



DEVELOPING INSURANCE INVESTMENTS BASED ON ESG AND GREEN FINANCE STANDARDS IN LOCAL AND GLOBAL MARKETS

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ABSTRACT	KEYWORDS
In the insurance sector, the integration of ESG (Environmental, Social and Governance) standards and green finance concepts is becoming increasingly important in increasing the sustainability of investment portfolios. Investment management processes based on these principles are developing in global and local markets, helping to reduce environmental risks and strengthen social responsibility. Green bonds, climate funds and other green financial instruments are emerging as key tools for insurance companies to implement sustainable investment strategies. Thus, ESG and green finance standards are improving the financial performance of insurance investments and contributing to sustainable development goals.	Insurance investments, ESG standards, green finance, sustainable investments, green bonds, investment portfolio optimization, green funds.

Introduction

In recent years, issues of sustainability and environmental protection have become increasingly relevant in the global economy. In particular, the insurance sector is paying great attention not only to increasing financial efficiency, but also to minimizing social and environmental risks by introducing ESG (Environmental, Social, Governance) standards and “green finance” concepts in the management of investment portfolios. ESG principles play an important role in the selection of financial instruments of insurance companies, risk assessment and ensuring sustainable development. At the same time, green financial instruments, including green bonds and climate finance funds, serve to strengthen the sustainability of insurance investments. These processes are shaping their own development paths in different regulatory and economic conditions in local and global markets. Thus, the trends of integrating ESG and green finance standards into insurance investments play an important role not only in ensuring financial security, but also in creating a sustainable and socially responsible economic system.

In modern financial systems, sustainability principles and social responsibility concepts are becoming an integral part of financial activities. Especially for the insurance sector, ESG (Environmental, Social, Governance) standards and green finance concepts require new approaches to the formation of investment portfolios. ESG principles allow reducing financial risks and increasing investment efficiency by ensuring environmental protection, social justice and effective governance. Green

financial instruments are also being accepted as an important instrument in achieving sustainable development goals. Regulatory, legal and economic conditions in local and global markets have a specific impact on the integration of ESG and green finance standards. Therefore, identifying and implementing effective ways to develop insurance investments based on ESG and green finance principles is an urgent task not only to ensure financial stability, but also to strengthen social and environmental sustainability.

According to Kiran Sood and Ercan Özenlar, “By integrating ESG principles into insurance activities, companies increase sustainability, competitiveness and financial performance. In our opinion, this approach not only strengthens the company's internal governance system, but also reduces negative environmental impact, increases social responsibility and forms reliable corporate governance. In addition, insurance companies operating taking into account ESG criteria gain the trust of investors and customers, which further strengthens their position in the market.

Alex Edmans' research shows that for insurance companies, incorporating ESG factors into their investment portfolio creates long-term value and improves financial results. Indeed, investment decisions based on ESG criteria not only take into account social and environmental aspects, but also allow them to manage risks and provide a reliable, stable income stream. This, in turn, increases the reputation of the company and strengthens trust among customers and investors.

According to Michael Greenstone, in the insurance sector, it is necessary to adapt investment portfolios to climate change and environmental risks ESG-based models are important for adaptation. We believe that such an approach allows insurance companies to identify, assess and manage systematic environmental risks in advance. Especially in the current context, where the impact of climate change on natural disasters, property and health insurance markets is increasing, ESG models are becoming increasingly important.

According to Edward Barbier, through green finance, insurance companies can ensure that their investment portfolios are environmentally and socially sustainable. We believe that this approach increases not only the financial sustainability of the insurance industry, but also its responsibility to the environment and society. By including green financial instruments, in particular green bonds and investments aimed at sustainable development, insurance companies support climate-resilient, environmentally friendly projects.

Today, global financial markets are increasingly focusing on adopting sustainability and social responsibility principles. Especially for the insurance sector, ESG (Environmental, Social, Governance) standards and green finance concepts have become an integral part of investment activities. The implementation of ESG principles not only increases the safety and efficiency of investment portfolios, but also contributes to socially and environmentally sustainable development. At the local and global levels, this process develops in different directions and is determined by the specific regulatory, economic and cultural environment. For insurance companies, the successful integration of ESG and green finance standards is an important tool for improving investment strategies, effectively managing risks and achieving sustainable financial growth. Therefore, identifying and improving ways to develop insurance investments based on ESG and green finance standards in local and global markets is considered an urgent task.

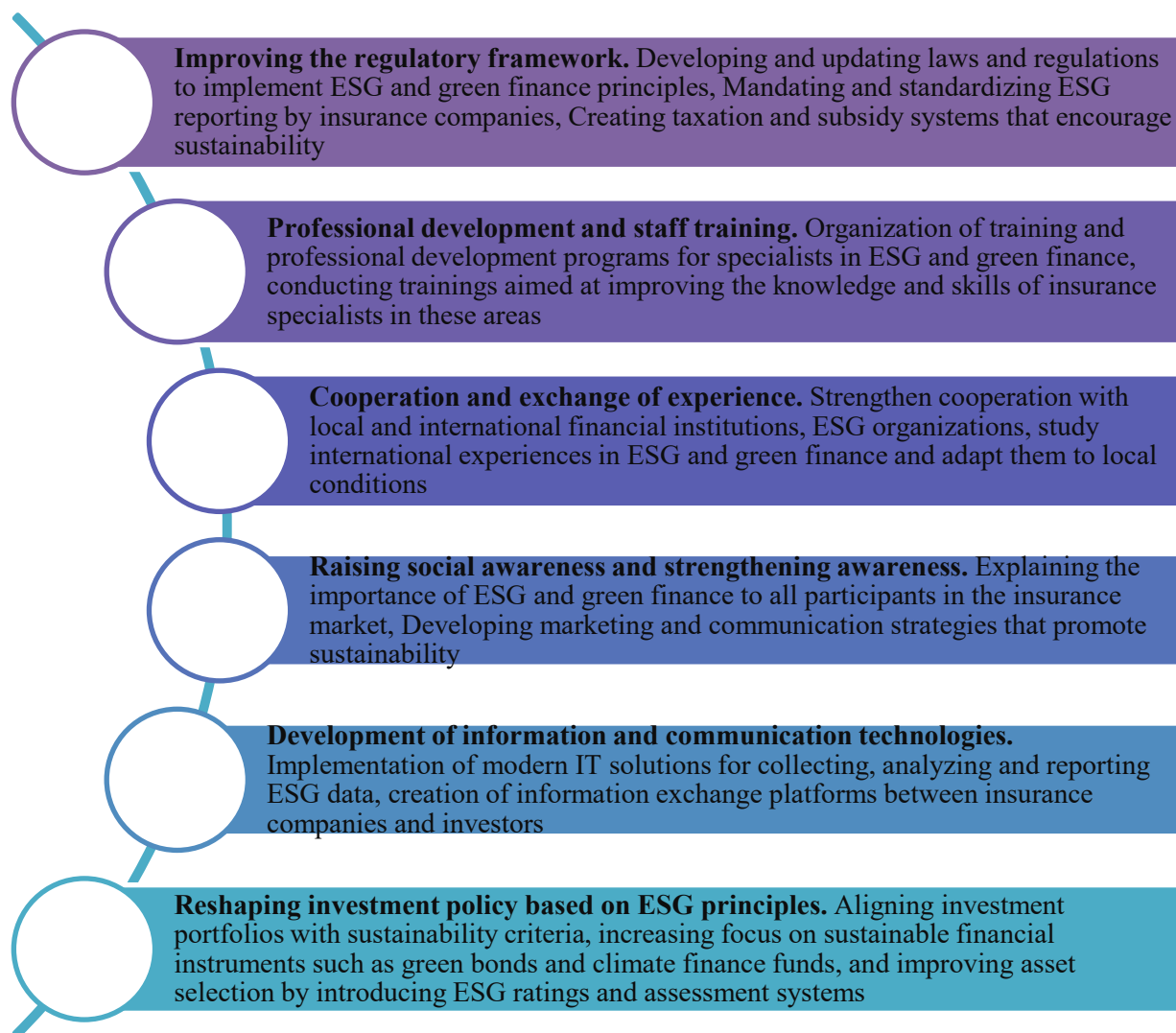


Figure 1. Ways to develop insurance investments based on ESG and green finance standards in local and global markets

Integrating ESG standards and green finance concepts into insurance investments is important not only for ensuring financial stability, but also for increasing social and environmental responsibility. To develop these principles in local and global markets, it is necessary to strengthen the regulatory framework, train qualified personnel, reform investment policy, and introduce modern technologies. At the same time, it is necessary to create sustainable investment mechanisms that meet international standards through cooperation and exchange of experience. These areas will allow insurance companies to effectively manage risks and achieve sustainable financial growth, which is an important factor in economic development and environmental protection. Thus, the introduction of ESG and green finance principles into insurance investments is an important foundation for the formation of a sustainable and socially responsible financial system in the future.

The insurance market is a key tool for risk management. Reinsurance is a tool for insurance companies to manage large or unexpected losses and ensure stability. In this analysis, we will analyze the amount of insurance premiums collected from reinsurance in 2018-2024.

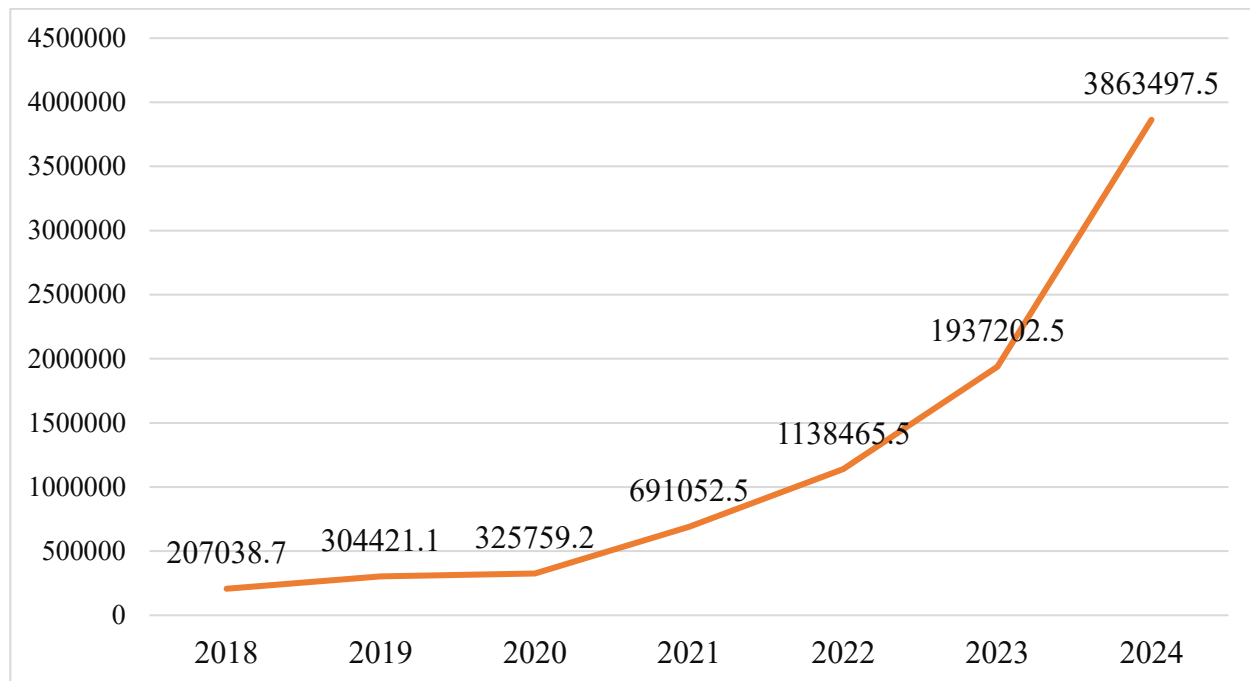


Figure 2. The volume of insurance premiums collected under reinsurance contracts in million soums

From 2018 to 2024, the volume of premiums increased by almost 19 times. This indicates that the insurance market is growing and the need for reinsurance services is increasing. In the transition from 2023 to 2024, the volume of premiums increased by almost 2 times. This may be due to new projects, investments or changes in legislation. The significant increase in the volume of reinsurance premiums during 2018-2024 indicates that insurance companies are striving to manage risks more actively. This confirms the growing confidence among market participants, as well as the growing importance of insurance services.

The process of introducing ESG and green finance standards in the insurance sector has its own characteristics not only in global financial markets, but also in local markets. Globally, in developed countries, ESG principles are regulated by strict legislation and standards, which encourages insurance companies to develop sustainable investments. At the same time, the widespread use of green financial instruments allows for the diversification of investment portfolios and risk reduction. In local markets, especially in developing countries, the introduction of ESG and green finance concepts is still taking place gradually, and the creation of a legal framework and infrastructure is important. By taking ESG principles into account in the investment policies of insurance companies, they can reduce risks related to climate change and increase confidence in the eyes of customers and investors. At the same time, new opportunities are emerging in the insurance sector through the use of green financial instruments, which helps to form sustainable and responsible investment portfolios.

Integrating ESG and green finance standards into insurance investments not only improves financial stability and risk management, but also increases social and environmental responsibility. To develop these principles in local and global markets, it is necessary to strengthen the regulatory framework, train specialists, revise investment policies and introduce modern information technologies. These areas will allow insurance companies to achieve sustainable financial growth, reduce environmental risks and strengthen social trust. Thus, the introduction of ESG and green finance concepts in the

insurance sector is of great importance in forming a sustainable and responsible financial system. ESG (Environmental, Social and Governance) criteria and green finance have become important financial and social trends for global markets in recent years. ESG principles include policies aimed at improving the environment, increasing social responsibility and ensuring effective management.

Green finance, in turn, represents financial practices aimed at environmentally friendly and sustainable investments. The implementation of ESG principles in the insurance market, in turn, will help to manage investment decisions, assess risks and achieve sustainable development goals. Today, local and global insurance companies aim to ensure their long-term development by implementing ESG and green finance standards in their activities. Attracting green investments is also of great importance for creating economic sustainability by protecting the environment and increasing social responsibility.

Growth of the green finance market. Global investments in green finance will exceed \$500 billion per year by 2023. Green bonds, ESG indices and other environmentally sustainable financial instruments are increasingly expanding. The volume of investments made through ESG principles accounted for 25% of the global market in 2023, which is almost 5% higher than in 2022. By 2020, the global amount of green bonds reached \$1 trillion and is expected to reach \$3 trillion by 2025. Investments made based on ESG (Environmental, Social and Governance) principles increased by 35% by 2021 and this trend is still continuing.

The development of ESG and green investments in the insurance sector. Insurance investments based on ESG and green finance principles are growing in the global insurance market. Green insurance and sustainable insurance products (for example, insurance for environmentally friendly homes) are becoming increasingly widespread. At the same time, insurance companies that comply with ESG principles are using new methods to assess their risks, including: Between 2019 and 2023, the volume of investments in the ESG and green insurance market increased by an average of 20%. Demand for green insurance products has grown significantly in the European and North American markets. For example, investments in green insurance products in Europe reached 8 billion euros in 2022.

Differences between countries in the global ESG and green finance markets. The European Union (EU) is the most advanced region in promoting its ESG policies. By 2021, investment flows based on ESG principles in the EU accounted for 50% of the global amount. Investments in ESG insurance and green bonds in Europe are expected to reach 1 trillion euros by the end of 2023. The United States is also actively participating in the development of the ESG market, but the investment volume may be smaller compared to Europe. However, policies and regulations on ESG and green finance have grown rapidly since the early 2020s. ESG investments in the US exceeded \$350 billion by 2023. The Asia-Pacific region is also actively participating in the expansion of ESG and green finance markets, especially in countries such as China and South Korea. Green bond investments in China grew by an average of 20-25% per year in 2020-2023.

ESG risk assessment in insurance markets. ESG-based risk assessment methods are developing by insurance companies. ESG integration helps insurance companies identify new types of risks (environmental, social and governance risks). By 2023, more than 40% of global insurance companies will apply ESG principles in their risk assessment. Companies that have embarked on green insurance and ESG integration are seeking to ensure long-term sustainability by protecting themselves from environmental risks (such as climate change) and social uncertainties. Global trends in green finance and ESG: Global ESG investments will reach \$7 trillion by 2023, which is 2 times more than in 2020. The growth of green finance and ESG markets is playing a key role in tackling climate change and

achieving sustainable development goals. By 2023, more than 60% of investment firms will have integrated ESG principles.

CONCLUSION

The development of insurance investments based on ESG and green finance principles in domestic and global markets will help ensure long-term economic and environmental sustainability. The implementation of ESG standards will allow insurance companies to correctly assess risks, create sustainable and responsible investment strategies. Global trends in green finance will also encourage the insurance sector to adopt environmentally and socially responsible investments. As a result, the stability of the insurance market and the environmental and social well-being of society will increase, which will support economic growth in the long term.

The rapid growth of ESG and green finance markets around the world is also reflected in the global insurance sector. The development of insurance investments based on ESG principles serves the goals of reducing negative environmental impacts, providing social benefits to society, and ensuring sustainable governance. The global growth of green finance is forcing insurance companies to better understand new opportunities and risks. These trends are essential for achieving sustainable economic development.

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