ECONOMIC AND SOCIAL IMPORTANCE OF GREEN INSURANCE PRODUCTS BASED ON ESG PRINCIPLES

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Abstract. *This paper examines the economic and social significance of ESG-based green insurance products. The study highlights how integrating environmental, social, and governance principles into insurance contributes to sustainable investment, financial stability, and social protection. The findings show that green insurance products support economic resilience while enhancing social welfare and trust in insurance institutions.*

Keywords: *ESG principles; green insurance; economic impact; social significance; sustainable development.*

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In recent years, the growing emphasis on sustainable development has significantly reshaped financial markets, including the insurance sector. Environmental challenges, climate change, and increasing social expectations have encouraged insurers to reconsider traditional business models and integrate ESG (Environmental, Social, Governance) principles into their activities. Within this context, green insurance products have emerged as an important instrument for promoting sustainable economic growth and social well-being.

Green insurance products based on ESG principles are designed to address environmental risks, support socially responsible activities, and ensure transparent and accountable governance practices. By providing financial

protection for renewable energy projects, energy efficiency initiatives, climate-related risks, and environmentally responsible businesses, these products contribute to reducing ecological damage and enhancing resilience to environmental shocks. At the same time, ESG-oriented insurance strengthens insurers' risk management frameworks and supports long-term financial stability.

From a social perspective, green insurance products play a crucial role in protecting households and businesses from the adverse effects of climate change and environmental degradation. They contribute to social inclusion by supporting vulnerable sectors, promoting safer living conditions, and encouraging responsible economic behavior. Moreover, the integration of governance standards enhances trust, transparency, and accountability in insurance operations, benefiting both policyholders and investors.

Therefore, analyzing the economic and social significance of ESG-based green insurance products is a relevant scientific and practical task. Such analysis helps to identify their role in sustainable development, assess their contribution to economic resilience, and determine their potential to address pressing environmental and social challenges in modern economies.

Recent academic and policy-oriented literature emphasizes the growing economic and social relevance of ESG-based green insurance products in the context of sustainable development.

Research by the International Labour Organization highlights the social dimension of sustainable insurance, arguing that ESG-oriented insurance products contribute to social protection, employment stability, and resilience against climate-related shocks. The study emphasizes that green insurance mechanisms can mitigate income losses and reduce social vulnerability in environmentally exposed sectors [1].

The European Commission examines the role of sustainable finance instruments, including green insurance, in achieving climate neutrality and

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inclusive economic growth. According to the Commission's reports, ESG-based insurance products enhance capital allocation efficiency by supporting green investments while simultaneously generating positive social externalities through improved risk-sharing mechanisms [2].

From a market and investment perspective, the Global Sustainable Investment Alliance provides evidence that ESG integration in insurance products improves long-term economic performance and strengthens stakeholder confidence. The Alliance argues that green insurance products not only reduce environmental risks but also improve insurers' reputational capital and contribute to broader social trust in financial institutions [3].

ESG-based green insurance products generate multidimensional effects that extend beyond traditional financial protection. Their implementation influences both economic performance and social outcomes by improving risk management, supporting sustainable investment, and strengthening social resilience. To systematize these impacts, Table-1 presents the key economic and social effects associated with ESG-oriented green insurance products.

Table-1

Economic and Social Effects of ESG-Based Green Insurance Products

Effect category	Area of impact	Description of effects	Expected outcomes
Economic	Investment activity	Risk mitigation for green and renewable energy projects	Increased green investment flows
	Financial stability	Improved diversification of insurance portfolios	Reduced systemic and climate-related risks

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	Cost efficiency	Lower long-term losses from environmental damage	More sustainable insurance pricing
Social **Social**	Social protection	Coverage against climate and environmental risks	Reduced income and welfare losses
	Employment and livelihoods	Protection of climate-sensitive sectors (agriculture, SMEs)	Greater labor and income stability
	Social trust	Transparent ESG-oriented insurance practices	Higher confidence in insurance institutions
Institutional	Governance quality	Integration of ESG risk assessment and reporting	Improved accountability and transparency

Source: Compiled by the author based on international ESG and green insurance studies (ILO, European Commission, GSIA).

The results presented in Table-1 demonstrate that ESG-based green insurance products produce both direct and indirect economic benefits. Economically, these products play a crucial role in supporting sustainable investment by reducing uncertainty and financial risks associated with green projects. Insurance coverage enhances investor confidence, facilitates access to financing, and contributes to the expansion of renewable energy and environmentally responsible business activities.

Green insurance also strengthens financial stability by improving risk diversification within insurance portfolios. By incorporating climate-related and environmental risks into underwriting and pricing models, insurers are better equipped to manage long-term exposures, reducing the likelihood of

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large-scale losses and contributing to systemic resilience.

From a social perspective, ESG-based green insurance products enhance social protection by providing financial security against climate-induced shocks such as floods, droughts, and extreme weather events. This is particularly important for vulnerable households, small businesses, and climate-sensitive sectors, where income volatility and exposure to environmental risks are high.

Furthermore, the integration of social and governance principles improves institutional trust and accountability. Transparent ESG reporting, ethical business conduct, and responsible governance practices increase public confidence in insurance institutions and promote inclusive participation in insurance markets.

Overall, the analysis confirms that ESG-based green insurance products serve as a critical linkage between economic efficiency and social responsibility. Their development supports sustainable economic growth, strengthens social resilience, and contributes to the broader objectives of sustainable development.

The analysis confirms that ESG-based green insurance products play a significant economic and social role in the modern insurance sector. By integrating environmental, social, and governance principles into insurance design and risk management, these products contribute to sustainable investment, improved financial stability, and more efficient allocation of resources.

From an economic perspective, green insurance supports the development of environmentally responsible projects by reducing investment risks and strengthening long-term resilience. The diversification of insurance portfolios and the incorporation of climate-related risks enhance insurers' ability to manage systemic exposures and maintain financial sustainability.

Socially, ESG-oriented green insurance products provide essential

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protection against environmental and climate-related risks, particularly for vulnerable households, small businesses, and climate-sensitive sectors. They help reduce income losses, support employment stability, and strengthen public trust in insurance institutions through transparent and responsible governance practices.

Overall, ESG-based green insurance products represent an important instrument for aligning economic efficiency with social responsibility. Their continued development can significantly contribute to sustainable development goals by fostering economic resilience, social protection, and long-term environmental sustainability.

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