Insurance Innovation: New Products & Services, Proactive Investments

The Greening of Insurance

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Creative tension

- World is changing in response to climate change
- Customers want insurers to do more
- Regulators want insurers to do more
- Risk management has drifted from physical loss prevention to the financing of loss costs
Speakers

- **Green buildings insurance**
  - Steve Bushnell

- **Mileage-based car insurance**
  - Claudia Polsky

- **Energy Performance Insurance**
  - Rick Jones (HSB)

Overview

Evan Mills
1500 activities

- 600 entities, of which:
  - 504 insurers
  - 10 reinsurers
  - 20 brokers
  - 18 insurance organizations
  - 37 non-industry entities
- 51 countries

Climate-focused insurer activities (number)
Resilience: Parametric insurance for coral reef protection and restoration following hurricanes
Market uptake?

• No reporting standard or requirement: disclosure focuses mostly on ‘bad stuff’

• Some examples can be found
  • Allianz reports its 151 “Green Solutions” in 29 countries are generating $1.4 billion per year as of 2015
  • Munich Re’s Green Tech Solutions group reported $100 million in premiums from green-oriented products in 2015
  • Telematics-based insurance
    • 8.5% of US consumers as of 2014
    • Progressive usage-based car insurance: 2 million policies ($2B premium)
Barriers

• Catch-22: Rate filings usually must include statistical data that supports proposed new rating structures.

• Surveys of brokers/agents: mixed results on perceived demand and uptake
  - Agent/Consumer awareness
  - Pricing
  - Perceived greenwashing
Services

• **Analysis**
  - Home energy calculator (Allstate)
  - Green buildings certification, carbon footprint calculation (ACE)
  - Energy benchmarking (HSB/Solomon)

• **Inspection**
  - Infrared camera scans to find energy loss and fire hazards (Chubb)

• **Risk advising**
  - Geothermal exploration risk advisory (Marsh)
  - Biofuel project risk assessment (Gcube)
  - Wind turbine loss-prevention (Chartis)

• **Large-scale planning**
  - ClimateWise Resilient Cities Toolkit
    (28 insurers)
Tokio Marine Nichido Mangrove Reforestation

- 100-year program
- 25,000 acres (9 countries) since 1999
- 160,000 metric tons of CO$_2$ sequestered

Indian Ocean tsunami following earthquake off the island of Sumatra in December 2004

Mangroves in Ranong, Thailand (low damage)

Tale Nok (near Ranong), no mangroves (high damage)
Over $60 billion in clean energy investment by global insurers

Approximately 85% are direct investment; balance in mixed social & environmental funds.

Excludes investment in owned real estate, e.g. Prudential has 35 million square feet of LEED-certified office buildings, valued at $17B

Insurers have also played leadership roles in establishing socially responsible investment frameworks, e.g. Ceres’ Investor Network on Climate Risk and Sustainability (INCRS)
Take aways

• Innovation in this space is vibrant
• Marketing is minimal; consumer awareness is very low
• Tracking of uptake needed
• Regulators should be attentive to obstacles and the potential for greenwashing