Link to response submitted on 28 February 2025:
PCAF Public Consultation 2024 - Part C

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TREATY REINSURANCE

8.Would you like to provide feedback on this method?

- **Yes**
- ~~No~~

9.What is your overall impression of the method?

- ~~Very positive~~
- **Positive**
- ~~Neutral~~
- ~~Negative~~
- ~~Very negative~~

10.What do you like most about it?

The method addresses an important line of business (treaty reinsurance) which was missing from the initial version of Part C. It does so by building on this initial version and in a consistent way with GHG Protocol carbon accounting principles. The method offers several options and provides useful guidance on proxy data and quality scoring.

11.What would have to change for you to have a better impression of the method?

The method should provide more discussion of brokers. At the moment this is only hinted at in Figure 2.11. Brokers play an important role in treaty reinsurance (as they are often the ones interacting with primary insurers and collecting data for reinsurers).

12.How satisfied are you with the method? Please rate the following:

	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Ease of understanding: the method is clear and without ambiguity	○	●	○	○	○
Completeness: the method is of sufficient breadth, depth, and scope	○	○	○	●	○
Applicability: the method is applicable in your regional context	○	●	○	○	○
Consistency: the method is consistent with the carbon accounting principles derived from the GHG Protocol	●	○	○	○	○

13.Would you make change to the method to make it easier to understand / to be more complete / applicable / consistent? If yes, what changes would you make?

The method should put more emphasis on the case within Method A where only the company-wide IAE of a cedent are available, which is only briefly alluded to in the "mismatch" tables. We expect this case to be frequent in practice over the next few years, as primary insurers start reporting their IAE with limited or no granularity.

14.Can you describe one or two issues that you foresee in implementing the method and which the method description didn't provide help in a sufficient way?

In addition to the issues already described in the consultation paper, another issue will be where reinsurers have limited contact with their cedents, due to the transaction being intermediated by brokers. Reinsurance brokers need to be incentivized to collect, report (see response to question 11 above) and share IAE data along the value chain.

Also, the use of premium (which is necessary due to data limitations) may result in distortions due to the nature of reinsurance in certain circumstances. In many cases "risk load" or cost of capital represents a large portion of a reinsurance premium, particularly in catastrophe excess of loss cover in "peak zones" such as Florida for hurricane or Japan for earthquake. This is less true in other geographies or in lines of business such as motor. If the objective is to measure the relative exposure to loss, as opposed to the capital intensity of the cover, additional study of the makeup of reinsurance premium may be required, A related issue is the existence of government pools which provide reinsurance, such as the Florida Hurricane Catastrophe Fund or the Japan Earthquake Reinsurance Company.

For all re/insurers

15.Shall the Insurance-Associated Emission Standard be adjusted so that "re/insurer should report insurance associated emissions based on gross premiums (before reinsurance) as well

as net premiums (after reinsurance)?" If not, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

Yes

16.Do you agree with the general proposed approach? If not, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

An important concern is where reinsurers have limited contact with their cedents, due to the transaction being intermediated by brokers (see response to question 14 above). Reinsurance brokers need to be incentivized to collect, report (see response to question 11 above) and share IAE data along the value chain.
Another concern relates to the fact that the share of primary IAE ceded to reinsurance is systematically based on the premium cession rate in the standard. However, it is likely that IAE related to "plain vanilla" commercial risks ceded to reinsurance should get less IAE than the IAE cession related to complicated project insurance (for example). For the latter, the reinsurer is likely to spend more time and energy to provide his services compared to the first one. In this context, some "adaptation" factors may have to be taken into account to reflect such complications. This is similar to a point made in in response to question 14 above about the different nature of reinsurance cover by geography or line of business.

For primary insurance companies

17.Are you willing to share data with your reinsurers to enable them to calculate insurance-associated emissions (i.e. treaty-level emissions, share of premiums within a treaty in scope with the Insurance-associated Emission Standard) data with reinsurers in the future? If not, can you elaborate on why you are not willing to share this data?

Not appliable to the IAA

For reinsurers only

18.Do you agree with the general proposed approach to calculate treaty reinsurance associated emissions using the ratio of ceded premiums and gross premiums and the insurance-associated emissions of the primary insurance company? If not, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

Yes

19.Unavailability of cedent level data will prevail for a number of years. Do you agree to calculate insurance associated emissions based on high level estimates (Method B)?

- ~~Agree, should be mandatory~~
- **Agree, should only be a recommendation**
- ~~Agree, should only be voluntarily~~
- ~~Neutral~~
- ~~Disagree~~

20.Can you please elaborate on your answer to the previous question?

There will be cases where a figure can be derived, but with such a low data quality (score "5+") that it may make more sense not to report, rather than to report meaningless numbers conveying an impression of false accuracy.

21.Do you find the description of proxy data comprehensive? If not, can you elaborate on any concerns and what you think is missing in the description, as well as suggestions for other proxy data?

No, because proxy data could also be used for Method A. Where meaningful proxy data about the reinsured assets or activities cannot be obtained to apply Method B, reinsurers could use instead the IAE of the broader insurance sector to derive the estimated IAE of the ceding company (and then apply Method A with a quality score 5). At the moment this approach (which is a sort of hybrid between Methods A and B) is entirely missing from the consultation paper.

22.What approach for Method A do you favor for reinsurance treaties covering lines of business not in scope of the PCAF standard? (See Figure X on page 23)

- **Approach 1 (simple): Use overall ratio of ceded premiums and gross premiums**
- Approach 2 (accurate): Determine ratio of ceded premiums and gross premiums only based on business in scope of the Insurance-Associated Emissions Standard
- Other

23.What approach for Method B do you favor for reinsurance treaties covering lines of business not in scope of the PCAF standard? (See Figure X on page 23)

- **Approach 1: No reporting to avoid inaccurate data**
- Approach 2: Estimate only for lines of business in scope of the Insurance-Associated Emissions Standard
- Other

General

24.If you have any further feedback on the content of this Consultation Draft that is not addressed by the questions above, please provide it here.

We would like to clarify our answer to question 25 below: we recommend health insurance for future methodology development (with an approach similar to commercial insurance i.e. based on the emissions of the health care sector), but not necessarily life insurance (it was not possible to disentangle life vs. health insurance in question 25).

We note that the health care sector is a significant contributor to emissions and health insurers are primary funding sources to the sector. It is important to note that the nature of health insurance varies widely between countries, with some being dominated by government programs, others being largely private, and many being a mixture of public and private insurances. In order to avoid distortions between geographies this mix issue would need to be addressed in any approach.

25.Which topic(s) would you propose for future methodology development within the PCAF Standard: Part C? Please select any methodologies that you would like to see from PCAF:

- ~~Commercial insurance: Structured trade credit~~
- ~~Commercial insurance: Corporate life and pensions, personal accident~~
- ~~Public entities: Insurance contracts purchased by public entities~~
- **Personal lines: home insurance (liability & property)**
- ~~Personal lines: Other/Special lines: Travel assistance~~
- ~~Personal lines: Other/Special lines: Legal assistance~~
- ~~Personal lines: Other/Special lines: Pet~~
- **Personal lines: Life and Health**
- **Claims**
- **Other: Brokers (high priority), Surety**

Project Insurance

26.Would you like to provide feedback on this method?

- **Yes**
- ~~No~~

27.What is your overall impression of the method?

- ~~Very positive~~
- ~~Positive~~
- **Neutral**
- ~~Negative~~
- ~~Very negative~~

28.What do you like most about it?

The method addresses a very important line of business (project insurance) which was missing from the initial version of Part C. It does so by building on this initial version and in a consistent way with GHG Protocol carbon accounting principles. The method offers several options and provides useful guidance on proxy data and quality scoring.

29.What would have to change for you to have a better impression of the method?

Brokers often play in important role in structuring, procuring and allocating project insurance contracts. Project insurers may have limited contact with and influence on the insured projects and companies, due to the transaction being intermediated by brokers. This needs to be recognized in the document (at the moment, brokers are not even mentioned once). Brokers may need to collect, report and share project emissions data with insurers and along the value chain.

In addition, we believe that although they may be difficult to measure, attribute and avoid double-counting, lifetime emissions are too important to exclude or to simply include with an optional 'may'. Otherwise (and as the document acknowledges), this may create wrong incentives for insurers to support projects with limited construction emissions but larger lifetime emissions (e.g., gas vs. hydro power plant)

30.How satisfied are you with the method? Please rate the following:

	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Ease of understanding: the method is clear and without ambiguity	○	○	●	○	○
Completeness: the method is of sufficient breadth, depth, and scope	○	○	○	●	○
Applicability: the method is applicable in your regional context	○	○	●	○	○
Consistency: the method is consistent with the carbon accounting principles derived from the GHG Protocol	○	●	○	○	○

31.Would you make change to the method to make it easier to understand / to be more complete / applicable / consistent? If yes, what changes would you make?

We disagree with the making the aggregated approach for a portfolio of projects impermissible. While of course not ideal, it may not introduce materially larger biases than the other approximations allowed by PCAF elsewhere (whether here in project insurance, in treaty reinsurance, or elsewhere in preexisting Part C methodology).

We also recommend explaining why use stage emissions reporting is considered not feasible for annual covers. Would the potential uncertainty associated with it be materially larger than in other approximations allowed by PCAF elsewhere?

We also recommend reminding the reader what 'embodied emissions' are (in the text, in the glossary or both).

32.Can you describe one or two issues that you foresee in implementing the recommendation?

As noted in the document, obtaining reliable, granular and comparable emissions data will be the key issue. This is compounded by the fact that brokers often play in important role in structuring, procuring and allocating project insurance contracts (which goes unacknowledged in the document). Brokers may need to collect, report and share project emissions data with insurers and along the value chain (see also answer to question 29).

33.Do you agree that it is clear which lines of business are and are not in-scope of the methodology? If not, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

Yes, although the document should elaborate more on how to avoid double-counting with commercial insurance (and later with property insurance, once this is included in PCAF methodology).

34.Do you agree that it is clear which emissions are and are not covered by the methodology? If not, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

It is clear for construction stage emissions, but not for use stage and lifetime emissions. There is also significant potential for either incomplete accounting or double-counting between construction, use and lifetime emissions.

35.Do you think lifetime emissions should be included as an optional 'may' calculate within this methodology? Under the PCAF standard, 'May' indicates an allowed option'.

'May' is a minimum, we recommend using 'should, to the best of their ability'. Otherwise (and as the document acknowledges), this may create wrong incentives for insurers to support projects with limited construction emissions but larger lifetime emissions (e.g., gas vs. hydro power plant).

36.Given the limitations addressed on data availability, do you know of any available emissions data which the working group may have overlooked?

No further suggestions

37.If you are a construction company, would you have emissions data available which you would be able to share for the purposes of the calculation?

Not appliable to the IAA

38.Please share your views on the examples provided within the quality scoring tables and their viability.

We agree with the examples and the guidance on quality scoring, which are useful and well thought-out.

General

39.If you have any further feedback on the content of this Consultation Draft that is not addressed by the questions above, please provide it here.

We would like to clarify our answer to question 40 below: we recommend health insurance for future methodology development (with an approach similar to commercial insurance i.e. based on the emissions of the health care sector), but not necessarily life insurance (it was not possible to disentangle life vs. health insurance in question 40).

40.Which topic(s) would you propose for future methodology development within the PCAF Standard: Part C? Please select any methodologies that you would like to see from PCAF:

- ~~Commercial insurance: Structured trade credit~~
- ~~Commercial insurance: Corporate life and pensions, personal accident~~
- ~~Public entities: Insurance contracts purchased by public entities~~
- **Personal lines: home insurance (liability & property)**
- ~~Personal lines: Other/Special lines: Travel assistance~~
- ~~Personal lines: Other/Special lines: Legal assistance~~
- ~~Personal lines: Other/Special lines: Pet~~
- **Personal lines: Life and Health**
- **Claims**
- **Other: Brokers (high priority), Surety**