

## POSEIDON PRINCIPLES FOR MARINE INSURANCE

16 MAY 2022 • ARTICLE



### WHAT ARE THE POSEIDON PRINCIPLES FOR MARINE INSURANCE?

The Poseidon Principles for Marine Insurance (the “Principles”) were officially launched in December 2021, initially supported by Swiss Re, Gard, Hellenic Hull Management, SCOR, Victor International and Norwegian Hull Club. In March 2022, Fidelis Insurance became the first company from the London market to join the group. In May 2022, Navium Marine and AXA XL signed up to the Principles, taking the total number of full members to nine.

**"The Principles establish a framework to engage with the shipping industry and support net-zero insurance."**

Brokers, clubs, and other critical stakeholders in marine insurance can also join the Principles as Affiliate members. Three Affiliate members initially signed up to the Principles, namely Willis Towers Watson, Cefor and EF Marine. Just last month (April 2022), both Cambiaso Risso Group and Lockton joined their big-name peers to become the fourth and fifth marine insurance players to gain affiliate status. International Union of Marine Insurance is a supporting partner.

Inspired by the work of the Poseidon Principles for Financial Institutions and the Sea Cargo Charter, the Principles establish a framework to engage with the shipping industry and support net-zero insurance. They apply globally, to all shipping activities where a vessel or vessels fall under the purview of the International Maritime Organisation (the “IMO”), setting a benchmark for what it means to be a responsible marine insurer and providing actionable guidance on how to achieve this. This enables insurers to quantitatively assess the carbon footprint of their underwriting portfolios and track progress against various industry-wide targets.

### WHAT IS THE AIM?

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As a trio of initiatives, the Poseidon Principles for Financial Institutions, the Sea Cargo Charter and the Poseidon Principles for Marine Insurance complement one another to establish a common global framework for aligning the marine industry with society's goals. Whilst they all use different evaluative methodologies, they are all designed to mirror one another in terms of structure, including the alignment of business activities with climate concerns; accurate and unbiased information; standardised enforcement for all stakeholders; and public and timely disclosure. Through fostering collaboration and dialogue throughout the maritime value chain, the frameworks provide major industry players with tools to improve strategic decision-making, encourage transparency within global seaborne trade, facilitate knowledge sharing between signatories and address the impact of climate change for all.

More specifically, the Principles aim to assess climate alignment in marine insurance and serve institutions as well as clients to quantitatively assess and disclose the climate alignment of their insurance portfolios. Designed to inform decisions and incentivise insurers to actively promote activities that reduce emissions, the framework offers a common global baseline that is consistent with and supportive of society's goals to better enable insurers to address and disclose their portfolio alignment with climate goals.

## THREE KEY POINTS

Through their actionable methodology, the Principles specifically focus on marine insurers, particularly their hull and machinery (H&M) portfolios. Under the new framework, signatories will:

"As the initiative continues to gather momentum, it will continue to send a strong signal in support of responsible environmental stewardship and maritime decarbonisation."

- 1. Measure and report emission data of their H&M portfolios against ESG areas of concern:** This is a vital first step towards a sustainable maritime industry as it enables tracking progress over time and building a fact-based strategy for reaching climate ambitions. By providing insurers with a common tool to monitor progress towards net-zero insurance, the framework enables insurers to credibly report their alignment with ESG areas of concern using real data.
- 2. Publicly report their climate alignment score:** Signatories commit to annual declarations of the climate alignment of their H&M portfolios, thus promoting accountability and transparency on carbon emissions in the maritime industry and incentivising the industry's transition to a more sustainable future. Meanwhile, affiliate members will support signatories by sharing knowledge about climate alignment methodology with relevant stakeholders, in line with the Technical Guidance, which provides particularities for the assessment of climate alignment;
- 3. Benchmark the score against two trajectories: one linked to a 50% reduction in annual CO<sub>2</sub> emissions by 2050 (compared to 2008) and one to a 100% reduction of annual CO<sub>2</sub> emissions in the same time:** In this way, the framework is consistent with the IMO's GHG strategy whilst also taking steps towards alignment with the Paris Agreement. A third trajectory will also be introduced to align the second trajectory with zero-lifecycle GHG emissions, making marine insurance the first line of business to establish a sector-specific methodology to support the ambition of net-zero commitments such as the Net-Zero Insurance Alliance and to reach international shipping's total decarbonisation.

and

## CONCLUSION

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In June 2019, the Poseidon Principles for Financial Institutions started with 11 banks as signatories who promised to integrate climate considerations into lending decisions. That framework now has 27 backers, published its first annual disclosure report last year and is significantly influencing what kind of maritime projects can get financing – and which can't.

Given the unique position that marine insurers find themselves in within the shipping ecosystem, the Principles have great potential to follow this lead. Whilst the framework is currently limited to H&M insurers, it is expected to expand to take on other covers in future. As the initiative continues to gather momentum, it will continue to send a strong signal in support of responsible environmental stewardship and maritime decarbonisation; a challenge that can only be achieved through cross-value chain collaboration.

As an industry leader in transport, we are at the forefront of the drive for sustainability and addressing the challenges it presents across the maritime sector. WFW has continually supported the Global Maritime Forum including developing the Poseidon Principles for Financial Institutions and by way of Partner Mike Phillips involvement in advising on The Neptune Declaration on Seafarer Wellbeing and Crew Change. Should you have any queries on anything in this article or in relation to support in this or other areas of ESG in Shipping please don't hesitate to get in touch.

## KEY CONTACTS



**TOBY ROYAL**  
PARTNER • LONDON

T: +44 20 7814 8014

[troyal@wfw.com](mailto:troyal@wfw.com)



**MIKE PHILLIPS**  
PARTNER • LONDON

T: +44 20 7814 8170

[mphillips@wfw.com](mailto:mphillips@wfw.com)



**JAMES FITZJOHN**  
PARALEGAL • LONDON

T: +44 20 3314 6356

[JFitzjohn@wfw.com](mailto:JFitzjohn@wfw.com)

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