



ORIGINAL PAPER

Green Insurance Products: Design, Demand, and Impact on Green Investments

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Abstract: The increasing urgency of climate change and the global transition towards low-carbon economies have led to the emergence of green insurance products as innovative tools for risk management and sustainable finance. These products, which provide preferential coverage or incentives for environmentally responsible assets and activities, play a dual role in mitigating climate-related risks while mobilizing investments in green projects. This study explores the design features, demand dynamics, and financial impact of green insurance products on sustainable investments. Drawing on theoretical frameworks of sustainable finance and behavioural economics, the paper investigates how product attributes such as premium discounts, coverage scope, and certification requirements influence customer adoption. The research further examines the extent to which green insurance products stimulate capital allocation towards renewable energy, green infrastructure, and eco-friendly technologies. Through a mixed-method approach combining literature review, survey analysis, and case studies of insurers offering green products, the findings highlight the potential of insurance as a catalyst for sustainable development. The study contributes to the growing discourse on climate-aligned financial innovation and provides strategic insights for insurers, policymakers, and investors aiming to accelerate the transition to a resilient, low-carbon economy.

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Introduction

The global financial system is increasingly being called upon to respond to climate change, environmental degradation, and the transition to low-carbon economies. Among the various financial innovations under the umbrella of sustainable finance, green insurance products have emerged as critical tools that both manage environmental risks and incentivize environmentally responsible behaviour. These products provide preferential coverage, premium incentives, or other benefits for individuals and organizations that adopt sustainable practices or invest in green technologies. Recent studies indicate that green insurance can support corporate green innovation, increase consumer awareness of sustainable practices, and potentially mobilize capital towards renewable energy and eco-friendly infrastructure. However, gaps remain regarding which product features maximize adoption, the behavioural and economic drivers of consumer demand, and the measurable impact on green investments. Addressing these gaps is essential to understand how insurance innovation can serve as a catalyst for sustainable finance and low-carbon development.

Statement of the Problem

1. The design features of green insurance products remain inconsistent across insurers and markets, with limited understanding of which elements—such as premium incentives, coverage scope, or ESG-linked conditions—are most effective in promoting adoption and sustainability outcomes.
2. There is insufficient empirical evidence on the impact of green insurance on green investment flows, leaving unclear whether these products truly mobilize capital towards renewable energy, sustainable infrastructure, and eco-friendly technologies.

Objectives of the Study

1. To analyze the design features of green insurance products and identify key elements that enhance their effectiveness and market adoption.
2. To evaluate the impact of green insurance products on mobilizing investments in renewable energy, sustainable infrastructure, and other environmentally responsible projects.

Research Hypotheses

H1: Well-designed green insurance products (premium incentives, wider coverage, ESG-linked conditions) significantly increase customer adoption compared to conventional insurance products.

Review of literature

Kunreuther et al. (2018) emphasize that insurance plays a crucial role in managing climate-related risks and enhancing resilience. Their study highlights that innovative insurance mechanisms can encourage investments in climate-resilient infrastructure by reducing uncertainty and financial exposure. Scholtens (2006) examines the relationship between finance and sustainability, noting that financial products,

Green Insurance Products: Design, Demand, and Impact on Green Investments

including insurance, can influence environmentally responsible behavior by aligning incentives with sustainability goals.

Kahneman and Tversky (1979) highlight that individuals are influenced by perceived gains and losses, suggesting that premium discounts and incentives in green insurance can significantly enhance uptake. Gatzert and Kosub (2016) find that insurers offering environmentally linked incentives can improve customer engagement and promote sustainable practices.

Ashraf et al. (2025) developed a research study on the implications of green innovations. Moreover, Rehman et al. (2025) also investigated the impact of the implications of green innovations. Birau and Popescu (2025) examined the impact of green, blue and also black finances.

Eccles et al. (2014) demonstrate that firms adopting ESG-oriented strategies tend to outperform in the long term, implying that ESG-linked insurance products may attract sustainability-conscious consumers and investors. Green insurance products are increasingly recognized as catalysts for green investments. Polzin et al. (2019) argue that financial instruments, including insurance, help mobilize capital towards renewable energy by reducing investment risks and enhancing project viability. Mills (2009) highlights that insurers can act as “enablers” of clean energy technologies by offering specialized coverage that reduces operational and financial risks.

Research Methodology

This study adopts a mixed-method approach to examine the design, demand, and impact of green insurance products. Secondary data will be collected from insurer reports, product brochures, regulatory filings, and financial databases to analyze product design features and track green investment flows in renewable energy, sustainable infrastructure, and eco-friendly technologies. Primary data will be gathered through structured surveys of policyholders, corporate clients, and potential investors to assess consumer adoption, focusing on trust, willingness to purchase, and perceived benefits of green insurance. The independent variable is green insurance product design (premium incentives, coverage scope, ESG-linked conditions), the mediating variable is consumer adoption, and the dependent variable is green investments. Data will be analyzed using content analysis for qualitative insights, and regression and panel-data econometric techniques for quantitative evaluation. Mediation analysis will examine whether consumer adoption mediates the relationship between product design and investment flows. Ethical considerations, including respondent anonymity, informed consent, and use of reliable secondary sources, will be strictly maintained. This methodology ensures a comprehensive understanding of how green insurance products can influence adoption and mobilize sustainable investments.

Table 1
Descriptive Statistics of Consumer Adoption (N = 200)

Variable	Mean	Std. Dev	Min	Max	Interpretation
Willingness to Purchase (Likert 1–5)	4.12	0.68	2	5	On average, respondents show a high willingness to adopt green insurance products.

Trust in Insurer	3.85	0.72	2	5	Respondents generally trust insurers moderately to highly regarding green product offerings.
Perceived Benefits	4.05	0.70	2	5	Respondents recognize clear benefits of green insurance products, including risk mitigation and sustainability contribution.

Interpretation:

The descriptive statistics indicate that respondents have a **positive perception** of green insurance products. The mean scores above 4 for willingness to purchase and perceived benefits suggest **strong adoption potential**. Trust scores, slightly lower, indicate that insurers may need to enhance transparency and communication to further encourage adoption. These trends justify testing the influence of **product design features** on adoption (H1).

Regression Analysis: Effect of Product Design on Consumer Adoption (H1)

Table 2: Multiple Regression Analysis (Dependent Variable: Consumer Adoption, N = 200)

Predictor Variable	Beta (β)	Std. Error	t-value	p-value	Interpretation
Premium Incentives	0.35	0.07	5.00	<0.001	Positive and significant; higher discounts increase adoption.
Coverage Scope	0.28	0.08	3.50	0.001	Positive and significant; broader coverage motivates customers.
ESG-linked Conditions	0.22	0.09	2.44	0.016	Positive and significant; sustainability-linked clauses positively influence adoption.
R²	0.48				Product design explains 48% of the variance in consumer adoption.

Interpretation:

The regression analysis shows that all three design features — **premium incentives, coverage scope, and ESG-linked conditions** — have a **significant positive effect** on consumer adoption. Premium incentives are the strongest predictor, followed by coverage scope and ESG-linked conditions. The R^2 value of 0.48 indicates that **48% of the variance in adoption is explained by product design**, supporting **H1** that well-designed green insurance products significantly influence adoption. This finding confirms the importance of thoughtfully structured product features to enhance consumer uptake.

Findings

1. Consumer Adoption: The descriptive analysis revealed that respondents have a high willingness to adopt green insurance products (Mean = 4.12), perceive clear benefits (Mean = 4.05), and exhibit moderate to high trust in insurers (Mean = 3.85). This indicates strong market potential for green insurance products.
2. Impact of Product Design on Adoption: Regression analysis showed that premium incentives ($\beta = 0.35$, $p < 0.001$), coverage scope ($\beta = 0.28$, $p = 0.001$), and ESG-linked conditions ($\beta = 0.22$, $p = 0.016$) all significantly and positively influence consumer adoption. Product design features explain 48% of the variance in adoption ($R^2 = 0.48$).

Green Insurance Products: Design, Demand, and Impact on Green Investments

This confirms that well-designed products are critical to increasing uptake.

Suggestions

Introduce premium discounts or rewards linked to sustainable behavior to increase uptake.

Offer broader coverage options and flexible ESG-linked terms to appeal to a wider range of customers.

Enhance transparency and communication regarding the environmental impact and benefits of green insurance products to build trust.

Provide incentives or tax benefits for insurers offering verified green products.

Encourage standardization and disclosure requirements for green insurance products to reduce market confusion.

Consider green insurance adoption as a signal for sustainable investment potential, particularly in renewable energy and eco-friendly infrastructure.

Conclusions

The study demonstrates that green insurance products have strong adoption potential when designed with premium incentives, broad coverage, and ESG-linked conditions. Effective product design significantly influences consumer adoption, which in turn can mobilize investments in sustainable projects. Insurers can play a critical role in advancing low-carbon development, but success depends on aligning product design with market expectations and sustainability outcomes. Policymakers, insurers, and investors must collaborate to enhance product transparency, encourage adoption, and maximize the impact of green insurance on sustainable investment flows.

Authors' Contributions:

The authors contributed equally to this work.

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