

AM Best and the Principles for Sustainable Insurance (PSI)

Principles for Sustainable Insurance (PSI) AM Best Annual Disclosure 2024

In 2021, AM Best became the first credit rating agency to become a signatory to the United Nations Environment Programme's (UNEP) FI Principles for Sustainable Insurance (PSI). As a PSI signatory, AM Best is committed to incorporating the principles into our processes and policies across all areas of our organization, as documented below.

Principle 1

We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

Best's Credit Rating Process

1. Analytical Staff Training
 - Analytical staff were provided with training on environmental, social and governance (ESG) concepts and recent sustainability-themed regulation/developments, including the rollout of the International Sustainability Standard Board (ISSB) standards, in key markets. The training included updates to the ESG guidelines and feedback on selecting ESG factors and discussing ESG within credit reports.
2. ESG Disclosure Working Group
 - The ESG Disclosure Working Group is composed of rating analysts (titles ranging from Managing Director to Financial Analyst) as well as members of the criteria team with representatives from the majority of our global offices. The working group assists analysts on matters relating to ESG in the credit rating process, including how to write ESG commentary in a *Best's Credit Report*, guidance on topics in AM Best reports and briefings, and understanding general ESG topics and issues.

AM Best Human Resource Developments

1. Management's commitment to ensuring equal rights, diversity, social responsibility and community involvement:
 - Continue to reinforce policies pertaining to labor and workplace rights, equality and diversity, flexible working (hybrid/in-office), community volunteering and modern slavery/human trafficking.
 - Continue to reinforce policies pertaining to business ethics, anti-bribery and anti-corruption, sanctions, fraud, data privacy, whistleblowing and other related matters.
2. Staff Development and Training: A full suite of training is available to all employees on the subject of diversity, equity and inclusion. On a rolling basis, current staff receive new or updated training on this subject as well as:
 - Preventing Workplace Harassment Fundamentals (Employees and Managers). April 2024.
 - Career Development Opportunities at AM Best: Employees are provided with financial assistance and time off to pursue professional designations and certifications. Paid summer internships and an analytical career development program are also available.
3. AM Best Competency Framework
 - AM Best implemented a new competency framework for employees globally, incorporating a core competency of Corporate Responsibility that establishes standards concerning ethical and inclusive behaviors, management of risk, and AM Best's core values, including integrity and fairness. The new framework is embedded within AM Best's performance management process and performance-related pay mechanism.

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AM Best Corporate Social Responsibility

1. Information Security and Data Privacy Training: Safeguarding our clients' information, and the privacy of our customers, employees and business partners, is critical to the continued success of our organization. To ensure our workforce is prepared for cyber threats and aware of its responsibilities for data protection, all AM Best personnel are required to complete Security Awareness Training and Data Protection Training upon hire and at least annually. Role-based training is also provided, as appropriate, for individuals in higher-risk roles, including those that handle sensitive data. AM Best delivers the following training:
 - Security Awareness Training for New Hires
 - Annual Security Awareness Training for All Employees
 - Director Training
 - Incident Response and Reporting

Principle 2

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

AM Best Client- and Industry-Facing Thought Leadership

1. *Best's Research*: AM Best's exclusive research and analysis provides valuable insight into current and historical trends affecting the insurance industry. The following are representative of ESG-related content in reports we published in 2024:
 - P&I Clubs: Improving Underwriting Results but Further General Increases Needed to Keep Up With Inflation – *Best's Market Segment Report*. February 12, 2024.
 - Market Segment Outlook: US Directors and Officers Liability Insurance – *Best's Market Segment Report*. March 4, 2024.
 - US Property/Casualty: Weather, Reinsurance, and Inflation Drive Results – Again – *Best's Market Segment Report*. March 6, 2024.
 - US Life/Annuity Insurers Stay the Course as They Prepare for 2024 Uncertainty – *Best's Market Segment Report*. March 14, 2024.
 - UAE Insurers Adapt to Changing Weather Trends as Latest Flooding Costs Mount – *Best's Commentary*. April 18, 2024.
 - US Crop Insurance Struggles Continue Due to Drought and Commodity Price Volatility – *Best's Market Segment Report*. July 26, 2024.
 - Growing Captive Insurance Market Highlights Risk Management Expertise – *Best's Market Segment Report*. August 7, 2024.
 - Hurricane Milton To Pose Severe Challenge for Florida Property Insurers and Reinsurers – *Best's Commentary*. October 9, 2024.
2. AM Best's Insurance Market Briefings: AM Best shares its insurance expertise and insight through its complimentary insurance market briefings, which cover a broad range of topics and trends, from segment updates to in-depth analyses of current market developments. The following briefings addressed ESG issues:
 - AM Best's Europe Insurance Market & Methodology Briefing – London
 - AM Best's Canada Insurance Market Briefing – Toronto
 - AM Best's Bahrain Insurance Market Briefing – Manama
 - AM Best's MENA Insurance Market Briefing – Dubai



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AM Best Client- and Industry-Facing Thought Leadership (Continued)

3. AM Best Speaking Engagements
 - AM Best Director presented “Sustainable Attributes and Novel Approaches Emanate from Robust ERM in Captive Segment” at CICA International Conference on March 11, 2024.
 - AM Best Senior Director presented “Weather, Reinsurance Drive P/C Market Segment” on AM Best Audio podcast on March 20, 2024.
 - AM Best Director and Senior Financial Analyst presented “ORSA+ERM, RBC+BCAR & AM Best Methodology” to the Mongolian market in collaboration with the Financial Regulatory Commission (FRC) and Mongolian Re. April 2, 2024.
 - AM Best Senior Financial Analyst and Financial Analyst presented “ESG Best Practices and Strategies in Insurers’ Investments” and participated in a panel discussion titled “Investing in ESG” at the IIF 2024 ESG in Insurance Conference (XPRIMM). April 16, 2024.
 - AM Best Director presented “Bridging Gaps, Building Futures: Microinsurance in 2023 and the Path to the SDGs & Launch of The Landscape of Microinsurance 2023” to Microinsurance Network Landscape 2023 Launch Event. May 2, 2024.
 - AM Best Rating Services President & CEO participated in “Climate Tech Insurance Accelerator Industry Roundtable” at New York State Energy Research and Development Authority (NYSERDA). May 5, 2024.
 - AM Best Associate Director and Senior Financial Analyst presented on the topic of governance in ESG to Insurance Library: Presentation on ESG in Insurance. June 25, 2024.
 - AM Best Associate Director presented “US Crop Insurance Struggles Continue Due to Drought, Commodity Price Volatility” on AM Best Audio podcast on October 14, 2024.
4. AM Best TV hosts and produces informational webinars on prominent industry topics, which connect viewers with influential industry leaders as they share their expertise on the latest market developments.
 - AM Best Senior Director presented about *Best’s Market Segment Report* “Weather, Reinsurance Drive P/C Market Segment.” March 3, 2024.
 - AM Best TV gathered a panel at the WSIA Annual Marketplace conference in San Diego to discuss “Climate Risks, Emerging Technologies Reshape E&S Landscape.” September 23, 2024.
 - AM Best Associate Director and Senior Industry Analyst discussed “Hurricane Milton To Pose Severe Challenge for Florida Property Insurers, Reinsurers.” October 10, 2024.
5. AM Best’s monthly insurance magazine, *Best’s Review*, provides in-depth coverage of a wide range of topics written by our journalists and backed by AM Best’s extensive database and industry experience. Recent ESG coverage includes:
 - “Uncovering Tomorrow’s Risk Challenges.” April’s *Best’s Review* reports on emerging risks and growing interest in parametric insurance to tackle less-insurable risks. April 2024.
 - “Insurers See Generative AI, Climate and Cyber as Key Risks.” April 2024.
 - “New Syndicate Tackles Carbon Credits Advancing Climate Goals.” April 2024.
 - “Parametric Insurance Contracts May Apply to Tougher Risks.” April 2024.
 - “Secondary Perils Playing Bigger Role in Expanding Catastrophe Losses.” June 2024.
 - “Earthquake Activity Serves as Risk Reminder with Atypical Locales.” June 2024.
6. Sample of Media Requests and Interviews
 - AM Best Associate Director provided comment to *The New York Times* about auto/homeowner market challenges expected in 2024, including increased climate risks. January 2, 2024.
 - Two AM Best Senior Directors spoke with Law360 on Texas wildfires and increased US wildfire risks. March 5, 2024.
 - AM Best Financial Analyst provided a bylined article to *Rough Notes* on climate challenges in Florida’s insurance market. April 4, 2024.
 - AM Best Director and Financial Analyst spoke with P&C Specialist about climate challenges in Florida’s insurance market. April 4, 2024.



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AM Best Client- and Industry-Facing Thought Leadership (Continued)

6. Sample of Media Requests and Interviews (continued)

- AM Best Associate Director provided comments to *The Sun* and *Insurance Day* on flooding in Dubai. April 19, 2024.
- AM Best Senior Director spoke with *The New York Times* on coverage of homeowners insurance market and climate ramifications. April 23, 2024
- AM Best Senior Director spoke with InsuranceERM on various topics ahead of RIMS conference (AI, cyber and climate risks). April 26, 2024.
- AM Best Senior Director and Director spoke with Insurance Business US on reciprocal companies and what they offer to the climate-challenged Florida market. April 26, 2024.
- AM Best Senior Director was interviewed by *The New York Times* for an article on rising insurance rates as a result of climate change disasters; last in series of interviews (see April). May 13, 2024.
- AM Best Financial Analyst provided comments to *Insurance Day* on flooding in Brazil. May 13, 2024.
- AM Best Senior Director and Financial Analyst spoke with WPTV in Florida about hurricane season. June 3, 2024.
- AM Best Associate Director spoke with *The Advocate/Times-Picayune* about Louisiana's homeowners market amid increased climate risks. June 3, 2024.
- AM Best Senior Director appeared on air at WVUE-TV (Fox 8) about climate risks in Louisiana's insurance market. June 5, 2024.
- AM Best Senior Director spoke with WUSA9 in Washington, D.C., about climate impacts in region. June 13, 2024.
- AM Best Financial Analyst provided comments to *Insurance Day* about Hurricane Beryl impacts in Caribbean. July 3, 2024.
- AM Best Senior Director and Associate Director provided comments to *Khaleej Times* on flooding in United Arab Emirates. July 8, 2024.
- AM Best Senior Director provided comments to *Financial Times* on climate risks in homeowners segment. July 25, 2024.
- AM Best Associate Director and Senior Industry Analyst spoke with *Insurance Journal* about California market trends, including increased climate risks. August 2, 2024.
- AM Best Senior Director provided comments to CBS News NY about challenges to NY insurance market related to climate risks and implications to policyholders. August 28, 2024.
- AM Best Senior Director and Associate Director spoke with Bloomberg on sustainability of property reinsurance market in light of climate challenges. September 5, 2024.
- AM Best Managing Director, Senior Director and Director discussed Florida market's climate issues with *The New York Times*. September 23, 2024.
- AM Best Senior Director and Associate Director spoke with E&E News (Politico) regarding Florida's insurance market following Hurricane Helene. September 27, 2024.
- AM Best Financial Analyst provided comments to *The Insurer* on climate challenges for US property/casualty mutual insurers. October 1, 2024.
- AM Best Associate Director provided comments to *Insurance Day* about Florida's insurance market following Hurricane Helene. October 2, 2024.
- AM Best Associate Director appeared on NPR's "Here & Now" program to discuss Hurricane Helene's impacts to insurance industry. October 2, 2024.
- AM Best Senior Director spoke with Re(In)Asia to discuss macroeconomic and climate trends affecting property catastrophe reinsurance. October 4, 2024.
- AM Best Senior Director and Associate Director provided comments to Politico on the impacts of hurricanes Helene and Milton on federal National Flood Insurance Plan. October 7, 2024.

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AM Best Client- and Industry-Facing Thought Leadership (Continued)

7. Underwriting and Loss Control Resources
 - AM Best Information Services added MSCI's ESG scores to *Best's Underwriting Reports* and *Best's Loss Control Reports*. *Best's Underwriting Reports* cover hazards for nearly 600 different industries with in-depth and heavily detailed examinations of business operations — including a “heads up” list for specific areas of concern. *Best's Loss Control Reports* describe the hazards present in a wide variety of industries and municipal services.

AM Best General Public-Facing Community Outreach

1. AM Best fosters meaningful connections with local communities through various engagement efforts.
 - Charitable Work Day Program: AM Best supports volunteer activities to enhance and serve the communities that our employees live and work in and are passionate about. The program's purpose is to support communities that are impacted by disasters and address issues that impact quality of life. Examples include packing bags of food at the Flemington Food Pantry, harvesting vegetables for the Community Food Bank of NJ, and doing construction projects for the New Salem Baptist Church.
 - Adopt-a-Family: AM Best sponsors local families through employee donations to provide Christmas meals and gifts, along with essential items like clothes, household items and cleaning supplies to underserved families in the local community.
 - Furniture Donation Event: AM Best donated surplus furniture to local charities, supporting their efforts to provide essential resources to those in need.
2. AM Best's Student Challenge is an insurance solution-based competition that empowers undergraduate and graduate students by taking them beyond the classroom—promoting thought leadership in the field of insurance and risk management, and providing exposure to insurance professionals. Student submissions include solutions for managing insurance risks, such as: new products, distribution methods, creative ways to increase insurance penetration, incentive programs, digitization models, implementation of private/public partnerships, alternative risk transfer. The Student Challenge is part of AM Best's ongoing efforts to support the development of new talent in the insurance industry.

Principle 3

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

AM Best Governments and Regulators

1. AM Best Directors presented before Federal Advisory Committee on Insurance (FACI) about “Property and Reinsurance Markets Update.” June 4, 2024.
2. AM Best Managing Director participated in a panel discussion with NAIC International Insurance Forum about “Positioning for the Future – Navigating the Investment Landscape.” June 16, 2024.
3. AM Best Director and Associate Director presented a webinar to Freddie Mac about “Discussion of Florida Property Market Exposures.” June 24, 2024.
4. AM Best Managing Director and Senior Director presented a webinar to Federal Housing Finance Agency (FHFA) about “Recent Headwinds Faced by the Property Insurance Market Over the Past 12-24 Months.” August 8, 2024.
5. AM Best Managing Director presented to NAIC Insurance Summit Meeting about “Insurance Insights: Property & Casualty.” September 16, 2024.



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AM Best Key Industry Stakeholders Collaboration and Leadership

1. AM Best Rating Services President & CEO serves as Chair of the Leadership Council of The Institutes Griffith Foundation, a leading resource for objective insurance information that offers non-advocative programs and resources for public policymakers.
2. AM Best Rating Services EVP and Chief Strategy Officer serves on the Inclusive Insurance Working Group at the Insurance Development Forum (IDF). Its mission is to optimize and extend the use of insurance and its related risk management capabilities to build greater resilience and protection for people, communities, businesses and public institutions that are vulnerable to disasters and their associated economic shocks.
3. In an effort to support the effective implementation of the Principles and the PSI's purpose and vision, AM Best Rating Services EVP and Chief Strategy Officer serves on the PSI board.
4. AM Best Rating Services is a member of the Microinsurance Network (MiN), a non-profit association of organizations and individuals who are committed to building a world where people of all income levels are more resilient and less vulnerable to daily and catastrophic risks through improved access to effective risk management tools, including insurance services. It was established in 2002 by donors, multilateral agencies, non-governmental organizations, private insurance companies and other interested parties. MiN is the only global multi-stakeholder platform that promotes the development and delivery of effective risk management tools, including insurance services, for underserved people.

Principle 4

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

AM Best Key Industry Stakeholders Collaboration and Leadership

1. AM Best's ESG Working Group is dedicated to developing the company's annual PSI disclosure. It reported on AM Best's progress embedding the principles into its operations and activities in February 2025.