

When will Chemical Enterprises Really Implement Environmental Liability Insurance? Summary

In recent years, with the extensive production and use of chemicals, chemical raw materials and chemical products manufacturing enterprises (hereinafter referred to as “chemical enterprises”) have been increasing, and accident reports about chemical enterprises are also common. In 2013, in order to make chemical enterprises pay more attention to their own environmental responsibility and strengthen supervision, the state introduced environmental pollution liability insurance into chemical enterprises, and the “Guidance on the Piloting of Compulsory Environmental Pollution Liability Insurance” jointly issued by the former Ministry of environmental protection and China Insurance Regulatory Commission (now the Ministry of Ecology and Environment and the China Bank Insurance Regulatory Commission) (HF [2013] No. 10) clearly defines the scope of pilot enterprises, insurance terms and guarantee mechanism of environmental pollution compulsory liability insurance, including chemical enterprises. In order to understand the implementation and enforcement of environmental liability insurance in chemical enterprises and the current status of insurance coverage for enterprises, and to help insurance companies identify the environmental risks of insured enterprises, PECC took the initiative to communicate with local insurance companies operating environmental liability insurance and the provincial banking and insurance regulatory bureau where the insurance companies are located.

The environmental risk indicators of concern in this report include administrative penalties, administrative orders, and administrative compulsions due to environmental problems. Based on the Azure Map environmental database (www.ipe.org.cn) developed by IPE, PECC screened 153 chemical enterprises with environmental violation records between 2020 and April 2021 as the research objects. The research report shows that:

- Except for enterprises that cannot determine the industry category, the remaining 146 are distributed in 7 industries respectively, of which 38 are manufacturing enterprises of coatings, inks, pigments and other similar products, followed by 35 manufacturing enterprises of basic chemical raw materials, and only 3 pesticide manufacturing enterprises.
- The environmental problems involved in enterprises include water, gas, construction project management, solid waste (including general solid waste and hazardous waste) and other environmental violations. The number of enterprises punished for violating the relevant systems of air pollution prevention and control is the largest, with 82 enterprises, accounting for more than 53% of the total number of enterprises, while the number of enterprises violating the law for chemical and marine situations is smaller, with 3 and 2 enterprises respectively. 141 enterprises were fined for the above violations, while the remaining 12 were ordered by the ecological environment department to correct within a specified time limit and listed for supervision due to environmental violations.

In this report, in order to understand the implementation and enforcement of environmental liability insurance for chemical enterprises and the current status of insurance coverage for

enterprises, and to help insurance companies identify the environmental risks of chemical enterprises insured with environmental liability insurance, PECC sent 62 letters on May 12, 2021 to the insurance companies in the locations of 153 chemical enterprises respectively. As of June 11, PECC has successively received replies from some insurance companies. According to the communication and feedback of insurance companies, 13 letters have been sent to the provincial and municipal banking and insurance regulatory bureaus where the insurance companies are located. PECC analyzed the replies of insurance companies and the banking and insurance regulatory bureaus. The analysis results show that:

- Insurance companies lack motivation. The six insurance companies that have replied expressed their thanks for the risk prompt of PECC this time, and said that none of the enterprises involved in this letter have taken out environmental liability insurance, and the number of chemical enterprises taking out environmental liability insurance is very small. The insurance company believes that the small number of enterprises is mainly affected by the total number of urban chemical enterprises and the government's lack of attention.
- Some insurance companies do not pay enough attention to the environmental risks of chemical enterprises. Environmental risk assessment requires high professionalism and should be carried out by professionals in the environmental field, so as to find the potential environmental safety hazards existing in chemical enterprises in the environmental risk assessment and urge enterprises to make rectification in time. If it is carried out by non professional staff of the insurance company, it is likely to ignore the potential environmental risks of chemical enterprises, and the probability of environmental pollution accidents will increase, which will eventually cause huge economic losses to the insurance company. Organizing chemical enterprises to participate in environmental compliance management training on a regular basis, as an additional value for enterprises to insure environmental liability insurance, can not only enhance the enthusiasm of chemical enterprises, but also improve the level of enterprises' environmental compliance management, and help chemical enterprises to check and avoid potential environmental risks as soon as possible. However, some insurance companies still do not pay enough attention to this aspect.
- Insurance companies are silent on public concerns. In line with the principle of friendly communication with insurance companies, PECC sent letters to 62 local insurance companies, but at present, only 3 insurance companies involved 6 local branches actively communicated with PECC on the content of the letter, in addition, there are still 14 insurance companies involved 56 local branches did not reply. This shows that insurance companies do not pay enough attention to the implementation of environmental liability insurance, and it is more necessary for the government, the market and the public to motive insurance companies.
- Among the 13 letters sent by PECC to the banking and insurance regulatory bureaus, a total of nine of them had responded to PECC in different ways by the time the report was released. PECC believes that the banking and insurance regulatory bureau should not stick to the inherent form in dealing with environmental liability insurance and only receive supervision complaints about insurance companies. It should break the routine and link with various parties to strengthen

interaction and promote the construction of environmental liability insurance system for the development and construction of the system.

In light of these findings, we recommend policy-makers to:

- Clarify responsibilities and actively implement them. Environmental liability insurance is a new type of insurance. From the perspective of environmental governance and social responsibility, insurance companies should actively implement it, actively develop environmental liability insurance products related to chemical enterprises, promote it in the process of docking with chemical enterprises, continuously improve insurance terms, supervision and service concept and other systems in the actual underwriting process, and enhance the market recognition of environmental liability insurance.
- Actively guide enterprises' awareness of environmental management. Improve the level of environmental expertise of enterprises, enhance the capabilities of their environmental compliance management, and actively guide the awareness of their environmental compliance management, so that they can have a deeper understanding of their own environmental risks.
- Respond positively and strengthen interaction. On the one hand, environmental liability insurance provides environmental pollution risk protection for enterprises and helps them fulfill their social responsibility. On the other hand, insurance companies, as risk bearers, will pay attention to the environmental performance of enterprises, help them identify potential environmental risks, guide them to pay attention to environmental compliance, reduce the environmental pollution risk and improve their pollution reduction capacity.

Special thanks to the Institute of Public & Environmental Affairs (IPE) for the environmental data support to this report.

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