



The roadmap to insuring a sustainable future

All twenty members of the Sustainable Markets Initiative's Insurance Task Force (SMI ITF) proactively support their clients' transition plans, seeking to build a more resilient and sustainable future, and putting Nature, People and Planet at the heart of global value creation.



Collectively, the Task Force offers over 50 insurance products and services designed to support this ambition and is seeking to create further innovative climate resilient solutions in partnership with the broader industry and private sector.

50+

1. Starting with the foundations

The insurance market is well equipped to support established clean technology solutions and has a wide range of products that support wind and solar projects, with multiple products offered by ITF members.

Insurance cover for hydrogen projects is also growing, with ITF members offering nine products across the whole hydrogen process (e.g. pipelines, transportation) and trade credit products.



Photovoltaic warranty insurance

In 2009, Munich Re established what is now a widely recognised standard for warranty insurance for the solar industry. This protects manufacturers from excessive warranty claims on modules for a period of up to 30 years, covering excessive material aging, manufacturing defects, and material defects amongst others.

Members of the ITF have insured over 900 clean energy projects.

>900

In 2022, just two members of the ITF insured 3.8% of total renewable energy capacity globally (140GW).

140GW

52% of current climate resilient solutions offered by the ITF cover clean technologies (29 of 56).

52%

2. A new era of power

While proven technologies such as solar and wind are critical to transition, emerging technologies will also be important to facilitate a balanced, adaptable energy mix.

The ITF and broader insurance industry are working towards long term risk transfer solutions which will support the development of emerging technologies like carbon capture and storage (CCS), battery storage and grid solutions, geothermal energy, and low carbon buildings.



Powering battery storage systems

ITF member TMK has worked with Altium to create a third-party liability and a property damage/warranty product for battery storage systems. Released in 2023 the product is expected to facilitate the use of, and trade in, second life batteries for battery energy storage systems, which will be a cornerstone of the battery circular economy.

Investment in emerging green technologies is expected to grow significantly towards 2030.

2030

Investment in CCUS, for example is forecast to grow by +345%, from \$40bn in 2025 to \$178bn by 2030.

+345%

To support this level of growth, and to protect the balance sheets of investors and project developers, it is critical that the insurance industry works collaboratively with its stakeholders and can respond at scale.

3. Supporting hard-to-abate sectors

In part due to appetite, transition risks and a lack of viable abatement options, hard-to-abate sectors such as agri-business (agriculture and forestry) and marine and aviation are transitioning at a slower pace. The insurance industry and the ITF are proactively exploring risk transfer for hard-to-abate sectors to support their transition pathways.



Scaling regenerative agriculture

The ITF is collaborating with the SMI Agribusiness Task Force to unlock a ground-breaking cross sector financial solution which aims to accelerate the global transition to a regenerative agricultural system.

Cutting carbon in the air

Risk revealed by Lloyd's: Lloyd's has worked with SMI members bp and Heathrow Airport to run an educational event exploring the role of biofuels and Sustainable Aviation Fuel (SAF) in the aviation sector's transition, and the implications for the insurance industry.

There's an opportunity for insurance to accelerate up to 25% of identified agribusiness carbon abatement opportunities through tailored products and stewardship to support the evolution of crop and animal protein production, along with electrification of farm and forestry vehicles.

25%

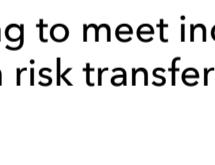
Investment needed by 2050 to reach shipping and aviation net zero targets.

\$750bn

4. De-risking investments to enable growth across green solutions

Without financial backing, clean and low carbon energy solutions will struggle to get off the ground. Credit scores can be seen as a blocker of innovation in the clean energy space, with SMEs struggling to secure capital from traditional financial lenders to update or install infrastructure.

The insurance market, and members of the ITF are enabling proactively to support and enable increased financing of 'green projects' by de-risking transactions. ITF members are also innovating across the carbon offsets demand, looking to meet increasing demand with risk transfer solutions.



Enabling sustainable asset investment

Credit insurance
ITF member Ascot, supports Tierra, a new Managing General Agent established to provide credit insurance to banks who are providing green project financing loans to their clients.

It covers \$6.5m in sums insured, the insurance protects against default under the project loan and allows banks to reduce their risk and capital charges related to green projects and therefore increase their lending volumes.

Partnering with tech for product innovation
Howden, working with Respira International and Nephila, launched a carbon credit insurance product, designed to give buyers and sellers of high-quality, verified carbon credits greater certainty and help the voluntary carbon market grow to \$50bn by 2030.

In 2022, ITF member Phoenix invested £1 billion in sustainable assets including £483m to support renewable energy production and sustainable transport.

£1bn

Lloyd's fund managed by Schroders invests £250m globally across private equity, infrastructure, natural capital and real estate targeting the long-term themes of climate mitigation, climate adaptation, circular economy and social inclusion.

£250m

5. Decommissioning, recovery and rebuild

As well as supporting transition activities to mitigate the rise in greenhouse gas emissions, the insurance industry has the capability to help protect against the impacts of today's climate challenges, as well as the recovery and rebuild from their effects.

Insurers are also evaluating the business case for claims-led transition and half of the insurer ITF members have adopted "build back better" clauses following a claim, enabling their clients to rebuild to more sustainable standards.



Climate adaptation and resilience

Arbol, Tokio Marine Kiln, Beazley, Nephila:
The Arbol parametric facility, led by Beazley, supported by Tokio Marine Kiln and Nephila, provides up to \$5 million in coverage limits, aiming to offer policies to agriculture, energy, maritime and hospitality sectors protecting from adverse weather events.

50% of ITF members have adopted build back better clauses following a claim, enabling their clients to rebuild to more sustainable standards.

50%

The insurance industry clearly has a critical role to play as we work on addressing and tackling climate change; de-risking investments to accelerate development of transition technologies, and influencing behaviour via policy incentives, "build back better" policies, and via the industry's own investments as asset managers.

Collaboration is the key to success. By working closely together, and collaborating with stakeholders outside of the insurance industry, the members of the Insurance Task Force can drive positive change and unlock new opportunities for growth.