Commercial Risk
Insurance & Risk Management News

Buyers question whether carriers are making the most of ESG data

Ben Norris   September 5, 2023

Risk and insurance managers from Belgium question whether the growing interest in ESG data from insurers is much more than a tick-box exercise and really getting them better coverage, or helping to develop the solutions needed to navigate the carbon transition.

Bart Smets, head of risk and insurance at Umicore, said he is getting asked more and more questions by insurers about ESG but is unclear what they are doing with the information and whether it is getting him better cover.

"The question is what are the insurers actually doing with the information other than ticking the box? I don't see any real advantage yet and I have asked the question several times to the major players and they couldn't really answer it. I have asked 'will I get better terms and conditions?' I don't get a clear answer," said Smets.

He said financial institutions offer preferential rates for firms that can show their ESG credentials and would like insurers to do the same.

"Things are completely different in the finance industry, where banks provide advantages to companies investing in, and performing well on, ESG. We have sustainability-linked loans in place, tying our group's funding costs to the sustainability performance . So why can't the insurance market do something similar?" asked Smets.

Marie-France Theys, corporate risk and insurance manager at Schneider Electric, agreed that it is unclear exactly what insurers do with information on ESG. She too wonders if it is really just a tick-box exercise. But even so, she thinks supplying the data likely works in insureds' favour.

"I don't know what they really do with that information. I think more and more decisions are taken at the head office level and locally they have to 'tick certain boxes'. That would be my feeling. But by ticking those boxes I guess insurers are reassured that ESG risks are being analysed and being managed. So I think ultimately it probably does help us," said Theys.

The Belgian risk managers would like insurers to step up with better risk transfer solutions to help companies through the carbon transition.

Smets said insurers want to see progress on ESG and want clients to reduce their emissions but are struggling to support customers through the transition. Participants in our Risk Frontiers survey from across Europe have voiced similar concerns.

"Investing in green energy can cause issues for insurers and you can't get cover because it is perceived as high risk. So insurers need to know what they want. Either you invest and they follow and support you, or not," said Smets.

"This is absolutely true," agreed Gaëtan Lefèvre, president of Belrim. "And without insurers' support there is no innovation. We are developing new technology and we need the cover but it is not coming as quickly as it could be hoped," he said.

The Belgian risk and insurance managers added that they are involved in managing ESG risks but aren't in charge of this process.

“I am involved but I am not responsible for ESG matters. We have a dedicated ESG department. We both report to the same member of the exec committee. We work very closely together. I come more into play on ESG-related risks,” said Smets.

“I am not directly in control but I work my colleagues on ESG. I work mainly on the E. We are beginning to certify ourselves to environmental standard ISO 14001,” added Yves Brants, risk manager at NRB.

Lefèvre, who is head of professional ethics risk and insurance management at John Cockerill, said he is involved with an ESG project his firm started late last year. “The board appointed a person in charge of ESG. So there is a strong link between project ESG and the board. Risk management is part of this ongoing process,” he said.