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Principles for
Sustainable Insurance

Version 1.0 for public consultation

Net-Zero Insurance Alliance

Target-Setting Protocol

31 October to
21 November 2022



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Important note

The Net-Zero Insurance Alliance (NZIA) and its members are committed to complying with all applicable laws, rules and regulations. These include, among others, antitrust and other laws, rules and regulations, which may impose restrictions on the information that may be exchanged as well as on the types of collaborative engagement that may be carried out between NZIA members. Accordingly, the NZIA will not recommend nor instruct its members to:

1. adopt specific measures to achieve the targets provided in this document;
2. discuss or reach agreement(s) on individual target-setting measures;
3. exchange any competitively-sensitive information relating to their respective businesses with other NZIA members.

For the avoidance of doubt, NZIA members are under no obligation to continue their relationship with NZIA and, while this document may propose general measures and best practices on how to set and pursue individual targets, NZIA members shall, at all times, each remain free to determine and implement their respective decarbonisation strategies independently and unilaterally.

As an initiative with global aspirations, the NZIA and its members are conscious of the need to pursue net zero by 2050 in a manner that remains compliant with all applicable laws, rules and regulations, including antitrust laws and regulations. This document will not establish any strict requirement directly or indirectly related to NZIA members' underwriting criteria, including any criteria related to any specific sector. This is without prejudice to the individual NZIA members' freedom to establish unilaterally their own underwriting criteria, including exclusionary criteria, in a manner aligned with their own individual targets. Similarly individual members will be free to set their own targets under this NZIA Target-Setting Protocol ("Protocol") independently, unilaterally and based on their own unique circumstances and in compliance with all laws, rules and regulations that apply to them, including applicable antitrust laws and regulations. When conducting discussions within the context of the NZIA's activities, the NZIA and its members have ensured and will ensure that no competitively-sensitive information is shared and that no participant is required, expected nor incentivised to exchange any information that could amount to insider information or, in any case, competitively-sensitive information.



1. Context of the NZIA Target-Setting Protocol (“Protocol”)

1.1 The NZIA’s Commitment

NZIA members are voluntary signatories to the NZIA convened by the [UN Environment Programme’s Principles for Sustainable Insurance Initiative \(PSI\)](#). As such, NZIA members have committed¹ to transition all of their respective operational and attributable greenhouse gas (GHG) emissions from their respective insurance and reinsurance underwriting portfolios to net-zero emissions by 2050. This is consistent with the science-based pathway to limiting global warming to a maximum temperature rise of 1.5°C above pre-industrial levels by 2100 in order to contribute to the implementation of the Paris Agreement.

How to achieve such an outcome through a 1.5°C net-zero transition pathway² will be left to each NZIA member’s individual discretion, taking into consideration the **latest available scientific knowledge and associated social impacts**, and the findings of recognised reports such as the 6th Assessment Report by the Intergovernmental Panel on Climate Change (IPCC)³ and the Net Zero by 2050 report by the International Energy Agency’s (IEA).⁴ This Protocol looks to address the target-setting approach that NZIA members can adopt to facilitate this ambition.

NZIA members **shall** make their respective first individual targets public within **six (6) months** of the publication of this Protocol, or within **six (6) months** of joining the NZIA if the Protocol already exists when they join the NZIA. NZIA members will then independently report publicly on an **annual basis** in whatever form and detail they consider appropriate on the progress against the individual targets they have set themselves under this Protocol. As above, in all circumstances, NZIA members will refrain from disclosing competitively-sensitive information and be particularly careful not to report information that may negatively affect competition in any relevant markets.

1 unepfi.org/psi/wp-content/uploads/2021/07/NZIA-Commitment.pdf

2 Using decarbonisation scenarios from the IPCC 6th Assessment Report, which are from credible and well-recognised sources; are no/low overshoot; do not rely on overstating the impact from negative emissions technologies; and to the extent possible, minimise misalignment with other UN Sustainable Development Goals

3 Intergovernmental Panel on Climate Change (2021–2022): 6th Assessment Report

4 International Energy Agency (2021): Net Zero by 2050: A roadmap for the global energy sector



Navigating the limitations and dependencies re/insurers face when setting targets

The NZIA Commitment is made with the expectation that governments will follow through on their own commitments under the Paris Agreement of holding the increase in the global average temperature to well below 2°C, preferably 1.5°C. NZIA members rely on the intergovernmental ambition established under the Paris Agreement that this is done in a manner consistent with a maximum temperature rise of 1.5°C and in accordance with the latest available scientific findings.

The NZIA and its members recognise that they play an important role in supporting the net-zero transition but acknowledge that they cannot deliver a net-zero future on their own without comparable commitments from governments and wider industry actors (including intermediaries). If the actual speed of decarbonisation across the broader global economy lags too far behind a net-zero compatible pathway, NZIA members might not be able to achieve their stated targets. The NZIA may need to tolerate a “buffer” behind the scientific pathways in future iterations of the Protocol, to reconcile members’ ambition to reach net zero with the need to continue to provide insurance capacity to activities essential to the global economy and society.

1.2 The Science Based Targets Initiative

The [Science Based Targets Initiative \(SBTi\)](#) defines and promotes best practice in science-based target setting and independently assesses companies’ climate targets. SBTi has long recognised the key potential that financial institutions have to support the economy in reducing GHG emissions, even without direct control over those reductions. Therefore, in a first step, SBTi developed guidance for financial institutions’ lending and investment activities to set science-based near-term reduction targets.⁵ Launched officially in October 2020, this guidance (“FI Guidance”) defines global best practices for financial institutions to set near-term investment portfolio targets aligned with 1.5°C climate stabilisation. The guidance allows insurers, in their role as institutional investors, to set targets independently for the decarbonisation of the asset side of their balance sheet. However, the liability side of insurers’ balance sheets (i.e. the emissions associated to and enabled by re/insurance underwriting portfolios), have so far been out of scope of SBTi’s guidance.

Currently, SBTi is developing the world’s first standard for science-based net-zero targets in the financial sector (“FINZ”).⁶ The FINZ work has the ambition to include informational guidance for science-based target setting for re/insurers’ underwriting activities, thus extending the coverage of financial institution guidance not only in terms of target horizon (net zero vs. near term), but also in terms of the portfolios considered (including re/insurance underwriting vs. investments only).

5 SBTi (2020): Financial Sector Science-Based Targets Guidance, Version 1.1 (August 2022) sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance.pdf

6 The “FINZ” work kicked off with a public consultation from Nov 2021 to Jan 2022 and resulted in SBTi (2022): Foundations for Science-Based Net-Zero Target Setting in the Financial Sector, Version 1.0 (April 2022) [science-basedtargets.org/resources/files/SBTi-Finance-Net-Zero-Foundations-paper.pdf](https://sciencebasedtargets.org/resources/files/SBTi-Finance-Net-Zero-Foundations-paper.pdf)



In recognition of the complementary objectives of the NZIA's Target-Setting Protocol work and SBTi's FINZ work, the two initiatives announced their decision to formally partner in October 2022 to provide informative guidance for underwriting portfolios. By co-developing target-setting method(s) suitable for re/insurance underwriting, the NZIA and SBTi are seeking to harmonise the processes and criteria for re/insurance companies to participate efficiently in both initiatives. This is an iterative process, with the present Protocol representing a first step towards integration of (parts of) the Protocol with SBTi's upcoming FINZ standard.

1.3 The role of re/insurance in a just transition to net zero

It has been recognised that the shift to a resilient net-zero economy will likely increase prosperity and could be a net driver of job creation. However, there will be transitional challenges for employees, communities, cities and countries while this shift takes place. To address this, re/insurance strategies dealing with climate change must consider the social consequences that a rapid net-zero transition might cause, while ensuring that it is inclusive and that no one is left behind—a core principle of the UN's Sustainable Development Goals. The concept of a just transition⁷ comes from combining climate action with social inclusion.

For instance, while seeking to reach a global reduction of carbon emissions in line with the 1.5°C climate ambition, re/insurers should recognise that not all countries or segments of the population can be expected to transition at the same pace. Re/insurers should consider different decarbonisation trajectories for identified segments of their own portfolios and adapt their individual engagement to facilitate their net-zero transition strategies to address these disparities, while monitoring that the average pace of their overall portfolio emissions reductions remains in line with the necessary global ambition.

⁷ Just Transition Centre (2017): Just transition: A report for the OECD oecd.org/environment/cc/g20-climate/collapsecontents/Just-Transition-Centre-report-just-transition.pdf



2. How to use this Protocol

This Protocol sets out NZIA’s recommended approach to target setting and reporting. The Protocol’s structure, terminology, and target types are inspired by SBTi’s Financial Sector Science-Based Targets Guidance, noting that data and methodological constraints persist.⁸ The Protocol provides non-binding informational guidance to NZIA members on how to independently set targets in line with the latest climate science. NZIA members will work with their re/insurance customers, who are also undergoing their own respective transition journeys, and it is hoped that this will lead to procompetitive benefits for these customers as both re/insurers and re/insureds innovate to facilitate their transitions, while remaining competitive in their respective markets.

The Protocol first sets out a methodology for establishing the **general scope for target setting**, describing the recommended coverage in terms of target term (time horizon), emissions in scope, business in scope, as well as the timing related to target setting under the Protocol. The Protocol then suggests five target types, split into three differentiated target categories: i) **GHG emissions reduction**, ii) **engagement**, and iii) **re/insuring the transition**. Lastly, it contains general recommendations around **publishing** targets and **reporting** on progress towards targets. The intention is that future versions of the Protocol will recommend a target-setting validation process, in addition to incorporating further updates that may include, but are not necessarily limited to, scope expansions and target refinements. Future potential updates are discussed in further detail in Section 6, “Roadmap to Version 2 (and beyond) of the Protocol”.

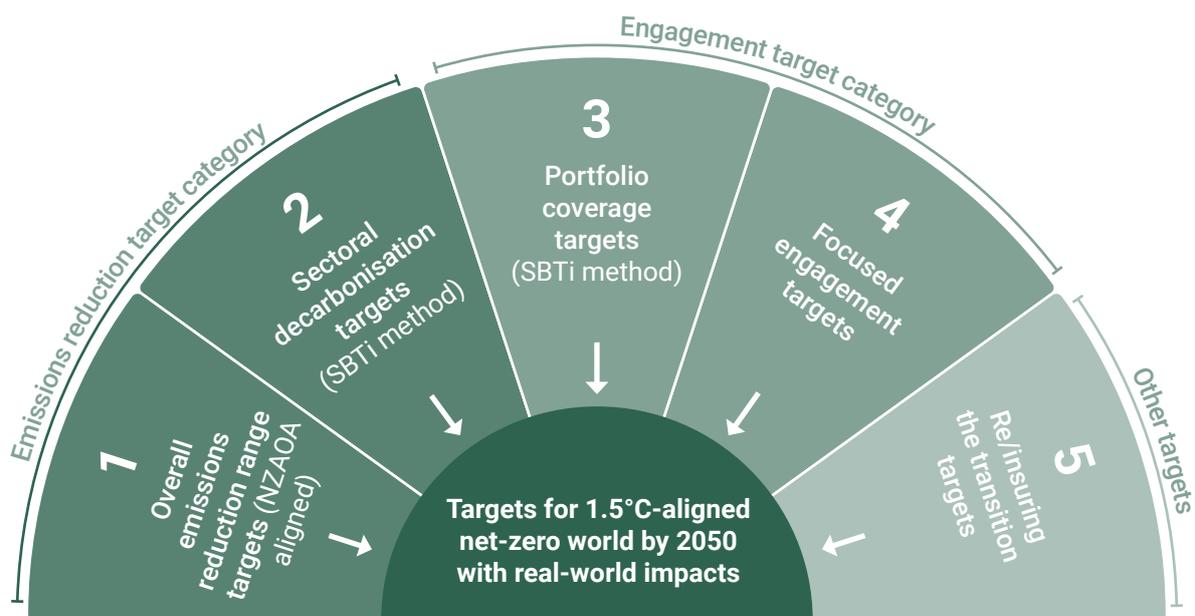


Figure 1: Summary of the Protocol’s five target types in three target categories

8 sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance.pdf



2.1 How to read this Protocol

Within the context of the Protocol, it is necessary to distinguish between provisions which are requirements, those which are recommendations, and those which are other options that re/insurers may choose to follow. Accordingly, the following terms are used throughout this Protocol:

- **Shall** means that a process is mandatory, on a comply-or-explain basis.
- **Should** means that a process is optional, but strongly recommended.
- **May** means that a process is optional.

When implementing this Protocol, re/insurers are to be mindful of applicable laws, rules and regulations in the jurisdictions in which they operate. In case of conflict between applicable laws, rules and regulations (including those relating to antitrust/competition) and any of the provisions contained in this Protocol, the applicable laws, rules and regulations shall prevail. Any deviations from the Protocol for this reason should be highlighted to protect the goal and value of the Protocol.

2.2 Quick start guide

Users of this Protocol can follow four basic steps to set and report on the recommended targets, as illustrated in Figure 2:

- **Step 1:** Become familiar with the general scope (“playing field”) of the Protocol in Section 3, “General scope of the Protocol”
- ↳ **Step 2:** Independently select a target or set of targets from the suite of target types (“basket”) presented in Section 4, “Recommended target types”
- ↳ **Step 3:** Individually define the portfolio target boundary (“the part of the playing field that is to be covered”) for each target that has been defined, and explain the businesses covered and their materiality to the relevant re/insurers’ portfolio
- ↳ **Step 4:** Publish the targets and target boundaries decided upon, and report annually on the progress towards meeting these targets

To strive for a certain ambition level and consistency among members going through the steps above, the NZIA has set minimum requirements for **Step 2: target selection** and **Step 3: portfolio target boundary**, as outlined in Section 2.3, “**Minimum requirements for target setting**” below.

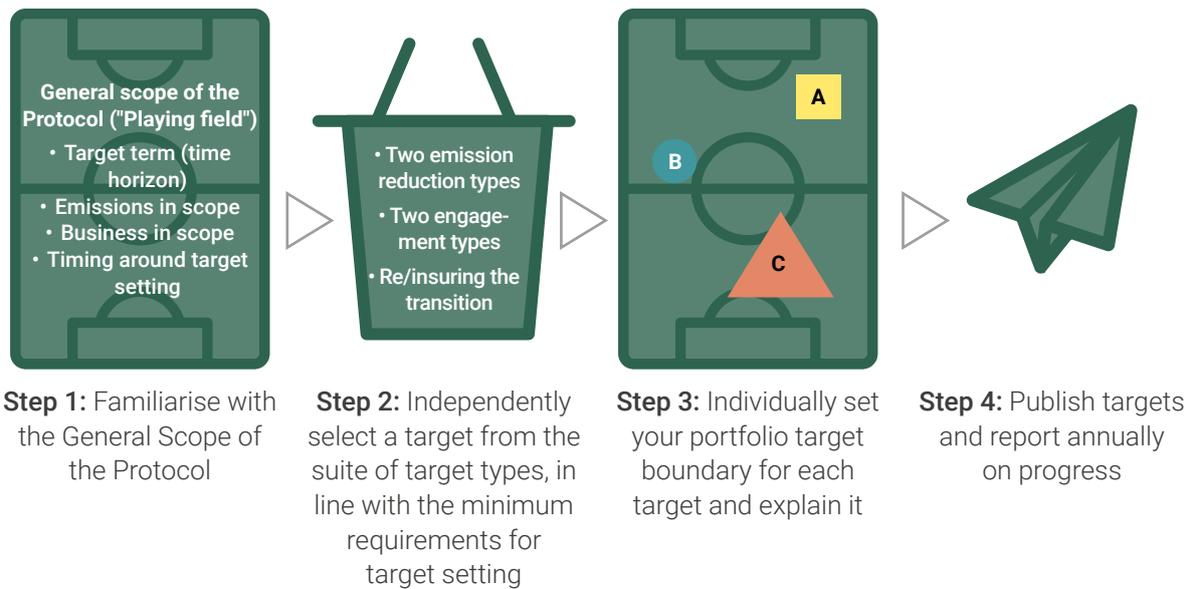


Figure 2: How to use the NZIA Target-Setting Protocol

2.3 Minimum requirements for target setting

2.3.1 Requirements for target selection

The intention is that the implementation of each of the three target categories suggested in the Protocol (emissions reduction, engagement, and/or re/insuring the transition) will have different yet complementary impacts on re/insureds and their emissions profiles. By combining the three target categories, a re/insurer can have the greatest impact and contribute to the desired transition towards a net-zero economy. Hence, ideally over time NZIA members will engage with all three target categories.

For their first target(s) set and disclosed under this Protocol, NZIA members **shall** select:

- at least one of the five target types described in this Protocol (Section 4, “Recommended target types”), and
- by 31 December 2024,⁹ at least two of the target types described in this Protocol, of which at least one **shall** be from the emissions reduction category (as discussed in greater detail in Section 4.1, “Emissions reduction target types”), being either:
 1. an overall emissions reduction target, or
 2. a sectoral decarbonisation approach (SDA) target

⁹ This ensures that sufficiently credible and meaningful science-based target data and portfolio emission data is available.



2.3.2 Requirements for portfolio target boundary

It is the mid/long-term ambition of the NZIA members to establish a methodology which encompasses a broad scope of their re/insurance portfolios with decarbonisation targets, in line with the NZIA core commitment of transitioning all operational and attributable GHG emissions from their re/insurance underwriting portfolios to net zero by 2050.

However, at the moment, the coverage is limited by: (i) the scope of the available methodology to account for and report on GHG emissions associated to re/insurance portfolios (c.f. the PCAF Insurance-Associated Emissions Standard¹⁰), (ii) the lack of science-based guidance for reasonable target setting in all sectors (e.g. sectoral decarbonisation pathways); and (iii) the lack of emissions data from/or in relation to underlying insureds. There are also practical challenges in integrating emissions data into the NZIA members' systems and/or requesting and collecting emissions data from insureds (e.g. for portfolios dominated by small-to-medium-sized enterprises (SMEs), where companies are still often unable to develop accurate emissions information).

Within the limitations and challenges described above, NZIA members **shall** individually set **portfolio target boundaries** for a **material** and **relevant** portion of their respective portfolios where **reliable data is available**.¹¹ NZIA members may set different portfolio target boundaries for different targets.

Members **shall explain the rationale behind their choice** in their disclosure of targets and portfolio target boundary as per Section 5.1 "Disclosure of target(s) and their portfolio target boundary", and quantify these boundaries using either gross written premiums (GWP), re/insured's absolute GHG emissions, re/insurer's IAEs (e.g. as per the PCAF Insurance-Associated Emissions Standard¹²), revenue, number of clients, or another appropriate metric. This ensures clarity regarding what portion of the full in-scope (sub)portfolio an NZIA member considers as "material and relevant" with reliable data sufficiently available. However, any such reporting shall be careful to avoid sharing any competitively-sensitive information.

NZIA members are aware of the highest-emitting sectors through basic science and public climate data. This knowledge, alongside publicly available business indicators, may inform the members' materiality assessments when setting their individual portfolio target boundaries. For example, NZIA members could refer to the SBTi split when establishing highest-emitting sectors (see Figure 3 below).

10 carbonaccountingfinancials.com/public-consultation-insurance-associated-emissions

11 Comparisons of Scope 3 data reported by similar companies indicate the largest degree of divergence in reported emissions. See Busch, T., Johnson, M., Pioch, T. and Kopp, M. (2018) "Consistency of Corporate Carbon Emission Data" University of Hamburg: ec.europa.eu/jrc/sites/jrcsh/files/paper_timo_busch.pdf

12 carbonaccountingfinancials.com/public-consultation-insurance-associated-emissions

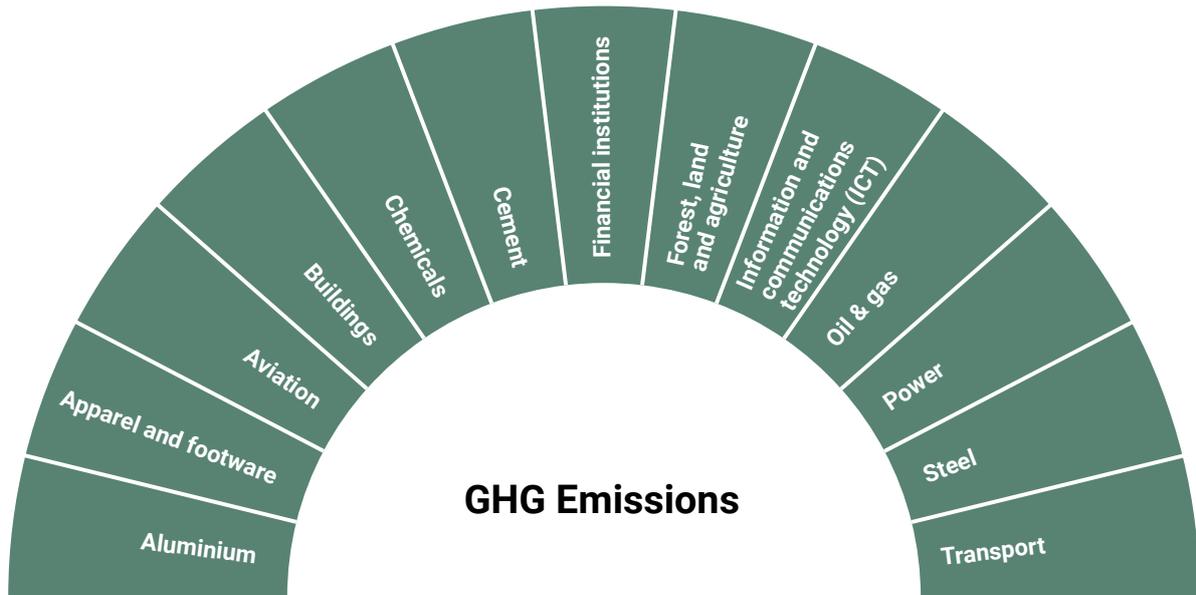


Figure 3: SBTi target sectors: sciencebasedtargets.org/sectors

To support the ambition of the NZIA, members **should** expand their initial portfolio target boundaries over time, and the intention is that future versions of this Protocol will provide additional minimum requirements for portfolio target boundary setting, as data availability, as well as accounting and reporting standards improve over time.



3. General scope of the Protocol

3.1 Target term

In interpreting this Protocol, NZIA members **should** refer to the Science Based Target Initiative's (SBTi) net-zero standard framework, where "net zero" in the corporate context is defined as:¹³

1. Reducing Scope 1, 2, and 3 emissions to zero or to a residual level that is consistent with reaching net-zero emissions at the global or sector level in eligible 1.5°C-aligned pathways; and
2. Neutralising any residual emissions at the net-zero target year and any GHG emissions released into the atmosphere thereafter.

The SBTi net-zero framework differentiates four key elements for net-zero target setting, as illustrated in Figure 4 below.

1. Near-term science-based targets are 5 to 10-year GHG mitigation targets within a company's own value chain in line with 1.5°C pathways;
2. Long-term science-based targets extend the near-term targets towards a residual level in line with 1.5°C scenarios by no later than 2050;
3. Beyond value chain mitigation (BVCM) targets are set around actions that will also help others to mitigate their emissions;¹⁴ and
4. The neutralisation target requires that, to reach the net-zero state, any residual emissions must be removed from the atmosphere and permanently stored.

SBTi has yet to come out with an exact definition of "net zero" in the financial institution's context (including re/insurance underwriting). This is currently being finalised by SBTi for the upcoming standard for science-based net-zero targets in the financial sector ("FINZ"). For instance, a key working area in the FINZ is in what form and to what extent a financial institution's ability to influence the net-zero transition is reflected in its net-zero goal ("transition finance/enableness targets").

Notwithstanding a potential refinement of the net-zero goal definition for financial institutions, and acknowledging the need to prioritise immediate and decisive emissions reduction efforts in 1.5°C pathways, this Version 1.0 of the Protocol is **geared towards near-term science-based reduction targets** (see item 1 in Figure 4 below).

13 SBTi (2021): SBTi Corporate Net-Zero Standard sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf

14 BVCM targets are not presently assessed by SBTi.



Certain target types presented in this Version 1.0 of the Protocol may also cater to one or more of the other three key elements of SBTi's net-zero standard framework (see items 2, 3 and 4 in Figure 4 below). This is something users of the Protocol are encouraged to explore. Future versions of the Protocol are expected to cover dedicated long-term, beyond value chain, and neutralisation targets for insurance-associated emissions.

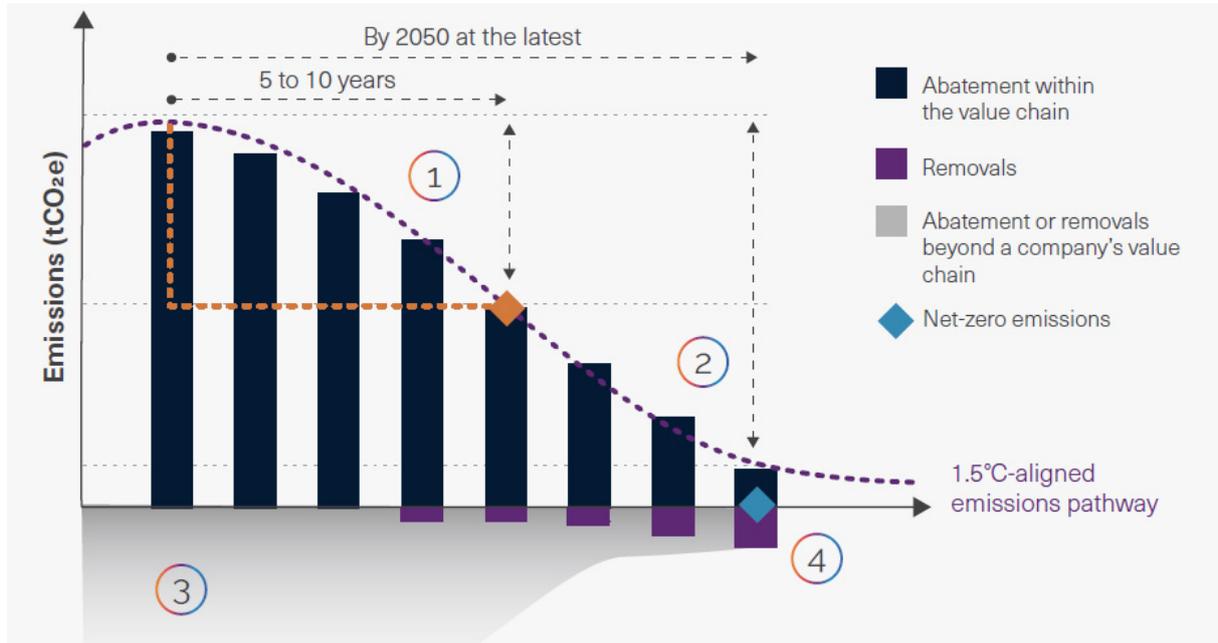


Figure 4: Key elements of the Net-Zero Target-Setting Standard per SBTi: 1) Near-term science-based targets, 2) long-term science-based targets, 3) beyond value chain mitigation, 4) neutralisation of residual emissions. (Source: Corporate Net-Zero Standard, 2021, p.9)

3.2 Emissions in scope

Greenhouse gases in scope

The term “emissions” in this Protocol addresses all types of greenhouse gases (GHGs).¹⁵ NZIA members **should** cover all relevant types of GHGs in setting their targets under this Protocol.

If NZIA members are unable to cover all relevant types of GHGs in their targets, they **shall** cover carbon dioxide (CO₂) emissions at a minimum.

¹⁵ “Relevant GHGs” are considered the seven gases mandated under the Kyoto Protocol and to be included in national inventories under the United Nations Framework Convention on Climate Change (UNFCCC)—carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆), and nitrogen trifluoride (NF₃). These typically refer to the underlying emissions produced by the individual or company in the real economy. All GHGs are typically reported in “CO₂ equivalents” (CO₂e).



Re/insurer's emissions in scope

The Protocol addresses a re/insurer's **insurance-associated emissions (IAE)** (i.e. Scope 3/Category 15/Underwriting¹⁶ as per the GHG Protocol Corporate Standard definition). In particular, a re/insurer's emissions from its own operations (Scope 1, Scope 2, Scope 3/Category 1–14) and asset management activities (Scope 3/Category 15/Investments) are outside the scope of the Protocol, as they are covered by other relevant protocols.

Re/insured's emissions in scope

NZIA members **shall** cover a re/insured's attributable Scope 1, Scope 2, and—where significant and where data allow—**may** cover a re/insured's attributable Scope 3 emissions in their IAE reduction targets.

Emissions accounting

NZIA members **shall** use a recognised and consistent IAE accounting approach (e.g. PCAF Insurance-Associated Emissions Standard¹⁷) for setting and tracking progress towards their targets.

3.3 Business in scope

Legal entity level

NZIA members **shall** submit targets only at the parent-level or group-level, not the subsidiary level.

Lines of business in scope

This Version 1.0 of the Protocol is applicable to the following lines of business (LoBs) where an IAE methodology exists:¹⁸

16 Insurance-associated emissions (IAE) are GHG emissions in the real economy, which are associated with specific re/insurance policies aggregated in the re/insurance portfolio. This definition is for accounting purposes only. Insurance-associated emissions should therefore be reported as a supplementary note to Scope 3 Category 15 (Investments). They should not be aggregated with "financed emissions". See also the PCAF Standard for Insurance-Associated Emissions Accounting that defines how to measure and report IAEs carbonaccountingfinancials.com/public-consultation-insurance-associated-emissions

17 carbonaccountingfinancials.com/public-consultation-insurance-associated-emissions

18 The scope of this Version 1.0 of the Target-Setting Protocol is aligned with the scope of methodologies issued by the Partnership for Carbon Accounting Financials (PCAF) for the calculation of insurance-associated emissions.



Table 1: Lines of business in scope (adapted from PCAF)

Segment	LoB	In/out of General Scope
Commercial insurance (directly insured and facultative reinsurance covers)	Property (e.g. Fire, Multi-peril)	In scope
	Liability/Casualty (e.g. General liability, Product liability, Product recall, Environmental liability)	In scope
	Commercial motor (all lines)	In scope
	Marine (liability and hull)	In scope
	Aviation (liability and hull)	In scope
	Agriculture (excluding government schemes/arrangements)	In scope
	Trade credit (insurance of credit risk for sold goods) and Political risk —primary insurance only	In scope
	Structured trade credit (insurance of credit risk for bank loans, mortgages, or other financial instruments)	Out of scope of the current version of the Protocol
	Surety	Out of scope of the current version of the Protocol
	Engineering lines: Construction all-risk, Erection all-risk only	Out of scope of the current version of the Protocol
	All other Engineering lines (e.g. Machinery breakdown, Electronic equipment)	In scope
	Corporate life and pensions, Personal accident	Out of scope of the current version of the Protocol
Other/Special lines (e.g. Financial lines [e.g. Professional indemnity, Directors' & Officers' liability], Workers' compensation)	In scope	
Statutory lines of business		In scope (subject to applicable laws, rules and regulations)
Public entities	Insurance contracts purchased by public entities (e.g. government agencies, municipalities)	Out of scope of the current version of the Protocol



Segment	LoB	In/out of General Scope
Personal lines	Motor (all lines)	In scope
	Liability	Out of scope of the current version of the Protocol
	Property	Out of scope of the current version of the Protocol
	Other Personal lines (e.g. Travel assistance, Legal assistance, Pet)	Out of scope of the current version of the Protocol
	Life and health	Out of scope of the current version of the Protocol
Treaty reinsurance (including treaty-like facultative reinsurance structures)	All LoBs	Out of scope of current version of the Protocol

To recall, NZIA members individually set a portfolio target boundary for each target they choose, thereby defining which of the LoBs that are in scope (as listed in Table 1 above) will be covered (or not) by the particular targets established by that re/insurer. Future versions of the Protocol will consider the inclusion of additional LoBs in scope.

3.4 Timing of target setting

This section establishes the standard for:

- the date by which the target(s) have to be **reported**, depending on the date when the member joined NZIA,
- the **base year(s)** and **target year(s)**, and
- the date by which the company first has to **report** on the progress achieved.

Furthermore, guidance is provided as to how prospective NZIA members can assess existing targets against the requirements of the Protocol prior to joining NZIA, and how future versions of the Protocol should be taken into account for members who have already published targets.

Date for target disclosure

As per the NZIA Commitment, once the first Protocol is published, NZIA members **shall** set and disclose their first targets within six (6) months of publication, in line with the Protocol’s requirements.

For those companies joining the NZIA after the Protocol was published, they **shall** set targets within six (6) months from the date of joining (unless the end of the reporting cycle is within three (3) months of joining, then members **should** submit and publish within a maximum of nine (9) months).



Base year(s)

NZIA members **shall** choose a **base year** when setting targets. The base year **shall** be no earlier than 2019.

Progress to date

Targets **shall not** be set such that they have already been achieved by the date they are published (i.e. in the period between base year and date of target publication).

Target year(s)

NZIA members **shall** adopt a **target year** no later than 2030 for their near-term targets, and thereafter publish interim targets every five years in 2035, 2040, and 2045.^{19,20}

- **Example 1:** Insurer A sets its first near-term target year to 2030, and will in that year publish updated targets for 2035, in 2035 for 2040, etc.
- **Example 2:** Insurer B sets its first near-term target year to 2028, and will in that year publish updated targets for 2035, in 2035 for 2040, etc.

Future versions of this Protocol are expected to provide further considerations for setting long-term targets up to 2050 (see Section 3.1, “Target term”).

First reporting year of progress

NZIA members **shall** use official channels for independent disclosure and reporting (see Section 5.3, “Where to disclose and report” below for various possible channels). The progress should only be reported after at least 12 months of actual experience has passed since a target has been set (see Section 5, “Target disclosure and reporting”).

Protocol version validity

New targets published by NZIA members **shall** be in line with the latest version of the Protocol available at the time when the targets are set.

Targets using a previous version of the Protocol **shall** only be published within six (6) months of the publication of the revised Protocol.

Each new version of the Protocol provides considerations for members with previously set targets, in particular specifying the possible expectation to set additional targets and/or adjust existing ones.

Pre-existing targets

Targets set by a member prior to joining the NZIA can be considered if the member can demonstrate (in their published reporting on their approach to target setting under this Protocol) their compatibility with this Protocol or any later versions, in particular with respect to the ambition level as outlined in Section 4.1.1.

19 This schedule is in line with Article 4.9 of the UNFCCC 2015 Paris Agreement which requires signatories to submit updated emissions reduction plans every five years. National governments who have signed up to the Paris Agreement will communicate these updated emissions reduction plans, also known as Nationally Determined Contributions (NDCs), in 2025, 2030, 2035, 2040, 2045 and 2050.

20 Material changes to a member may require the need to recalculate and re-baseline the IAE. These changes may require a change to the baseline year, while the target year should remain unchanged.



4. Recommended target types

4.1 Emissions reduction target category

The Protocol suggests two possible target types under the emissions reduction target category, with each NZIA member being free to unilaterally choose which of these it will select when setting its target(s):

1. An **overall emissions reduction**²¹ target type that uses a global, economy-wide proxy to guide the ambition level for re/insurers' own insurance-associated emissions reduction targets; and/or
2. The **sectoral decarbonisation approach** (SDA) that seeks to converge an individual re/insurance portfolio's physical carbon intensity to a given decarbonisation pathway at the sector level.

Which of these two options is chosen is at the unilateral and independent discretion of each NZIA member, depending on its individual circumstances. While the first approach leaves flexibility for NZIA members to define their level of ambition and action focus at the portfolio level, it might not be as precise or focused as sector-specific approaches. The SDA, on the other hand, requires that NZIA members focus on decarbonisation trajectories within specific sectors, but the approach places higher demands on a particular set of client data (physical intensities) and on external organisations providing science-based pathways for each sector (ideally tailored to underwriting activities).

Before addressing both emissions reduction target types, the Protocol sets out general recommendations in the context of IAE emissions reduction targets around the level of ambition expected of NZIA members as well as the use of offsets, avoided emissions, and emissions removal.

4.1.1 Level of ambition for emissions reduction targets

In determining the level of ambition for their IAE reduction targets, NZIA members **shall** use decarbonisation scenarios from the latest climate science findings by the IPCC and from other credible and well-recognised sources that lead to the earliest reductions and the least cumulative emissions, in line with a 1.5°C net-zero transition pathway with no or limited overshoot (i.e. a temporary increase above 1.5°C).

²¹ "Overall", in this context, is not automatically indicating that the entire re/insurance portfolio is covered by an overall emission reduction approach. As with all target types, a target's coverage is set individually by NZIA members via the portfolio target boundary.



4.1.2 Carbon offsets, avoided emissions and emission removals

The use of **carbon offsets** (carbon avoidance and/or reduction certificates²²) as well as insurance-associated **avoided emissions**²³ **shall not** be counted towards the progress of IAE reduction targets.

Insurance-associated **emission removals** are important for long-term net-zero target setting and the NZIA intends to address them in a subsequent version of this Protocol.

Notwithstanding the above, technologies and activities that are (partly) financed via carbon offsets and/or lead to emission avoidance or emission removal outcomes in the real economy are important elements of the net-zero transition, and while not (yet) to be addressed under the Protocol's emissions reduction target category, such technologies and activities may be addressed under the two other target categories presented in this Protocol (engagement and re/insuring the transition).

4.1.3 Overall emissions reduction target type

The NZIA recognises that, in accordance with IPCC AR6, in pathways that limit warming to 1.5°C (with a likelihood of greater than 50%) with no or limited overshoot, global net CO₂e emissions need to be reduced compared to modelled 2019 emissions by circa 43% [31–61%²⁴] by 2030 (this range is aligned with IPCC's AR6 WGIII C1 Scenario). NZIA members are committed to supporting the real economy in achieving the overarching 1.5°C objective.

Notwithstanding the overarching net-zero objectives cited above, the NZIA is an international alliance of global re/insurance companies; each NZIA member has a unique portfolio composition with respect to lines of business and industry sectors. In addition, NZIA members provide risk transfer solutions to a wide range of re/insureds based all over the world, from individuals (in their personal capacity) to sole traders, SMEs, large private companies and publicly-listed companies.

Noting the above, the IAE of a given re/insurer, in the broader context of setting an overall near-term absolute emissions reduction target that is aligned with a 1.5°C pathway, should reflect this reality. Further noting that the IPCC scenarios describe the global average, the resulting emissions reduction pathways need to be interpreted in light of

22 Carbon avoidance/reduction certificates, often referred to as "carbon offsets", are attributes of the carbon avoidance or reduction outcome linked to a project/activity that would not have materialised in the absence of the funding from the sales of these carbon offsets. To date, carbon offsets only feature in real-economy GHG accounting, and thus cannot be transferred to IAE accounting and used against IAE reduction targets.

23 GHG emissions accounting in the real economy sometimes compares actual emissions of a zero or low-emission project, product, or service to the hypothetical emissions of high-emission alternatives. The difference between the two is referred to as avoided emissions. "Insurance-associated avoided emissions" could be calculated and accounted for in the same way. Reporting avoided emissions is an attempt by companies to demonstrate a quantifiable positive contribution to decarbonisation. However, given that internationally-recognised methodologies to calculate and report avoided emissions have yet to be developed, they are not covered in this version of the Protocol.

24 31% aligns with the IPCC's AR6 WGIII C1a 5% percentile, and 61% aligns with the IPCC's AR6 WGIII C1b 95% percentile. With this selection, the full span of AR6 SGIII C1 scenarios is covered. Source: [ipcc.ch/report/sixth-assessment-report-working-group-3/](https://www.ipcc.ch/report/sixth-assessment-report-working-group-3/)



equity and just transition considerations. Taken together, not all re/insureds are strictly required to decarbonise by circa 43% [31–61%] by 2030 under net-zero transition pathways—some may need more time, some may be able to decarbonise faster. Therefore, not all re/insurance portfolios will be required to decarbonise at that same rate. A narrow, prescriptive decarbonisation range would therefore not be appropriate. It is acknowledged that some re/insurers have different portfolio exposures. For example, more exposure to low carbon intensity may potentially justify a different range—this has not yet been assessed.

Therefore, by choosing the **overall emissions reduction target type** as defined in this Protocol, NZIA members independently set their own near-term IAE reduction targets in line with a range of at minimum 31% to 61% reduction for the period of 2019 to 2030 for IAEs covered in their respective portfolio target boundaries. Members using a base year later than 2019 should deduct a linear average of 2.8% to 5.5% from the emissions reduction ambition for their first near-term targets to 2030. The linear average adjustment **should** be aligned with the specific near-term IAE target set by the re/insurer (e.g. 2019 baseline year 61% target by 2030 would be seen to be equivalent to circa 50% on a baseline year of 2021). However, it is noted that 2020 and 2021 were impacted by COVID-19 and may not be representative if lower emissions resulted.

Members **may**, within the given range, set separate overall reduction targets for sub-portfolios.

If a member's portfolio target boundary for its overall emissions reduction target covers IAEs that have been calculated using different accounting methods, the member **should** consider setting, within the given range, separate overall reduction targets for each part of the IAEs where a different accounting method has been used.²⁵

NZIA members **may** also choose between intensity-based or absolute overall emissions reduction targets, subject to Section 4.1.1, "Level of ambition for emissions reduction targets" and under the constraint that an intensity-based overall emissions reduction target **shall** result in absolute emissions reductions in line with the minimum range of 31% to 61%.

Each member **should** independently assess: i) the viability of their near-term IAE target against their reported IAEs and the latest science; and ii) how it can best achieve the near-term IAE reduction.

25 Rationale: Different IAE accounting methods can lead to attribution factors that are, by definition, different from each other by orders of magnitude (e.g. 0.1%, 1%, 10%). The attribution factor is then multiplied with the insured's emissions to calculate the insurance-associated emissions (IAEs). Depending on the IAE accounting method, the same amount of real-economy emissions could yield IAEs that are different by orders of magnitude. If these differently calculated IAEs are aggregated under a single overall IAE reduction target, the part of the IAEs that were calculated with the highest attribution factor would dominate the aggregated IAEs and would consequently attract most of the decarbonisation efforts. Decarbonisation efforts on the part of the IAEs that were calculated with the lowest attribution factor would have a smaller relative impact on the aggregated IAEs and could thus be deprioritised or omitted. A concrete example follows from the PCAF Global GHG Accounting and Reporting Standard for the Insurance Industry—the Standard employs two different attribution methods to calculate IAEs (one for commercial lines, and one for personal motor lines of business) that are different by one to two orders of magnitude.



4.1.4 Sectoral decarbonisation approach (SDA)

As an alternative to the potentially sector-wide overall emissions reduction target type, the **sectoral decarbonisation approach (SDA)** uses sector-specific emissions reduction pathways for target design. In choosing the SDA, NZIA members independently set their own targets to have the physical emissions intensity²⁶ of their (sub)portfolio in a certain economic sector converge over time with a 1.5°C-aligned science-based decarbonisation pathway for that same sector. This target type is described as the “Portfolio SDA” approach in SBTi’s Financial Sector Science-Based Targets Guidance.²⁷ SBTi is one, albeit not the only, institution that publishes science-based, sectoral decarbonisation pathways that are a prerequisite for the SDA target type.

The definition of target pathways by SBTi is based on a combination of science and judgements in line with SBTi’s published principles—it is not influenced by the broader policy objectives of companies and/or other organisations.

The SBTi is partnering with the NZIA to provide guidance and develop criteria for consideration in relation to SDAs for IAEs and target pathways suitable for an underwriting context. A formal assessment of the proposed emissions reduction target types by SBTi takes time and has not yet been conducted; however, this Protocol orients towards SBTi’s net-zero standard framework and near-term target-setting guidance for the financial sector as appropriate for the proposed target type. Future versions of the Protocol will incorporate feedback from SBTi on SDAs and target pathways, subject to applicable laws, rules and regulations.²⁸

Notwithstanding this, NZIA members may use the SDA target type to set targets as they deem appropriate.

Where this target type has been selected by an NZIA member, the SDA targets they set **should** meet the following conditions:

- **Target level of ambition:** use of sector-specific methods for 1.5°C pathways which are internationally-recognised methodologies/pathways for SDAs. Fulfilment of SDA targets means that the emission intensity of the part of the portfolio defined by the portfolio target boundary has converged with the 1.5°C pathway.
- **Portfolio target boundary:** this should be individually set by the NZIA member (c.f. Minimum requirements for target setting in Section 2, “How to use this Protocol”).

26 Physical emissions intensity = Re/insured’s absolute emissions divided by a physical output value (expressed in e.g. tCO₂e/MWh, tCO₂e/ton product produced, tCO₂e/litre product produced). This is different to economic emissions intensity which is defined as the re/insured’s absolute emissions divided by a monetary unit reflecting the insured’s size of business (expressed in e.g. tCO₂e/€M of insured’s revenue or asset value).

27 See sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance.pdf (pages 7 and 32)

28 For further information regarding how the SBTi validates target pathways, please refer to “Pathways to Net Zero: SBTi Technical Summary” (sciencebasedtargets.org/resources/files/Pathway-to-Net-Zero.pdf) and associated documentation on the following (non-exhaustive) sectors for guidance: Aluminium; Apparel and footwear; Aviation; Buildings; Chemicals; Cement; Financial institutions; Forest, land and agriculture; Information and communications technology; Oil and gas; Power; Steel; and Transport.



- **Timeframe:** the first SDA targets cover a minimum of five (5) years from the base year, and a maximum duration that does not reach beyond 2030 (i.e. the latest possible target year for NZIA members first target(s) under this Protocol, as defined in Section 3.4, “Timing of target setting”). Subsequent SDA targets cover a minimum of five (5) years and a maximum of ten (10) years.

4.2 Engagement target category

In realising real-world GHG emission reductions, re/insurers engaging with clients on their net-zero transition is a key lever for re/insurers to advance their own net-zero transformation. Such engagement may also support re/insureds in their own net-zero transitions, encourage innovation, and produce related benefits for the customers of the re/insureds, as well as the re/insureds themselves.

The Protocol suggests two possible target types under the engagement target category, with each NZIA member being free to unilaterally choose which of these it will select when setting its target(s):

1. The **portfolio coverage approach** (PCA) that seeks to increase the share of clients in a re/insurer’s portfolio who have set their own science-based targets (SBTs); and/or
2. The **focused engagement** target type under which a re/insurer engages with selected clients regarding their transition plans and decarbonisation strategies.

There are two key differences between the two engagement target types: the PCA would be appropriate for commercial client portfolios, while the focused engagement target type is open to clients of both commercial and personal lines. Secondly, the measure of success for the PCA is “outcome-based”; namely, how many clients in a portfolio have actually set their own SBTs. However, for the focused engagement target type, success can be measured in terms of either an outcome or simply in recognising the re/insurer’s efforts (that may or may not result in a specific outcome).

Under either target type, it will be important to recognise the transition journeys that the clients (and their industry segments) are on, and their role in the wider global economy. This will allow NZIA members to support a tailored transition that recognises the specific challenges each client and industry segment faces in transitioning.



4.2.1 Portfolio coverage approach (PCA)

By choosing the PCA, NZIA members independently set their own targets in relation to the proportion of their re/insurance clients that have established their own science-based targets (SBTs) as part of their net-zero transition journeys. These targets shall be such that an NZIA member is on at least a linear path to 100% portfolio target boundary coverage (i.e. 100% of clients having set SBTs supporting a net-zero transition) by 2040. This target type is described as the “SBT Portfolio Coverage Approach” in SBTi’s Financial Sector Science-Based Targets Guidance.²⁹ Note that SBTi is not the only organisation to publish guidance on SBTs or to validate SBTs. Accordingly, a client can set SBTs that are validated by SBTi or any other competent third party.

Where this target type has been selected by an NZIA member, the portfolio coverage targets they set **should** meet the following conditions:

- **Target level of ambition:** have a proportion of re/insurance clients (defined via the portfolio target boundary) to set their own third party-approved science-based targets such that this client portfolio is on at least a linear path to 100% SBT-coverage by 2040. By 2030, the SBT-coverage can accordingly be less than 100%. For example, an NZIA member starting with 10% SBT-coverage among its clients subjected to a portfolio coverage target in 2020 would need to encourage its clients to adopt SBTs such that it would increase the proportion of its client portfolio with SBT-coverage by 4.5% per year ($90/(2040-2020) = 4.5$) and reach at least 55% ($10 + [10 \times 4.5] = 55$) coverage by 2030. Fulfilment of portfolio coverage targets means that the SBTs of all of re/insurance clients that are covered by the portfolio target boundary have been published by these clients and approved by a competent third party.
- **Portfolio target boundary:** individually set by each NZIA member (c.f. Minimum requirements for target setting in Section 2, “How to use this Protocol”).
- **Target time frame:** fulfil the first portfolio coverage target(s) by 2030 at the latest, subsequent portfolio coverage targets within a maximum of five (5) years from the date that the targets are published.

4.2.2 Focused engagement target type

Focused engagement targets **may** be set for commercial clients, personal line clients, or both (subject to the LoBs covered by the Protocol, as per Section 3, “General scope of the Protocol” and the individually set portfolio target coverage).

²⁹ See sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance.pdf (pages 7 and 32)



Focused engagement targets for commercial lines

By choosing the **focused engagement** target type for **commercial lines**, NZIA members independently set their own targets to engage with selected commercial clients (defined by the portfolio target coverage), supporting them in their efforts to:

- develop and implement credible transition plans in line with a 1.5°C net-zero pathway; and/or
- mitigate and manage possible transition risks; and/or
- strengthen their individual efforts to lower their own GHG emissions.

Table 2: Actions and possible metrics (non-exhaustive) to be considered for focused engagement targets for commercial lines

Action	Possible metrics (non-exhaustive)	Example
Engagement for information	Number of client engagements where the clients net-zero relevant information was requested	Disclosure of transition plans including targets and progress reports; GHG emissions; Net-zero alignment status; etc.
Engagement with information	Number of client engagements where net-zero relevant information was provided	Measures to improve energy efficiency; Transition risk advisory, etc.
Engagement with a purpose	Number of clients which have set specific carbon reduction objectives. Members should specify an expected date by which the objective should be met (e.g. 3 years), thus adding a binding deadline. The member should also specify the course of action if the client fails to achieve the desired purpose. ³⁰	Request a plan by client to switch to an electric vehicle (EV) fleet; Request a % reduction in methane gas emissions for the client, 1.5°C pathway commitment of an industrial client; Request a capital expenditure (CapEx) plan dedicated to energy savings measures; Seek a commitment to 100% renewable power sourcing, etc.

Focused engagement targets for personal motor lines

By choosing the **focused engagement** target type for **personal motor lines**, NZIA members independently set their own targets to engage with personal motor clients (defined by the portfolio target coverage), supporting them in their efforts to lower their individual road transportation-related GHG emissions (e.g. by transitioning to electric vehicles; the use of other forms of low or zero-emission transportation; reduction in vehicle use; adopting eco-driving practices; or adopting more sustainable repair and replacement options).

³⁰ In line with applicable laws, NZIA Members will not coordinate their market behaviour towards engagement partners who fail to achieve the desired purpose. NZIA members will also consider applicable laws in taking any steps where a client has failed to meet an agreed target.



Table 3: Actions and possible metrics (non-exhaustive) to be considered for focused engagement targets for personal motor lines

Action	Possible metrics (non-exhaustive)	Example
Engagement with information	<p>1. Number of engagement programmes/campaigns where information about road transportation-related GHGs is shared with the clients/policyholders, along with possible measures to reduce individual policyholder transportation-related emissions;</p> <p>or</p> <p>2. Measure number of clients/policyholders covered by the engagement</p>	<p>Provide estimated CO₂e associated with the policyholder's driving habits</p> <p>Provide information about benefits of walking/biking/scooting in the location where the policyholder is located (e.g. bike storage/lock locations, walking paths)</p> <p>Provide information about EV/plug-in hybrid infrastructure support (e.g. charging location stations in the area)</p>

4.3 Other targets category: re/insuring the transition target type³¹

Alongside emissions reduction and engagement target types, the Protocol suggests an additional target type under the category “Other targets”, which addresses the opportunity side of the net-zero transition. Re/insurers can contribute to the latter by offering insurance solutions to activities that avoid, reduce, or remove emissions; or that help cope with the negative impacts of climate change.

By choosing the **re/insuring the transition** target type, NZIA members independently set their own targets to grow their business with **net-zero transition re/insurance solutions**.

Definition: The Protocol defines a “net-zero transition re/insurance solution” as any re/insurance product or service that covers economic activities considered to contribute towards climate change mitigation,³² or to a combination of both climate change mitigation and climate change adaptation.³³

Economic activities making a contribution to climate change mitigation and/or adaptation must not cause significant harm to remaining environmental or social objectives.

Re/insuring the transition targets **may** be set for commercial lines, personal lines, or both (subject to the LoBs covered by the Protocol, as per Section 3, “General scope of the Protocol” and the individually set portfolio target coverage).

31 “Transition insurance” targets are not presently defined in SBTi’s Financial Sector Guidance and this is an area of expected future collaborative work between the NZIA and SBTi.

32 Climate change mitigation is achieved through activities that prevent greenhouse gases from entering the atmosphere or remove and store carbon dioxide already present in the atmosphere.

33 Climate change adaptation results from risk management and loss prevention measures that contribute to enhancing adaptive capacity, building resilience, reducing vulnerability and incentivising preventive/adaptative activities related to climate change impacts.



For commercial lines, re/insuring the transition targets **may** address, among other examples:

- Energy efficiency
- Low/zero-emission power and fuels
- Circular economy
- Sustainable claims options that produce lower or zero emissions (e.g. sustainable repairs and replacement options, partner networks)
- Negative-emission technologies
- Natural climate solutions, etc.

For personal motor lines, re/insuring the transition targets **may** address, among other examples:

- Low/zero-emission forms of transportation
- Products that incentivise less vehicle use, mileage and emissions (e.g. usage-based coverage)
- Sustainable claims options and roadside assistance that produce lower or zero emissions (e.g. sustainable repairs and replacement options), etc.

The NZIA acknowledges that the above lists of examples are non-exhaustive. Technologies and economic activities relating to climate change mitigation and/or adaptation will evolve over time.

Metrics: NZIA members **may** set quantitative re/insuring the transition targets in the form of a relative or absolute increase preferably of their revenue or premiums deriving from net-zero transition re/insurance solutions (see definition above), or alternatively of the number of their clients that make use of net-zero transition re/insurance solutions.



5. Target disclosure and reporting

As a component contributing to attaining the NZIA's objectives outlined above, NZIA members have committed to make their targets public and report on their progress as appropriate and in accordance with applicable laws. This section lays out a number of considerations on target disclosure and reporting, but notably not about target validation. As described in Section 2, "How to use this Protocol", a comprehensive target validation process has not yet been formulated for this first version of the Protocol. Such validation is anticipated to require the involvement of a competent third party (e.g. SBTi). This will be considered for inclusion in the next version of the Protocol.

5.1 Disclosure of target(s) and their portfolio boundary(ies)

NZIA members **shall** make their targets set under this Protocol publicly available according to the timing described in Section 3.4, "Timing of target setting".

NZIA members **shall** disclose the individually set portfolio target boundaries alongside each target, and explain the rationale of their choice, as described in Section 2.1, "Minimum requirements for target setting".

In doing so, NZIA members shall not share any competitively-sensitive information.

5.2 Reporting on actions and target progress

NZIA members **shall** report annually and publicly on their progress against all published targets, including the actions and steps taken during the year to meet their respective targets.

Each year, starting in 2024, the NZIA will publish a progress report which provides an aggregate and by target type view of members' independently set targets and global progress accomplished during the year. NZIA members shall support the NZIA Secretariat in preparing the progress report with respect to completeness and comprehension of the reported progress.

In doing so, NZIA members shall not share any competitively-sensitive information.



5.3 Where to disclose and report

NZIA members **shall** use official channels for independent disclosure and reporting (e.g. via their annual reports, sustainability reports, PSI disclosures, TCFD reports, CDP's annual questionnaire, their website or a standalone report). In addition, members shall share their targets with the NZIA Secretariat when disclosing them, and the NZIA Secretariat will publish all members targets on the NZIA website. As above, such reporting will not involve disclosure of any competitively-sensitive information.

5.4 Recalculation of targets

NZIA members **should** check the validity of their own target-related projections annually, and consider a target recalculation, as necessary.

NZIA members **should** recalculate their own targets to reflect significant changes relevant to them that would compromise the relevance and consistency of their existing target. The following list includes examples of changes that **should** trigger a target recalculation:

1. Updates in the latest climate science that would affect the target ambition level;
2. Structural changes in the re/insurer (e.g. mergers, acquisitions, divestments, outsourcing and insourcing);
3. Changes in calculation methodologies, improvements in data accuracy, or discovery of significant errors;
4. Expansion in scope of accounting standards for insurance-associated emissions;
5. Changes in the categories or activities (e.g. lines of business) included in the Scope 3 inventory.

Recalculated targets **shall** automatically comply with the latest available version of the Protocol.



6. Roadmap to Version 2 (and beyond) of the Protocol

Many components of this Protocol face limitations. Consequently, the NZIA intends that this Protocol will be further developed, expanded, and refined over time. The following section will outline the roadmap in this respect.

6.1 Dimensions for possible expansion and refinement

Scope expansion

As it is the ambition of the NZIA and its members for the methodology in this Protocol to ultimately cover a broad scope of insurance and reinsurance portfolios, recommended expansions to the general scope of the Protocol will be considered for inclusion in the Protocol over time. Examples include:

- Target horizon: from near-term to long-term and net-zero target setting
- Emissions: insurance-associated emission removals
- Business in scope: additional LoBs (e.g. life and health insurance, non-motor personal lines insurance, treaty reinsurance)
- Value chain: intermediaries, claims handling, etc.

The main limitation in this respect is the availability of a common accounting and reporting standard and data. For instance, additional LoBs can only be included once the common accounting and reporting standard and data are available. This links the expansion of the Protocol closely to future developments of the PCAF Global GHG Accounting and Reporting Standard for the Insurance Industry.³⁴

Refinement of target types

Existing recommended target types will be considered with respect to further developments and refinements, for instance by adding more quantitative aspects, once appropriate methodologies, metrics and data become available. The feasibility and inclusion of additional target types will be considered. In addition, it is intended that the ambition level of the Protocol will be considered, especially with respect to the minimum requirements to target setting and the quantitative IAE reduction targets, in light of evolving science and the need to break down overall targets to the sector level.

34 carbonaccountingfinancials.com/public-consultation-insurance-associated-emissions



Portfolio target boundary

Future versions of this Protocol will consider for inclusion certain quantitative minimum ambition levels for the portfolio target boundaries (e.g. establishing the proportion of re/insurer's overall portfolios that will be covered by the target setting). For the avoidance of doubt, such quantitative minimum ambition levels are not expected to extend to individual economic sectors.

Target validation

NZIA members have taken a deliberate decision not to incorporate an NZIA target validation process within this version of the Protocol, as members have agreed that such a validation process should involve validation by a competent third party. The collaboration between the NZIA and SBTi should allow the NZIA to align with their work on a net-zero standard for financial institutions ("FINZ"), which may eventually allow for collaboration with SBTi on target validation approaches applicable to this Protocol (or future versions thereof). Therefore, it is expected that future versions of this Protocol will further develop the guidance to a target validation process.

6.2 Timeline

The **next version of this Protocol will be published at the latest by 31 December 2025**. The extent of the revision will depend on the availability of relevant standards and science-based data, such as the next version of the PCAF Global GHG Accounting and Reporting Standard for the Insurance Industry covering new LoBs and the decarbonisation pathways for SBTi's SDA. For the time being, this Protocol contains adequate and sufficient target-setting elements for each NZIA member to individually start or propel their net-zero re/insurance journey.



About UN Environment Programme's Principles for Sustainable Insurance Initiative

Endorsed by the UN Secretary-General and insurance industry CEOs, the Principles for Sustainable Insurance (PSI) serve as a global framework for the insurance industry to address environmental, social and governance (ESG) risks and opportunities—and a global initiative to strengthen the insurance industry's contribution as risk managers, insurers and investors to building resilient, inclusive and sustainable communities and economies on a healthy planet. Developed by UN Environment Programme's Finance Initiative, the PSI was launched at the 2012 UN Conference on Sustainable Development (Rio+20) and has led to the largest collaborative initiative between the UN and the insurance industry. As of October 2022, more than 220 organisations have joined the PSI, including insurers representing about one-third of world premium and USD 15 trillion in assets under management, and the most extensive global network of insurance and stakeholder organisations committed to addressing sustainability challenges. The PSI also hosts the Net-Zero Insurance Alliance and the Sustainable Insurance Facility of the Vulnerable Twenty Group of Finance Ministers (V20).

Learn more at:

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