



**Observation Report  
on the Status of Implementation of  
Environmental Pollution Liability Insurance**



January, 2022

# Introduction

As a management tool of environmental risks, **Environmental Pollution Liability Insurance** (hereinafter referred to as “ELI”) plays an obvious role in: (1) dispersing enterprise’s risks; (2) Fully, timely and effectively compensating victims of environmental pollution and resolving social conflicts; (3) Urge insurance companies to strengthen management of daily environmental risks through insurance clauses, such as insurance rates, deductibles, compensation limits and rescue costs. In recent years, environmental pollution accidents have occurred frequently. In order to alleviate the social conflicts caused by environmental pressure and environmental pollution, the state has successively issued a series of policies to encourage the development of ELI, for example, “Guidelines on Environmental Pollution Liability Insurance” issued in 2007 (HJ [2007] No. 189) and the “Guidelines on Pilot Project of Compulsory Environmental Pollution Liability Insurance” issued in 2013 (HJ [2013] No. 10).

According to the HJ [2013] No. 10 document, it mentioned that “before an enterprise purchases insurance or renews an insurance contract, an insurance company may entrust or conduct an assessment of environmental risk of the insured enterprise on its own”, which shows that the government’s original intention of introducing environmental liability insurance is not in compensation, but in prior risk prevention. As the underwriter of environmental liability insurance, insurance companies can improve the level of the management of environmental risk only by paying attention to the environmental performance of enterprises.

In 2018, the Ministry of Ecology and Environment reviewed and approved in principle the “Measures for the Management of Compulsory Environmental Pollution Liability Insurance (Draft)”. Chapter 1, Article 4 mentioned that “the insurance regulatory agency of the State Council shall supervise and manage the compulsory environmental pollution liability insurance business of insurance companies in accordance with the law”. The China Banking and Insurance Regulatory Commission, as the supervision and management agency of insurance industry, should play the role of government functions, regulate the environmental liability insurance market, and let the environmental liability insurance play its due role.

To sum up, in the process of implementing environmental liability insurance, the attitude and performance of insurance companies and the China Banking and Insurance Regulatory Commission are very important. Only by actively guiding insurance companies to pay attention to and improve their own environmental performance can the value of environmental liability insurance be truly realized in order to make environmental liability insurance play an important role in promoting energy conservation and emission reduction of enterprises.

# Overview

●**Definition**—Environmental pollution liability insurance is an insurance policy that takes the liability for damages caused by pollution accidents to third parties as the subject matter, and is also a means of environmental risk management under the condition of market-oriented economy.

●**Significance**—In order to understand the practices and attitudes of insurance companies and the offices of China Banking and Insurance Regulatory Commission during the implementation of environmental liability insurance, study the implementation of environmental liability insurance and the current status of insurance companies, and help insurance companies identify the environmental risks of insured companies, SIP Lvse Jiangnan Public Environment Concerned Centre (hereinafter referred to as “PECC”) sent letters to the insurance companies that operate environmental liability insurance and the China Banking and Insurance Regulatory Commission where the insurance companies are located, and wrote relevant research reports accordingly, so that the public and relevant parties (government, Insurance companies, etc.) can have a better understanding of the situation of environmental liability insurance and the problems encountered in its development. In 2021, PECC release a total of five research reports related to environmental liability insurance. The first three issues are about the current implementation status of environmental liability insurance learned through letter communication, and the latter two issues are concerned with the information disclosure of environmental liability insurance products of insurance companies and the comparison of relevant provisions. This report mainly summarizes and puts forward suggestions on the implementation of environmental liability insurance and the problems existing in the course of the previous three reports.

# Enabling application of environmental big data of Blue Map

Multiple policies require insurance companies to carry out environmental risk assessments before underwriting environmental liability insurance, such as HJ [2013] No. 10 and “Measures for the Management of Compulsory Environmental Pollution Liability Insurance (Draft)” etc., and the adverse environmental record of an enterprise is an important reference index in environmental risk assessment.

The adverse environmental records of enterprises involve a lot of content. PECC determines the administrative penalties, administrative orders, and administrative compulsions for environmental problems by referring to guidelines on the environmental risk assessment for environmental liability insurance issued by Sichuan, Guizhou, Shanxi, Shenzhen and other provinces and cities, and whether environmental supervision and online monitoring should normally be included in the assessment scope as indicators of environmental risk assessment.

The bad environmental records of enterprises come from the **Blue Map Environmental Database established by Institute of Public and Environmental Affairs (IPE)**, a domestic authoritative public interest platform for environmental data, which collects, organizes and analyzes public environmental information of government and enterprises, and serves the fields of green procurement, green finance and government environmental decision-making.

The biggest social value of environmental big data lies in its application. Nowadays, not only the public uses the platform to monitor the environmental performance of enterprises, but also many brands use the platform to monitor the environmental performance of their suppliers, urge suppliers with environmental violation records to make corrections and disclose them to the public, so as to empower the realization of “lucid waters and lush mountains”.



# **1. The Performance of Insurance Companies Needs to be Improved**

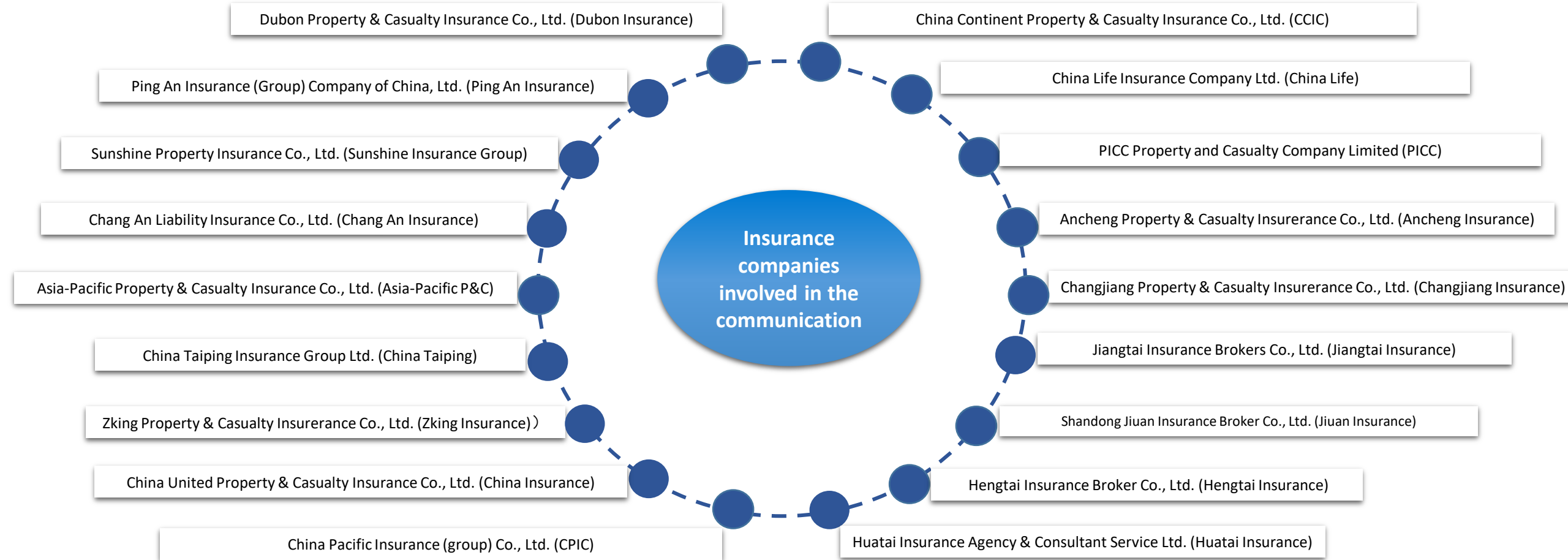
## **Focus on key industries and keep continuous communication**

PECC's letters to insurance companies involved a total of 1,913 companies, including hazardous waste, chemical, steel, thermal power and other industries.

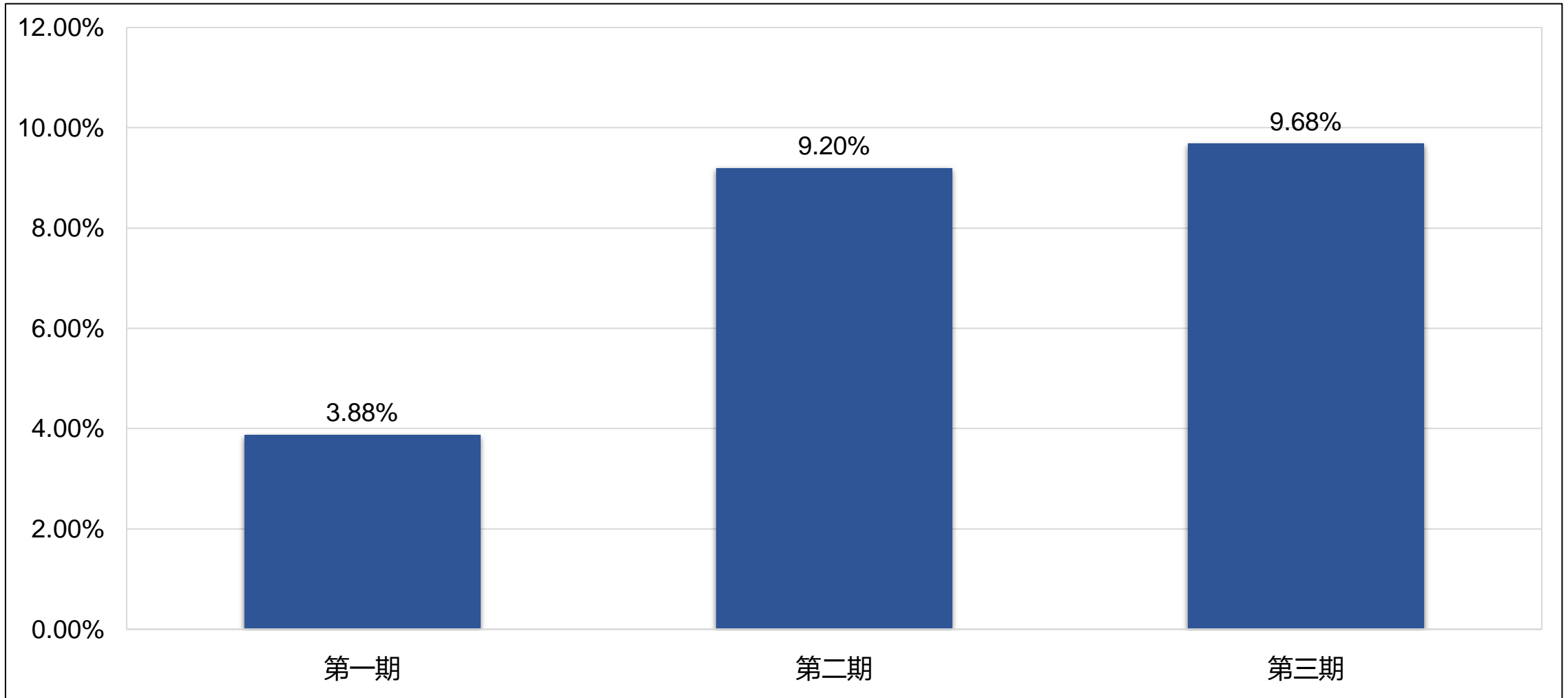
In order to understand the current situation of the environmental liability insurance market and the specific performance and responsibilities of insurance companies in the process of promoting environmental liability insurance, the first issue of PECC's Green Insurance Report takes the adverse environmental records of enterprises that have been insured or compulsorily insured, as disclosed by the government, as a starting point, and communicates with each insurance company separately, also hoes that insurance companies can pay attention to the environmental risks of enterprises that have been or will be insured.

In order to cooperate closely with insurance companies to promote the effective implementation of environmental liability insurance, to understand whether there are differences in the practices and attitudes of insurance companies in dealing with enterprises in different industries, and also to understand the current situation of environmental liability insurance and the problems of enterprises in different industries, PECC has been taking hazardous waste enterprises and chemical enterprises as the starting point to maintain communication and exchange with insurance companies, in order to help more insurance companies to better identify and solve business risks while operating the business of environmental liability insurance business.

# Communicate with 302 branches of 18 insurance companies, of which 65 branches have communicated repeatedly



**The performance of insurance companies needs to be improved, and the response rate is less than 10%**



The reponse rate of insurance companies



## The performance of insurance companies needs to be improved

- ✓ Insurance companies fail to perform their duties well in the environmental liability insurance market and fail to play their leading role in the market, such as Yan'an Branch of PICC;
- ✓ Insurance companies do not pay enough attention to the environmental risks of enterprises, so that environmental liability insurance loses its due role, such as Jiangsu Branch of Sunshine Insurance Group, Zhangzhou Central Branch of CPIC, etc.;
- ✓ The unreasonable allocation of internal resources of insurance companies restricts the development of insurance companies and environmental liability insurance, such as the Lianyungang branch of PICC;
- ✓ Insurance companies have not established a professional team in the field of environmental protection, which makes insured companies lack confidence in insurance companies and hinders the development of environmental liability insurance, such as Yangzhou Branch of Jiangtai Insurance, Shanghai Branch of CPIC, etc.;
- ✓ Insurance companies refuse to communicate and are silent in the face of public concerns, such as the Wuxi Branches of Sunshine Insurance Group, Zking Insurance, China Insurance, and PICC, and the Nanjing Branches of Dubon Insurance, Chang'an Insurance, PICC, and CPIC, which fail to respond to all three communications.

## Problems existing in the implementation of environmental liability insurance by insurance companies

✓ There are differences in local policies. For example, Shanghai has not issued corresponding incentive policies for environmental liability insurance, while Jiangsu Province has given incentives to companies that invest in environmental liability insurance, which also results in uneven development of environmental liability insurance in various places;

✓ Environmental liability insurance policies are relatively scattered, and there is a lack of a unified access platform, resulting in some insurance companies unable to obtain the latest policies in a timely manner, which will also restrict the development of environmental liability insurance to a certain extent;

✓ Except that the new solid waste law clearly requires enterprises involved in hazardous waste to take out environmental liability insurance, other policies of environmental liability insurance are basically based on encouragement, and lack of corresponding legislative support, resulting in enterprises being inactive in taking out insurance. In terms of environmental risk assessment, the government also focuses on encouragement and does not impose mandatory requirements. Therefore, insurance companies have different attitudes on whether to conduct environmental risk assessment during the process of corporate insurance.

## Excellent cases

Although some insurance companies are lacking in performance and fail to fulfill their corresponding responsibilities, there are also insurance companies with strong sense of responsibility and business ability.

**Shenzhen Branch of Ping An Insurance** stated that the environmental risk assessment of enterprises will be entrusted to professional environmental assessment institutions, and they will continue to pay attention to the environmental performance of enterprises during the insurance liability period, and will organize due diligence and daily supervision of in-plant environmental risks, and will also organize enterprises to participate in the training of environmental emergency.

**The Tianjin branch of Ping An Insurance** stated that the company's environmental risk assessment is carried out by a professional third party, and the insured company will be regularly trained during the insurance liability period.

**The Shanghai branch of PICC** stated that the environmental risk assessment is carried out by a professional team at the headquarters or by a third-party agency.

These insurance companies not only pay attention to the environmental risks of enterprises, but also actively cooperate with third parties to improve their professional level of environmental liability insurance, provide enterprises with guidance and professional services related to management of environmental risk, and effectively realize the value of environmental liability insurance. It is worth learning for other insurance companies.

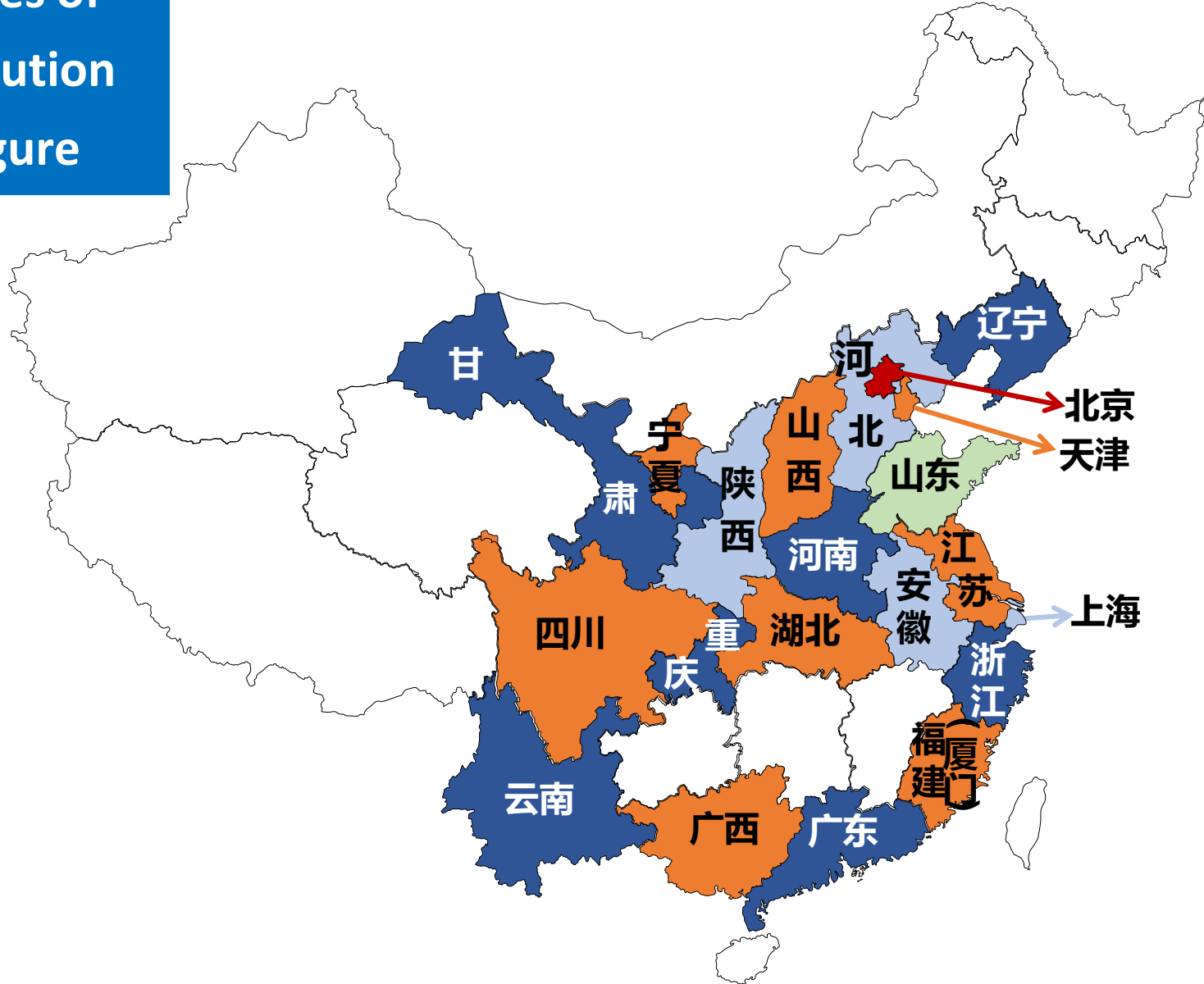
## **2. The Offices of CBIRC Has Different Attitudes**

## **Pay attention to the functions and attitudes of the offices of CBIRC**

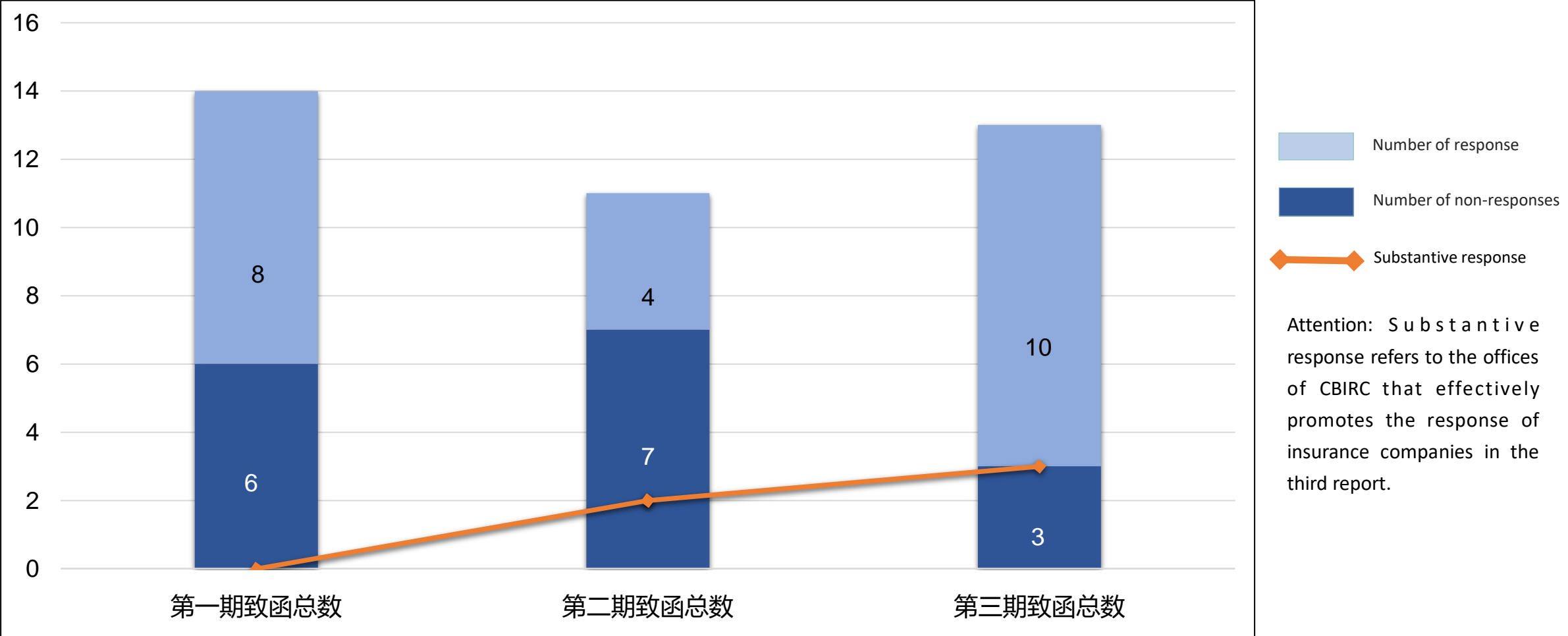
As the functional supervision department of the insurance market, the offices of CBIRC regulate the insurance market, supervise the orderly and healthy development of environmental liability insurance, pay attention to the problems existing in the implementation of environmental liability insurance, guide insurance companies to do a good job in the evaluation of environmental risks of insurance companies, and standardize the environmental liability insurance market, so that the environmental liability insurance can play its due role.

In view of the report's concern about the environmental performance of enterprises and the problems of insurance companies in implementing and enforcing environmental liability insurance, PECC and the offices of CBIRC actively communicated with each other, hoping to learn about the insurance coverage of enterprises through the CBIRC, as well as to understand the CBIRC's attitude toward the environmental performance of enterprises and the problems of insurance companies.

PECC has communicated with 22 local offices of CBIRC. The distribution is shown in the figure



# The response from the offices of CBIRC was mixed



## The offices of CBIRC have different attitudes and should respond positively

Through communication with the offices of CBIRC, PECC found that the offices of CBIRC, which have the same functions and responsibilities, have inconsistent attitudes and handling methods when facing issues of public concern.

As the supervisory and management department of the environmental liability insurance market, the offices of CBIRC have not effectively performed their supervisory duties, such as **Ningxia Office of CBIRC** and **Gansu Office of CBIRC**, which believe that environmental liability insurance does not fall within their supervisory scope and cannot be accepted, **Henan Office of CBIRC** does not respond to the first communication and directly says no to the second time; and the **Sichuan Office of CBIRC** states that the coverage matters of environmental liability insurance are judged by the insurance companies themselves.

CBIRC, as an administrative function, has not implemented its own responsibilities, such as **Jiangsu Office of CBIRC** and **Anhui Office of CBIRC**, which have indicated that they are in the process of verification and will feedback the verification results within 60 working days, but there is no follow-up progress, among which Zhejiang Office of CBIRC has changed its attitude in treating the issue of environmental liability insurance, with the first communication indicating that it is not accepted and the second indicating that it has been accepted.

Of course, there are also some CBIRC offices who refuse to communicate and face public concerns silently, such as **Shandong Office of CBIRC**, **Hebei Office of CBIRC**, **Shanxi Office of CBIRC**, etc. Among them, **Shandong Office did not respond during all three phases.**



## Excellent cases

Although the CBIRC offices have different attitudes, and some CBIRC offices have failed to perform their supervisory duties, there are also CBIRC offices with a strong sense of responsibility that not only respond positively, but also urge the insurance companies under their jurisdiction to respond in a timely manner.

**Shanghai Office of CBIRC** urged the Shanghai branches of PICC, Ping An Insurance and CPIC to respond in a timely manner;

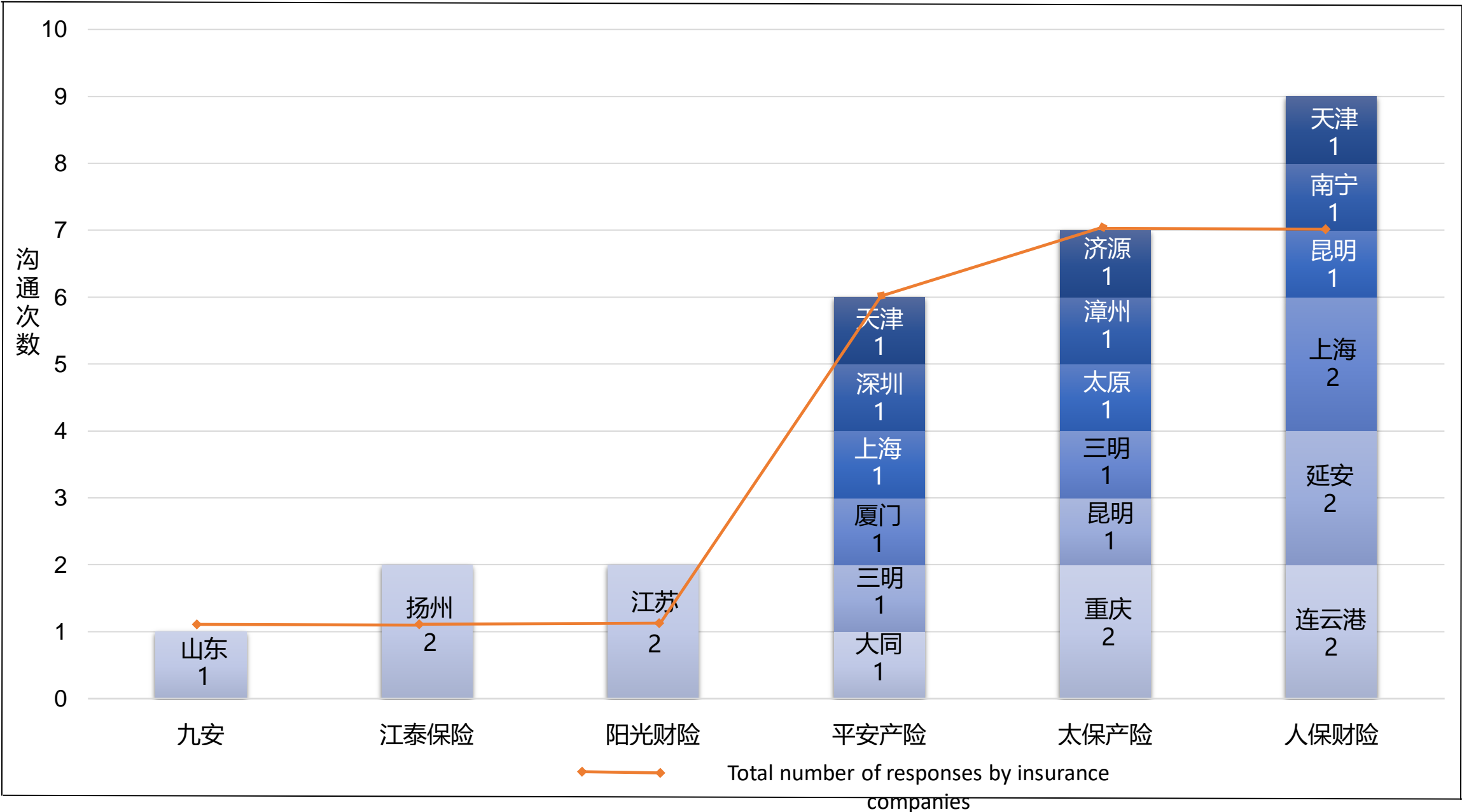
**Tianjin Office of CBIRC** urged PICC and Ping An Insurance's branches in Tianjin to respond in a timely manner;

**Yunnan Office of CBIRC** urged the Kunming branches of PICC as well as CPIC to respond in a timely manner.

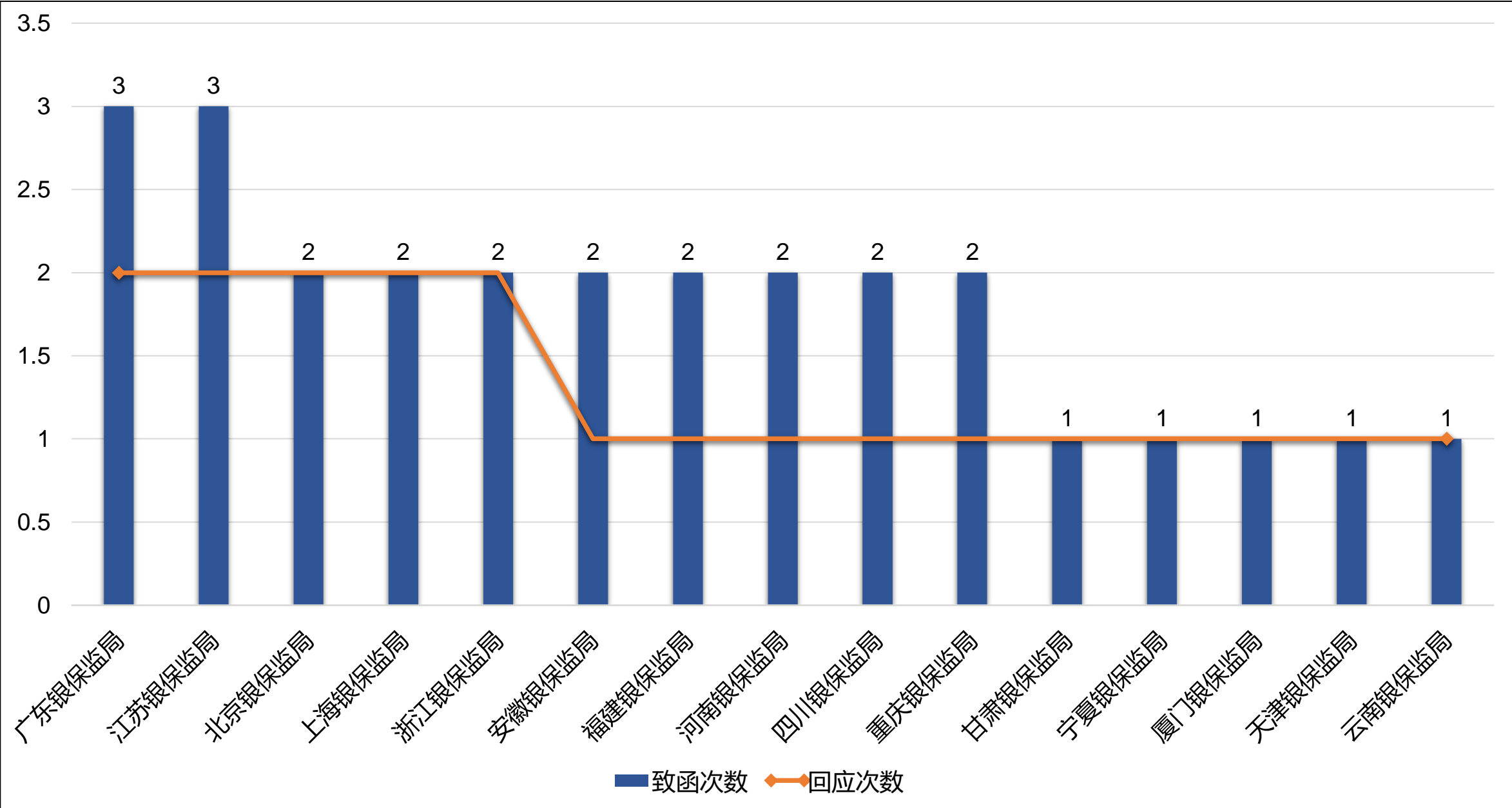
As the functional departments of supervision and services of environmental liability insurance, these offices of the China Banking and Insurance Regulatory Commission attach great importance to the problems existing in the implementation of environmental liability insurance and respond positively to them. At the same time, as the supervisory authorities of insurance companies, they effectively promote the insurance companies under their jurisdiction to respond to public concerns in a timely manner, and we hope that other offices with the same functions and responsibilities can do the same.

### **3. Promote ELI Positively with Communication and Cooperation**

# Insurance companies that response positively



# CBIRC Offices that response positively



## Communicate actively and identify problems

In the process of communicating with insurance companies and the China Banking and Insurance Regulatory Commission, we found that insurance companies have unreasonable resource allocation, a general lack of professional teams in the environmental field, and a lack of performance in identifying the professionalism of corporate environmental risks, which makes companies lack confidence in insurance companies and therefore reduces the service capacity of insurance companies and the enthusiasm of insured companies. Insurance companies do not play a market-led role in the process of promoting environmental liability insurance, and there is insufficient motivation to promote the implementation of environmental liability insurance, which makes ELI lose its proper role and hinder the healthy and orderly development of environmental liability insurance.

As the functional supervision department of the insurance market, the China Banking and Insurance Regulatory Commission should pay attention to the problems existing in the environmental liability insurance market, but some offices have failed to do a good job of supervision and believe that environmental liability insurance related issues do not fall within their jurisdiction. In order to promote the development of environmental liability insurance, CBIRC offices should also actively carry out extensive cooperation with all sectors of society, but some offices directly refused to respond to public concerns. Some offices promised to respond in a timely manner after verification, but failed to implement.

At the policy level, policies of environmental liability insurance are fragmented, which is not conducive to timely access by relevant parties. There are differences in local policies, with Shenzhen introducing a pilot program of compulsory environmental pollution liability insurance as early as 2017 to regulate the pilot activities of environmental liability insurance, and Jiangsu introducing a premium subsidy policy of environmental liability insurance in 2019 to incentivize enterprises to take out insurance, etc. However, there are still some regions that are slightly behind in terms of policies and have not introduced relevant policies to promote the development of environmental liability insurance.

## Corresponding measures have been introduced one after another, and the implementation of environmental liability insurance has become a trend

Article 99 of the newly revised “[Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste](#)”, which came into effect on September 1st, 2020, stipulates that “units that collect, store, transport, utilize, and dispose of hazardous waste shall, in accordance with relevant state regulations, take out environmental pollution liability insurance”, which is the first time that compulsory liability insurance for environmental pollution has entered the law. On November 19th, 2021, [the Ministry of Ecology and Environment issued the “Notice on Publicly Soliciting Opinions on the Administrative Measures for Environmental Pollution Liability Insurance for Hazardous Wastes \(Draft for Comment\)”](#) to promote and standardize environmental pollution liability insurance for hazardous waste enterprises.

Since 2021, local governments have also successively introduced relevant policies to help the development of environmental liability insurance. In July 2021, [Shenzhen Ecology and Environment Bureau and Shenzhen Office of CBIRC issued the “Implementation Measures of Compulsory Environmental Pollution Liability Insurance in Shenzhen”](#), which stipulates that relevant enterprises will be punished according to law if they refuse to apply for insurance. In August, [Gansu Provincial Ecology and Environment Bureau issued a notice on the “Implementation Plan of Compulsory Environmental Pollution Liability Insurance in Gansu Province \(Trial\)” \(draft for comment\)](#), which stipulates that the heavy metal pollution industry, hazardous waste pollution industry, etc. will implement compulsory environmental pollution liability insurance in January 2022. On December 7th, [Hubei Ecology and Environment Bureau and Hubei Provincial Office of CBIRC jointly issued the “Management Measures of Environmental Pollution Liability Insurance in Hubei Province”](#) to regulate environmental pollution liability insurance activities and improve prevention capabilities of environmental risk. On December 30th, [Hainan Provincial Ecology and Environment Bureau issued the “Notice on Further Promoting the Pilot Work of Environmental Pollution Liability Insurance”](#), which will accelerate the promotion of environmental liability insurance in petrochemical, papermaking and hazardous waste industries...

With the introduction of the “dual carbon” goal, environmental pollution liability insurance will inevitably become a trend. On the one hand, this type of insurance provides risk protection for enterprises and diversifies business risks. On the other hand, it is also to prevent risks in advance. As the bearer of environmental risks, insurance companies will help companies identify environmental risks, investigate potential environmental risks, and urge companies to make timely rectifications, so as to achieve the goal of reducing pollution and carbon.

## Our Suggestions

Insurance companies should actively develop products related to environmental liability insurance, improve their professional level of environmental liability insurance, and provide professional services on environmental aspects for insured enterprises, such as training on environmental-related professional knowledge and helping enterprises identify environmental risks, etc., so as to improve the enthusiasm of enterprises to take out insurance. In addition, insurance companies need to optimize the allocation of resources within the company to achieve resource sharing and complementarity, and enhance their own competitiveness.

The Banking and Insurance Regulatory Commission shall clarify regulatory responsibilities, supervise and guide insurance companies to do a good job in environmental risk assessment of enterprises insured by environmental liability insurance, regulate the environmental liability insurance market, and enable environmental liability insurance to play its due role.

Local governments should develop scientific and reasonable environmental liability insurance policies according to local conditions and establish reward and punishment mechanisms to promote the real implementation of environmental liability insurance.

In addition, China's environmental liability insurance is still in its infancy, and it is a brand new field for both financial insurance institutions and other related parties (including government, enterprises, social organizations, etc.), which needs to be explored and studied together by adhering to the cooperative concept of linking multiple parties and building trust. Therefore, both the insurance companies and the China Banking and Insurance Regulatory Commission should break their silence and strengthen their interaction to jointly promote the construction and improvement of the system of environmental liability insurance.