Sustainability in insurance

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Outline

Preface

What this Whitepaper is about

We have analyzed the market to collect information from top insurers and derived how they can advance efforts to address the climate challenge. We synthesised key sustainability practice examples regarding new innovative and sustainable insurance products and services.

The paper discusses the concept of sustainable insurance, the four forces driving the green transformation in the insurance landscape, highlighting key areas of focus among leading insurers, and give you an overview of sustainable insurance products and services of best practice examples in the insurance market.

Management Summary

Relevance

Climate change has emerged as one of the most pressing global challenges of our time, with far-reaching implications for societies, economies, and the environment. As the world strives to transition to a low-carbon and resilient future, the insurance industry finds itself at the forefront of climate action.

Given their far-reaching influence, brand recognition, financial and expert resources and extensive database, insurance companies play a crucial role in driving the transition to a carbon-neutral world and in mitigating the risks associated with climate change.

Their unique positioning enables them to impact on sustainability trends, shape individuals' behavior, and impact the consumption patterns of businesses.

Management Summary

Key takeaways

Three dimensions of being „green" can be found, each of which deserves separate consideration:

In order to truly accelerate decarbonization more actively and to transition to net zero, new innovative and sustainable insurance products and accompanying risk mitigation services are needed covering the private as well as the business customer segment. Insurers have introduced various initiatives and offerings:

- They provide specialized coverage for eco-friendly objects and practices such as renewable energy systems and are adding sustainable transition policy features.
- Crucial interconnected solution categories to explore are post-claim transitions (ecological repairs/upgrades) and early promotion of environmental customer behaviors with incentives, ecosystem advantages, and proactive advisory.

Client segment	Solution
Private customer	Green home insurance
	Green mobility insurance
	Sustainable transition policy features
	Extended service offerings
	Sustainable finance
Corporate customer	Cover of green objects insurance
	Sustainable transition incentives
	Extended service offerings

What does sustainable insurance mean?

> Sustainable insurance is a strategic approach where all activities in the insurance value chain, including interactions with stakeholders, are done in a responsible and forward-looking way by identifying, assessing, managing and monitoring risks and opportunities associated with environmental, social and governance issues (ESG).
>
> UNEP FI Principles for Sustainable Insurance (2012)[1]

[1]Source: https://www.unepfi.a/insurance/insurance/

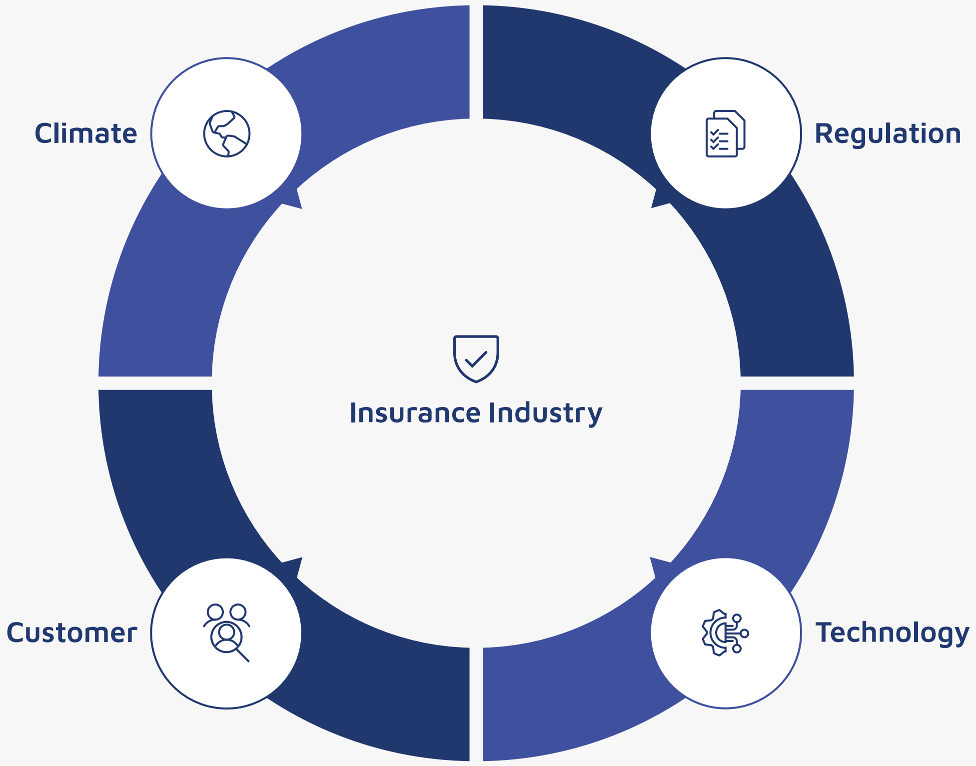
Understanding of sustainable insurance

- Sustainable insurance aims to reduce risk, develop innovative solutions, improve business performance to contribute to environmental, social and economic sustainability.
- It entails a holistic approach that goes beyond mere compliance with regulations, aiming to proactively address climate change challenges, promote environmental sustainability, and support the transition to a low-carbon economy.
- There is no doubt that the insurance industry can play a monumental and multifaceted role in accelerating the shift towards more sustainable economies and communities as insurers not only act as protection providers, but also risk managers and investors.
- Although the environmental aspect takes center stage, it is crucial to emphasize that the other two dimensions of ESG, social and governance, are equally significant and should not be overlooked.

Four key drivers impacting the green transformation

Four key drivers impacting the green transformation

The insurance industry is increasingly prioritizing sustainability engagements and initiatives due to a multitude of reasons:



Climate

Climate change, extreme weather events, diversity loss and depletion of natural resources are pressing issues endangering economies and ecosystem services globally. As the effects of climate change become more apparent, insurers are recognizing the need to integrate sustainable practices into their operations. To address these challenges, insurers adopt green solutions that promote sustainability, resilience, and risk mitigation. This includes offering coverage for renewable energy projects, promoting eco-friendly practices among policyholders and incorporating further services.

Regulation

Regulatory bodies worldwide are implementing stricter guidelines (e.g. CSRD and LkSG) and requirements to address climate change and promote sustainability. Insurers must adapt to these regulations and actively participate in green initiatives to remain compliant and maintain public trust. Compliance with sustainability standards, reporting on environmental performance, and integrating ESG factors into investment and underwriting decisions are crucial steps for insurers to demonstrate their commitment.

Customer

Customers' attitudes and expectations are evolving to a growing demand for sustainable products and services. Insurers need to align with these preferences by providing green solutions that meet the needs of environmentally conscious customers. This involves developing insurance products that support green initiatives, such as coverage for electric vehicles, energy-efficient homes, and sustainable businesses.

Technology

Technological advancements are revolutionizing the insurance industry, presenting opportunities for insurers to adopt innovative solutions. Insurtech companies are developing platforms and tools that facilitate the offering of green insurance products, enable accurate risk assessments based on environmental data, and streamline claims processes for sustainability-related incidents.

Sustainability focus areas for leading insurers

Sustainability focus areas for leading insurers

Focusing on sustainability is an opportunity to demonstrate the value of insurance and strengthen public credibility, but it's only achievable if businesses act with care and integrity in all other aspects of their operations. But what does this mean for an insurance company in concrete terms?

> How can insurers actually advance efforts to address the climate challenge?

Three dimensions of being green

Sustainable product offering

Green products are an integral part of a comprehensive approach towards sustainability along the insurance value chain. The changing insurance landscape along with an increasing demand for more environmentally friendly products represents a major opportunity for insurers to tap into new customer segments.
Insurers have got diverse product and service opportunities beyond covering eco-friendly objects or adding green policy features to conventional insurance. Post-claim transitions, like ecological repairs or upgrades, and early promotion of environmental customer behaviors with incentives, ecosystem advantages, and proactive communication are crucial and interconnected solution categories to explore.

ESG implementation into underwriting& risk analysis

Improving underwriting and risk analysis by integrating ESG criteria can help to reduce insurance loss and improve business outcomes for (re)insurers and their clients. As such, insurers are incorporating climate risk assessments into their underwriting processes to evaluate the potential impact of climate change on their policies and premiums.

Client check, cooperation & partnering

Insurers can cooperate with or invest in sustainable businesses or renewable energy projects to support a carbon-neutral economy. They can also act sustainably by insuring and supporting companies from sustainable economic sectors as well as providing partner networks services.

Sustainable investment management

Insurers use predefined ESG criteria when making investment decisions for their investment portfolio. By implementing guidelines meant to channel investments towards activities designed to either mitigate climate change or foster sustainable solution and adaption to its consequences insurers can accelerate the shift towards more sustainable economies.

Sustainable business practices

Insurers need to introduce sustainable business practices into their operations, design their work processes in a resource-friendly way and ensure fairness as employers. Examples for sustainable business practices include to promote and award green ways of transport, e.g., railway for business travels, sustainability reportings or to introduce a paper-free office.

A selection of sustainable insurance products

A selection of sustainable insurance products

Insurance is typically a secondary product, often associated with another primary product or activity that requires coverage. The question therefore arises to what extent the insurer can support such green primary products or activities. The „greenness" of an insurance product is linked to the object or activity that is insured. Many insurers have started to create insurance products for consumers and corporations incorporating sustainability aspects:

A selection of sustainable insurance products

Client segment	Solution	Explanation	Best Practices
Private customer	Green home insurance	Coverage of an already „green" insurance object for residential buildings & household appliances (specific cover or premium adaption)	• Discounts for certified buildings • Renewable energy source insurance • Energy generation benefits • Sustainable all-round protection
	Green mobility insurance	Coverage of an already „green" insurance object of vehicles (specific cover or premium adaption)	• Sustainable property insurance • Hydrogen / alternative fuels discount • E-Scooter cover • Electric vehicle insurance
	Sustainable transition policy features	Part of core insurance products or related services and additional policy features	• Behavioural discounts • Ecological repair & replace • Eco points • Compensation of emissions
	Extended service offerings	Independent insurance products and services of partner networks and ecosystems	• Ecological consultation • Business ecosystems • Car sharing coverage • Eligible donation allocation
	Sustainable finance	Investments that prioritize long-term environmental and social impact	• Sustainable pension fund • Life insurance • Sustainable investment solution
Corporate customer	Cover of green objects insurance	Coverage of already "green" objects or activities and climate related risk	• Green property insurance • Build back better • Parametric insurance • Renewable energy projectcoverage
	Sustainable transition incentives	Part of core insurance products or related services and additional features	• Sustainable compensation • Green commercial fleets • EcoSecure • Behavior-based fleet insurance
	Extended service offerings	Independent insurance products and services of partner networks and ecosystems	• Digital rating platform • CO_2 Management Platform • Partner offerings • Advisory services

Best practices in the private customer segment

Large insurers have started to create sustainable insurance products for private consumers. Incentives come through, e.g., specific cover, tariffs and features, the choice of more eco-friendly options or the reduction of consumption during use. More specifically, when covering green objects or activities, insurers can adjust covers and services to address the specific needs, such as for the batteries and charging cables in the electric vehicles or for the charging station in the garage. Or they can adjust tariffs in favour of a green product when compared to a conventional one.

Best practices in the private customer segment

We report a selection of such product examples:

Green home insurance

Discounts for certified buildings	Renewable energy source insurance	Energy generation benefits	Sustainable allround protection
With home certification from (LEED) group, customers save up to 5% on homeowners insurance	Covering the installation of solar panels, heat pumps, as well as environmentally friendly technologies	Homeowners who generate and sell surplus energy can receive additional policy benefits	Integrating sus-tainable invest-ments, support for ecological projects and sustainable services in the event of a claim
Liberty Mutual	helvetia	DONEGAL INSURANCE GROUP	NV-Versicherungen VVaG Alles bestens.

Green mobility insurance

Sustainable property insurance	E-Mobility drive warranty	E-Scooter cover	Electic vehicle insurance
Low / no emission vehicles insurance such as bicycle or e-bike protection	E-mobility guarantee on Europe-wide journeys with the electric car incl. tariff discount	E-Drive motor-cycle insurance supports We-Forest's global sustainability projects by planting trees	Financial incentives for environmentally friendly vehicles (Electric, hybrid or low emission vehicles)
UPPTEC	e·on	die Bayerische	AXA

Best practices in the private customer segment

Sustainable transition policy features

Behavioural discounts	Ecological repair & replace	Eco points	Compensation of emissions
Pay as you drive models offer better insurance prices for safe drivers with low mileage	Environmentally friendly repairs and energy-efficient equipment are supported by the insurance	Sustainable action - col-lected eco-points reduce the insurance premium	The „FRIDAY+ECO" insurance product offsets CO_2 – emissions generated from driving, contributing to climate protection
metromile	NV-Versicherungen VVaG Alles bestens. NV	Greensurance Für Mensch und Umwelt	FRI:DAY

Extended service offerings

Ecological consultation

Advisory for green building and smart home solutions (with climate impact)

Business ecosystems

Collaborations enable access to innovative home & mobility services (GoMore, 2em, ImmoPass Energy, Houzy)

Car sharing coverage

Vehicle owners who rent out their vehicle automa-tically receive coverage

Eligible donation allocation

Allocates funds to cover claims, but allows policyholders to donate the surplus to their chosen charities

Sustainable finance

Sustainable fund portfolio

FairFuture Lane Portfolio – funds with high eco-logical or social standards and sound corporate governance

Life insurance

„Switch Plan" invests in sustainable projects, funds or com-panies to achieve positive environ-mental impact

Sustainable investment solution

Investments in forward-looking key industries & vetted companies with a proven commitment

Best practices in the corporate customer segment

Best practices in the corporate customer segment

Insurers are also providing sustainable products to protect corporations and large organizations against general business risks. Listed below are a few of the most common sustainable insurance products offered in the commercial insurance market today:

Cover of green objects insurance

Green property insurance
Buildings & infrastructure coverage promoting renewable energy systems & eco-friendly construction practices
Allianz

Build back better
Supports businesses in resilient recovery by allowing for suitable replacements in case of property losses
Marsh

Parametric insurance
Protects companies from financial losses and legal costs resulting from environmental incidents
AIG

Renewable energy projectcoverage
Coverage for renewable energy companies, safe-guarding against risks, legal challenges, and asset protection
ZURICH

Sustainable transition incentives

Sustainable compensation
Cargo Insurance contributes to preservation of marine habitats & biodiversity with every transportation
NACORA International Insurance Brokers

Green commercial fleets
Reimbursement per EV, based on the greenhouse gas emissions quota, incentivizing emission reduction
Allianz

EcoSecure
Provides financial protection against business interruptions due to environmental incidents
Allianz

Behavior based fleet insurance
Innovative fleet insurance that evaluates both usage and behavior-based data and rewards safer fleets
ZEGO

Extended service offering

Digital rating platform	CO_2 Management Platform	Partner offerings	Advisory services
Esg2go – Rating platform allows SMEs to make their sustainability performance measurable and comparable	CO_2 company building balance check & energy measure simulation to improve energy efficiency to save CO_2	Through partnerships & cooperations, innovative products and services can be offered. UPTO (needs analysis e-fleet)	Support in identifying & deploying resilient solutions: • Climate Change Resilience Service • Environmental Risk Management Service
ZURICH	AXA	AXA	CHUBB

Best practices in the corporate customer segment

Conclusion

Sustainability considerations are increasingly moving into the focus of leading insurers mainly driven by environmental challenges, change in the mindset of clients, regulatory pressure and technology advancements.

The changing insurance landscape represents a major opportunity for insurers to tap into new customer segments. Green products are an integral part of a comprehensive approach towards sustainability along the insurance value chain.

Insurers now offer diverse products and services for private and corporate clients beyond covering eco-friendly objects or adding green policy features. Insurers should explore interconnected solution categories, such as post-claim transitions (ecological repairs/upgrades) and early promotion of environmental customer behaviors with incentives, ecosystem advantages, and proactive advisory. Nevertheless, it is important to avoid isolated offers that may be perceived as symbolic actions or selective disclosures, as this can lead consumers to perceive the sustainability move of the insurer as greenwashing.

Our expertise for your sustainability transformation

Digital transformation acts as a catalyst for achieving sustainable business goals by leveraging new technologies and data intelligence. Our extensive expertise in digital innovation and transformation allows us to assist companies in applying these insights to the realm of sustainability.

We provide comprehensive support for successfully navigating the sustainability transformation across the following dimensions:

1 Strategy & Culture

We assist in developing a tailored ESG strategy and establishing a sustainable business model and ecosystem that aligns with governmental ESG regulations and reporting standards.

Additionally, we provide support in implementing your strategy and creating the necessary prerequisites for a successful execution by fostering a sustainable mindset within your organization.

2 Products

Our expertise lies in helping you to create sustainable product offerings that comply with ESG regulations. We also optimize the environmental impact of your products by conducting lifecycle assessments and maximizing product durability through practices such as „circular economy“ and „cradle to cradle“.

3 Operations

Embracing sustainable technologies, solutions, and leveraging data analytics is vital for achieving a sustainable business. We assist you in effectively utilizing these tools and data to drive your business forward.

Simultaneously, we support your decarbonization efforts and guide you in enhancing resource efficiency. Furthermore, we help to establish socially sustainable supply chains.

With a strong emphasis on customer satisfaction and a deep understanding of regulatory requirements, we enable the implementation of initial sustainability use cases across these three dimensions while maximizing your business value. If you would like more detailed information or references to our past projects, please don‘t hesitate to contact us.

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