



POSEIDON PRINCIPLES

FOR MARINE INSURANCE

What the Poseidon Principles for Marine Insurance really are

**IUMI webinar - Poseidon Principles for Marine Insurance two
years in: What's been done and what is ahead**

December 5, 2023

Sustainability has become a major topic for all stakeholders

Investors and rating agencies	Clients	Employees	Regulators and authorities	NGOs and civil society
<ul style="list-style-type: none">• ESG considerations play a growing role for different types of investors, driving increased demands for data and transparency• Achieving top positions in sustainability assessments (e.g. DJSI and MSCI) has become very competitive and the goal posts are moving up each year.• Some analysts raise share price targets for sustainable companies, incl. Swiss Re.	<ul style="list-style-type: none">• Clients are also confronted with growing sustainability expectations from their own stakeholders.• At the same time, they are increasingly confronted with new sustainability exclusions or limitations, making business more complex and demanding.• Many clients approach Swiss Re for supporting them in their sustainability journey, to co-develop solutions or regarding specific insurance products	<ul style="list-style-type: none">• Employees are increasingly attracted and more easily retained by companies which have a strong purpose and are responsible employers.• They also want to contribute towards a more sustainable world and feel they are doing so.• Trust is key and companies need to uphold promises made to employees. Increased risk of whistleblowing in case of misconduct.	<ul style="list-style-type: none">• New sustainability standards and regulations are developed making disclosure much more complex and demanding. Increased risk of regulatory fragmentation.• Disclosure needs to be substantiated and auditable.• Companies are increasingly called out for greenwashing or excessive sustainability claims• At the same time, the risk of climate change litigation elevated.	<ul style="list-style-type: none">• Several highly visible greenwashing cases unveiled by media.• Activists increasingly use sustainability policies to push their agenda, e.g., withdrawal from new oil & gas activities.• NGOs push for specific actions, e.g., banning tobacco or enforcing human rights.

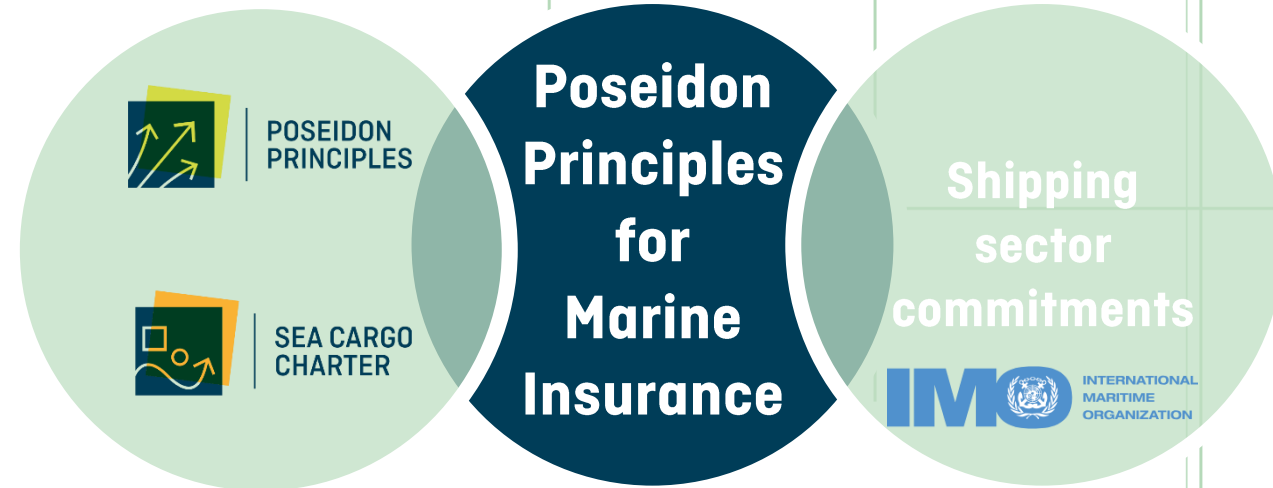
Sustainability has become a very complex and fast evolving topic, with growing and differing expectations. Insurance companies need to be very careful when making claims about its sustainability commitments and credentials. At the same time, we need to minimize the risk of being accused of reacting “too late and too slowly”.



**POSEIDON
PRINCIPLES**
FOR MARINE INSURANCE

A global framework for responsible marine insurance

*for assessing and disclosing the
climate alignment of hull &
machinery insurance portfolios*

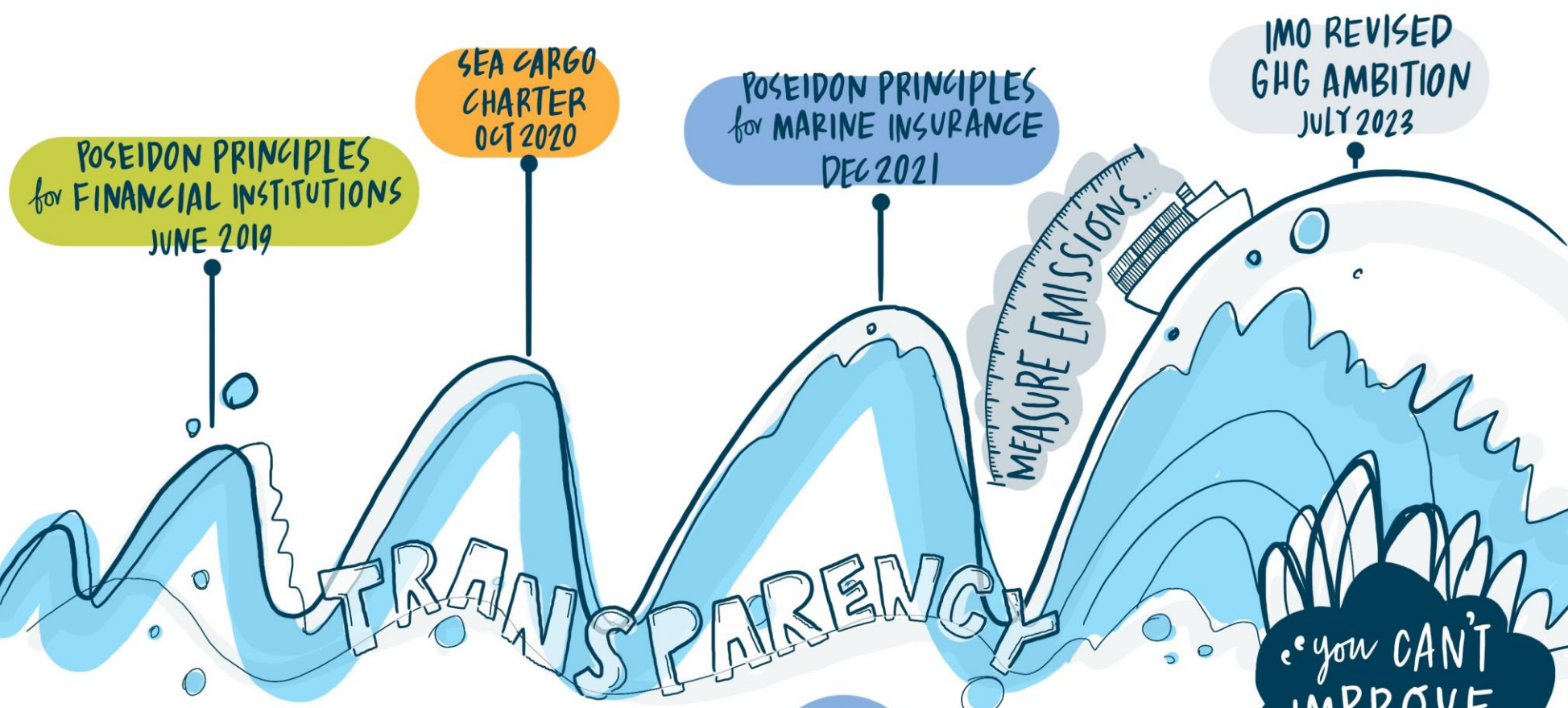


Who are the Principles for?

The Poseidon Principles for Marine Insurance are applicable to **insurers with insurance products covering hull & machinery (H&M)**.

Affiliate members support the implementation and ambition of the Principles and contribute to the insurance ecosystem, but whose current business activities fall out of the reporting scope (such as insurance associations, captives, unions and P&I Clubs).

How did we get here?

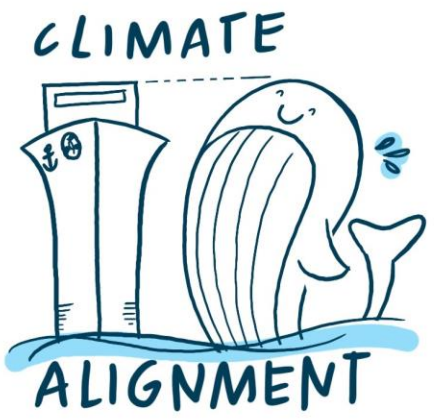


APRIL 2018
IMO SETS
INITIAL
AMBITION

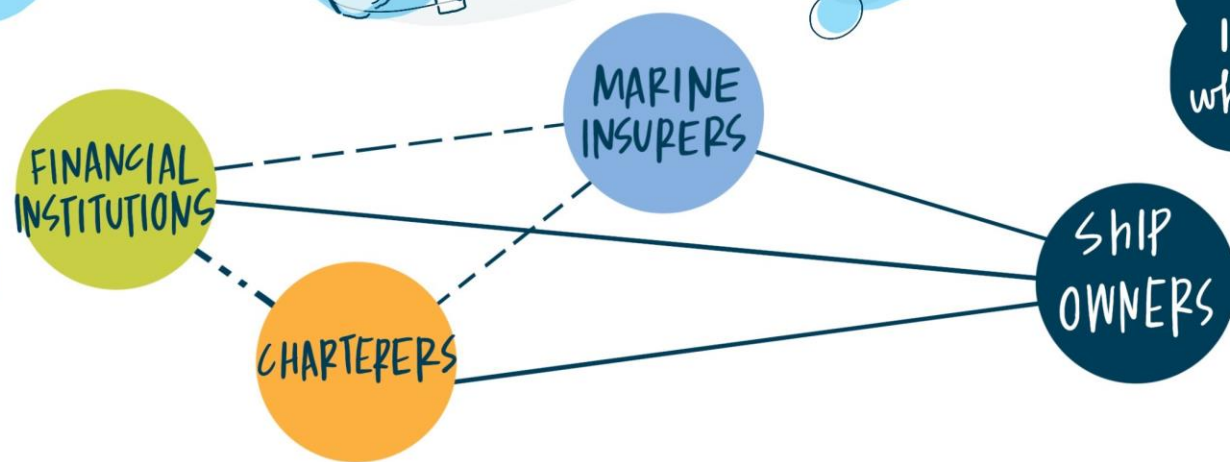
APRIL 2018
GMF

TRANSPARENCY

“you CAN'T
IMPROVE
what you can't
MEASURE”



the
ECOSYSTEM



Objectives & Scope

What is their objective?



To create common, global baselines that are consistent with and supportive of society's goals to better enable insurers to align their portfolios with responsible environmental impacts.

Which environmental factors?



Climate alignment is the only environmental factor that is considered by the Poseidon Principles for Marine Insurance. Signatories and Affiliate members may expand that scope in future if they choose.

Who are the Principles for?



The Poseidon Principles for Marine Insurance are applicable to insurers with hull & machinery portfolios. Affiliate members support the implementation and ambition of the Principles.

Signatories & Affiliate Members

Signatories are insurers with insurance products covering hull and machinery (H&M).

Signatories will report in cases they are the leading insurer, as well as in cases where the Signatory is a follower, but the lead is also a fellow Signatory.

Affiliate members are stakeholders which support and contribute to the insurance ecosystem, but whose current business activities fall out of the reporting scope.

Affiliate membership is open to organizations including insurance brokers and collective groups (such as insurance associations, captives, unions and P&I Clubs).



Signatories and Affiliate members

SIGNATORIES



Supporting partner

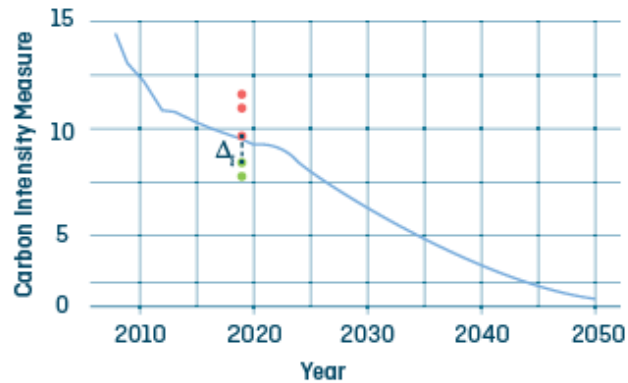


AFFILIATE MEMBERS



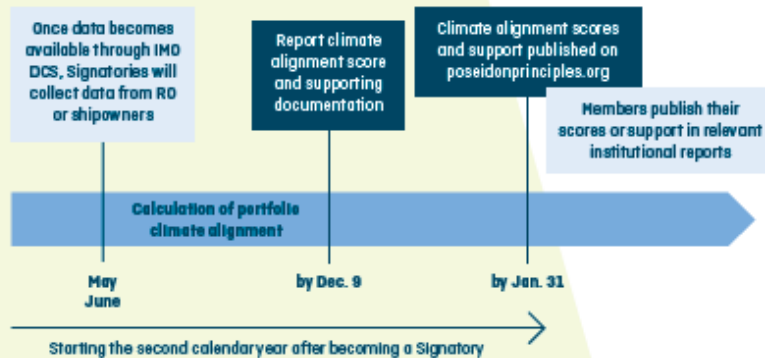
Four Principles

1. Assessment



Assessment of hull & machinery portfolio climate alignment using a standardised methodology.

3. Enforcement



Inclusion of a mechanism that ensures access to high-quality data from clients, securely.

2. Accountability



Relies on IMO standards and Recognized Organizations for the provision of identical, unbiased data across all members.

4. Transparency



Signatory's climate alignment scores and Affiliate members' support are disclosed publicly in the Annual Report and corporate ones.

WHAT PPMI ARE & ARE NOT



What they are

- all about transparency
- about accompanying clients in their decarbonisation journey
- about how to create incentives for stakeholders providing efforts in terms of decarbonisation and playing a role in de-risking transition
- a tool to monitor progress towards goals
- they can help and support shipowners meet the goals that have been agreed



What they are not

- marine insurers cannot delegate responsibility to other institutions (namely financial institutions and charterers)
- not about policing
- not a prescriptive framework/initiative
- the goal is not to exclude ships from sourcing insurance. It is rather to create the dialogue that enable insurers & shipowners work together to meet these goals





**POSEIDON
PRINCIPLES**
FOR MARINE INSURANCE



The Data Collection process described

Sigvald Fossum,
Vice President Head of Analytics, Gard / Chair Technical Committee, PPMI
IUMI webinar, 5 December 2023

PPMI Scope

Hull &
Machinery

~~IV~~ ~~LoH~~ ~~P&I~~

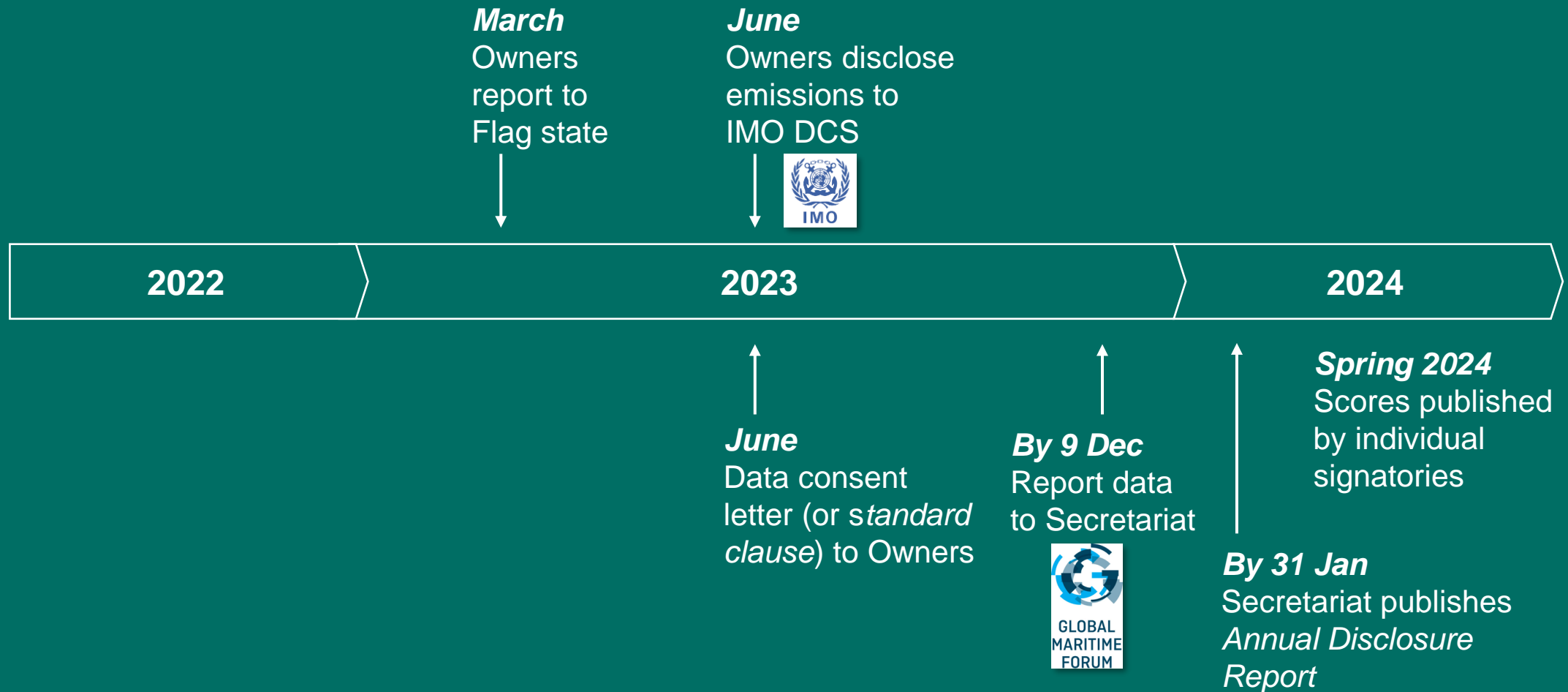
Claims lead by
Signatory

Vessels caught by

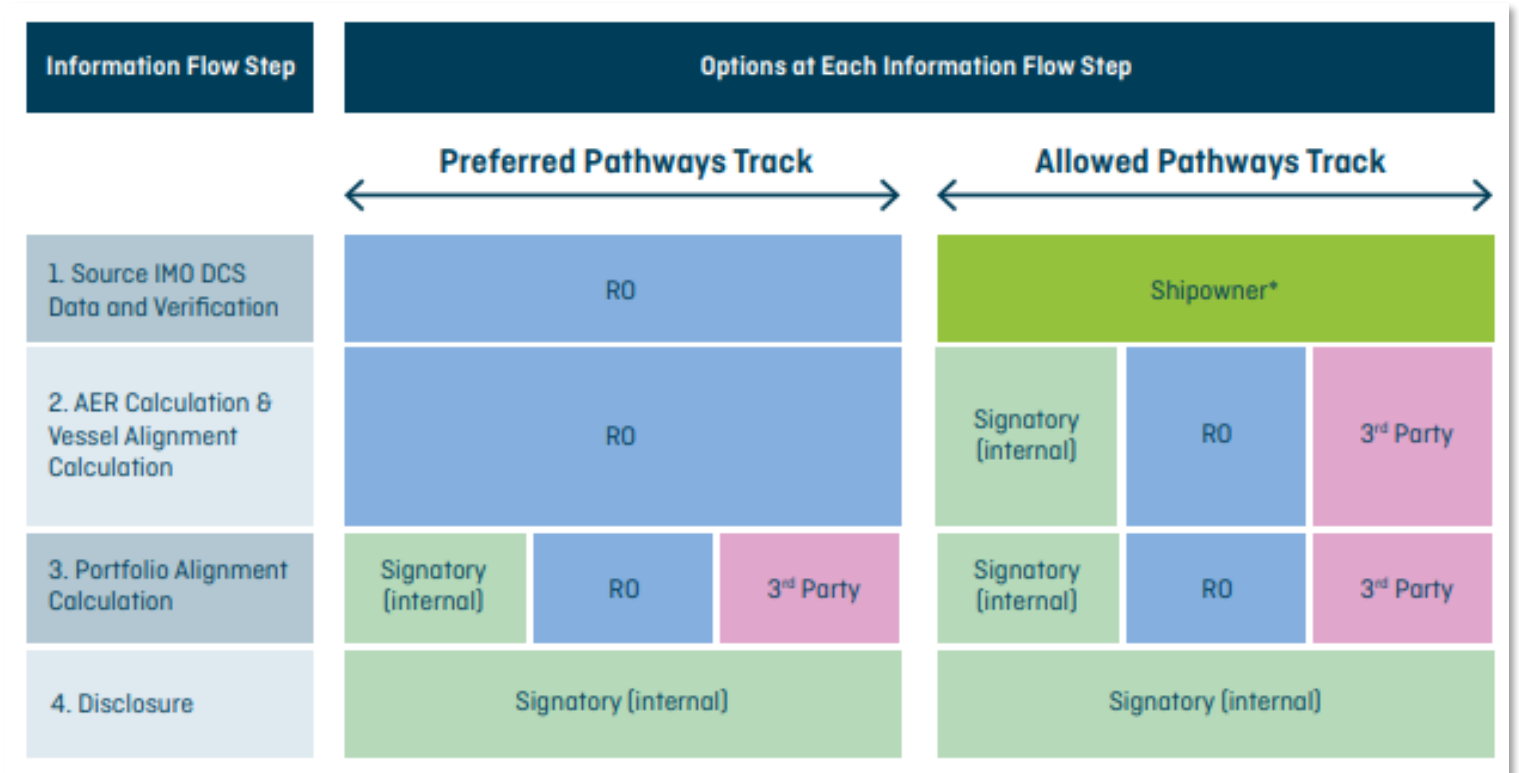


DCS

2022 emissions published by end 2023



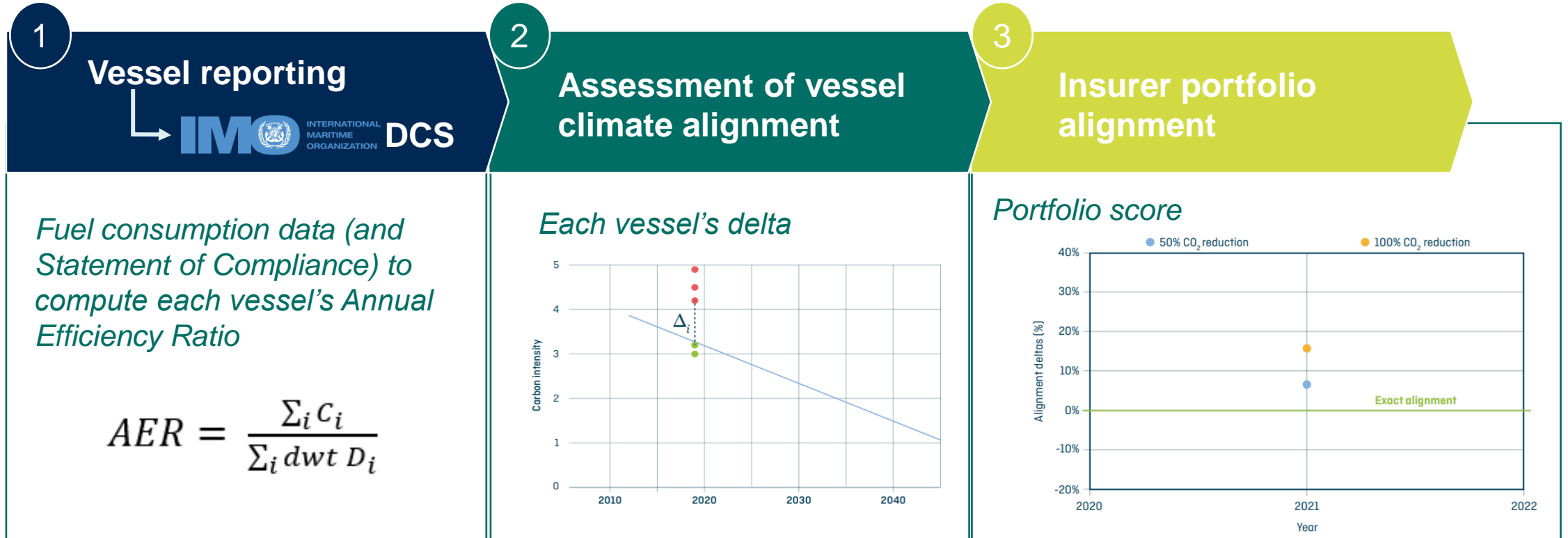
Signatories can outsource or handle themselves the whole or parts of the process.



RO: Recognised Organisation

The PPMI methodology

From data collection to portfolio alignment



The PPMI methodology

From data collection to portfolio alignment








POSEIDON
PRINCIPLES
FOR MARINE INSURANCE



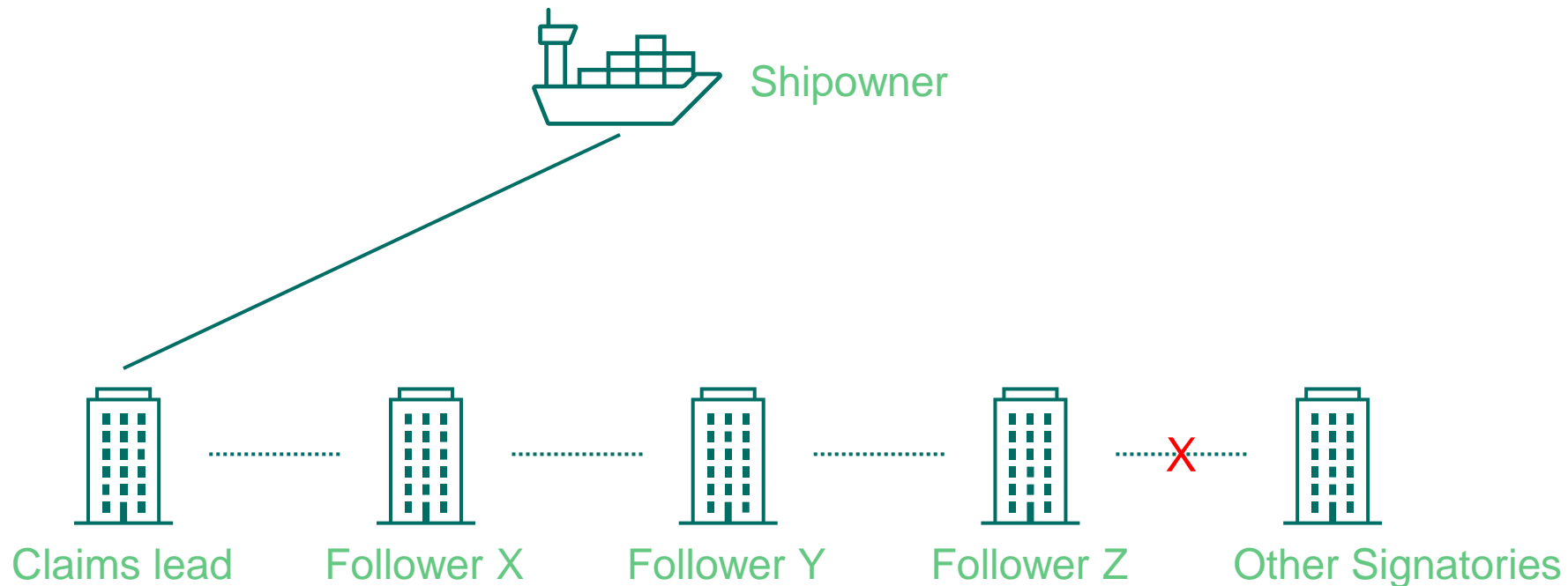
Fuel consumption data (and Statement of Compliance) to compute each vessel's Annual Efficiency Ratio

$$AER = \frac{\sum_i C_i}{\sum_i dwt D_i} \rightarrow \frac{\text{Emissions}}{DWT * dist}$$

C_i is the carbon emissions for voyage i computed using the fuel consumption and carbon factor of each type of fuel,
 dwt is the deadweight at maximum summer draught of the vessel
 D_i is the distance travelled on voyage i .

-  The amount of fuel consumption for each type of fuel in metric tonnes
-  Distance travelled
-  Hours underway
-  Technical characteristics of the ship including DWT at maximum summer draught
-  Collecting Statements of Compliance voluntary since 2023.

PPMI adjustment: The claims leader takes responsibility for collecting data



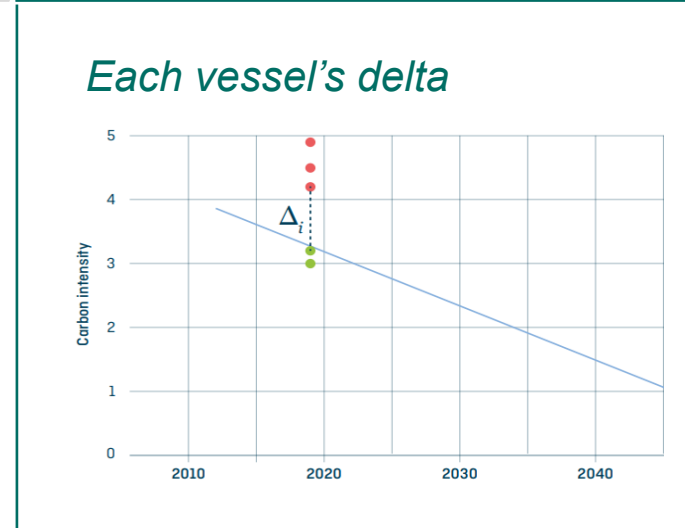
➔ The Claims leader shares collected data with following Signatories by 30 November.

The PPMI methodology

From data collection to portfolio alignment

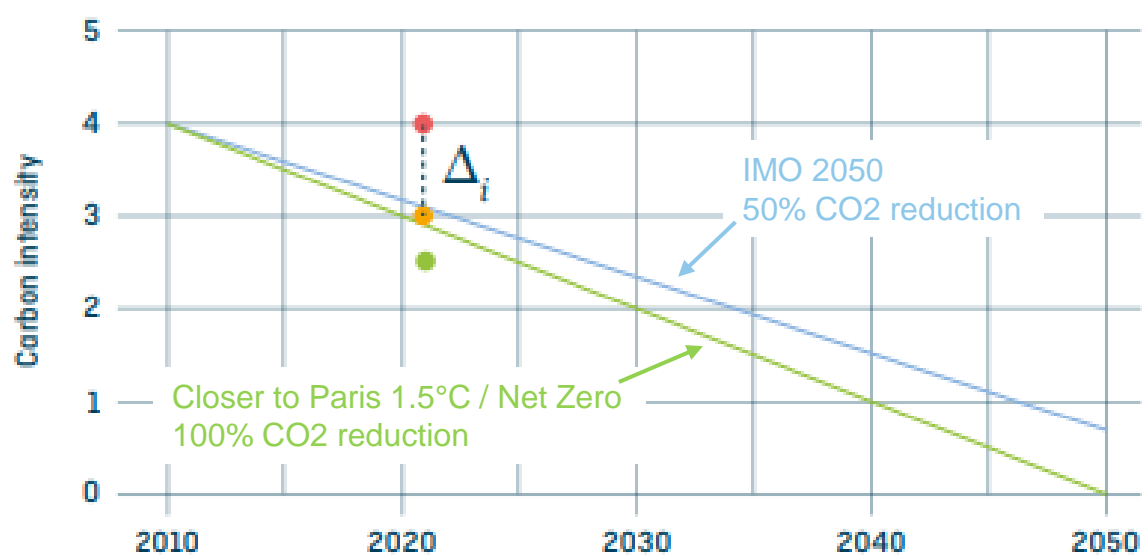


Calculate how the vessel's AER aligns with the vessel segment's reference value.



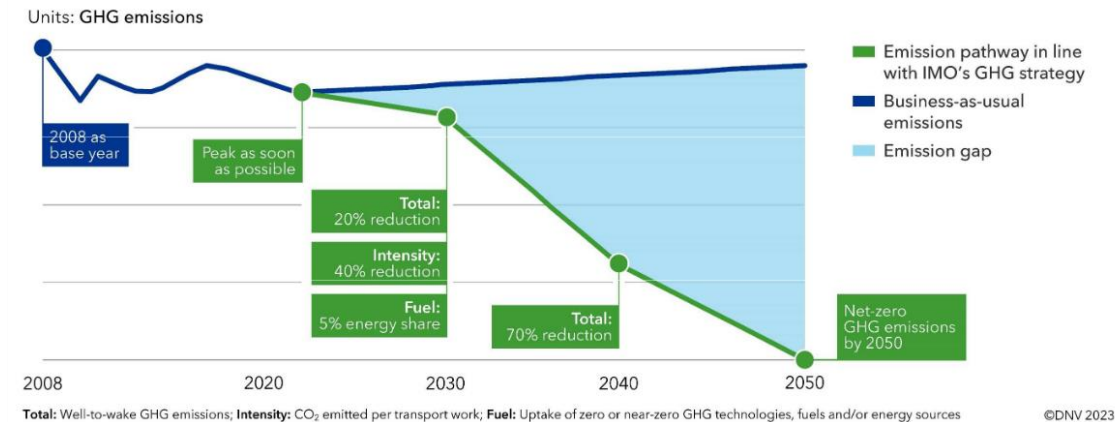
The trajectories

Before and after MEPC80



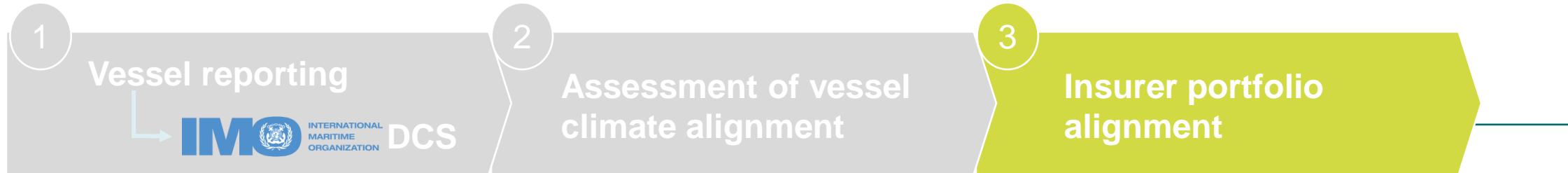
MEPC 80

Strengthened IMO strategy on GHG reductions



The PPMI methodology

From data collection to portfolio alignment



Weight each ship into the Signatory's portfolio using DWT and line size

$$\Delta_p = \sum_{i=1}^N w_i \Delta_i$$

w_i DWT * line size

Portfolio score

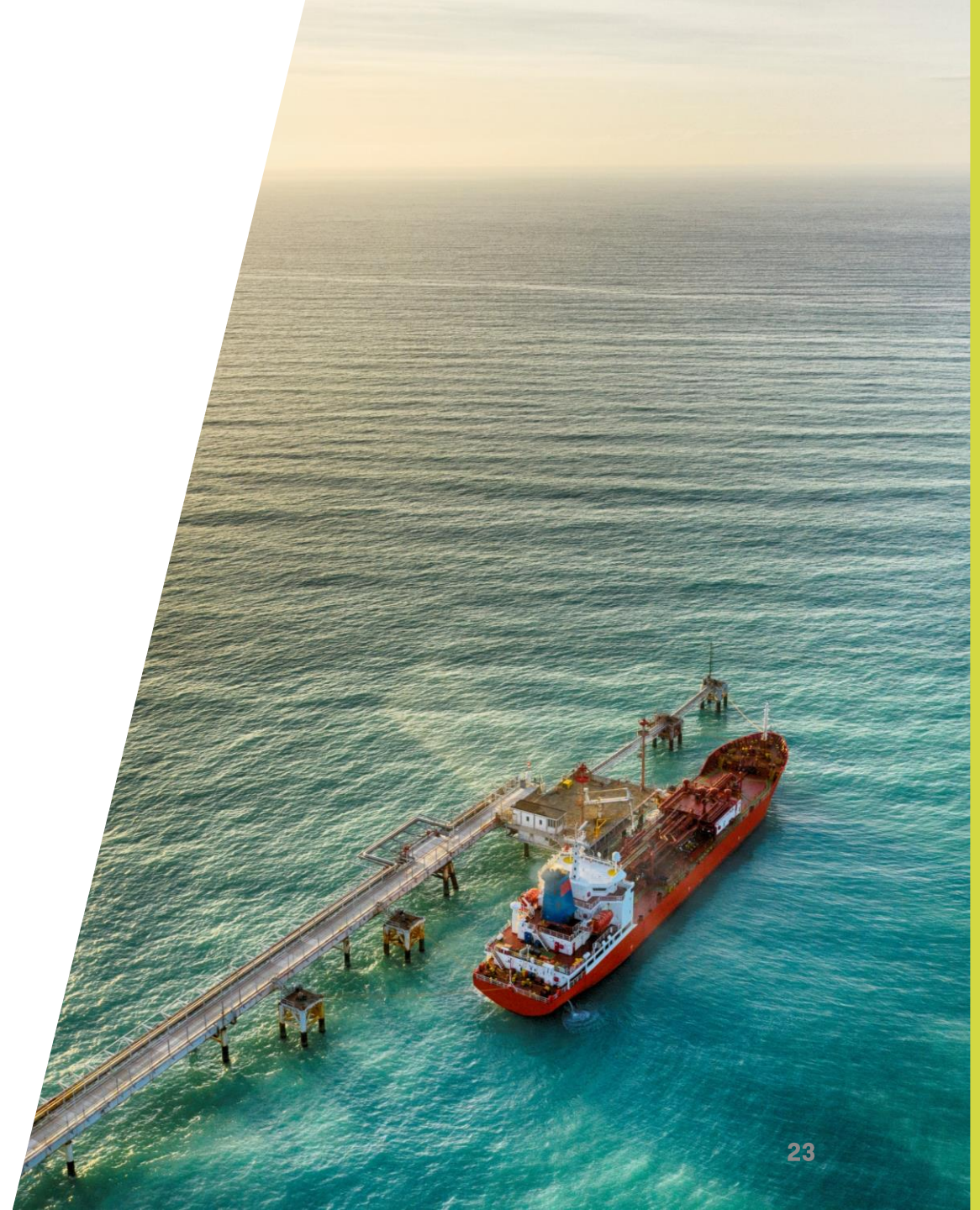
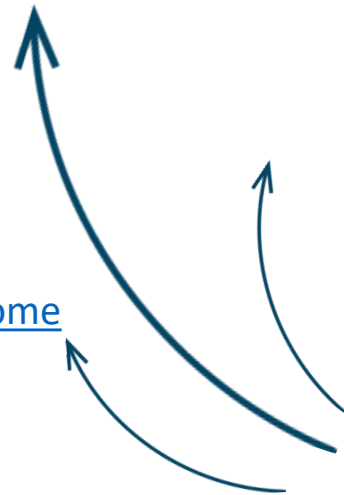


Annual Disclosure Report



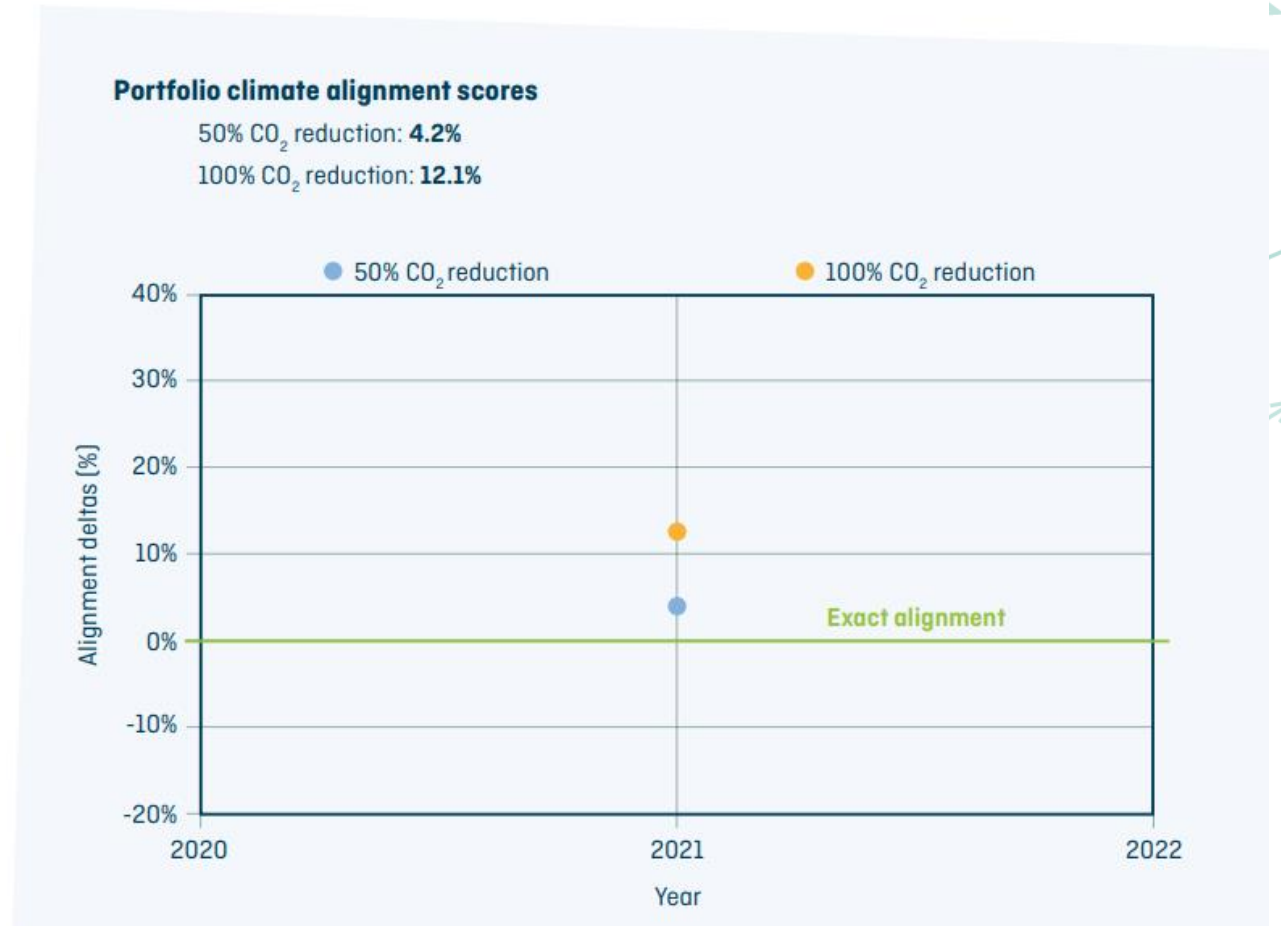
Available online:

<https://www.poseidonprinciples.org/insurance/#home>



Annual Disclosure Report

- Transparency is the key to both the implementation and outcomes of the Principles:
 - Each year, Signatories will report their alignment scores at a portfolio level.
 - From here, Signatories can use this information to discuss and support clients' decarbonisation journeys



Learnings from the first reporting

- This first reporting exercise is a **key milestone** within the maritime and insurance sectors. It is the first hard data on the sector's carbon footprint and will encourage more transparency.
- With a **better understanding of their hull and machinery portfolio carbon footprint**, Signatories are able to **support** their clients based on **data** and **engage with their business partners** in improving the environmental performance of their activities.
- Signatories and Affiliate members send a message that shipping decarbonisation is important to insurance companies and their clients and **helps build global momentum towards climate action**.
- This report displays significant levels of data sharing between ship owners and marine insurers, but there **remains room for improvement**. Recognition of the need to keep engaging with clients and partners in order to broaden the portfolio coverage.



Why joining?

- 1.** Transparency for informed discussions
- 2.** Understanding risks linked to the transition
- 3.** Report climate alignment, but no league table
- 4.** Supporting clients' decarbonisation based on robust data
- 5.** Benefit of being part of a network of like-minded organizations; support & exchange of best practices within the Association.



How to become a Signatory or an Affiliate Member

STEP 1

- Submit **Standard Declaration** (formal commitment)
- Submit **Application** (contacts & practical information)
- Submit **Membership Agreement** (agreeing with rules of the Association)

STEP 2

- Prepare and submit the Poseidon Principles for Marine Insurance **Self-Assessment** within 5 months of becoming a member



Future developments

■ IMO MEPC80

- Already aligned with the IMO's Initial GHG Strategy, the Poseidon Principles for Marine Insurance – will be revised to align with outcome of MEPC80.
- In particular, the Poseidon Principles for Marine Insurance will revise its trajectories to align with the IMO Revised Strategy with:
 - Interim targets of GHG reduction in 2030 and 2040 relative to 2008
 - A net-zero GHG target in 2050
 - GHG reduction targets are to be on a well-to-wake CO₂e perspective

This update work is taking place currently.



THANK YOU

Please send any questions to the Secretariat of the Poseidon Principles for Marine Insurance:

info@poseidonprinciples.org

Resources & more information can be found at:

www.poseidonprinciples.org

