



Insurance Council  
of Australia

# The insurance industry's progress towards net-zero

The Insurance Council of Australia (Insurance Council)'s landmark Climate Change roadmap, 'Towards Net-Zero and a Resilient Future', was released in November 2022.

Drawing on best practice globally and locally, the Insurance Council's roadmap was an important milestone for the Australian insurance industry, providing a framework for insurers to substantially cut greenhouse gas (GHG) emissions this decade, with specific targets to achieve net-zero by 2030 for their operations, and work towards achieving net-zero across their investments, supply chain and underwriting no later than 2050.

The Climate Change roadmap outlines how the industry can tackle shared challenges on the path to net-zero, from establishing a methodology to measure GHG emissions in supply chains, to engaging with regulators on the development of climate and nature regulation.

## Progress and Barriers

Since the roadmap's launch, Insurance Council members have made substantial progress in implementing its best practice recommendations to set targets and reduce GHG emissions across their operations, investments and supply chains.

The Insurance Council has over 50 members representing 89 per cent of total premium income written by private sector general insurers, spanning both insurers and reinsurers. In 2023 a cross-section of ICA members in the net-zero working group and climate change action committee, representing a total of more than \$48 billion in GWP, were surveyed. These members included a mixture of re-insurers and insurers varying in both size and product, from large general insurers focused on home insurance, to specialty insurers focused on medical indemnity or motor insurance.

The survey revealed that action is being taken to set GHG emissions reduction targets across insurers' operations, claims supply chain, underwriting and investments, however barriers – such as a lack of emissions data and methodologies – remain a challenge. Appropriate climate policy settings, clear regulation and targets were identified as the highest priority to address barriers. This builds on findings from other research, such as Zurich's *Accelerating the Climate Transition* report, which found that the cost and scale of capital expenditure, regulatory challenges, and difficulties measuring and monitoring impact were the major challenges facing companies in the net-zero transition.<sup>1</sup>

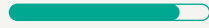
1. Zurich (2023) *Accelerating the Climate Transition: Long-term thinking for near-term action*.



## Survey results – Progress towards net-zero

### Overall ambition

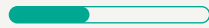
>85%  
have set targets



More than 85 per cent of respondents have set an organisation-wide net-zero target by 2050 or earlier, with more than 60 per cent also having set interim targets. This is well above the 42 per cent of Fortune 500 companies that have reported having net-zero plans.<sup>2</sup> However, more than 40 per cent of respondents identified policy and regulatory uncertainty as the biggest barrier to setting an organisation-wide net-zero target.

### Insurer operations

>40%  
have set targets

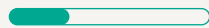


More than 40 per cent have set targets to achieve net-zero emissions across their operations by 2030, with a further 15 per cent of members planning to set a target in 2024. Even members who have not set a 2030 target are taking steps to reduce operational emissions, with 80 per cent of respondents implementing low emissions solutions such as improving energy efficiency, and 70 per cent sourcing low emissions products and services, such as renewable energy. Three quarters are also developing baselines to report on operational emissions.

The biggest barriers to achieving net-zero operations, according to 50 per cent of respondents surveyed, are business buy-in and establishing the long-term feasibility of emissions-reducing activities.

### Claims supply chain

>30%  
have set targets



Despite GHG emissions created by suppliers being the most challenging for insurers to measure and tackle, more than 30 per cent of respondents have set a public net-zero target for their claims supply chain, with another 45 per cent planning to set a target by 2025. In addition, around half of respondents have identified the most emission intensive parts of their supply chain, are engaging with their suppliers and are developing baselines to track and report supply chain emissions.

The mapping and tackling of GHG emissions across the claims supply chain is hindered by the absence of available data from third-party suppliers (more than 60 per cent of respondents) and a lack of available methodologies (25 per cent of respondents).

### Underwriting

>45%  
have set targets



Measuring and reducing GHG emissions created by customers is also challenging for insurers. Despite this, more than 45 per cent have set targets to achieve net-zero emissions across their underwriting portfolios, with more than 15 per cent planning to set a target by 2025.

More than 45 per cent identified access to data to accurately price and risk new low-carbon products and activities and lack of methodologies as the biggest barriers to underwriting new low carbon products and activities.

### Investments

>55%  
have set targets



More than 55 per cent have committed to a net-zero investment portfolio by 2050, with a further 20 per cent planning to set a target by 2025. Already more than half of respondents are incorporating climate considerations into their investments and are developing baselines to track and report on their carbon intensity. Almost two-thirds of respondents are funding climate-positive economic activity, such as renewable energy.

Almost two-thirds identified uncertainty about stability and security of returns as the biggest barrier to investing in low carbon products and activities.

The results indicate that Insurance Council members surveyed are committed to net-zero and are already pushing ahead with the transition. However, much work remains. 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. The Insurance Council will continue supporting its members to implement the roadmap so insurers can play their uniquely important role in limiting the consequences of climate change.

2. Climate Impact Partners (2023) Commitment Issues – Markers of Real Climate Action in the Fortune Global 500.

Disclaimer: The survey results are gathered from the Insurance Council's members and the Insurance Council does not guarantee the accuracy of that information.