

**University of Zurich**

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**Bachelor Thesis**

# **Environmental Risks in the Insurance Sector**

Management of Environmental Risks Arising from Insuring Extractive Activities in  
World Heritage Sites - A Benchmark Analysis

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# **Executive Summary**

## **Background and Context**

Protected areas [PA] form the foundation for the long-term conservation of nature, ecosystem services and cultural values. Within the global system of protected areas, natural World Heritage sites [WHS] are generally thought to be the most significant areas for the conservation of nature. Through the World Heritage Convention, 191 countries worldwide have pledged to conserve these special areas for present and future generations. But extractive companies continue to pursue projects within natural WHS, despite the clear position of the United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Committee that extractive operations are incompatible with the World Heritage status. Almost a third of natural WHS are threatened by mining and oil exploration and exploitation, according to the research from the World Wide Fund for Nature and asset managers Aviva Investors and Investec in 2016.

Insuring extractive activities harbours so called environmental and social risks [ESR], if the insured extractive activities are located in WHS/PA environmental risks [ER] are especially high. The two main ER that occur through the insurance of extractive activities in WHS/PA are environmental pollution risks and reputation risks. The insurance sector is exposed to environmental pollution risks by their underwriting environmental pollution liability risk. Reputational risks arise because major extractive projects often need insurance before they need financing, and therefore the insurance industry can be seen as an enabler of extractive companies, who have a harmful environmental impact on WHS/PA. The insurance sector should therefore have policies and practices in place that ensure they do not provide any insurance services to companies whose activities are damaging WHS. However there are currently no insurance industry-wide agreements that prohibit insuring extractive activities in WHS and PA.

## **Research Questions**

The purpose of this thesis is to analyse, benchmark and compare the current ESR assessment and management of the insurance sector by using the following research questions:

- To which extent does the insurance sector integrate ESR, especially risks in connection with insuring extractive activities in WHS/PA, into their underwriting business?
- Are there differences in ESR integration between different types of insurance companies (large vs. small and insurers vs. reinsurers)?