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ESG WAKE-UP CALL: WHY INSURANCE INDUSTRY MUST ACT NOW - THE CASE OF NON - EU COUNTRIES

Prof. Klime Poposki
University of St. Kliment Ohridski
Macedonia

Agenda:

- Introduction – ESG and Insurance (Global Context)
- Regional Context – Non-EU Countries and ESG
- National Sustainable Finance Strategies (NSFS)
- Industry-Led ESG Initiatives – regional snapshot
- Emerging Opportunities & Risks for Insurers
- Conclusion – **A Wake-Up Call for Action**

Introduction – ESG and Insurance (Global Context)

➤ Global Momentum:

- *insurance industry's role in managing risk aligns naturally with ESG objectives*
- *growing demand from investors, customers, and policymakers for insurers to address climate change, social responsibility, and good governance*

➤ Why ESG Matters:

- *from climate-related disasters to social inequalities – pose material financial risks*
- *insurers must adapt their business models to remain resilient and relevant*

➤ The Role of Regulator and Supervisor:

- *increasingly prioritizing ESG factors and taking proactive measures to integrate them into financial supervision*

➤ Urgency for Non-EU Regions:

- *ESG integration is no longer a “nice-to-have” – it's becoming a baseline expectation in insurance*
- *non-EU insurance markets face the dual challenge of catching up with global ESG standards while managing local economic and political pressures*

Regional Context – Non-EU Countries and ESG

➤ **Current State of Play:**

- *Western Balkans and Eastern Europe/Caucasus - ESG considerations in insurance are still at an early stage*
- *sustainable finance remains an ambitious goal often overshadowed by other socio-economic and political challenges in these markets*
- *regulatory frameworks are largely underdeveloped*
- *research or data on ESG in the insurance sector is limited*

➤ **EU Proximity Influence:**

- *many of these countries aspire to EU membership or have association agreements, which pressures them to align with EU norms over time.*
- *proximity to the EU acts as a catalyst for ESG reforms, but the maturity gap between EU and non-EU frameworks remains significant*

➤ **Report on the Sustainability and ESG Regulatory Landscape in the CEET region (2024):**

- *Publish by A2ii and AZN Slovenia Authors: Denčić-Mihajlov, Poposki, Čibej, Lamp*
- *Main findings:*

Key insights



Insurance sector considerations of ESG issues and risks have still not gained momentum in the CEET region.



According to the ESG regulatory / supervisory framework development, the CEET countries in this survey belong to different maturity stages.



The role of insurance in achieving SDGs is not fully recognized and understood by supervisors.



There is a need to develop and promote national sustainable finance strategies / roadmaps focused to financial sector contribution to SDGs.



The perception of the materiality of E, S and G factors among supervisors is different, but there are aspects common regionally.



Limited resources, technical assistance, data and internal capabilities are the most relevant topics and pressing risks / challenges in setting supervisory priorities in the ESG domain.

National Sustainable Finance Strategies (NSFS)

➤ Need for Strategic Roadmaps:

- *The absence of NSFAS in most of these markets means there is no clear blueprint coordinating all stakeholders (government, regulators, industry) on sustainable finance and insurance*

➤ Examples of NSFS/Roadmaps, that are notable exceptions moving ahead:

- **Georgia:** *The National Bank of Georgia launched its second Sustainable Finance Roadmap (2025–2028) to deepen ESG integration in the financial sector;*
- **Azerbaijan:** *The Central Bank of Azerbaijan approved a Sustainable Finance Roadmap 2023–2026 aimed at bolstering financial institutions' resilience to climate and ESG risks;*
- **Ukraine:** *Before the war, Ukraine's National Bank unveiled a Sustainable Finance Development Policy 2025 (in late 2021) to guide banks and insurers in managing ESG risks;*
- *none of the **WB6** have formally published a comprehensive NSFS document yet – efforts are fragmented and often project based.*

Industry-Led ESG Initiatives – regional snapshot

➤ ESG Strategies & Leadership:

- *regional subsidiaries of EU-based groups are driving ESG adoption, applying parent-level sustainability frameworks across operations*
- *a few local champions (e.g., Aldagi in Georgia, Dunav Re in Serbia) have developed formal ESG strategies, created internal ESG committees, and engaged in sustainability reporting or UN Global Compact participation*

➤ Green & Inclusive Insurance Products:

- *green coverage is emerging: coverage for solar panels, wind farms, electric vehicles, and energy-efficient homes.*
- *social products include microinsurance for farmers, health micro-covers, and credit protection insurance for vulnerable households*
- *innovative models like index-based agricultural and municipal climate insurance have been piloted in several countries (e.g., Serbia, Macedonia, Armenia), often supported by the InsuResilience Global Partnership or UNDP.*

➤ Community Engagement & Partnerships:

- *Insurers collaborate with NGOs, governments, and development agencies on awareness campaigns (e.g., road safety, environmental education), disaster preparedness, and healthcare prevention*

➤ Global ESG Framework Participation:

- *UNEP FI Principles for Sustainable - adopted by Dunav Re (Serbia);*
- *UN Global Compact: members Aldagi and JSC insurance (Georgia), Dunav (Serbia), Pasha (Azerbaijan)*
- *TCFD alignment and Sustainable Insurance Forum (SIF) – a global network of insurance regulators*

Emerging Opportunities & Risks for Insurers

➤ Physical Risks – A Growing Threat:

- *if insurers do not price these risks adequately or diversify, climate impacts could undermine their profitability and solvency*
- *low insurance penetration – is a missed opportunity for insurers and a societal risk protection gap*

➤ Transition Risks – Carbon-Intensive Economies:

- *insurers face transition risks: policy shifts (carbon pricing, stricter environmental laws), technological changes, or market preferences can rapidly devalue carbon-intensive assets*
- *insurers must adapt their business models to remain resilient and relevant*

➤ Emerging Opportunities – New Products & Markets:

- *ESG presents significant business opportunities for innovative insurers*
- *insurance sector can support climate adaptation by offering products such as agricultural index insurance for farmers*
- *sustainability as competitive edge*

➤ Support from Strategies & Taxonomies:

- *national green finance strategies (once in place) can unlock policy incentives – such as subsidies for insurers offering climate-risk coverage or public-private partnership schemes for disaster insurance pools*

➤ Risk of Inaction:

- *insurers that ignore ESG imperatives face mounting risks - incur higher losses from unmitigated climate events, suffer reputational damage for poor governance or social practices, and ultimately fall foul of incoming regulations*

Conclusion – A Wake-Up Call for Action

Governments

- *Defining of national sustainable finance strategies (NSFS)*
- *Building regulatory framework on ESG principles and standards*
- *Intensive and strong collaboration with financial sector stakeholders*
- *Awareness campaign, education, research and projects support*

National supervisory authorities

- *Promoting ESG-related guidelines and standards*
- *Prioritizing training programs and facilitating knowledge transfer*
- *Fostering technical dialogue among insurance supervisors*
- *Conducting follow-up sessions to assess the implementation and effectiveness of ESG measures*

Insurance entities

- *Integrate ESG into core business strategy*
- *Develop and scale sustainable insurance products*
- *Strengthen industry-wide ESG capacity*
- *Raise public awareness and trust*
- *Collaborate on systemic solutions*



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Thank you

Klime Poposki

Email: klime.poposki@uklo.edu.mk

www.uklo.edu.mk