

**Deloitte.**



**The digital roadmap for  
sustainable insurance:  
Cloud's vital role**

## Why should insurers prioritize sustainability, and what actions are they taking to lead the change?

Practices and principles in the insurance sector are inextricably linked to sustainability criteria. Voices raised by all stakeholders are forcing insurers to consider the different ways sustainability goals have an impact on the insurance sector and vice versa.

*A focus on sustainability is affecting insurers in four ways:*

**Risk mitigation:** Insurers that integrate sustainability can proactively address climate-related risks to minimize the financial impact of claims, ensuring long-term profitability. This will also help them reduce exposure to financially risky investments.

For instance, AXA<sup>1</sup> identified the financial risks associated with the declining economic viability of the coal industry and was the first among its peers to divest from coal-related investments. AIG<sup>2</sup> has also stopped providing underwriting services and investments for the construction of any new coal-fired power plants, thermal coal mines, or oil sands.

**Product and service innovation:** Integration of climate and equity considerations into product design covering emerging sectors (such as sustainable agriculture) will capture new opportunities and support underserved markets, thus increasing profitability through diversified revenue streams and cost savings from better risk management.

For instance, Swiss Re<sup>3</sup> has developed insurance solutions tailored to address the complexities of adopting eco-conscious and sustainable farming methods that consider factors like weather-related risks, crop diversity, and the long-term impact of climate change on agricultural landscapes. Liberty Mutual<sup>4</sup> addresses the “social” aspect of sustainability by focusing on providing better products and services for its customers where it uses machine learning (ML) to assess vehicle damage when clients file claims on their phones. This streamlines the process and can tell customers whether they need to replace or simply repair their vehicle almost immediately. Similarly, Progressive’s “Photo Estimate” tool allows customers to submit vehicle damage photos, which are then used to assess damage, estimate repairs, and offer claim settlements using artificial intelligence (AI). This digital process cuts adjuster travel, reducing fuel use, emissions, and carbon footprint.<sup>5</sup> MetLife<sup>6</sup> is another insurance company that uses AI developed by “born in the cloud” InsurTechs to detect customer emotions during calls, improving agent-customer interactions by offering real-time feedback and suggestions.

**Compliance adherence:** The rapidly evolving regulatory landscape has driven insurers to improve transparency and accountability. For example, the California Legislature recently passed the Climate Corporate Data Accountability Act, requiring large companies to disclose their greenhouse gas (GHG) emissions, including scope 3 emissions (financed emissions through investments and insurance activities). AXA<sup>7</sup> implemented ESG criteria for procurement with a mandated sustainability clause complying with the principles of the International Labour Organization and ESG risk assessment for suppliers. Deloitte has also helped an American life insurance company to publish its first Task Force on Climate-related Financial Disclosures (TCFD) report, leveraging the company’s existing climate disclosures and identifying future improvements and a longer-term roadmap.

**Improved brand perception:** With growing stakeholder pressure to withdraw from certain carbon-intensive or equity-insensitive business sectors, insurers should actively weave sustainability into their product offerings and business operations to enhance their brand perception among stakeholders. This will also foster stronger connections and promote greater stakeholder engagement.

For instance, Aviva<sup>8</sup> has been actively integrating sustainability into its business strategy by striving to achieve net-zero by 2040, allocating capital to projects that contribute to a low-carbon and sustainable future and engaging in community and social impact programs, thus creating a positive corporate image. Dutch insurer NN Group<sup>9</sup> is another that has drafted a roadmap to reduce GHG emissions to net-zero in its own operations by 2040, as well as in its investments and insurance underwriting by 2050, thus improving its brand perception among investors and customers. Prudential Financial<sup>10</sup> has also been recognized for its sustainability initiatives and responsible business practices. AXA XL<sup>11</sup> is committed to purchase renewable energy that is certified by energy attribute certificates, thereby building its brand image as a pro-sustainability insurer. AIG<sup>12</sup> has been tracking emissions since 2019 and has moved IT data center operations from two on-premises data centers to co-location and public cloud facilities to secure future-fit computing capabilities at lower cost and carbon level.



## How can insurers leverage the power of cloud to elevate their capabilities and further their sustainability goals?



### Risk mitigation

By adopting certain transformative cloud capabilities, insurers not only fortify their risk management processes but also pave the way for a sustainable and future-ready industry paradigm. The deployment of next-generation cybersecurity safeguards sensitive company and customer data, managing the cyber and privacy risk. Moreover, harnessing modern data analytics and data housed within a cloud environment on data lakes equips insurers to analyze vast amounts of ESG data and trends, facilitating proactive risk mitigation strategies. For example, AIG assists clients in recognizing potential ESG-related risks and adjusting coverage as required based on ESG data and trends analysis.<sup>13</sup>



### Product and service innovation

Modern data analytics can inform the development of innovative insurance products that cater to the growing market for sustainable services. For instance, it could help identify patterns and trends in climate change data, enabling the creation of insurance products for sectors most affected by environmental changes. AIG has developed CyberMatics,<sup>14</sup> a solution that provides cybersecurity insights and tailored analytics to limit client's cyber risk. Travelers has developed WindPak<sup>15</sup> and SolarPak<sup>16</sup> products that cater to distinct coverage needs within the wind and solar sectors situated in the United States.

Through application modernization, companies gain the agility to enhance efficiency and adapt seamlessly to evolving market demands. Through the modernization of its Location Risk Intelligence Platform, Munich RE<sup>17</sup> significantly streamlined the entire process, transforming weeks of data gathering, hardware procurement, system integration, and security reinforcement into a matter of minutes. Consequently, it is now able to provide climate change scores more easily and quickly than ever before.

Furthermore, the synergy of computer vision, AI/ML, and intelligent automation on the cloud potentially can collaboratively create digital experiences like virtual payment capabilities, thereby enabling comprehensive smart claims management and enhancing overall operational performance for the end consumers. Insurers can use cloud-based digital solutions to offer new insurance products that protect people from new environmental risk. Combining development of new products with agile delivery for release can help get to market sooner and keep pace with rapidly evolving environmental changes and risk landscape, as Munich RE has done with its climate risk solution.<sup>18</sup> Furthermore, adopting software as a solution (or SaaS) is enabling clients to deliver new sustainability-focused services to customers faster.



## Compliance adherence

Effectively reporting on crucial ESG metrics demands extensive yet efficient data gathering, thorough analysis, and adaptable responsiveness to evolving regulatory frameworks. Cloud-based solution providers like Salesforce and Microsoft are offering packaged solutions with sustainability goals at the center. Munich RE has been leveraging Microsoft Cloud for Sustainability for its climate risk solution<sup>19</sup> to assist clients in navigating and adhering to regulatory requirements, such as TCFD, enabling them to effectively manage risk, ensure compliance, and make well-informed decisions in an increasingly complex world.

Fulfilling reporting requirements from various regulatory bodies is foundational and maintaining strict compliance with reporting standards is crucial in this heavily regulated industry for which security is of the utmost importance. Next-generation cybersecurity on cloud enhances data protection, mitigating environmental and social risks associated with data breaches. Munich RE<sup>20</sup> is also well positioned to deliver with the highest security standards, such as ISO27001 and STAR Cloud Security Alliance, to its customers. Cigna Group utilizes algorithms and predictive models to employ a multilayered governance, risk, and compliance platform, effectively preventing, detecting, and responding to cybersecurity threats. This integrated approach ensures an effective strategy for both health care decision-making and cybersecurity resilience.



## Improved brand perception

Transferring workloads to the cloud facilitates customized resource scaling, resulting in energy savings and reduced carbon emissions. However, it necessitates careful consideration of workload hygiene and monitoring to prevent potential "cloud sprawl." AIG<sup>21</sup> is enhancing operational effectiveness while concurrently lowering its GHG emissions, as part of AIG 200, by moving data center operations to ensure advanced computing capabilities for the future at a lower cost and with a reduced carbon footprint. Partnering with cloud and shared service providers with renewable electricity and other sustainability goals, AIG is transferring operational (scope 1 and 2) GHG emissions to value chain emissions (scope 3). Prudential reduced scope 1 and 2 emissions in terms of purchased electricity by migrating to a co-location data center.<sup>22</sup>

Establishing robust policies, governance, and effective information security management is imperative for insurers to cultivate customer trust and attain the status of a dependable insurance provider. While these principles are supported by all cloud service providers, managing them becomes more intricate in a hybrid-cloud environment. Recognizing the pivotal role of data governance in building reliability, Prudential plc<sup>23</sup> is actively accelerating its journey by developing a master data management platform while concurrently navigating the adoption of Google Cloud Platform (GCP) in conjunction with its existing Azure services. This underscores Prudential plc's commitment to ensuring a secure and trustworthy environment for its customers.

Insurers can improve their "Customer/Agent-first" perception by partnering with cloud providers and incorporating transformative business processes and digital changes. This, in turn, enables them to promote environmentally and socially conscious practices. Prudential plc looks to leverage Google Cloud's data analytics capabilities, secure and sustainable infrastructure, and the extensive Google ecosystem to fast-track its digital transformation.<sup>24</sup> This will elevate user engagement in preventive health through its AI-powered wellness solution Pulse. In the longer term, Prudential plans to utilize Google's AI more comprehensively to drive greater efficiency and agent productivity.

# How can Deloitte help?

Deloitte has helped clients worldwide attain their sustainability goals using cloud-based services. Our services spanning strategy, operations, finance, and technology enable us to deliver a wide range of solutions for our clients—from revamping underwriting to promote sustainability, to compliance with climate-related regulations, to sustainable finance, to a net-zero strategy roadmap, to ESG risk integration and scoring, to green IT/cloud strategies with green vendors and green cloud providers, to leading sustainability transformation offices, and software engineering services to develop sustainable digital solutions. Specifically, Deloitte's Green Cloud Calculator enables organizations to model the impact of different IT hosting models on a client's overall carbon footprint (alongside its direct technology costs).

**Get in touch to accelerate your ESG journey and make the most of your cloud investments.**

**Tim Potter**

**Principal**

Deloitte Consulting LLP  
tipotter@deloitte.com

**Anushri Anand**

**Senior Manager**

Deloitte Consulting LLP  
anusanand@deloitte.com

**Rajath Purli**

**Manager**

Deloitte Consulting LLP  
rpurli@deloitte.com

**Siddharth Vasu**

**Consultant**

Deloitte Consulting LLP  
sidvasu@deloitte.com

**Subject Matter Specialist (SME):**

**Contributor:**

**Kedar Kamalapurkar**

**Managing Director**

Deloitte Consulting LLP  
kkamalapurkar@deloitte.com

**Akriti Kulshrestha**

**Consultant**

Deloitte Consulting LLP  
akkulshrestha@deloitte.com



- 1 Alastair Marsh, "[A \\$1 trillion CEO has to choose: Burn the client or burn the carbon](#)," Bloomberg, March 15, 2022.
- 2 Public Citizen, "[Insurance giant AIG continues underwriting and investment in fossil fuels at alarming rates](#)," November 10, 2023.
- 3 Swiss Re, "[Creating solutions for sustainability](#)," 2019.
- 4 Diann Daniel, "[Liberty Mutual CIO tackles digital transformation complexity](#)," TechTarget, June 8, 2022.
- 5 Progressive, "[Expedite your claim in a snap](#)," accessed May 2024.
- 6 Alejandro de la Garza, "[This AI software is 'coaching' customer service workers. Soon it could be bossing you around, too](#)," Time, July 8, 2019.
- 7 AXA, "[AXA & climate change](#)," accessed May 2024.
- 8 Aviva, "[Aviva becomes the first major insurer worldwide to target net zero carbon by 2040](#)," news release, March 1, 2021.
- 9 NN, "[NN publishes Climate Action Plan](#)," December 21, 2022.
- 10 Prudential, [2022 Sustainability Report](#), 2023.
- 11 AXA, 2022 [Sustainability Report: Our impact. Our future](#), 2023.
- 12 American International Group, Inc. (AIG), [2022 ESG Report](#), 2023.
- 13 Ibid.
- 14 Ibid.
- 15 Travelers, [Sustainability Report 2022](#), 2023.
- 16 Ibid.
- 17 Microsoft, "[Azure helps Munich Re deploy climate change risk assessments that predict the future](#)," October 21, 2021.
- 18 Ibid.
- 19 Microsoft, "[Azure helps Munich Re deploy climate change risk assessments that predict the future](#)."
- 20 Ibid.
- 21 AIG, [2022 ESG Report](#).
- 22 Prudential, [2022 Sustainability Report](#).
- 23 Prudential plc, [Environmental, Social and Governance Report 2022](#), 2023.
- 24 Ibid.



#### About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

Copyright © 2024 Deloitte Development LLC. All rights reserved.