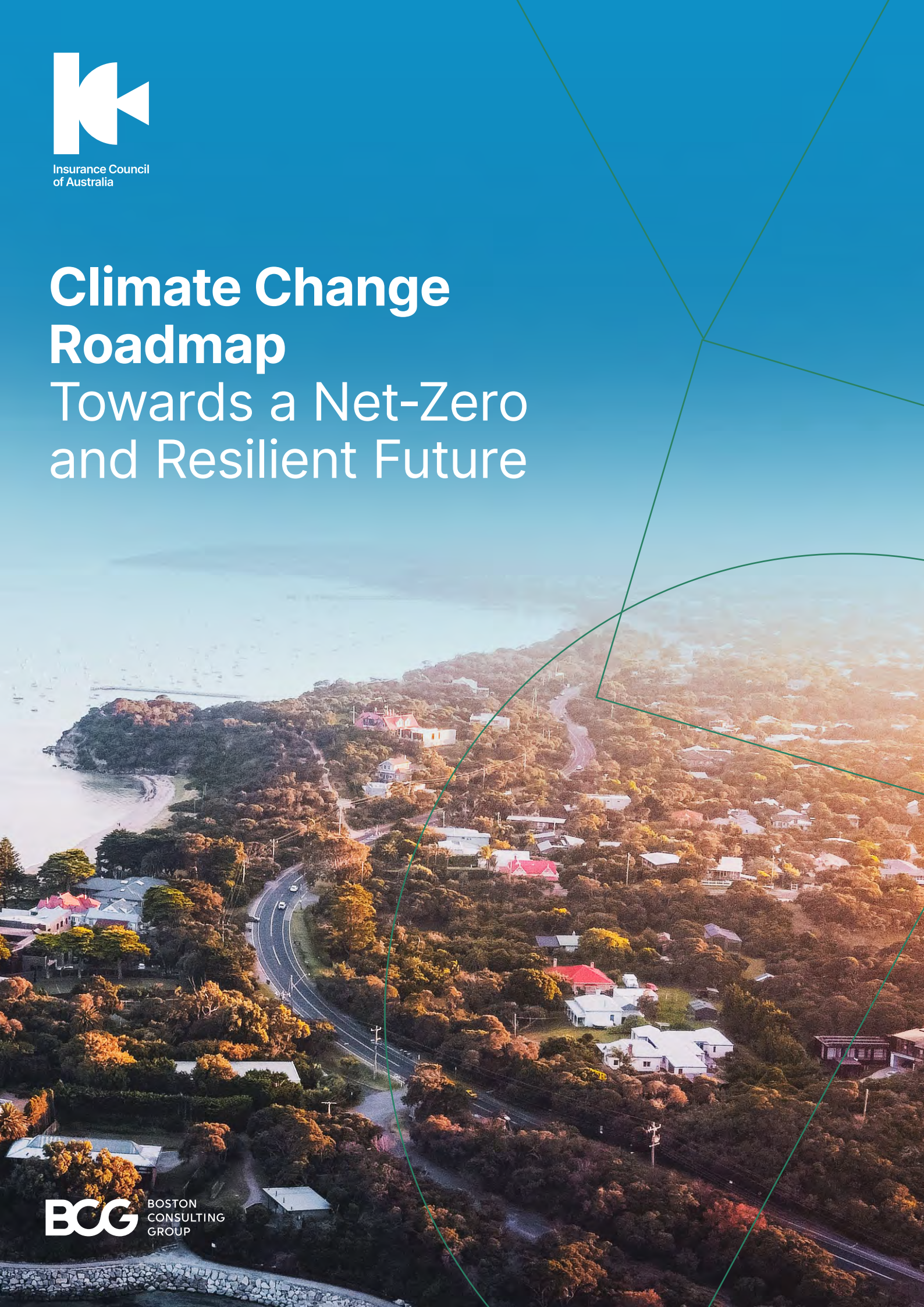
Insurance Council of Australia

Climate Change Roadmap

Towards a Net-Zero and Resilient Future



BCG BOSTON CONSULTING GROUP

With thanks

The Insurance Council of Australia thanks the following organisations for their generous peer review:

- The United Nations-convened Net-Zero Insurance Alliance (NZIA)
- Climateworks Centre

The Insurance Council also acknowledges the contributions of ICA members via both the Net Zero Working Group and the Climate Change Action Committee.

Acknowledgement of country

The Insurance Council of Australia acknowledges the Traditional Owners of country throughout Australia and their continuing connection to land, culture, sea and community. We recognise the tens of thousands of years of continuous custodianship and placemaking by First Nations peoples and their proud role in our shared future. This report was produced on the lands of the Gadigal people of the Eora Nation. We pay our respects to Elders past, present and emerging.

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About the Insurance Council of Australia (ICA)

The Insurance Council of Australia is the representative body for the general insurance sector of Australia. General insurance has a critical role in the economy, insulating individuals and businesses from the financial impact of loss or damage to their insured assets. The ICA's work with its members, consumer groups and all levels of government serves to support consumers and communities when they need it most.

ICA members represent approximately 90 per cent of private sector general insurers, spanning both insurers and reinsurers. Our members provide insurance products ranging from those usually purchased by individuals, such as home and contents insurance, to those purchased by small businesses and larger organisations, such as product and public liability insurance.

The ICA is committed to shaping positive outcomes for our members, our people, and our communities by supporting fair policy outcomes, effectively engaging members, and purposefully advocating on behalf of its members. The ICA believes an insurable Australia is a resilient Australia, and its purpose is to be the voice of a resilient Australia.

About the Boston Consulting Group (BCG)

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, BCG work closely with clients to embrace a transformational approach aimed at benefiting all stakeholders – empowering organisations to grow, build sustainable competitive advantage, and drive positive societal impact.

Our diverse, global teams bring deep industry and functional expertise and a range of perspectives that question the status quo and spark change. BCG delivers solutions through leading-edge management consulting, technology and design, and corporate and digital ventures. BCG work in a uniquely collaborative model across the firm and throughout all levels of the client organisation, fuelled by the goal of helping our clients thrive and enabling them to make the world a better place.

The Insurance Council of Australia thanks Boston Consulting Group (BCG) for their authorship of this report in consultation with ICA members.

Message from the ICA President

There is no doubt that these past few years have been extremely challenging for people, businesses and communities who have faced multiple severe weather events on top of a global pandemic.

Insurers are the nation's economic shock absorbers. Our role as an industry is to insulate Australians from the financial impacts of loss and damage, including protecting people from the impacts of extreme weather through the recovery and rebuilding of communities to make them stronger into the future.

This gives us a deep understanding of growing climate risk and the measures needed to improve Australia's resilience.

The Insurance Council of Australia supports strong action on climate change, including working with our industry to achieve net-zero emissions no later than 2050.

Supporting a net-zero transition will help to ensure insurance remains affordable and accessible for all Australians.

The Climate Change Roadmap, Towards A Net-Zero Future reinforces the work insurers and reinsurers are already doing to tackle emissions and lays out what we believe is the most efficient way for each insurer to continue to deliver on climate action, in line with steps being taken around the world.

As major investors, insurers can steer substantial amounts of capital into transition-related assets and technologies, factor climate risk into underwriting decisions, and engage with businesses to reduce emissions across insurers' extensive supply chains.

To achieve the climate change goals set out in international agreements to which Australia is a signatory, urgent and significant reductions in emissions are required across all sectors of the economy, and this includes insurance.

"The Climate Change Roadmap, Towards A Net-Zero Future reinforces the work insurers and reinsurers are already doing to tackle emissions and lays out what we believe is the most efficient way for each insurer to continue to deliver on climate action, in line with steps being taken around the world."

The Insurance Council looks forward to working with the wider financial services sector and business community, as well as policymakers and civil society, to drive innovative solutions and advocate for policies to keep the 1.5ºC warming limit within reach and ensure insurance remains accessible for all.

Nick Hawkins
President

Message from the CEO

The effects of climate change are unmistakable and can no longer be ignored. Persistently warming temperatures are leading to more severe weather events, devastating communities and compounding existing vulnerabilities.

The societal impacts are being felt in every corner of world, and the cost of extreme weather events will be unlike anything we have experienced. According to work undertaken for the Insurance Council by the McKell Institute, here in Australia the costs of extreme weather events are expected to reach $35.24 billion a year by 2050.

Australia's general insurers are already contributing to the transition to a low-carbon economy. Increasingly, insurers are factoring climate risk into their underwriting decisions and are prioritising investment strategies that capitalise on Australia's clean energy transition.

There have been passionate calls for all sectors of the economy, including insurers, to step up efforts to tackle climate change, and that is precisely the aim of the Insurance Council's Climate Change Roadmap.

This Roadmap provides a best practice pathway for each insurer so the industry can leverage its foundational place in the Australian economy to accelerate our transition to net-zero.

The Roadmap sets out recommendations on how individual insurers can achieve net-zero emissions no later than 2050, with a focus on substantially cutting emissions this decade and playing our part in limiting global warming to 1.5°C.

From setting a shadow carbon price to ensure investment portfolios align with the economic transition already underway, to building electric vehicle charging infrastructure and underwriting the clean energy technology of the future, individual insurers are already innovating to reduce emissions across their operations, investments, underwriting and supply chain.

Australia's transition to net-zero will open new markets and present considerable opportunities for insurers.

In markets like the United Kingdom, with well-defined net-zero pathways, it is estimated that up to 70 per cent of all underwriting will support transition-related assets and technologies by 2050. Underwriting opportunities will shift considerably in Australia too, where we are expected to require approximately $2.5 trillion of investment in transition activities over the next three decades.

Reinsurers, investors, regulators and customers are also increasingly expecting insurers to play a role in the transition to net-zero, to improve transparency around insurance-associated emissions and demonstrate insurers understand and are managing climate risk.

This action will need to be matched by governments, including through setting strong national emissions reduction targets and implementing a comprehensive set of policies to decarbonise key sectors.

By using this Roadmap insurers can play their uniquely important role in limiting the consequences of climate change, at the same time reaping the rewards of the massive economic shift that's taking place right now and that will only grow in coming decades.

Andrew Hall
CEO and Executive Director

Introduction

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The need for action on climate today

Climate change will transform the Australian way of life. Having already reached a mean temperature rise of 1.44°C[1], Australia is on the frontline of climate change impacts, experiencing more severe bushfires, hotter and longer heatwaves, rising sea levels that are exacerbating hazards along our coastlines, cyclones that are projected to intensify and possibly track further southwards, and an increase in rainfall intensity and associated flooding as the climate warms.

The total societal cost of these extreme weather events will be unlike anything Australians have experienced, as climate-related extreme weather events are expected to cost Australia $35.24 billion a year by 2050.[2] If the world exceeds a global temperature rise of 1.5°C for an extended period, there will be a significant increase in the risk of irreversible changes to the ecosystems on which our economy and communities rely.

There is scientific consensus that rapid and sustained global greenhouse gas (GHG) emissions reductions in the next decade will ensure less adverse climate impacts than if the world waits. This is supported by the 2021 Glasgow Climate Pact that establishes an annual high-level ministerial roundtable on pre-2030 ambition and new rules to hold countries accountable for progress.

"There is scientific consensus that rapid and sustained global greenhouse gas (GHG) emissions reductions in the next decade will ensure less adverse climate impacts than if the world waits."

Not only is it in the national interest to avoid worsening climate impacts, but Australia is also well positioned to benefit from decarbonisation through our natural resources, skills, and trade connections. Australia's largest trading partners are committed to achieving net-zero, and the global financial markets that Australia participates in continue to shift their support to a net-zero transition. In Australia, this transition will require investment of around $2.5 trillion (AUD) over the next three decades.[3]

Australia is in the top 10 highest countries in the world for GHG emissions per capita.[4] As a nation there is growing momentum to achieve net-zero by 2050 or earlier. The Federal Government and all state and territory governments have committed to net-zero by 2050. In addition, cost-effective action by the states and territories in line with their net-zero emissions targets would achieve up to a 42 per cent reduction on 2005 emissions by 2030 alone.[5] The new Federal Government has also ratcheted up Australia's 2030 emission reduction target to 43 per cent (below 2005 levels) – with half of the states and territories current 2030 targets higher than 43 per cent.

Of ASX 200 companies, almost half have made net-zero commitments[6], and this number is expected to continue growing. Australian consumers are also increasingly considering the environment when making purchasing decisions.[7] It is expected that renewable energy will make up most of Australia's electricity supply by 2030, with one scenario from the Australian Energy Market Operator anticipating 93 per cent renewable electricity in Australia's largest grid.[8] Electric vehicles will account for 35–100 per cent of Australia's new vehicle sales by 2050 (up from 2 per cent today), depending on the specific scenario.[9] This transition will bring with it considerable opportunities for insurers, such as a dramatic shift in underwriting practices as new energy technologies are scaled up.

1. Bureau of Meteorology (2020) State of the Climate.
2. McKell Institute for the Insurance Council of Australia (2022) Insurance Catastrophe Resilience Report 2021–22.
3. Based on global estimate in GFMA, BCG (2020), Climate Finance Markets and the Real Economy, GFMA. Scaling emissions estimates for each sector to Australian emissions intensity. In line with other publicly availably estimates on Australia's transition costs, which range from $1.1T AUD by the IGCC to $5T AUD from Griffith, AFR.
4. Climate Action Tracker (2022): Country summary: Australia;
   World Bank. CO_2 emissions (metric tons per capita) – Australia | Data (worldbank.org).
5. Climateworks (2021) State and territory climate action: leading policies and programs in Australia.
6. SMH (2022), Net-zero doubles for top 200 firms, but investors want more detail.
7. BCG (2021), The Customer Sustainability Journey.
8. AEMO | 2022 Integrated System Plan (ISP).
9. CSIRO Electric Vehicle Forecast May 2021.

The role of the general insurance sector

Australia's general insurance sector provides protection for 35 million homes, buildings and vehicles against the physical and financial impacts of extreme weather events.

The Insurance Council of Australia represents general insurers and reinsurers across Australia. Collectively its members cover approximately 90 per cent of general insurance sector policies, representing $60.2 billion in annual Gross Written Premiums (GWP) and $78 billion invested assets.[10]

Insurers operate in a global market, sourcing capital and reinsurance outside of Australia. Reinsurers, investors, financial disclosure standards, regulators, and customers are increasingly expecting insurers to play a role in the transition to net-zero, to improve transparency around insurance-associated emissions and demonstrate insurers understand and are managing climate risk. To ensure Australians continue to have access to affordable insurance protection, Australia must increase investment in the resilience of the built and natural environments, and in parallel, address the underlying cause of more severe weather events by reducing GHG emissions.

The insurance industry has a key role to play as the industry shares a deep understanding of risk to help improve Australia's resilience to a changing climate and extend the frontiers of insurability. At the same time, insurers are committed to reducing their own GHG emissions to net-zero. This will require insurers to reduce operational emissions, the emissions associated with underwriting activities, claims supply chain, and investment decisions.

The Insurance Council looks forward to continuing its long-standing engagement with governments, regulators, and other key stakeholders to promote a prudential policy and regulatory environment that aligns with best practice, supports climate change adaptation and mitigation, and helps each of its members to set and pursue their own net-zero targets with confidence. In addition, the Insurance Council looks forward to working with the wider financial and business community, and civil society to strengthen the sharing of best practice and support the net-zero transition of the Australian and broader global economy.

The purpose of this roadmap

This roadmap reflects the commitment of the general insurance sector to achieving net-zero. It also provides guidance for the Insurance Council members on the role they can play in the decarbonisation of the Australian economy.

This roadmap covers GHG emissions associated with all aspects of general insurance and reinsurance, referring to three scopes of emissions:

- **Scope 1**
  Direct emissions from an organisation's activities
- **Scope 2**
  Emissions from electricity that is used during an organisation's activities
- **Scope 3**
  All emissions that are indirectly generated by an organisation's activities

While the Science Based Targets initiative (SBTi) guidance for financial institutions is that inclusion of some types of Scope 3 emissions beyond investment is currently optional – this position may change as emissions reduction methodologies and practices in the financial sector matures.

The roadmap is structured around five pillars, addressing overall climate commitments in Pillar 1, the full scope of insurer's emissions in Pillars 2, 3, and 4 (as outlined in Exhibit 1), and the role insurers can play in strengthening resilience in Pillar 5. Throughout, the Insurance Council calls for targets in line with a 1.5°C degree pathway. The Insurance Council acknowledges the Paris Agreement, which calls for holding the increase in global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C. The Insurance Council acknowledges that the IPCC AR6 WGIII[11] report finds that without immediate and deep emissions reductions across all sectors, limiting warming to 1.5°C is beyond reach.

The Insurance Council recognises that its membership is diverse, and that each member will face unique challenges when implementing actions to decarbonise. The Insurance Council will provide support and guidance to all its members to help build knowledge, share best practice, and enable insurers to make decisions that can accelerate Australia's net-zero transition and strengthen its contribution to the global net-zero transition.

10. Based on APRA data for 2021 GWP and AUM for all ICA members, covering 95 per cent the General Insurance industry in Australia.
11. Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.

This community of practice is open to all general insurers. The roadmap serves as a best practice framework to assist insurers in the development of their individual net-zero journeys. Each member is encouraged to use this framework or develop a different approach that it deems most suitable for the purpose of reaching net-zero.

The Insurance Council also acknowledges that its understanding of climate change, its impacts, and the role general insurers can play, is rapidly evolving. The Insurance Council will publish a yearly update tracking progress against the roadmap. The Insurance Council also seeks to treat the roadmap as a living document that will be updated regularly to ensure it reflects the latest insights on climate action for the general insurance sector.

Finally, achieving the milestones outlined in this roadmap will require strong emissions reduction policy at the local, state, and federal levels and the Insurance Council will advocate on behalf of its members for government policy settings that will enable Australia's transition to net-zero, in line with the Paris Agreement.

Exhibit 1

Defining the greenhouse gas emissions footprint for insurers

The GHG protocol defines three scopes for GHG emissions.

Scope 3 emissions constitute the largest portion of an insurer or reinsurer's GHG footprint but are typically the most complex to measure and address. Strategies to reduce these emissions will be addressed in Pillars 2, 3 and 4, as outlined below.

	Pillar 2 Operations		**Pillar 3** Underwriting	**Pillar 4** Investments
Scope 1 Direct emissions from the activities of an organisation	Emissions caused by insurer operations		NA	NA
Scope 2 Emissions from electricity that is used for activities of an organisation			NA	NA
Scope 3 All emissions that are indirectly generated by the activities of an organisation		Claims supply chain emissions	Attributed emissions of underwriting portfolio	Attributed emissions of investment portfolio

Summary per pillar

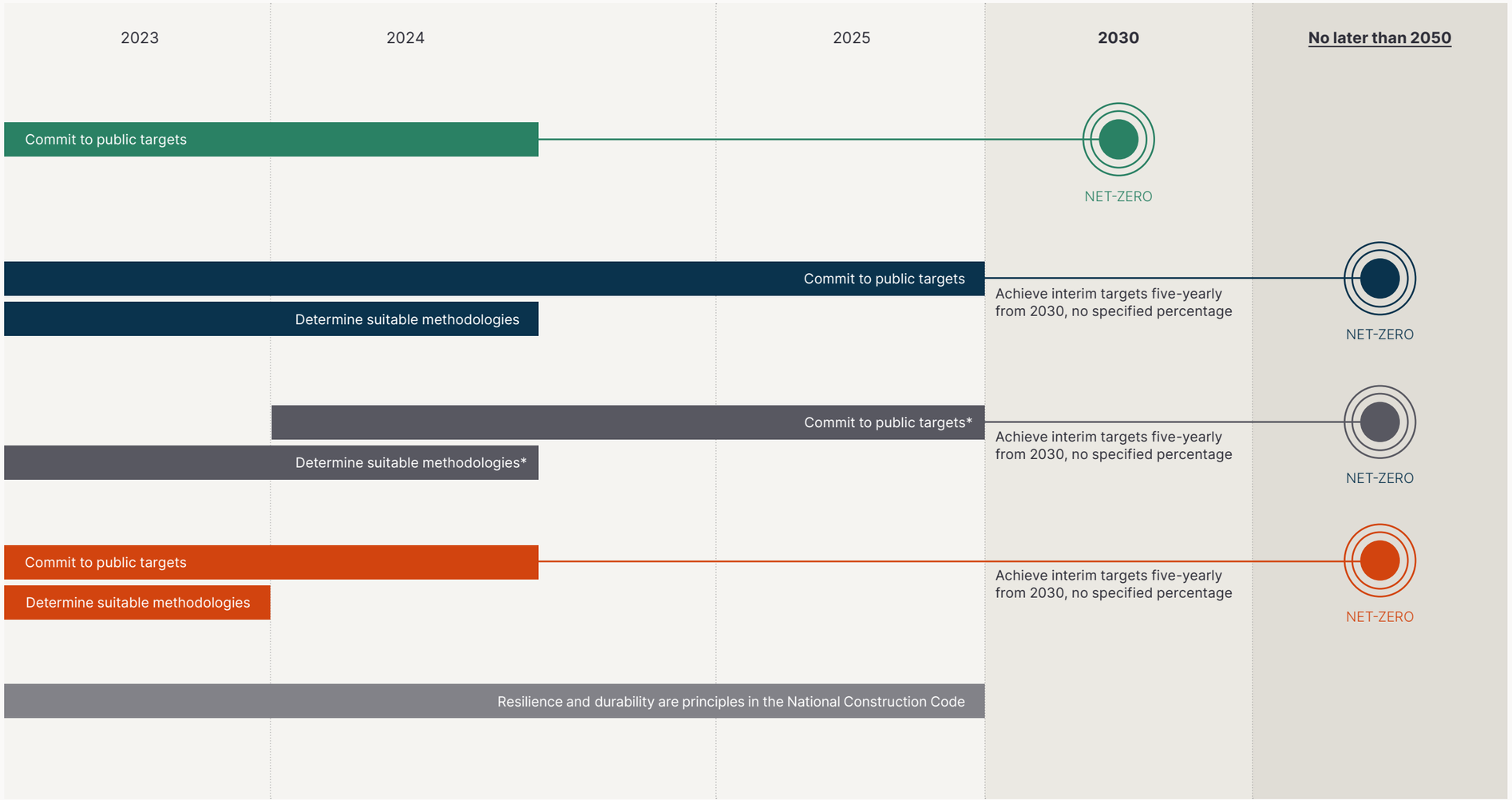
Exhibit 2

Climate change roadmap summary[12]

Pillar 1 | Overall ambition

The Insurance Council supports strong action on climate change, including working with its industry to achieve net-zero emissions no later than 2050. To reach this long-term goal, the Insurance Council acknowledges emissions must rapidly decrease this decade in line with a global target of approximately 50 per cent emissions reduction by 2030.

ICA members are encouraged to set interim targets consistent with a 1.5°C net-zero transition pathway, with target date(s) of no later than 2030, a focus on substantial emissions reduction this decade and align with best practice methodologies from initiatives such as the UN-convened net-zero alliances, when they become available. Where possible, targets should be verified by an appropriate institution such as the Science Based Target Initiative (SBTi) or relevant UN-convened initiative. Some members may choose to set all five-yearly targets upfront, whilst others may set them on a rolling basis.



*Insurers who are members of the NZIA will align with the PCAF methodology by 2023 and set targets six months after a target-setting protocol has been established in 2023. However, given ICA members range considerably in size and capacity, a date range has been provided to reflect this.

12. The targets outlined are a set of recommendations based on best practice, they are not legally binding.

Pillar 1

The insurance industry's net-zero commitment

The Insurance Council of Australia supports strong action on climate change, including working with the insurance industry to achieve net-zero emissions, no later than 2050. To reach this long-term goal, the Insurance Council acknowledges emissions must rapidly decrease this decade in line with a global target of approximately 50 per cent emissions reduction by 2030.

Insurance Council members are encouraged to set interim targets consistent with a 1.5°C net-zero transition pathway, with target date(s) of no later than 2030, a focus on substantial emissions reduction this decade and align with best practice methodologies from initiatives such as the UN-convened net-zero alliances, when they become available[13]. Where possible, targets should be verified by an appropriate institution such as the Science Based Target Initiative (SBTi) or relevant UN-convened initiatives. Some members may choose to set all five-yearly targets upfront, whilst others may set them on a rolling basis.

In Pillar 1, the Insurance Council outlines a set of best practice targets and milestones to support each of its members in individually meeting these emissions reduction goals, accounting for global developments. The Insurance Council describes the short-term actions that can be taken to lower emissions and indicates how the Insurance Council will help accelerate the development of measures to assist individual insurers in achieving net-zero across areas of emissions where further work is still required, like underwriting and the broader supply chain, including claims supply chain.

The Insurance Council will update progress against the milestones in this roadmap annually, and work with relevant stakeholders to create a supportive regulatory environment, empowering individual insurers to each develop their own climate strategies. The roadmap itself will also be updated regularly to reflect updates to the latest climate science and solutions.

Pillar 2

Net-zero industry operations

For general insurers, operational emissions are driven by insurer activity emissions. Many general insurers in Australia and globally have already committed to significant reductions in their own operational GHG emissions across Scope 1 and Scope 2, with some insurers also committing to reduce emissions across Scope 3. The Insurance Council encourages all of its members to commit to net-zero for these emissions by 2030.

The claims supply chain accounts for the vast majority of operational emissions for insurers and to reach net-zero, it is critical these are reduced. General insurers manage $150.6 million in claims every working day and brokers also play an essential role. By working with partners across the claims supply chain, insurers can contribute to decarbonisation well beyond their own operational footprint – and across all Australian communities.

By 2025, the Insurance Council encourages members to make a 2050 net-zero commitment across claims supply chains, with a focus on the most material supply chains. This implies that members have benchmarked their supply chain emissions and set targets in line with reaching net-zero no later than 2050. To make this possible, by 2024 the Insurance Council, in coordination with its members, are encouraged to identify global and domestic methodologies and frameworks that can assist in defining attributable emissions across insurance/reinsurance claims supply chains.

Pillar 3

Net-zero with insurers' customers

Underwriting plays an important role in Australia's net-zero transition as the general insurance industry writes policies that provide protection for 35 million homes, buildings and vehicles against the physical and financial impacts of extreme weather events. The members of the Insurance Council underwrite $49 billion of GWP for general insurance products in 2021, approximately 95 per cent of the Australian general insurance market. As the global shift towards net-zero underwriting activity continues, the Insurance Council aims to recommend a pathway to its members to help them in seeking to achieve net-zero underwriting in Australia.

13. The Net-Zero Insurance Alliance.

This roadmap covers both the opportunity and business case for underwriting the transition as well as the challenges that insurers face as a sector – focusing on near term actions and levers for underwriting decarbonisation to support both insurers' businesses and their customers.

The Insurance Council encourages insurers to align with the global standard developed by the Partnership for Carbon Accounting Financials (PCAF) to measure and disclose GHG emissions associated to insurance and reinsurance underwriting portfolios (insurance-associated emissions) no later than 2024. Currently, such a global standard is being developed in collaboration with the NZIA and the first version of the PCAF standard for insurance-associated emissions is expected to be produced by the end of 2022. The Insurance Council also encourages members to set targets for net-zero emissions in underwriting no later than 2025, with five-yearly interim targets in line with a 1.5°C net-zero transition pathway. Insurers who are members of the NZIA will align with the PCAF methodology by 2023 and set targets six months after a target-setting protocol has been established in 2023. However, given Insurance Council members range considerably in size and capacity, a date range has been provided to reflect this. If the methodology is delayed, members may be delayed in setting the associated interim targets.

Pillar 4

Net-zero investments

Australia's transition to net-zero will require an estimated $2.5 trillion investment over the next three decades. This will create investment options across all asset classes for insurers. Investing in the transition can provide access to growth markets and lower the physical and transition risks associated with investment. As such, net-zero investing is an important step for insurers to future-proof their portfolio.

With an increasing number of insurers globally committing to net-zero investment portfolios, the Insurance Council outlines the key strategies that can be used to reduce portfolio emissions. The Insurance Council indicates how it will support the process to agree on nationally consistent measurement and reporting standards, aligned with global standards.

The Insurance Council also indicates how to support the development of a taxonomy for sustainable investments to simplify net-zero investing and increase the supply of green investable assets.

By 2023, the Insurance Council encourages its members to commit to a net-zero investment portfolio no later than 2050, with five-yearly interim targets in line with a 1.5°C net-zero transition pathway.

Pillar 5

Creating a more resilient Australia

The cost of climate-related extreme weather events is expected to climb significantly in Australia. Research commissioned by the Insurance Council calculates that the annual direct cost of extreme weather events could reach $35.24 billion by 2050,[14] and the Australian Business Roundtable estimates that even in a low emission scenario the economic (not insured) costs could increase to approximately $73 billion per annum in 2060.[15] Severe weather events pose increasing risk to our built and natural environments, as well as our communities, which in turn can slow the transition to a net-zero economy. This will also make it increasingly challenging to provide affordable insurance for the Australian people and economy unless Australia significantly increases the resilience of its built and natural environments.

This can only be done through collaboration between the federal, state and local governments, regulators, planning agencies, and private sector parties such as developers, the construction industry, and insurance companies. All stakeholders must work together to embed resilience throughout the development value chain, from land use planning and zoning to design, development, construction, and refurbishment.

Insurers can play an important part in this process, given their role as risk managers, investors, and drivers of recovery and rebuilding after loss. The Insurance Council encourages members to help strengthen Australia's resilience by sharing risk intelligence on climate change hazards across the value chain, helping to make resilience more investable, and helping customers make more resilient choices. A resilient Australia is integral to achieving net-zero goals.

14. McKell Institute for the Insurance Council of Australia (2022) Insurance Catastrophe Resilience Report 2021–22.
15. Deloitte Access Economics (2021). Special report: update to the economic costs of natural disasters in Australia, Australia Business Roundtable for Disaster Resilience & Safer Communities.

PILLAR 1

The insurance industry's net-zero commitment

Summary

Setting overall climate ambition for insurers

The Insurance Council supports strong action on climate change, including working with the Australian insurance industry and the wider global insurance industry to achieve net-zero emissions no later than 2050. To reach this long-term goal, the Insurance Council acknowledges that emissions must rapidly decrease this decade in line with a global target of approximately 50 per cent emissions reduction by 2030.

Developed countries including Australia have a responsibility to reduce emissions faster than other countries as part of the concept of common but differentiated responsibilities within the Paris Agreement.

Insurance Council members are encouraged to set interim targets consistent with a 1.5°C net-zero transition pathway, with target date(s) of no later than 2030, a focus on substantial emissions reduction this decade and alignment with best practice methodologies from initiatives such as the UN-convened net-zero alliances, when they become available.[16] Where possible, targets should be verified by an appropriate institution such as the SBTi or relevant UN-convened initiatives. Some members may choose to set all five-yearly targets upfront, whilst others may set them on a rolling basis.

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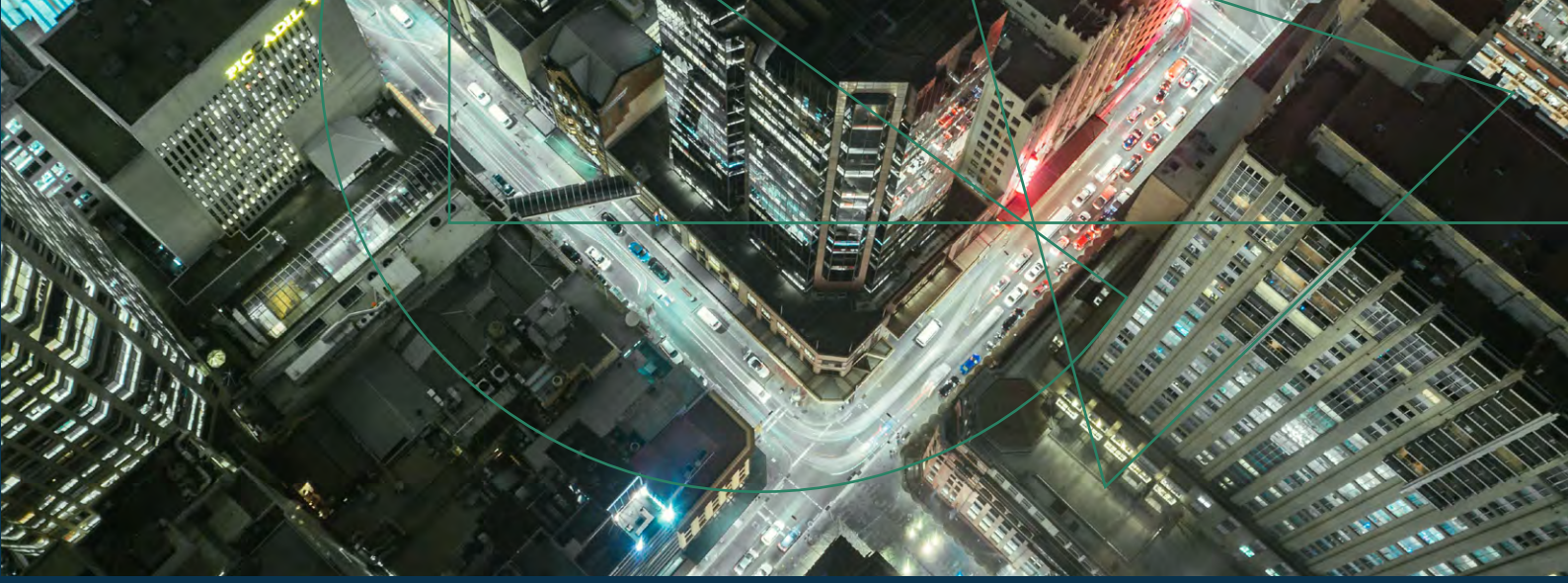


Best practice climate targets for ICA member organisations

The NZIA provides additional best practice guidance on interim target setting, including ensuring targets are science-based; use decarbonisation scenarios from credible and well-recognised sources; do not rely on overstating the impact from negative emissions technologies; and to the extent possible, minimise misalignment with other UN Sustainable Development Goals.[17] The development of a methodology to measure and disclose GHG emissions in underwriting and supply chains is a critical factor to enable insurers to set interim targets. If methodologies have not been established it could be a barrier for some members.

The Insurance Council will join the NZIA to support the development of methodologies for underwriting portfolios and will provide members with best practice guidance on how to measure and disclose emissions in supply chains as this work develops.

Each member is encouraged to set a baseline for their emissions reduction where possible across scopes in order to conduct meaningful and consistent tracking of emissions performance over the target period. This baselining should align with international standards and best practice. For example, the SBTi recommends[18] that this baseline year should:

- Have verifiable data on Scope 1, 2 and 3 emissions
- Be representative of a company's typical GHG profile
- Be chosen such that the target has sufficient forward-looking ambition

For companies that have been significantly impacted by COVID-19, the SBTi recommends selecting a base year such as 2019 instead of 2020 or 2021 when setting targets. Alternatively, companies may use a multi-year average base year approach, as described in Chapter 5 of the Greenhouse Gas Protocol Corporate Standard.[19]

The Insurance Council also encourages insurers to engage with global alliances such as the NZIA and the Net-Zero Asset Owner Alliance (NZAOA). Several Insurance Council members are already members of the NZIA and NZAOA. The Insurance Council anticipates that each member will individually take short term action to measure and address GHG emissions, acknowledging the urgency of emissions reduction this decade, while working with stakeholders to develop policies that provide more certainty about Australia's transition pathway. The Insurance Council will engage with stakeholders in creating a regulatory environment that supports the net-zero transition and develop appropriate standards and frameworks for addressing emissions associated with underwriting and claims supply chains.

The Insurance Council will update the commitments, targets and milestones in this roadmap to account for scientific, policy, industry, and other relevant developments.

16. The Net-Zero Insurance Alliance, convened by the UN Principles for Sustainable Insurance (PSI).
17. The Net-Zero Insurance Alliance. Statement of Commitment by Signatory Companies.
18. Science Based Targets initiative (2021) Corporate Target Setting Manual.
19. Greenhouse Gas Protocol; www.ghgprotocol.org.

The Insurance Council has outlined a set of best practice targets across operations, claims supply chain, underwriting, and investment to support general insurers to meet emissions reduction goals.

The targets account for global developments across the insurance industry and the Insurance Council encourages its members to align their climate action plans with these targets to track their progress towards net-zero. The years referred to are provisional on the timely release of global measurement frameworks for Scope 3 emissions in remaining investment asset classes, underwriting, and claims supply chain.

The ICA will support members to achieve these milestones and to amend these milestones if roadblocks emerge or momentum builds more quickly than anticipated.

By 2023, members are encouraged to:

- Commit to an overall climate target to achieve net-zero emissions no later than 2050.
- Commit to net-zero emissions by 2030 across Scope 1, Scope 2 and operational Scope 3.[20]
- Commit to a net-zero investment portfolio by 2050 with five-yearly interim targets in line with a 1.5°C net-zero transition pathway, at the latest starting in 2030.
- Establish transparent reporting on progress toward their respective 1.5°C-aligned decarbonisation targets, in line with the NZIA target-setting protocol, TCFD recommendations, ISSB, AASB and/or other recognised frameworks.

In 2023–2024, members are encouraged to:

- Align with global standards and frameworks to assist in defining associated emissions across insurance/reinsurance in underwriting and identify global and domestic methodologies and frameworks that can assist in defining associated emissions across insurance/reinsurance claims supply chains.
- Insurers who are members of the NZIA will align with the PCAF methodology by 2023 and set targets six months after a target-setting protocol has been established in 2023.
- However, Insurance Council members range considerably in size and capacity so a date range has been provided to reflect this. If the methodology is delayed, members may be delayed in setting the associated interim targets.

In 2024–2025, members are encouraged to:

- Commit to net-zero by 2050 across claims supply chain and underwriting portfolios, with five-yearly interim targets starting at 2030 in line with a 1.5°C net-zero transition pathway.
- Where possible, targets should be verified by an appropriate institution such as the SBTi or relevant UN-convened initiative and align with best practice methodologies.
- If the appropriate methodology is delayed, members may be delayed in setting the associated interim targets.
- Some members may choose to set all five-yearly targets upfront, whilst other may set them on a rolling basis.

By 2030, members are encouraged to:

- Achieve net-zero across Scope 1, Scope 2 and operational Scope 3.[21]
- Achieve emissions reductions against established interim targets across Scope 3 that are consistent with a 1.5°C net-zero transition pathway.

No later than 2050, members are encouraged to:

- Maintain and achieve net-zero emissions for all attributable GHG emissions in Scopes 1, 2 and 3 – in line with the ambition to keep global warming to 1.5°C.

Members are also encouraged to:

- Review and update their targets at least every five-years to reflect the latest scientific evidence and best practice encouraged by recognised external frameworks.
- Disclose any emerging risks which threaten the achievement of the 2050 net-zero target.

20. Noting insurers are encouraged to use the GHG protocols to guide their approach to operational emissions reduction and should determine the Scope 3 boundary for insurers operations emissions based on materiality, relevance, and the availability of data and established methodology. Other scope 3 emissions reductions across claims supply chain, investment and underwriting activity are tackled separately in this roadmap from operational scope 3 emissions.

21. Ibid.

Exhibit 3

Suggested sequencing of actions for general insurers

Addressing Scope 1 and Scope 2 GHG emissions is the starting point for most organisations, including many general insurers in Australia and globally. Scope 3 is more challenging because it relies on engagement with others in the value chain and presents challenges with respect to data, availability, accessibility, and quality.

There are well-established approaches to measuring and addressing emissions associated with operations, such as business travel and procurement. There is also increasing global adoption of net-zero in investment portfolios.

While standards and frameworks for emissions associated with underwriting and claims supply chain are still developing, there are actions insurers can take in the near term to begin decarbonisation and lay the foundation for rapid change as standards mature globally.

Within this context, a common sequence of decarbonisation action is emerging across insurers globally. Whilst this is a common pattern, it is important to note that some NZIA members have started their net-zero commitments via Pillar 3 (underwriting) first, instead of Pillar 4 (investment). Each company has the flexibility to select which pillar they would prioritise.

Pillars	Typical sequence of emissions reduction
Pillar 2 Insurer operations	**Scope 1** Direct operational emissions
	Scope 2 Indirect energy use emissions
	Scope 3 Other indirect emissions
Pillar 4 Investment portfolio	**Scope 3** Investment portfolio measurement and reduction
Pillar 2B Claims supply chain	**Scope 3** Claims supply chain emissions reduction
	Scope 3 Claims supply chain measurement
Pillar 3 Underwriting portfolio	**Scope 3** Underwriting emission reduction
	Scope 3 Underwriting measurement

How members can develop their own targets in the journey to net-zero

Climate targets and strategies set by Insurance Council members should reflect their unique business context but can be developed with methodologies by recognised global organisations, such as the SBTi.

This will help ensure comparability and consistency in individual targets set by individual insurers across the general insurance sector and simplify the process of transparent evaluation.

The Insurance Council also recommends that members make use of global alliances to inform net-zero climate strategies, particularly:

- **NZIA:** A UN-convened alliance in which signatory insurers and reinsurers (including general insurers) commit to transitioning their underwriting portfolios to net-zero GHG emissions by 2050, with five-yearly intermediate targets in line with a 1.5°C net-zero pathway. The NZIA does important work to produce guidance and frameworks that support signatories to fulfil this commitment. This includes by producing a white paper on net-zero insurance, by assisting in the development of a global standard to measure and disclose emissions associated to underwriting portfolios in partnership with the Partnership for Carbon Accounting Financials (PCAF), and developing a target-setting protocol for underwriting portfolios with SBTi.
- **NZAOA:** A similar UN-convened alliance for asset owners (e.g. insurers, pension funds) in which signatories commit to transitioning their investment portfolios to net-zero GHG emissions by 2050, with five-yearly intermediate targets in line with a 1.5°C net-zero pathway. The NZAOA helps develop frameworks and strategies for net-zero investment for different asset classes.
- **GFANZ:** Launched in April 2021, the Glasgow Financial Alliance for Net-Zero aims to unite net-zero financial sector-specific alliances from across the globe into one industry-wide strategic alliance. Examples of net-zero sub-sector alliances that are part of GFANZ include the Net-Zero Insurance Alliance, Net-Zero Asset Owner Alliance, Net-Zero Banking Alliance, and Net-Zero Asset Managers Initiative. UN Race to Zero accreditation is required to become part of GFANZ.
- **UN Race to Zero:** Race to Zero is a global campaign to rally leadership and support from non-state actors (e.g. businesses, cities, regions, financial institutions) for a healthy, resilient, zero-carbon recovery that prevents future threats, creates decent jobs, and unlocks inclusive, sustainable growth. It mobilises a coalition of leading net-zero initiatives representing thousands of cities, regions, businesses, financial institutions, and higher education institutions.

Importantly, these alliances provide a best practice pathway that insurers can draw on to help inform their individual net-zero strategies. The Insurance Council will actively participate in these alliances and initiatives and share knowledge and experiences with all members. The Insurance Council also encourages members to consider joining these alliances.

How the Insurance Council will help

There are four key roles the Insurance Council will play in supporting its members on their transition to net-zero.

Regular reporting and disclosure

The Insurance Council will provide regular updates on the climate commitments outlined in the roadmap to publicly demonstrate progress, highlight obstacles impeding progress, and showcase best practice in insurance. Recognising the importance of this disclosure, the Insurance Council will work with its members to encourage transparency and disclosure of progress. For example, the ICA has worked with members to contribute submissions to both the International Sustainability Standards Board (ISSB) and Australian Accounting Standards Board (AASB) on climate and sustainability disclosure standards, and will continue to work with key stakeholders as disclosure evolves in Australia and in jurisdictions around the world.

Supporting members to develop roadmaps

The ICA's members are at varied stages of their climate action journey, each facing specific challenges and opportunities which must be considered as they develop their own targets and climate roadmaps. In line with the ICA's role as a supporting institution of the United Nations Principles for Sustainable Insurance (PSI), the ICA is committed to supporting members to develop their own roadmaps, for example by:

- Facilitating engagement with relevant industry alliances and external frameworks as insurers individually develop their long and short-term targets and climate roadmap.
- Sharing best practice actions and emissions reduction strategies in investment, underwriting, and supply chain operations across the full spectrum of member capabilities and insurer archetypes.
- Facilitating collaboration within the sector to develop consistent, science-based targets, and emissions reduction strategies that drive emissions reduction in the real economy.

- Supporting the alignment of global standards and frameworks for the Australian context, such as enabling members to align with the methodologies developed by initiatives such as the NZIA, PCAF and SBTi.

Advocating for a climate-positive regulatory environment

Regulatory and policy guidance will play a critical role in shaping the insurance sector's path to net-zero. For example, the Australian Prudential Regulation Authority (APRA) guidance on *Managing the Financial Risks of Climate Change* has played an important role in stimulating the sector to adopt the TCFD reporting framework and to engage with the standards being developed by the ISSB and AASB. The release of CPG 229 has formalised the inclusion of physical, transition and liability climate risk in an insurer's risk assessments.

It is important to work with regulators to make sure that the actions insurers take to realise climate commitments, and the regulatory framework they follow, allow for sustainability targets to exist in parallel to an insurer's duties to customers. This will be crucial to the success of the strategies outlined in this roadmap.

The Insurance Council will continue to work with regulatory bodies to embed support for Australia's net-zero transition without materially increasing the complexity of the regulatory environment. The Insurance Council will collaborate across the whole spectrum – from nationally consistent scenarios on future natural hazard risks, to assessment of resilience investment (National Emergency Management Australia (NEMA)), standardised climate reporting (TCFD, TNFD, ISSB, AASB), building code development (Australian Building Codes Board (ABCB) Climate Scan and CANZUS initiative), data sharing (Australian Climate Service (ACS)), and engagement with other key regulators such as the Australian Competition and Consumer Commission (ACCC) and the Australian Securities and Investments Commission (ASIC).

The Insurance Council will also work with federal, state and local governments to advocate for specific policies that will accelerate Australia's broader transition to net-zero and determine the role that insurers can play in delivering desired policy outcomes, as the speed and scale of Australia's transition will influence the ability of insurers to meet their emissions reduction goals.

Exhibit 4 | Case Study

Global examples of electric vehicle policies to stimulate the net-zero transition

As a nation, Australia is falling behind the global policy shift supporting net-zero activity. Global policy makers are setting policy today that is materially more progressive than the Australian environment. Forty-nine nations representing 75 per cent of the global vehicle market have established policy positions on internal combustion engine (ICE) vehicle sales restrictions between 2030 and 2040 – some of which (e.g. China, India and USA) represent the largest vehicle markets in the world. The development of the Euro 7 emission standards in the EU could accelerate the European transition as soon as 2026–2030.[22]

The new Federal Government has committed to developing a National Electric Vehicle Strategy that will include measures to increase electric vehicle sales and infrastructure, and policy settings to encourage local manufacturing of EV components. The Government has also committed to introducing an Electric Car Discount, including tax changes, to reduce the upfront cost of new EVs.[23]

Regularly updating this roadmap

The targets and strategies outlined in this roadmap reflect the current understanding of what is required to combat climate change, and how general insurers are best positioned to contribute. However, the science and policy environment on climate change is rapidly evolving. The Insurance Council commits to reviewing and updating this roadmap annually to ensure it stays relevant and consistent with the latest climate insights and the challenges its members face.

22. Assuming global and per-country vehicle parc per Euromonitor November 2021

23. Labor's Electric Car Discount (2022) Electric Car Discount | Policies | Australian Labor Party.

PILLAR 2

Net-zero industry operations

Summary

Many general insurers have already committed to significant reductions in their own operational GHG emissions across Scope 1 and Scope 2, with some insurers also committing to reduce emissions across Scope 3. The Insurance Council encourages all its members to commit to net-zero for these emissions by 2030.

General insurers manage $150.6 million in claims every working day. By working with partners across the claims supply chain, insurers can contribute to decarbonisation well beyond their own operational footprint – and across all Australian communities.

The Insurance Council encourages members to take actions to reduce the GHG intensity of their supply chain. The initial focus for each insurer should be on the most emissions-intensive types of claims, such as home and motor. However, members may choose to expand this focus to include the full supply chain, beyond just claims.

By 2025, the Insurance Council encourages members to make a 2050 net-zero commitment across claims supply chains, with a focus on the most material supply chains. Where emissions hotspots are identified in the supply chain, the Insurance Council encourages members to engage with those suppliers to achieve reductions. This implies that members have benchmarked their supply chain emissions and set targets in line with reaching net-zero no later than 2050.

To make this possible, by 2024 the ICA, in coordination with its members, are encouraged to identify global and domestic methodologies and frameworks that can assist in defining attributable emissions across insurance/reinsurance claims supply chains. The Insurance Council encourages members to access free science-based and peer-reviewed resources such as those provided by the SME climate hub[24], CDP[25] and the Supply Chain Sustainability School.[26]

The Insurance Council acknowledges that specific sectors (e.g. the electricity sector) will need to reduce emissions faster than others to enable an economy-wide target of net-zero to be achieved. Developed countries including Australia have a responsibility to reduce emissions faster than other countries as part of the concept of common but differentiated responsibilities within the Paris Agreement.[27]

Section index

The need to move to net-zero operations

With the Australian general insurance industry employing ~60,000 people[28] and managing $150.6 million[29] in claims every working day, decarbonising the general insurance industry's day-to-day operations can drive significant change. While operational emissions may not be as high as those associated with underwriting and investment, taking action to reduce operational emissions is an important first step and a signal of the industry's intent to take a leadership position on climate action.

Exhibit 5 | Case Study

Creating a sustainable office environment at Swiss Re

Swiss Re's Australian operations strives to continuously reduce its environmental footprint, including by reducing carbon emissions and increasing energy efficiency. Key environmental and energy objectives set to bring operations to net-zero by 2030 include:

- Stabilise GHG emissions at 2013 baseline via Greenhouse Neutral Programme.[30]
- The new CO_2NetZero Programme (2021–2030) will bring the operational CO_2 footprint to net-zero by 2030.[31]
- Improve energy efficiency by 2 per cent per year in all Swiss Re Australia offices (kwh/FTE).
- Activation of the world's first triple-digit internal carbon levy ($100–200/tonne CO_2) to incentivise low-carbon decision making and fund the move from conventional offsetting to carbon removal.
- Utilising 100 per cent renewable energy since 2020.
- CO_2 reductions from flying, energy efficiency, and 100 per cent green power are embedded in Swiss Re's Group Sustainability Strategy, with impact on executive compensation.[32]
- In 2015, certified according to the ISO14001 environmental management standard.
- Building and fit-outs Green Star 6 Star certification v1.1 2017 attained, WELL Platinum building location.
- Establishing a vendor development programme to embed sustainability in our supply chain.

24. SME Climate Hub (2022).
25. CDP: Disclosure Insight Action.
26. Supply Chain Sustainability School.
27. The Paris Agreement | UNFCCC.
28. ABS Census 2016.
29. APRA Quarterly General Insurance Performance Statistics to June 2021 (Stat year end June 2021).
30. Swiss Re. Our Greenhouse Neutral Programme (2003–2020) Our Greenhouse Neutral Programme (2003–2020) | Swiss Re.
31. Swiss Re. Our C02 Net-Zero Programme. Our CO2NetZero Programme | Swiss Re.
32. Re100. RE100 (there100.org).

Exhibit 6 | Case Study

IAG and operational emissions reduction

IAG has achieved a 47 per cent reduction in Scope 1 and 2 emissions since 2018 through implementing operational carbon reduction activities. These initiatives are all playing a key role in driving down IAG's emissions.

Property consolidation with new fit outs is delivering improved energy efficiency across their green star rated buildings. Installation of a solar PV system at their Melbourne data centre is supporting a reduction in energy demand from the grid.

The New Zealand corporate fleet is currently transitioning to electric and hybrid vehicles through an Early Adopter Programme. The use of qualitative and quantitative data and insights allows IAG to measure benefits and learn from participants' experiences, especially around range, charging infrastructure, cost and carbon savings. It is anticipated that 35 per cent of the New Zealand fleet will be electric or hybrid by the end of 2022 and early indications show an 80 per cent reduction in the carbon footprint of programme participants.

More details here: https://www.iag.co.nz/latest-news/articles/corporate-fleet.html

Reducing insurer operational emissions

For general insurers, operational emissions include Scope 1, 2, and 3 emissions (exhibit 7).

Exhibit 7

Examples of how to define operational emissions by scope*

	Insurer operations emissions	Claims supply chain emissions
Scope 1	• Company vehicle emissions • Natural gas used in offices • Building refrigerants	NA
Scope 2	• Emissions produced for electricity, heating and cooling used by the company (e.g. offices)	NA
Scope 3	• Office procurement emissions • Corporate air and taxi travel emissions (inc. commuting) • General waste	• Emissions caused by commissioning replace and repair activity • Embedded emissions in replacement products and repair materials

*Note this list is not exhaustive and serve as examples of emission reduction in each category. Insurers are encouraged to use the GHG protocols to guide their approach to operational emissions reduction and should determine the Scope 3 boundary for insurers operational emissions based on materiality, relevance, and the availability of data and established methodology.

The first step to achieving net-zero emissions in insurer operations is developing a clear baseline. There are well-defined global standards to measure these emissions, as well as a range of publicly available tools. There continue to be ongoing technological innovations, including AI, that can help insurers track and report on these emissions. Insurers should use the GHG protocols to guide their approach to operational emissions reduction and should determine the Scope 3 boundary for insurers operational emissions based on materiality, relevance, and the availability of data and established methodology.

There are three levers that can assist in developing net-zero insurer operations strategies:

1 Demand

Avoiding and/or reducing purchases with a high carbon footprint. For example introducing internal carbon levies on direct and indirect operational emissions.

2 Technology

Implementing low-emissions solutions. For example, increasing hardware efficiency, using electric vehicles for company cars, switching to sustainable printers, leasing energy efficient office space, or preferencing virtual meetings over flights.

3 Sourcing

Adopting cleaner sources of energy for insurers' operations and selecting less emission-intensive third parties that are able to meet repair and replace activities as part of claims activities. For example, sourcing 100 per cent renewable energy from sustainable suppliers.

In order to comply with SBTi targets, these levers can be used to reduce emissions by at least 90 per cent, with remaining emissions neutralised via nature-based or technological carbon removals.[33] This approach is not limited to operations and can also be applied when considering emissions reduction across categories.

It is important to note the distinction between carbon offsetting and carbon removals. With carbon offsetting there are debates around the efficacy and validity of the use of offsets in reaching decarbonisation targets, with most offsets not permanently removing GHG from the atmosphere. Where offsets are necessary, the best net-zero strategies make use of high-quality offsets that have a strong audit trail and sequester additional carbon for long time spans. The reliance on carbon offsetting for achieving end-state net-zero should be restricted to carbon removals to balance residual emissions where there are limited technologically or financially viable alternatives to eliminate emissions. Offsets should always be additional and certified.

Exhibit 8 | Case Study

Reducing operational emissions at AXA and Aviva

Best practice examples of how insurers can tangibly decarbonise their operations can be found at AXA and Aviva.

By reducing power consumption, business travel and paper use, AXA has been able to achieve a 38 per cent reduction in emissions per full time equivalent and a 64 per cent reduction in absolute emissions between 2012 and 2020. Strategies employed include certifying all buildings as "low energy" and implementing solar panels across several facilities. AXA achieved carbon neutral operations in 2020 through a mix of direct decarbonisation and carbon offsetting.[34]

Aviva achieved carbon neutrality in 2006 by utilising renewable energy and carbon offsetting. The business has employed a number of innovative decarbonisation strategies including installing solar powered carports for employees and building energy storage facilities onsite in their Perth office (contributing a combined emissions saving of ~400 tonnes per year). Aviva only purchases electricity certified by The Carbon Trust. In 2020, Aviva achieved a 70 per cent reduction in emissions from their 2010 baseline, 10 years ahead of schedule, and Aviva has updated their climate commitments to strive for net-zero by 2040.[35]

33. SBTi 2021.
34. AXA, Climate report: the decisive decade" (2021).
35. AVIVA, "Aviva investors expands Climate Transition range with launch of Climate Transition Global Credit Fund" (May, 2021), AVIVA, "Aviva opens one of the UK's largest solar and energy storage initiatives" (Nov, 2020) | AVIVA, "Aviva becomes the first major insurer worldwide to target Net-Zero carbon by 2040" (Mar 2021).

Exhibit 9 | Case Study

Applying a shadow carbon price at Suncorp

A shadow carbon price is an analytical tool applied to investment portfolios to manage the risk of stranded assets in the transition to a net-zero emissions economy. This is used in addition to specific stock exclusions relating to fossil fuels, as well as monitoring and reviewing the portfolios based on measures of carbon risk such as GHG emissions intensity and transition risk.

Suncorp requires investment managers to allow for a shadow carbon price in their assessment of investment opportunities. Whilst Suncorp acknowledges that investment managers have different investment processes, applying a shadow carbon price results in exclusion of high emitters and avoidance of stranded assets. Suncorp has ongoing engagement and discussion with its investment managers regarding the effective application of a shadow carbon price to its portfolios.

Net-zero in supply chain operations

Insurers help households and businesses recover quickly when things go wrong – rapidly arranging payments and organising repairs and replacements where required.

By working with partners across all steps of the supply chain, including in claims, insurers can contribute to decarbonisation well beyond their own operational footprint. Insurers have different supply chain models – with some insurers providing services 'in house' that others will procure through third-party suppliers – meaning that precise definitions of what sits within Scopes 1, 2 and 3 will differ.

Access to reliable data from third parties is a key roadblock for insurers in measuring and reducing supply chain emissions. There is an opportunity to support smaller third-party suppliers to develop emissions measurement capabilities to ensure adequate data is available to best utilise emerging attribution standards.

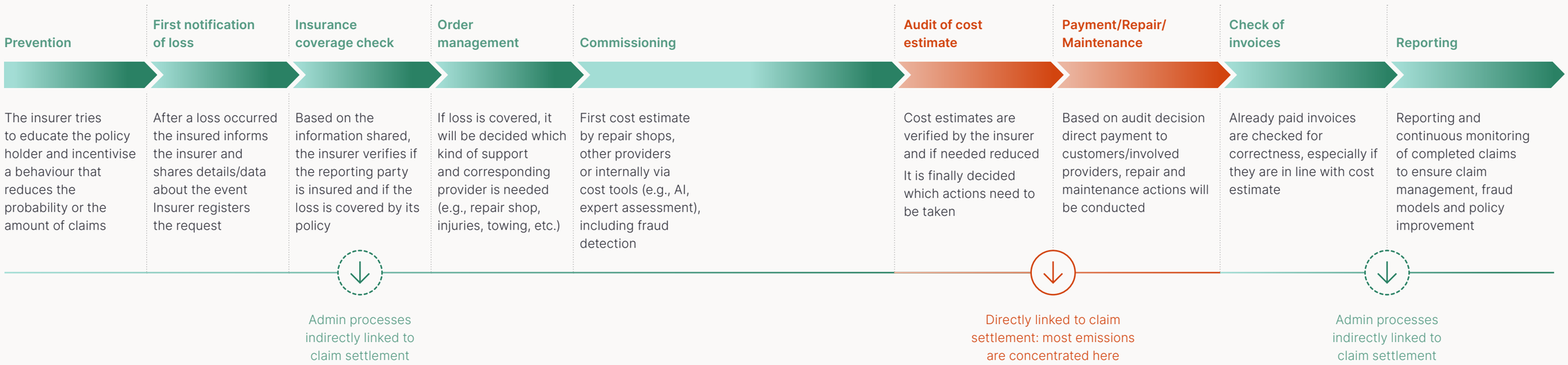
While there are currently no standards in place for claims supply chain emissions, it is open to individual insurers to take initial steps to reduce the GHG emissions intensity (and the broader environmental footprint) associated with claims. By applying a climate and circular economy lens to repairs and replacements, insurers can also reduce the environmental footprint of their insured asset base, for example by helping customers to build back better. Whilst this roadmap focuses on claims supply chain as an initial step, this is a matter for each insurer and some members may choose to tackle the supply chain as a whole, beyond just claims.

General insurers will only be able to achieve claims supply chain emissions reduction targets if there is action across multiple sectors of the economy. Each insurer has a role in driving this by embedding a clear set of net-zero principles across their supply chains, including procurement.

Exhibit 10

Value chain of the claims supply chain and likely emission sources (BCG)

A typical general claims supply value chain has nine steps, of which two (Audit and Payment/Repair/ Maintenance) are responsible for the majority of emissions.



Leading insurers are already implementing a range of strategies to lower their claims supply chain emissions along each step of the claims lifecycle, (including, but not limited to):

Administration: digitising where possible to reduce physical resource consumption.

Claims audit: auditing remotely, digitising reporting, and reducing physical touchpoints in the claims management process.

Claims resolution: adopting a 'repair over replace' policy where possible, stimulating use of reclaimed or recycled materials for repairs, and encouraging replacement of end-of-lifecycle products with more sustainable alternatives (Exhibit 11).[36]

Procurement (for repair or maintenance): creating sustainable procurement guidelines, supporting disclosure of carbon footprints and ensuring that sustainability is a key factor in procurement choices.

Insurers who build these capabilities will be in a strong position to respond to an increasingly climate-conscious market and will be able to rapidly adapt as the Australian policy and regulatory environment becomes more directive in emissions regulations.

Exhibit 11 | Case Study

Introducing repair over replace into the claims supply chain at Zurich

Several insurers around the world are adopting 'repair over replace' policies across their home and contents and motor insurance offerings. One example is Zurich's recent partnership with restoration business Plastic Surgeon, which has technology that allows products like white goods with surface damage to be repaired to as-good-as-new state in both function and visual quality. This dramatically reduces the need to purchase new goods and speeds up the resolution of claims.

Zurich has introduced Plastic Surgeon as a repair and restoration option into the claims supply chain for their customers.

As a result, customer satisfaction has increased and the carbon footprint of claims has reduced dramatically. In addition, waste sent to landfill has been reduced by ~9000 tonnes each year. As this policy expands, flow-on effects are expected due to the reduced claims touchpoints, reliance on multi-trades on the supply chain, travel, and energy use.

What the Insurance Council and its members will strive to do

The Insurance Council aims to remove roadblocks and build up knowledge to help each individual insurer move to net-zero emissions in insurer and claims supply chain operations.

The Insurance Council aims to:

- In 2022 and beyond, engage with global actors, local regulators, and technical experts to provide members with a shortlist of appropriate tools and programmes that support large and SME suppliers to measure and disclose their emissions. Support members to begin to pilot steps that will decarbonise supply chains (e.g. digitising claims management).
- Support members to establish a standardised survey when engaging with their suppliers (for both SMEs and larger businesses) relevant to emissions in supplier operations. Importantly, whilst the survey is standardised each individual insurer will still be able to engage with its suppliers in line with its own commercial processes and there will not be a collective industry approach.
- By 2024, encourage insurers to align with global standards and frameworks to assist in defining attributable emissions across insurance/reinsurance claims supply chains.
- Communicate definition and best practice use of carbon removal and, where relevant high-quality carbon offsets, for individual insurers to consider based on local and global work underway.

36. Zurich (2021), "Helping the planet by restoring instead of replacing damaged items in the home".

- Collate best practices and develop a knowledge hub on strategies and approaches that insurers can refer to in seeking to lower insurer and claims supply chain operational emissions.
- Explore whether there are opportunities to support third-party suppliers to develop emissions measurement capabilities, enabling insurers to better baseline and track Scope 3 emissions.
- Work with members to develop robust net-zero commitments.

In turn, the Insurance Council encourages its individual members to:

- Commit to achieving net-zero emissions in their own insurer operations by 2030.
- Strive to ensure that emissions reduction efforts in supply chains align with SBTi guidelines, with 90 per cent of emissions reduction relying on the levers of demand, technology and sourcing, and remaining emissions neutralised via nature-based or technological carbon removals.
- In 2023, aim to pilot tools to assist in understanding the most emissions intensive parts of an insurer's supply chain. Each insurer should begin individual conversations with suppliers about improvements, starting with home and motor claims. Insurers should also begin to consider emissions reduction in procurement processes where appropriate. Members should contribute to the Insurance Council's compilation of industry-wide "best practice" and lessons learned. In 2024 consider emissions screening questions where appropriate as they play a role in the onboarding of new suppliers.
- In alignment with global standards and frameworks each individual insurer is encouraged to begin measuring and reporting on claims supply chain emissions when an appropriate methodology is available, and by 2025 the ICA encourages insurers to commit to setting a net-zero emissions target that aims for net-zero no later than 2050, with five-yearly interim milestones.
- In 2025, consider emissions reduction as part of their procurement processes, where appropriate and prioritise businesses in the supply chain who have clear commitments to emissions reduction and climate action.

Exhibit 12 | Case Study

Direct Line Group's sustainable supply chain strategy

Direct Line Group is one of the UK market leaders in home and motor insurance. They have introduced a supply chain sustainability programme which involves:

- Engaging their largest emitting suppliers to encourage them to sign up to the SBTi or an equivalent scheme
- Requesting information on what efforts firms have made to measure the carbon footprint of suppliers across Scopes 1, 2 and 3, and their plans to reduce emissions, including targets
- Changing their sourcing approach on appropriate contracts by introducing a sustainability rating that will increase over the next 10 years, which could exclude prospective suppliers if they have no plans to reduce emissions

They are also looking to incentivise the transition by:

1. Offering all new business customers access to a bundle of electric vehicle essentials, as well as insurance that covers batteries and charging cables. The bundle includes discounted access to public and community charging, home charger installation, help with grants and discounted parking for electric vehicles. Customers also benefit from repair expertise via their network of body shops.
2. Continuing to ramp up training for technicians and upskilling them in electric vehicle repair because the requirements are different to traditional vehicles.
3. Installing electric vehicle charging points across sites to promote public confidence in the electric transition.

PILLAR 3

Net-zero with insurers' customers

Summary

Australia's general insurance sector provides protection for 35 million homes, buildings and vehicles against the physical and financial impacts of extreme weather events, providing the opportunity to drive change via innovative products and services, and the underwriting and pricing of risk.

General insurers can take advantage of Australia's transition to protect and grow their business while meaningfully accelerating Australia's net-zero transition. Estimates from the UK suggest that over time, ~70 per cent of all underwriting could be related to transition activities.

The Insurance Council encourages members to individually explore innovative product and service design, begin strengthening underwriting capabilities across new low-carbon activities, and develop underwriting rules (and where appropriate, exclusions) for carbon-intensive activities.

The Insurance Council encourages insurers to align with the global standard developed by PCAF to measure and disclose GHG emissions associated to insurance and reinsurance underwriting portfolios no later than 2024. Insurers who are members of the NZIA will align with the PCAF methodology by 2023 and set targets six months after a target-setting protocol has been established in 2023.

However, ICA members range considerably in size and capacity so a date range of 2023–24 has been provided to reflect this.

The Insurance Council encourages members to set targets for net-zero emissions in underwriting no later than 2025, with five-yearly interim targets in line with a 1.5°C net-zero transition pathway and a focus on the most material underwriting activities. This implies that members have been able to determine key methodologies for their underwriting emissions and set targets in line with reaching net-zero no later than 2050.

For some members, having an established methodology to measure emissions associated to underwriting portfolios is an important prerequisite to establishing an underwriting emissions baseline and setting targets. Currently being developed in collaboration with the NZIA, the first version of the PCAF standard for insurance-associated emissions is expected to be produced by the end of 2022. The Insurance Council expects the appropriate methodology to be finalised by 2023. In the case of delay, members may be delayed in setting the relevant targets.

Section index

The opportunity for insurers

General insurers can support customers to decarbonise their own activities through the products and services each individual insurer offers to customers. Each general insurer can take advantage of Australia's transition to protect and grow their business while meaningfully accelerating Australia's net-zero transition.

What it takes to become a net-zero underwriter

It is expected that renewable energy will make up most of Australia's electricity supply by 2030, with one scenario from the Australian Energy Market Operator anticipating 93 per cent renewable electricity in Australia's largest grid.[37] Electric vehicles will account for 35 to 100 per cent of Australia's new vehicle sales by 2050 (up from 2 per cent today), depending on the specific scenario.[38] This transition will involve a dramatic shift in underwriting practices. Based on the experience of leading international markets like the UK, around half the existing portfolio might shift through substitution to low-carbon alternatives (e.g. an electric vehicle replacing an internal combustion engine vehicle) and new technologies (e.g. renewable energy generation and battery storage). The underwriting opportunities in these areas could grow twice as fast as areas that will be phased out – like carbon-intensive energy sources (e.g. coal). This means that up to 70 per cent of the annual GWP of private and commercial underwriting could be transition-related by 2050.[39] Underwriting this transition requires insurers to develop new capabilities.

Net-zero underwriting is still developing but the NZIA is laying the groundwork to develop standard frameworks to define net-zero underwriting. In addition, some insurers are already taking targeted action to lower the emissions intensity of their underwriting portfolio.

37. AEMO | 2022 Integrated System Plan (ISP).
38. CSIRO Electric Vehicle Forecast May 2021.
39. BCG (2021), internal research.

Exhibit 13

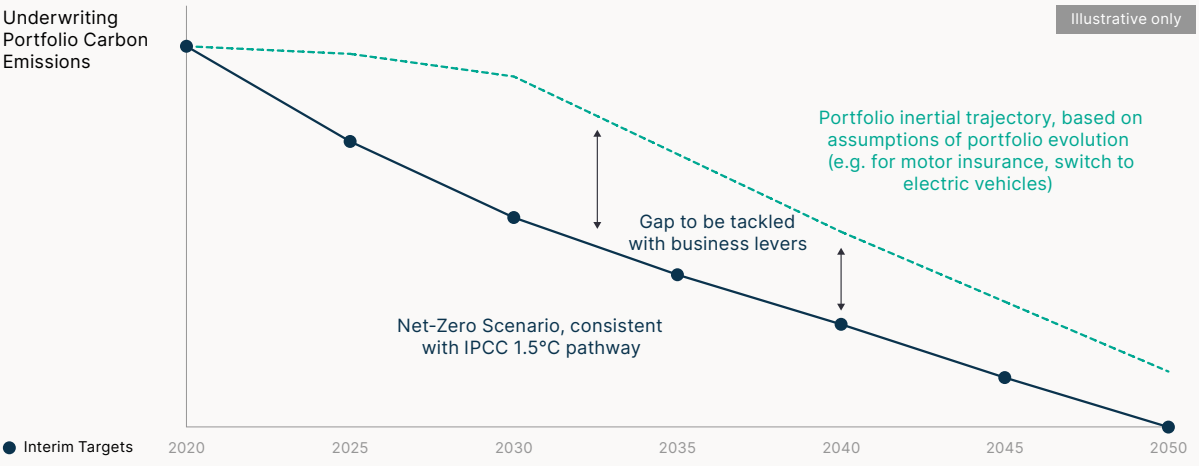
What is net-zero underwriting?

The goal of net-zero underwriting is to fairly link the GHG emitted by actors in the economy (such as companies, households, and the public sector) with the actors in the insurance value chain (such as insurers, reinsurers, and brokers) for accounting purposes.

The association with reinsurance/insurance portfolios is achieved through the application of an attribution factor. This factor defines the percentage of the emissions of a company or an asset that will be associated with the re/insurer providing cover. For example, underwriting emissions of an insured vehicle would be calculated by estimating its annual emissions and associating a percentage to the insurer. Guidance from PCAF suggests that this attribution factor should build on existing GHG Protocol and PCAF standards as well as key principles such as robustness, proportionality, comparability, feasibility, and materiality.[40]

To illustrate this concept, an example of how this may be calculated for an electric vehicle is laid out in the diagram below. Whilst there is no standard approach to measure this attribution factor yet, PCAF and the NZIA will release version one of an approach by the end of 2022.

As the economy transitions to net-zero, portfolios will organically trend towards net-zero (e.g. as buildings and motor vehicles become more energy efficient). However, to accelerate the transition and reduce the gap to zero, business levers will still need to be applied, encouraging insurers to be more proactive in reducing their underwriting emissions and influencing portfolio companies in their transition to net-zero.



1. Intergovernmental Panel on Climate Change.

40. Global GHG Accounting and Reporting Standard for the Insurance Industry, Partnership for Carbon Accounting Financials.

In the near term, the following are six best practice levers recommended by the NZIA that can be considered in supporting the transition to a net-zero underwriting portfolio:

- Setting underwriting criteria and guidelines for activities where a company has, or can have, the most significant impact, particularly the most GHG-intensive and GHG-emitting activities within its underwriting portfolios, in order to be aligned with a 1.5°C net-zero transition pathway.
- Engaging with clients and potential clients, particularly those with the most GHG-intensive and GHG-emitting activities, on their decarbonisation strategies and net-zero transition pathways.
- Developing and offering insurance and reinsurance products, solutions, and arrangements for low-emission and zero-emission technologies, and nature-based solutions that are key to the net-zero transition.
- Improving claims management in an environmentally sustainable manner to promote a net-zero economy.
- Integrating company-specific net-zero and decarbonisation-related risk criteria into risk management frameworks (e.g. ESG/sustainability. risk management frameworks) applicable to underwriting portfolios[41] and promoting human rights, including the right to Free, Prior and Informed Consent (FPIC).[42]
- Advocating for and engaging in governmental policies for a science-based and socially just transition of economic sectors to net-zero.

While these best practices are all important, they may be more or less applicable depending on the composition of an individual insurer's portfolio. The prioritisation of different areas can also differ per insurer, with some starting out in personal underwriting for motor and property insurance and others prioritising direct and commercial parts of their portfolio. These levers are provided as examples to assist how members think through net-zero underwriting but each member is free to consider which are the most appropriate for their portfolio to achieve net-zero.

Exhibit 14 | Case Study

Innovative green insurance products at Zurich4Power

Insurers are finding innovative new ways to stimulate low-carbon choices through their product design. One example is Zurich's Zurich4Power insurance product. The policy provides broad coverage for risks related to the construction, installation, assembly, and operation of solar PV panels.

By de-risking the transition to solar energy for individual customers and businesses looking to adopt the technology, and de-risking the production and assembly of panels for integrators and manufacturers, this product can accelerate uptake of solar PV panels across the economy. With rooftop solar PV set to continue growing over the coming decade, this product is likely to experience rising demand.

41. For example, see: UNEP (2020): Managing environmental, social and governance risks in non-life insurance business: The first ESG guide for the global insurance industry developed by UN Environment Programme's Principles for Sustainable Insurance Initiative.
42. As articulated in the UN Declaration on the Rights of Indigenous Peoples and as outlined in the PSI guide mentioned above.

Exhibit 15 | Case Study

Creating a supportive underwriting transition environment at Swiss Re

Insurance companies can catalyse the adoption of low-emission technologies through the use of underwriting offerings. There are multiple insurers globally who have car insurance products that incentivise and de-risk the adoption of electric vehicles. Swiss Re has recently introduced policies aimed at mitigating key risks unique to the EV sector, including a new extended warranty insurance product for EV batteries. As part of the policy, Swiss Re advises on best practice to maximise battery life and insures batteries against failure.

Insurers can also promote the growth of nascent low-emissions sectors by underwriting risks in the investment into critical infrastructure and de-risking supply chains. For instance, by providing policy structures that mitigate risks associated with investment into critical charging infrastructure, insurers can accelerate improvements in the availability, interoperability, and sophistication of charging networks necessary for EV proliferation. Similarly, insurers can identify and mitigate risks along the diverse and fragmented EV battery supply chain to enable growth in vehicle manufacturing and supply.

Challenges and opportunities in shifting towards net-zero underwriting practices

Implementing net-zero underwriting comes with several challenges, but also significant opportunities.

There is no standard way yet to measure and report on the emissions footprint of underwriting portfolios, with several open questions around the scope and extent of attribution. The NZIA is assisting PCAF to develop a global standard to measure and disclosure insurance-associated emissions by the end of 2022. This standard will create more clarity and it is expected that the NZIA and PCAF will build on this initial work in the coming years. Further work may be required for certain insurance lines of business and to tailor the standard to an Australian context and local laws. To support measurement of underwriting emissions, insurers and brokers need to work with third parties and smaller or unlisted portfolio companies to help them develop emission measurement capabilities. This will be critical to improving the validity of emissions attributed to underwriting portfolios.

Net-zero underwriting will also require a significant shift in capabilities and access to new types of risk data. For example, accurately pricing risks associated with electric vehicles requires data on reliability and claims costs, which takes time to build up. Underwriting new technologies like renewable hydrogen production, which is expected to be a growth industry in Australia, brings new safety risks in the storage and transport of highly pressurised gas that require specific types of engineering expertise. Insurers need to build or acquire these capabilities in-house to confidently underwrite these activities and fill information gaps.

At the same time, the growth of low-carbon and transitional technologies is expected to outweigh the decline in carbon-intensive technologies, which means that there are significant opportunities in underwriting. In markets, like the United Kingdom, with well-defined net-zero pathways, it is estimated that up to 70 per cent of all underwriting will support transition-related assets and technologies, and the overall insurance market will grow as exclusions are dwarfed by new technology growth.[43]

43. BCG (2021), internal research.

Exhibit 16 | Case Study

Addressing fossil fuel exposure in underwriting at Suncorp

In 2020, Suncorp strengthened its Fossil Fuel Standard so Suncorp's businesses will not directly invest in, finance, or underwrite new thermal coal mining projects or electricity generation, or new oil and gas projects. Under the Standard, Suncorp has a target to phase out existing thermal coal exposures by 2025, as well as phase out underwriting oil and gas by 2025. As of 30 June 2021, fossil fuel extraction and electricity generation underwriting activities made up less than 0.1 per cent of general insurance gross written premium. Suncorp has also analysed transition risk exposure of commercial insurance portfolios to a 1.5^{o}C and 2^{o}C future to help inform how the Group can enable a net-zero future.

Exhibit 17 | Case Study

Building capabilities in transition industries

Insurers must develop capabilities to underwrite new and rapidly growing low-emissions industries. This includes Australia's offshore wind industry. To effectively underwrite the sector, Australian insurers will have to build their understanding of a multitude of new claims risks.

As suggested by the experience of global peers in more well-developed offshore wind markets, our members should act to:

- Build a comprehensive array of third-party data sources to understand the risk profile of offshore wind projects, including environmental, location, and sector specific data.
- Inform the design and development of pricing models by engaging end-users in interviews, thought workshops, and usability testing.
- Establish a standard underwriting approach that simplifies critical underwriting decisions – routinely test and update this approach through file review and historical analyses.
- Develop talent acquisition and skilling strategies to recruit and train specialised analytics personnel who can increase expertise in underwriting offshore wind.

How the Australian general insurance sector can move to net-zero underwriting

The Insurance Council will seek to support its members in developing their own robust underwriting net-zero targets and strategies by:

- Working with key stakeholders to encourage insurers to align with the NZIA-supported PCAF global standard to measure and disclose emissions in underwriting by no later than 2024, noting these methodologies will need to be considered in the context of Australian laws, including competition law. As standards are being developed, the Insurance Council will proactively report back to members on activity, supporting them to be at the forefront of emissions measurement and attribution, developing robust baselines and regularly reporting on progress. The Insurance Council notes that this methodology is a critical piece of the puzzle to enable members to establish and achieve emissions reduction targets in underwriting, including ensuring that the methodology encompasses personal lines such as motor and home insurance.
- Developing industry-wide knowledge sharing for net-zero underwriting, and product and service innovation. The Insurance Council will use this knowledge to support the upskilling of its members and the industry more broadly. This includes engaging with brokers, agents, insurance institutes and insurance regulatory and supervisory authorities, and organisations such as the National Insurance Brokers Association (NIBA), the Australian and New Zealand Institute of Insurance and Finance (ANZIIF), the Australian Sustainable Finance Institute (ASFI), and the Australian Prudential Regulation Authority (APRA).
- Supporting portfolio companies to develop their own emission measurement capabilities, in turn helping insurers more effectively measure underwriting emissions.
- Using this knowledge to help members to develop their own targets and strategies to transition to net-zero underwriting over time.

The Insurance Council encourages members to accelerate actions that help their customers to reduce their own GHG emissions. Acknowledging the diversity in its members, their progress so far, and composition of their respective portfolios, there are near-term actions that individual insurers can take:

Explore innovative product and service design to stimulate households and businesses to shift their behaviour towards lower-emissions alternatives.

Begin to strengthen underwriting capabilities across new low-carbon activities.

Develop underwriting rules for carbon-intensive activities (and where appropriate individual insurers may choose to set exclusions), leaving room for insurers to partner with customers in their transition to net-zero in a way that accelerates Australia's broader transition.

After an initial target-setting protocol has been established by NZIA and PCAF in 2023, members are encouraged to align with the appropriate methodology no later than 2024. The ICA also encourages members to set targets for net-zero emissions in underwriting no later than 2025, with five-yearly interim targets in line with a 1.5°C net-zero transition pathway.

Ensuring an equitable transition

As the insurance industry changes underwriting practices to tackle climate change, the ICA must ensure Australia's transition is fair and equitable. Investment in transitional technologies like retrofitting buildings, rooftop solar, or electric vehicles can impose a financial burden on disadvantaged households and businesses. Similarly, the industry should continue to provide essential underwriting services, including workers compensation and fire and indemnity cover, ensuring insurers continue to play their role to keep all Australians safe.

PILLAR 4

Net-zero investments

Summary

Australia is expected to need $2.5 trillion of investment in the next three decades, to enable a transition to net-zero emissions.

This offers a range of options for insurers to invest in rapidly growing transition sectors, whilst minimising the risk of exposure to stranded assets.

By 2023, the ICA encourages its members to commit to a net-zero investment portfolio with targets aiming for no later than 2050, with five-yearly interim targets, in line with a 1.5°C net-zero transition pathway.

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The role of insurers as institutional investors

Globally, the Global Financial Markets Association (GFMA) and BCG estimate a need for $160 trillion public and private investment up to 2050 to achieve global net-zero across all industries.[44]

By scaling the investment required by sector based on Australia's contribution to global emissions, this translates to an estimated $2.5 trillion investment in Australia alone,[45] $1.5 trillion of which is required between now and 2035.

General insurers can make an important contribution to this transition investment. Australian general insurance companies currently have approximately $80 billion in invested assets globally which could more than double over the next 15 years.[46]

This will create investment options across all asset classes for insurers. Investing in the transition can provide access to growth markets and lower the physical and transition risks associated with investment. As such, net-zero investing is an important step for insurers to future-proof their portfolio.

What it takes to become a net-zero investor

Globally, an increasing number of insurers and other investment firms have pledged to become net-zero in their portfolios. Global alliances such as the NZAOA are playing an important role in driving net-zero investment. Insurers who are members of the NZIA commit to take a total balance sheet approach to net-zero, encompassing both their underwriting and investment portfolios.

44. GFMA, BCG (2020), Climate Finance Markets and the Real Economy, GFMA.
45. Based on global estimate in GFMA, BCG (2020), Climate Finance Markets and the Real Economy, GFMA. Scaling emissions estimates for each sector to Australian emissions intensity. In line with other publicly availably estimates on Australia's transition costs, which range from $1.1T AUD by the IGCC to $5T AUD from Griffith, AFR.
46. Assuming the market continues to grow at its historical growth rate, and assuming a constant GWP to AUM ratio.

Exhibit 18

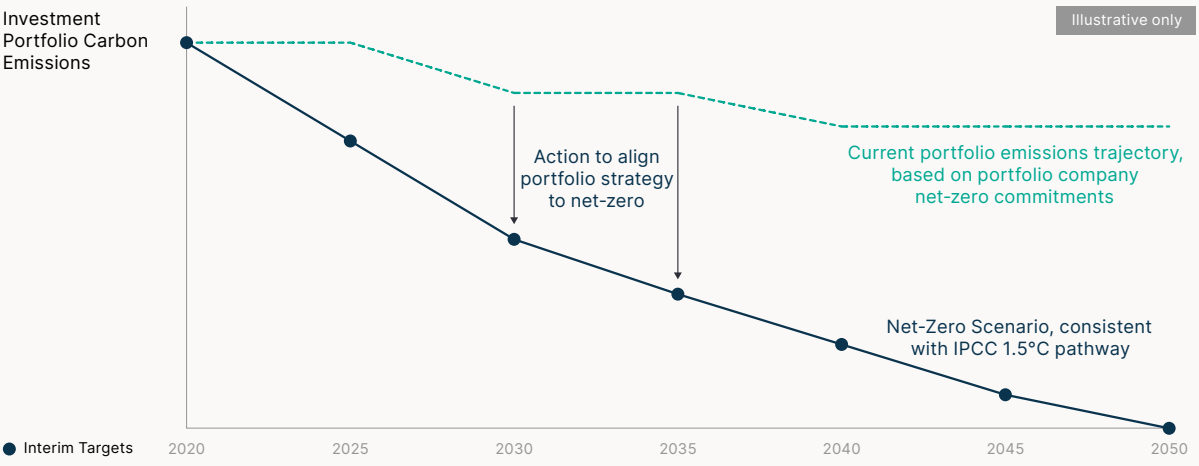
What net-zero investment means

Portfolio emissions are typically measured by looking at the emissions of each asset or company, then attributing a proportion of the emissions to the portfolio. For companies, this proportion can be measured in different ways, such as the ratio of investment size to enterprise value or to revenue, with equivalent measures for non-corporate investments. PCAF has developed a global standard to measure and report on attributable emissions for most asset classes and is set to standardise measures for all asset classes over the coming years.

$$\text{Attributable emissions} = \frac{\text{Investment in company}}{\text{Total debt and equity of company}} \times \text{Annual company emissions}$$

As most companies and countries have committed to lowering their emissions, the typical investment portfolio will become less carbon-intensive over time, without any effort from the asset owner. This means that it is possible to plot a curve of likely future emissions for each investment portfolio.

For a portfolio to be 'net-zero', the predicted future emissions curve should match the required emissions reduction for a 1.5°C net-zero pathway. Interim targets should be set to allow actions to be tracked and investors to be held accountable.



1. Intergovernmental Panel on Climate Change.

There are four best practice strategies that investors can employ to lower the emissions intensity of a portfolio:

1 Engagement

Investors can work with company boards and executive teams to adopt or strengthen climate targets. This is happening increasingly frequently through more activist approaches as well as more cooperative approaches.

2 Rewarding climate action

Within each industry, investors can shift their investments to companies that have stronger climate commitments and achieve more rapid decarbonisation.

3 Exclusions

Investors can shift investments away from carbon-intensive industries like coal, oil and gas. This can radically reduce the emissions intensity of individual portfolios, reduce the risk of exposure to stranded assets, and can potentially increase the cost of capital for high carbon-intensity industries.

4 Financing the transition

Investors can fund climate-positive economic activity, accelerating the net-zero transition by funding renewable infrastructure, investing in resilience, and kickstarting innovative technologies that support a net-zero future.

Exhibit 19 | Case Study

QBE reducing emissions in investments

Aligned with its broader climate strategy and commitment to responsible investments, QBE became a member of the UN-convened Net-Zero Asset Owner Alliance (NZAOA) in 2020, joining an international group of institutional investors committed to transitioning their investment portfolios to net-zero by 2050.

As asset owners, QBE has a unique role in the investment value chain and acknowledges both the responsibilities and opportunities that come with this role. Through the NZAOA, QBE has collaborated with other global institutional investors to develop a set of standards and establish its first set of intermediate targets to 2025.

QBE will target a 25 per cent reduction in the carbon intensity of its developed market equity portfolio by 2025, relative to a 2019 baseline and grow investments in assets that finance the transition to 5 per cent of invested assets. Over the coming years, as methodologies develop through the NZAOA Target Setting Protocol, QBE will expand the asset classes where emission reduction targets are set and will also continue to communicate its strategy, approach, and achievements.

Different investors use different combinations of these approaches. Each investment portfolio will likely require a combination of these strategies across different asset classes to transition towards net-zero over time.[47] Where insurers outsource the management of their portfolios, they will need to progressively incorporate climate-related considerations into their third-party agreements.

47. UN-convened Net-Zero Asset Owner Alliance Progress Report (October 2021), "Credible Ambition, Immediate Action" | Suncorp (2021), Responsible Underwriting, Lending and Investing", Responsible Underwriting, Lending and Investing Suncorp Group.

Opportunities and challenges associated with net-zero investing

Of the ~$2.5 trillion investment required to support Australia's net-zero transition, ~50 per cent of investment will be required to transition from fossil fuels to renewable energy sources and ~40 per cent is needed to shift the nation's light and heavy road transport to more sustainable fuel sources (e.g. electric and hydrogen vehicles). The remaining investment demand will be integral to supporting industries such as aviation, construction, and agriculture to reduce carbon emissions and progress to net-zero.[48]

General insurer underwriting portfolios typically have short-duration liability timelines. This means that an insurer's investment portfolios are weighted towards short-term corporate and government bonds, with smaller investments in equities, real assets, and unlisted assets. Stability and security of returns is also important to maintain sustainable claims coverage ratios. For general insurers to participate in the investment opportunity created by Australia's net-zero transition, the supply of shorter-dated green and safe investment opportunities (e.g. short maturity corporate and sovereign bonds) needs to grow significantly.

Exhibit 20 | Case Study

Introducing a shadow carbon price in your portfolio

A potential strategy to structurally embed low-emissions strategies in investment portfolios is to adopt a shadow carbon price and commit to increase this price over time. Carbon prices lower the attractiveness of investments in carbon-heavy industries, and as the shadow carbon price hits certain thresholds, it will exclude specific carbon-intensive industries.

For example, as a signatory to the United Nations Principles for Responsible Investment, Suncorp implements a shadow carbon price within their investment portfolio. In FY21 it was raised to US$32 per ton of CO_2-equivalent and is due to be reviewed annually. The NZAOA is calling upon policy makers to make carbon pricing a high priority to accelerate the incentive to transition investments. Economic modelling from the NZAOA progress report in October 2021 indicates that to follow a 1.5°C net-zero transition pathway a carbon price of US$80–150 per tonne for major emitters will be needed by 2030.

While net-zero investment strategies are maturing rapidly, there are several challenges that impede widespread adoption, both internationally and in Australia. Fortunately, there is strong global momentum to address these challenges:

- **Standardised measurements of emissions intensity are currently only available for the most listed asset classes**. This makes it challenging to define net-zero strategies for portfolios with significant investment in less common or unlisted assets. For now, however, there are estimation approaches available for these asset classes and the NZAOA is working on finalising standards for all asset classes over the coming years. When adopted by Australia, these standards will support insurers to establish individual baselines and targets, and to report on progress.
- **There are asset classes where net-zero aligned supply of investment is constrained**, for instance in sovereign bonds. This is rapidly changing as global economies increasingly invest in the net-zero transition. The EU is close to finalising a formal taxonomy of green bonds that has already seen multiple governments issue their first green bonds in 2021. Pending Australian adoption of the EU taxonomy, or an equivalent, the Insurance Council expects the domestic green bonds market to mature quickly which will simplify net-zero investing for its members, who are mandated to invest predominantly within Australia.
- **Policy makers and regulators are not currently stimulating net-zero investment**. Unclear policy can create uncertainty for insurers considering investing in capabilities that will support them to lower emissions in their investment portfolio, to meet future compliance standards, and to accelerate portfolio transition (Exhibit 21).[49]

48. Based on global estimate in GFMA, BCG (2020), Climate Finance Markets and the Real Economy, GFMA. Scaling emissions estimates for each sector to Australian emissions intensity. In line with other publicly availably estimates on Australia's transition costs, which range from $1.1T AUD by the IGCC to $5T AUD from Griffith, AFR.

Exhibit 21 | Case Study

How the global regulatory environment stimulates net-zero investing

Globally, action to accelerate the shift of funds to net-zero investment categories is becoming a higher priority for regulators and governments. In April 2021, the New Zealand Government became the first to mandate climate-related disclosures in line with TCFD recommendations for 200 of New Zealand's largest entities commencing in 2023. This includes all insurers with more than NZ$1 billion in assets under management or GWP over NZ$250 million.

The UK has followed suit, imposing regulations to stimulate transition investment. These include the mandatory appointment of an executive who is accountable for climate, requiring regulators to take climate change into account, mandating investment transition plans for all financial institutions and mandating TCFD emissions reporting for 1,300 of the UK's largest companies from April 2022. The UK Financial Conduct Authority has also outlined an initial approach for how asset managers should label ESG products, ranging from 'Not promoted as sustainable' to 'Sustainable impact'.

To support the scaling up of sustainable investment supply, the European Commission has provided a comprehensive taxonomy of sustainable economic activities. The taxonomy lays out four conditions supporting six environmental objectives that investments need to meet to be classified as environmentally sustainable. These classifications are critical to providing greater clarity for asset managers on where to effectively allocate funds and contribute towards net-zero emissions.

How the Insurance Council and its members can move to net-zero investment

The Insurance Council encourages members to begin incorporating climate considerations into investment decisions for internally managed investments or in the selection and management of investment managers where this function is outsourced.

If they have not already done so, individual insurers should create an emissions baseline and develop clear targets to achieve net-zero in investment portfolios no later than 2050. The Insurance Council encourages members to adopt five-yearly interim targets from 2030 onwards, in line with a 1.5°C net-zero pathway.[50]

The Insurance Council will support members to set and achieve these targets in several ways:

The Insurance Council will engage with industry and government to map the immediate and future transition-related investment opportunities available to members.

The Insurance Council will work with relevant stakeholder and specialist bodies to explore standard frameworks to measure and report investment portfolio emissions. This will align to globally agreed standards, ensuring asset managers have a means of comparison as they work towards net-zero portfolios.

The Insurance Council will engage with regulators and ASFI on the adoption of a taxonomy of sustainable investments, similar to the proposed EU taxonomy. This will help the growing and rapidly expanding green bonds and other relevant markets to mature more quickly.

49. New Zealand Ministry for the Environment (2021), "Mandatory climate related disclosures", Mandatory climate-related disclosures | Ministry for the Environment, UK Government (2021), "UK to enshrine mandatory climate disclosures for largest companies in law", UK to enshrine mandatory climate disclosures for largest companies in law – GOV.UK (www.gov.uk), European Commission (2021), "EU taxonomy for sustainable activities", EU taxonomy for sustainable activities | European Commission (europa.eu), Bloomberg (2021), "UK fund managers face more ESG red tape with new proposal", U.K. Fund Managers Face More ESG-Labeling Rules Than EU Peers – Bloomberg.

50. As per the guidance provided in the GHG Protocol Scope 3 Calculation Guidance, insurance-associated emissions should be reported as a sub-category of the GHG Protocol Scope 3 Category 15 'Investments'.

PILLAR 5

Creating a more resilient Australia

Summary

The cost of climate-related extreme weather events is expected to cost Australia $35.2 billion a year by 2050,[51] making it increasingly challenging to provide affordable insurance and potentially slowing the overall transition to net-zero.

Without increased funding to make Australian homes, businesses, and communities more resilient to extreme weather, coupled with a change in approach to what we build and where we build it, the risk profile of communities exposed to extreme weather will not change. The Productivity Commission has recommended Federal funding in preventative resilience measures should sit at around $200 million a year, matched by the states and territories, lifting national investment to at least $400 million a year.[51] Analysis conducted by actuarial consultancy Finity for the Insurance Council has identified a range of resilience measures that would provide significant returns on investment by better protecting communities from and lowering risk exposure to extreme weather.[52] Finity has outlined a five-year program of resilience measures requiring an investment of approximately $2 billion that is expected to reduce financial costs to Australian governments and households by more than $19 billion by 2050.

In addition to advocating for increased resilience funding at the state and federal levels, insurers can engage with other private and public sector stakeholders to share risk data, support local government collaboration, and investment in more resilient infrastructure, as well as empowering customers to strengthen the resilience of their physical assets.

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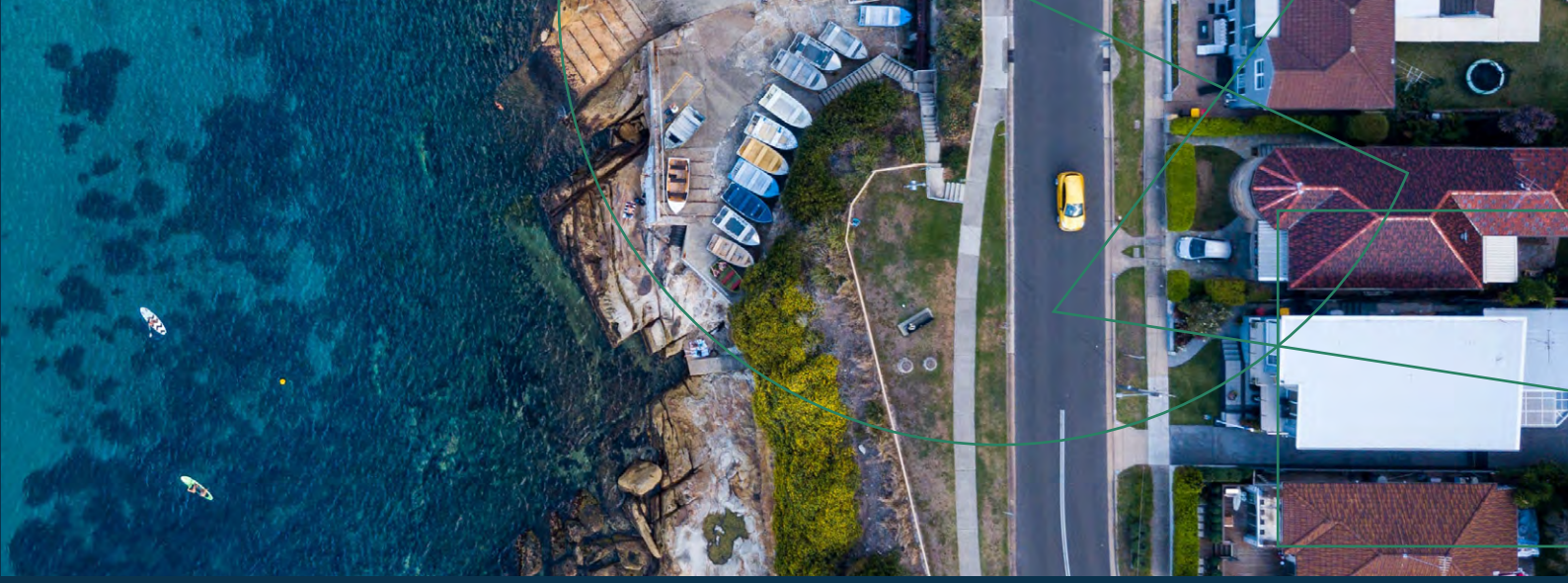

The need to build a more resilient Australia

Australia's general insurance industry protects Australia's businesses and households against the physical and financial impacts of worsening extreme weather. Insurers have always been on the frontline alongside customers and communities in facing the impacts of a changing climate.

The cost of climate-related severe weather events was $38 billion per year in 2020 and set to increase to $73–94 billion per year by 2060,[53] depending on the emissions scenario. This cost is weighted towards coastal regions, although many inland areas will be subject to increasing bushfire-related risks and costs. Providing affordable coverage in high-risk areas will become increasingly challenging unless the resilience of the built and natural environments is strengthened.

Historically, almost all (97 per cent) of Australian expenditure on emergency management has been directed towards recovery rather than proactive resilience and risk mitigation.[54] Australia must shift this balance and take proactive steps to bolster the resilience of our built environment to withstand the impact of climate change economically and physically while successfully transitioning the economy to net-zero. The insurance industry has a responsibility to support programs to boost resilience, not just to mitigate residual risk, but to ensure that customers have ongoing access to affordable insurance and protection.

Exhibit 22 | Case Study

What is resilience?

The United Nations Office for Disaster Risk Reduction defines disaster resilience as the ability of a community exposed to hazards to resist, absorb, accommodate, adapt to, transform, and recover from the effects of a hazard.

Resilient communities need to be strategically designed to reduce the likelihood and impact of extreme weather events. Building resilience is not a one size fits all solution. Every community has a different hazard profile, different exposure depending on how it has been planned and developed, and a different level of vulnerability. Developing resilient communities requires an appreciation of the exposures and vulnerabilities of a community so that an approach can be tailored to suit.

51. McKell Institute for the Insurance Council of Australia (2022) Insurance Catastrophe Resilience Report 2021–22.
52. Productivity Commission, 2014, 'Natural Disaster Funding Arrangements'.
53. Finity has considered benefits as avoided costs from: damage to residential buildings (insured and uninsured), health costs (deaths and injuries to individuals), and social costs (psychological injury, alcohol abuse, and family violence). Finity has used a real discount rate of 2 per cent per annum to derive the ROI of 10. This ROI decreases to 6 at a real discount rate of 6 per cent per annum. Finity has not included the impact of increasing population and development to 2050, thereby understating the potential returns on investment.
54. Australian Business Roundtable for Disaster Resilience and Safer Communities, 2021.

How to strengthen Australia's resilience

Enhancing the resilience of Australia's built environment and natural environments requires investing in improving the resilience of existing buildings, business assets, and infrastructure. It also requires embedding resilience into new developments, the development of more risk infrastructure, and effectively managing the natural environment to mitigate the potential impact of severe weather events.

Finity Consulting conducted analysis for the Insurance Council, which considered a range of resilience measures to better protect Australian households and communities from the impacts of extreme weather, the investment required for those measures, and the returns as avoided costs for households and the Federal Government.[55] Finity proposed a five-year program of resilience measures commencing in 2022, totalling $2 billion in investment, with a $200 million annual investment by the Federal Government and matching contributions from states and territories. Under the analysis, the program is expected to reduce financial, health, and social costs to the Federal Government and Australian households by at least $19 billion by 2050 – a return on investment of 10. The proposed measures included:

- $522 million Local Infrastructure Fund to assess and implement measures to protect communities from floods, such as levees and floodways.
- $221 million to cyclone-proof individual homes across Northern Australia.
- $413 million for wet flood-proofing existing homes to allow flooding through buildings, raising utilities above flood level and using water resistant materials below flood level.
- $712 million additional fuel management program to reduce the risk of bushfires across the nation using a variety of methods.
- $37 million flood early warning systems to provide longer lead times to support emergency preparation for communities.
- $10 million for a national coastal hazard information database to identify communities and assets at risk from coastal flooding and erosion.
- $85 million for detailed cost and benefit analyses on these measures, to consult with affected communities, and to perform environmental and cultural heritage assessments.

In addition to resilience funding, engagement across federal and local governments, regulators, planning agencies, and private sector parties such as developers, the construction industry, and insurance companies will be critical. As indicated by the National Climate Resilience and Adaptation Strategy, all stakeholders must work together to embed resilience throughout the development value chain, from land use planning and zoning to design, development, construction, and refurbishment.

Governments and regulators play several key roles in this process. For instance, incorporating resilience standards in building codes will improve the resilience of all future building stock and strengthen existing building stock over time through refurbishment. Changes in planning laws that stimulate climate-aware zoning and land use choices can lower the exposure of new building stock. Investments in retrofitting programs, resilient public infrastructure, and risk mitigation structures can lower the risk profile of the existing building stock. Bolstering coastline stability through tree planting can mitigate flood risk and damage.

The private sector, in turn, should adopt resilient development, construction, and reconstruction practices. Incorporating a whole-of-life cost approach in development that includes future climate hazards can lead to small upfront investments that prevent large downstream damage and loss. This should occur alongside encouraging customers to make resilient choices, both when developing new properties, and when refurbishing or reconstructing after disasters.

Through these actions, Australia can preserve our built and natural environments in the face of worsening extreme weather, driven by a changing climate (Exhibit 23).[56]

55. Insurance Council, "ICA welcomes Federal Budget's disaster mitigation funding".

56. Finity Consulting 2022 Reaping the rewards of resilience, for the Insurance Council of Australia.

Exhibit 23 | Case Study

Building a more resilient Australia at IAG

IAG regularly runs natural hazard awareness and preparedness initiatives to increase Australians' resilience towards the effects of climate change. In FY21, a campaign featuring community partners NSW State Emergency Service (NSW SES) and Australian Red Cross had a reach of 7.49 million Australians.

In response to the devastating Australian bushfires and subsequent research that found 63 per cent of Australians want to do more to prepare for bushfire season, IAG launched the NRMA Insurance First Saturday campaign in collaboration with NSW SES, NSW Rural Fire Service and Australian Red Cross to support customers and communities to improve their risk awareness and action. At the end of the financial year, NRMA Insurance customers had signed up to 142,000 task reminders to make their homes safer, with one in four taking preparedness action.[57]

Exhibit 24 | Case Study

Role of risk intelligence in building resilience

The insurance industry's unique ability to provide climate risk intelligence, quantify damage and loss, and identify key vulnerabilities, empowers us to catalyse local areas to strengthen their resilience. For example, the Severe Wind Hazard Assessment for South East Queensland[58] aims to develop a robust understanding of the risks posed by severe winds common in the south-east of Queensland and inform future government strategies to manage and reduce risk in this region.

In addition to part-funding the project and providing industry data, the Insurance Council is also:

- Developing a local severe wind hazard assessment and hazard maps for a range of wind conditions
- Building vulnerability models and completing risk assessments for homes and other buildings in the area
- Performing cost benefit analysis and scenario modelling to prove the business case for investments into mitigation infrastructure
- Deriving and costing practical measures to retrofit vulnerable homes, to then be implemented through government retrofitting programs

Ultimately, the project will empower the Queensland Government to plan for and mitigate future catastrophes – shifting from the historic prioritisation of emergency response and recovery to proactive building of resilience. Similar initiatives can be replicated and scaled across Australia, enabling our communities to build resilience against bushfires, cyclones, floods, and storms.

57. More details on the First Saturday campaign here: www.nrma.com.au/firstsaturday.

58. ICA (2020), QFES – Severe Wind Hazard Assessment Queensland project.

The role of the Insurance Council and its members to strengthen resilience

The insurance industry is uniquely positioned to help strengthen Australia's resilience in its role as risk assessors, investors, and the drivers of recovery and rebuilding after loss. That is why the Insurance Council and its members have been active in the resilience space over the last decade and have collaborated with over 32 local governments, as well as working with state and federal governments and agencies to strengthen Australia's resilience.

The Insurance Council is committed to accelerating and scaling its impact in three ways: sharing risk intelligence on climate change hazards across the value chain (noting this does not include any commercially sensitive information), making resilience more investable, and helping customers make more resilient choices.

Using risk intelligence to embed resilience in the value chain

The insurance industry has a unique set of data and experiences on the location, frequency and intensity of natural disasters, the cost of these disasters, and the most effective mitigation measures. This data can be harnessed in a variety of ways to embed resilience through the value chain.

For instance, the Insurance Council is providing input into the Global Resiliency Dialogue (representing Canada, Australia, New Zealand, and the USA) and the Australian Building Codes Board (ABCB) to inform how building codes can best be updated to incorporate the knowledge of the insurance industry on resilient building practices. This data could also help inform planning laws and development guidelines.

The insurance industry can also share risk intelligence data with local governments, non-profits, and the public to strengthen resilience on a local level.

Data sharing methods are needed that provide publicly useful risk data whilst respecting confidentiality of individual data contributors. The Insurance Council looks forward to working with relevant government agencies and building on its existing relationships with entities such as National Emergency Management Australia (NEMA) and the Australian Climate Service (ACS) to develop governance and data sharing structures that support engagement between the insurance industry, government, and other stakeholders involved in resilience-building and disaster recovery.

Making resilience more investable

Though investment in resilience has a very high ROI, its business case is often hard to make as the benefits are long term, driven by cost avoidance as opposed to direct savings, dispersed across actors and contain social benefits which are not easily quantified. All these factors make it difficult to quantify and capture benefits, leading to significant underinvestment in resilience in Australia.

The insurance industry can make resilience more investable by identifying areas prone to risk from natural hazards, modelling potential scenarios, determining which investments can most effectively reduce risk, and calculating the benefits of each intervention for different stakeholders. This can help to justify investments in retrofitting, like the Queensland Household Resilience Program which provided eligible households with subsidies to invest in disaster-proofing their house, or investments in public physical risk mitigation infrastructure like dams and levees (Exhibit 25).[59]

Empowering customers to build resilience

As an industry, insurers have the ability, and responsibility, to empower customers to increase their own resilience. Through education and personalised risk insights, insurers can help Australian households and businesses better understand rising climate risks, and consequently, the value of insurance in mitigating those risks. Insurers can also inform them of tangible actions they can take to improve their physical and financial resilience, and to implement specific mitigation steps.

Insurers can bolster these efforts by providing incentives, rewarding resilient practices in construction and offering premium discounts for certified resilient homes (e.g. homes certified with the new "Green Star" standard, which includes resilience elements, by the Green Building Council of Australia). A key touchpoint for the general insurance industry to engage in these activities is at point of sale when customers are purchasing homes, vehicles, or establishing businesses – or when customers are significantly upgrading their assets.

59. South East Councils Climate Change Alliance (2019), Financing Physical Risk Mitigation Infrastructure.

Exhibit 25 | Case Study

Scaling up local resilience infrastructure

In a joint project with the Southeast Council Climate Change Alliance (SECCCA), the Insurance Council is collaborating on a project to identify the vulnerability of households to worsening climate risk in regional and rural Victoria. The analysis will also consider the role resilience infrastructure, such as dams and household retrofit programs, can play in reducing this risk. Once complete, this study could be replicated by other local governments around Australia, helping to increase private funding into resilience projects.

Exhibit 26 | Case Study

Suncorp stimulating resilient practices

Suncorp has recently introduced a "Build Back Better" program as part of their home and contents and building insurance policies – giving customers up to $10 thousand extra to rebuild their home more resiliently, if damages exceed either $50 thousand or 10 per cent of the value of their home.

The resilience options offered depend on the types of risk the insured property faces and the customer's level of cover. Following a claim, an assessor examines the property and recommends a number of resilience options, such as roof sprinklers and ember protection for houses in fire-prone areas, or flood resistant materials and raised external surfaces in areas prone to flooding.

The policy is an example of how insurers can adapt their core insurance policies to encourage resilient behaviour in customers – helping to protect the community and manage their own residual underwriting risk.

While there is a lot the insurance industry can do to protect against loss and damage, it is sometimes unavoidable. The Insurance Council can also encourage its members to shift away from like-for-like replacements and adopt higher levels of resilience in reconstruction efforts to help gradually increase the resilience of our built environment.

The Insurance Council's mission

By building resilience into the fabric of the Australian built and natural environments, coupled with supporting a transition to net-zero, we can mitigate some of the impacts of a changing climate. This helps to improve the affordability and availability of insurance in Australia.

Glossary of terms

ABCB (Australian Building Codes Board)
A standards writing body responsible for the National Construction Code and regulatory reform in the construction industry.

ACS (Australian Climate Service)
A partnership of Australian government bodies such as the Bureau of Meteorology and CSIRO, helping customers to better understand the threats posed by a changing climate and natural hazards.

ANZIIF (Australian and New Zealand Institute of Insurance and Finance)
A professional association and education provider for the insurance and financial services industry in the Asia-Pacific region.

APRA (Australian Prudential Regulation Authority)
An independent statutory authority that supervises institutions across banking, insurance, and superannuation.

ASFI (Australian Sustainable Finance Institute)
A collaborative body formed to support the financial services sector to increasingly contribute to a more sustainable and resilient economy.

ASIC (Australian Securities and Investments Commission)
An independent commission of the Australian Government tasked as the national corporate regulator.

Attributable emissions
Carbon emissions regarded as being caused by an asset, individual or company according to emissions measurement standards.

Claims supply chain
Sourcing, procurement and logistics associated with managing and fulfilling insurance claims.

EV (electric vehicle)
Vehicles with motors that are powered by electricity instead of liquid fuels.

Financed emissions
Emissions arising from activities and entities which are 'financed' by an insurer's underwriting, lending, and investment activities.

General insurance
Any insurance other than life-insurance, such as motor and property insurance.

GFANZ (Glasgow Financial Alliance for Net-Zero)
The Glasgow Financial Alliance for Net-Zero aims to unite net-zero financial sector-specific alliances from across the globe into one industry-wide strategic alliance. Examples of net-zero sub-sector alliances that are part of GFANZ include the Net-Zero Insurance Alliance, Net-Zero Asset Owner Alliance, Net-Zero Banking Alliance, and Net-Zero Asset Managers Initiative.

GFMA (Global Financial Markets Association)
An association representing the common interests of the world's leading financial and capital market participants, to provide a collective voice on matters that support global markets.

GHG (greenhouse gases)
Emissions of gases which trap heat in the atmosphere, including carbon dioxide, methane, nitrous oxide, and fluorinated gases.

Glasgow Climate Pact
An agreement reached at COP26 explicitly planning to reduce unabated coal usage, advocate for more urgent emissions cuts and provide more money for developing countries to assist them in adapting to climate impacts.

Global Resiliency Dialogue
A joint initiative of building code developers and researchers to inform the development of building codes, drawing on building and climate science to improve the resilience of buildings and communities.

ICE vehicle
Vehicles with an internal combustion engine – typically normal petrol and diesel cars.

IPCC (Intergovernmental Panel on Climate Change)
An intergovernmental body of the United Nations responsible for advancing knowledge on human-induced climate change.

National Climate Resilience and Adaptation Strategy
A strategy that sets out what the Australian Government will do to support efforts across all levels of government, businesses, and the community, to better anticipate, manage and adapt to the impacts of climate change.

Net-zero
A state in which GHG emissions have been lowered by at least 90–95 per cent (depending on sector) versus a baseline year, with remaining emissions neutralised via nature-based or technological carbon removals.

NIBA (National Insurance Brokers Association)
The peak body of the insurance broking profession.

NEMA (National Emergency Management Australia)
Supports communities impacted by disaster with on ground presence and principles of locally led recovery. The agency also delivers initiatives to reduce risk and lessen impacts of future shocks.

NZAOA (Net-Zero Asset Owners Alliance)
An alliance of 56 institutional investors across regions committed to transitioning their investment portfolios to net-zero emissions by 2050 consistent with the 1.5°C net-zero transition pathway.

NZIA (Net-Zero Insurance Alliance)
A UN-convened alliance bringing together 15 of the world's leading insurers and reinsurers to play their part in accelerating the transition to net-zero emissions economies.

Operational emissions
Emissions arising from all day-to-day operations of a business, which includes all scope 1 and 2 emissions, and the parts of scope 3 emissions caused by insurance activities and the claims supply chain.

PCAF (Partnership for Carbon Accounting Financials)
An industry-led initiative to enable financial institutions to consistently measure and disclose the GHG emissions financed by their loans and investments.

PSI (United Nations Principles for Sustainable Insurance)
A global sustainability framework for the insurance industry and the largest collaborative initiative between the United Nations and the insurance industry.

Resilience
The ability of systems, primarily customers and communities, to anticipate, absorb, manage, and recover from the impacts of climate change and natural hazards efficiently.

Risk intelligence
The ability of an organisation to anticipate, plan and respond to risks, beyond the basic functions of risk management.

ROI (Return on Investment)
Performance measure used to evaluate the efficiency or profitability of an investment or compare the efficiency of several different investments.

SBTi (Science Based Targets Initiative)
A joint initiative by CDP, UNGC, WRI and WWF creating methods and criteria to validate company targets. Science-based targets to reduce GHG emissions are considered "science-based" if they are in line with the level of decarbonisation required to keep global temperature increases below 1.5° Celsius compared to pre-industrial temperatures.

Scope 1
Direct emissions arising from sources owned or controlled by a company (e.g. emissions from manufacturing, burning of fuel in vehicles).

Scope 2
Indirect emissions arising from a company's use of acquired and consumed electricity, steam, heat, or cooling (collectively referred to as "electricity").

Scope 3
Indirect emissions resulting from the operations of an organisation not owned or controlled by a business – including upstream emissions generated by other organisations in the course of undertaking activities for the business and sale of products and services (e.g. business travel and waste), as well as downstream emissions that occur in the life cycle of a product/service after the sale (e.g. investments and emissions from sold products). Scope 3 emissions also include financed emissions.

Shadow carbon price
A theoretical or simulated cost per ton of carbon emissions used to evaluate the potential impact of external carbon pricing on the profitability of a project, business model, or investment.

Solar PV (Photovoltaic)
Electric power systems designed to supply usable solar power by means of photovoltaics.

Taxonomy
A classification system or framework to provide a common language to identify the degree to which economic activities are environmentally sustainable.

TCFD (Task Force on Climate-related Financial Disclosures)
A guidance framework which helps companies disclose climate-related financial risks to investors, lenders, and insurers, created by the Financial Stability Board to improve and increase reporting of climate-related financial information.

Transition activities
Activities related to the transition to a net-zero emissions economy.

Underwriting activities
Activities related to the evaluation and analysis of risks involved in insuring people and assets.

UN Race to Zero campaign
A global campaign to rally leadership and support from non-state actors (e.g. businesses, cities, regions, financial institutions) for a healthy, resilient, zero-carbon recovery that prevents future threats, creates decent jobs, and unlocks inclusive, sustainable growth.

Insurance Council of Australia

The Insurance Council of Australia is the representative body for the general insurance industry of Australia. Our members represent approximately 90 per cent of total premium income written by private sector general insurers, spanning both insurers and reinsurers.

General insurance has a critical role in the economy, insulating individuals and businesses from the financial impact of loss or damage to their insured assets.

Our work with our members, consumer groups and all levels of government serves to support consumers and communities when they need it most.

We believe an insurable Australia is a resilient Australia – and it's our purpose to be the voice for a resilient Australia.

insurancecouncil.com.au