



INSURANCE ASSOCIATED EMISSIONS

TOP TIPS FOR FINANCE TEAMS OF
INSURERS AND REINSURERS



○ CONTENTS

■ ABOUT THIS GUIDANCE	3
■ INTRODUCTION	4
■ The role of the finance team	4
■ The PCAF Standard	4
■ TOP TIPS FOR CALCULATING INSURANCE-ASSOCIATED EMISSIONS	6
■ OTHER TYPES OF EMISSIONS	9
■ A4S RESOURCES	10
■ GLOSSARY AND ACRONYMS	11
■ ABOUT A4S	12
■ ACKNOWLEDGEMENTS	13

○ ABOUT THIS GUIDANCE

This Top Tips guidance is designed to help finance teams of insurers and reinsurers (collectively known throughout this guide as re/insurers) get started with calculating an insurance-associated emissions baseline. It sits alongside our guides, [Financed Emissions – Top Tips for Finance Teams of Financial Institutions](#) and [Facilitated Emissions – Top Tips for Finance Teams of Financial Institutions](#). Although insurance-associated emissions and financed emissions are distinct and should be reported separately, some of the challenges and tips for overcoming them are the same or similar.

The content of this guidance was informed through publicly available information and insights from interviews we held with re/insurers and other experts around the world.

We acknowledge that calculating your insurance-associated emissions baseline is only part of the process for re/insurers. The baseline needs to be accompanied by emissions-reduction targets, engagement with insured counterparties and collective action to decarbonize the economy. Further information can be found in the [A4S resources](#) section.

DEFINITIONS

Insurance-associated emissions, as defined by the Partnership for Carbon Accounting Financials (PCAF), are “GHG emissions in the real economy, which are associated with specific re/insurance policies aggregated in the re/insurance portfolio”.¹

Scope 3 emissions, as defined by the Greenhouse Gas Protocol, are “all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions”.²



“Climate change risks an uninsurable world. Insurers and reinsurers are acutely impacted by climate change, but they also have a pivotal role to play in decarbonizing the economy. Calculating and reporting emissions – across all scopes – are vital steps we must take towards reducing and ultimately eliminating emissions, and this is no different in the insurance industry. There are challenges, but finance teams are well positioned and appropriately skilled to lead the way, such as through helping re/insurers to get started in calculating an emissions baseline.”

Helen Slinger, Executive Director, A4S

1. PCAF, [Global GHG Accounting and Reporting Standard Part C](#), 2022

2. GHG Protocol, [FAQ](#) (accessed 25 October 2023)

IMPORTANT INFORMATION

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. We recommend that you obtain specific professional advice before acting or refraining from action on any of the contents of this publication. Accounting for Sustainability accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

○ INTRODUCTION

The underwriting activities of re/insurers are essential to helping organizations manage their risks – risks to the organizations themselves, to their employees or to other members of the public. In some cases, insurance is also required by legislation or contract. Re/insurers therefore have a central role in the global economy. Without insurance, markets as we know them today simply cannot function.

In recent years, awareness has sharply increased of the significance of climate change and the risks it poses to businesses. The need to achieve net zero is now firmly on the global business and finance agenda, and re/insurers have a significant role to play in supporting decarbonization across the economy. One of the first steps for re/insurers is to understand your own insurance-associated emissions in order to calculate your baseline.

Insurance-associated emissions are a type of scope 3 emission. They often represent a significant proportion of re/insurers' greenhouse gas (GHG) emissions.

Measuring and monitoring insurance-associated emissions data enables a re/insurer to:

- Develop a strategy to reduce emissions
- Set net zero targets
- Track progress
- Prioritize research and development activities and engagement more effectively
- Meet investors' expectations
- Limit climate risk exposure
- Participate in competitive tender processes³
- Fulfil regulatory requirements

THE ROLE OF THE FINANCE TEAM

The finance team can play a leading or supporting role in calculating an insurance-associated emissions baseline, leveraging their expertise in handling financial information. The finance team brings skills such as interpreting guidance, setting up governance frameworks, analysing and reconciling data, establishing controls, and reporting.

Further practical actions that can be taken by finance teams on supporting a net zero commitment can be found in our **Net Zero Practical Guide for Finance Teams of Banks**, which offers practical guidance on overcoming data challenges, some of which are also relevant to finance teams of re/insurers. A practical example of how re/insurers are approaching insurance-associated emissions can be found in our **Allianz case study**.



THE PCAF STANDARD

There is currently no internationally regulated guidance for calculating insurance-associated emissions. However, many financial institutions follow the approach to measuring and reporting emissions associated with re/insurance underwriting portfolios published by the Partnership for Carbon Accounting Financials (PCAF) in November 2022. This forms Part C of the Global GHG Accounting and Reporting Standard (the PCAF Standard), and it is the first global standard for measuring and reporting insurance-associated emissions. Part C builds on other work by PCAF on financed emissions (Part A).

Applying the PCAF Standard can help you calculate your GHG emissions baseline. While organizations can use different methodologies to calculate insurance-associated emissions – including those developed in-house – this guidance references the PCAF Standard, to encourage standardization and to enable comparison and benchmarking.

Part C of the PCAF Standard currently provides a methodology for accounting for insurance-associated emissions for two business areas: commercial lines and personal motor lines. This will be expanded in the future.⁴

3. Some organizations require emissions information as part of their procurement process.

4. PCAF, [FAQ on insurance-associated emissions](#) (accessed 7 November 2023)

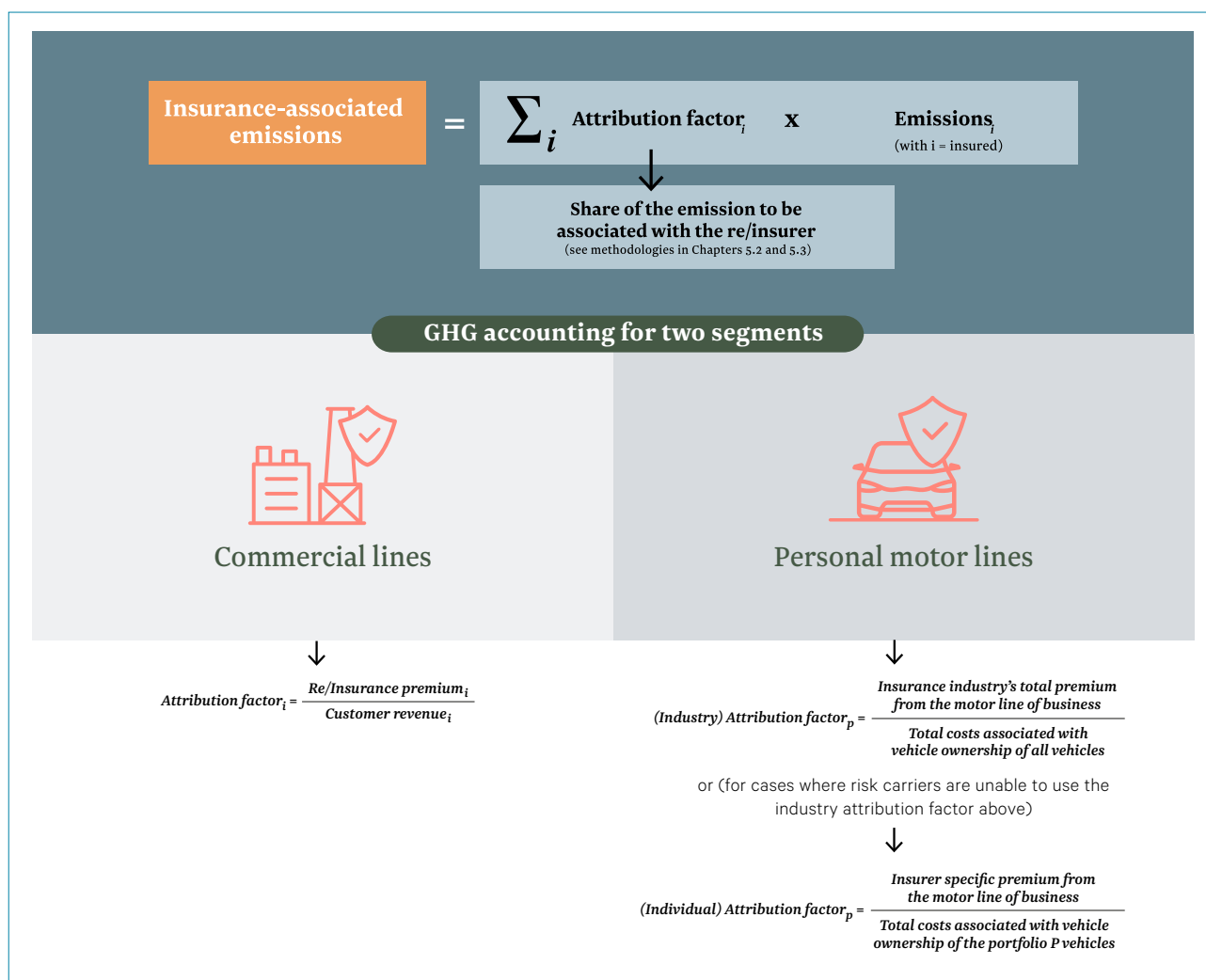


Figure 1: PCAF calculation for insurance-associated emissions (source: PCAF, [Global GHG Accounting and Reporting Standard Part C](#), 2022)

INSURANCE-ASSOCIATED EMISSIONS VERSUS FINANCED EMISSIONS

PCAF guidance is to report financed and insurance-associated emissions separately.

Financed emissions are absolute emissions that banks and investors finance through their loans and investments (see **Other types of emissions**). Reporting these separately from insurance-associated emissions better reflects the different types of relationship between an investor or lender and an insurance provider.

Unlike investing or lending, re/insurance activity does not involve any ownership or financial control over the insured counterparty. The engagement levers that re/insurers have access to when dealing with their clients therefore differs from those of other financial institutions.⁵



“The core difference between financed and insurance-associated emissions is the nature of the relationship of the financial institution with the client.”

The PCAF Standard, Part C

5. Arguably, re/insurers face greater challenges than investors or lenders when it comes to influencing the behaviour of their clients, although such influence is critical to supporting economy-wide decarbonization.

○ TOP TIPS FOR CALCULATING INSURANCE-ASSOCIATED EMISSIONS

The following top tips are designed to help re/insurers – with some additional specific tips for your finance teams – with getting started on calculating your insurance-associated emissions baseline, supported by practical examples (see the [A4S resources section](#)).

CONSIDER THE PCAF STANDARD

Part C of the PCAF Standard covers personal motor and commercial lines, making these segments a good place to start. In applying this methodology, you can develop an understanding of the standard that will be helpful as it continues to develop into more business lines. Using a consistent methodology for calculating a baseline can help prevent divergence in approach between different re/insurers.

Finance team-specific tip: You could position your team as a subject matter expert on the PCAF Standard within the organization, drawing on your expertise in understanding and applying financial guidance and standards.



ENSURE THAT YOUR BASELINE INFORMS YOUR TRANSITION PLANNING

Developing a baseline in isolation will not drive any meaningful change. Once developed, you should analyse your baseline to obtain insights that will guide your real world decarbonization approach – that is, a baseline can be used to identify emissions hotspots. You should also use the baseline to set and track progress against targets and inform your implementation and engagement activities. The key is making sure that information gathered is used for decision making and steering.

Finance team-specific tip: Use your skill set to ensure robust data is collected and used to progress your transition plan, for example:

- Identifying emissions hotspots in your facilitation activities which will help you focus efforts on high emissions activities
- Using the baseline information to establish targets
- Setting up processes for tracking and reporting progress internally towards the targets
- Ensuring that the data is used to drive decisions, eg by reporting progress regularly to decision makers and/or by linking to remuneration.
- Completing analysis to benchmark clients against a climate leader or a disruptive alternative



Further information on transforming your decisions to accomplish a net zero strategy can be found on page 16 of our [Net Zero Guidance](#).

REFINE YOUR APPROACH

When following the methodology for the segments covered in Part C of the PCAF Standard, consider starting by focusing on specific operating entities or lines of business that have high emissions and where the quality of data is good. Focusing on a smaller subset of your portfolio to start with can enable you to establish and strengthen your processes, governance and controls before expanding to cover other operating entities or lines of business.

Drawing on external expertise and peers' work in this space will help you refine your work further.

Finance team-specific tip: Leveraging your data consolidation and analytical skills, you can help determine which areas to focus on within the personal motor and commercial lines.



DRAW ON THE RIGHT EXPERTISE

For a more effective process, make sure that the responsibility for calculating and measuring insurance-associated emissions is allocated to those with the right skills – which can mean setting up a cross-functional team. Teams involved could include:

- **The pricing team** – will likely have access to mileage data that can be used to calculate emissions for personal motor lines
- **The finance team** – can use their processes for collating financial data to gather, analyse and report insurance-associated emissions data
- **Operational teams** – can be given responsibility for data collection, completing calculations or sense-checking calculations once complete

Externally, brokers and other intermediaries could help you to collect and verify GHG emissions data, if you do not interact directly with the businesses you insure.

Your existing processes, controls and governance for financial information can be used as a robust starting point for insurance-associated emissions information, to strengthen data management.

Finance team-specific tip: You can apply your skills in establishing governance processes to set up a cross-functional working group with clear roles and responsibilities and help to share learnings across the organization. You can also use your in-depth knowledge of the approach taken for financial information to ensure that insurance-associated emissions information is handled appropriately.



EMBRACE THE DATA CHALLENGE

Data availability presents a key challenge for calculating both insurance-associated and financed emissions. Our [financed emissions top tips guide](#) offers practical guidance on overcoming data challenges. The PCAF Standard includes different approaches to measuring emissions depending on the type of data available, identifies potential sources of external data and provides guidance on data quality scoring. With these resources available, data limitations should not deter you from beginning to measure your insurance-associated emissions.

Finance team-specific tip: Using your skills in interpreting guidance and sourcing data, you can review the PCAF Standard to assess potential sources of data and consider whether data can be sourced through existing data providers. You can also act as the gatekeeper for whether the quality of data is high enough to be included in external reporting.



BUILD CAPACITY

Measuring insurance-associated emissions is a new approach, and not all employees will understand its importance. Regular knowledge-sharing and upskilling can help to address the gap. You can build capacity by incorporating insurance-associated emissions into existing technical training, introducing new dedicated training, or providing regular touchpoints and status updates across your operating entities.

Finance team-specific tip: You can contribute to work on upskilling employees by embedding information on insurance-associated emissions into standard continuous professional development within the finance function or by providing the 'finance perspective' in cross-department training.



ITERATE AND IMPROVE YOUR BASELINE

Begin looking at the data and trying to calculate a baseline now. Your first attempt will not be perfect, but it does represent a crucial initial step – and provides a platform from which you can identify challenges and improve your approach. Even working with imperfect data will help you to refine your processes and procedures so that data quality can be improved over time. It's common to go through several iterations before a baseline can be reported externally, so starting early is useful.

Finance team-specific tip: Drawing on your accountancy skills, you can assess the control environment for the baseline calculation. You can use different members of the finance team, ie not those involved in setting up the controls, to critique and test the rigour of the governance, processes and controls in place for establishing an insurance-associated emissions baseline.



CLEARLY COMMUNICATE YOUR APPROACH

It is unlikely that you will be able to report your full baseline and have absolute certainty over the accuracy of all the numbers. When reporting your baseline, communicate clearly – both internally and externally – what is in and out of scope, as well as any challenges relating to the quality of the data.

If you are applying the PCAF Standard, you may find it helpful to supplement this by developing an internal methodology that translates PCAF terminology into internal terminology – this internal methodology can detail what is in scope for your organization and signpost internal tools.

Finance team-specific tip: You can use your reporting skills to guide internal communications and work with other teams, such as risk and legal teams, to determine how information should be communicated externally. You can also assist or lead on developing an internal methodology, making sure that you use terminology that is consistent with your financial systems.



EXPAND AND DEVELOP YOUR APPROACH

This is an evolving area. Methodologies, including the PCAF methodology, are expanding and the quality of data is likely to improve. Stay aware of changing practices so that you can adapt your own insurance-associated emissions calculation as needed.

The two segments that are – at least in part – currently covered by PCAF (commercial lines and personal motor vehicles) are unlikely to cover all areas of your portfolio. For lines of business where methodologies do not currently exist, you may choose to adapt existing methodologies from other types of insurance to get started, adjusting your approach as new guidance emerges. This means you can avoid attributing zero emissions to segments not yet covered by the guidance, but it does increase the risk of divergence across the industry.

Finance team-specific tip: You can leverage existing horizon-scanning processes to stay informed about the latest guidance from PCAF and others, ensuring that this is then fed into your organization's approach.



ALLIANZ: SETTING A BASELINE FOR INSURANCE-ASSOCIATED EMISSIONS

Further information on developing an internal methodology can be found in our Allianz case study.

[Find out more](#)

○ OTHER TYPES OF EMISSIONS

Accounting for facilitated and insurance-associated emissions is not yet as developed as it is for financed emissions. Many of the data challenges and steps needed to overcome these challenges are similar, though. A4S has published guidance on calculating a baseline for [financed emissions](#) and [facilitated emissions](#) (see Table 1 for definitions). In recognition of the differences between financed, facilitated and insurance-associated emissions, the PCAF Standard recommends that they are each reported separately. For each, further guidance on how the different scopes should be reported can be found in the PCAF Standard.

Table 1: Defining financed, facilitated and insurance-associated emissions for financial institutions⁶

Financial Institution Activities											
Emissions accounting term	Financed emissions	Facilitated emissions	Insurance-associated emissions								
Type of activity	Lending and investment provided to clients, generating interest or dividend returns	Capital market facilitation services to clients for fees, eg as a bookrunner	Insurance and re/insurance services provided to clients for a premium								
PCAF definition	Emissions that banks and investors finance through their loans and investments	Emissions associated with the issuance of capital market instruments	Emissions associated with re/insurance underwriting portfolios								
What should be measured	Annual corporate accounting and disclosure of emissions at a fixed point in time and in line with financial accounting periods. The categories of emissions shown below should be reported separately. The financial institution accounts for its portion of emissions based on an attribution factor.										
Categories of emissions covered	1. Scope 1 and scope 2 emissions of borrowers and investees across all sectors	1. Scope 1 and 2 emissions of issuers raising capital across all sectors	1. Scope 1 and scope 2 emissions of the re/insured client or asset across all sectors								
	2. Scope 3 reporting for lending to and making investments in companies in certain sectors*	2. Scope 3 for certain sectors*	2. Scope 3 emissions to the extent that such numbers are available and represent reasonable and verifiable estimates								
	3. Emission removals** (listed equity and corporate bonds, business loans and unlisted equity, and project finance)***	3. Emissions removals****	3. Emission removals****								
	4. Avoided emissions** (project finance)***	4. Avoided emissions****	4. Avoided emissions****								
Notes:	* <table><tr><th>Phase-in period</th><th>NACE division sectors considered*****</th></tr><tr><td>For reports published in 2021 onwards</td><td>At least energy (oil & gas) and mining (ie NACE L2: 05–09, 19, 20)</td></tr><tr><td>For reports published in 2023 onwards</td><td>At least transportation, construction, buildings, materials and industrial activities (ie NACE L2: 10–18, 21–33, 41–43, 49–53, 81)</td></tr><tr><td>For reports published in 2025 onwards</td><td>Every sector</td></tr></table>			Phase-in period	NACE division sectors considered*****	For reports published in 2021 onwards	At least energy (oil & gas) and mining (ie NACE L2: 05–09, 19, 20)	For reports published in 2023 onwards	At least transportation, construction, buildings, materials and industrial activities (ie NACE L2: 10–18, 21–33, 41–43, 49–53, 81)	For reports published in 2025 onwards	Every sector
	Phase-in period	NACE division sectors considered*****									
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	For reports published in 2023 onwards	At least transportation, construction, buildings, materials and industrial activities (ie NACE L2: 10–18, 21–33, 41–43, 49–53, 81)									
	For reports published in 2025 onwards	Every sector									
** Where methodologies and data are available.											
*** Methods provided in latest PCAF Standard.											
**** Guidance not currently provided in PCAF Standard, so financial institutions are therefore advised to disclose their methodology.											
***** NACE codes provide the statistical classification of economic activities in the European community.											

6. The Partnership for Carbon Accounting Financials (PCAF) is an industry-led partnership established to facilitate transparency and accountability of the financial industry on emissions measurement and disclosure. The PCAF Standard has three parts, covering detailed methodological guidance for financed emissions, facilitated emissions and insurance-associated emissions. The PCAF Standard conforms with the requirements of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The sovereign debt methodology and guidance on emissions removals are still pending GHG protocol review and approval.

○ A4S RESOURCES

INSURANCE-ASSOCIATED EMISSIONS



[Insurance-associated emissions webinar – the what, why and how](#) in conversations with Allianz, Aviva and PCAF



[Allianz case study: Setting a Baseline for Insurance-associated Emissions](#)

FINANCED EMISSIONS



[Financed Emissions – Top Tips for Finance Teams of Financial Institutions](#)



[Lloyds Banking Group case study: Setting Sector-level Targets](#)



[ABN AMRO case study: Measuring, Reporting, Steering – Our Three-step Approach to Financed Emissions](#)



[NatWest Group case study: Reducing Financed Emissions to Meet Our Climate Ambition case study](#)



[The role of finance professionals in accounting for financed emissions webinar](#) in conversation with Standard Chartered, First Rand Bank, NatWest and British International Investment



[The role of finance professionals in accounting for financed emissions webinar](#) in conversation with Amalgamated Bank, Citi and NatWest



[Accounting for financed emissions webinar](#) in conversation with ABN AMRO, NatWest and PCAF

FACILITATED EMISSIONS



[Barclays case study: Developing our Financed and Facilitated Emissions Methodology](#)



[Facilitated emissions – Top Tips for Finance Teams of Financial Institutions](#)

TRANSITION PLANNING

Measuring and reducing scope 3 emissions form part of transition planning for financial institutions and their clients. The guidance and case studies below provide more information on transition planning.



[Transition plan webpage](#)



[SSE case study: Developing a Net Zero Transition Plan – Setting, Tracking and Reporting Targets](#)



[NatWest case study: Transition Planning](#)

NET ZERO GUIDANCE AND CASE STUDIES



[Net zero webpage](#)



[Net Zero: A Practical Guide for Finance Teams of Banks](#)



[Net Zero Practical Examples](#)



[Top Tips for CFOs](#)



[Top Tips for Pension Scheme Trustees](#)

ESSENTIAL GUIDES



[A4S Essential Guide to Incentivizing Action Along the Value Chain](#)



[A4S Essential Guide to Valuations and Climate Change](#)

○ GLOSSARY AND ACRONYMS

Absolute emissions	“Volume of greenhouse gas (GHG) emissions expressed in tonnes CO ₂ e.”^^
Attribution factor	The share of total GHG emissions associated with the specific loan or investment, re/ insurance cover or facilitated activity provided by the financial institution.^
Avoided emissions	“Avoided GHG emissions in the real economy, i.e., the difference between project and baseline emissions.”^^
Emissions intensity	“Emissions per a specific unit.”^^ For example, for financed emissions this may be tonnes of CO ₂ e per £m invested or per MWh produced. The insurance-associated emissions associated with vehicles may be expressed as gCO ₂ emitted per km driven.^
Emissions removals	“The action of removing GHG emissions from the atmosphere and store it through various means, such as in soils, trees, underground reservoirs, rocks, the ocean, and even products like concrete and carbon fiber.”^^
GHG	Greenhouse gas
NACE	Nomenclature of Economic Activities
Scope 1	“Direct GHG emissions that occur from sources owned or controlled by the reporting company, i.e. emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.”^^
Scope 2	“Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company. Scope 2 emissions physically occur at the facility where the electricity, steam, heating, or cooling is generated.”^^
Scope 3	“All other indirect GHG emissions (not included in Scope 2) that occur in the value chain of the reporting company. Scope 3 can be broken down into upstream emissions and downstream emissions.
	Upstream emissions include all emissions that occur in the life cycle of a material/ product/service up to the point of sale by the producer, such as from the production or extraction of purchased materials.
	Downstream emissions include all emissions that occur as a consequence of the distribution, storage, use, and end-of-life treatment of the organization's products or services.”^^

^ Definition based on the PCAF Standard

^^ Definition taken directly from the PCAF Standard

○ ABOUT A4S

A4S was established by HM King Charles III in 2004 to make sustainable business, business as usual. We are part of the King Charles III Charitable Fund Group of Charities.

We work with the global finance and accounting community to:

- Inspire finance leaders to adopt sustainable and resilient business models
- Transform financial decision making to respond to the opportunities and risks posed by the climate crisis and other environment and social issues
- Scale up action to transition to a sustainable economy

A4S leverages its global networks, including the CFO Leadership Network, Circles of Practice, Accounting Bodies Network and Asset Owners Network, to enable the finance and accounting community to take a leadership role on sustainability. Through our outreach activities and Academy learning and implementation programme, we empower and equip finance and accounting teams to embed sustainability in their organizations.

THE A4S ESSENTIAL GUIDE SERIES

LEAD THE WAY

Developing a strategic response to macro sustainability trends

- ▶ Managing Future Uncertainty
- ▶ Engaging the Board and Executive Management
- ▶ Finance Culture
- ▶ Incentivizing Action

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Integrating material sustainability factors into decision making

- ▶ Strategic Planning, Budgeting and Forecasting
- ▶ Management Information
- ▶ Capex

MEASURE WHAT MATTERS

Developing measurement and valuation tools

- ▶ Natural and Social Capital Accounting
- ▶ Social and Human Capital Accounting
- ▶ Valuations and Climate Change

ACCESS FINANCE

Engaging with finance providers on the drivers of sustainable value

- ▶ Enhancing Investor Engagement
- ▶ Debt Finance
- ▶ Implementing the TCFD Recommendations
- ▶ Implementing a Sustainable Finance Framework

[Download the guides](#)

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