

Industry progress towards net zero

Insurance Council members have made significant progress in setting targets and reducing GHG emissions across their operations, investments and supply chains.

The Insurance Council has more than 45 members representing 85 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 are a cross-section of members representing a total of more than \$51 billion in annual GWP.

Image courtesy of Unsplash.
Adelaide, South Australia.

Actions beyond targets

2025 was a significant year for Australia's climate policy and regulatory landscape. The Australian government adopted its 2035 emissions target of 62–70 per cent reduction from 2005 levels¹, while the National Climate Risk Assessment mapped out vulnerabilities across the economy and the National Adaptation Plan set out adaptive responses.² Mandatory climate-related financial disclosures came into effect in January³, and the Australian Sustainable Finance Taxonomy was launched in June.⁴ This growing momentum creates significant opportunities for insurers, such as underwriting and investing in emerging low-carbon technologies.⁵

The insurance industry remains committed to net zero, focusing on actions to reduce emissions and support society's transition to a low carbon economy. As highlighted in the Insurance Council's 2025 member survey, 60% of respondents have committed to achieving net zero across their entire business (Scope 1, 2 and 3) by 2050. While net zero commitments vary across operations, underwriting, claims supply chain and investments (ranging from 20–60% of respondents having made net zero commitments in each area), actions demonstrate maturing momentum, with 60–90% of respondents actively implementing emission reduction initiatives.



1. Setting our 2035 target and path to net zero – DCCEEW.
2. Assessing Australia's climate risks – DCCEEW.
3. Australian Sustainability Reporting Standards AASB S1 and AASB S2.
4. Australian Taxonomy – ASFI.
5. Australia's bid to host COP31 in partnership with the Pacific – DCCEEW.

The challenge of managing scope 3 emissions, particularly those associated with financed and insured activities, remains complex. Nevertheless, this year's survey results highlight a strategic focus on supporting client transition efforts by underwriting new technologies, promoting climate resilience through new products and services, and applying science-based criteria to encourage best practices in high-emitting industries.

Key barriers to net zero targets

The most significant obstacle cited by respondents to progressing action remains the scarcity of reliable emissions data, particularly for scope 3 emissions, and having to rely on estimated datasets that can undermine confidence in measurement accuracy and decision-making – this has limited the ability of respondents to establish measurable carbon reduction goals within supply chains. Cost constraints represent another barrier for half of the respondents, with an emphasis on maintaining insurance affordability in an evolving market.

The lack of consistent guidance around disclosure requirements for insurance-associated emissions and financed emissions was identified as creating uncertainty for respondents. Nearly all survey respondents emphasised a need for clearer regulation for measuring and disclosing Scope 3 emissions, along with standardised reporting or improved portfolio assessment tools, which would help when addressing underwriting and financed emissions. In response, the Insurance Council, in collaboration with insurers, developed Scope 3 Emissions Industry Guide to support insurers in managing their indirect emissions and engaging more effectively with their supply chains.

Despite the challenges, 70 per cent of surveyed respondents are taking action to reduce emissions within their claims supply chain through educating their claims handlers on low-emission repair options, encouraging suppliers to repair over replace or requiring emission reporting through procurement contracts. More than half of respondents indicated further industry-wide engagement to help suppliers implement low-emission practices, as well as standardised reporting of emissions from clients and suppliers, would help to better manage emissions across underwriting and the claims supply chain.

Mandatory climate disclosures

Under Australia's mandatory climate disclosure regime, 90 per cent of respondents surveyed are Group 1 entities and 10 per cent are Group 2.

- **Building capacity:** 70 per cent of the respondents emphasised the need to build internal capacity to meet mandatory climate disclosure requirements, with 40 per cent already hiring additional staff with specialist expertise.
- **Data challenges:** 60 per cent of respondents highlighted difficulties in gathering consistent emissions data across their business, with particularly low confidence in scope 3 data.
- **Cost pressures:** 60 per cent of respondents identified the cost of assurance, monitoring and compliance activities as a key challenge to meeting the requirements.

Governance evolution and value chain challenges

The introduction of Australia's mandatory climate disclosure regime has catalysed progress, with all respondents' board of directors establishing executive or board-level committees to oversee their organisations' climate or sustainability strategy. The adoption of board-level climate governance across this cross-section of members represents a shift in how insurers are approaching climate risk and the net zero transition, elevating these considerations from operational concerns to strategic imperatives requiring direct board attention and guidance.

Transition planning

Looking ahead, 80 per cent of respondents are developing a formal transition plan or currently have one in place, with a focus on promoting climate resilience through risk expertise and new service offerings that supports the transition to net zero.

Following the release of Australia's Sustainable Finance Taxonomy earlier this year, 30 per cent of respondents are planning to use the taxonomy framework to measure transition plan progress and as part of their underwriting and investment processes.

2025 in review

The Insurance Council (ICA) has expanded its efforts to help members identify and manage climate risks, while working with regulators and governments on policies that reduce emissions and strengthen the resilience of homes and businesses to the impacts of climate change.

MAY

- Submission on Exposure Draft GRI Sector Standards for Insurance
- Submission on AASB/ISSB Amendments to Scope 3 Emissions
- ICA member webinar: Nature-based Solutions in Insurance and Investments
- Launch of the Flood Defence Fund as part of the ICA's Federal Election Platform
- ICA participation in California Department of Insurance's Global Sustainable Insurance Summit
- Release of ICA's Scope 3 Emissions Guide

JUL

- Submission on NSW Net Zero Commission Consultation
- ICA member webinar: Australian Sustainable Finance Taxonomy
- Submission on the Queensland Housing Code

JAN

MAR

- ICA member webinar: Mandatory Climate Disclosures – Lessons from New Zealand

- 2025–2026 pre-budget submission
- Submission on Exposure Draft Amendments to IFRS S2
- Submission on Treasury's Consultation on designing a single, flexible standard setting body
- Submission on PCAF Consultation on New Methodologies – Treaty Insurance and Project Insurance

FEB

APR

- ICA and member Electric Vehicle (EV) Repair Shop Site Visit – EV Challenges and Solutions
- ICA member webinar: Insurtech in Australia – Addressing climate risk and promoting resilience

JUN

- Hazards Insurance Partnership meeting
- ICA workshop on enhancing disaster resilience in Indigenous communities

SEP

- Submission on Treasury's Transition Planning Guidance Consultation
- Submission on Productivity Commission's Interim Report – Investing in cheaper, cleaner energy and the net zero transformation
- ICA insurance delegation to London, Munich and Zurich with Assistant Treasurer Daniel Mulino
- ICA's Flood Defence Fund wins NSW Resilient Australia Business Award
- Submission to Queensland Productivity Commission on construction productivity

NOV

- ICA and Healthy Land & Water Community Workshop – Rainscaping for Resilience
- Commence Phase 2 of Flood Defence Fund
- ICA member webinar: Resilient design for the built environment
- ICA hosted delegation from China Pacific Insurance Company alongside ANZIIIF to contrast the natural disaster protection gap across markets and risk pooling approaches
- ICA hosted the Australia–Indonesia Financial Leaders' Program in partnership with Otoritas Jasa Keuangan (OJK)



Scope 3 Insurance Industry Guide

In 2025, the ICA released the Scope 3 Insurance Industry Guide, a resource designed to support general insurers in measuring, managing, and disclosing indirect (Scope 3) emissions. Developed in collaboration with the ICA's Net Zero Working Group, the guide responds to growing regulatory and stakeholder expectations under the Australian Sustainability Reporting Standard AASB S2.

The guide comprises two parts: Part A presents an eight-stage framework that helps insurers address the complexities of reporting emissions linked to home and motor claims. Part B, the Decarbonisation Supply Chain Engagement Roadmap, sets out a five-stage process to engage suppliers and reduce emissions across claims supply chains – particularly in motor and home repairs, which are major contributors to insurers' carbon footprints. This resource provides a practical and consistent approach for insurers to accelerate decarbonisation and strengthen climate accountability across the sector.

DEC



- ICA's 2025 conference – Futureproofing Australia: Innovation, resilience, and leadership in a risky world
- Release of the ICA's Insurance Catastrophe Resilience Report 2024–25
- ICA and Healthy Land & Water community workshop – Rainscaping for Resilience
- Hazards Insurance Partnership meeting

OCT

AUG

- ICA participation in Australian Government's Climate Change Roundtable
- ICA joins coalition of 27 organisations with a joint proposal to Australian Government's Economic Reform Roundtable, outlining priority reforms to boost national economic activity