

ESG-linked Reputation Value Loss Insurance Fact Sheet



“Insurance is a no-nonsense communications strategy.”

Steel City Re’s Reputation Resilience Program’s insurance authenticates a valuable message to stakeholders: Thoughtful reputation management and dutiful governance practiced here.

Purpose & Qualifications

Steel City Re’s Reputation Resilience Program protects and enhances a client’s reputational value by augmenting its current enterprise risk management apparatus and then authenticating its quality with ESG-linked reputation value loss insurance (“ESG Insurance”).

ESG Insurance is part “errors and omissions” insurance, part “ESG board performance” bond, and part strategic communication to regulators, institutional investors and both bond and ESG raters. It is available to firms that have an established ESG risk governance and management apparatus, or are engaging Steel City Re to help stand up that apparatus.

EX: Management and directors will likely face angry disappointed shareholders directly or through derivative action for four types of alleged causes of ESG-linked reputational value loss:

- *harm to a class of stakeholders through ESG mismanagement;*
- *misrepresentation of ESG-linked capabilities;*
- *business interruption from a failure to prepare for an ESG peril;*

- *misrepresentation of ESG-linked peril preparedness.*

The policy pays for extraordinary “strategic managerial and governance actions signaling corporate values” that may arise in the context of an ESG crisis.

Payment trigger

Insurance is anchored by a parametric trigger comprising an event occurrence and a depression in the insured’s reputational value metric, or its substitute, whose magnitude exceeds the parametric threshold for 20 weeks.

EX: An error in a firm’s ESG goal setting and a 20-week sustained depression of a firm’s reputation value metric.

Recovery

Pre-agreed payment structure based on public awareness of failed ESG governance or management processes, and magnitude of reputational value index impairment.

EX: Increasing pay-out amounts with greater depressions of a firm’s reputational value index parameter.

Basis risk

Correlation of reputational value index, the pay-out, and the loss sustained.

Claims process – loss assessment and payment

Transparent, predictable, based on an event and parameter value.

Term

Single year

Structure

Customized product with high structuring flexibility.

EX: Parametric wording templates provide a basic sample. Each of the structures will have a uniquely tailored index, pay-out structure and limits. This is bespoke to each single client's needs, applications, and qualifications; and could be a single trigger, multi-trigger

etc. with higher limits offered to those with a quality ESG risk governance and management apparatus. See figure below.

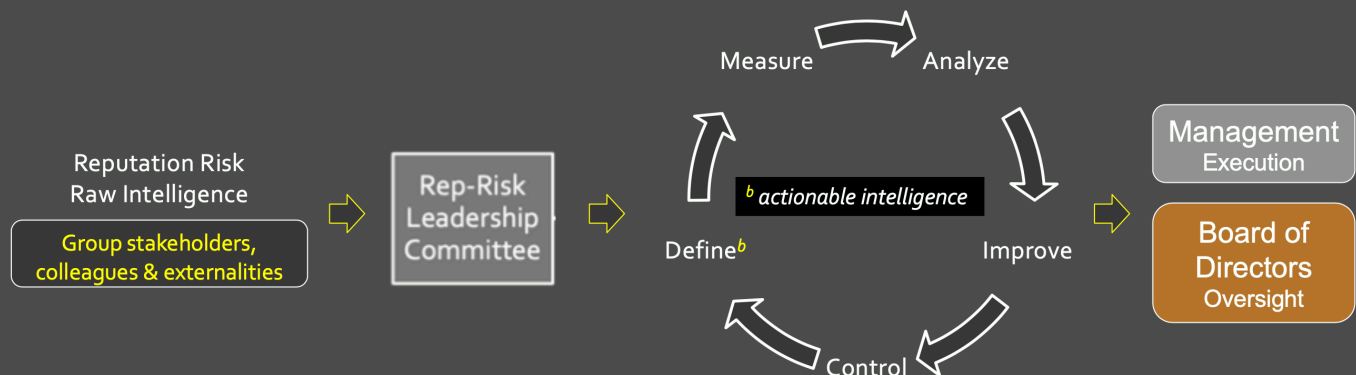
Compliance

A parametric insurance policy—one that is triggered and insures to model—that meets the IRS test for insurance is insurance for tax purposes.

EX: Parametric insurance policies that have been in use for years have been underwritten by well-known insurers such as Swiss Re for weather loss, Munich Re for pandemic loss, and Tokio Marine Kiln for reputation loss. Crop loss may have the greatest industry support: Sampo International, Cannasure, Munich Re, Descartes, AXA XL, and Allianz- to name a few.

The best known example is automobile insurance that insures total loss with parametric technology using a model provided typically by Kelly's Blue Book.

Information Flow in a Quality ESG Risk Governance and Management Apparatus



Steel City Re's Reputation Resilience Program protects and enhances our client's reputational value by augmenting its current enterprise risk management apparatus. The program comprises processes for reputation risk management and governance, a new organizational structure, as well as tools, processes, procedures, information flows, and reporting for reputation resilience. The program will also generate artifacts to give evidence of its own implementation. The program's insurance authenticates a valuable message to stakeholders: **Thoughtful reputation management and dutiful governance practiced here.**