused by natural hazards and can be queried interactively. Insurers' long-standing knowledge provides the basis for academic research into natural hazards, climate impacts and climate adaptation.

One service provided by insurers to raise risk consciousness among the population is a flood checkup (Hochwasser-Check). This allows tenants and property owners to quickly and easily assess their individual risk of heavy rain and flooding free of charge. Without registration, the only data item that needs to be entered is the place of residence.

The increasing frequency of exceptional weather events such as heavy rainfall poses a problem with increasingly dense urban development. Surface sealing prevents rain water from soaking into the ground. In the event of extreme rain, this can lead to floods causing serious damage. The GDV has analysed the average degree of surface sealing in built-up areas of 134 cities in a surface sealing study (Versiegelungsstudie). The GDV calls upon communities to make greater allowance for the risk of heavy rain in urban and landscape planning. A greater focus also needs to be placed on reversing surface sealing.

Since last year, the GDV has been working on a flash flood model to analyse where else in Germany flood disasters could occur similar to the Ahr valley flooding of 2021.

Loss prevention approaches also play an important role. As well as protecting people and property, these also help insurers appropriately assess, manage and prevent risks. With regard to natural hazards, the following publications on loss prevention by the German insurance industry are to be mentioned: Protection against hail VdS 6100, against flooding VdS 3521 and against storm damage VdS 2389, plus a guideline on structural flood prevention, VdS 6002. The increasing risk of extreme weather events is also a key topic of the last GDV report, "Schadenverhütung in der Sachversicherung 2023/2024" ("Loss prevention in property insurance 2023/2024").

The GDV is actively involved in developing and updating rules for protection against natural hazards and extreme weather events by contributing its loss experience and expertise in risk management and loss prevention; for example:

- At Deutsches Institut für Normung e. V. (DIN, the German Institute for Standardisation), among other things in the "Grundlagen der Sicherheitsanforderungen an Bauwerke (GruSiBau)" ("Basic principles for the definition of safety requirements for structures") and on climate change adaptation in standards and standardisation.
- At the German Association for Water, Wastewater and Waste (DWA) on flood prevention in connection with high water levels and heavy rain, including flood-adapted planning and construction and municipal flood prevention audits.
- At the Association of German Engineers (VDI) (in connection with flood protection with technical building systems).

GDV data is also used in the following projects:

→ The insurance industry supports public-sector climate adaptation strategies with data on insured natural hazard losses and insured portfolios.

→ In cooperation with Deutscher Wetterdienst (DWD – the German weather service), the GDV provides detailed information on heavy rain and hail to support DWD research into those weather phenomena.

→ Wexikom, a research project sponsored by the German Federal Ministry for Digital and Transport and the DWD, aims to communicate warnings tailored to recipients, including information on potential impacts.

GDV supports the scientific community in researching climate-related risks. The Wissenschaftsförderprogramm (science funding programme) of the Deutscher Verein für Versicherungswissenschaft (German Association for Insurance Science; DVfVW) to which the GDV contributes financially, is funding a research project on sustainability in homeowners insurance using the example of heavy rainfall prevention (Coburg University of Applied Sciences and Euro-FH University of Applied Sciences, Hamburg). In addition, a research project is being carried out on the subject of natural hazard insurance for municipal buildings (University of Hohenheim) as part of the GDV's science cooperation programme.

5.2 Life insurance

Regulatory developments with regard to ESG-related life insurance products are very dynamic at both national and European level. 44% of life insurers – a smaller percentage than the market as a whole (55%) – rate regulation as both a help and a hindrance in the implementation of their own sustainability strategies. In contrast, the proportion of insurers considering regulation to be beneficial is significantly higher at 28% (overall market 15%). One explanation for this is the better availability of data on sustainable investments, which are particularly relevant to endowment life and annuity insurance products.

Life insurers consider the political and economic influences on their sustainability strategies and the implementation of those strategies somewhat more positively than the market as a whole: the largest share (37%) see them as being beneficial and regard sustainability as part of the solution in surmounting future challenges (overall market 27%). 36% (overall market 34%) have been prompted by such developments to gradually adapt their strategies. Only 4% (overall market 13%) considered external conditions to be a hindrance to strategy implementation.

Customers can now choose from a wide range of life insurance products with sustainability features, including the entire range from conventional insurance policies to hybrid and unit-linked products. Providing transparency on sustainability features is an aim of the SFDR requirements. A representative survey (69% of the market) on new business signed by life insurers in the first half of 2024 showed that almost all companies offer endowment life insurance products with ESG investment options. According to the survey, the proportion of products with sustainability options in new business was over 90% for fund products and almost 70% for hybrid products. The survey also showed that more than half of life insurers disclose their total guaranteed assets (Sicherungsvermögen) in accordance with Article 8 or 9 of the SFDR for conventional products and the conventional component of hybrid products. German life insurers that participated in a survey last year stated that they marketed around 200 products with sustainability features that they provide disclosure on in accordance with Article 8 of the SFDR. Only about 20 products carry a reference to sustainability in their name.

For the German market, it has become evident that the SFDR requirements are difficult to apply to the conventional life and annuity policies and hybrid products that are prevalent in the country. This is due to the fact that premiums paid by policyholders go in whole or part into a joint investment – the insurers' conventional guarantee assets – enabling the collective balancing of investment risks and the provision of long-term capital for investment, including investment outside of the equity markets.

Since the end of 2023, life insurers have had the option of disclosing new products in accordance with what is referred to as the allocation approach (Zuordnungsansatz). BaFin explains the approach and the associated disclosure obligations in a guidance notice on implementation of the SFDR ("Merkblatt zur Auslegung der Offenlegungsverordnung"). Over a year after publication of that guidance notice, only a few insurers are making use of the allocation approach. One possible explanation is that implementing the approach is very complex. Due to regulatory uncertainties, the use of environmental and sustainability claims in marketing can bring additional reputational and legal risks (see also section 2.2).

A review of the SFDR requirements by the European Commission has shown that the Regulation is not yet achieving its objective of making sustainability disclosures for financial products more comparable. Supervisory authorities and financial market players have identified many inconsistencies and much scope for improvement in the SFDR, which is consequently set to be revised. In one key aspect for the revision of the SFDR, the European Supervisory Authorities (ESAs) have determined that the disclosure requirements (Articles 8 and 9 of the SFDR) have been misconstrued as product categories. In addition, the ESAs consider Article 8 of the SFDR to be too broadly worded, as the "promotion of environmental or social characteristics" referred to covers a very wide range of sustainability objectives. This makes it hard for investors to assess how sustainable a financial product might be. The ESAs are in favour of introducing ESG product categories that would provide clarity for institutional and retail investors.

There are various European and national initiatives for the introduction of ESG product categories. In June 2024, the ESAs published their report on the revision of the SFDR. They advocate the introduction of easily understood product categories with clear minimum criteria. In July 2024, the BaFin published a proposal of its own. The actual category definitions it contains are described somewhat briefly. In addition to the ESAs, the European Commission has also requested the Platform on Sustainable Finance (PSF) to draw up a proposal on ESG product categories. The current planning is for this proposal to be presented to the European Commission before the end of 2024. As these initiatives indicate, the introduction of ESG product categories can be expected in the medium term.

Sources and links

Page 11: UN Environment Programme 2024: Emissions Gap Report 2024

Page 11: International Energy Agency 2024: World Energy Outlook 2024

Page 14: GDV 2023: GDV Sustainability Positioning

Page 22: Bildungswerk der Versicherer 2023: Weiterbildungsumfrage 2023 (Training Survey 2023)

Pages 22 and 44: EIOPA 2024: Final Report and Opinion on Greenwashing

Page 22: BaFin 2023: Sustainable Finance Strategy

Page 22: Bundesministerium der Justiz 2024 – Regierungsentwurf zur Umsetzung der CSRD (German Federal Ministry of Justice: government draft act for implementation of the CSRD)

Page 27: GDV 2024: Indirekte Treibhausgasemissionen im eigenen Geschäftsbetrieb (Indirect greenhouse gas emissions in own operations)

Page 31: GDV 2023: Ratgeber Nachhaltigkeit und Versicherungsvertrieb (Guidance on sustainability and insurance distribution)

Page 32: GDV 2024: Konjunktur und Märkte – Ist Populismus ein Wirtschaftsfaktor? (Economy and markets: is populism an economic factor?)

Page 37: Destatis 2024: Electricity consumption of households by household size

Pages 36 and 37: Umweltbundesamt 2024: Emissionen pro Kilowattstunde Strom im Jahr 2023 (German Environment Agency 2024: emissions per kilowatt-hour of electricity in 2023)

Page 39: GDV 2024: Unverbindliche Hilfestellung für Großunternehmen – ESG-Datenkatalog (Non-binding guidance for companies: ESG data catalogue)

Page 46: GDV 2023: Neue Musterbedingungen für Hausratspolice – Balkonkraftwerke mitversichert (New model conditions for household contents insurance policies: balcony solar systems

Pages 46 and 49: GDV 2024: Leitfaden Build Back Better ("Build back better" guidance)

Page 48: GDV 2024: Nachhaltigkeitsziele für die Sanierung von Schäden in der Sachversicherung (Sustainability objectives for damage restitution in property insurance)

Page 49: Bundesministerium für Ernährung und Landwirtschaft 2024: Erntebericht (Federal Ministry of Food and Agriculture 2024: Harvest report)

Page 51: GDV 2024: Naturgefahrenreport 2024 (Natural hazards report 2024)

Page 51: Die Versicherer 2024: Hochwassercheck (The insurers 2024: Flood risk checkup)

Page 51: GDV 2023: Versiegelungsstudie (Surface sealing study)

Page 51: GDV 2024: Bericht zu Schadenverhütung in der Sachversicherung (Report on loss prevention in property insurance)

Page 53: BaFin: Vorschläge zur Überarbeitung der SFDR (Proposals for revision of the SFDR)

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