



Harnessing ESG Data to Improve Commercial Underwriting

Executive Summary

“**Harnessing ESG Data to improve Commercial Underwriting**” report underscores the need for accurate and high-quality ESG data to support the evolving demands of commercial insurance underwriting. This report highlights the challenges commercial underwriters face with capturing and assessing ESG (Environmental, Social, and Governance) data and explores potential solutions for improving this critical process.

→ **Manual Process Burden:**

Underwriters find the capture and assessment of ESG data to be burdensome and time-consuming. The manual process can consume up to four hours per risk, significantly adding to their workload, especially when applied across high-volume portfolios.

→ **Evaluating ESG Risk Materiality:**

Commercial insurers face significant challenges in evaluating the materiality of nature-related risks due to their complex interdependencies. Meaningful data is essential for quantifying these risks, but current methodologies and data availability are lacking.

→ **Impact on Underwriting Performance:**

There is a notable correlation between ESG risks and underwriting performance. Higher ESG ratings have been linked to better underwriting outcomes, particularly in property insurance. Environmental liabilities, climate litigation, and poor governance can lead to substantial financial losses, underscoring the importance of robust ESG assessments.

→ **Veridion’s ESG Data:**

Veridion offers weekly updated ESG data sourced from global and local media coverage, identifying and extracting relevant information about a company’s latest ESG initiatives, actions and commitments. This data enhances visibility, especially for small and medium businesses, enabling insurers to make informed decisions based on current, comprehensive ESG profiles. Veridion’s data supports more accurate assessment of environmental, social, and governance risks, improving underwriting accuracy and aiding the development of tailored insurance products.

1. ESG Risks Assessment: A Burdensome Process Due to Lack of Accurate ESG Data

Commercial underwriters often find the capture and assessment of ESG (Environmental, Social, and Governance) data to be an a challenging task. This process is largely manual and places an additional burden on underwriters, who are already dealing with extensive compliance and reporting responsibilities.



According to the report "ESG Data for Underwriting" by Better Insurance Network, assessing ESG risks can consume up to four hours per risk. While this may be justifiable for high-value clients, it becomes impractical across an entire portfolio.

ESG Data Capturing: A Manual and Inefficient Process

Insurers capture ESG data through various methods, including direct input from clients and external sources such as public records and third-party providers.

➔ **Publicly available information such as public filings and government records** is often the first port of call for insurers when assessing client ESG credentials. This information is usually captured manually by underwriters during the assessment process, though several insurers expect this kind of information to eventually find its way into underwriter dashboards, similar to other risk data.



While it is possible to find relevant ESG information on most publicly listed companies and very large private organizations, there may be little or no data in the public domain for recently listed organizations, especially SMBs.

- **Corporate Filings:** Many large public companies include ESG information in their annual filings, and climate-related disclosures are now mandatory in a growing number of jurisdictions. A growing number of firms have committed to reporting emissions data in a standardized format through recognized frameworks like the Task Force on Climate-related Financial Disclosures (TCFD). However, the data landscape remains inconsistent in scope, substance, and format. The level of detail included in filings varies significantly depending on a company's ESG maturity, the factors it considers important, and the regulatory environment in which it operates.

- **Company Sustainability Reports & Websites:** Annual ESG or sustainability reports can provide valuable insights. According to McKinsey, more than 90% of S&P 500 companies and approximately 70% of Russell 1000 firms now publish ESG reports in some form. These reports offer a window into a company's approach to ESG, establishing whether a company links board remuneration to ESG KPIs or has emissions or diversity, equity, and inclusion (DEI) commitments in place. More sophisticated reports may include science-based targets and quantitative metrics illustrating a company's progress on various ESG topics.



As ESG factors become more pervasive across various lines of business, commercial insurers need more quantitative and meaningful ESG data to flow into the underwriting process. Accurate and consistent data is the foundation for insurers to make informed decisions about the potential impacts of ESG factors on their portfolios.

One of the current complex challenges for commercial insurance companies is evaluating the materiality of ESG risks, particularly those related to nature. The ability to assess these risks hinges on the quality of the data collected. This issue of evaluating ESG risk materiality will be explored further in the next chapter.

2. The correlation between ESG risks and underwriting performance

Better ESG scores - Better Underwriting Performance

There is a working hypothesis that if a company scores well in ESG this equates to good governance and risk management. This theory is supported by a study released in 2022 by Howden and Fidelis.



Howden and Fidelis study links ESG to loss ratio

In November 2022, a landmark study conducted by broker Howden and specialty (re)insurer Fidelis revealed a significant correlation between higher ESG ratings and improved underwriting performance. The analysis examined loss ratios across 30,000 policies, representing a premium value of approximately US\$9 billion, and correlated these ratios with third-party ESG ratings.

The study revealed:

- **Environmental ratings had the strongest correlation with loss ratios.** Policies with higher environmental scores tended to exhibit better loss ratios, suggesting that companies with strong environmental practices experience fewer losses.
- **The impact of ESG ratings on loss ratios varied across different lines of business and industries.** This indicates that while ESG factors are broadly beneficial, their influence can be more pronounced in certain sectors.
- Among the various lines of business analyzed, **property insurance demonstrated the strongest correlation between better ESG scores and improved loss experience.** This suggests that properties managed with higher ESG standards are less likely to incur significant losses, possibly due to better risk management practices and adherence to regulatory standards.

ESG Risks Materiality in Commercial Insurance

ESG Risks Materiality refers to the relevance and significance of ESG factors to an insurer's risk assessment and decision-making processes. It encompasses how insurers evaluate potential environmental impacts, social responsibility, and governance practices of their clients.

We can safely say that the materiality of ESG risk varies significantly by line of business. While social and governance factors, from financial risk to labour relations, touch on virtually every sector, environmental risks like groundwater pollution or GHG emissions are more material to certain sectors than others. In some lines, there are obvious correlations with insurance losses, while in many other cases, the links are far from obvious.

Let's explore a few cases that show clear correlation between ESG risks and insurance losses:



→ **Environmental liability from pollution events**

Many insurers have already started to provide new coverage to entities involved in high-risk environmental activities, such as coal mining and certain types of oil exploration. Beyond the environmental risks posed by these activities, insurers are also concerned of the reputational damage associated with insuring "polluters." Investors and stakeholders may oppose supporting such activities, and negative press can significantly harm new business prospects.



Environmental Litigation: Bayer and 3M Cases

Recent cases, like those involving Bayer and 3M, demonstrate the tangible impact of environmental litigation on a company’s bottom line and shareholder value. Bayer’s litigation stemmed from the alleged ecological impacts of its glyphosate-based products, while 3M was implicated in lawsuits over the pervasive environmental and health effects of its chemical pollutants, specifically PFAS. Bayer damages were EUR 6.6 billion in 2023, while 3M recently reached a \$10.5 billion lawsuit settlement regarding its liability for PFAS contamination, also known as “forever chemicals.” You can read more about these cases [here](#).

→ Liability losses related to climate litigation

The latest [NGFS report on climate-related litigation](#) highlights the growing trend of legal cases that focus on climate change and the significant implications these can have for both companies and financial institutions, including insurance.

It’s important to highlight that insurance companies may encounter indirect liabilities and they could be held accountable for not considering climate risks in their investment decisions or underwriting pract

In this case, insurers might need to pay out claims related to property damage from climate-influenced events like floods or hurricanes. They could also face lawsuits alleging that they failed to warn policyholders about the risks of climate change or did not adjust their policies to reflect these increased risks. The financial implications of these litigations can be substantial, affecting the liability portfolios of insurers. They need to account for potential large-scale payouts and adjustments in policy terms in response to these risks.



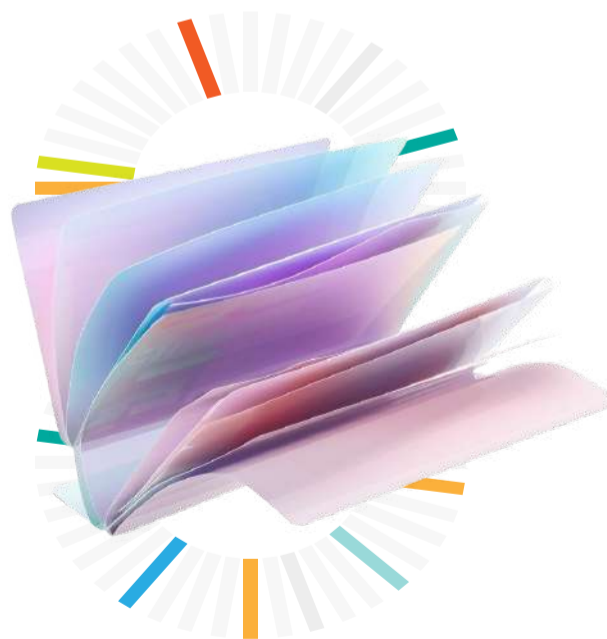


Swiss Re case - The impact of underestimated flood risks

Swiss Re, one of the world's leading reinsurance companies, has historically faced significant losses related to climate-influenced natural disasters. While not directly litigated for failing to consider climate risks, the company has experienced substantial financial impacts indirectly through payouts on insurance claims.

For example, the July 2021 floods in Europe, particularly in Germany and Belgium, resulted in widespread devastation and over 200 fatalities. Swiss Re estimated claims of around \$500 million from these floods. Combined with other natural catastrophes, Swiss Re's net income dropped by 15% for 2021.

At this moment, efforts are being made to develop methodologies for better assessing and integrating climate-related risks into financial practices. The NGFS report suggests frameworks and tools to help financial institutions, including insurers, navigate these emerging challenges effectively. To explore this tools, you can read the report [here](#).



→ Liability claims linked to poor governance or public safety



Dieselpgate Case

“Dieselgate,” also known as the Volkswagen emissions scandal, refers to a major automotive industry scandal that erupted in September 2015 when the United States Environmental Protection Agency (EPA) found that Volkswagen Group had installed software in its diesel vehicles designed to manipulate emissions tests. This illegal software, known as a “defeat device,” enabled the vehicles to meet emissions standards during testing but allowed them to emit up to 40 times more nitrogen oxides (NOx) than permitted under normal driving conditions.

The broader impact:

- The absence of data on Volkswagen’s environmental practices, particularly their adherence to emissions standards, meant insurers did not have a clear picture of the company’s true risk profile, which led to significant financial losses as they had to cover unexpected liabilities that could have been anticipated with better ESG data.
- Insurers themselves faced reputational damage for underwriting Volkswagen without having adequately integrated ESG criteria into their underwriting processes. Also, insurers appeared to be neglecting important elements of corporate responsibility, which could lead to future incidents with similar or even greater repercussions.
- This incident highlighted the importance of corporate governance, transparency, and accountability, influencing how companies address and disclose environmental and ethical practices.

➔ **Climate-change or extreme weather-related property losses**

Globally, economic losses from natural catastrophes amounted to USD 120 billion in the first half of 2023, 46% above the ten-year average.

Extreme weather events driven by climate change have intensified catastrophic losses. Here are some examples:

United States: Severe thunderstorms in the U.S. prompted USD 34 billion in insured losses in the first half of 2023, the highest six-month total on record. Texas was the most affected state, with ten storms each causing over USD 1 billion in damages. Overall, thunderstorms accounted for nearly 70% of all global insured natural catastrophe losses in the first half of 2023

New Zealand: Two consecutive storms caused USD 2.3 billion in insured losses, marking the costliest weather-related events since 1970. The first storm led to severe flooding in Auckland, followed by Cyclone Gabrielle, which hit the North Island in quick succession.

Italy: The Emilia-Romagna flooding in mid-May 2023 resulted in USD 0.6 billion in insured losses and an estimated USD 10 billion in economic losses. This was the costliest weather-related event in Italy since 1970.



Mitigating and Calculating Catastrophic Risk

The increasing concentration of properties in areas prone to frequent storms, fires, and floods poses significant challenges for commercial insurers, particularly in calculating the catastrophic risk. While secondary perils like storms or wildfires are individually less intense than major hurricanes or earthquakes, their cumulative effect can lead to significant aggregated losses.

For instance, Pacific Gas & Electric filed for bankruptcy in 2019 after facing \$30 billion in potential liabilities from wildfires linked to its equipment. Although the wildfires were not directly due to climate lawsuits, they were partly attributed to climate change, demonstrating how companies can face substantial financial losses from climate-related risks.

This heightened risk concentration has profound implications for investors in catastrophe bonds (cat bonds), increasing the potential for large-scale payouts and impacting pricing, diversification, and exposure to catastrophic risks. Swiss Re's Group Chief Economist, Jérôme Jean Haegeli, emphasized the importance of improved climate adaptation and protective measures to maintain the viability of insurance for high-risk properties. High-quality ESG data plays a crucial role in accurately pricing climate risks, which catalyzes investments in resilience measures.

How Can Veridion's ESG Data Help Mitigate Catastrophic Risk?

1. Risk Assessment for Catastrophic Coverage:

- ➔ **Identification of High-Risk Areas:** By combining Veridion's locational data with climate risk data, insurers can identify businesses located in high-risk zones for natural disasters like floods, hurricanes, and wildfires. For example, they can see which properties are near coastlines (prone to hurricanes) or in wildfire-prone regions.
- ➔ **Informed Pricing Decisions:** Insurers providing catastrophic ("cat") risk coverage can then set premiums that reflect the level of risk. For instance, businesses in flood-prone areas might receive higher premiums due to the higher likelihood of flood damage.

2. Product Development with Favorable Premiums:

- ➔ **Climate-Resilient Products:** Insurance companies can offer favorable premiums to businesses that sell products or services that help prevent or reduce damage from natural disasters. For example, manufacturers of fire-resistant roofing materials might receive discounted rates.
- ➔ **Resiliency Plans:** Companies that have implemented comprehensive resiliency plans to withstand climate-related risks (like wildfire-resistant landscaping or flood barriers) can also receive favorable premiums as they have a reduced risk of catastrophic losses.

The Impact of Nature-related Risk in Commercial Underwriting

For commercial insurers, Nature related-Risk is a cross-cutting concern that is affecting Underwriting Risk.

Nature-related risks can impact society in two ways: directly (first-order) or indirectly (second-order).

Direct impacts include immediate consequences like the loss of biodiversity leading to decreased soil productivity and affecting agricultural output.

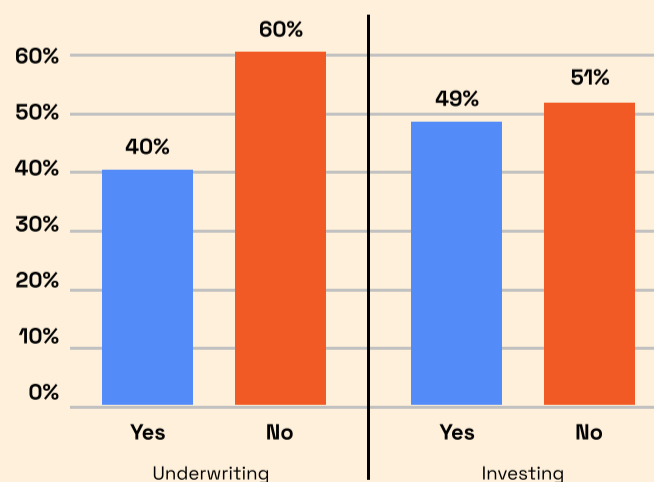
Indirect impacts occur when these primary effects ripple through the value chain, causing reduced productivity and revenue loss in related sectors, such as the food production industry. In essence, environmental degradation doesn't just harm nature; it cascades into economic and societal challenges.



Commercial Insurers are looking for meaningful data to evaluate the materiality of nature-related risks.

Insurers face significant challenges in quantifying and understanding the materiality of nature-related risks due to their complex interdependencies.

Number of re/insurers assessing nature-related risks currently



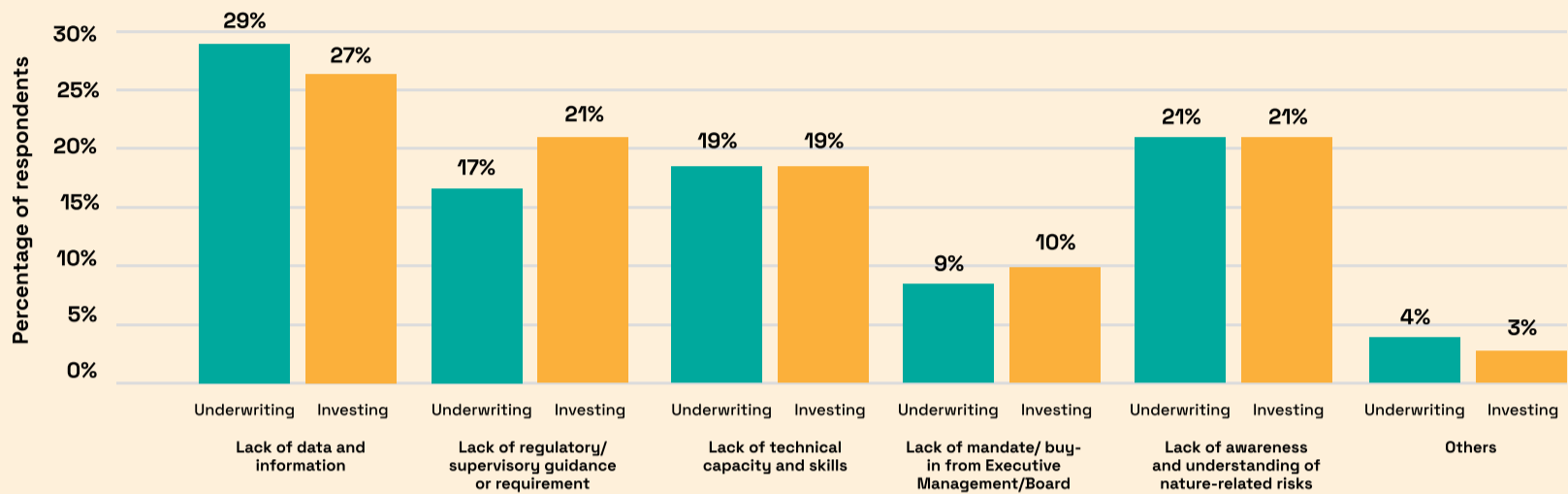
Source: SIF 2021 Global Survey

According to [Cambridge Institute of Sustainability Leadership \(September 2022\)](#), over half of insurers and re-insurers believe that nature-related risk is material to their underwriting business, however nature risk is not being assessed by underwriters.



The lack of data and information, including relevant methodologies, was the reason most cited for not assessing nature-related risks.

Barriers to assessing nature-related risks in underwriting and investing business



Source: SIF 2021 Global Survey

- ➔ Many insurers struggle to identify where to begin with assessing nature risks. A practical starting point is to analyze the key impacts that specific industries have on nature. This initial step can help insurers flag high-risk areas that require more detailed investigation.
- ➔ Nature related-risks vary dramatically based on geographic and climatic conditions and local environmental practices, complicating risk generalization. For example, the environmental impact of a factory in France can differ substantially from a similar factory in Argentina due to differences in local ecosystems, regulations, and environmental management practices. This geographic specificity requires insurers to have detailed, localized data to accurately assess risks. Many insurers, however, prioritize more easily quantifiable ESG factors like GHG emissions.
- ➔ Collaborations with initiatives such as the Taskforce on Nature-related Financial Disclosures (TNFD) are helping develop universal methodologies for assessing nature risks. The TNFD’s LEAP Framework provides guidance for financial institutions to evaluate and respond to nature-related risks and opportunities.

3. Understanding Veridion's ESG data

→ Veridion's strategy focuses on the granularity of its data.

By leveraging advanced AI technologies to capture and analyze a vast array of global and local news sources, Veridion extracts precise, detailed data related to ESG risk criteria, updated weekly. This approach allows insurers to see beyond the surface level of aggregated scores and understand the underlying factors contributing to a company's ESG profile. In doing so, Veridion addresses the common criticism of ESG rating methodologies being opaque and gives insurers "the truth," empowering them to make informed decisions based on comprehensive, detailed data.

→ Veridion's ESG data offers insurers an enhanced visibility over SMBs.

Furthermore, one of the most significant transformations Veridion brings to the ESG data landscape is enhanced visibility for small medium businesses (SMBs). Typically, it's more challenging for insurers to find comprehensive and up-to-date ESG information on SMBs due to their limited exposure and reporting capabilities compared to larger corporations. Veridion's approach addresses this gap by providing insurers with real-time insights into the ESG actions and impacts of these smaller entities by harnessing the latest news and company's web presence to capture and highlight the specific ESG practices, initiatives, and challenges of SMBs.



➔ **Veridion’s ESG data is updated weekly and comes from publicly available news sources, including a company’s digital presence.**



Comprehensive News Analysis:

Veridion leverages AI and advanced technologies to scan a wide array of news sources, both global and local news, identifying and extracting relevant information on specific ESG risk criteria.



Focused ESG Risk Criteria:

Veridion’s data collection is tailored to specific ESG risk criteria that are critical to insurers, such as atmospheric contamination, carbon footprint, and illegal deforestation, among others. This targeted approach ensures that the data is highly relevant to assessing ESG risks. Here is a [list of Veridion’s ESG Risk Criteria and topics](#) - please view Sustainability Topics TAB.



Accurate and up-to-date business ESG initiatives:

By extracting real-time ESG updates from news and a company’s digital presence on the web, Veridion ensures that insurers have access to the most current information on latest business ESG initiatives.



Extensive Coverage:

Veridion’s data covers 89.9 million companies across 246 countries, providing insurers with a comprehensive understanding of global ESG landscapes.



Veridion’s unique approach of extracting data from multiple sources of a company’s digital presence means that the information is not only accurate but also current, presenting the latest ESG initiatives that the business has started to take. The insights into companies’ ESG practices, initiatives and challenges are essential for commercial insurers, who need to make decisions based on the latest available information, including transition plans that is currently the most time-consuming and challenging data to find. Veridion’s data enables commercial insurers to respond swiftly to emerging risks and opportunities, adjusting their underwriting strategies and portfolio allocations accordingly.

➔ **Veridion’s ESG data includes:**

Environmental Data:

Veridion provides insights into the environmental initiatives and commitments companies are undertaking to avoid or reduce atmospheric and water contamination, carbon emissions, and unsustainable energy practices. Such data helps insurers evaluate the environmental commitment of businesses and their susceptibility to climate-related regulations and liabilities.

Let’s explore some examples of environmental risks and regulations, and examine their potential impact on commercial insurance underwriting.

Environmental Risks Criteria:	How this data assists Commercial Insurance:	Regulations:	Companies that faced Environmental Risk liabilities:
Atmospheric Contamination	Veridion provides insights about commitments and initiatives that could improve underwriting accuracy by assessing environmental risk exposure.	Clean Air Act requires industries to maintain strict air quality standards.	ExxonMobil’s 2013 refinery explosion in Beaumont, Texas, released sulfur dioxide and other hazardous pollutants, prompting regulatory investigations and raising concerns about air quality and safety protocols. Exxon faced \$14.25 million penalty. This year, the company has filed a lawsuit to block a climate resolution that calls for ExxonMobil to accelerate its reduction of greenhouse gas emissions.
Carbon Footprint - commitments	Veridion’s insights could help better assess the environmental risk exposure and to support product development for green insurance products; incentivize lower premiums for eco-friendly practices.	Paris Agreement aims to limit global temperature rise and reduce greenhouse gas emissions.	PepsiCo is taking a leadership role in the corporate sector’s response to environmental challenges. In 2021, the company released its Climate Action Strategy for lowering the company’s value chain emissions to net zero in line with science-based targets by 2040.
Land/ Water Contamination	Veridion Insights can enhance risk evaluation for property insurance and liability coverage. Also, this data will support a better risk assessment for agricultural and industrial underwriting and encourages development of products that reward water conservation efforts.	Environmental Protection Agency (EPA) regulations on land contamination and remediation.	DuPont faced numerous lawsuits and regulatory actions for contaminating water supplies with perfluorooctanoic acid (PFOA), resulting in costly legal settlements and cleanup efforts. Legal filings show that DuPont knew for decades that PFAS posed a threat to humans.
Unsustainable Energy Practices	Veridion’s insights can assist in developing tailored products that encourage sustainable energy use.	Renewable energy standards and incentives promoting clean energy adoption.	Shell missed its 2020 renewable energy investment target of \$6 billion and is not on track for its 2025 goal. The company needs to invest over half of its capital expenditure in zero carbon initiatives to meet long-term net-zero targets. Despite this, Shell has made notable investments in electric vehicle charging, offshore wind, and lower-carbon fuels.
Plastic Contamination	Veridion’s insights can assist in developing tailored products that encourage sustainable energy use.	Bans on single-use plastics and regulations on plastic waste management.	Nestlé has committed to making 100% of its packaging recyclable or reusable by 2025. They are also reducing their use of virgin plastics by increasing the use of recycled plastics in their packaging.

Social Data:

Veridion provides information on issues like worker rights, child exploitation, and inclusivity. This data is vital for assessing the social governance of a company, which can significantly impact its reputation and legal standing.

Let’s explore some examples of social risks and regulations, and examine their potential impact on commercial insurance underwriting:

Social Risk Criteria	How this Data Assists Commercial Insurance	Regulations:	Examples (Highlighting Liability Risks)
Child Exploitation and Human Trafficking Insights	Insights on these matters can protect insurers against reputational risk and support ethical underwriting practices.	International conventions and laws prohibiting child exploitation and human trafficking.	On January 10, 2024, the National Consumers League sued Starbucks for misleading claims about “100% ethically sourced” coffee and tea, pointing to child labour and human rights abuses at supplier farms. Also, in 2005, <u>Walmart</u> agreed to pay a \$352 million settlement with the U.S. Department of Labor to resolve claims that it violated child labor laws in the U.S. by allowing minors to operate hazardous machinery.
Worker Rights Insights	Veridion’s insights into labor practices, and compliance with worker rights can help insurers identify potential risks associated with labor-related liabilities and adjust their underwriting strategies accordingly to mitigate such risks.	Labor laws addressing workers’ rights, safety, and fair employment practices.	Companies such as Amazon, Starbucks, and Disney have been brought into the spotlight as they face key ESG-related challenges. For example, on January 23, 2024, Amazon was fined €32m by France’s CNIL for “excessive” worker surveillance in its warehouses. The company’s practices, including monitoring breaks and scanning speeds, raised significant privacy and autonomy concerns.
Inclusivity	Enhances the underwriting process by providing valuable insights about companies that prioritize strong inclusivity practices. Additionally, it helps insurers identify potential risks associated with social-related liabilities and adjust their underwriting strategies accordingly to mitigate such risks, while also ensuring compliance with evolving regulatory standards.	The EU Non-Financial Reporting Directive (NFRD) requires large companies to disclose diversity information, including policies on treatment of employees.	In 2017, <u>Uber</u> faced widespread lawsuits related to allegations of a toxic workplace culture, including sexual harassment, discrimination, and retaliation against employees who reported misconduct. Uber took several steps to address the issues, including implementing new policies and procedures to improve workplace culture, conducting comprehensive training programs on diversity and inclusion, and appointing a Chief Diversity Officer.

Governance Data:

Insights into a company’s involvement in unethical transactions, monopoly practices, and compliance with regulatory standards are crucial for understanding governance risks.

Let’s explore some examples of governance risks and regulations, and examine their potential impact on commercial insurance underwriting:

Governance Risk Criteria	How this Data Helps Commercial Insurance	Regulations:	Examples (Highlighting Liability Risks)
Corruption and Ethics Overview	Provides insights into bribery and corruption within companies, aiding insurers in assessing governance risk and ethical underwriting standards. Veridion’s analysis of media coverage on corruption helps insurers identify potential risks and adjust underwriting strategies to mitigate liability.	Anti-corruption laws and regulations prohibiting unethical business practices.	<u>Fiat Chrysler</u> was accused of using software to cheat on diesel emissions tests, similar to Volkswagen’s Dieselgate scandal. The company was alleged to have installed defeat devices in over 100,000 vehicles to pass emissions tests while exceeding NOx emissions limits during normal driving.



CASE STUDY: Evaluating the True Risk Profile with Veridion's ESG Data



Let's consider a hypothetical example of an industrial manufacturer involved in chemical production seeking insurance coverage. This company has a history of regulatory and litigation risks that significantly influence its risk profile.

Veridion's Data Collection Process:

Veridion's ESG data is sourced through a meticulous process:

- **Insights from News:** Veridion leverages advanced technologies to scan a wide array of news sources, both global and local news, identifying and extracting relevant information about the manufacturer latest ESG initiatives, actions and commitments.
- **Addressing Specific ESG Risk Criteria:** Veridion's data collection is tailored to specific ESG risk criteria critical to insurers such as atmospheric contamination, carbon emission commitments, water usage, water contamination, pollution, governance issues, and others, ensuring that the data is highly relevant to assessing ESG risks and can help in building customized ESG scoring.

Here's what Veridion's data uncovered based on specific ESG risk criteria:

- **Atmospheric Contamination:** The manufacturer has faced challenges in meeting greenhouse emission standards and commitments set by regulatory bodies. Veridion's analysis reveals ongoing issues with air quality management, including excessive emissions of pollutants such as sulfur dioxide and nitrogen oxides.
- **Water Usage and Contamination:** The manufacturer has a record of non-compliance with regional water quality standards due to improper industrial wastewater discharge into local rivers. Veridion's analysis highlights environmental risks associated with inadequate water management practices, including the discharge of pollutants and potential contamination of water sources.
- **Carbon Emission Commitments:** Veridion's data indicates discrepancies in the manufacturer's claimed reduction in carbon emissions compared to independent assessments and news analyses. There are concerns regarding the transparency and accuracy of the company's reporting on carbon reduction initiatives, leading to doubts about its commitment to sustainability.
- **Pollution:** Veridion's data highlights environmental governance concerns, including inadequate oversight by the company's environmental management team. There are indications of systemic issues in pollution control and environmental compliance, raising concerns about the company's risk management practices.
- **Governance Issues:** Veridion's data uncovers instances of governance-related issues such as allegations of corruption or unethical behavior within the company. Reports suggest potential conflicts of interest, lack of transparency, and ethical lapses in decision-making processes, posing additional risks to its reputation and regulatory compliance.

Adjustments in Insurance Policy:

Given this comprehensive risk profile provided by Veridion's ESG data, the insurer makes necessary adjustments in the policy terms and pricing:

- **Premium Adjustments:** The insurer increases premiums to reflect the manufacturer's elevated environmental liability risks arising from compliance violations, legal challenges, and governance issues.
- **Tailored Coverage Terms:** Coverage terms are customized to include specific exclusions related to environmental compliance claims, legal disputes, and governance-related risks.
- **Encouraging Improved ESG Practices:** To incentivize the manufacturer to improve its ESG practices, the insurer offers reduced premiums if the manufacturer commits to reducing greenhouse gas emissions, implementing better environmental management practices, and addressing governance issues within a specified timeframe.

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