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INSIGHTS

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GEOPOLITICS, SUSTAINABILITY AND THE INSURANCE LANDSCAPE



AI ENERGY PARADOX:
BALANCING INNOVATION
AND CLIMATE IMPACT

UNDERWRITING
EMERGING
TECHNOLOGIES

REBUILDING TRUST
IN THE INSURANCE
INDUSTRY

Editor's Note



Dear Readers,

The insurance industry is currently at a crucial crossroads amid global transformation. Facing challenges such as geopolitical uncertainty, demands for sustainability, and the rapid evolution of AI and emerging technologies, insurers must continually adapt to stay competitive.

This issue explores the complex relationship between geopolitics, sustainability, and insurance. While sustainability investments are rising, shifting regulations and economic sanctions create new obstacles. Insurers must find innovative ways to align their capital with sustainability goals amid global uncertainties.

We also examine the AI energy paradox—AI's growing energy consumption increases emissions, but it also provides solutions for optimizing energy use and advancing climate efforts. The industry must navigate these conflicting forces to support AI-driven sectors.

Emerging technologies like virtual reality gaming and robotics are reshaping the risk landscape. As these innovations become more common, insurers must adapt their underwriting models to address new risks.

Lastly, we focus on the pressing issue of restoring trust in the insurance industry. With declining confidence in traditional institutions, insurers must prioritise transparency, ethical leadership, and social engagement to rebuild public trust.

In this rapidly evolving environment, insurers who embrace change will lead the way forward. We hope this issue sparks insightful discussions on the future of the industry.
on.

Annie Undikai

Annie Undikai
Managing Editor

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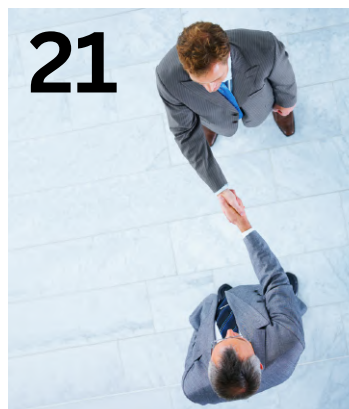
The Edelman Trust Barometer 2025 indicates a decline in trust towards traditional institutions, prompting businesses, including insurance companies, to address societal challenges. Within the insurance sector, rebuilding trust necessitates a dedication to transparency, ethical leadership, and active engagement in social and environmental matters.



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Geopolitics, Sustainability and the Insurance Landscape

Sustainability investments have gained momentum across the global financial landscape. Yet, geopolitical uncertainty remains a significant force shaping their trajectory. From regulatory shifts to economic sanctions, insurers must navigate evolving risks while aligning capital with sustainability goals.

Push for Green Finance Amid Policy Uncertainty

Governments worldwide are committing to net-zero targets. The Glasgow Financial Alliance for Net Zero (GFANZ) represents over \$130 trillion in assets, signalling strong institutional backing. Still, geopolitical tensions often complicate implementation. The European Union leads with stringent ESG regulations, while the US policies fluctuate between administrations. This inconsistency affects insurers' structuring of sustainable investment portfolios.

Trade disputes also play a role. Sanctions on China, a key producer of renewable energy technology, impact supply chains for solar and wind projects. BloombergNEF highlighted that geopolitical instability could delay \$500 billion in clean energy investments by 2030. Such disruptions introduce volatility, prompting insurers to reassess risk models.

Despite these challenges, businesses continue advancing sustainability efforts. Since 2022, organisations have steadily improved their maturity in adopting sustainable practices, with many prioritising ESG commitments. Regulation and technology play a crucial role in enabling this progress.



According to the latest Capgemini Research Institute report, two-thirds of executives acknowledge that achieving sustainability goals will be impossible without climate technology. Yet, geopolitical uncertainty is influencing decision-making — 60% of executives in the Asia-Pacific region admit that shifting geopolitical dynamics are reducing their organisations' investments in sustainability projects.

From an insurance perspective, shifting policies create underwriting challenges. Carbon pricing mechanisms, renewable energy subsidies, and regulatory compliance differ by region, impacting the profitability of insured projects. Insurers must stay ahead of evolving frameworks to maintain a competitive edge in sustainable finance.

Energy Security vs. Sustainability Priorities

Russia's invasion of Ukraine shifted energy security to the forefront. Europe, heavily reliant on Russian gas, accelerated renewable adoption. Yet, in emerging markets, fossil fuel dependency remains due to affordability concerns. The International Energy Agency (IEA) notes that global coal consumption rose by 1% in 2024, reaching a record 8.77 billion metric tons; further complicates transition pathways.

For insurers, this create a dilemma. Sustainable investments promise long-term gains, but short-term energy shocks increase exposure to stranded asset risks. A Swiss Re study found that 42% of insurers are adjusting portfolios to balance climate goals with geopolitical risks. Additionally, traditional energy projects still require coverage, creating potential conflicts in ESG-aligned underwriting.

Supply chain vulnerabilities have also surfaced, affecting infrastructure projects covered under insurance policies. The war in Ukraine disrupted raw material flows, delaying construction timelines and impacting insurance claims. Reinsurers, in particular, face mounting challenges in pricing risk appropriately amid growing uncertainty.

Emerging Markets and Investment Opportunities

Geopolitical realignments open new opportunities. Southeast Asia and Latin America are attracting sustainable investments as companies seek diversification. The World Bank reported that green bond issuance in emerging markets surpassed \$200 billion in 2023, a 25% increase from the previous year. Capgemini Research Institute emphasised that insurers are increasingly leveraging AI-driven risk assessment tools to evaluate ESG investments in these regions.

Insurers must carefully assess the risk landscape when underwriting projects in emerging markets. Political instability, regulatory inconsistency, and currency fluctuations add layers of complexity., Utilising risk assessment models that incorporate AI and big data is becoming vital for quantifying exposures and ensuring resilience.

**Sustainable investments
promise long-term
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Insurance companies play a vital role in reducing risks associated with sustainability investments. They facilitate public-private partnerships, implement risk-sharing mechanisms, and offer parametric insurance solutions, all of which attract capital to environmentally friendly projects. Without sufficient insurance coverage, investors might hesitate to fund renewable energy and climate adaptation efforts.

Geopolitical Tensions and Liability Insurance

Beyond asset management, geopolitical tensions are influencing liability insurance. Companies that operate in various jurisdictions are encountering greater oversight regarding ESG compliance. Issues such as human rights abuses, environmental harm, and regulatory violations can lead to lawsuits, driving up the need for Directors & Officers (D&O) liability coverage.

As governments implement stricter ESG mandates, insurers must evaluate the legal exposure of their corporate clients. In 2023, over 1,200 climate litigation cases were filed globally, a significant rise from previous years, as reported by the Grantham Research Institute. This trend underscores the growing need for comprehensive liability coverage, particularly for industries with high carbon footprints.



Cybersecurity risks linked to geopolitical conflicts are another area of concern. State-sponsored cyberattacks targeting energy infrastructure, financial systems, and supply chains pose significant risks. Insurers providing cyber coverage must adapt policies to reflect the evolving threat landscape. The increased risk of cyber warfare underscores the necessity for dynamic policy structures that integrate geopolitical risk modelling.


Striking a Balance

Geopolitics remains an unpredictable factor in sustainability investments. Insurers must adopt agile strategies, integrating geopolitical risk analysis into investment frameworks. Diversification across asset classes, regions, and industries is essential.

Despite challenges, the trajectory remains clear. Sustainability remains a priority, but geopolitical realities shape the pace and approach. Insurers that successfully navigate these complexities will be better positioned for long-term resilience. The ability to balance sustainability ambitions with geopolitical risk exposure will determine the future of ESG-aligned underwriting and investment strategies.

In an era of heightened volatility, insurers that leverage advanced risk analytics, scenario modelling, and diversified investment approaches will lead the way in sustainable finance. By bridging the gap between capital markets and climate resilience, insurance companies hold the key to ensuring stability in a rapidly evolving geopolitical landscape.





AI ENERGY PARADOX: BALANCING INNOVATION AND CLIMATE IMPACT

Artificial Intelligence (AI) is no longer a futuristic concept but an essential part of our daily lives. Whether through AI-powered chatbots like ChatGPT, sophisticated search algorithms, or even autonomous vehicles, AI is increasingly becoming a central part of modern society. However, with this rapid adoption comes an often-overlooked challenge: AI's growing energy consumption. This phenomenon, commonly referred to as the 'AI energy paradox', highlights a critical issue for industries worldwide — balancing the enormous opportunities AI presents with its significant environmental impact.

Rising Energy Demand of AI

The demand for computational power to support AI systems is substantial. AI algorithms, which are designed to analyse and process vast amounts of data, require immense amounts of electricity. For instance, a single query to an AI-powered chatbot like ChatGPT consumes about ten times more electricity than a simple Google search, according to the Electric Power Research Institute (EPRI). While this might seem modest at first glance, the cumulative effect is far-reaching, especially when considering the massive scale at which AI systems are being used.

In the span of just a few years, AI has become a cornerstone in many industries, from healthcare to finance, entertainment to customer service. ChatGPT alone has been used by millions of people across the globe. If each of those users engages in multiple queries per day, the amount of electricity consumed begins to add up rapidly.

Furthermore, AI's need for energy is accelerating. Experts at Intelligent Computing estimate that the computational power required to run AI systems is doubling every 100 days. This exponential growth in demand for data processing power, paired with the increasing frequency of AI usage, is driving an expansion in the global development of data centres. These centres are where AI algorithms are processed and stored — and their growth is not without consequences.

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Environmental Impact of Data Centres

Data centres are the backbone of AI and other data-heavy technologies. They house thousands of servers, which process vast amounts of data every second. In fact, data centres are responsible for 1% of global electricity consumption, as reported by the International Energy Agency (IEA). Although this may appear to be a minor percentage, it represents a significant amount when we take into account the total energy consumption worldwide.

In some countries, the demand from data centres is particularly pronounced. For example, in Ireland, data centres account for an astonishing 20% of the nation's total electricity demand. This demand is further intensified by AI's voracious appetite for computational power. As companies like Microsoft, Google, and Amazon continue to develop data centres to meet the demands of AI technologies, the environmental cost of maintaining such infrastructure rises significantly.

The rapid expansion of data centres is also contributing to rising carbon dioxide (CO₂) emissions. Since 2020, Microsoft's emissions have increased by nearly 30%, primarily due to the expansion of its data centres. Similarly, Google's emissions have surged by 50% over the same period.



While both companies are committed to achieving net-zero emissions, the pace at which they are adding energy-intensive data centres poses a significant hurdle to these goals. The rapid growth of AI-powered services is, in part, driving these emissions, creating a complex dynamic between the technological benefits AI offers and the environmental costs it incurs.



Carbon Footprint of Big Tech

As AI-driven platforms like ChatGPT, DeepSeek, and Gemini proliferate, the environmental impact is becoming increasingly noticeable. The data required to run these systems, coupled with the energy-intensive nature of AI processing, is leading to a sharp rise in the carbon footprint of big tech companies.

This impact is particularly concerning as climate change continues to accelerate, with global temperatures reaching new highs and extreme weather events becoming more frequent and severe.

The surge in emissions from data centres is not unique to Microsoft or Google. The entire tech industry is grappling with the environmental consequences of its rapidly expanding infrastructure. For instance, Amazon's AWS service, which powers a significant portion of the cloud infrastructure globally, is also experiencing growing energy demands. With such a heavy reliance on data centres, the entire tech ecosystem is contributing to global electricity consumption and CO2 emissions.

It's clear that the environmental implications of AI are substantial. As AI-powered technologies continue to advance, the strain on global resources will only intensify unless new solutions are found. Fortunately, AI may also hold the key to mitigating its own environmental impact.

AI's Role in Addressing the Climate Crisis

While AI's energy demands are a growing concern, it also holds promise in tackling the very issues it contributes to. In fact, AI is already being harnessed to accelerate climate solutions and enhance the efficiency of existing technologies. According to Boston Consulting Group, AI could help reduce global emissions by as much as 10% by 2030. This reduction would be achieved by optimising energy

use, improving the efficiency of renewable energy sources, and enabling breakthroughs in climate technologies.

AI has the potential to transform the way we address climate change by enhancing climate modelling, improving disaster prediction, and enabling more efficient use of resources. This technology can optimise energy consumption by adjusting heating and cooling systems in real-time, reduce waste in supply chains, and improve the efficiency of renewable energy generation.

By predicting weather patterns and energy demands with greater accuracy, AI could also help grid operators balance supply and demand more effectively, ensuring that renewable energy sources are used optimally.

AI is already playing a role in enhancing the performance of electric vehicles (EVs), improving battery storage systems, and advancing renewable energy technologies. These applications are crucial for achieving net-zero emissions goals and reducing reliance on fossil fuels.

Technological Innovations to Curb AI's Climate Impact

In addition to AI's potential to help address climate change, technological innovations in hardware and infrastructure are helping to reduce the energy consumption of AI systems. One of the most promising developments is the rise of energy-efficient hardware, which can reduce the computational power needed to run AI algorithms.

Advances in AI-specific processors, such as Graphics Processing Units (GPUs) and Tensor Processing Units (TPUs), are significantly more energy-efficient than traditional processors, helping to cut down on electricity consumption.

Moreover, data centres themselves are becoming more energy-efficient. Many companies are investing in green data centres that rely on renewable energy sources like wind and solar power. These centres also use advanced cooling technologies, such as liquid cooling and ambient air cooling, to reduce the energy needed to keep servers at optimal temperatures.

AI has the potential to transform the way we address climate change by enhancing climate modelling, improving disaster prediction, and enabling more efficient use of resources.

Google, for example, has made significant strides in reducing the energy consumption of its data centres by using AI to optimise cooling processes and improve energy efficiency.

Transitioning to energy-efficient data centres and hardware is crucial for reducing the environmental impact of AI. As these technologies evolve, the carbon footprint of AI will decrease, resulting in a more sustainable choice for both businesses and consumers.

A Balanced Approach to AI's Future

The AI energy paradox represents both a challenge and an opportunity. On the one hand, AI's growing energy demands are contributing to an increase in global electricity consumption and CO2 emissions. On the other hand, AI holds tremendous potential to address the climate crisis by optimising energy use, improving renewable energy technologies, and enhancing climate modelling. The key lies in balancing these two forces.

For the insurance sector, this paradox brings both challenges and possibilities. Insurers need to take into account the environmental consequences of AI technologies while also acknowledging how AI can bolster sustainability initiatives. As the industry increasingly depends on AI for underwriting, claims processing, and customer service, it will be crucial for insurers to weave sustainability into their technological strategies. By focusing on energy-efficient AI infrastructure, optimizing energy consumption in their operations, and fostering the development of green technologies, the insurance industry can reduce the environmental footprint of AI while reaping the benefits of its innovations.

The AI energy paradox presents a complex yet manageable challenge. As AI's energy usage continues to rise, it simultaneously provides significant solutions to combat the climate crisis. By adopting technological advancements that minimize AI's environmental impact and leveraging the opportunities AI presents for climate mitigation, industries can strive for a more sustainable future.



UNDERWRITING EMERGING TECHNOLOGIES:

THE RISKS OF VIRTUAL REALITY AND ROBOTICS





The rapid development of emerging technologies, such as virtual reality (VR) gaming and advanced robotics, is reshaping the landscape of risk management. While these innovations present significant opportunities, they also introduce new and complex challenges for insurers. To effectively underwrite these technologies, it's crucial to understand the evolving risks they pose and adapt existing insurance models to accommodate them.

The rise of virtual reality gaming has led to the creation of valuable digital assets within the metaverse, from virtual real estate to rare in-game skins and non-fungible tokens (NFTs). These assets, much like physical property, can be stolen or lost due to cyberattacks, creating a natural extension for property insurance.

To mitigate these risks, insurers must stay ahead of the curve, continually reassessing their underwriting models. The integration of AI in cyber risk management could become the next evolution of cyber insurance, addressing both the opportunities and threats that arise from AI's growing capabilities.

Underwriting Unconventional Risks

The key to successfully underwriting emerging technologies is to approach them with caution and flexibility. The risks associated with VR gaming, and robotics are constantly evolving, requiring insurers to remain agile and responsive. While uncertainties exist, avoiding these technologies is not a viable solution. Instead, insurers must invest in research, expertise, and product innovation to develop policies that provide comprehensive coverage in this rapidly shifting landscape.

VR gaming is no longer a niche industry—it is projected to reach \$166 billion by 2030, according to PwC's Global Entertainment & Media Outlook. As VR expands, so do the risks associated with digital assets. Players now invest in virtual real estate, non-fungible tokens (NFTs), and in-game items—some worth significant sums. In 2021, a digital Gucci bag in Roblox sold for \$4,115, surpassing the price of the real-world version.

These digital assets can be stolen, hacked, or lost due to system failures, creating a natural extension for property and cyber insurance. Lloyd's of London has already started offering coverage for NFTs and digital collectibles, setting a precedent for insuring high-value virtual goods. However, the challenge lies in defining ownership, proving loss, and determining liability; areas where insurers must innovate to provide meaningful coverage.

Beyond digital assets, VR also introduces liability concerns. In 2022, a Meta Quest 2 user accidentally broke his television while playing a VR game, raising questions about third-party liability. What happens if a user gets injured or damages property due to an immersive VR experience? Traditional liability insurance may need to evolve to accommodate these new realities.

**The integration of AI
in cyber risk
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As VR technology becomes more immersive, insurers must also consider less conventional risks. Imagine a professional VR gamer on the verge of winning a major esports tournament, only to have their internet connection fail, leaving their avatar frozen in place. While this scenario might seem trivial today, as VR gaming grows, such incidents could lead to significant financial losses and reputational damage.

If the metaverse scales as predicted, there could be demand for data-driven business interruption and reputational insurance, protecting players and esports organisations from system failures or cyber incidents that disrupt their virtual activities.

The robotics industry is projected to reach \$310 billion by 2025, as reported by Statista. Although robots improve efficiency in manufacturing, healthcare, and logistics, they also pose considerable risks. A tragic incident in 2015, where a factory robot at a Volkswagen plant in Germany fatally crushed a worker, brought forth challenging liability issues: should the responsibility lie with the manufacturer, the software developer, or the employer's safety measures?

Determining liability in robotic failures is not straightforward, as multiple parties could be responsible. Errors & Omissions (E&O) insurance can help, but insurers must create clearer policy definitions and claims resolution frameworks to address these complexities.

Autonomous robots also present challenges in the healthcare sector. In 2023, a robotic-assisted surgery in the UK resulted in complications caused by a software malfunction, raising alarms about the dependability of AI-enhanced medical procedures. As robotic surgeons like the Da Vinci Surgical Systems become increasingly common, insurers need to assess whether current medical malpractice policies sufficiently address these new risks.

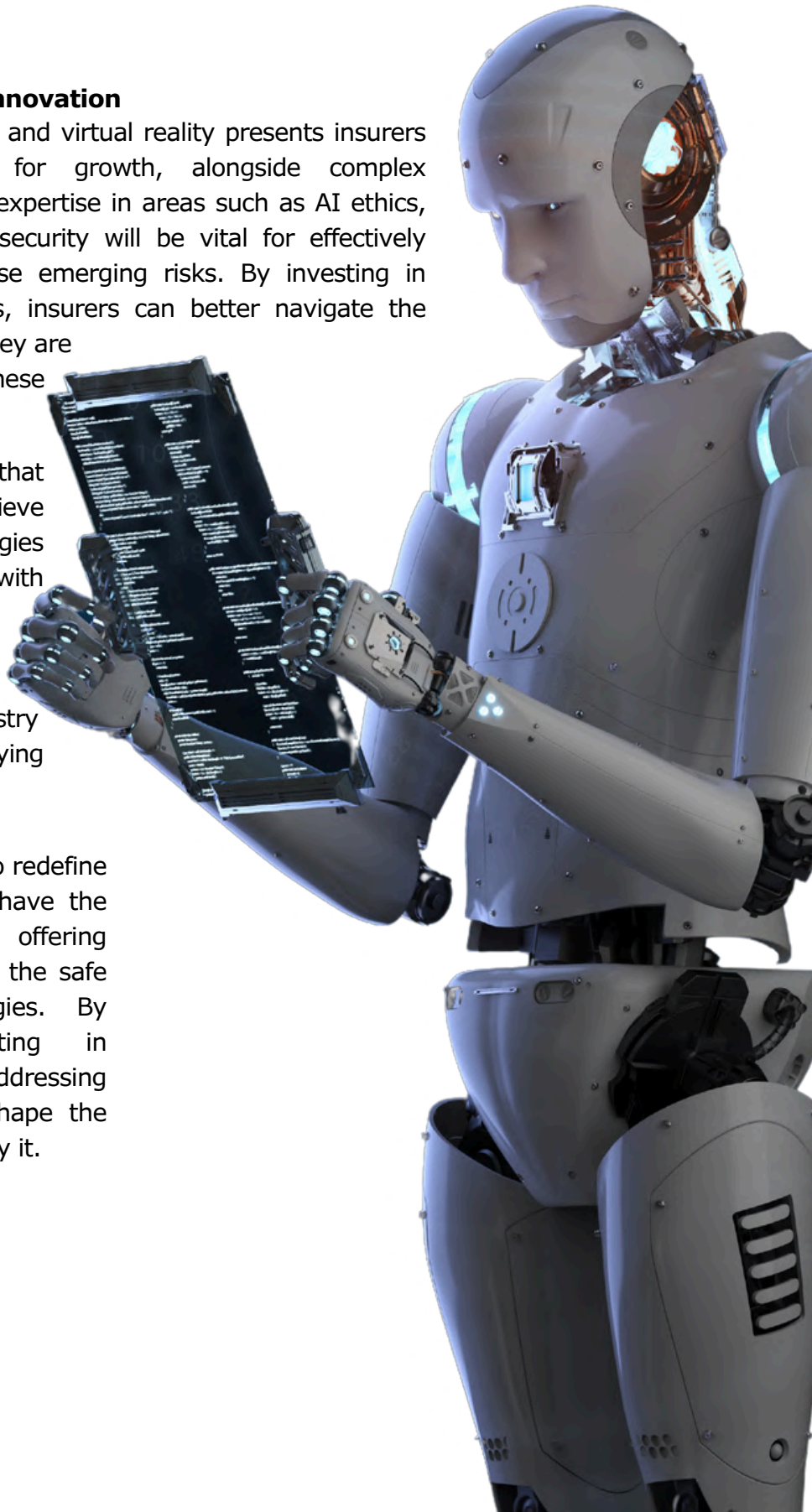


Insurance as an Enabler of Innovation

The growing reliance on robotics and virtual reality presents insurers with significant opportunities for growth, alongside complex challenges. Cultivating in-house expertise in areas such as AI ethics, robotics engineering, and cybersecurity will be vital for effectively assessing and underwriting these emerging risks. By investing in specialised knowledge and skills, insurers can better navigate the evolving landscape and ensure they are prepared for the implications of these technologies.

A 2024 survey by Deloitte found that 68% of insurance executives believe underwriting emerging technologies will require collaboration with technology firms, regulatory bodies, and academia. This suggests that a siloed approach is no longer sufficient. Cross-industry partnerships will be key to staying ahead of evolving risks.

With robotics, and VR continue to redefine business and society, insurers have the opportunity to lead the way, offering innovative solutions that enable the safe adoption of these technologies. By embracing flexibility, investing in expertise, and proactively addressing emerging risks, insurers can shape the future rather than be disrupted by it.



A high-angle, top-down photograph of two men in business suits shaking hands on a light-colored, tiled floor. The man on the left is wearing a grey pinstriped suit and a blue tie, while the man on the right is wearing a grey suit and a blue and white striped tie. The background is a light blue and white tiled floor.

REBUILDING TRUST IN THE INSURANCE INDUSTRY

**Key Insights from 2025
Edelman Trust Barometer**

The 2025 Edelman Trust Barometer underscores a critical trend: trust in traditional institutions is declining. Businesses, including insurers, now face growing pressure to lead on societal issues. This poses both challenges and opportunities. Trust has evolved from being just a buzzword to a crucial element for business success and customer loyalty. In the insurance industry, restoring trust in a skeptical environment demands transparency, ethical leadership, and active involvement in social and environmental concerns.

Trust and transparency have become essential for the success of the industry. This change is driven by macroeconomic uncertainty, technological disruptions, and an evolving risk landscape. Continuous conversations with top global carriers highlight that trust and transparency are crucial for managing challenges like increased competition, stricter regulations, and rising investor expectations for improved financial performance.

The foundation of the insurance industry is built on a strong sense of trust. For consumers, purchasing insurance is fundamentally an act of faith—the belief that insurers will honour their commitments, pay out claims in times of need, and uphold promises that can extend over long periods, sometimes

even decades. This high level of trust has been a defining feature of the most and successful insurance brands across the globe.

However, in the current landscape, declining trust has emerged as a significant competitive challenge for insurers. With increasing transparency and digital interconnectedness, consumers are more informed than ever and are insisting that companies take responsibility for their actions and inactions.

The decline in trust stems from various factors. Insurers have occasionally stumbled in their crisis responses—such as withdrawing from high-risk areas, leaving vulnerable communities without coverage, or denying business interruption claims during the COVID-19 pandemic, which severely undermined customer confidence.

Additionally, the slow pace of digital transformation in the industry has failed to meet customer expectations for convenience, transparency, and efficiency in claims processing. Coupled with the perception that insurers prioritise profits over the needs of policyholders, this situation has resulted in a decline in trust. According to the 2022 Edelman Trust Barometer, 57% of the public feels that the insurance sector is acting in the best interest of its clients.

As trust continues to decline, insurers face the challenge of rebuilding confidence and establishing themselves as reliable, customer-centric organisations. This task requires more than just reactive measures; it demands a proactive, long-term commitment to transparency, ethical business practices, and aligning business strategies with the evolving expectations of consumers. Brands that fail to address these issues risk falling behind in an increasingly competitive market where trust is becoming a critical differentiator.

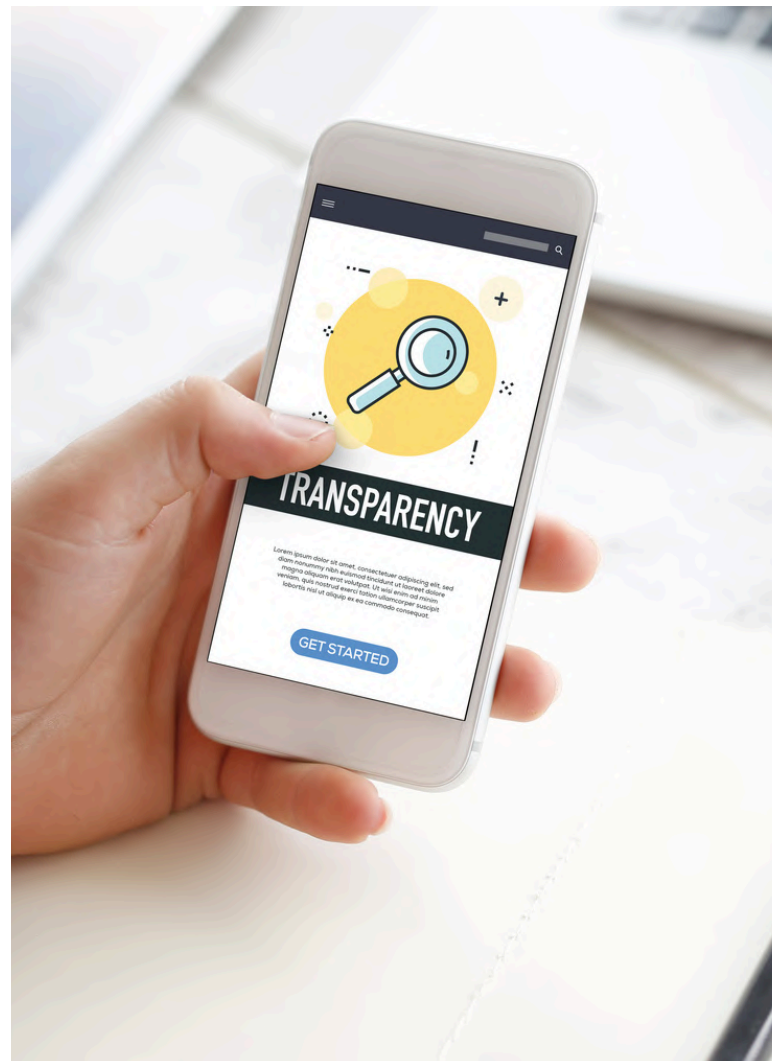
Business as a Force for Good

The Edelman report makes it clear: businesses are now expected to contribute meaningfully to societal challenges. In insurance, this means rethinking roles in areas like climate resilience, mental health, and financial inclusion. For instance, as climate change accelerates, insurers can lead by developing products that help communities at risk of natural disasters build resilience. Offering affordable policies to underinsured groups or expanding access to insurance in underserved regions demonstrates a strong commitment to social good.

Traditionally viewed as a transactional industry, the insurance business model needs to undergo transformation. Insurers now have an opportunity to redefine their position, moving beyond mere financial intermediaries to become essential partners in addressing societal challenges.

CEOs and Leadership

The 2025 Edelman Trust Barometer highlights another important trend: CEOs are expected to take public stands on societal issues. This is especially crucial in the insurance industry, where companies hold significant influence on local and global matters. Whether advocating for mental health support, tackling climate change, or improving fraud detection, CEOs can build trust both within their organisations and externally.



Transparent leadership cultivates trust. When CEOs align their personal values with their company's mission and showcase ethical leadership, they create stronger bonds with both employees and customers. This phenomenon, known as "CEO activism," enhances trust, bolsters reputations, and paves the way for long-term success.

Misinformation: Combatting Trust Erosion in the Digital Age

Misinformation within the insurance sector—especially related to policy terms, coverage, and claims—has become an increasing issue. The Edelman Trust Barometer indicates that this problem is particularly widespread on social media platforms. For insurers, tackling misinformation has shifted from being a choice to becoming a necessity. With trust in traditional institutions reaching unprecedented lows and AI capabilities soaring, the insurance industry is at a critical crossroads.

Insurers should focus on transparent, jargon-free communication to fight misinformation. It is essential to simplify policy terms and actively engage in fact-checking. Addressing inaccuracies in media or online platforms fosters trust and ensures that customers receive reliable information.

Embracing new technologies such as AI and blockchain can improve transparency, simplify claims, and empower customers with greater control over their policies. These advancements build trust by providing security, precision, and fairness throughout the claims process.

Restoring Trust as Long-Term Strategy

The future of the insurance industry depends on rebuilding trust. By adopting a more transparent, socially responsible, and technologically sophisticated approach, insurers can establish themselves as frontrunners in a time when trust is increasingly essential. Firms that emphasise trust will not only restore their competitive advantage but also foster long-term loyalty from customers who demand more from their insurers than ever before.

