

New product supporting zero carbon economy
Launch of the “Carbon Neutral Support Clause” for Corporate Property Insurance

Mitsui Sumitomo Insurance Co., Ltd. (CEO: Shinichiro Funabiki, hereinafter MSI) and Aioi Nissay Dowa Insurance Co., Ltd. (CEO: Kyozo Kanasugi, hereinafter ADI) have launched the “Carbon Neutral Support Clause” supporting the retrofit of the environmental benefit through recovery where the policy has built retrofitting into the claims process through additional cost cover including reinstatement, product facility change and addition of environmental beneficial equipment which enable CO2 reduction in August 2021.

The MS & AD Insurance Group will continue to contribute to the transition to zero carbon economy by providing new innovative products and services.

1. Background

Efforts toward zero carbon economy have been accelerating around the world and new facilities and technologies are being developed to reduce CO2 emissions. In the near future, it is expected that more companies will adopt facilities and technologies that reduce CO2 emissions with an additional cost when restoring buildings and facilities after damage by fires, wind and flood etc.

On the other hand, with conventional property insurance, it is only able to pay up to the cost of restoration to the original condition, such as general construction and facility repair excluding any betterment cost.

With that in mind and given the concept of “build back better*”, MSI and ADI have implemented a new innovative clause to compensate for the additional cost that leads to the reduction of CO2 emissions at the time of recovery with the aim of contributing to the transition to zero carbon economy.

*Build back better - this is the concept in the field of disaster prevention. This advocate not only to restore the city to its original at the stage of reconstruction after a disaster but also to take stronger measures to realize town development.

2. Overview

(1) Payment

Out of the additional expenses used for the retrofit of the environmental benefit borne by a policy holder due to a loss occurred on a building or an equipment at the insured location, such expenses with the insurer’s prior approval are paid as " decarbonization measures".

(2) Compensation Example

If additional costs are incurred due to the following but not limited to decarbonization measures implemented on the same insured location as the site where the loss occurred, insurance will be paid for such additional costs of decarbonization measures.

- a) A function to reuse heat energy discharged from production facilities
- b) A private power generation facility using bioethanol as a fuel
- c) Fuel conversion of boiler facilities contributing to CO2 emission reduction
- d) A solar power generation facility on newly reinstated roof
- e) High thermal insulation glass and high thermal insulation of outer walls
- f) An automatic stop function added to lights and power equipment

(3) Amount of insurance to be paid

a) The actual cost of decarbonization measures will be compensated up to the amount obtained by multiplying the insured loss amount by the indemnity ratio or the limit of liability, whichever is lower.

b) Indemnity ratio and limit of liability can be selected from the following;

Indemnity ratio	10%, 30%
Limit of liability	100 million yen, 300 million yen, 500 million yen, 700 million yen, 1 billion yen

(4) Examples of premiums for this extension

Given the indemnity ratio is 30% and limit of liability is 1 billion yen, the additional premium will be c. 10m yen. The amount may vary depending on the loss history, occupancy, sum insured etc.