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18 October 2024

Cover letter accompanying response to SBTi FINZ Standard Consultation Survey

To whom it may concern,

This letter has been drafted by the European Insurance CFO Forum (“CFO Forum”) which represents the views of Europe’s 22 largest insurance companies and Insurance Europe, representing 95% of the premium income of the European insurance market. Accordingly, it represents the consensus view of a significant part of the European insurance industry.

European insurers welcome the opportunity to provide feedback on SBTi’s draft FINZ Standard. We welcome the SBTi’s efforts to engage with industry actors on the evolution of their draft Standard. There are however major concerns with the draft Standard that have prompted our response to the consultation survey, outlined below.

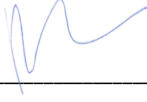
The draft Standard’s matrix over-estimates the level of influence insurance groups have over emissions associated with their investment and underwriting activities. We welcome that the draft Standard acknowledges that insurers have varying levels of influence over emissions associated with certain underwriting activities, and that in many cases, insurers only have a limited influence over policyholders’ behaviour. However, the draft Standard does not correctly consider financial institutions’ central and interconnected role with the real economy or fully appreciate the differing constraints between asset owner investment, asset manager investment and insurance underwriting activities. As a result, the draft Standard can be seen to push financial institutions to divest from economic activities that are yet to commit to a credible net-zero pathway. This can be seen where the draft Standard largely assumes that insurers have a significant level of control over high-emitting sectors.

European insurers also question the design of the draft Standard’s mandatory fossil fuel and deforestation policies. Financial institutions are bound by their fiduciary duty to clients, customers and policyholders which make such a blanket policy on fossil fuels extremely challenging to implement in practice. Equally, the draft Standard’s policy does not adequately consider that global economy continues to rely on fossil fuels for a variety of goods nor the possible economic and social impacts these could cause. For the policy on deforestation, it is currently not possible for any financial institution to meet these requirements in a manner which can be evidenced.

Lastly, the draft Standard is overly ambitious in its interim targets, and reporting requirements for insurers to achieve climate alignment. This is evident with its 2030 portfolio climate alignment target of 95% transitioning or transitioned activities, where it risks financial institutions divesting from high-emitting sectors, thus losing their ability to engage and pressure these counterparties towards credible Net-Zero pathways. Also, the draft Standard adopts reporting requirements for emissions where no metrics have yet been developed, such as the personal home line of business. The CFO Forum and Insurance Europe believe SBTi should reconsider the draft Standard and move its focus away from establishing a new reporting regime. Our detailed comments and responses on these elements of the FINZ Standard may be found in our survey response.

We would welcome an opportunity to discuss these issues with your team.

Yours faithfully,



Alban de Mailly Nesle
Chair
European Insurance CFO Forum



Olav Jones
Deputy Director General
Insurance Europe

About the European Insurance CFO Forum and its work

The European Insurance CFO Forum ('CFO Forum') is a high-level discussion group formed and attended by the Chief Financial Officers of major European listed, and some non-listed, insurance companies. Its aim is to influence the development of financial reporting, value-based reporting, and related regulatory developments for insurance enterprises on behalf of its members, who represent a significant part of the European insurance industry. The CFO Forum was created in 2002.

About the Insurance Europe and its work

Insurance Europe is the European insurance and reinsurance federation. Through its 37 member bodies — the national insurance associations — it represents all types and sizes of insurance and reinsurance undertakings. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers pay out over €1 000bn annually — or €2.8bn a day — in claims, directly employ more than 920 000 people and invest over €10.6trn in the economy.