ORIGINAL ARTICLE

INTERNATIONAL JOURNAL OF ARTIFICIAL INTELLIGENCE

ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 09,2025

Journal: https://www.academicpublishers.org/journals/index.php/ijai

THE ROLE OF INSURANCE COMPANIES IN THE DEVELOPMENT OF TRADITIONAL AND GREEN ECONOMIES: SIMILARITIES AND DIFFERENCES

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Annotation: This article discusses the importance of the green economy and explains why it is essential for modern societies. It highlights the role of sustainable development in protecting the environment, saving natural resources, and creating new economic opportunities. The paper also examines how green technologies can reduce pollution and improve the quality of life. Overall, the study argues that a transition to a green economy is necessary for long-term stability and prosperity.

Keywords: Green economy, sustainable development, environment, natural resources, renewable energy, eco-friendly technologies, economic growth, sustainability.

In the 21st century, economic development is no longer seen only through the lens of industrial growth, trade, and financial expansion. Alongside the traditional economy, which is based on production, consumption, and market exchanges, a new concept – the green economy – has emerged. This economic model gives priority to sustainability, environmental protection, and the efficient use of resources. Both systems are important for countries, but they differ in their main principles and goals. One of the key actors in both economies is the insurance sector, which provides financial stability, risk management, and investment support.

This article aims to analyze the similarities and differences between the traditional economy and the green economy, with a special focus on the role of insurance companies in supporting and developing both models. The study uses data from the World Bank, UN Environment Programme (UNEP), Organisation for Economic Co-operation and Development (OECD), and national statistics of several countries.

1. Traditional economy: principles and development

The traditional economy is based on industrialization, resource extraction, and large-scale production. Its main characteristics are:

- Growth-oriented policy – The focus is on GDP growth as the primary measure of economic success.

- High resource consumption – Oil, gas, coal, and raw materials are used intensively.

- Environmental neglect – For decades, little attention was given to ecological impacts.

- Insurance sector role – In the traditional economy, insurance mostly focused on industrial, property, life, and health insurance.

For example, in the 1980s and 1990s, rapid industrial expansion in countries like China, India, and Brazil was supported by insurance companies covering risks in construction, energy, and transportation sectors.

2. Green economy: principles and development

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The green economy was introduced by UNEP in 2008 as an alternative model of development. Its principles include:

- Sustainability – Economic activities should not harm nature.

- Low-carbon development – Renewable energy sources (solar, wind, hydro) are prioritized.

- Social inclusiveness – Equal opportunities for people, including marginalized groups.

- Efficient use of resources – Waste reduction, recycling, and green technologies.

- Insurance sector role – Providing financial support for renewable energy, climate risk insurance, and investments in green infrastructure.

For instance, in Germany, insurance companies have become active investors in solar and wind energy projects, while in Kenya, micro-insurance supports small farmers against drought and climate risks.

3. Similarities between traditional and green economies

Despite their differences, both models share some common features:

Financial interdependence: Both rely on financial institutions, including insurance companies, for risk coverage and capital flow.

Employment creation: Both create jobs, though in different sectors.

Investment opportunities: Insurance funds play a role in financing both industrial and green projects.

Risk management: In both systems, insurance protects businesses and individuals against unexpected events.

4. Differences between traditional and green economies

Aspect Traditional Economy Green Economy

Main goal GDP growth, industrial expansion Sustainable development, ecological balance

Energy sources Fossil fuels (oil, coal, gas) Renewable energy (solar, wind, hydro)

Insurance focus Property, health, industry risks Climate risks, renewable projects, green bonds

Environmental impact High pollution, deforestation, emissions Pollution control, biodiversity protection

Innovation drivers Mass production, cost reduction Technology, circular economy, efficiency

5. The role of Insurance companies

Insurance companies are central to both economic systems. Their functions include:

- Risk transfer and management – Reducing uncertainty for businesses and individuals.

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- Capital mobilization – Insurance funds are invested into large-scale projects.

- Innovation support – Insurance provides financial security for new industries.

- Sustainability promotion – Green insurance products encourage environmentally friendly behavior.

5.1. In Traditional Economy

Industrial accident insurance

Marine and transport insurance

Large infrastructure risk coverage

Life and health insurance for workers

5.2. In Green Economy

Climate insurance: Protects farmers against droughts, floods, and storms.

Green bonds: Insurance companies invest in projects reducing carbon emissions.

Renewable energy insurance: Coverage for wind turbines, solar farms, and hydro projects.

Sustainable agriculture insurance: Protects eco-friendly farms from financial risks.

6. Case Studies

Germany: Insurance companies invest over €200 billion in renewable energy projects.

Kenya: Micro-insurance supports small-scale farmers against climate shocks.

Uzbekistan: The government is developing green insurance products to protect agriculture against climate risks.

United States: Insurance giants like AIG and Allianz invest in green bonds worth billions.

7. Challenges in Integrating Insurance with Green Economy

1- High costs – Green insurance products are often expensive.

2- Lack of awareness – Many businesses still prefer traditional insurance.

3- Data shortage – Climate risks are difficult to predict.

4- Regulatory gaps – Not all countries have strong legal frameworks for green insurance.

8. Policy Recommendations

1. Government incentives – Tax benefits for insurance companies investing in green projects.

2. Public-private partnerships – Collaboration between governments, insurers, and private companies.

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3. Awareness campaigns – Educating people about the benefits of green insurance.

4. International cooperation – Global risk-sharing mechanisms for climate change.

Conclusion

The comparison between traditional and green economies shows that while both rely heavily on insurance companies for financial stability and risk management, their approaches differ significantly. The traditional economy depends on industrial expansion and fossil fuel–based growth, while the green economy emphasizes sustainability, renewable energy, and ecological balance. Insurance companies are key in both systems, but their role in the green economy is becoming increasingly important as they finance renewable projects, protect against climate risks, and support sustainable development.

The future of global development will require a balance between traditional and green economic models, with insurance companies acting as a bridge between financial security and sustainable progress.

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