

accenture

Ensuring Change: Why Awareness is Key to APAC's Sustainable Insurance Future



Summary

Awareness and interest in sustainable finance initiatives within APAC's insurance industry is pervasive. Nearly eight out of ten insurance companies are pursuing some sort of action towards implementing them, with 37% saying they have designated the issue as the top company-wide priority.

This is among the findings of a survey commissioned by Accenture and carried out by Forrester Consulting on 137 decision makers and influencers on sustainable finance initiatives within the region's insurers.

The other major findings of our research include:

Megatrends

- **Global initiatives are having a tangible impact on APAC insurers**

APAC's insurance industry is strongly influenced by the United Nations' Sustainable Development Goals (SDGs), which provide the framework for global alliances such as the Principles for Sustainable Insurance (PSI).

- **Client demand and expanding opportunities are also driving change**

Other leading drivers of sustainable finance initiatives among APAC's insurers are demand from retail and institutional investors to achieve long-term portfolio performance, and the greater sustainable finance opportunities that have arisen in the wake of Covid-19.

State of ESG adoption

- **"E": Sustainable supply chains top environmental priorities**

Managing the sustainability of supply chains is by far the most commonly-cited environmental priority for APAC insurers, followed by improving sourcing efficiency, ameliorating air quality, reducing carbon emissions and mitigating the physical impacts of climate change. To tackle these issues, the industry is counting on measurement and technology – developing digital tools and solutions along with improving data collection and reporting are the two most common planned actions.

- **"S": Data security is the main social priority**

Given the increasing prevalence of data breaches and cybercrime worldwide, addressing data security is insurers' top priority within the social category. Others include major social priorities include improving product quality and safety and employee health and safety, as well as protecting customer privacy. The industry is working on a largely technology-based response to address these priorities.

- **“G”: Managing systemic risk and preparedness for crises top insurers’ governance priorities**

Chief among the governance priorities of the region’s insurance firms, especially in light of the ongoing Covid-19 outbreak, is honing their ability to manage systemic risk and deal with events such as financial crises, recessions and pandemics. Again, upgrading technology and improving data collection and reporting are the leading responses.



Challenges and opportunities

- **Firms need relevant business cases**

The survey shows the biggest obstacles to adopting sustainable finance initiatives are a lack of solid business cases and internal resistance to and suspicion of such initiatives. There are significant incentives to overcome these barriers, the biggest of which is a potential improvement in brand image and reputation. The other benefits are decidedly commercial in nature, including reducing risk and costs, and developing new revenue streams.



Roadmap to sustainability

- **Building buy-in through awareness**

Asia Pacific's (APAC) insurance companies are seeking to implement sustainable finance through partnerships and education. Most are working together with clients and business partners to raise awareness of environmental, social and governance (ESG) issues, and to manage risks and develop solutions.

- **Focused on organisation structure**

Whereas banks are pursuing a technology-first approach to implementing their ESG initiatives, the region's insurers are currently focused primarily on their organisation structure, though technology infrastructure and services and executive alignment are also regarded as major priority areas.

- **Sustainable finance products coming online**

Over the next 12 to 24 months, insurance companies' focus will shift principally to offering sustainable finance products. Of the currently offered products and services, social impact investing is by far the most common, but the balance expected to shift towards sustainable impact investing over the coming two years.

Insurers already play an important role in supporting the development of clean energy in the region by providing relevant coverage, risk management and advice. Over the next 12 to 24 months, their focus will shift to keeping up with their banking counterparts in providing a wider range of relevant products to clients.

Adhering to international principles

APAC’s insurance industry is strongly influenced by principles outlined in the United Nations’ Sustainable Development Goals (SDGs), which provide the framework for global alliances such as the Principles for Sustainable Insurance (PSI). Nearly two-thirds of respondents to a new survey commissioned by Accenture and conducted by Forrester Consulting cite these as having a high or critical impact on their sustainable finance initiatives (Figure 1).

The survey covered 267 decision makers and influencers on sustainable finance initiatives in APAC. Roughly half of these represented the insurance industry, of which 61% were predominately associated with general insurance and 39% with life assurance and pensions.

The other leading drivers of sustainable finance initiatives among APAC’s insurers identified by the survey are demand from retail and institutional investors to achieve long-term portfolio performance, and the greater sustainable finance opportunities that have arisen in the wake of Covid-19.

Another key motivator is the need to align with consumers’ personal values. Insurance firms in the region are also significantly more likely than their banking counterparts to cite the need to be prepared for evolving global and local regulations as a compelling reason to pursue sustainable initiatives.

Figure 1: Drivers of sustainable finance initiatives

Q: How have the following megatrends impacted the implementation of your organisation’s sustainable finance initiatives? (top five drivers)

	High impact	Critical impact
The establishment of the UNSDG’s goals, principles of responsible investment (PRI), principles of responsible banking (PRB), and principles of sustainable insurance (PSI). [Regulation & Policy]	49%	15%
Retail and institutional investors demand ESG inclusion to achieve long-term portfolio performance. [Stakeholder]	47%	15%
Increasing business opportunities in sustainable finance post-COVID-19. [Business]	45%	16%
Consumers seek out financial service firms that align with their personal values. [Stakeholder]	47%	14%
The establishment of global and local regulations on sustainable finance requires financial service firms to get prepared. [Regulation & Policy]	47%	12%

Base: 137 sustainable finance decision makers in insurance firms in APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

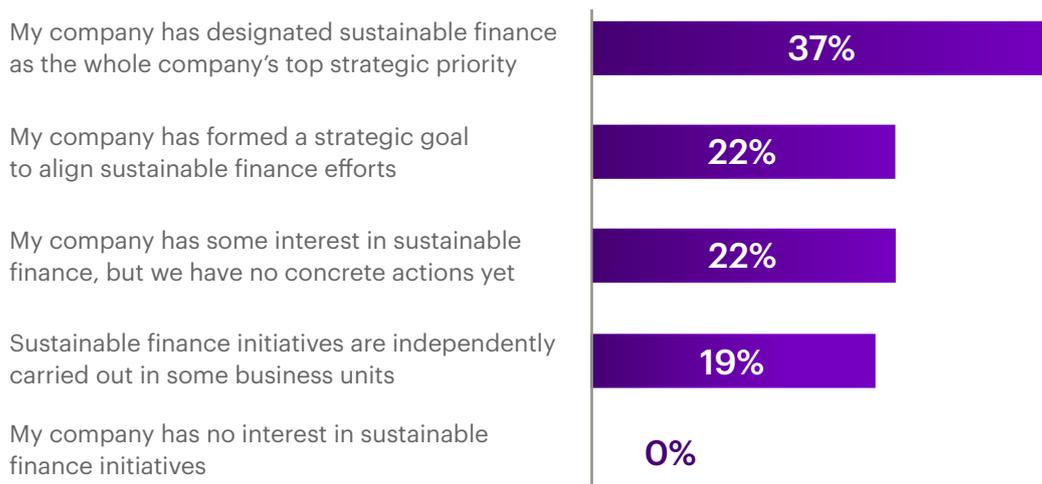


Awareness and interest in sustainable finance are pervasive

These megatrends have led to pervasive awareness and interest in sustainable finance initiatives within APAC's insurance industry (Figure 2). Nearly eight out of ten insurance companies are pursuing some sort of action towards implementing them, with 37% stating they have designated the issue as the top company-wide priority. Only 22% have yet to take concrete action.

Figure 2: Sustainable finance strategy

Q: Which of the following best describes the current state of your organisation's sustainable finance strategy?



Base: 137 sustainable finance decision makers in insurance firms in APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021



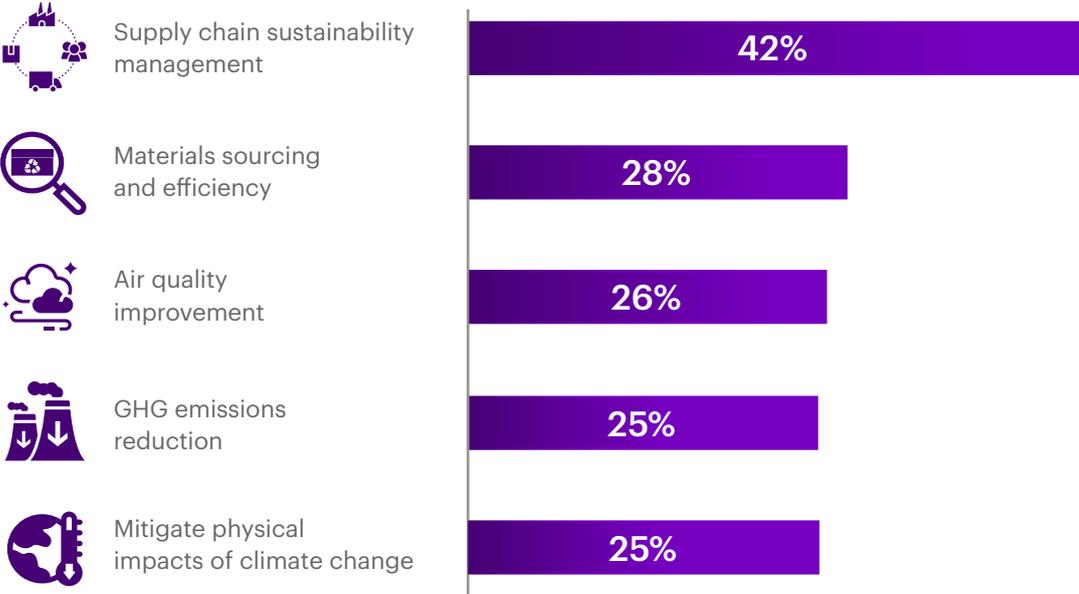
Sustainable supply chains are insurers’ top environmental priority

Driven by a variety of internal and external forces, APAC’s insurers have defined clear priorities in each of the environmental, social and governance (ESG) categories.

Managing the sustainability of supply chains was by far the most commonly-cited environmental priority (Figure 3), followed by improving sourcing efficiency, ameliorating air quality, reducing carbon emissions and mitigating the physical impacts of climate change.

Figure 3: Environmental priorities

Q: Please indicate the priority of the following ESG factors for your organisation (showing top five)



Base: 137 sustainable finance decision makers in insurance firms in APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

To tackle these issues, the industry is counting on measurement and technology – developing digital tools and solutions along with improving data collection and reporting are the two most common planned actions across various priorities (Figure 4). Also high on the agenda of APAC’s insurance firms is increasing investment in providing relevant products and tightening internal policies and processes to address issues at the source.

Figure 4: Planned actions on environmental priorities

Q: Please indicate which actions your organisation will take to accomplish these ESG priorities
(top three actions across respondents that identified priority)

 Supply chain sustainability management	 Materials sourcing and efficiency	 Air quality improvement
67% Develop digital tools and solutions [enablement]	71% Improve data collection and reporting [enablement]	63% Develop digital tools and solutions [enablement]
67% Increase direct investment in this ESG priority [product]	63% Tighten internal policies and processes to prevent/reduce practices that do not meet this priority [policy]	60% Increase direct investment in this ESG priority [product]
66% Provide relevant products and services [product]	55% Develop digital tools and solutions [enablement]	57% Improve data collection and reporting [enablement]
N=58	N=38	N=35

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

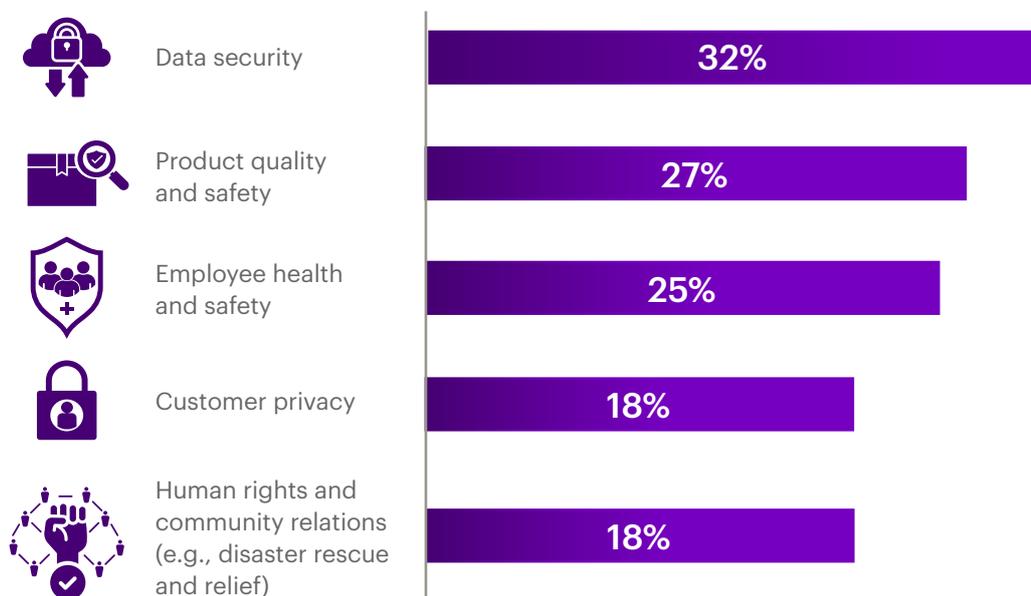


Data security is the main social priority

Given the increasing prevalence of data breaches and [cybercrime worldwide](#),¹ addressing data security is the top priority within the social category among APAC’s insurance firms (Figure 5). Other major social priorities include improving product quality and safety and employee health and safety, as well as protecting customer privacy.

Figure 5: Social priorities

Q: Please indicate the priority of the following ESG factors for your organisation
(showing top five)



Base: 137 sustainable finance decision makers in insurance firms in APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

¹ Chinmay Low, “Top cyber insurance industry predictions for 2021”, Asia Advisers Network, 18th January, 2021:
See: <https://www.asiaadvisersnetwork.com/Article?aid=75293>

The industry is working on a largely technology-based response to address these priorities, with developing digital tools and solutions and improving data collections and reporting among the main planned actions across the board (Figure 6). APAC’s insurance firms are also looking to increase investment in providing relevant products and tightening internal policies and processes to achieve their social priorities.

Figure 6: Planned actions on social priorities

Q: Please indicate which actions your organisation will take to accomplish these ESG priorities
(top three actions across respondents that identified priority)

 Data security	 Product quality and safety	 Employee health and safety
66% Develop digital tools and solutions [enablement]	70% Develop digital tools and solutions [enablement]	65% Improve data collection and reporting [enablement]
66% Improve data collection and reporting [enablement]	61% Improve data collection and reporting [enablement]	53% Provide relevant products and services [product]
55% Provide relevant products and services [product]	55% Increase direct investment in this ESG priority [product]	47% Tighten internal policies and processes to prevent/reduce practices that do not meet this priority [policy]
N=44	N=37	N=34

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021



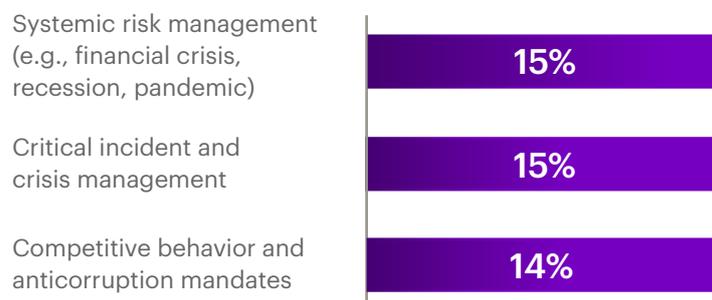
Managing systemic risk and preparedness for crises top governance priorities

Chief among the governance priorities of the region's insurance firms, especially in light of the ongoing Covid-19 outbreak, is honing their ability to manage systemic risk and deal with events such as financial crises, recessions and pandemics (Figure 7).

Other common governance focus areas are upgrading critical incident and crisis management, and developing competitive behaviour and anti-corruption mandates. Among the planned actions to address these issues are developing digital tools and solutions, improving data collection and reporting, and tightening internal policies.

Figure 7: Governance priorities

Q: Please indicate the priority of the following ESG factors for your organisation
(showing top three)



Base: 137 sustainable finance decision makers in financial services industry in APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

Firms need to develop relevant business cases

Despite having clearly defined priorities and plans of action, insurance firms in APAC continue to face significant resistance to adopting sustainable finance initiatives (Figure 8). The biggest obstacle is a lack of solid business cases, followed by internal resistance to and suspicion of such initiatives.

Other major barriers are the complexity and enormity of the required transformation, concerns about loss of business and revenue due to ESG screening and lack of capacity and resources to dedicate specifically to sustainability initiatives and reporting.

Figure 8: Barriers to sustainable finance

Q: Please indicate the challenges that your company faces in pursuing sustainable finance

	Challenging	Very Challenging
Lack of solid business cases [ROI]	40%	24%
Face resistance and suspicion internally of such initiatives [Vision]	44%	20%
The complexity and enormity of the required transformation [Strategy]	45%	18%
Loss of business and revenue due to ESG screening [ROI]	31%	28%
Lack of capacity and resources to dedicate specifically to sustainability initiatives and reporting [Implementation]	34%	25%
Lack of executive alignment on sustainability/ESG [Vision]	36%	23%
Lack of talent and required skills for implementation [Strategy]	39%	20%
Lack of clear understanding of current local and global regulations [Implementation]	31%	26%
Lack of budget and funding to support ESG initiatives [Strategy]	36%	20%
Lack of executive commitment to sustainability/ESG [Vision]	32%	23%
Lack of adequate, reliable, and comparable data [Implementation]	33%	21%
Current technology infrastructure cannot support the transformation efforts [Implementation]	34%	20%

Base: 137 sustainable finance decision makers in insurance firms in APAC

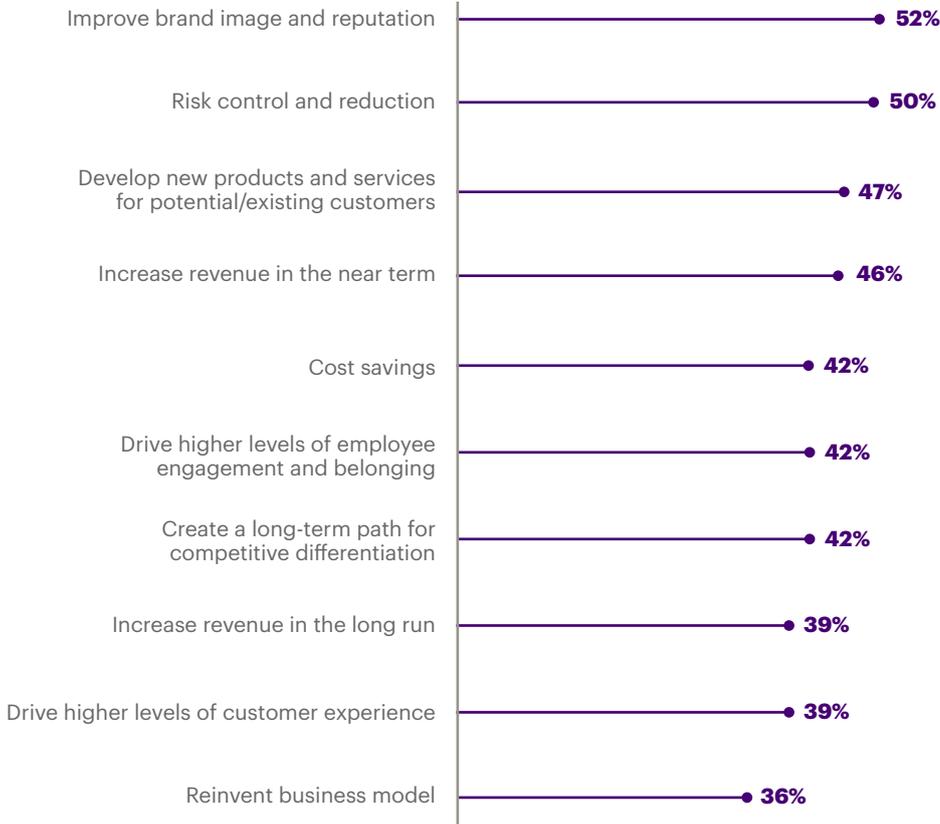
Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

There are, however, considerable incentives to overcome these barriers, the most widely acknowledged of which is an improvement in brand image and reputation (Figure 9). The other major benefits brought by ESG initiatives are decidedly commercial in nature, including controlling and reducing risk, developing new products and services for potential/existing customers, increasing near-term revenue and achieving cost savings.

Notably, pursuing sustainable finance initiatives is also considered an important way to drive higher levels of employee engagement and belonging – an outcome that is especially valued among APAC’s banks, but also coveted by the region’s insurers.

Figure 9: Benefits Brought by ESG Initiatives

Q: Please indicate which of the following are the top benefits you expect from sustainable finance initiatives



Base: 137 sustainable finance decision makers in insurance firms in APAC
 Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

Building buy-in through awareness

APAC's insurance companies are seeking to implement sustainable finance through partnerships and education. Most are working together with clients and business partners to raise awareness of ESG issues, and to manage risks and develop solutions (Figure 10). And a slim majority are working with governments, regulators and other key stakeholders to promote widespread action across society on ESG issues.

Transparency and accountability are also considered crucial to the effort, with the majority seeking to achieve this by publicly disclosing their progress in implementing ESG principles. And 49% either agree or strongly agree that they embed relevant ESG issues in their decision-making process, just a little short of the 51% of the surveyed banks who said the same.

Figure 10: Current ESG practices

	Agree ✓	Strongly Agree ✓ ✓ ✓
We work together with clients and business partners to raise awareness of ESG issues, manage risks, and develop solutions	34	27
We demonstrate accountability and transparency in regularly and publicly disclosing the progress in implementing the principles	25	26
We work together with governments, regulators, and other key stakeholders to promote widespread action across society on ESG issues	31	20
We embed environmental, social, and governance issues that are relevant to our business in our decision-making process	26	23
We set and publish targets where we can have the most significant impacts	26	19

Base: 137 sustainable finance decision makers in insurance firms in APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

Whereas banks are pursuing a technology-first approach to implementing their ESG initiatives, the region’s insurers are currently focused primarily on their organisation structure, though technology infrastructure and services and executive alignment were also regarded as major priority areas in this regard (Figure 11). Over the next 12 to 24 months, the focus will shift to implementing relevant performance metrics and operational processes, while the mission to attain executive alignment will continue.

Figure 11: Priority areas to implement ESG initiatives

Q: Please select the top three priority areas to enable your company’s ESG initiative implementation plan currently and in the next 12 to 24 months

 Insurance	
Currently	In 12 to 24 months
35% Organization structure	39% Performance metrics
34% Technology infrastructure and services	36% Executive alignment
34% Executive alignment	33% Operational processes

Base: 137 sustainable finance decision makers in insurance firms in APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021



Ensuring partners are on the same page

In line with their focus on partnerships, APAC's insurance companies are currently mainly focused on auditing their business partners to ensure they meet the firms' sustainability standards. They are also working to create a dedicated sustainability function within the firm, adopt a business code of ethics and install software to manage their corporate social responsibility practices.

Over the next 12 to 24 months, their focus will shift principally to offering sustainable finance products (Figure 12). Of the currently offered products and services (Figure 13), social impact investing is by far the most common, but the balance is expected to shift towards sustainable impact investing over the coming two years.

[AXA Insurance](#) in Singapore is among the pioneers of that shift, with its provision of sustainable investment options to customers through ESG funds in its investment-linked plan fund offerings. These funds not only integrate sustainability in the investment process through negative screens, ESG integration and active ownership, but they also aim to contribute towards the SDGs.²

Other current offerings include transition risk insurance and sustainability advisory. Through such services, [insurers](#) play a vital role in supporting the spread of sustainability projects such as renewable energy throughout APAC by providing developers relevant coverage, risk management and advice.³ In Japan, for example, Tokio Marine Holdings and Mitsui Sumitomo Insurance are developing products to cover risks associated with solar energy, wind energy, geothermal power, and biomass power generation.⁴

² "AXA Insurance Makes Sustainable Investing Accessible to Customers with ESG Funds in its Investment-Linked Plan Fund Offerings", AXA Insurance, 1st April, 2021

See: <https://www.axa.com.sg/latest-news/axa-insurance-makes-sustainable-investing-accessible-to-customers-with-esg-funds-in-its-investment-linked-plan-fund-offerings>

³ Sukho Lee, "The Critical Role of Insurance in the Transition to Clean Energy", Development Asia, 28th June, 2021

See: <https://development.asia/insight/critical-role-insurance-transition-clean-energy>

⁴ Ibid.

Figure 12: Current and Planned Sustainable Finance Initiatives

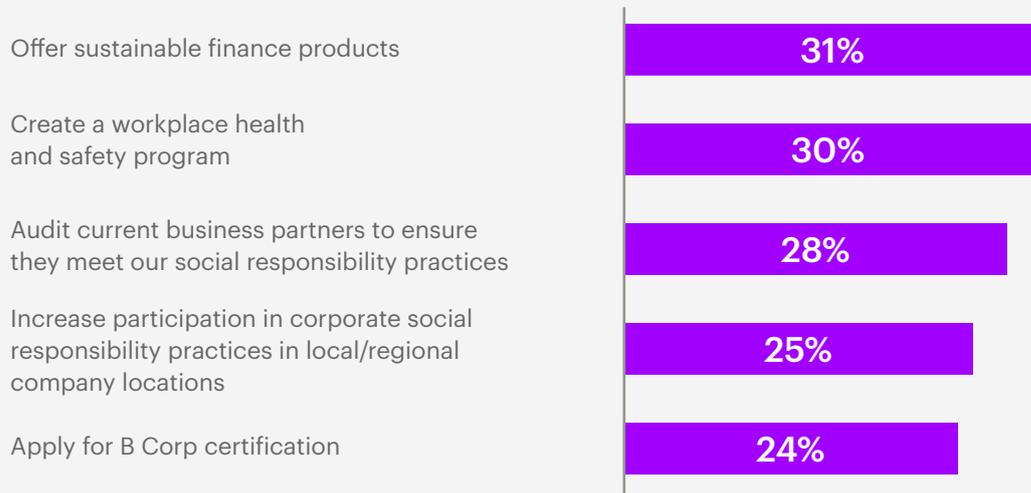
Q: To your best knowledge, which of the following internal initiatives is your organisation currently working on? What about in the next 12 to 24 months?

Now



Base: 107 sustainable finance decision makers in insurance firms in APAC

In 12-24 months



Base: 137 sustainable finance decision makers in insurance firms in APAC

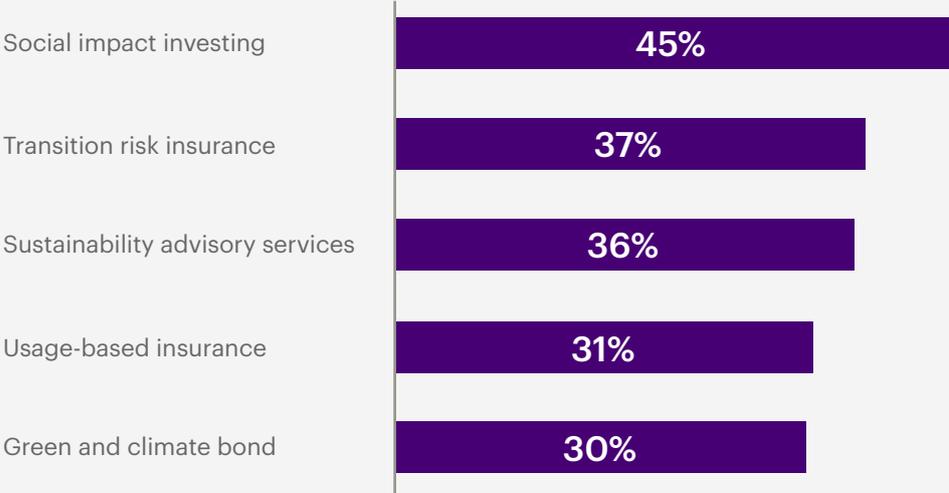
Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

Over the next 12 to 24 months, APAC’s insurance firms plan to get more involved in providing green loans, green and climate bonds, and usage-based insurance.

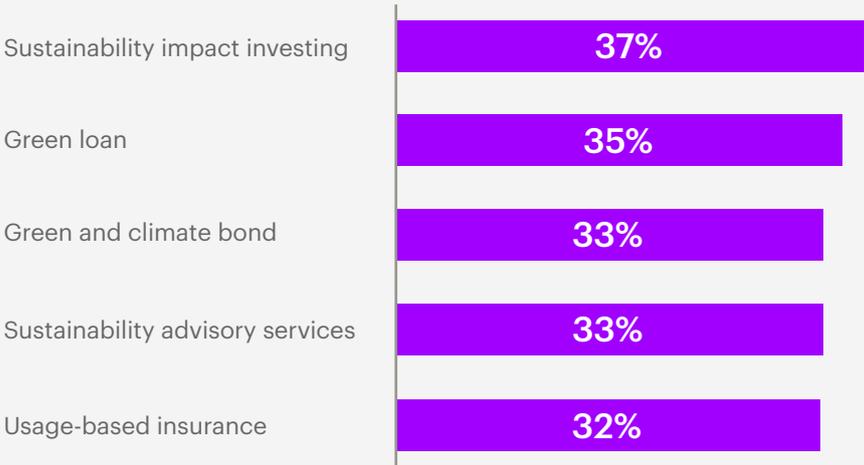
Figure 13: Current and Planned Products and Services

Q: Which of the following types of services/products does your organisation currently provide? What about in 12 to 24 months?

Now



In 12-24 months



Base: 107 sustainable finance decision makers in insurance firms in APAC
 Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021



Why awareness is key

While APAC's insurers are motivated by international principles and alliances in pursuing sustainable finance initiatives, they are also under pressure from retail and institutional investors to implement ESG inclusion in order to achieve long-term portfolio performance. Over the next 12 to 24 months, insurers' focus will shift from ensuring they have the appropriate organisational structures in place and that their partners are on the same page, to keeping up with their banking counterparts in providing a wide range of relevant products to clients.

Our survey also suggests APAC's insurance firms would do well to boost their efforts to raise awareness of ESG issues – although 61% agree or strongly agree they are already doing this with clients and business partners, that still leaves a sizeable proportion who are not.

Raising awareness – both externally and internally – could help overcome many of the current barriers to adopting sustainable finance initiatives, such as lack of solid business cases, internal resistance and suspicion of such initiatives, and concerns about loss of business and revenue due to ESG screening. Overcoming that residual inertia will pave the way to realise a host of benefits, not least of which is contributing to a paradigm shift that helps ensure our world remains insurable.

AUTHORS



Elysia Chan
Managing Director –
Insurance Practice Lead,
SEA Accenture



Sachin Mathur
Insurance Growth
Markets Research Lead,
Accenture Research

About Accenture

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services — all powered by the world’s largest network of Advanced Technology and Intelligent Operations centers. Our 624,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities. Visit us at www.accenture.com

Disclaimer: This content is provided for general information purposes and is not intended to be used in place of consultation with our professional advisors.

This document refers to marks owned by third parties. All such third-party marks are the property of their respective owners. No sponsorship, endorsement or approval of this content by the owners of such marks is intended, expressed or implied.