



HKGFA

香港綠色金融協會
Hong Kong Green Finance Association

HKGFA

Green Insurance Working Group

Co-Chaired by

Dylan Bryant, Chief Executive, Swiss Re International SE, Hong Kong Branch

Dylan_Bryant@swissre.com

**Ding Siwei, Business General Manager, Alternative Distribution Department
& Bancassurance Department, China Taiping Life Insurance (Hong Kong);**

Vice President of HKGFA

swding@tplhk.cntaiping.com



Green Insurance Principles (GIP)

- *“For generations, the insurance industry has served as society’s early warning system and risk manager by understanding, reducing, pricing and carrying risk. Its message now is loud and clear: climate change risk is intensifying and is a serious threat to the insurability of communities and economies around the world,” said **UN Environment chief, Erik Solheim**. “An uninsurable world is a price that society could not afford. This is why UN Environment is working with leading insurers to understand and reduce risk, to seize unprecedented business opportunities in climate action, and to ensure an insurable, resilient and sustainable world.”*
- To Green Insurance Working Group under the umbrella of the Hong Kong Green Finance Association (HKGFA) aims to create an ecosystem within the insurance industry that is focused on creating and supporting a green/ sustainable economy and is compliant with Environmental, Social and Governance reporting requirements along with following the Sustainable Development Goals.
- The first step will be to create (by expanding on the existing SFI and PSI work done by the UN) a green insurance framework or guiding principles to define what is and isn’t ‘Green’. This will include all aspects of the insurance industry including asset management, company operations and risk transfer solutions and claims (salvage, repairs and recycling of damaged insured assets) that enable and support a low carbon and sustainable economy
- The **Green Insurance Principles (GIP)** will be developed by the HK insurance industry with the support of the HKGFA and the government/ regulators to ensure that HK develops a fully integrated Green Finance ecosystem that includes Green Bonds, equities, Green Loans, Green Insurance, Green Asset Management, private equity/ venture capital and more

Action Plan

- Arrange industry gathering of CEO's and influencers Q1 2019 to gather feedback and agree action plan
- Draft first round of Principles for consultation Q2 2019 (see draft in next slide)
- Hold 4 CPD seminars to educate industry participants about Green Finance/ Insurance Principles in conjunction with HK Federation of Insurers, HK Insurance Law Association and Confederation of Insurance Brokers
- Include Green Bond Principles in the new Insurance Linked Securities legislation
- Introducing Green insurance categories within the various insurance awards events that take place annually
- HKGFA will conduct a competition for University students to submit entries for 'New Green Insurance Policies/ Solutions' to gain interest at universities and offer a cash prize.
- Work with the Insurance Authority to develop a "Green Insurance Principles" Guideline to help spur the development of Green Insurance

Four Pillars to focus the GIP

- Climate change adaptation – Risk/ Insurance coverage, risk engineering and underwriting to support/ enable businesses and communities to cope and respond to climate change
- Environmental damage/ pollution - ESG reporting requirements along with new regulations will ensure polluters ‘pay’ and remediate damage caused, insurance will need to play a vital role in the management and transfer of this risk
- Renewable/ recycling/ energy efficiency – this includes designing and prioritising risk capacity along with new coverages for these sectors to adapt to the changing needs of insureds
- Investment/ Asset Management – divert and focus insurance investment into green sectors to ensure sufficient capital is allocated to green projects

Green Insurance Principles – Key Components

The GIP could have the following core components:

- Use/Management of Premiums – investing premiums paid by insureds into certified Green Asset Classes, including new technology for example plastic substitutes, fossil fuel replacements and waste reduction process/ solutions
- Process for Insured/Project Selection – Working solely with brokers and insureds that create a positive environmental and social impact, are certified ‘Green’ or support the ‘Green economy’
- Business Operations – operations that are lean, energy efficient and minimise their carbon footprint and environmental impact
- Underwriting Models- insurers are required to factor in ‘Climate Change’ and a ‘Carbon Price’ into their risk models. This can extend to the portfolio level to capture the sectors (i.e. Palm Oil) that damage the environment and those that pollute (i.e. Coal Power Plants)
- Product Development – create and supply dedicated insurance solutions/ products that enable a shift towards a low carbon economy and new environmental friendly technologies
- Financial Reporting/ Market Disclosure – the ability to report end to end business operations of insurers inline with ESG/SDG frameworks

Green Insurance Principles – Examples

- Green insurance solutions would include the ability for clients to purchase insurance policies that facilitate and fund the rebuilding of damaged property to conform to new energy efficiency standards
- Green insurance solutions would specify cover for home solar and energy storage devices along with micro grids
- Green insurance solutions would support the building and operation of new waste treatment plants, biogas and other small scale energy or recycling activities, Clean fuels for maritime industry such as pyrolysis technology will also need new types of insurance solutions. All these areas can be targeted for insurance coverage
- Green energy output insurance to protect the revenue of solar and wind projects
- Incentivised for future green initiatives driven by technology change or legislative change
- Promotion of green living with available insurance solutions for consumer lines of business

Green Insurance Principles - Analogy

- The ecosystem will be similar to 'Takaful Insurance' where all assets, company operations and the entities covered along with the type of coverage are certified 'green' or 'sustainable' similar to the guiding principles that operate for Green bonds and Green Loan/ Green Finance.
 - For example the licensed insurer will have its capital invested in green corporate bonds, green sovereign bonds and equities of companies that are certified green. The licensed entity will then lease premises in energy efficient buildings and have digital operations that reduce paper and waste. Where possible they will utilise green energy sources for their electricity demand. The licensed entity will then provide insurance solutions for offshore wind projects, certified green/ energy efficient office towers, environmental consultants and many other companies and industries that do not have a negative impact on the environment
 - Potential for regulators to grant ' Green Insurance Licenses' for start-up and existing insurers that wish to demonstrate true green credentials

GIP Feedback from kick-off session

- Green Bond Principles - check this to see how it overlaps with UNEP FI and their Principles for Sustainable Insurance Initiative (PSI), Sustainable Insurance Forum
- Promote the creation of green insurance products 'made in Hong Kong'. Pollution liability insurance, windstorm/ typhoon coverage from climate change. Perhaps run a competition for 'best new green insurance solution' or have the HKFI awards include a 'green' category??
- Green building certification coverage – some examples exist already
- Task-force on Climate-related Financial Disclosure - transparency/ disclose climate information for insurance companies
- Reporting of green policies/ coverage will be an important consideration.
- ILS legislation could include Green insurance/ finance principles, check Green Bond principles too
- Are digital only insurers considered 'green' and can they adopt green principles?
- Government public insurance tenders to include the ESG/ Green capabilities of insurers as part of the tender process i.e. only insurers that report ESG/ Green appropriately in their annual reports can bid for tenders in Hong Kong