



Insurance Council
of Australia

Climate Change Roadmap

Towards a Net-Zero and Resilient Future: 2024 Update

With thanks

The Insurance Council of Australia acknowledges the contributions of Insurance Council members via the Net Zero Working Group.

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.

Disclaimer

The case studies and survey results contained in this roadmap are gathered from the Insurance Council's members. The Insurance Council does not guarantee the accuracy of the survey results, case study examples and emission reduction targets set by the Insurance Council's members that are discussed in this roadmap. If you have any questions on any specific case study contained in this roadmap, or a specific insurer's net-zero commitments and initiatives, you should contact that insurer directly.

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About this Report

The Insurance Council of Australia's landmark Climate Change roadmap, 'Towards Net Zero and a Resilient Future', was released in November 2022 and provides a framework for insurers 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 roadmap is updated annually to ensure it reflects the latest insights on climate action for the general insurance sector. The 2024 annual update serves to publicly demonstrate progress, highlight obstacles and showcase best practice in the roadmap.

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 Insurance Council's work with its members, consumer groups and all levels of government serves to support consumers and communities when they need it most. Insurance Council members represent approximately 89 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.

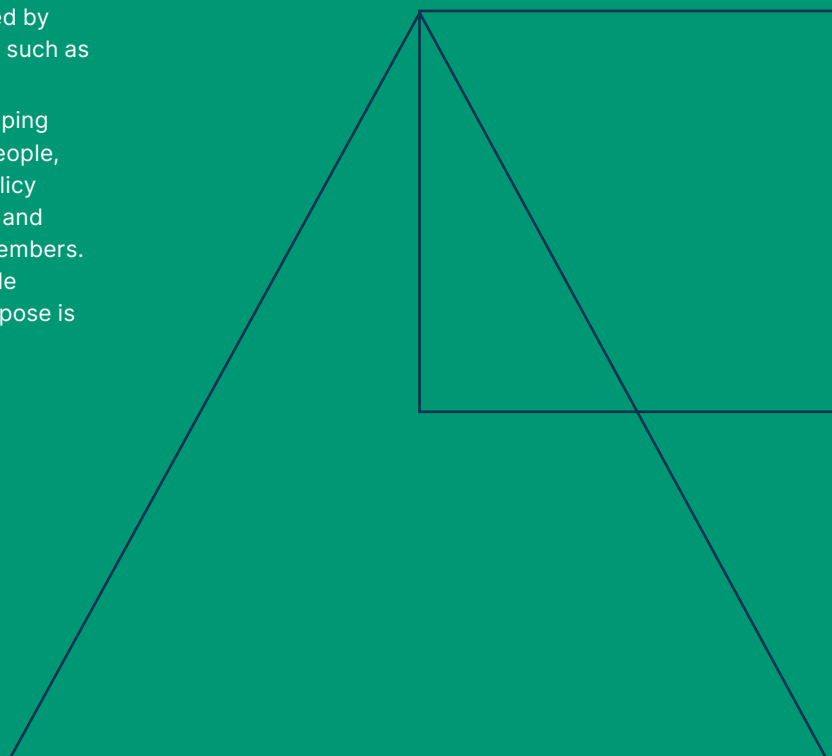
The Insurance Council is committed to shaping positive outcomes for our members, our people, and our communities by supporting fair policy outcomes, effectively engaging members, and purposefully advocating on behalf of its members. The Insurance Council believes an insurable Australia is a resilient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





Message from the CEO



Since the launch of the Insurance Council's award-winning Climate Change Roadmap in 2022, Australian insurers have continued to take strides in implementing its best practice recommendations, working to contribute to the transition to a low-carbon economy.

Insurers are increasingly prioritising investment in Australia's clean energy transition, integrating climate risk into underwriting, and leading efforts to reduce emissions across supply chains. This year, insurers have also explored the role of nature-positive insurance and how the industry can build long-term resilience against nature-related financial risks, while also enabling our industry to seize nature-positive opportunities.

In our latest member survey, the majority of respondents reported setting both organisation-wide net-zero targets by 2050, as well as interim targets, highlighting that insurers are not only setting long-term ambitions but are also focused on driving measurable, near-term progress. Case studies also highlighted member innovation, with insurers incentivising sustainable home renovations and bushfire resilience.

As we enter a new phase of climate action, insurers are preparing for mandatory climate disclosure requirements, which will reshape how Australian businesses report on, and plan, for a net-zero future. Whilst this generational shift in corporate reporting will require a significant uplift in capacity and capability across the insurance industry, clear and comparable disclosure of sustainability and climate related information across the financial services sector will play an important role in unlocking sustainable finance.

To support this change, the Insurance Council has intensified its support for members, this includes:

- Developing best practice guides on emissions target setting, transition plans, and nature-positive insurance.
- Convening a National Industry Roundtable on land use planning and resilience.
- Expanding focus on global best practices and lessons from other jurisdictions.
- Leading an international delegation to the U.S., including insurers, elected officials, and department representatives, to explore:
 - Partnerships revolutionising extreme weather tracking.
 - New underwriting technology for harnessing clean energy.

Despite Australia experiencing less severe extreme weather events in 2024 compared to recent years, we cannot afford complacency. Across the globe, devastating bushfires, floods, and heatwaves continue to underscore the urgency of climate action. As extreme weather intensifies and populations grow in high risk areas, the global insurance protection gap continues to widen. In 2023, only 38% (US\$108 billion) of global economic losses were insured, leaving businesses and communities vulnerable and weakening economies' capacity to rebound from escalating disasters.



Image courtesy of Unsplash.
Perth, Western Australia.

While Australia's protection gap is estimated to be one of the lowest in the world at 31 per cent, we must prioritise action given our exposure to a large number of climate risks. The Insurance Council's Insurance Catastrophe Resilience Report 2023–24 detailed that extreme weather in Australia remains a significant risk, with almost 157,000 claims and \$2.2 billion in insured losses in 2023–2024 alone. It has never been more critical for insurers to remain at the forefront of Australia's response to climate change, driving down emissions and uplifting the resilience of our communities and business so that we can weather the events to come.

Through the work of the Insurance Council and our collective efforts, we are better positioned to navigate the challenges and seize the opportunities that lie ahead. The 2024 update of the Climate Change Roadmap underscores our progress, while also serving as a reminder of the work still to be done. The road to net-zero will be complex, but insurers are ready to participate in this vital transition.

Andrew Hall
CEO and Executive Director

Introduction



Image courtesy of Unsplash.
Hunter Valley.

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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 1.51°C¹, 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. Australia's warmest year on record was 2019, and eight of the nine warmest years on record have occurred since 2013.²

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 \$35.2 billion a year by 2050.³ 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.

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.

“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.”

Australia's largest trading partners are currently 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.⁴

Australia is in the top 10 countries in the world for GHG emissions per capita.⁵ 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.⁶ The 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. In 2024, the Climate Change Authority suggested Australia could meet an ambitious target of cutting emissions by at least 65% and up to 75% below 2005 levels by 2035, but is yet to make its final recommendation.⁷

Of ASX 200 companies, over 60 per cent have made net-zero commitments⁸, and this number is expected to continue growing. Australian consumers are also increasingly considering the environment when making purchasing decisions.⁹ It is expected that renewable energy will make up most of Australia's electricity supply by 2030, with the most likely scenario from the Australian Energy Market Operator anticipating almost 70 per cent renewable energy in Australia's largest grid by 2028 and 99 per cent by 2050.¹⁰ New EV purchases in Australia more than doubled in 2023, compared to 2022, with the total number of EVs on Australian roads now exceeding 180,000.¹¹ This transition could 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 (2024) State of the Climate.

2. Ibid.

3. McKell Institute for the Insurance Council of Australia (2022) Insurance Catastrophe Resilience Report 2021–22.

4. 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 available estimates on Australia's transition costs, which range from \$1.1T AUD by the IGCC to \$5T AUD from Griffith, AFR.

5. Climate Action Tracker (2022): Country summary: Australia.

6. Climateworks Centre (2022) Government climate action: Leading policies and programs in Australia.

7. Climate Change Authority (2024) 2035 Emissions Reduction Targets.

8. Investment Magazine (2023) ACSI: ASX200 net-zero commitments are growing (but not all pledges are equal).

9. BCG (2021), The Customer Sustainability Journey.

10. AEMO (2024) Integrated System Plan.

11. Electric Vehicle Council (2023) Australian Electric Vehicle Industry Recap 2023.

The role of the general insurance sector

Australia's general insurance sector provides protection for over 52 million¹² homes, buildings, vehicles and businesses 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 provide over 88 million general insurance policies across Australia.¹³

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

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 recognises that its membership is diverse, and that each member will face unique challenges when implementing actions to decarbonise. The Insurance Council is providing 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.

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 publishes a yearly update tracking progress against the roadmap.

12. Insurance Council of Australia (2024) Australia's insurance industry snapshot.

13. Insurance Council of Australia (2024) Australia's insurance industry snapshot.

The Insurance Council is treating the roadmap as a living document that is updated regularly to ensure it reflects the latest insights on climate action for the general insurance sector. This update is the second annual update of the Climate Change Roadmap.

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 because they encompass emissions from sources not directly controlled by insurance companies, such as those generated by clients, suppliers, and investments. This limited direct influence can make it challenging for insurers to track, manage, and mitigate these emissions. 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		NA	NA
Scope 2 Emissions from electricity that is used for activities of an organisation	Emissions caused by insurer operations	NA	NA
Scope 3 All emissions that are indirectly generated by the activities of an organisation		Claims supply chain emissions	Attributed emissions of investment portfolio
		Attributed emissions of underwriting portfolio	

Summary per pillar

Exhibit 2 Climate change roadmap summary¹⁴

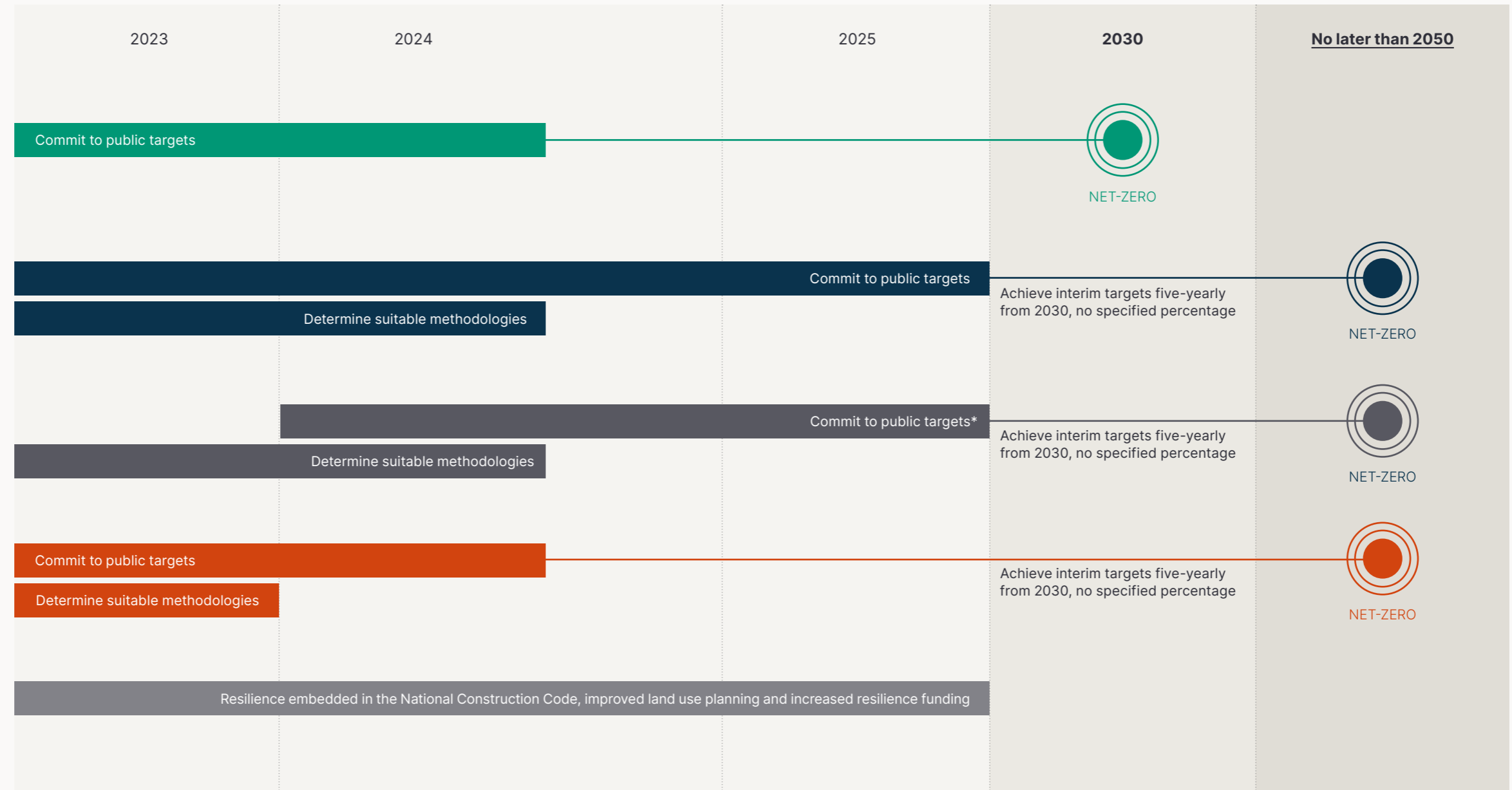
► Pillar 1 | Overall ambition

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.

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, when they become available. Where possible, targets should be verified by an appropriate institution such as the Science Based Target Initiative (SBTi). Some members may choose to set all five-yearly targets upfront, whilst others may set them on a rolling basis.

► Pillar 2a | Insurer operations

- Demand reduction
- Net-zero technology solutions
- Net-zero sourcing



* The Insurance Council encourages members to set targets for net-zero emissions in underwriting no later than 2025, noting that the ability to do so will depend on the availability of robust methodologies that can accurately guide and measure net-zero progress across underwriting portfolios.

14. 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 when they become available. Where possible, targets should be verified by an appropriate institution such as the Science Based Target Initiative (SBTi). 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 the broader supply chain, including claims supply chain, and underwriting.

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 emissions for insurers and to reach net-zero, it is critical these are reduced. General insurers manage \$159 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, global and domestic methodologies are needed to assist in defining attributable emissions across insurance/reinsurance claims supply chains. Scope 3 emissions are currently challenging to measure and address due to evolving methodologies, as well as variations in decarbonisation rates across sectors and global supply chain complexities.

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 41 million homes, buildings and vehicles against the physical and financial impacts of extreme weather events. The members of the Insurance Council provide over 88 million general insurance policies across Australia.¹⁵ As the global shift towards net-zero underwriting activity continues, the Insurance Council recommends a pathway to its members to help them to achieve net-zero underwriting in Australia.

15. Insurance Council of Australia (2024) Australia's insurance industry snapshot.

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 with commercial and personal motor underwriting portfolios (insurance-associated emissions) no later than 2024. 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, noting that the ability to do so will depend on the availability of robust methodologies that can accurately guide and measure net-zero progress across underwriting portfolios.

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.

The Insurance Council has encouraged 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, by 2023.

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 2050,¹⁶ and the Australian Business Roundtable for Disaster Resilience & Safer Communities estimates that even in a low emission scenario the economic (not insured) costs could increase to approximately \$73 billion per annum in 2060.¹⁷ 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.

A recent Centre for International Economics (CIE) report released by the Insurance Council found that strengthening the National Construction Code to require that new homes are made more resilient to extreme weather could save an estimated \$4 billion a year in average building costs: \$2 billion for cyclones, \$1.5 billion for floods, and around \$500 million for bushfires. 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.

16. McKell Institute for the Insurance Council of Australia (2022) Insurance Catastrophe Resilience Report 2021–22.

17. Deloitte Access Economics (2021). Special report: update to the economic costs of natural disasters in Australia, Australia Business Roundtable for Disaster Resilience & Safer Communities.

2024 in review

Since the launch of the inaugural Climate Change Roadmap in November 2022, the Insurance Council (ICA) has continued to ramp up its activities to support its members to manage climate risks and advocate for government policies that mitigate and reduce the impacts of climate change.

JAN

FEB

MAR

APR

MAY

JUN

- Submission on the AASB Exposure Draft ED SR1 Australian Sustainability Reporting Standards
- Submission on Climate-related financial disclosure: exposure draft legislation and explanatory materials
- ICA member webinar: Navigating Environmental, Social, and Governance (ESG) risks in an ever-evolving regulatory landscape
- APRA and Insurers commence the Climate Vulnerability Assessment
- ICA presentation to Catchment Management Authority Forum

- Submission on Queensland's Clean Economy Jobs Bill 2024
- Bushfire Resilience Rating Home Self-Assessment App users receive discounts to their household insurance premiums from two of Australia's largest insurers
- ICA presentation to NSW Joint Standing Committee on Road Safety
- ICA Presentation to Planning Institute of Australia Conference

- Submission to the Inquiry into Climate Resilience – Victorian Environment and Planning Committee

- Submission on the Climate Change Authority's Targets, Pathways and Progress
- Submission on the New Vehicle Efficiency Standard (NVES)
- Submission on Local Government Sustainability
- Submission on Assurance over Climate and Other Sustainability Information
- ICA member webinar: Purpose Bureau's ESG reporting platform
- Seventh Hazards Insurance Partnership meeting
- ICA presentation to Australian Coastal Councils Conference
- ICA presentation to Development Institute of Australia
- ICA presentation to Domain Future Housing Forum
- ICA presentation to Global Sustainable Insurance Summit
- Release of EV Industry Paper 'Charging Ahead'
- Government announces funding for sustainable finance taxonomy
- ICA presentation at Planning Institute National Conference

- Commonwealth, state and territory building ministers to include building resilience as a specific objective of the Australian Building Codes Board (ABCB) from 2025
- ICA presentation at UDIA Queensland Conference
- ICA contributes to the development of the sustainable finance investment taxonomy

JUL

- Submission on the Transport and Infrastructure Net Zero Consultation Roadmap – July 2024
- ICA presentation to RIMS Resilience Conference
- Wildfire and Flood Summit held in California by the ICA and California Department of Insurance, supported by the American Chamber of Commerce in Australia

SEP

- Submission to the Inquiry on the Impact of Climate Risk on Insurance Premiums
- ICA presentation at Australian Institute of Disaster Resilience Conference
- Launch of ICA's fourth annual Catastrophe Resilience Report



NOV

- ICA member webinar: Building a Climate-Resilient Future: Protecting Infrastructure and Tourism in Australia
- Ninth Hazards Insurance Partnership meeting

AUG

- Eighth Hazards Insurance Partnership meeting
- Partnership between the ICA and Fire and Rescue NSW (FRNSW) to enhance EV safety
- ICA and Planning Institute of Australia hold National Industry Roundtable: Land Use Planning and Resilience
- Launch of Australian Institute of Company Directors (AICD), Herbert Smith Freehills and ICA guide on principles for setting climate targets



DEC

- Launch of ICA Report, Valuing Nature for a Resilient Future
- Appearance before the inquiry on the Impact of Climate Risk on Insurance Premiums
- ICA, UNEP-FI, EY workshop on nature-positive insurance
- ICA presentation at the Global Nature Positive Summit
- ICA presentation to Advance Cairns Catastrophe Resilience
- ICA, Insurance Council of New Zealand, Insurance Bureau Canada and Association of British Insurers Global Insurance Protection Gap Forum
- ICA presentation at Australian Sustainable Finance Summit

- Launch of ICA's Scope 3 Boundary Guide
- Launch of ICA's Scope 3 Supply Chain Strategy

OCT

Industry's progress towards net-zero

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 more than 50 members representing 89 per cent of total premium income written by private sector general insurers, spanning both insurers and reinsurers. Each year the Insurance Council surveys a randomised and anonymised cross section of Insurance Council members, to build a point-in-time snapshot of the ambition and roadblocks on the road to net-zero. This cross section is made up of a mixture of reinsurers and insurers varying in both size and the insurance product offered, from large general insurers focused on home and contents insurance, to specialty insurers focused on lines such as medical indemnity or lenders mortgage insurance. The pool of member responses involved in the survey this year was the Insurance Council's largest to date, representing a total of more than \$53 billion in annual GWP.

Barriers to net-zero targets

The primary barriers to setting net-zero targets were identified as ensuring business alignment (29 per cent) and establishing methodologies for measuring and tracking emissions (29 per cent). Additionally, there is a need for education and awareness across all organisational levels to foster understanding and commitment. Over half of respondents indicated that a lack of internal expertise in formulating net-zero targets is a key obstacle in the short to medium term.

To address these challenges, respondents highlighted the ongoing need for accessible data and established methodologies for emissions; as well as a need for increased guidance and education to support informed discussions and effective management of emissions within underwriting portfolios and claims supply chains.

Mandatory climate disclosures: uplift in resources

Australia's mandatory climate disclosure regime will require entities to report on their climate-related risks and opportunities, as well as their emissions, targets and strategies for managing the transition and physical risks associated with climate change.

Under the mandatory climate disclosure regime, 75 per cent of the respondents surveyed are Group 1, 19 per cent Group 2 and 6 per cent Group 3.¹⁸

The primary barriers cited by respondents when it comes to meeting the requirements of mandatory climate disclosures are largely resourcing and the reliability of emissions data – especially for scope 3 emissions. Difficulties in data collection and methodology pose significant challenges in preparation for assurance requirements. This is especially the case for those yet to align with global standards, with a large uplift in resources required.

In preparation for reporting, 31 per cent of respondents are considering other material issues like nature, and one in five respondents are also preparing to disclose social and governance issues under the EU's Corporate Sustainability Reporting Directive (CSRD). Looking ahead, key guidance sought by general insurers includes transition planning, climate scenario analysis and GHG reporting methodology for scope 3 emissions.

Fifty-six per cent of respondents also indicated that there was an opportunity to engage further at the board level on net-zero strategies and transition risk, particularly as mandatory climate disclosure commences in 2025.

Different approaches to resourcing among insurers operating in global markets

Nearly half of respondents have already been subject to mandatory climate disclosures in other jurisdictions. Insurers that have been subject to mandatory disclosures elsewhere cite a joint responsibility between sustainability, strategy, risk and finance teams to report climate-related disclosures. This collaborative approach is particularly prevalent among insurers with global operations. However, 25 per cent of respondents indicate that their finance departments solely handle climate-related disclosures, while 19 per cent have independent corporate sustainability teams managing reporting.

Sixty-three per cent of respondents have now linked climate-related performance metrics into executive remuneration, which is expected to rise under Australia's mandatory climate disclosure.

18. For detail on Groups under Australia's mandatory climate disclosure regime, see Australian Institute of Company Directors (AICD), A director's guide to mandatory climate reporting 2024.



Pillar 1
Overall
ambition

85%
have set targets



85 per cent of respondents have set an organisation-wide net-zero target by 2050, with 50 per cent of respondents having also set interim targets. In comparison, 45 per cent of Fortune 500 companies have reported net-zero plans.¹⁹

Pillar 2a
Insurer
operations

50%
have set targets



50 per cent of respondents have set targets to achieve net-zero emissions across their operations by 2030, while an additional 20 per cent plan to set targets this year.

80 per cent of respondents are implementing low-emission solutions such as improving energy efficiency and sourcing renewable energy, and 32 per cent are introducing strategies to reduce high-carbon purchases. 70 per cent are also developing emissions baselines in an effort track and measure emissions across their operations.

Pillar 2b
Claims
supply chain

30%
have set targets



30 per cent of respondents set public net-zero targets for their claims supply chain, with an additional 30 per cent planning to set targets in the next year. More than 50 per cent of respondents are actively engaging with their supply chains to encourage emission reductions efforts, which is essential as mandatory climate disclosure approaches. A lack of consistent methodology by which to measure and then abate emissions across insurers' claims supply chain remains a key challenge; however, a number of respondents noted the value of the work the Insurance Council is progressing in this space.

Pillar 3
Underwriting

40%
have set targets



40 per cent of respondents have set net-zero targets for underwriting portfolios. Feedback indicated that significant barriers persist in this area, such as the absence of established methodologies. However, more than 50 per cent of respondents are actively working on reducing emissions in their underwriting portfolios, by exploring new products and technologies, and assisting emissions-intensive clients with decarbonisation strategies.

Pillar 4
Investments

45%
have set targets



45 per cent of respondents have set net-zero targets for investment portfolios with an additional 10 per cent of respondents planning to set targets in the next year. One-third of respondents are waiting for guidance from the market and/or regulation before setting additional net-zero emissions targets across their investment portfolios. Challenges include investment time horizons, capital requirements and methodologies across key asset classes. 65 per cent of respondents are incorporating climate considerations into investment decisions and almost half of respondents highlighted a shift away from investments in carbon-intensive activities (e.g., coal, gas, oil).

19. Climate Impact Partners (2024) Quiet Climate Action.

PILLAR 1

The insurance industry's net-zero commitment

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 both a 1.5°C and a 2.5°C net-zero transition pathway, in line with the mandatory Australian Sustainability Reporting Standard AASB S2 Climate-related Disclosures (AASB S2). Where possible, targets should be verified by an appropriate institution such as the SBTi. Some members may choose to set all five-yearly targets upfront, whilst others may set them on a rolling basis.

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- 18 Setting overall climate ambition for insurers
- 19 Best practice climate targets for Insurance Council member organisations
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- 22 How the Insurance Council will help



Image courtesy of Unsplash.
Sydney, Australia.

Best practice climate targets for Insurance Council member organisations

The International Financial Reporting Standards (IFRS) and SBTi provide guidance on interim target setting, including validating that targets are science-based; use decarbonisation scenarios from credible and well-recognised sources; and to the extent possible, minimise misalignment with UN Sustainable Development Goals.²⁰ The development of methodologies 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 encourages members 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 recommends²¹ that this baseline year should:

- Have verifiable data on Scope 1, 2 and 3 emissions
- Be representative of a company's or the ensured asset'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.²²

The Insurance Council also encourages insurers to engage with global alliances such as the Net-Zero Asset Owner Alliance (NZAOA) and the Forum for Insurance Transition to Net-Zero (FIT). Several Insurance Council members are already members of the NZAOA and the FIT. 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 continue to engage with stakeholders in establishing a regulatory environment that supports the net-zero transition and develop appropriate best practice methodologies 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.

20. Task Force on Climate-Related Financial Disclosures (2021) TCFD Recommendations.

21. Science Based Targets initiative (2023) SBTi Corporate Manual.

22. Greenhouse Gas Protocol (2015) Corporate Standard.

Best practice climate targets for Insurance Council member organisations cont.

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

In 2024, members were encouraged to continue 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.
- Align with the PCAF Standard to measure and disclose GHG emissions associated to insurance and reinsurance underwriting portfolios (insurance-associated emissions) no later than 2024.

In 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 to ensure they 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 others may set them on a rolling basis.

By 2030, members are encouraged to:

- Achieve net-zero across Scope 1, Scope 2 and operational Scope 3.²³
- 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.

23. Ibid.

Exhibit 3



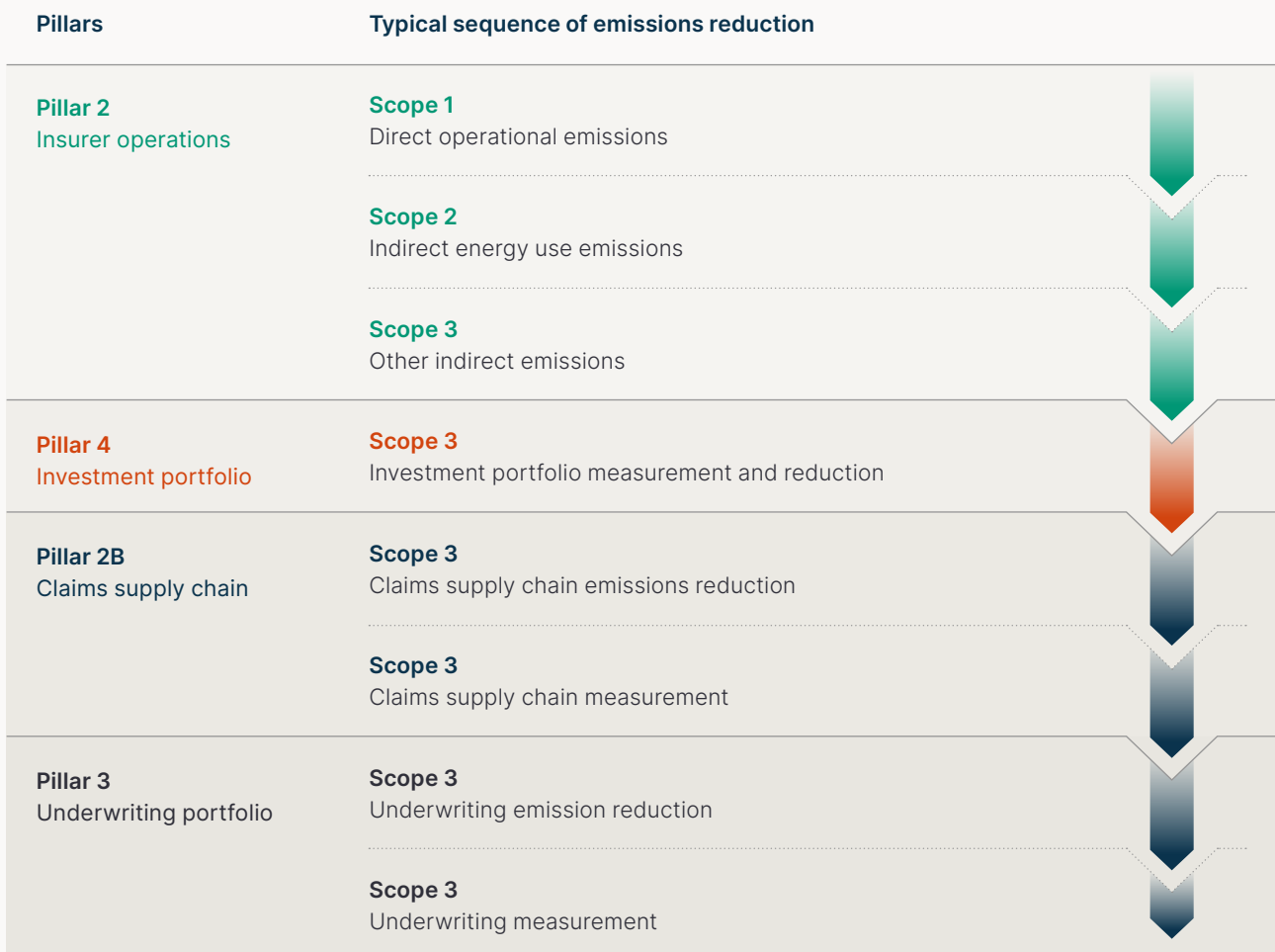
Suggested sequencing of actions for general insurers

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, policy settings and technological developments, 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 methodologies 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 insurers 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.



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 align with AASB S2. Targets and strategies 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 notes that members can make use of global alliances to inform net-zero climate strategies, particularly:

- **Forum for Insurance Transition to Net-Zero (FIT):** A UN-convened alliance for insurance market participants (e.g. insurers, reinsurers, brokers) that provides a structured dialogue and multi-stakeholder forum to support the necessary acceleration and scaling up of voluntary climate action by the insurance industry and key stakeholders. The FIT works with insurance market participants and engages with insurance regulators and supervisors, net-zero standard-setters and initiatives, the scientific and academic community, civil society, and other key stakeholders to support the acceleration and scaling up of the transition to a net-zero economy.
- **NZAOA:** A 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.
- **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.

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 continue to 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 Insurance Council has worked with members to contribute submissions to the Australian Treasury, 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 Insurance Council'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 Insurance Council's role as a supporting institution of the United Nations Principles for Sustainable Insurance (PSI), the Insurance Council is committed to supporting members to develop their own roadmaps, for example by:

- Facilitating engagement with key stakeholders 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 Australian and global standards and frameworks for the Australian context, such as enabling members to align with the methodologies developed by initiatives such as 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. In September 2024, the Australian Government passed legislation on climate-related financial disclosure standards. The mandatory reporting requirements will apply to large businesses and financial institutions, including insurers, and will come into effect on 1 January 2025.

It is important insurers continue 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 continue to 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 (TNFD, ISSB, AASB), building code development (Australian Building Codes Board (ABCB) 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 continue to 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

To stimulate the net-zero transition, various global electric vehicle (EV) policies have emerged as examples of effective government intervention. In Norway, generous incentives such as exemptions from import taxes, road tolls, and parking fees have led to a world-leading EV adoption rate of over 80% of new car sales.²⁴ China has aggressively supported EV production through subsidies for manufacturers, direct purchase incentives, and investments in charging infrastructure, resulting in the highest number of EVs on the road globally. Meanwhile, California introduced the Zero Emission Vehicle (ZEV) program, mandating automakers to produce a certain percentage of EVs to reduce carbon emissions.²⁵ The European Union (EU) has also implemented stringent CO₂ emission standards, incentivising automakers to shift production toward EVs.²⁶ These initiatives demonstrate how targeted policies can accelerate EV adoption, cut emissions, and support the broader transition to a net-zero future.

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.

24. World Resources Institute (2023) These Countries Are Adopting Electric Vehicles the Fastest.

25. California Air Resources Board (2024) Zero Emissions Vehicle Program.

26. European Commission (2024) CO₂ emission performance standards for cars and vans.

PILLAR 2

Net-zero industry operations

Progress underway but still more to do

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 operational emissions across Scope 3. The Insurance Council encourages all its members to commit to net-zero for these emissions by 2030.

General insurers provide 88 million motor-related and home-related policies across Australia.²⁷ 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 either be on the most emissions-intensive types of claims, such as home and motor; or on the types of claims within their chosen boundary approach (e.g. operational, financial or equity share). 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 or emissions are identified within their chosen boundary approach, 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, in 2024 the Insurance Council, in coordination with its members, developed a best-practice guide for insurers to set supply chain emissions boundaries and engage with their suppliers. The Insurance Council encourages members to access free science-based and peer-reviewed resources such as those provided by the SME climate hub²⁸, CDP²⁹ and the Supply Chain Sustainability School.³⁰

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.³¹

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- 30 What the Insurance Council and its members will strive to do



Image courtesy iStock by Getty Images.
Sydney, Australia.

The need to move to net-zero operations

With the Australian general insurance industry employing 46,000 people and managing 88 million general insurance policies across Australia, 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



IAG's Climate Action Plan – Towards 2030

In 2024, IAG launched its updated Climate Action Plan – Towards 2030, reinforcing its commitment to addressing climate change and building resilience across Australia and New Zealand.³² The plan updates IAG's emission reduction interim targets and outlines its goal to become a net-zero insurer by 2050 by achieving net-zero emissions across its operations, while actively enhancing climate resilience and capturing opportunities through the transition. The plan's three primary focus areas are adapting IAG's direct operations, supporting its value chain, and collaborating to drive systemic change.

To meet its goals, IAG updated its emissions reduction interim target to net-zero scope 1 and 2 emissions by FY30 from an FY24 baseline³³, and set an interim target to reduce limited upstream operational scope 3 emissions by 50% by FY30 from an FY24 baseline.

The plan also highlights the importance of partnering with governments, industry, and communities to promote climate resilience. IAG is leveraging its influence across the value chain, helping customers, suppliers, and partners transition toward a low-carbon, climate resilient economy. Progress against these targets will be reported in IAG's future Annual Reports, reflecting the company's ongoing leadership in climate action and disaster resilience.

27. Insurance Council of Australia (2024) Australia's insurance industry snapshot.

28. SME Climate Hub (2024).

29. CDP (2024) Disclosure Insight Action.

30. Supply Chain Sustainability School (2024) About the School.

31. UNFCCC (2015) Paris Agreement.

32. IAG (2024) Climate Action Plan.

33. In FY24, IAG re-classified emissions from its Australian owned and operated supply chain to 'direct emissions'. Therefore, additional entities are now included in its interim target. IAG has updated its baseline year to align with the change to its reporting boundary.

Exhibit 6 | Case Study



Suncorp’s commitment to net-zero emissions and renewable energy

Suncorp has made significant strides in its journey toward achieving net-zero Scope 1 and 2 emissions by 2050, with accelerated progress expected in the coming years. As part of this commitment, Suncorp has joined the RE100 initiative, pledging to source 100% renewable electricity across all its operations by 2025. This bold step aligns Suncorp with global efforts to transition to cleaner energy and reinforces its dedication to reducing the environmental impact of its business activities.

In addressing Scope 3 emissions, Suncorp has reduced its exposure to emissions-intensive industries by strengthening its Fossil Fuels Standard and implementing a shadow carbon price to mitigate the risk of stranded assets. To further support its efforts, Suncorp is actively exploring pathways to account for its Scope 3 emissions, including collaborating with industry experts and supply chain partners. These initiatives reflect Suncorp’s proactive approach to managing climate risks and advancing sustainable practices across its value chain.³⁴

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	<ul style="list-style-type: none"> Company vehicle emissions Natural gas used in offices Building refrigerants 	NA
Scope 2	<ul style="list-style-type: none"> Emissions produced for electricity, heating and cooling used by the company (e.g. offices) 	NA
Scope 3	<ul style="list-style-type: none"> Office procurement emissions Corporate air and taxi travel emissions (inc. commuting) General waste 	<ul style="list-style-type: none"> 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 Protocol 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 Protocol 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 preferring 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.³⁵ This approach is not limited to operations and can also be applied when considering emissions reduction across categories.

34. Suncorp (2021) A resilient future, Climate Change Action Plan.

35. Science Based Targets initiative (2023) SBTi Corporate Manual.

36. RACQ (2023) For the greater good report.

Exhibit 8 | Case Study



RACQ reducing operational and member emissions

RACQ has continued to make progress in reducing its operational emissions and supporting members to transition towards clean energy and mobility.

In 2022–23, RACQ Solar installed 29,455 solar panels with 11,782kw of generation capacity across its commercial and residential projects. RACQ also provides green loans to members to cover the cost of sustainability improvements. In 2022–23, RACQ provided more than \$3.8 million of these loans, of which 36 per cent was used for home improvements and 64 per cent used as personal loans to finance electric cars and other low-emissions vehicles.

RACQ has also launched its inaugural EV Test Drive Day at its Mobility Centre and online Electric Vehicle Panels to provide members with the opportunity to experience electric vehicles and access credible and relevant insights about Queensland's transition towards sustainable mobility. At these panels, industry experts dispel commonly assumed myths about the use of electric vehicles including charging, cost of servicing, and battery safety.

In partnership with Yurika, RACQ is helping motorists transition to more sustainable options with the Queensland Electric Super Highway. This partnership supported the installation of 55 charging stations between Coolangatta and Port Douglas and connects the east coast to western Queensland.

RACQ has set strong targets to reduce its operational emissions. It is transitioning its operations to net-zero by 2030 by purchasing 100 per cent renewable electricity for owned buildings by 2024 and transitioning its owned roadside fleet to low emissions alternatives. Purchasing renewable electricity and energy efficiency upgrades have already delivered a 38 per cent reduction in scope 1 and 2 greenhouse gas (GHG) emissions from a FY20 baseline.³⁶

Exhibit 9 | Case Study



Suncorp reducing emissions through target setting

Since the launch of the Climate Change Roadmap, Suncorp has taken a range of actions to manage and reduce greenhouse gas emissions. Suncorp is on track for a 76 per cent reduction in scope 1 and 2 GHG emissions compared to FY2020 and has set a target to reach net-zero by FY2030 by electrifying its corporate vehicle fleet and purchasing 100 per cent of electricity from renewable sources. It has also commenced Scope 3 GHG baseline accounting across operational and financed emissions to prepare for net-zero transition planning.

As at 30 June 2023, low-carbon investments totalled \$484 million compared to \$378 million in FY22. This figure includes green bonds, renewable energy infrastructure, renewable energy credit and equity securities and energy efficient real estate.³⁷

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.

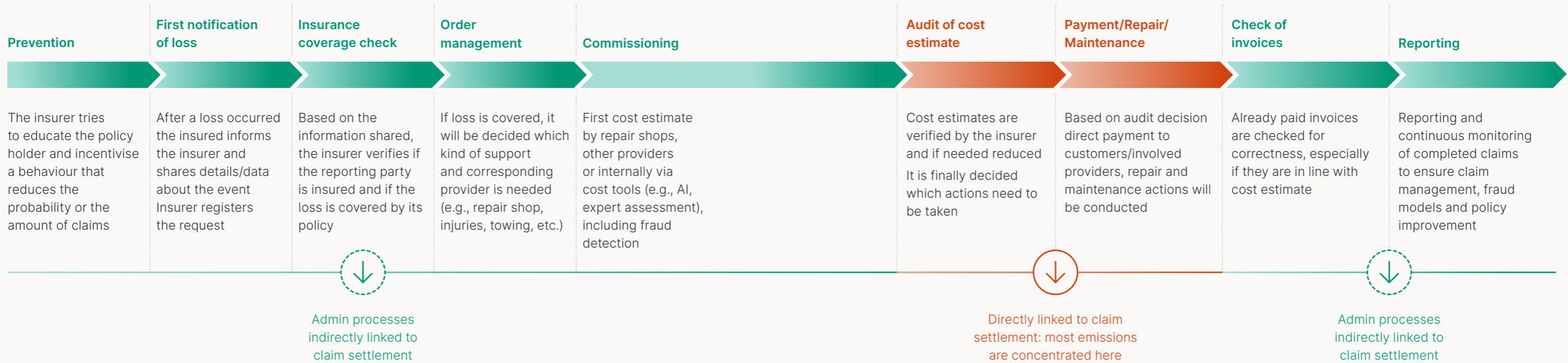
While there are currently no standards in place for claims supply chain emissions, it is open to individual insurers to take initial steps to reduce the GHG emissions intensity (and the broader environmental footprint) associated with claims. By applying a climate and circular economy lens to repairs 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.



37. Suncorp (2023) 2022–23 Climate-related Disclosure Report.

Net-zero in supply chain operations cont.

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).³⁸

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 UK

Several insurers around the world are adopting 'repair over replace' policies across their home and contents and motor insurance offerings. One example is Zurich UK's 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.³⁹

Zurich UK 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:

- Continue to 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.

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

39. Ibid.

- 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.
- 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 Insurance Council 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

Opportunity to drive further change

Australia's general insurance sector provides 88 million general insurance policies, protecting homes, cars and businesses against the physical and financial impacts of extreme weather events. This provides 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 personal motor and commercial portfolios no later than 2024.

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. The first version of the PCAF Standard for insurance-associated emissions for personal motor and commercial portfolios was released in November 2022.⁴⁰

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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 almost 70 per cent renewable energy in Australia's largest grid by 2028 and 99 per cent by 2050.⁴¹ New EV purchases in Australia more than doubled in 2023, compared to 2022, with the total number of EVs on Australian roads now exceeding 180,000.⁴² 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 2050.⁴³ Underwriting this transition requires insurers to develop new capabilities.

Net-zero underwriting is still developing but some insurers are already taking targeted action to lower the emissions intensity of their underwriting portfolio.

40. PCAF (2022) PCAF launches the Global GHG Accounting and Reporting Standard for Insurance-Associated Emissions.

41. AEMO (2022) Integrated System Plan (ISP).

42. CSIRO (2022) Electric Vehicle Projections 2022.

43. BCG (2021), internal research.

Exhibit 13

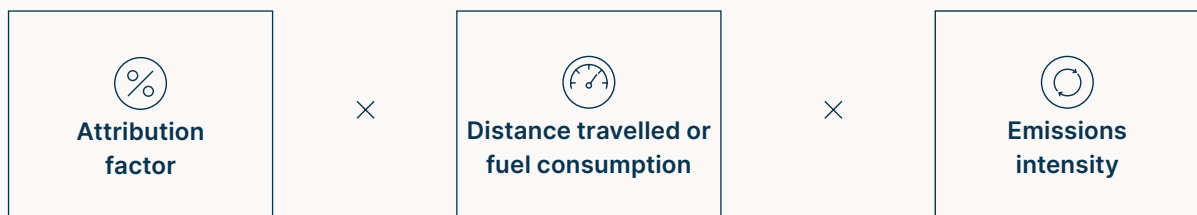
What is net-zero underwriting?

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.

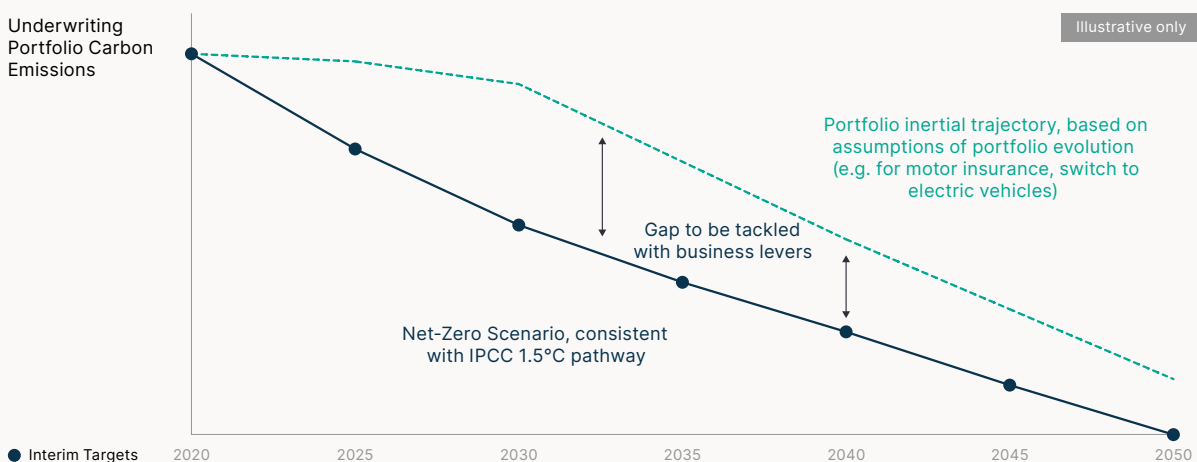
The association with reinsurance/insurance portfolios is achieved through the application of an attribution factor. This factor determines the amount of the emissions of a company or an asset that will be associated with the re/insurer providing cover.

For example, insurance-associated emissions of an insured vehicle would be calculated by estimating its annual emissions and multiplying these emissions with the attribution factor which will result in the emissions associated to the insurer. This attribution factor builds on the principles of the GHG Protocol including completeness, consistency, relevance, accuracy and transparency with additional requirements for recognition, measurement, attribution, data quality and disclosure, as defined in the PCAF Standard Part C: Insurance-Associated Emissions.⁴⁴

To illustrate this concept, an example of how this may be calculated for an electric vehicle is laid out in the diagram below. PCAF published in November 2022 the Standard for measuring and disclosing insurance-associated emissions for two lines of businesses/segments: Commercial Lines and Personal Motor Lines. The Standard also includes guidance for attribution factors.



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.



44. Partnership for Carbon Accounting Financials (2022) The global GHG accounting & reporting standard Part C – insurance-associated emissions.

In the near term, the following are six best practice levers 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) applicable to underwriting portfolios⁴⁵ and promoting human rights, including the right to Free, Prior and Informed Consent (FPIC).⁴⁶
- 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



Zurich and Aon's innovative clean hydrogen insurance facility

Zurich and Aon have partnered to launch an innovative clean hydrogen insurance facility, aimed at advancing global net-zero objectives by de-risking hydrogen projects. This facility, under Zurich's lead with Aon as the exclusive broker, provides comprehensive insurance for blue and green hydrogen projects with capital expenditures up to USD 250 million. It supports hydrogen project developers by covering various project phases, including construction, operational, and business interruption risks, as well as marine cargo, third-party liability, and carbon capture technologies.

Clean hydrogen, a promising alternative to fossil fuels, has faced challenges in securing adequate insurance due to its complex risk profile. Over the past two years, Zurich and Aon conducted extensive research to address these challenges, recognizing hydrogen's vital role in the energy transition. Blue hydrogen, produced from natural gas with carbon capture, and green hydrogen, generated via electrolysis using renewable energy, both present significant environmental benefits.

The insurance facility has garnered high market interest, exceeding initial subscription expectations, underscoring the insurance sector's readiness to back sustainable initiatives. This facility not only supports hydrogen's growth as a renewable energy source but also strengthens Zurich and Aon's commitment to facilitating a low-carbon future.⁴⁷

45. 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.

46. As articulated in the UN Declaration on the Rights of Indigenous Peoples and as outlined in the PSI guide mentioned above.

47. Zurich (2024) Zurich and Aon to support net-zero transition through new clean hydrogen insurance facility.

Exhibit 15 | Case Study



Swiss Re reducing fossil fuel exposure and investing in green technologies

Swiss Re has set targets to reduce emissions from its investment and underwriting portfolio. These include targets to:

- Phase out 10 per cent of the most carbon-intensive oil and gas companies for direct and facultative re/insurance from July 2023 (up from 5 per cent since July 2021)
- Reduce the weighted average carbon intensity of Swiss Re's corporate bond and listed equity portfolio by 35 per cent by the end of 2024 (compared to 2018)
- Hold at least US\$4 billion of green, social and sustainability bonds by the end of 2024
- Deploy additional capital of US\$750 million in social and renewable responsible investing energy infrastructure debt, including energy efficiency by the end of 2024
- Uphold the reduction of at least 50 per cent in GHG emissions from business air travel for 2023 and 2024 (compared with 2018)

These targets are underpinned by an overall commitment to individually transition the investment and underwriting portfolio to net-zero greenhouse gas emissions by 2050, alongside a commitment to net-zero operations by 2030.⁴⁸

Challenges and opportunities in shifting towards net-zero underwriting practices

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

PCAF developed a global standard to measure and disclose insurance-associated emissions in November 2022. This provides a standard way to measure and report on the emissions footprint of underwriting portfolios. 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.⁴⁹

48. Swiss Re (2023) Sustainability Highlights 2023.

49. BCG (2021), internal research.

Exhibit 16 | Case Study



Allianz Australia encouraging sustainable home renovations

In response to growing concerns around sustainability and resilience in home renovations, Allianz Australia partnered with the Green Building Council of Australia (GBCA) to launch Green Specs, an innovative online tool designed to make sustainable renovations more accessible to Australian homeowners. Research by Allianz Australia revealed that while 29% of homeowners plan to renovate in the next six months, nearly a quarter are not considering sustainability in their plans. Many cited high costs, complexity, and lack of knowledge as significant barriers. Green Specs addresses these challenges by offering a simplified, interactive platform based on GBCA's technical Sustainable Home Renovations Guide, making it easier for homeowners to explore sustainable upgrades tailored to their budget and renovation scope.

Green Specs helps homeowners filter potential improvements by room and budget, showcasing practical changes to enhance energy efficiency, reduce harmful emissions, and bolster resilience against extreme weather events. This tool is particularly timely as Allianz data shows that 43% of home insurance claims between May 2022 and April 2023 were linked to extreme weather events. With growing interest in sustainability but significant gaps in homeowner knowledge, Green Specs aims to empower Australians to create greener, more resilient homes, offering tangible environmental and financial benefits. Through this partnership, Allianz and GBCA are helping homeowners contribute to a more sustainable future while mitigating the impacts of climate change on their properties.⁵⁰

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.

50. Allianz (2024) Get ready to make your home more sustainable with Green Specs.

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 PCAF 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. The Insurance Council will proactively report back to members on standards-related 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.
- Members are encouraged to align with the PCAF Standard no later than 2024. 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.

Exhibit 18 | Case Study



Lloyds collaboration to quantify underwriting and investment emissions

In 2023, Lloyds began a collaboration with Moody's Analytics to begin developing a solution to quantify greenhouse gas emissions across managing agents' underwriting and investment portfolios.⁵¹ The solution being adopted will aid managing agents in meeting expected regulatory reporting requirements.

This collaboration will see Lloyds and Moody's develop a solution targeted at accurately assessing scope 3 emissions defined by the Greenhouse Gas Protocol's 15th category, relating to underwriting and investments.

By using the PCAF standard as the starting point for measurement, this framework will help to guide clear carbon disclosures for the Lloyd's market that will align reporting to an industry standard.

Exhibit 19 | Case Study



Gallagher providing innovative solutions for Australia's renewable energy landscape

Renewable energy is the fastest growing energy source in Australia, and the landscape is becoming increasingly complex. Developers, project owners and operators in this rapidly evolving sector must address increased risk management demands that come with the accelerating global energy transition.

Gallagher is playing a key role in assisting clients to incorporate risk management strategies to proactively mitigate emerging risks. They provide bespoke insurance solutions across all sub-sectors of renewable energy, assisting clients from single project owners to multi-asset portfolios held by utilities and global investment funds.

They have a team of global specialists focused on the energy sector, providing comprehensive solutions that address the unique challenges faced by businesses looking to adopt renewable energy technologies.⁵²

51. Moody's (2023) Lloyds and Moody's to develop an emissions accounting solution through the Lloyds Lab.

52. Gallagher (2024) Renewable Energy Insurance.

PILLAR 4

Net-zero investments

Investment required to enable transition

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.

The Insurance Council 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.

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.⁵³

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,⁵⁴ \$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 \$87 billion in invested assets globally which could more than double over the next 15 years.⁵⁵

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.

53. GFMA, BCG (2020), Climate Finance Markets and the Real Economy, GFMA.

54. 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 available estimates on Australia's transition costs, which range from \$1.1T AUD by the IGCC to \$5T AUD from Griffith, AFR.

55. Assuming the market continues to grow at its historical growth rate, and assuming a constant GWP to AUM ratio.

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Image courtesy iStock by Getty Images.
Wind farm, New South Wales.

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.

Exhibit 20

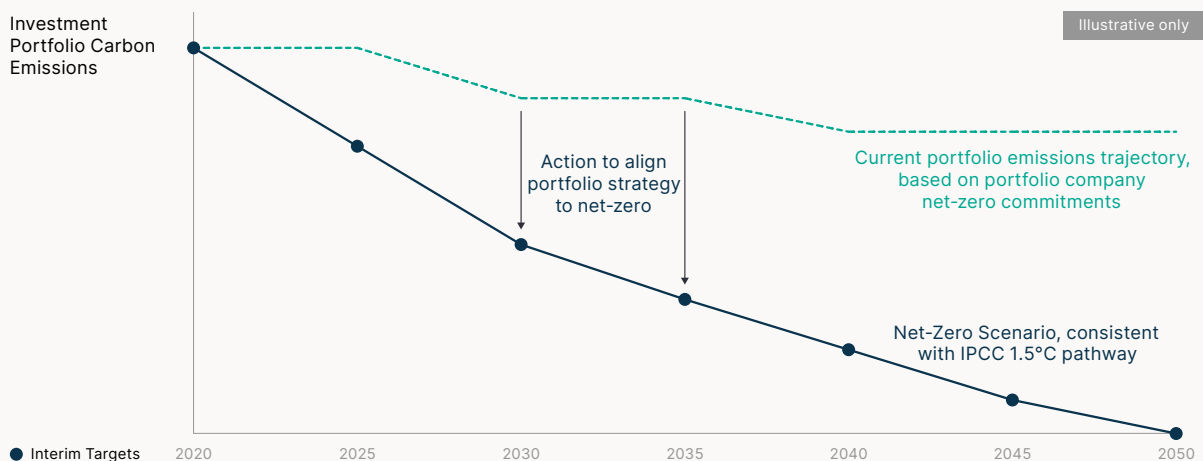
What net-zero investment means

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.



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.

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.⁵⁶ Where insurers outsource the management of their portfolios, they will need to progressively incorporate climate-related considerations into their third-party agreements.

56. UN-convened Net-Zero Asset Owner Alliance Progress Report (October 2021), "Credible Ambition, Immediate Action".

Opportunities and challenges associated with net-zero investing

Of the approximately \$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.⁵⁷

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 21 | 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.

The latest World Bank data indicates that as of 2023, 73 carbon pricing instruments have been implemented or scheduled, covering 23% of world emissions.⁵⁸ One of these carbon pricing instruments, the EU Emissions Trading System (ETS), has incentivised a 37.3% drop in emissions since 2005.⁵⁹

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.

57. 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 available estimates on Australia's transition costs, which range from \$1.1T AUD by the IGCC to \$5T AUD from Griffith, AFR.

58. World Bank Group (2023) State and Trends of Carbon Pricing.

59. European Commission (2023) EU carbon market continues to deliver emission reductions.

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 in April 2024 the NZAOA released the fourth edition of their Target Setting Protocol which included standards for an expanded range of asset classes.⁶⁰ 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 has finalised a formal taxonomy of green bonds that has already seen multiple governments issue their first green bonds in 2021. Pending Australian adoption of a sustainable 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 22 | Case Study



How the global regulatory environment stimulates net-zero investing

Action to accelerate the shift of funds to net-zero investment categories is becoming a higher priority for regulators and governments globally. In April 2021, the New Zealand Government became the first to mandate climate-related disclosures 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.⁶¹

The European Union's (EU) Corporate Sustainability Reporting Directive (CSRD) requires companies to disclose detailed climate-related information, including greenhouse gas emissions, climate risks, and mitigation strategies.⁶² Expanding beyond large corporations, the CSRD covers smaller entities and non-EU companies with EU operations, aiming to enhance transparency and encourage climate action by standardising disclosures in alignment with the EU's Green Deal.

Australia is following suit, mandating climate-related disclosures for Australia's largest entities from January 2025. This includes insurers with more than \$50 million in consolidated revenue, more than \$25 million in consolidated gross assets and more than 100 employees.⁶³

60. UN Environment Programme Finance Initiative (2023) Target Setting Protocol Fourth Edition.

61. Ministry for the Environment (2023) Mandatory climate-related disclosures.

62. European Commission (2024) Corporate sustainability reporting.

63. ASIC (2024) Sustainability reporting.

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.⁶⁴

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

- The Insurance Council will continue to engage with industry and government to map the immediate and future transition-related investment opportunities available to members.
- The Insurance Council will continue to 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 continue to engage with the Australian Sustainable Finance Institute's (ASFI) development of the Australian taxonomy for sustainable investment.

This will help the growing and rapidly expanding green bonds and other relevant markets to mature more quickly.

Exhibit 23 | Case Study



RACQ reducing investment emissions

In 2024, RACQ set interim targets for reducing the carbon intensity of a small part of its portfolio, including corporate bond and listed equities portfolios. By 2025, RACQ aims to achieve a reduction in carbon intensity of 22% to 32% in this part of the portfolio, progressing to a reduction of 40% to 60% by 2030, and ultimately achieving net-zero emissions by 2050. These targets are consistent with science-based methodologies adopted by the UN-convened Net-Zero Asset Owner Alliance (NZAOA). Because current standards for measuring carbon intensity only apply to listed asset classes, RACQ is committed to refining its strategy as industry standards for other asset classes are developed.

RACQ acknowledges the complexities of managing emissions across the investment spectrum, particularly for non-listed assets. As the investment industry continues to evolve, RACQ plans to refine its reduction targets in line with emerging standards and methodologies. Additionally, the company is set to expand its focus beyond Scope 1 and 2 emissions, aiming to include Scope 3 categories – such as claims supply chain and underwriting – by 2025. By continuously reviewing and enhancing its emissions reduction commitments, RACQ demonstrates its leadership in integrating climate action into its long-term investment strategy.⁶⁵

64. 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'.

65. RACQ (2024) Environment.



Image courtesy of Unsplash.
Story Bridge, Brisbane.

PILLAR 5

Creating a more resilient Australia

Investment now creates long-term benefits

The cost of climate-related extreme weather events is expected to cost Australia \$35.2 billion a year by 2050,⁶⁶ 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.

Research commissioned by the Insurance Council from actuarial consultancy Finity showed that a five-year program of resilience measures costing approximately \$2 billion would be expected to reduce costs to governments and households by more than \$19 billion by 2050, delivering a return on investment of almost 10 times nationally.⁶⁷ The Insurance Council advocated for the Federal Government to double its investment in resilience and mitigation from \$100 million to at least \$200 million a year, or \$1 billion over the next five years, matched by the states and territories, a \$2 billion investment to better protect Australian homes and communities.

In the 2022–23 October Budget, the Federal Government announced a five-year, \$1 billion Disaster Ready Fund for mitigation infrastructure, matched by co-contributions by the states and territories. When matched by state and territories, this is equivalent to \$2 billion.

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.

Extreme weather events are costing Australian homeowners approximately \$4 billion a year, highlighting the need for greater action to future proof Australia's resilience in the face of worsening bushfires, cyclones and floods. This cost includes rebuilding or repairing buildings damaged from extreme weather events, the cost of replacing and repairing home contents, and disruption costs including temporary accommodation and impacts on employment.

Historically, almost all (97 per cent) of Australian expenditure on emergency management has been directed towards recovery rather than proactive resilience and risk mitigation.⁶⁶ 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.

66. McKell Institute for the Insurance Council of Australia (2022) Insurance Catastrophe Resilience Report 2021–22.

67. Finity Consulting (2022) Reaping the rewards of resilience.

68. Productivity Commission (December 2014) Inquiry Report: Natural Disaster Funding Arrangements.

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.

The responsibility to make these changes falls to governments, both state and federally. And while there have already been welcome announcements to do just that – from the Federal Government's \$1 billion Disaster Ready Fund, to state-funded resilience programs being rolled out across high-risk regions in Queensland and New South Wales – more needs to be done.

The Insurance Council and its members have developed a set of policy recommendations, outlined in its report, "Building Australia's Resilience", which charts a path for how we can build on these existing initiatives to create a more resilient Australia, lessening the impact when disaster strikes and ensuring we do not continue to put communities in harm's way.⁶⁹

Taken together, this suite of policy proposals will support all Australians, wherever they live, to be better prepared before disaster strikes and to recover more quickly from unexpected events. The Insurance Council and its members strongly recommend the adoption of these recommendations by state, territory and federal governments. The recommendations include:

Resilience Investment

- Commonwealth disaster mitigation funding should build on the five-year disaster resilience funding announced in the October 2022–23 Budget, to move disaster resilience funding to a ten-year rolling program, as already occurs for land transport and defence funding. Disaster mitigation funding should be indexed from 2023–24 and the full amount of budgeted funding each year into disaster mitigation projects should be invested or rolled into later years. Funding should also be matched by State and Territory Governments.
- The Federal Government and the insurance industry must partner together to identify risk mitigation projects, that deliver a significant return on investment and help put downward pressure on premiums. This is complemented by the development of a national public baseline of current and future hazard risk.

Land Use Planning

- The NSW Government is currently developing a set of national principles to consider disaster and climate risk as part of land use planning and building reforms. The Insurance Council encourages the timely finalisation of these principles to facilitate improved decision-making in all jurisdictions to ensure extreme weather is properly assessed and addressed in planning decisions.
- State and Territory Governments must ensure state and local government planning schemes require consideration of current and future extreme weather risk and use planning powers to limit new development in areas prone to high risk from extreme weather events, such as flooding, bushfires, cyclones, and coastal hazards.

National Construction Code and Standards

- State and Territory Governments must work together to incorporate resilience standards in the National Construction Code (NCC) to improve the resilience of all future building stock and strengthen existing building stock over time through refurbishment.
- A decision in 2024 by Federal and State Building Ministers to include resilience as a specific objective of the Australian Building Codes Board (ABCB) from 2025 is a welcome step towards improving the resilience of Australia's future homes. Providing this mandate to the ABCB will help to ensure the 2028 National Construction Code includes requirements that new homes are future-proofed against worsening extremes.

The Federal Government can support these amendments to the NCC by funding research on the minimal technical requirements needed to improve the resilience of buildings to better withstand current and future extreme weather events. While there have been commendable efforts to change industry practice in recent times, failure to comply with the technical requirements of the NCC is an area requiring improvement to ensure safe and sustainable buildings. A 2021 report by the Centre for International Economics, commissioned by the ABCB, highlighted that up to 72 per cent of residential properties in Australia have defects with an estimated cost of \$2.5 billion per annum. The report also highlighted that the full economic impact could be much worse, citing the example of the Opal Towers building in Western Sydney, where the cost of defects was assessed at \$1 million, however, the full remediation cost exceeded \$27 million.

69. Insurance Council of Australia (2023) Building Australia's Resilience: Policy Recommendations.

To remedy these challenges, the Insurance Council continues to encourage implementation of the recommendations of the Building Confidence Report including nationally consistent requirements for the registration of building practitioners, their enhanced education and training, greater rigour in the certification of design and construction, and improved enforcement.

In addition to these recommendations, 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.

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 24).⁷⁰

Exhibit 24 | Case Study



APRA's Climate Vulnerability Assessment for the insurance sector

Building on its previous Climate Vulnerability Assessment (CVA) of the Australian banking sector, the Australian Prudential Regulation Authority (APRA) launched a CVA for the insurance sector in 2023. The banking CVA had assessed how Australia's five largest banks would operate under two climate scenarios – 1.8°C and 3°C plus of global warming – revealing that climate change could lead to increased lending losses by 2050. While the banking system was deemed resilient enough to absorb these impacts, the assessment highlighted a likely reduction in lending to high-risk areas, such as northern Australia, and to transition industries, like manufacturing and mining.

Insurance is an integral component of Australia's financial system, and affordability is important for its widespread adoption. The insurance CVA, led by APRA, is working with Australia's five largest general insurers to better understand the potential impacts of climate change on home insurance affordability out to 2050.

70. Finity Consulting (2022) Reaping the rewards of resilience, for the Insurance Council of Australia.

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 local governments, as well as working with state and federal governments and agencies to strengthen Australia's resilience.

After advocacy from insurers, in 2022 the Australian Government announced a new partnership called the Hazards Insurance Partnership (HIP), a single touchpoint between the Australian Government and the insurance industry. The HIP aims to bring government and industry together to share data and inform government decisions around mitigation infrastructure and better understand issues facing the insurance industry, with a goal to put downward pressure on insurance premiums.

The Insurance Council is working with the Australian Prudential Regulatory Authority (APRA) on the insurance Climate Vulnerability Assessment (CVA), involving Australia's largest general insurers. The insurance CVA will assess the potential impacts of climate change on home insurance affordability out to 2050.

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.

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 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 and tools created by the Resilient Building Council). 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.

Exhibit 25 | Case Study



Helping customers manage their climate risk at Zurich

In 2021, Zurich launched Zurich Resilience Solutions (ZRS), a global business unit to help companies manage their risks and become more resilient. Operating in 40 countries, including Australia and New Zealand, ZRS draws on the experience of over 700 risk engineers and other experts. Services are provided across several domains, including: climate change resilience; supply chain risk; and cyber security.

In particular, ZRS' Climate Change Resilience Services address the growing threat to businesses and society from climate change and related extreme weather events. This service helps businesses to quantify climate change risk, provide insights on current and potential future risks, and identify adaptation actions that can be implemented now and in the future.

Using this, ZRS capability, Zurich developed the first comprehensive, quantitative climate risk index for an entire critical infrastructure asset class in Australia. The index was used to analyse the impact of climate risk on the national energy generation sector in late 2023, and the risk to the Australian tourism sector in 2024.⁷¹

Exhibit 26 | Case Study



NRMA and Suncorp incentivising homeowners to adopt bushfire safety measures

NRMA and Suncorp introduced potential household insurance premium pricing benefits for customers using the Bushfire Resilience Rating Home Self-Assessment app. The world-first Bushfire Resilience Rating system and free self-assessment app was developed by the Resilient Building Council through Commonwealth Government disaster risk reduction funding. The app enables Australians to assess their site-specific risk and take action to improve their bushfire resilience.⁷²

Since launching in October 2023, more than 19,000 households have accessed the app from across 274 Local Government Areas. Around 6,600 households have taken at least four actions recommended by the app, investing an estimated \$44 million in resilient home improvements.⁷³

Disclaimer: Eligible customers must have a Home Buildings policy with NRMA and Suncorp Group. Eligible premium benefits require an RBC Bushfire Resilience Rating Certification of 3 stars or above. Certification by the RBC is valid for a period of three years from the date of certification and has an associated cost. For information on the certification visit rbccouncil.org/certify-my-rating. The extent of the premium benefits applied is subject to factors including the risk exposure and the certification rating and may not exceed the cost of the certification. No premium benefit is available where NRMA and Suncorp Group assessed that there is no bushfire risk associated with the property.

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

An insurable Australia is a resilient Australia.

By building resilience into the fabric of our built and natural environments and supporting a transition to net-zero, we can mitigate the impacts of a changing climate, making insurance more affordable and accessible for Australians.

The Insurance Council is proud to be the voice for a resilient Australia.

71. Zurich (2024) Zurich Resilience Solutions.

72. Suncorp (2024) Bushfire resilience rating app integrates with new cost-saving initiative from major insurers.

73. Resilient Building Council (2024) Bushfire Resilience Rating system.

Glossary of terms

AASB S2 Climate-related Disclosures

This Standard, when applicable, requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.

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.

Forum for Insurance Transition to Net Zero (FIT)

A UN-convened alliance for insurance market participants (e.g. insurers, reinsurers, brokers) that provides a structured dialogue and multistakeholder forum to support the necessary acceleration and scaling up of voluntary climate action by the insurance industry and key stakeholders.

General insurance

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

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.

International Financial Reporting Standards (IFRS)

A set of accounting rules for the financial statements of public companies that are intended to make them consistent, transparent, and easily comparable around the world.

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.

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.

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.

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.

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.

Glossary of terms cont.

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

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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

