



finance  
initiative



# The UN-convened Net-Zero Insurance Alliance (NZIA)

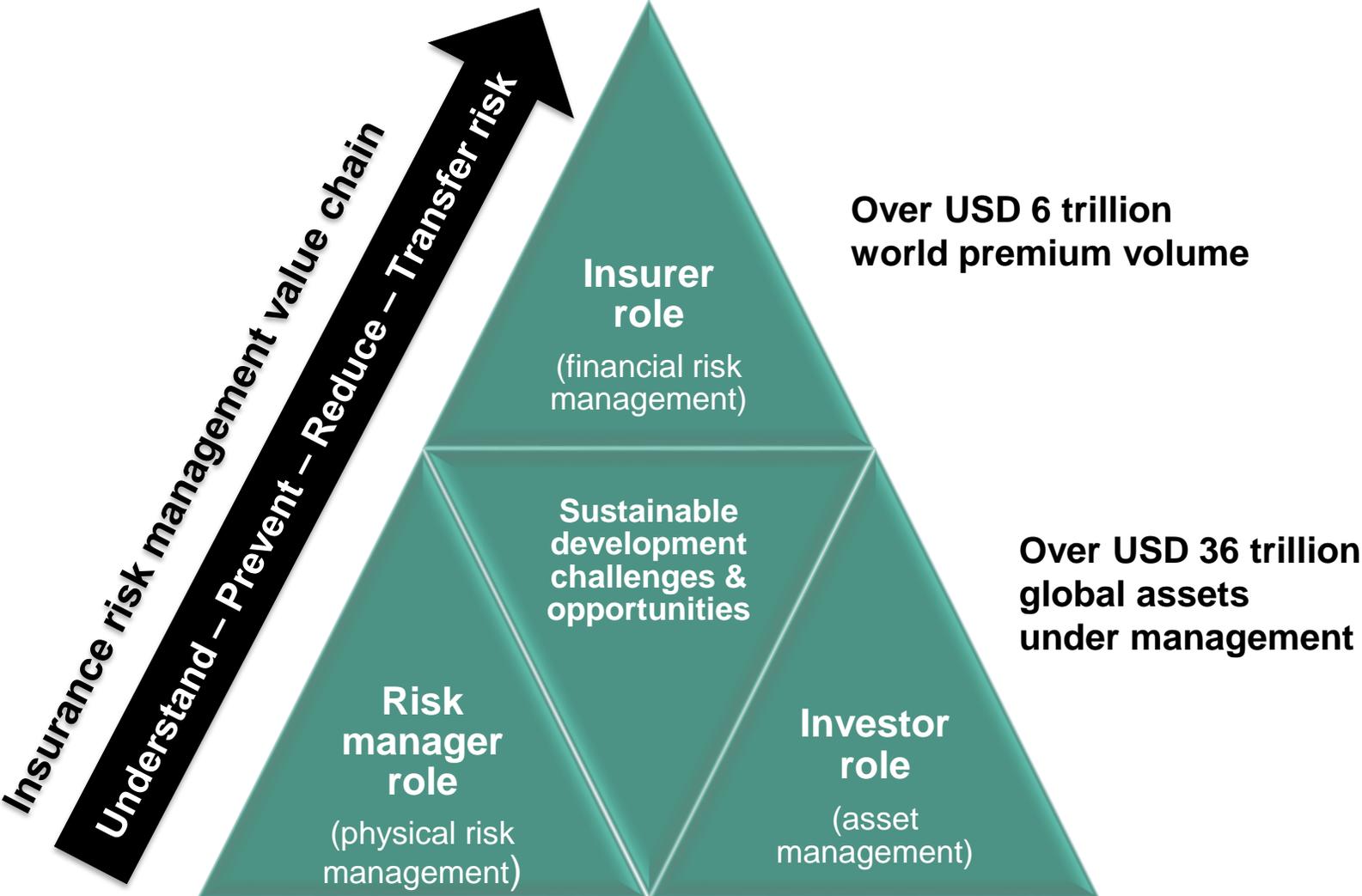
29 November 2021

Butch Bacani

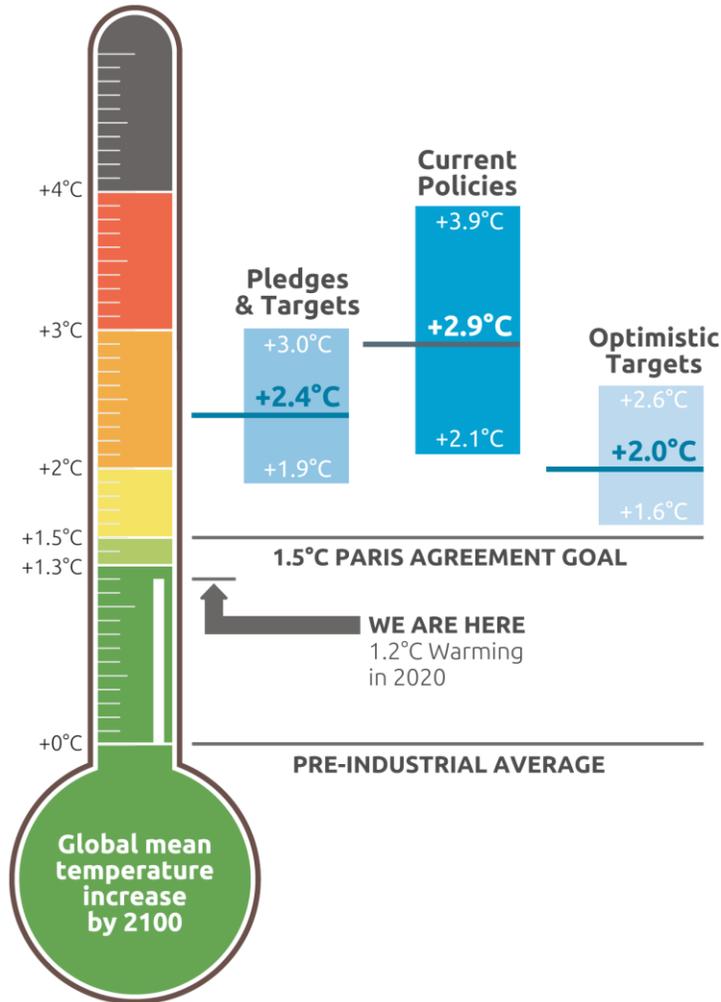
Programme Leader

UN Environment Programme's Principles for Sustainable Insurance Initiative

# The triple role of the insurance industry in sustainable development



# Global mean temperature increase by 2100 since pre-industrial levels: What is our trajectory?



CAT warming projections  
**Global temperature increase by 2100**

May 2021 Update

Sixth Assessment Report  
**WORKING GROUP I**  
 The Physical Science Basis

ipcc  
 INTERGOVERNMENTAL PANEL ON climate change  
 WHO UNEF

**IPCC Working Group I Report is a code red for humanity.**

ANTÓNIO GUTERRES  
 UNITED NATIONS SECRETARY-GENERAL

#IPCC  
 #ClimateReport

Sixth Assessment Report  
**WORKING GROUP I**  
 The Physical Science Basis

ipcc  
 INTERGOVERNMENTAL PANEL ON climate change  
 WHO UNEF

**Climate change widespread, rapid, and intensifying – IPCC**

#IPCC  
 #ClimateReport

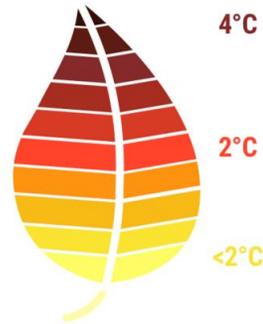
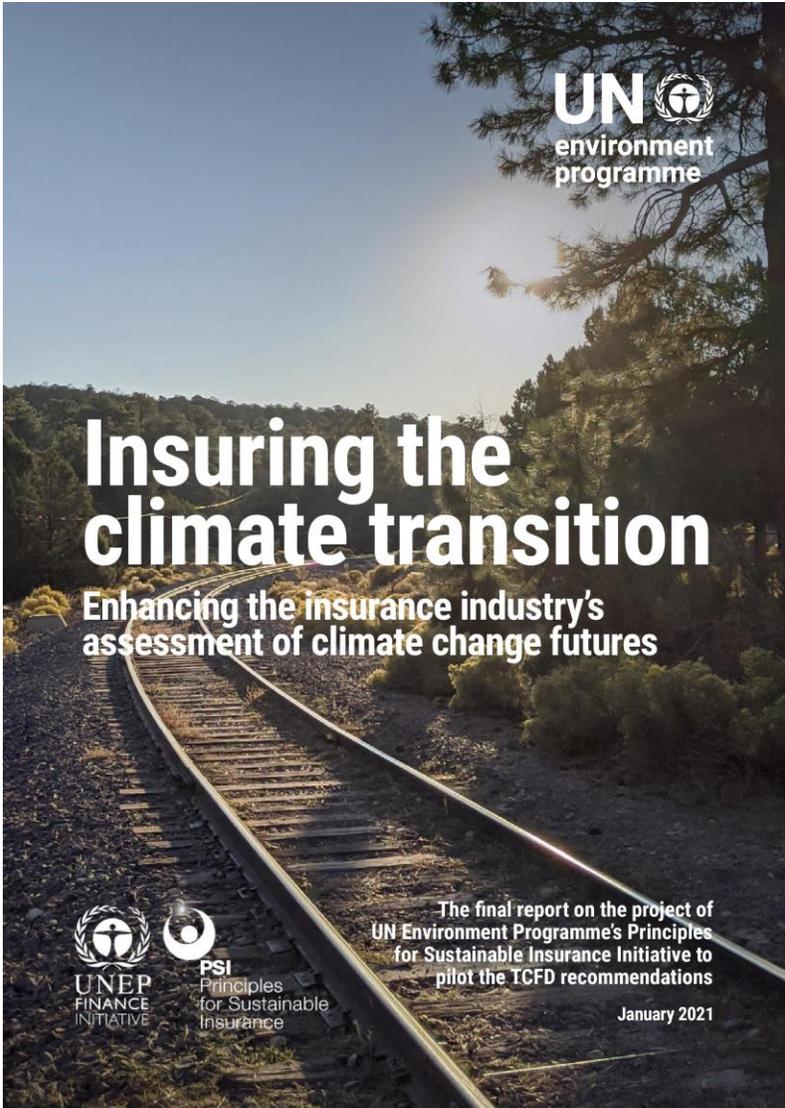
# A 1.5°C vs. a 2°C world: Half a degree of warming is a world of a difference (based on IPCC special report on 1.5°C)

	1.5°C	2°C	2°C IMPACTS
<b>EXTREME HEAT</b> Global population exposed to severe heat at least once every five years	14%	37%	2.6x WORSE
<b>SEA-ICE-FREE ARCTIC</b> Number of ice-free summers	AT LEAST 1 EVERY 100 YEARS	AT LEAST 1 EVERY 10 YEARS	10x WORSE
<b>SEA LEVEL RISE</b> Amount of sea level rise by 2100	0.40 METERS	0.46 METERS	.06M MORE
<b>SPECIES LOSS: VERTEBRATES</b> Vertebrates that lose at least half of their range	4%	8%	2x WORSE
<b>SPECIES LOSS: PLANTS</b> Plants that lose at least half of their range	8%	16%	2x WORSE
<b>SPECIES LOSS: INSECTS</b> Insects that lose at least half of their range	6%	18%	3x WORSE

	1.5°C	2°C	2°C IMPACTS
<b>ECOSYSTEMS</b> Amount of Earth's land area where ecosystems will shift to a new biome	7%	13%	1.86x WORSE
<b>PERMAFROST</b> Amount of Arctic permafrost that will thaw	4.8 MILLION KM <sup>2</sup>	6.6 MILLION KM <sup>2</sup>	38% WORSE
<b>CROP YIELDS</b> Reduction in maize harvests in tropics	3%	7%	2.3x WORSE
<b>CORAL REEFS</b> Further decline in coral reefs	70-90%	99%	UP TO 29% WORSE
<b>FISHERIES</b> Decline in marine fisheries	1.5 MILLION TONNES	3 MILLION TONNES	2x WORSE

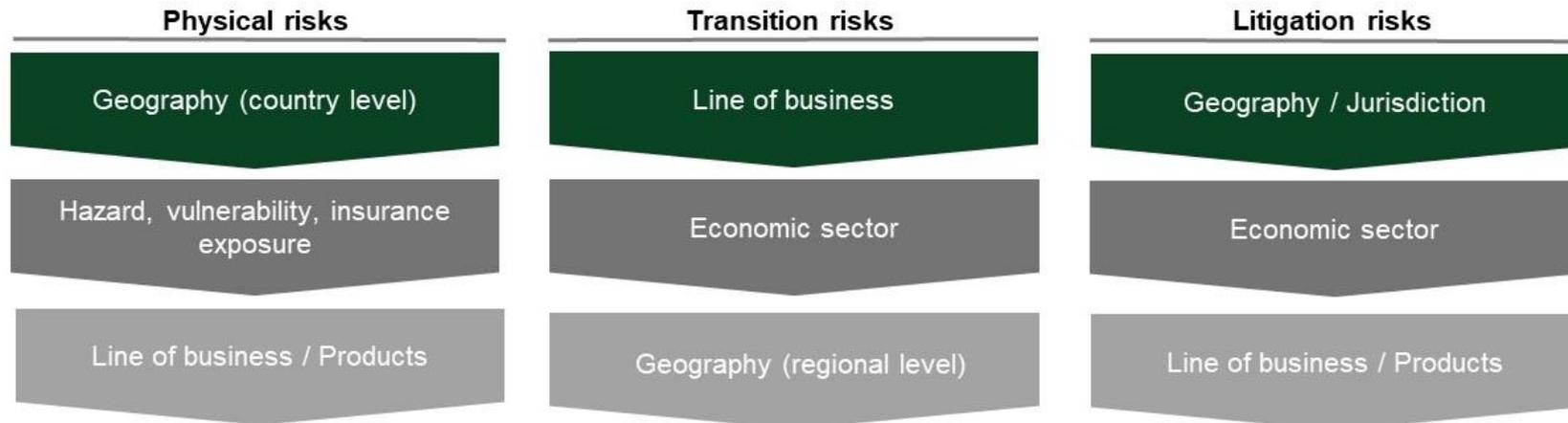
Source: World Resources Institute

# PSI project to pilot the TCFD recommendations (Jan 2021)



IEA and IPCC scenarios

- Assess climate-related risks in insurance portfolios in a forward-looking way, focusing on using climate change scenarios, in line with TCFD recommendations
- Pioneering initiative covering climate-related physical, transition and litigation risks in one major collaborative study
- An initial framework to support support an integrated approach to assessing climate-related risks



# Except from Mark Carney's foreword for the final report of the PSI project to pilot the TCFD recommendations

**“By insuring and investing with foresight, the insurance industry has the opportunity to break the ‘Tragedy of the Horizon’.**

**“And in doing so, the industry can seize the unprecedented ‘Opportunity on the Horizon’—to insure the transition to a resilient net-zero world—one that is safer, healthier, more inclusive, prosperous and sustainable. In other words, a more sustainable and insurable world.”**

## **Mark Carney**

UN Special Envoy on Climate Action & Finance

UK Prime Minister's Finance Adviser for COP26

Chair of Glasgow Financial Alliance for Net Zero (GFANZ)

Former Chair of the Financial Stability Board

Former Governor of the Bank of England



**UN CLIMATE  
CHANGE  
CONFERENCE  
UK 2021**

IN PARTNERSHIP WITH ITALY

# Latest TCFD report (October 2021)

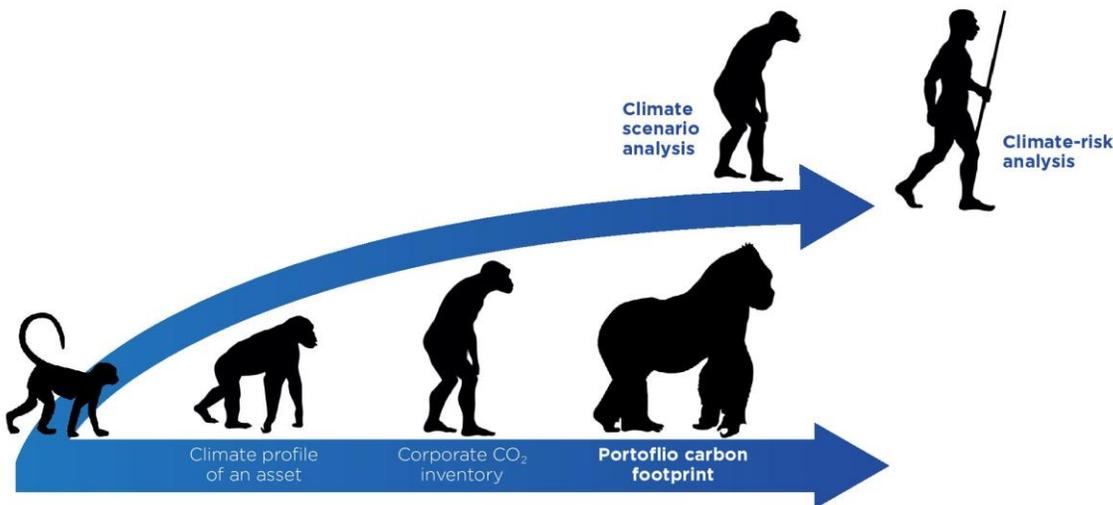
## Proposed Guidance on Climate-related Metrics, Targets, and Transition Plans

## Measuring Portfolio Alignment: Technical Supplement

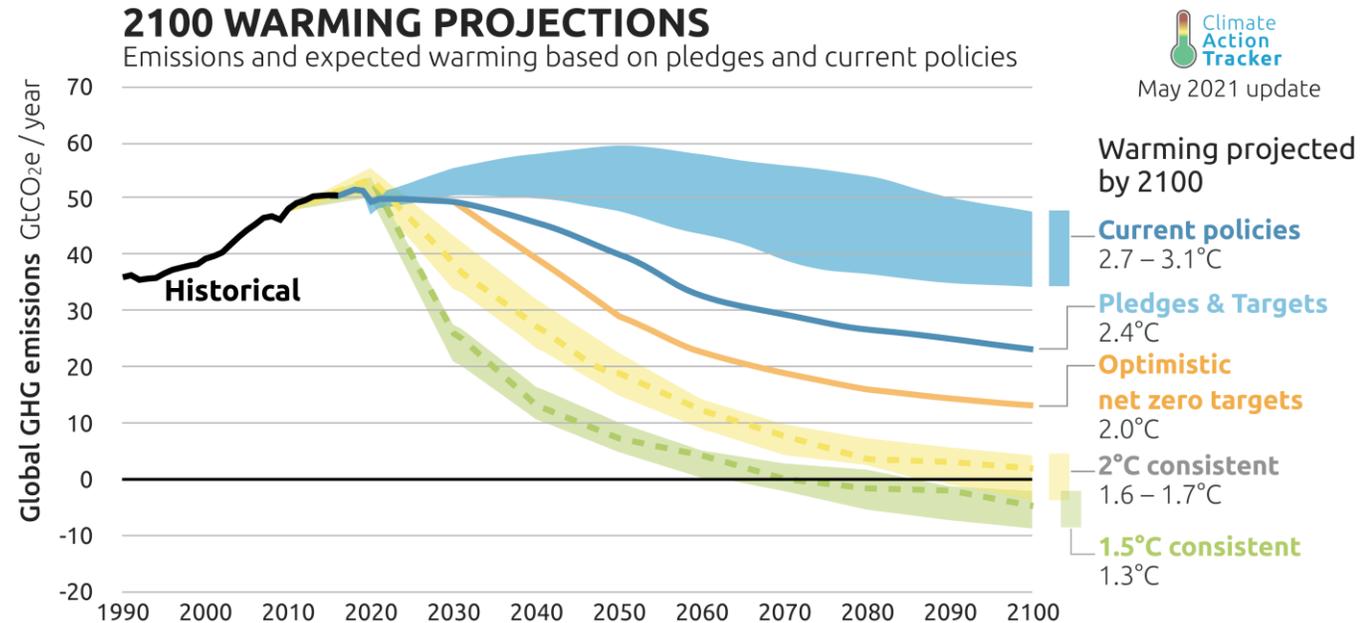


# Raising the insurance industry's climate ambition

From enhancing climate risk analysis to aligning insurance and investment portfolios with the 1.5°C target of the Paris Agreement



Source: 2° Investing Initiative



# Insurers and other investors aligning their investment portfolios with 1.5°C target of Paris Agreement

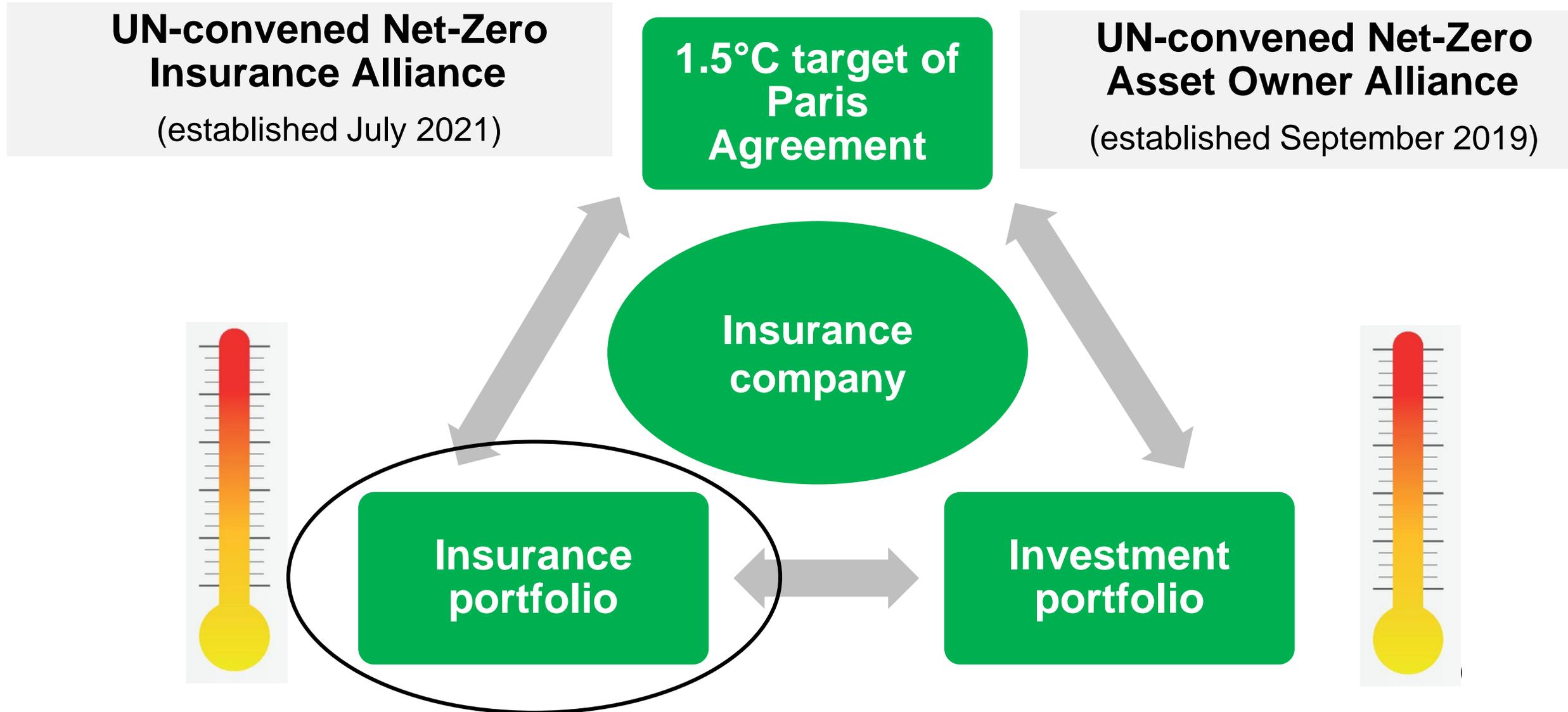


UN-convened Net-Zero Asset Owner Alliance launched at UN Secretary-General's 2019 Climate Summit

**The NZAOA Commitment: Currently representing over USD 6 trillion in assets under management**

- Transition investment portfolios to net-zero GHG emissions by 2050 consistent with 1.5°C target of the Paris Agreement
- Take into account best available scientific knowledge including IPCC findings
- Regularly report on progress, establish intermediate targets every 5 years in line with Paris Agreement
- Commitment embedded in holistic ESG approach, incorporating climate change, and emphasise GHG emissions reduction outcomes in real economy
- Advocate for and engage in corporate and industry action, as well as public policies, for low-carbon transition of economic sectors in line with science, and considering social impacts
- Commitment made with expectation that governments will follow through on their own commitments to ensure objectives of Paris Agreement are met

# How can insurance support the transition to a net-zero emissions economy?



# World's leading insurers and reinsurers and PSI launch Net-Zero Insurance Alliance at G20 Venice Climate Summit (July 2021)



Allianz



Munich RE



SCOR  
The Art & Science of Risk

Swiss Re

ZURICH

#NetZeroFinance

[unepfi.org/net-zero-insurance](https://unepfi.org/net-zero-insurance)

# Net-Zero Insurance Alliance (NZIA) commitments



1. Transitioning all **operational and attributable GHG emissions from its insurance and reinsurance underwriting portfolios** to net-zero emissions **by 2050** consistent with a **maximum temperature rise of 1.5°C**
2. Individually set **science-based intermediate targets every 5 years** and independently **report on progress publicly and annually**
3. **First intermediate targets** to be made public **within 6 months of publication of NZIA target-setting protocol** (to be published by Jan 2023), or **within 6 months of joining NZIA** if such protocol already exists
4. Consider **latest available scientific knowledge** and associated **social impacts**, and findings of recognised reports (e.g. IPCC, International Energy Agency's Net Zero by 2050 report)
5. Support **TCFD recommendations**, emerging frameworks such as **Task Force on Nature-related Financial Disclosures (TNFD)**

6. Support **UN Sustainable Development Goals (SDGs)** and **Post-2020 Global Biodiversity Framework**
7. Sign **UN Principles for Sustainable Insurance (PSI)**
8. Aim to transition **investment portfolios to net-zero GHG emissions** and join relevant (e.g. Net-Zero Asset Owner Alliance) for **total balance sheet approach** to net zero
9. Work together with **insurance associations, regulators and supervisors, governments, trade bodies, policymakers, UN** to promote NZIA goals, and to seek consistency of regulatory, supervisory and policy frameworks with the net-zero transition
10. Engage with **insurance industry and financial sector peers and trade bodies, leading scientific organisations, academia, NGOs** on NZIA goals

# Potential approaches to net-zero insurance

**Underwriting criteria**  
(e.g. carbon-intensive activities)

**Engagement with clients & potential clients**  
(decarbonisation pathways)

**Green insurance products & solutions**  
(insuring the transition)

**Sustainable claims management**  
(circular economy)

**Risk management frameworks**  
(integration of net-zero criteria)

**Policy engagement**  
(science-based & just transition of economic sectors to net zero)

# NZIA work streams (initial priorities)

**WS1: Metrics for “insured emissions” & target-setting protocol**

**WS2: Net-zero insurance white paper**

**WS3: Engagement with key stakeholders**

**WS4: Life & Health insurance business**

**WS5: Antitrust/Competition law**

**WS6: Communications**

*Risk knowledge (potential work stream)*

*Disclosure (potential work stream)*

September 2021

## Announcement



Partnership for Carbon Accounting Financials collaborates with UN-convened Net-Zero Insurance Alliance to develop **standard to measure insured emissions**

# NZIA expands its membership (Oct 2021)



#NetZeroFinance

[unepfi.org/net-zero-insurance](https://unepfi.org/net-zero-insurance)

# Lloyd's of London joins the NZIA (Oct 2021)



Commitments by the **Lloyd's Corporation**, which **oversees and supports** the **Lloyd's insurance marketplace**, include:

- **Transition all operational and attributable GHG emissions to net-zero emissions by 2050**
- **Set science-based intermediate targets every 5 years and report on progress publicly and annually**
- **Reduce operational emissions to net zero by 2025**
- **Develop approach and roadmap to transition the Central Fund to net zero by 2050**
- **Set out expectation that managing agents should be developing ESG strategies and net-zero plans**, embed relevant approaches in its **market oversight framework**. Relevant targets:
  - Proportion of market participants introducing **ESG strategies and net-zero approaches and commitments**
  - Proportion of market participants that have **signed up to NZIA and relevant initiatives** (e.g. Net-Zero Asset Owner Alliance)
  - Number of concrete efforts and activities by the Lloyd's Corporation to **build knowledge and develop capacity** on science-based net-zero strategies and approaches within the marketplace

# NZIA accredited by UN's Race to Zero campaign



**Nigel Topping**

UN High-Level Climate Action Champion for COP26

“The Net-Zero Insurance Alliance being accredited by the UN’s Race to Zero campaign makes it the gold standard for net-zero insurance commitments in terms of ambition, credibility, accountability and transparency. I urge insurers across the globe to raise their climate ambition by joining the NZIA and become part of the solution. The time for decisive climate action is now.”

RACE TO ZERO



# Glasgow Financial Alliance for Net Zero (GFANZ)

## GLASGOW FINANCIAL ALLIANCE FOR NET ZERO

GFANZ unites financial actors committed to climate action accredited by the UN Race to Zero.

- ✓ Net Zero by 2050 at the very latest
- ✓ Covering all emissions scopes – 1, 2 and 3
- ✓ Robust 2030 interim targets
- ✓ Transparent progress reporting

**MARK CARNEY'S PRIVATE FINANCE HUB**



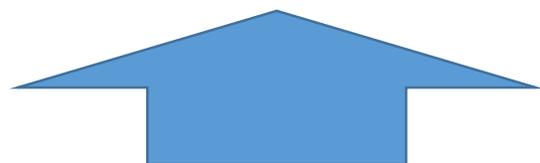
UN CLIMATE CHANGE CONFERENCE UK 2021

**RACE TO ZERO**

- **GFANZ: Led by Mark Carney's COP26 Private Finance Hub in partnership with UN High-Level Climate Action Champions**
- **Brings together Race to Zero initiatives across the financial sector to mobilise and raise net-zero ambition**

**Net-Zero Asset Owner Alliance**

**Net-Zero Asset Managers Initiative**



**Net-Zero Investment Consultants Initiative**

**Net-Zero Insurance Alliance**

**Net-Zero Banking Alliance**

# Finance ministers of world's most climate-vulnerable economies establish insurance facility with PSI to protect MSMEs (July 2021)



JUNE 01, 2021

## 4TH HIGH-LEVEL CONSULTATIVE GROUP MEETING



“ On behalf of the V20 Group, we would like to express our appreciation for Germany's (BMZ) commitment to support the implementation of the V20-led Sustainable Insurance Facility over the coming years. As climate damages mount, enabling the SIF can only help accelerate the development of domestic financial protection markets. The V20 Group looks forward to working in concert with BMZ across the broad climate finance agenda. ”

**H.E. Minister Alfred Alfred Jr.**  
Minister of Finance, Banking, and Postal Services,  
Republic of the Marshall Islands  
Co-Chair of the InsuResilience High Level Consultative Group



@INSUREILIENCE

#INSUREILIENCEHLCG #VISION2025

INSUREILIENCE.ORG

# Recommendations of the California Climate Insurance Working Group (supported by PSI) (July 2021)



## Protecting Communities, Preserving Nature and Building Resiliency

How First-of-its-Kind Climate Insurance Will Help Combat the Costs of Wildfires, Extreme Heat, and Floods

# The insurance industry's triple role in sustainable development (examples)

**PSI initiative to shape the sustainability agenda for the life & health insurance industry**

Webinar series  
 29–30 September & 20–21 October 2021 | 13:00–14:30 CEST  
**Nature-Positive Insurance Series**  
 How the insurance industry can help achieve the global goal of nature positive by 2030

**PSI guide to better prevent and reduce ESG/sustainability risks in non-life insurance business**

June 2020  
 PSI ESG Guide for Non-Life Insurance  
 Version 1.0

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

PSI Project Team Members  
 Allianz, AXA, Aviva, Generali, Munich RE, SCOR, Swiss Re, Zurich

**Insuring the climate transition**  
 Enhancing the insurance industry's assessment of climate change futures

The final report on the project of UN Environment Programme's Principles for Sustainable Insurance Initiative to support the TCFD recommendations  
 January 2021

**PSI TCFD insurance pilot project to better understand and manage climate risks**

**Insurance risk management value chain**  
 Understand – Prevent – Reduce – Transfer risk



Launch  
 UN-convened  
**Net-Zero Insurance Alliance**

#NetZeroFinance  
 unepfi.org/net-zero-insurance



**V20 Sustainable Insurance Facility to build resilient MSMEs in most climate-vulnerable countries**



**PSI Insurance SDGs initiative to define sustainable insurance business and harness insurance products & solutions for the SDGs**

**THE NET-ZERO ASSET OWNER ALLIANCE**

unepfi.org/net-zero-alliance #netzerofinance

# Next NZIA commitments

- **NZIA statement of commitment by brokers**
- **NZIA statement of commitment by supporting institutions (e.g. insurance associations)**



# Insuring for sustainable development

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[www.unepfi.org/psi](http://www.unepfi.org/psi)