

EVALUATING INSURANCE COMPANIES' PERFORMANCE BASED ON ESG PRINCIPLES

Eldor Nozimov

Samarkand Institute of Economics and Service
Senior Lecturer, Department of "Investment and Innovations"

eldornozimov@gmail.com

<https://orcid.org/0000-0003-1580-8654>

Abstract. This article examines the evaluation of insurance companies' performance using Environmental, Social, and Governance (ESG) principles. The study explores how ESG criteria can be integrated into financial and operational assessments, highlighting their significance in promoting sustainable business practices, risk management, and corporate responsibility. The research reviews international best practices, ESG rating methodologies, and regulatory frameworks, providing guidance for adapting these approaches to the Uzbek insurance market. The findings aim to offer practical recommendations for insurers, investors, and regulators to enhance transparency, sustainability, and long-term value creation in the insurance sector.

Keywords: Insurance company performance, ESG principles, sustainability, corporate social responsibility, governance, risk management, ESG rating, financial evaluation, environmental impact, social responsibility.

Introduction

The concept of Environmental, Social, and Governance (ESG) principles has become increasingly significant in evaluating the performance of financial institutions, including insurance companies. ESG factors provide a framework for assessing not only financial results but also the broader impact of corporate activities on society and the environment. By integrating ESG considerations into performance evaluation, insurers can enhance transparency, strengthen risk management, and promote sustainable business practices.

Internationally, ESG assessments have become a standard tool for investors, regulators, and rating agencies to evaluate corporate responsibility, operational efficiency, and long-term value creation. Insurance companies that adhere to ESG principles demonstrate resilience against environmental and social risks, ensure better governance, and foster trust among stakeholders.

In emerging markets such as Uzbekistan, the adoption of ESG-based evaluation methods is at an early stage. Implementing ESG assessment frameworks tailored to local conditions can support sustainable growth, improve competitiveness, and align the insurance sector with global best practices. This study aims to examine the integration of ESG principles into insurance company performance evaluation and to propose practical recommendations for enhancing sustainability, transparency, and accountability in the Uzbek insurance market.

Literature Review

The evaluation of insurance companies using ESG principles has gained global attention in recent years. ESG criteria—covering environmental, social, and governance aspects—provide a comprehensive framework for assessing corporate sustainability and responsibility (Friede, Busch, & Bassen, 2015). Studies indicate that firms with strong ESG performance tend to demonstrate better risk management, operational efficiency, and long-term financial stability (Clark, Feiner, & Viehs, 2015).

Environmental factors in the insurance sector focus on assessing the company's exposure to climate risks, environmental impact of investment portfolios, and efforts to promote sustainable practices. Social criteria consider stakeholder engagement, employee welfare, community involvement, and customer protection. Governance evaluates board structure, transparency, compliance, and ethical practices (Kotsantonis, Pinney, & Serafeim, 2016).

International rating agencies and ESG evaluation frameworks, such as MSCI ESG Ratings and Sustainalytics, provide methodologies to integrate ESG factors into corporate performance assessments. In the insurance industry, ESG-based evaluation has been used to guide investment decisions, influence underwriting policies, and enhance stakeholder confidence (Sullivan & Mackenzie, 2017).

In the context of emerging markets like Uzbekistan, ESG integration is still limited. Research suggests that adapting international ESG assessment practices to local regulatory, economic, and social conditions can improve transparency, promote responsible business conduct, and enhance competitiveness (Rakhimov & Zaynutdinov, 2022). Overall, the literature highlights the importance of ESG principles in providing a holistic view of insurance company performance beyond traditional financial metrics.

Methodology

This study employs a qualitative and analytical research approach to evaluate the performance of insurance companies using ESG principles. The methodology integrates international ESG frameworks, case studies, and expert consultations to develop a comprehensive assessment model applicable to the Uzbek insurance sector.

The research methodology includes the following steps:

1. **Selection of ESG Indicators:** Key environmental, social, and governance indicators were selected based on international best practices, regulatory standards, and relevance to the insurance industry. Environmental indicators include climate risk exposure and sustainable investment practices; social indicators cover employee welfare, customer protection, and community engagement; governance indicators assess board structure, transparency, and ethical compliance.

2. **Data Collection:** Financial statements, ESG reports, regulatory filings, and sustainability disclosures from Uzbek insurance companies were collected. International case studies and ESG rating methodologies were also reviewed for benchmarking purposes.

3. **Scoring and Evaluation:** Each ESG indicator was assigned a weight reflecting its relative importance. A scoring system was developed to convert qualitative and quantitative data into standardized scores, enabling objective comparison across companies.

4. **Expert Validation:** Insights from insurance professionals, regulators, and ESG specialists were integrated to validate the methodology, ensuring relevance, accuracy, and practical applicability in the Uzbek market.

5. **Synthesis of Recommendations:** Based on the evaluation, practical recommendations were formulated for insurers, regulators, and investors to enhance ESG integration, sustainability, and corporate responsibility.

This methodology ensures a systematic and robust approach to assessing insurance companies' ESG performance, combining international best practices with local context to support sustainable development in the insurance sector.

Analysis and Results

The analysis shows that integrating ESG principles into the evaluation of insurance companies provides a comprehensive understanding of their sustainability, risk management, and corporate responsibility. In Uzbekistan, ESG-based assessments are still emerging, but international practices indicate significant benefits for companies adopting these standards.

The scoring system developed in this study assigns weights to key environmental, social, and governance indicators based on their relevance and impact. Environmental indicators, such as climate risk management and sustainable investment policies, were weighted heavily due to their growing importance in financial stability and reputational risk. Social indicators, including employee welfare, customer protection, and community engagement, provide insights into the company's social responsibility. Governance indicators, encompassing board structure,

transparency, and ethical practices, reflect the effectiveness of internal controls and corporate accountability.

Applying the scoring model to selected Uzbek insurance companies revealed significant differences in ESG performance. Companies with structured ESG policies, clear reporting mechanisms, and active stakeholder engagement scored higher, while firms lacking formal ESG strategies or sustainability disclosures performed lower.

Expert consultations confirmed that ESG-based evaluation enhances transparency, improves risk assessment, and strengthens stakeholder confidence. Insurers that integrate ESG principles are better positioned to manage environmental and social risks, comply with emerging regulations, and attract socially responsible investments.

The results highlight the need for standardized ESG reporting, regulatory guidance, and ongoing monitoring to ensure consistency and comparability. Overall, the analysis demonstrates that ESG-based evaluation is a practical and valuable tool for improving insurance company performance and promoting sustainable practices in the Uzbek insurance sector.

Conclusion and Recommendations

The study demonstrates that evaluating insurance companies based on ESG principles provides a holistic perspective on sustainability, corporate responsibility, and financial performance. ESG integration helps insurers manage environmental and social risks, improve governance structures, and enhance stakeholder confidence.

To strengthen ESG implementation in Uzbekistan's insurance sector, the following recommendations are proposed:

1. **Standardization of ESG Reporting:** Develop clear guidelines and standardized reporting formats for insurance companies to disclose ESG-related activities, policies, and outcomes.

2. **Integration into Risk Management:** Encourage insurers to incorporate ESG factors into underwriting, investment, and operational decision-making processes to mitigate environmental and social risks.

3. **Capacity Building and Training:** Provide training and awareness programs for insurance professionals and management teams to improve understanding and application of ESG principles.

4. **Regulatory Support:** Establish regulatory frameworks that incentivize ESG adoption, including disclosure requirements, performance benchmarks, and monitoring mechanisms.

5. **Stakeholder Engagement:** Promote dialogue with investors, policyholders, and communities to enhance transparency and accountability in ESG practices.

6. **Adoption of International Best Practices:** Benchmark against global ESG standards and rating methodologies to ensure reliability, comparability, and credibility of evaluations.

In conclusion, integrating ESG principles into the evaluation of insurance companies strengthens sustainability, corporate governance, and long-term value creation. Implementing these recommendations in Uzbekistan will enhance the resilience, competitiveness, and social responsibility of the insurance sector.

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