

Green Insurance Report (6)

An Comparative Analysis of Special Environmental Liability Insurance Products



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The Comparative Analysis of Special Products of Environmental Liability Insurance of Insurance Companies

1. Introduction

Environmental pollution liability insurance (hereinafter referred to as environmental liability insurance), a special kind of liability insurance, is a liability insurance system based on an insurance contract established between the policyholder and the insurer, whereby the insurer pays a certain amount to the relevant party in the event of an insurance accident as agreed in the contract, and is an effective way to solve the problem of the compensation of environmental pollution through socialization of liability risks. Therefore, environmental liability insurance plays an important role in solving disputes of environmental pollution, alleviating social conflicts, and promoting the smooth development of enterprises and society.

In order to promote the healthy and steady development of environmental liability insurance, insurance companies are also constantly innovating their environmental liability insurance products and introducing various types of environmental liability insurance products to meet the different needs of the market. In Green Insurance Report 4 - “Disclosure of Environmental Liability Insurance Products of Insurance Companies”, PECC selects 11 insurance companies including China Taiping Insurance Group Ltd. (China Taiping), Asia-Pacific Property & Casualty Insurance Co., Ltd. (Asia-Pacific P&C), Sunshine Property Insurance Co., Ltd. (Sunshine Insurance Group), etc. to sort out and analyze the disclosure of their environmental liability insurance products in combination with the brand influence, the enthusiasm of insurance companies, and the bidding of local environmental liability insurance. The report shows that 9 out of 11 insurance companies have launched both universal environmental liability insurance products and special environmental liability insurance products formulated for a certain region or a certain type of industry. There

are big differences in the industrial structure among different regions in China, and there are also differences in the environmental risks between industries. Therefore, the environmental liability insurance products formulated by insurance companies for a certain region or industry are more recognized by the market than universal environmental liability insurance, and the motivation of enterprises to take out insurance is also enhanced to a certain extent.

There are obvious differences between the special environmental liability insurance products disclosed by different insurance companies for the same region and the same industry through the research. The purpose of this report is to compare and analyze the environmental liability insurance products disclosed by 9 insurance companies involving the same region and the same industry, to understand the differences between the terms of environmental liability insurance products of various insurance companies, and to discover their shortcomings. On the one hand, we hope to promote insurance companies to improve and innovate their environmental liability insurance products on the existing basis, and enhance the market recognition of environmental liability insurance; on the other hand, we also hope to increase the understanding of insured enterprises of the special environmental liability insurance products disclosed by several representative insurance companies in the current environmental liability insurance market, and help them to select suitable environmental liability insurance products from their own needs, so as to improve the enthusiasm of enterprises to take out insurance and promote the implementation of environmental liability insurance as soon as possible, so that environmental liability insurance can play its proper role.

2. The Overview of Special Products of Environmental Liability Insurance

The special products of environmental liability insurance disclosed by 9 insurance companies including China Taiping, Asia-Pacific P&C, and Sunshine Insurance Group cover many regions and industries. The regions mainly involve Shanxi, Shenzhen, Jiangsu, etc. The industries mainly involve high-tech enterprises, petroleum industry, etc.

The research object of this report is the environmental liability insurance products disclosed by different insurance companies that involve the same region and the same industry. The special environmental liability insurance products disclosed by 9 insurance companies involved a total of 11 regions (Guizhou, Liaoning, Inner Mongolia, Shandong, Xinjiang, Zhejiang Waterway, Ningbo, Jiangsu, Shanxi, Ningxia and Shenzhen) and 3 industries (petroleum, national energy projects and high-tech enterprises), but only 4 regions (Jiangsu, Shanxi, Ningxia and Shenzhen) and 1 industry (high-tech enterprises) have more than 2 insurance companies involved. In the other 7 regions and 2 industries, only 1 insurance company is involved, which cannot be compared and will not be described in this report.

3. The Comparative Analysis of Special Products of Environmental Liability

Insurance

In this report, PECC compares the products of environmental liability insurance disclosed by 9 insurance companies in the same region and in the same industry. Through the comparison, it can be seen that:

(1) The release dates of the products of environmental liability insurance vary widely. For example, the products of environmental liability insurance applicable to Ningxia disclosed by Ping An Insurance (Group) Company of China, Ltd. (Ping An Insurance) and China Pacific Insurance (Group) Co., Ltd. (CPIC) are the 2016 and 2021 versions respectively. Among the products of environmental liability insurance applicable to high-tech enterprises disclosed by 7 insurance companies including China Taiping, Asia-Pacific P&C, Sunshine Insurance Group, CPIC, and China Insurance, the earliest version is the 2010 version of the products disclosed by Ping An Insurance, and the latest one is the 2021 version of the products disclosed by Asia Pacific P&C. There is a difference of more than ten years between the two versions.

In August 2016, seven ministries and commissions, including the People's Bank of

China and the China Banking and Insurance Regulatory Commission (now the China Banking and Insurance Regulatory Commission), jointly issued the “Guidance on Building a Green Financial System”, which mentions “encouraging and supporting insurance institutions to innovate green insurance products and services”, indicating that the state attaches great importance to the innovation of insurance institutions in green insurance. In recent years, with the economic development of the central and western regions and the expansion of the domestic demand market and the overall improvement of the industrial structure in China, on the one hand, the industrial transfer from the eastern region to the central and western regions is not only limited to traditional low-end industries, but has gradually expanded to electronic information , equipment manufacturing, new energy and other high-end industries; on the other hand, domestic industrial transfer has gradually broken the trend of one-way transfer from the east to the central and western regions, showing a trend of coastal layout of some industries such as petrochemicals and non-ferrous metals. It can be seen that with the deepening of industrial transfer, the regional industrial structure is also changing. With the continuous prominence of environmental problems, outdated production processes, equipment and products are gradually being phased out, and environmental risk factors have also changed. Therefore, insurance companies such as Ping An Insurance and Sunshine Insurance Group, which disclosed earlier versions of environmental liability insurance, should closely follow the development and changes of the region and the industry, and actively innovate, otherwise they will most likely be eliminated by the market of environmental liability insurance.

In addition, if the insurance company has an update on the products of environmental liability insurance without timely disclosure, it will also have an impact on the insurance company. According to the “Administrative Measures for Information Disclosure of Insurance Companies” (2018 No. 2) issued by the China Banking and Insurance Regulatory Commission, if the information is not disclosed as required, the China Banking and Insurance Regulatory Commission will punish the insurance company in accordance with laws and administrative regulations. In addition, the

supervisors and other directly responsible personnel who are directly responsible for information disclosure will also be punished in accordance with laws and administrative regulations. Therefore, on the basis of continuous innovation of environmental liability insurance products, insurance companies should also make timely disclosures.

(2) Some insurance companies' clauses are not comprehensive and detailed enough. For example, in China Taiping Insurance Group Ltd. and China Pacific Insurance, which disclosed the applicable products of environmental liability insurance in Jiangsu, China Taiping Insurance Group Ltd. has detailed the liability limits for four items, including the liability limit for cleanup costs and legal fees per accident, which helps the insured to have a clearer understanding of the above liability limits when taking out insurance, and also facilitates the insurance company to determine the amount of compensation for the damage that falls within the scope of insurance liability as soon as possible after the insurance accident. Among the seven insurance companies that disclosed the products of environmental liability insurance applicable to high-tech enterprises, China Taiping Insurance Group Ltd., Asia-Pacific Property & Casualty Insurance Co., Ltd., and China Life Insurance Company Ltd. do not cover the liability limit for medical expenses after the occurrence of an insurance accident, and it is not uncommon for environmental pollution accidents to cause casualties, and if medical expenses are not agreed upon in the insurance terms, it will easily lead to unnecessary conflicts between the insurer as well as the insured when handling the relevant compensation.

In addition, a number of insurance companies do not mention short-term rate tables in their clauses of environmental liability insurance, such as Ping An Insurance and China Pacific Insurance Co., Ltd., which disclose the applicable products of environmental liability insurance products in Ningxia, and Asia-Pacific Property & Casualty Insurance Co., Ltd., PICC Property and Casualty Company Limited and China Pacific Insurance Co., Ltd., which disclose the applicable products of

environmental liability insurance for enterprises in high-tech areas. The coverage period of environmental liability insurance is generally one year. If the insured company surrenders in the middle, the short-term rate table is the basis for the insurance company to calculate the premium (premium payable = annual insurance premium * annual rate * corresponding percentage in the short-term rate table). If the rate corresponding to the premium payable when the insurance period is less than one year is not clearly defined in the terms and conditions, for one thing, the insured company does not have a clear idea of the premium for mid-term surrender, and for another, there is a lack of basis for charging or refunding the premium when mid-term surrender is made, which also easily leads to the inability of both parties to agree on the premium issue within a short period of time.

(3) Many insurance companies do not disclose the additional insurance corresponding to the products of environmental liability insurance. For example, Ping An Insurance doesn't disclose the additional insurance corresponding to the products of environmental liability insurance applicable to Ningxia and high-tech enterprises, and China Taiping Insurance Group Ltd. doesn't disclose the additional insurance corresponding to the products of environmental liability insurance applicable to Jiangsu, Shenzhen and high-tech enterprises.

The significance of the existence of additional insurance is to allow the insured to enjoy higher and more comprehensive coverage at low premiums, and to minimize the risks borne by the insured. When companies have insurance needs, there is a high possibility that they will choose an insurance company with matching additional insurance for environmental liability insurance products, so that they can obtain more comprehensive coverage at a relatively low cost.

(4) Special environmental liability insurance currently only involves some regions and individual industries. By sorting out the environmental liability insurance products of 9 insurance companies, PECC finds that the special environmental liability insurance disclosed by the 9 insurance companies currently only involves 11

regions including Guizhou, Liaoning, Jiangsu, Shenzhen, etc. The industries involved are even fewer, with only 3 industries including high-tech enterprises, national energy projects and oil.

There are currently 34 provincial administrative regions in China, each of which differs in geographical location and industrial structure. Provinces with strong economic strength will take the lead in optimizing industries and eliminating industries with relatively serious pollution in order to achieve balanced development as a whole; provinces with relatively backward economies will adopt resource-intensive development to seek breakthroughs; in addition, there are differences in the development of key industries among provinces with balanced economic development. The factors of environmental risk among industries are very different. For example, the factors of environmental risk of chlor-alkali enterprises are mainly chlorine and hydrogen, and the environmental risks are in the form of secondary/associated accidents or risks caused by chlorine, hydrogen and hydrogen chloride, and the factors of environmental risk of sulfuric acid enterprises are the pollution of groundwater and surface water caused by the leakage of acid tanks, etc. Therefore, insurance companies should not be limited to these regions and industries when developing special products of environmental liability insurance applicable to regions or industries, but need to expand the scope.

4. Our Suggestions

4.1 Actively explore and timely update products of environmental liability insurance

The state has always attached great importance to the innovation of the insurance industry in terms of environmental liability insurance products. In terms of special products of environmental liability insurance, insurance companies should actively develop and explore the products of environmental liability insurance applicable to

different regions and industries, so as to increase the enthusiasm of enterprises to take out insurance and truly play their unique advantages in environmental risk identification and environmental risk management. In addition, if there is an update of the environmental liability insurance products, the insurance company should also disclose it as soon as possible on its official website or the product inquiry website of the China Insurance Association in accordance with the provisions of the “Administrative Measures for Information Disclosure of Insurance Companies”, so that it is not only easy for the insured or the public to understand the innovation and efforts made by the insurance company in the development of the products of environmental liability insurance, but also to have a better understanding of the products of environmental liability insurance, thus promoting the development of the environmental liability insurance market.

4.2 The clauses are comprehensive and detailed to avoid unnecessary contradictions

The absence of matters and contents of the clauses not only makes the policyholder and the insured lack sufficient understanding of the relevant matters and contents in the process of insurance, but also easily leads to unnecessary conflicts as the policyholder, the insured and the insurer cannot agree on the missing matters or contents as soon as possible after the occurrence of an insurance accident.

Therefore, PECC recommends that insurance companies should brainstorm and consider comprehensively when formulating clauses of environmental liability insurance, and should cover all the matters involved as much as possible, such as the insurer’s obligations, short-term rate tables, etc., which should be summarized. In addition, the content of the clauses should also be detailed. For example, the specific provisions on the limit of liability, the provisions on the retrospective period of insurance, the period of insurance liability verification and other time periods should be listed in the clauses. This is beneficial for both parties to reach a consensus as soon

as possible after an insurance accident occurs and complete the payment.

4.3 Attach importance to additional insurance and increase the enthusiasm of enterprises to purchase insurance

The current situation of the environmental liability insurance market is not ideal. There are many reasons for this phenomenon. One of the reasons is that the insurance cost of environmental liability insurance is too high, which is not attractive to enterprises. As mentioned above, the significance of additional insurance is to allow the policyholder and the insured to enjoy higher and more comprehensive coverage at low premiums. Therefore, in order to increase the attention of enterprises from the aspect of insurance costs, it is necessary to give full play to the additional insurance. The role of insurance allows enterprises to obtain more comprehensive coverage under the condition that the insurance costs are not much different, thereby improving the enthusiasm of insurance companies to purchase insurance.

In addition, when insurance companies set up additional insurance, they can set additional insurance in a targeted manner based on their existing underwriting experience and the environmental risk characteristics of regions and industries, which not only reflects the professionalism of insurance companies, but also enables enterprises to have more and more choices that suit their needs in purchasing insurance.

4.4 Actively innovate and expand the coverage and fields of products

The reasons for the low market acceptance of environmental liability insurance products also include the single variety of environmental liability insurance. Therefore, while actively improving the products of environmental liability insurance applicable to the regions and industries that have been involved, the insurance industry also needs to actively innovate and develop environmental liability insurance products suitable for other regions and industries, and gradually expand the coverage

and fields of special environmental liability insurance, especially in environmentally sensitive areas and high-risk industries, in order to improve the market recognition of environmental liability insurance in different regions and industries, and help the development of environmental liability insurance.