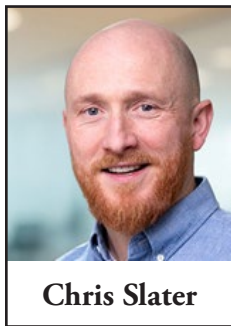


PROPERTY AND CASUALTY INSURERS

New Syndicate Tackles Carbon Credits Advancing Climate Goals, Says Oka CEO

By Renee Kiriluk-Hill

OLDWICK, N.J. //BestWire// - Carbon offset credits are a burgeoning multibillion-dollar industry that need new carbon insurance company Oka and others to advance climate goals, according to Oka Founder and Chief Executive Officer Chris Slater.



Chris Slater

“Everyone was talking about the risk,” he said of voluntary carbon credits, starting with, “How do you ensure a credit is a ton of carbon dioxide?” and spiraling out from there to long-term credibility and a myriad of what-ifs, like what happens if a wildfire destroys the forest providing the credits.

Oka is drawing on underwriting principles and ratings factors used in writing construction bonds, warranty products and investment bond insurance. “There are probably about 55 rating factors that we’ll use to justify whether we’ll put a price on it,” said Slater. Experience, credibility, diligence, financial standing and backers of the carbonoffsets will come into play.

“We believe we have built a model that capture the risk.”

Yet he quickly admitted: “Time will tell. You need a little luck. Make sure you’re not greedy.”

Voluntary carbon credits are tradable intangible instruments issued by a carbon crediting program. A carbon credit represents one metric ton of carbon dioxide reduced, removed or avoided in earth’s atmosphere.

“Once registered, VCCs associated with a mitigation project or activity may be acquired by end users or intermediaries who act as brokers,” according to Kristin Johnson, commissioner of the Commodity Futures Trading Commission.

Carbon markets can be established by a government or voluntary. They are used to help reach goals of the 2015 Paris Climate Accords and other governmental and company sustainability targets.

Late last year, Lloyd’s granted in-principle approval last year to managing general agent Asta and Oka for a syndicate in a box to insure against buyer-side carbon credit risks. Syndicate 1922 offers coverage against associated financial, reputational, regulatory and climate risk ([BestWire, Oct. 17, 2023](#)).

Slater previously co-founded broker/managing general agent Simply Business, which Travelers acquired earlier for about \$490 million ([BestWire, March 17, 2017](#)). “I understand what MGAs can” and can’t do, he said.

New Syndicate Tackles Carbon Credits Advancing Climate Goals, Says Oka CEO (continued)

In the case of Oka, he wanted to create a new product for a completely new market and knew it would be difficult to convince another company's underwriting team to back his belief in the space, he said.

"Taking balance sheet risk proves that this business can be written profitably . . . leveraging 350 years of insurance" experience and rapidly changing technology, he said.

Secondarily, he realized his company could amass unique data on a new market, which would create additional value.

"I haven't got 40 years of accident data to look at loss history," said Slater. Oka combs through what is often patchy private and public information on carbon-credit project, amalgamating it with general catastrophe risk data. It worked with Oliver Wyman to stress test its approach and framework.

"It's a starting point," said Slater. "Products last week are not the same products" it might have written 12 months earlier because they're changing on better data and Oka's understanding of the risk.

The syndicate launched in January with the goal of insuring nature-based and technology projects. Oka is initially focused on the U.S. market, where sister company Carbon Insurance Agency distributes its product.

It also partnered with Cloverly, which will offer carbon offset credits pre-wrapped in Oka insurance to more than 300 global businesses.

According to Slater, developers selling carbon credits can enhance the reputation of the credits with embedded insurance, reducing friction and boosting a buyer's confidence.

Oka will insure across project types, nature-based and engineered, with all-risks policies. Other natural catastrophe risks include infestation, earthquake and flood. Human-induced risks range from leaks and faulty storage to illegal logging.

Cloverly CEO Jason Rubottom said the voluntary carbon market is evolving rapidly but risk deters some companies from participating.

Oka will ultimately create more liquidity in the carbon market, Slater said he believes. "It's really a call to arms to the industry. This is a market that's going to scale significantly, we just don't know when or how quickly. I'm hoping we're a catalyst, we need balance-sheet capital to come into the space."

Morgan Stanley recently said the voluntary carbon-offset market is expected to grow from \$2 billion in 2020 to about \$250 billion by 2050.

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Slater doesn't worry about competition. "We can't worry about large insurance carriers eating our lunch. It's not a winner-take-all market."

The team at Simply Business concentrated on advancing the insurance industry, not disrupting it. "It was always an evolution," he said, and Oka follows that approach. It was also one of the first B corporations in the United Kingdom, he added. "I believe in building business for good."

Oka has seven full-time employees. Slater said it has a highly skilled startup team experienced in building products.

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