The Way to Utilize Green Finance

Green finance has become a hotter topic than ever before, thanks to the political leadership in Korea. Despite the financial crisis, a growing number of political, financial and business leaders are calling for immediate action to drastically boost green finance, which is seen not just as a long-term imperative but also as a short-term stimulus for a struggling economy.

Korean insurance companies have been reluctant to dive into green finance, with the reservation that green growth policy by Korean government may not sustainable, and with the misunderstanding that the green finance does not match the role of insurers who are obliged to meet long-term liabilities. However, they just realized the importance of green insurance, after observing that green trends abroad create vast opportunities (from product innovation to investment alpha) for insurers to be part of the long-term sustainable growth, as well as are creating risks on both sides (underwriting and investment) of the insurance house.

At the bottom line, it is the time to take transformative action. The next few years are likely to see a flurry of activity driven by projects that seek to make homes and buildings more energy efficient, to reduce dependence on oil by de-carbonizing the energy system, and to start national and international carbon trading markets.

The opportunities for insurers to drive the sustainable growth, through direct investments and more green products and services, are unparalleled. Insurers could capitalize on their enormous creativity and market clout to preserve and grow their businesses in the face of realizing a low-carbon global economy. With insurance innovation and investment, insurers would help policy makers, the capital markets, and customers meet unprecedented challenges.