

Executive Summary

Insurance-Associated Emissions

The GLOBAL GHG ACCOUNTING & REPORTING **Standard** / PART **C**



PCAFA

Partnership for
Carbon Accounting
Financials

First Version
November 2022

Executive summary

The Partnership for Carbon Accounting Financials (PCAF) is an industry-led initiative that helps financial institutions assess and disclose their indirect greenhouse gas (GHG) emissions (scope 3 emissions). GHG accounting refers to the processes required to consistently measure and report the amount of GHGs generated, avoided, or removed by an entity, allowing it to track and report these emissions over time. It enables financial institutions to disclose these emissions at a fixed point in time and in line with financial accounting periods.

Until now, there has not been a globally accepted standard for measuring and reporting emissions associated with re/insurance underwriting portfolios (“insurance-associated emissions”). Responding to increasing demand from the insurance industry and other stakeholders, PCAF developed the Global GHG Accounting and Reporting Standard for Insurance-Associated Emissions. This new Standard constitutes Part C of PCAF’s Global GHG Accounting and Reporting Standard for the Financial Industry. As such, this Standard supplements the requirements of the GHG Protocol “Corporate Value Chain (Scope 3) Accounting and Reporting Standard” .

This document is the first version of the Insurance-Associated Emissions Standard. It provides detailed methodological guidance for the measurement and disclosure of GHG emissions associated with two segments:



Commercial lines



Personal motor lines

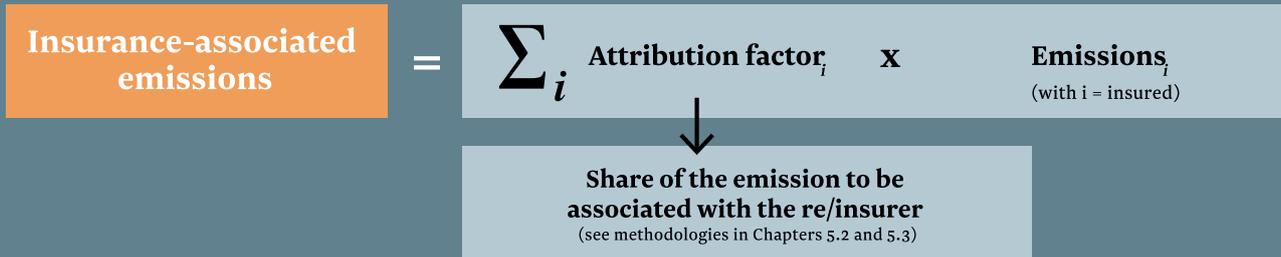
The Standard provides detailed guidance for each segment to calculate the insurance-associated emissions resulting from activities in the real economy that are re/insured. Emissions are associated with re/insurance portfolios based on robust, consistent accounting rules specific to each segment. By following the methodologies, re/insurers can measure GHG emissions for each segment and produce disclosures that are consistent, comparable, reliable, and clear.

Limited data is often the main challenge in calculating insurance-associated emissions; however, data limitations should not deter re/insurers from starting their GHG accounting journeys. The Standard provides guidance on data quality scoring per segment, facilitating data transparency and encouraging improvements to data quality in the medium and long term.

This Standard also provides recommendations and requirements for reporting. Any requirements not fulfilled must be accompanied by an explanation.

Using this Standard equips the re/insurance industry with standardised, robust methods to measure and disclose insurance-associated emissions.

FORMULAS TO CALCULATE INSURANCE-ASSOCIATED EMISSIONS



GHG accounting for two segments



Commercial lines



Personal motor lines

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$$\text{Attribution factor}_i = \frac{\text{Re/Insurance premium}_i}{\text{Customer revenue}_i}$$

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$$\text{(Industry) Attribution factor}_p = \frac{\text{Insurance industry's total premium from the motor line of business}}{\text{Total costs associated with vehicle ownership of all vehicles}}$$

or (for cases where risk carriers are unable to use the industry attribution factor above)

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$$\text{(Individual) Attribution factor}_p = \frac{\text{Insurer specific premium from the motor line of business}}{\text{Total costs associated with vehicle ownership of the portfolio P vehicles}}$$

OVER 329 FINANCIAL INSTITUTIONS, WITH OVER \$ 81 TRILLION IN FINANCIAL ASSETS COMMITTED TO PCAF (NOVEMBER 2022)



Acknowledgements

In September 2019, the Partnership for Carbon Accounting Financials (PCAF) was launched globally to harmonise greenhouse gas (GHG) accounting methods and to enable financial institutions to consistently measure and disclose the GHG emissions financed by their loans and investments (so-called financed emissions). In 2020, the first version of The Global GHG Accounting & Reporting Standard for the Financial Industry (the "Financed Emissions Standard") was launched.

As an industry-led partnership, PCAF is governed by a Steering Committee formed by ABN AMRO, Amalgamated Bank, ASN Bank, the Global Alliance for Banking on Values, Morgan Stanley, NMB Bank, Triodos Bank, and a representative from the United Nations (UN)-convened Net-Zero Asset Owner Alliance. At the time of publishing this document, more than 329 financial institutions, including banks, investors, asset managers, re/insurers, participate in PCAF.¹

A new PCAF working group was initiated in October 2021 to co-create a separate global GHG accounting & reporting standard for emissions associated with re/insurance underwriting portfolios (i.e., Insurance-Associated Emissions Standard). This Standard is Part C of the overall Global GHG Accounting & Reporting Standard for the Financial Industry. The 16 members of the PCAF Insurance-Associated Emissions Working Group are depicted below:



The PCAF Secretariat and Swiss Re, as Chair of the Working Group focusing on insurance-associated emissions, facilitated the Working Group's activities by moderating their technical discussions, reviewing the content, and compiling and editing this document. The PCAF Secretariat is operated by Guidehouse, a global consultancy firm specialising in energy, sustainability, risk, and compliance for the financial industry.

Throughout the development of this Standard, PCAF has engaged with stakeholders to solicit feedback, discuss PCAF methodological approaches, and consider their comments and suggestions. PCAF published a "Scoping Document" for targeted consultation in March 2022. During July and August 2022, PCAF issued a public consultation on a "Progress Report" to facilitate a public consultation with regulators, the re/insurance industry, brokers, policymakers, data providers, consultants, academia, non-governmental organizations (NGOs), and insurance associations.

¹ The full list of PCAF participants can be found at:
<https://carbonaccountingfinancials.com/financial-institutions-taking-action#overview-of-institutions>

Important note

The Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting and Reporting Standard for the Insurance Industry ("Insurance-Associated Emissions Standard") derives from the work conducted by the PCAF's Insurance-Associated Emissions Working Group ("Working Group").

The Working Group has, at all times, sought to ensure that the accounting methodologies and reporting requirements proposed in this Standard are compatible with applicable law, including antitrust laws. The development of the methodologies and reporting requirements set out in this Standard, including associated discussions and work undertaken by the Working Group, has been undertaken in compliance with applicable laws, including antitrust laws.

The methodologies and the context provided (e.g., examples of the possible use of such methodologies) in this Standard are not to be construed as prescriptive. The adoption and use of the methodologies discussed or included in this Standard are voluntary and must be determined independently by each company.

The use of such methodologies by a company is subject to applicable laws, rules and regulations in the jurisdictions in which that company operates. In case of conflict of applicable laws, rules and regulations with the methodologies or the reporting requirements described in this Standard, the applicable laws, rules and regulations shall prevail, but any deviations from the Standard should be highlighted to protect the goal and value of the Insurance-Associated Emissions Standard.

The work leading to the adoption of this Standard included a public consultation on the proposed methodologies for measuring and reporting insurance-associated emissions. The consultation was open to all interested parties, including regulators, participants from across the re/insurance industry, brokers, policymakers, data providers, consultants, academia, non-governmental organizations (NGOs), associations of insureds, and civil society as a whole. The Working Group considered the input and feedback received during the consultation process, which were reflected in this Standard, to the extent it was feasible and implementable and compatible with applicable laws and regulations.

