

# Do sustainability commitments matter for insurers?

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## Introduction

**Our recent analysis of banks found that institutions with broader sustainability commitments tended to exhibit stronger, more developed sustainability practices and lower cost of capital, on average.<sup>1</sup> In this follow-up, we extend the question to insurers.**

Over the past decade, industry initiatives such as the U.N. Principles for Sustainable Insurance (PSI, launched in 2012) have sought to align insurers around shared principles for integrating sustainability into core business practices. As one of the longest-standing initiatives of its kind, PSI provides a useful vantage point for observing how voluntary commitments may evolve from statements of intent into more established practice. Academic research by Chiaramonte, Dreassi, Paltrinieri and Piserà (2020) supports this perspective, finding that insurers with higher sustainability engagement — particularly in social and environmental dimensions — tend to exhibit greater financial stability, suggesting that such commitments may signal stronger underlying risk management capacity.<sup>2</sup>

While banks often express these commitments through lending practices, insurers must address sustainability on both sides of the balance sheet: through underwriting on the liability side and investment management on the asset side. This dual exposure calls for a coherent approach to managing sustainability risks, aligning risk pricing and underwriting practices with capital allocation to strengthen long-term resilience.

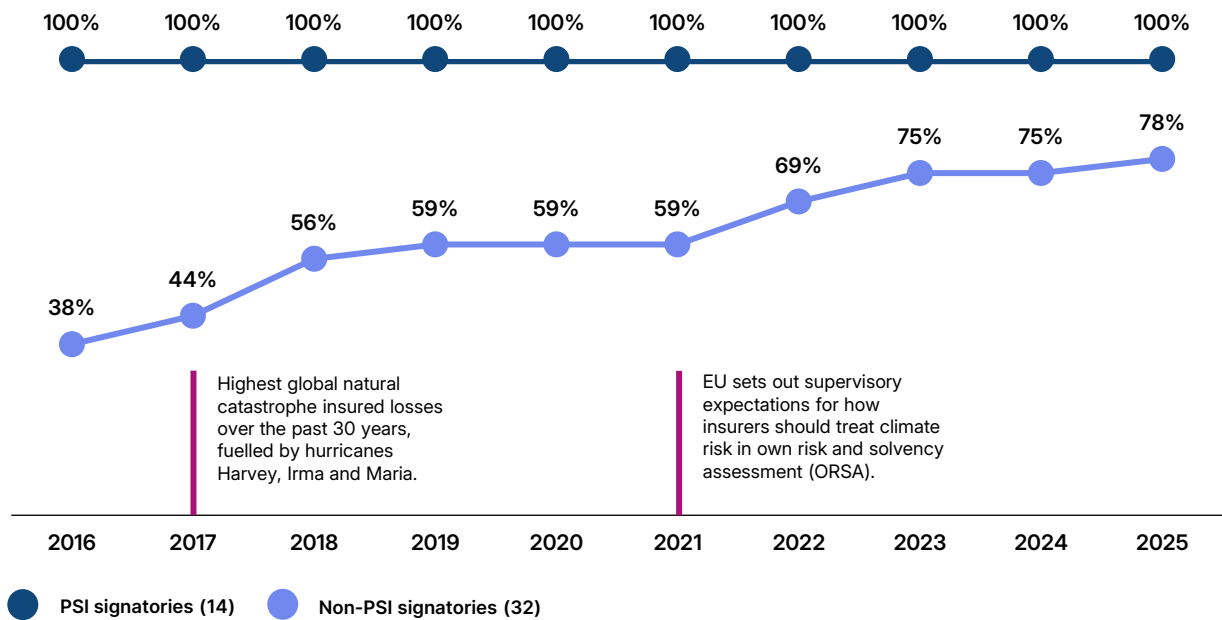
To explore whether sustainability commitments play a similar signaling role in insurance, we compared PSI signatories with non-signatory peers that were part of MSCI's ESG Ratings coverage, as of September 2025.<sup>3</sup> Within the analyzed sample, PSI signatories were on average larger by total assets and more geographically concentrated in the EMEA region compared with non-signatories.<sup>4</sup>

# Do sustainability commitments matter for insurers?

We first examined how insurers approached the incorporation of climate change-related risks in their underwriting models, a test of whether being ahead of regulation translated into greater preparedness. The analysis compared insurers that remained consistently within either the PSI signatory or non-signatory groups over the period 2016–2025 to track the

incorporation of climate risks in their underwriting activities. Using a constant panel allowed us to observe adoption trends over time without the noise introduced by changes in group composition. This approach, however, also reduced the sample size, as only a subset of companies met the criteria for continuous coverage throughout the period.

## Incorporation of climate risks in underwriting models



Source: MSCI Sustainability & Climate Research, data as of September 2025. The analysis is based on a panel of 46 insurers across the Property & Casualty Insurance, Life & Health Insurance, Multi-line Insurance and Reinsurance GICS sub-industries. Companies were included in the panel if they were scored on the “Evidence of using climate change models” indicator under the Climate Change Vulnerability Key Issue every year between 2016 and 2025 and remained consistently within either the PSI signatory or non-signatory groups over the period. This approach ensures comparability across time by holding the composition of the sample constant, thereby avoiding distortions introduced by changes in coverage over the period. Before 2021, the indicator recognized a wide range of modeling approaches, including catastrophe models and research efforts to strengthen climate-risk modeling for underwriting purposes. Beginning in 2021, the methodology was strengthened to reflect evolving best practices and required evidence of forward-looking climate modeling, such as the use of climate-scenario analysis or climate-model-derived projections, and to distinguish these practices from traditional, historically based catastrophe modeling. 1. Swiss Re, “sigma 1/2025: Natural catastrophes: insured losses on trend to USD 145 billion in 2025”, April 29, 2025.

Our analysis shows that PSI signatories had already established this practice ahead of broader market and regulatory pressures, while adoption among non-signatories appears to have accelerated in response to external shocks and the introduction of supervisory expectations:

- Early PSI joiners were among the first to develop and implement models incorporating climate risks, before such practices were widespread or expected by supervisors.
- By contrast, non-PSI groups adoption started lower but accelerated following two key industry developments. The

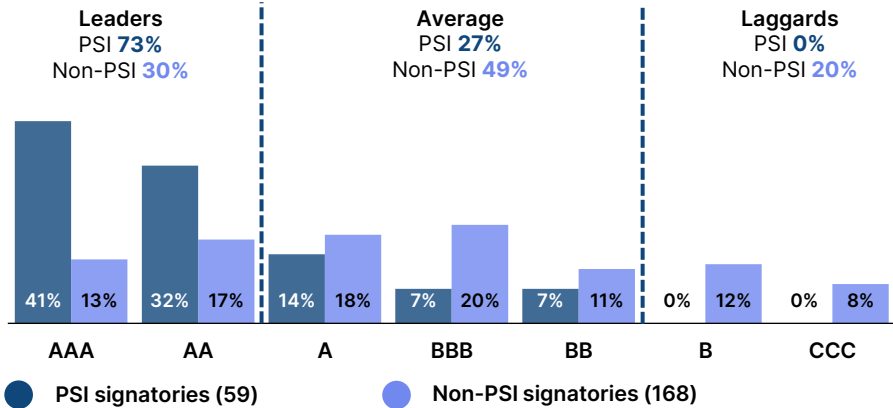
first occurred in 2017–2018 in the Americas, coinciding with record natural catastrophe losses. The second occurred in in 2021–2023, particularly in markets where ORSA-related regulatory expectations for climate risks were introduced, prompting broader adoption.

These patterns suggest that regulatory and market pressures can raise the floor on climate preparedness, but proactive commitments appear to raise the ceiling, thus enabling earlier readiness and greater consistency in risk management.

# Sustainability practices

PSI signatories also demonstrate more formalized and consistent management of sustainability risks. MSCI ESG Ratings assess how insurers manage their exposure to the most financially material sustainability risks for their industry, namely governance, human capital development, privacy and data security, responsible investment, access to finance, and climate change vulnerability.

MSCI ESG Ratings Distribution



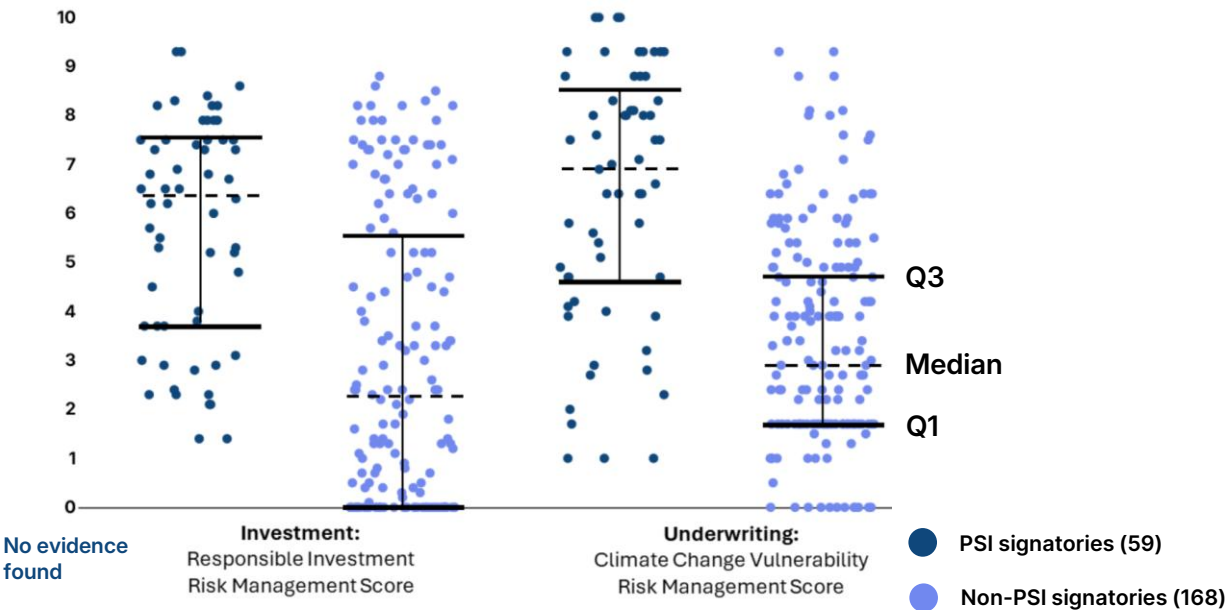
Source: MSCI Sustainability & Climate Research, data as of September 2025.

A majority of signatory insurers (73%) are rated as industry leaders in managing sustainability risks, while only 30% of non-signatories fall into this leadership category. Half of non-signatories are assessed as average performers relative to their peers. Notably, no PSI signatory fell into the laggards category. Much of the difference in these aggregate level results can be traced to the management practices of risks related to investment (Responsible Investment Key Issue)

versus risks associated with underwriting portfolios (Climate Change Vulnerability Key Issue).<sup>5</sup> The evaluation of management practices for these two Key Issues aim to capture how effectively companies address each risk area, considering their policies and practices, quantitative performance indicators, and any controversies that could signal weaknesses in their management approach.

## Comparison of PSI and Non-PSI investment and underwriting risk management

Best practice

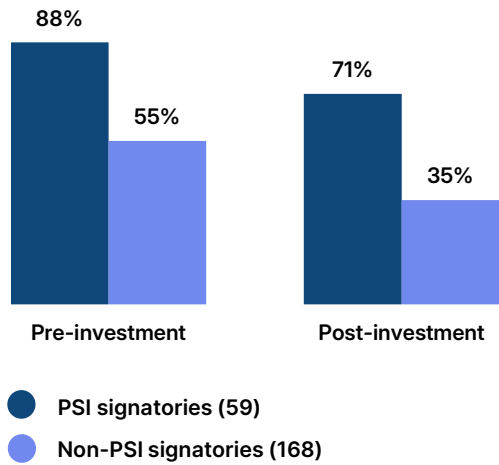


Source: MSCI Sustainability & Climate Research, data as of September 2025.

# Do sustainability commitments matter for insurers?

PSI signatories demonstrate greater maturity in sustainability integration across both dimensions compare with their non-signatory peers. In underwriting, they were more likely to conduct in-house research to quantify the impact of climate physical risk on underwriting portfolio (signatories 58% versus non-signatories 19%) and explicitly use forward-looking climate analysis into underwriting, risk management, strategic, or capital adequacy decisions (signatories 56% versus non-signatories 19%).

## Adoption of responsible investment policies across investment stages



Source: MSCI Sustainability & Climate Research, data as of September 2025.

Next, our analysis examined the return on sustainability efforts from a capital-allocation perspective. PSI signatories' stronger sustainability performance coincided with greater inclusion within sustainability-focused benchmarks, attracting a larger share of capital indexed to those benchmarks. With roughly 70% of assets linked to equity sustainability and climate indexes benchmarked to MSCI's Sustainability and Climate (S&C) indexes, these indexes provide a useful proxy for this trend.<sup>6</sup> Using the average indexed free-float ratio of each group as a measure, PSI signatories attracted 50% more of the S&C indexed assets under management (an additional 0.05%) compared with non-signatories, after normalizing for market capitalization. While index inclusion influences capital allocation by investors tracking these benchmarks, attribution is complex and also reflects index methodology, investor preferences, and company-specific characteristics. Nonetheless, the pattern is consistent with the view that sustained visibility in sustainability benchmarks can help shape investor composition over time.<sup>7</sup>

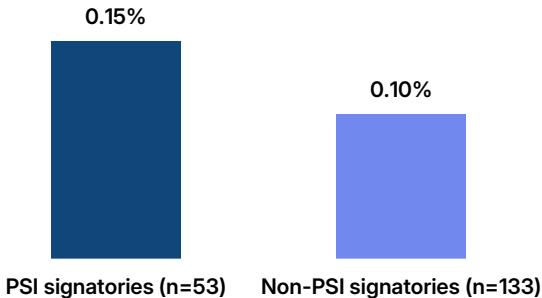
For investments, our analysis shows that PSI signatories are far more likely to have responsible investment policies in place across the investment process. Almost 90% have policies to incorporate sustainability considerations in the pre-investment phase, compared with just over half of non-signatories. Post-investment, 71% of signatories have policies to engage with portfolio companies or exercise proxy voting on sustainability issues, versus 35% of non-signatories. These results are consistent with the broader incorporation of sustainability through approaches such as screening, ESG integration, or thematic investment, across major asset classes:

- **Listed equity:** Around a quarter of PSI insurers integrate sustainability considerations into at least half of their listed equity holdings, compared with roughly one in 10 non-signatories.
- **Fixed income:** One-third of signatories apply similar standards to half or more of their fixed income portfolios, versus 17% of non-signatories.

Taken together, the underwriting and investment findings suggest that PSI signatories manage sustainability risks through more formalized processes and greater consistency across activities. They tend to integrate sustainability earlier and more systematically than their peers, reflecting stronger alignment between risk management practices and long-term business planning. These results mirror the pattern observed among banks and are consistent with the idea that sustainability commitments can serve as a signal of stronger risk management capacity, although they may not have a causal effect on risk management.

## Access to capital tracking sustainable indexes

Average indexed free-float ratio

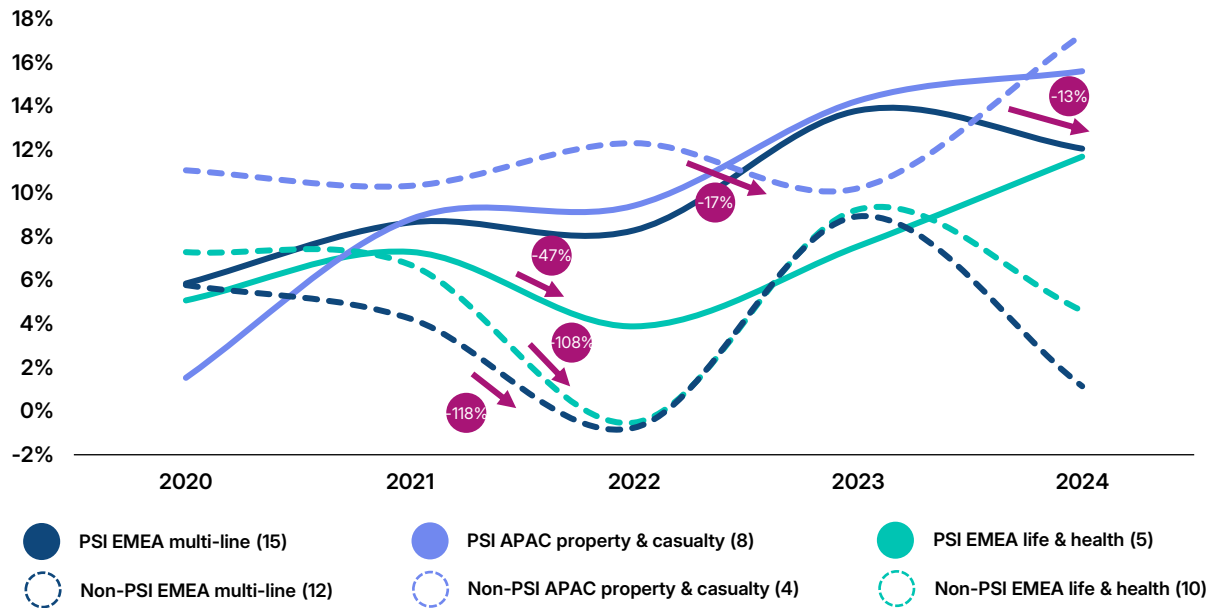


Source: MSCI Sustainability & Climate Research, data as of June 2025. The chart shows the indexed free-float ratio (total indexed AUM divided by free-float market capitalization). The indexed free-float ratio compares a company's indexed AUM across all MSCI S&C indexes a company is included in to the shares available for public investors, showing whether it attracts more or less indexed investment than its size alone would suggest.



# Financial resilience

Return on equity across region and business line



Source: MSCI Sustainability & Climate Research, FactSet, data as of September 1, 2025. The analysis is based on a panel of 54 companies in the Life & Health Insurance, Multi-Line Insurance & Brokerage, and Property & Casualty ESG Industries. Brokerage firms were excluded to ensure comparability. PSI groups include companies that remained signatories throughout the analysis period. Region-industry segments with three companies or less were excluded to avoid results being driven by individual outliers and to ensure minimum viable samples. L&H = Life & Health, MLI = Multi-Line Insurance & Brokerage, P&C = Property & Casualty. .

Finally, we compared the financial performance of PSI and non-PSI insurers using a stratified approach by region and industry group. We caution that the group sizes are small and hence preclude definitive conclusions. (note: comparisons were made only where group sizes were sufficient). Return on Equity (ROE) was used as a proxy for profitability and resilience over 2020–2025.

## Across the stratified segments examined, PSI signatories generally exhibited lower downside risk than their non-signatories peers.

- **Smaller maximum year-over-year decline:** PSI groups experienced lower maximum ROE declines during market stress.
- **Sustained profitability:** None of the PSI groups recorded a negative ROE year, while several non-PSI groups fell into negative territory during the period analyzed.
- **Regional contrast:** The PSI APAC property and casualty group maintained stable profitability throughout, showing no ROE decline, while non-PSI peers in the same region saw a double-digit contraction in the worst performing year.

While these results point to stronger downside protection and steadier performance among PSI signatories, the overall ROE levels and volatility patterns did not reveal a consistent picture of outperformance or underperformance across groups. This suggests that the benefit of sustainability commitments for the groups observed may lie more in resilience than in returns. These results align with findings from MSCI Sustainability & Climate Research, which showed that over the period 2022–2024, life insurers with stronger responsible investment practices experienced smaller declines in investment returns in weakest-performing years and more stability in those returns, even though average performance remained comparable to peers with less advanced practices.<sup>8</sup> Overall, the evidence points to a link between credible sustainability frameworks and financial stability: during the study period, PSI signatories appeared to have better withstood shocks and periods of stress.

# Conclusion

The findings point to a pattern: Insurers committed to credible sustainability frameworks demonstrate greater consistency in risk management and more stable financial outcomes, though they did not demonstrate higher returns. For investors, the evidence indicates that voluntary commitments can signal that a company has the foresight and capacity to institute risk management practices that can deliver long-term resilience.

## References

1.

"Do commitments matter?," MSCI Institute, August 21, 2025.

2.

"Sustainability practices and stability in the insurance industry," Luca Chiaramonte, Alberto Dreassi, Alessia Paltrinieri and Stefano Piserà, Sustainability, July 7, 2020.

3.

Our analysis compares PSI signatories within MSCI's ESG Ratings coverage with institutions within our coverage included in the Property & Casualty Insurance, Life & Health Insurance, and Multi-Line Insurance & Brokerage ESG industries that were not signatories.

4.

A majority (57%) of PSI signatories within MSCI's sustainability ratings coverage are domiciled in the EMEA region, with 29% in Asia and 14% in the Americas, as of September 2025. That contrasts with non-signatories, a majority (58%) of whom are located in the Americas, with 22% in EMEA and about a fifth in APAC.

5.

MSCI Key Issues refer to a set of financially relevant risk factors used to determine a company's overall ESG rating. See "MSCI ESG Ratings Methodology: Responsible Investment Key Issue", February, 2025 and "MSCI ESG Ratings Methodology: Climate Change Vulnerability Key Issue", January, 2024, for more information.

6.

Data based on Refinitiv Universe, as of December 2024. Includes primary and secondary listings, not cross-listings.

7.

"Sustainable Companies Attracted More Indexed Capital," MSCI Sustainability and Climate Research, September 3, 2025.

8.

"Industry Report | Life & Health Insurance," MSCI Sustainability & Climate Research, July 2025 (subscription required to access).

## About the authors

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