

Case Study:

Enhancing Insurance Underwriting with Veridion's ESG Data



Overview

In this case study, we explore how Veridion's Environmental, Social, and Governance (ESG) data significantly enhanced the underwriting process for a commercial insurer. The insurer tailored a \$50 million insurance policy for ChemPro, an industrial chemical manufacturer with a complex risk profile due to its regulatory and litigation history.

The insurer needed a comprehensive ESG assessment to accurately profile ChemPro's risks and adjust their policy accordingly.

Veridion's ESG Data Collection Process

Veridion employed a meticulous ESG data collection process to provide actionable insights tailored for ChemPro:

1. Insights from News and Commitments:

Veridion scanned global and local news sources to track ChemPro's ESG initiatives and public commitments, assessing the company's genuine performance on ESG fronts.

2. Industry Classification and Product Data:

Using AI, Veridion detailed ChemPro's products and services, focusing on chemical production processes. This helped identify which products contributed to sustainable practices, such as those used in renewable energy applications.

3. Locational Data:

Veridion provided comprehensive data on ChemPro's manufacturing sites, including one in a high-risk area prone to natural disasters.

4. Financial Data:

Veridion included revenue data to evaluate ChemPro's economic stability and risk exposure.

Challenge

ChemPro's extensive operations presented several challenges:

- Regulatory risks and litigation history
- Environmental liabilities
- High-risk manufacturing locations
- Worker rights and privacy issues

ESG Risk Findings for ChemPro

Veridion's data uncovered several critical insights:

1. Secondary Location in High-Risk Area:

A key manufacturing facility is located in a hurricane and flood-prone region.

2. Atmospheric Contamination:

ChemPro faced a \$14.25 million penalty for releasing hazardous pollutants and was involved in a lawsuit to block a climate resolution.

3. Carbon Emission:

ChemPro released a Climate Action Strategy aiming for net-zero emissions by 2040.

4. Water Usage and Contamination:

The company was fined \$500,000 for improper wastewater discharge.

5. Worker Rights Issues:

ChemPro was fined €32m for excessive worker surveillance, raising significant privacy concerns.

Insurance Policy Adjustments Based on Veridion's ESG Data

With a comprehensive risk profile from Veridion's ESG data, the commercial insurer made the following policy adjustments for ChemPro:

1. Premium Adjustments:

Increased premiums by 30% to reflect elevated environmental liability risks and the additional risks associated with the high-risk location.

2. Customized Coverage Terms:

- Tailored terms to include specific exclusions related to environmental compliance claims, legal disputes, and governance-related risks.
- Incorporated enhanced disaster preparedness requirements for the high-risk location.

3. Incentives for Improved ESG Practices:

Offered a 15% premium reduction if ChemPro committed to:

- Implementing better environmental management practices.
- Enhancing transparency in reporting and ethical guidelines within one year.
- Developing a robust disaster resilience plan for the high-risk location.

4. New Product - Climate-Resilient Property Insurance:

- Designed specifically for ChemPro's high-risk location.
- Included coverage for structural reinforcements, emergency response costs, and business interruption due to natural disasters.

Conclusion

Veridion's detailed ESG analysis enabled the insurer to tailor ChemPro's insurance coverage effectively, addressing their unique risks while promoting better environmental and governance practices. ChemPro now benefits from a customized insurance policy that not only meets their coverage needs but also incentivizes sustainable and ethical business practices.