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6. Sustainable Insurance in India: An Overview

M. D. Wasim Raza, Anwar Rasheed

Ph.D. Scholar,
Management & Business Administration,
Aliah University,
Kolkata, India.

Dr. Furquan Uddin

Assistant Professor,
Management & Business Administration,
Aliah University,
Kolkata.

Abstract:

Research Aims: Presently, credible companies are putting green HRM practices into Businesses all across the world are becoming increasingly concerned about implementing sustainable practices. It has been found that risk management makes a substantial contribution to the encouragement of sustained corporate operations. ESG guidelines have given a lifeline to companies by safeguarding their future plan for sustainability. It is a creative solution that boosts corporate performance and promotes the sustainability of the economy, society, and environment. Studies reveal that the majority of people in India do not have insurance, which could be averse to their ability to support themselves in the future, especially in the event of illness or death. This article will draw attention to and educate stakeholders in society about insurance from a young age because sustainability issues will be the next big thing in the coming years. The focus of this descriptive essay is on India's situation with regard to sustainable insurance.

Keywords:

Sustainability, ESG, Insurance, Green Insurance, India.

6.1 Introduction:

A key component of sustainable development is the insurance sector. A strategic approach to sustainability is sustainable insurance. It is a creative solution that enhances company performance and contributes to a nation's ability to sustain its social, economic, and environmental systems (Masud et al., 2020). The natural environment, human well-being, and economic success are all being dangerously disrupted by global warming, says the Inter-governmental Panel on Climate Change (IPCC). Floods, droughts, and storms are all causing more deaths and damage than before. According to a recent prediction by the UN Office for Disaster Risk Reduction, there will be one major disaster every day by 2030. Tens of millions of people are killed by pollution and trash each year (UNEP, 2020).

To safeguard small enterprises, the UNEP (2020) has already established insurance policy guidelines. To speed up the transition to a net-zero carbon economy, an alliance has been developed. Additionally, it has established the first-ever insurance industry guidelines for ESG risks. A good place to start is through the NZIA's (Net Zero Insurance Alliance) collaboration with the Carbon Accounting Financials, which aims to create the first global standard to assess greenhouse gas emissions linked to insurance underwriting portfolios is underway.

The establishment of policies aimed at green insurance development will also increase the investment projects' liquidity, effectively boosting green insurance's internal motivation. Thus, the insurance sector is essential for the global promotion of environmental, economic, and social sustainability because of its substantial role in risk management and investment activity (Nobanee et al., 2021). To promote the Principles for Sustainable Insurance initiative, the United Nations Environment Program (UNEP) published the first Environment, Social & Governance handbook for the worldwide insurance market in June 2020. Through a worldwide roadmap that will enable industries to create cutting-edge risk management and insurance solutions, the principles will ultimately guide the insurance sector towards sustainability. With long-term sustainable improvements, the practices will alter will address well-known challenges like renewable energy, food security, resilient communities, greater catastrophe preparedness, climate change, etc (The Journal of Insurance Institute of India, 2021).

The environmental, social, and governance (ESG) standards offer a framework for investors to consider when assessing potential investment candidates. Sustainable investing and responsible investing are terms that are frequently used interchangeably when referring to ESG investing. However, there is a difference between ESG investing and socially responsible investing (SRI); although SRI actively prioritises the selection of investments based on social effect over predicted financial performance, ESG investing simply incorporates ESG elements into decision-making. (Claire and booth, 2020).

Table 2:

Environmental issues	**Social Issues**	**Governance issue**
Climate change issue: CO2 emission, carbon footprint	Human capital: Human resource Management, policy making, working environment.	Corporate governance: board structure, transparency, diversity
Allocation of Natural resources:water scarcity, source of raw material	Product liability: health risk, privacy and data security.	Corporate behaviour: tax policy, ethics, competition practices
Pollution & Waste: e-waste, toxic chemical pollution	Social oppurtunities: providing healthcare facilities, credit and finance facility	
Environmental Opportunity: clean energy, green energy	Stakeholder opposition: competition in the market	

Sources: (Claire Booth, July,2020)

Sustainable goods are those that protect insured from loss or harm while simultaneously preserving and promoting an environmentally conscious society. Insurance companies have been compelled to start offering services that will assist countries all over the world in achieving this long-term objective as they start making the shift to economies with low emissions.

If insurers act promptly, green products, also known as green insurance, will undoubtedly promote a speedy changeover. As per Pwc (2020), Some insurers throughout the world are already writing a few green products, and we have highlighted a few of these below:

- The term "green auto insurance" refers to an insurance programme created to reward drivers of environmentally friendly cars that lower greenhouse gas emissions. Some insurance providers offer special plans for hybrid or electric cars, among other environmentally friendly vehicles. This insurance could provide extra protection for particular hazards related to environmentally friendly automobiles, like coverage for charging cables or discounts on insurance premiums.
- Green insurance for homes: These is services that make it easier to use renewable resources or energy in homes or other structures and unconventional building techniques. This is really dissimilar from traditional home insurance. Moving toward a low-carbon environment entails a shift away from fossil fuels and toward renewable energy sources. Insurance costs might be decreased for homes that have earned Leadership in Energy and Environmental Design (LEED) certification from the Indian Green Building Council. There is also an endorsement for adopting eco-friendly substitute materials, as well as insurance coverage that fully covers renewable energy sources.
- Green Insurance for Business: Green commercial property insurance policies, which encourage and reward environmentally responsible behaviour, are advantageous to businesses. Such insurance policies provide coverage for a variety of things, including certified rebuilding in the event of a total loss, eco-friendly building systems, and eco-friendly materials. Businesses may also be given a green seal of approval if they use eco-friendly supplies and tools as well as pay for eco-friendly construction and related expenditures. By utilising alternative materials and energies for their buildings and surrounds, businesses are given the chance to keep fostering a sustainable environment.

The Covid-19 epidemic highlighted the necessity to utilise new management strategies and assure quick adaptation of insurance businesses to market needs by exposing their shortcomings and resistance to change.

Insurance companies should better grasp their impact on society and their need to act responsibly towards it during times of crisis.

This will help prevent customer losses and allow for customer growth through an increase in customer loyalty and trust. (Khovrak, 2020)

6.2 Objectives of the study:

- To study the Sustainability/green Insurance concept in the insurance industry in India.

6.3 Insights from Literature:

According to the UNEP report, despite the fact that major insurance companies are leading initiatives for sustainable insurance, many insurers are lagging behind because of a variety of obstacles. These include differences in the proportion of environmental risks that various insurance company segments are exposed to, misaligned market incentives, and capacity issues. Resilience would be given priority in the ideal sustainable insurance system, which would preserve and improve accessibility and insurability while lowering risks and exposures through managing risk and innovation. Thus, it would entail investments in long-lasting and environmentally sustainable assets (Gatzert, 2020). Regarding green assets, insurance companies may profit as green building occupiers in addition to investing in the greening of their surroundings and realizing better prices or rentals.

Significant benefits include decreased operational costs, enhanced facilities, increased staff productivity and health, improved business reputation, and environmental protection. These factors are also thought to be potential influencers for green premiums. However, a definitive conclusion about how much the benefits surpass the drawbacks is not yet attainable and necessitates future research (Zhang et al., 2018). Beiragh et al. (2020) evaluated 14 insurance businesses using three environmental, eight financial, and four social characteristics. An analytical hierarchy technique was used to rank the indexes using expert advice. As a result, evaluations that were both subjective and objective were integrated. Lastly, the findings supported by correlation tests show that the greatest sustainability indices are shared by the top-performing insurance companies.

6.4 Methodology:

This study was created to examine various green marketing initiatives within the Indian insurance business. The study is descriptive in nature, and secondary data sources have been used.

6.5 Scope of the study:

The current study is only concerned with green marketing in the Indian insurance industry.

6.6 Present State of Sustainable Insurance in India:

ICICI Prudential Life Insurance has become the first company to make a commitment to ESG problems by signing the United Nations-supported Principles for Responsible Investment (UNPRI). ESG aspects are now being incorporated by the corporation into its framework for responsible investment Practices. In addition, ICICI Prudential Life Insurance has incorporated sustainability concepts into all facets of its business operations, making sure that the environment, social, and governance are taken into account when making decisions. This displays the company's understanding of the significance of sustainable practices in generating long-term value for all stakeholders and demonstrates the company's commitment to integrating sustainability across its organisation, from product design to customer service. ICICI Prudential Life Insurance is one of the bigger institutional investors, with assets under management of over 2.4 lakh crore.

In order to ensure that investee companies run their businesses responsibly and sustainably, the corporation also works with them on ESG issues (Shetty, 2021) An ESG-only fund called the Sustainable Equity Fund was launched by Max Life India. The Max Life Sustainable Equity Fund will enable users to participate in companies that maintain suitable ESG scores in response to the growing demand for responsible investment. The "Max Life Sustainable Equity Fund" is an investment vehicle that makes investments in socially conscious businesses and considers environmental, social, and governance standards when making investment decisions. The Nifty ESG 100 Index will be used as the benchmark for this new actively managed ESG fund, according to Max Life. This indicates that this fund will make investments in businesses that are both included in the ESG index and have a high overall ESG score. (Das, 2022)

Table 2:

Company's Name	**Weight (%)**
HDFC Bank Ltd.	10.20
Reliance Industries Limited	9.96
Infosys Limited	8.64
Housing Development Finance Corporation	7.00
Tata Consultancy Services Ltd.	5.25
Kotak Mahindra Bank Ltd.	4.44
Hindustan Unilever Ltd.	3.75
Larsen & Toubro Ltd	3.67
State Bank of India (SBI)	3.22
Axis Bank Limited	3.15

Sources: Nifty 100 ESG Leaders Index (30^{th} August 2022)

The government clearly wants the nation's largest asset manager to be better positioned to foresee potential risks and possibilities in its operations and investment methods, as seen by LIC's decision to pursue an ESG rating. LIC needs to have a reliable ESG strategy in order to receive a favourable rating and catch the attention of international institutional investors. This will require addressing and mitigating its most significant ESG risks and seizing the most important ESG opportunities. A high ESG rating may attract long-term, patient investors and increase the firm's worth, but it also may put pressure on the company to enhance its ESG profile due to demand from these investors. This suggests that LIC will need to view both its existing and future investments through an ESG prism. This news is certain to generate discussion in corporate boardrooms across the nation because the insurer owns more than 3.5% of India's listed equities universe. As a result, businesses will reevaluate their ESG policies to avoid criticism and pressure from one of their largest investors. In India, LIC owns more than 1% of 281 businesses, including ones in the banking, energy, commodities, and IT industries (Economic Times, 2022).

The General Insurance Council of India has announced that it has joined the UN Principles for Sustainable Insurance Initiative as a PSI Supporting Institution. The General Insurance Council, which represents 45 non-life insurance and reinsurance businesses in India, decided to join the PSI initiative to promote sustainable insurance and ESG standards in the non-life insurance industry during a meeting of the Executive Committee. The Council will persuade its members to embrace and put into practice the Principles for Sustainable Insurance. The Council is concentrating on enhancing climate change resilience and quickening the shift to a post-carbon world. The Council is proving its commitment to sustainability and supporting India's efforts to move towards a more sustainable future by endorsing sustainable practices and increasing understanding of environmental, social, and governance aspects in the non-life insurance sector (General Insurance Council Joins UN Principles for Sustainable Insurance Initiative., n.d.).

6.7 Conclusion:

The larger sustainability agenda in India must include sustainable insurance. For insurance firms to have the least number of negative effects on the environment, society, and the economy, they must embrace sustainable practices. Sustainable insurance enables businesses to provide their clients with cutting-edge goods and services that promote sustainable behavior while lowering risk and boosting resilience. Companies that put an emphasis on the environment, employees, and an ethical method of conducting business will gain from the market in the long run and will continue to do so. Insurance companies will cover enterprises that adhere to ESG principles for a sustainable and prosperous future as well as invest in sustainable businesses. People must understand the pressing issues facing the world as stakeholders in the community and act responsibly by allying themselves with businesses that support a green future. In order to attain long-term orientation, numerous stakeholders, including the government, must respond in a circular manner. A sustainable future cannot be a one-sided affair.

6.8 Future Research Direction:

The scenario of sustainable insurance in India and its trends in the future are highlighted in this descriptive study. Additional research can be done on corporate social responsibility, ESG risk underwriting, and ESG concerns handling in insurance finances. Stakeholder theory and agency theory are two important theories that underpin CSR.

Through these studies, the impact of sustainable insurance could also be evaluated. Operations strategy and the elements that fuel ESG risk underwriting development could also be the focus of further study. These kinds of studies will result in increasing ESG risk management awareness and information sharing between developed and developing insurance markets, resulting in more sustainable business practices for policyholders and insurance businesses globally. However, there is still a lack of intent for sustainability by companies. The Sustainability component will serve as a point of differentiation for organisations until a higher degree of openness and uniformity is achieved in analysing the risk and opportunities of companies that are implementing sustainability.

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