

Sustainable Development in Insurance sector

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Abstract: *Sustainability is an increasingly important issue for many people, especially in the business world. It is undeniable that the topic of sustainability has an impact on everyone and every industry across the world in all aspects and at every level. The insurance sector is no different as it shows an increasing interest in several of the topics covered by sustainability. Insurers who took advantage of these new opportunities were able to capture a new and larger customer base in the market, and a crucial lesson learned is that insurers should always seek out new trends that can help differentiate them from their competitors. Sustainability and green insurance is the new trend to keep an eye on in the insurance industry. Therefore, this paper aims to analyze the sustainable development in the insurance sector in green insurance products.*

Keywords: *Insurance, Business, Insurance industry, Green Insurance & sustainable development*

1.1 Introduction:

In recent times, the insurance industry in particular has shown significant interest in sustainability. This is a result of the impact of climate change, amongst other socio-economic issues which will have on the insurance industry especially with regards to underwriting and profitability. Due to this interest, it is no surprise that the need to write green/sustainable insurance products is on the rise. A projected shift from the traditional insurance products to green products in order to provide environmental, social and economic benefits, while protecting public health and the environment as a whole is expected in the next couple of years. Green products are products that not only protect policyholders in the event of damage caused or injury suffered but also protect and promote an eco-friendly environment. Globally, countries are beginning to transition into low carbon economies and there has been the need for insurers to begin to offer products that will support this long-term objective. Green Products which are also known as Green Insurances will definitely foster a quick transitioning if insurers engage on time.

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1.2 Review of Literature:

Rahgul Kanojia (2014) in their article examined the insurance and its role in sustainable development. The main objective of the paper is to define the role and contribution of insurance towards sustainable development in current scenario, to find out the issues and challenges, and to define the sustainable insurance. Today everyone knows about sustainable development. Now several organizations, industries etc are making sustainable development as a goal for success and for the survival in the present and for the future. Insurance industry is also adopting the concept of sustainable development as its goal and making various alterations and innovations in their products and services to sustain in the market. By following green marketing, adopting sustainable insurance and organizing environmental awareness campaigns, insurance industry contributes a major share towards sustainable development. **Rita Zona et.al (2014)** in their article studies about the sustainable/ Green Insurance Products. The researcher concluded that the sustainable/ green insurance products and its associated need for green insurance products are growing at a remarkable rate. Given the available government incentives and the cultural shift of a growing environmentally-conscious population, the future market for green insurance markets are optimistic. There are still a lot of coverage gaps and the insurers can make efforts on, as well as the advancing of green technologies which provide enormous opportunities for those who are bold enough to take them. **Dietmar et.al (2021)** in their article examined that insurance business and sustainable development. The researcher concluded that the world is rapidly changing due to an increase in climate variation and environment pollution, but also with respect to social problems like poverty, suppression and migration. In the awareness of these challenges, the United Nations has formulated several sustainable development goals to be reached by 2030. As a reaction, the finance and insurance sector has initiated several activities to help overcoming these problems, accompanied by strong legal directives, particularly in Europe. A very important role here is played by insurance small and medium enterprise, which represent a significant number of companies in the insurance industry.

1.3 Objective of the Study:

The main objective of the study is to know the conceptual framework of green insurance products for the sustainable development.

1.4 Green Insurance Products:

1.4.1 Green Motor Vehicles Insurance: These are insurance incentives that are offered on motor vehicles that help to enhance an eco-friendly environment by reducing the amount of greenhouse gases being emitted into the environment. Common examples of Green motor vehicle insurance are: pay as you drive (PAYD), alternative fuel premium discounts, hybrid vehicle premium discounts, endorsements that allow hybrid replacement.

1.4.2 Green Insurance for Homes: These are products that facilitate the use of renewable materials or energies in homes or buildings and alternative building practices. This is quite different from a conventional home insurance. The transition process into a low carbon environment means that there is a movement away from fossil fuel to renewable energies. Examples of the products are: eco-friendly replacement materials endorsements, broad coverage for alternative energy sources and premium discounts for Leadership in Energy and Environmental Design (LEEDs) certified homes (issued by the U.S. Green Building Council).

1.4.3 Green Insurance for Businesses: These are green commercial property insurance products. Businesses that use alternative materials and energies in their buildings and surroundings should have access to insurance that incentivize them and encourage them to keep enhancing an eco-friendly environment. Examples include coverage for installing “green” building systems and materials, coverage for “green certified” rebuilding in cases or events of total loss, green endorsement for green material and equipment as well as green construction and related costs.

1.4.4 Direct Benefit of Offering Green Products:

Insurance companies may enjoy certain direct benefits as a result of a shift in writing the traditional insurance product to offering sustainable and green insurance products. The following benefits could help to create a competitive advantage over other insurers;

1.4.5 Expansion into a new business and market: The shift to green and sustainable products by insurers will help expand their product offerings as well as appeal to a different set of customers who are sustainable oriented. Insurers who move to this market early enough will harvest the reward of such a niche market.

1.4.6 Market share growth: The expansion by insurers into a new market/business will enable the penetration into new business areas. This will help grow the market share of insurers as the world in general is going “green”. For instance, the introduction of electric vehicles by the automobile industry will bring about the need for insuring such automobiles which will be different from the traditional insurance of automobiles. As a result of the need

to insure a green product, the market share of insurers who write green products will be on the rise.

1.4.7 Adverse selection: Policyholders who are environmentally and sustainability conscious are more likely to preserve their assets and prevent the insurable event from happening than policyholders who are not. This is because a policyholder that is environmentally conscious will be more mindful with the way they drive their vehicles or the security and safety features they place in their homes. This is because not doing so may impact the environment negatively and therefore they represent a better risk for insurability.

1.5 Other Benefits of Offering Green Products:

There are other benefits that are highlighted below when green products are offered by insurers.

- There will likely be a reduction in damage to the environment as insurers will incentivize policyholders who contribute very minimal carbon and use eco-friendly materials.
- Policyholders' property will be protected from being damaged or destroyed due to future weatherrelated events.
- Individuals and businesses will be enthusiastic about saving on insurance since they will enjoy various discounts for contributing to an eco-friendly environment.
- Policyholders' will enjoy the opportunity of being reimbursed for replacement of the cost of green alternatives in the event of total damage.
- The society at large will be encouraged to lead responsible and healthy lifestyles by using ecofriendly materials.
- Global investors who are looking for alternative investment opportunities will be attracted to consider them as viable investments in line with their ESG strategic goals.

1.6 Conclusion:

The researcher concluded that there are numerous opportunities to incorporate sustainability into insurance. Sustainability in the insurance landscape may include lower premiums for the green industry or electric vehicles (EVs), determining incentives and tax measures for sustainable/green insurance, promoting new sustainable/green products, and allowing investments in projects that meet the sustainability/green criteria. Sustainable/green insurance could also be in the form of new products intended to address climate change, or products that encourage customers' sustainability and green behaviors.

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