

"Emergence of Green Insurance"

With the Paris Climate Accords signed in 2016, the world is looking to transition to be cleaner and greener in line with the framework. Since the signing, numerous industries have committed to adopting Environment, Social and Corporate Governance practices to better align their operations with global green initiatives.

The insurance industry has been fairly late to join the list of industries that have started to adopt green initiatives, namely the policies that insurance companies are underwriting. Therefore, integrating ESG initiatives into the risks that these insurance companies underwrite is no longer an option but an imperative.

According to the Insurance Information Institute(III), an increase in green insurance offerings for consumers will play a crucial role in the adoption of clean and green technology like electric vehicles. The III suggests that consumers and/or corporations that adopt green initiatives should have cheaper premiums or more incentives to encourage the “green switch”.

Currently, only a handful of insurance providers provide some form of ESG insurance policies that reward the environmentally conscious individuals. As such, some examples of green insurance and benefits that the industry could offer by category are listed below:

1) Motor Vehicle Insurance

- Premium discounts for owner’s of hybrid vehicles.
- Premium discounts for owner’s of vehicles that use alternative fuels.
- “Pay as You Drive” programmes that tracks vehicular usage which encourages policyholders to use their vehicles where necessary; the lesser you use your vehicle, the lesser you pay for the premiums.

2) Home Insurance

- Coverage of repair and outage fees for homeowners that install and/or produce their own alternative energy source.
- Premium discounts for Leadership in Energy and Environmental Design Green Building Rating System (LEED) certified homes.
- Coverage for existing homeowners which covers part of the costs to install new green features in existing homes.

3) Business Insurance

- Partial or full coverage of costs for LEED certified rebuilding in the event of a haul loss of property.
- Partial or full coverage of building and/or installation of green fixtures in the event of damage or haul loss.
- Premium discounts for business owners that incorporate green initiatives into their daily operations.

The above are just some examples of insurance policies that aim to promote the widespread adoption of green initiatives by individuals and corporations. This will help to encourage responsible and sustainable consumption which is paramount to alleviating the effects of climate change.

Recognising the importance of green insurance, the management of NIACE is currently working with various industry partners and some government agencies to explore the possibility of offering green insurance initiatives as NIACE hopes that the wider insurance industry will march towards a cleaner and greener future to play our part in stopping climate change.

