



# Sustainability Data Standard Resource for Insurers

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## Executive summary

Climate change, geopolitical tensions and societal tensions have amplified the global risk landscape, and businesses across industries have realised their role in balancing profit-making with corporate stewardship. Sustainability<sup>1</sup> topics have become a top priority on board and executive agendas, with businesses recognising the value of integrating sustainability considerations into their core business strategies.

Similarly, for (re)insurers (carriers), regulatory pressure and shifting consumer preferences and expectations have placed sustainability firmly on the boardroom agenda. Insureds (clients) are increasingly conscious of sustainability issues and are seeking insurance partners that are aligned with their values and commitments to the physical environment, social responsibility and ethical governance.

Sustainability data collection as part of the underwriting process is proving to be a key element of carriers' sustainability strategies. Data collected by carriers is a significant part of the underwriting process as it helps them understand their clients' sustainability strategies and transition plans and, in general, supports underwriting decision-making.

Despite the growing recognition of the importance of sustainability factors and increasing disclosure requirements, fragmented solutions for data collection are emerging in the insurance industry. Carriers and brokers are developing disparate approaches to collecting sustainability-related data, leading to inconsistency and inefficiency between carriers, brokers and clients. This fragmentation undermines carriers' ability to gain meaningful insights into their portfolios and, more importantly, complicates data provision for clients.

Clients are understandably asking for greater information standardisation and a streamlined approach to collect this data. They also want more transparency over how sustainability data is being used in the underwriting process.

To address these challenges the LMA and the IUA collaborated with a number of London market participants to develop a publicly available resource of sustainability data points and sustainability data definitions. The primary goal of this initiative was as follows:

- develop an initial set of sustainability points, spanning basic environmental, social and governance considerations for clients;
- streamline the process of sustainability data collection; and
- promote consistency and efficiency,

We consider that a streamlined process for collecting sustainability data will enhance the customer experience and remove the friction in data exchanged between clients, carriers and brokers.

The following sections of this document will address the following:

- the proposed sustainability data points and how those were derived;
- a walkthrough of the data points; and
- how London market participants can access and use the data points.

<sup>1</sup> For the purposes of this document, we use the term 'Sustainability' as an overarching term. If the ESG term is used, i.e. environmental, social, and governance, this describes the framework and criteria used by organisations to assess their environmental, social and governance impact. We also use the term ESG to categorise the questions proposed into environmental, social and governance factors.

# Narrative

## A fragmented data landscape and the proposed solution

As the LMA highlighted in the [Insurers must understand what ESG<sup>2</sup> means to them](#)<sup>3</sup> insight last year, the data landscape is currently too fragmented to inform carriers' evidence-based strategies. The regulatory picture is fragmented too, but regulation is likely to move quicker than the data.

Global sustainability reporting frameworks will all require organisations to disclose, through a large number of data points, information about sustainability strategies, climate risk management and transition planning.

The LMA and the IUA recognise the significant resources clients require to answer lengthy questionnaires from carriers and brokers. While this is the most direct way of gathering relevant and up-to-date data on a company's sustainability credentials, the format of questions and metrics can vary significantly due to carriers' differing approaches, regulatory compliance needs and progress in terms of their sustainability strategies.

This is a demanding and labour-intensive exercise for clients, which can cause tension in relationships between them, carriers and brokers. A lack of transparency in the carriers' methodology may exacerbate this.

As such, we considered that the insurance industry should have access to a common set of sustainability data points. This will ultimately benefit clients by reducing their administrative burden of having to respond to disparate questionnaires and the friction created by data exchange between clients, carriers and brokers.

## How was the project carried out?

In June 2023, a working group of London market representatives, which included carriers, brokers, the LMA and the IUA, was established to identify and agree on a common set of sustainability data points.

The working group agreed on the key objectives as follows:

- Provide more clarity and consistency to clients who are faced with increasingly complex sustainability requests from carriers and brokers. This could be achieved through a common set of sustainability data points.
- Data points should be meaningful for the needs of the underwriter.
- The data points may already be publicly disclosed and, therefore, should broadly align with the main frameworks for sustainability reporting.
- The data points should be universally applicable, irrespective of sector or product class (sector or business line agnostic).

The working group started with more than two hundred questions/data points on environmental, social and governance factors included in various ESG rating providers' scorecards. Working group members unanimously agreed that to meet the above principles, these data points should be significantly reduced in number but sufficient to provide carriers with a high-level understanding of the client's sustainability strategies.

Throughout this process, the group was unequivocally committed to full compliance with all relevant competition and antitrust laws. Consequently, the group's discussions were limited to the 'What' – specifically, the information carriers are seeking. The 'Why' behind carriers seeking this information, including whether this information could be used in pricing or risk assessment, was explicitly excluded from the discussion's scope. The group did not participate in any practice which would have the object or effect of restricting competition or providing a forum to promote anti-competitive conduct contrary to competition law.

Created from this group's output, the IUA and LMA have now published a resource of 22 sustainability data points, including questions and data definitions. Carriers are not under any obligation to request these baseline data points, nor are they restricted to asking only these questions. These could be subsequently tailored by carriers, by class of business or by industry sector.

Given the dynamic nature of sustainability disclosures and the regulatory landscape, the IUA and the LMA will consult periodically with the industry to ensure that the data points remain fit for purpose and to update it as and when needed.

The next section presents the data points and the necessary glossary to provide additional clarity around the agreed questions.

<sup>2</sup> As per Footnote 1: For the purposes of this document, we use the term 'Sustainability' as an overarching term. If the ESG term is used, i.e. environmental, social and governance, this describes the framework and criteria used by organisations to assess their environmental, social and governance impact. We also use the term ESG to categorise the questions proposed into environmental, social and governance factors.

<sup>3</sup> [Insurers must understand what ESG means to them](#) insight as part of the [ESG Data for Underwriting](#) report by Better Insurance Network & Oxbow Partners, published 23 January 2023.

# Data Points

## The Data Points

The below table includes the data points and data definitions.

The data points outlined below are agreed upon as of 01 June 2024. To aid orientation, we have organised them into the following three pillars:

- Environmental
- Social
- Governance.

E, S, G Pillar	Question	Answer Format
ENV	What is the volume, in CO <sub>2</sub> eq of your Scope 1 and Scope 2 emissions?	One box for Scope 1 and one box for Scope 2
ENV	What is the volume, in CO <sub>2</sub> eq of your Scope 3 emissions?	One box for Scope 3
ENV	Do you have a third-party verified GHG emission reduction plan?	Response options: Disclosed, not disclosed, No
ENV	If you are a material consumer of water, do you produce a plan to optimise or reduce your water usage?	Response options: Not material consumer, Yes + Partially disclosed, Yes but not disclosed, No plan
ENV	Have you undertaken a climate change risk assessment against your business/operational activities?	Response options: Yes or No
ENV	Have you undertaken a biodiversity impact assessment of your business/operational activities?	Response options: Yes + plan to minimise/offset; Yes – no plan to minimise/offset; No
SOC	Do you have a Diversity, Equity and Inclusion policy?	Response options: Yes + Publicly disclosed; Yes but not publicly disclosed; No
SOC	What is your Total Recordable Incident Rate (TRIR)?	Response options: # of incidents x 200,000/total hours worked in year
SOC	Do you provide measures to address health in the workplace?	Response options: physical, mental, both, none
SOC	Do you have a policy to manage complaints related to the quality or safety of products or product misselling?	Response options: Yes + Publicly disclosed, Yes but not disclosed, No
SOC	Have you had any condemnations (fines or penalties) related to the quality or safety of products or product misselling in the last five years?	Response options: Yes or No
SOC	How many data breaches have been recorded in the last 10 years?	Response options: State the number
SOC	Have you had any condemnations (fines or penalties) related to data management in the last ten years?	Response options: Yes or No

SOC	Do you conduct human rights assessments for both your own operations and your (TBD) suppliers?	Response options: No, Own Operations only, Own Operations and Suppliers
SOC	How much (currency) does your organisation contribute to the social and economic development of the area or countries where you have operations, by developing or financing any assets needed to the local infrastructure: Examples include communications (telecoms, Wi-Fi), power, roads/transport, water, shops/amenities, security.	Response options: State the number
GOV	Is there an executive leadership member with responsibility for sustainability issues?	Response options: Yes or No
GOV	What's the percentage of women at executive leadership level?	Response options: State the number
GOV	What is the percentage of ethnic minorities at executive leadership level?	Response options: State the number
GOV	Have you had any material [>2% of profit before tax] condemnations (fines or penalties) for tax practices in the last five years?	Response options: Yes or No
GOV	Have you had any materials [>2% of profit before tax] condemnations (fines or penalties) for bribery or money laundering in the last five years?	Response options: Yes or No

With supplementary energy transition questions:

Carbon Transition Supplementary Table	Revenue	Production (BOE equivalent)
<b>Oil and gas activities</b>  *This includes synthetic crude oil, heavy oil, light oil, shale/tight oil, natural gas liquids, condensates		
<b>Coal mining activities</b>  *Qualities of coals collectively termed 'thermal' coal – 'steam' or 'energy' coal – because they are mainly used as fuel for power generation such as lignite and sub-bituminous coals.		

## Key definitions: Consistent Sustainability Datapoints for Underwriting

Below are **key definitions** to accompany the Consistent Sustainability data points. Where possible and to ensure consistency in the market, definitions have been mirrored from sustainability standard setters (e.g. ISSB<sup>4</sup>, GRI<sup>5</sup>).

### Key Environment Definitions

#### → Scope 1 Greenhouse Gas<sup>6</sup> Emissions (ISSB)

- Direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity.

#### → Scope 2 Greenhouse Gas Emissions (ISSB)

<sup>4</sup> <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/#sustainability-standards>

<sup>5</sup> <https://www.globalreporting.org/how-to-use-the-gri-standards/resource-center/>

<sup>6</sup> The seven greenhouse gases listed in the Kyoto Protocol: Carbon Dioxide (CO<sub>2</sub>); Methane (CH<sub>4</sub>); Nitrous Oxide (N<sub>2</sub>O); Hydrofluorocarbons (HFCs); Nitrogen Trifluoride (NF<sub>3</sub>); Perfluorocarbons (PFCs); and Sulphur Hexafluoride (SF<sub>6</sub>).



- Indirect<sup>7</sup> greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity. Purchased and acquired electricity is electricity that is purchased or otherwise brought into an entity's boundary. Scope 2 greenhouse gas emissions physically occur at the facility where electricity is generated.

→ Scope 3 Greenhouse Gas Emissions (**ISSB**)

- Indirect greenhouse gas emissions (not included in Scope 2 greenhouse gas emissions) that occur in the value chain<sup>8</sup> of an entity, including both upstream and downstream emissions. Scope 3 greenhouse gas emissions include the Scope 3 categories<sup>9</sup> in the Greenhouse Gas Protocol Corporate Value Chain Accounting and Reporting Standard (2011).

→ CO2 Equivalent (**ISSB**)

- The universal unit of measurement to indicate the global warming potential of each greenhouse gas, expressed in terms of the global warming potential of one unit of carbon dioxide.

→ Water Consumption (m3) (**GRI**)

- Measures water used by an organisation such that it is no longer available for use by the ecosystem or local community.

→ Biodiversity (**GRI**)

- Area not subject to legal protection but recognised for important biodiversity features by a number of governmental and non-governmental organisations.

## Key Social Definitions

→ Total Recordable Incident Rate (*TRIR*) (**GRI**)

- $[\text{Number of recordable work-related injuries/number of hours worked}] \times 200,000$ .

## Key Governance Definitions

→ Executive Leadership Member

- Identified member of executive team or committee (direct report to CEO) or senior management (reporting to executive team or committee).

## How the resource should be used and next steps

This resource is published by the LMA and the IUA and can be accessed in the following locations: [the LMA website](#), [the IUA website](#),

The data points are purely illustrative and are not mandatory. Carriers and their clients are free to adopt or amend components of this resource in whole or in part at their discretion.

As discussed previously, the dynamic nature of the sustainability disclosures and regulatory landscape means that the data points will need to be frequently monitored and refined. This should be in line with the regulatory landscape and the adoption of those by carriers and brokers.

As such, the LMA and the IUA will continue working with London market participants to ensure that the questionnaire remains fit for purpose and to update it as and when needed.

To achieve the above, a joint LMA/IUA working group<sup>10</sup> will be formed with defined governance and objectives. The group will be committed to monitoring the adoption and refinement of the data points. The group's membership and objectives will be published on the LMA/IUA sustainability web pages.

The London market insurance associations take no responsibility or liability for the use of this resource. It is the responsibility of the contracting parties to ensure and, where appropriate, seek professional advice on whether the questions and data definitions are relevant, comply with applicable laws and regulations, or are suitable for their intended use.

<sup>7</sup> Emissions that are a consequence of the activities of an entity but occur at sources owned or controlled by another entity.

<sup>8</sup> The full range of interactions, resources and relationships related to a reporting entity's business model and the external environment in which it operates.

<sup>9</sup> Scope 3 categories: purchased goods and services; capital goods; fuel- and energy-related activities not included in Scope 1/2 GHG emissions; upstream transportation and distribution; waste generated in operations; business travel; employee commuting; upstream leased assets; downstream transportation and distribution; processing of sold products; use of sold products; end-of-life treatment of sold products; downstream leased assets; franchises; and investments.

<sup>10</sup> This will be in continuation of the working group formed to develop the data points presented in this document, plus any other interested in participating members.

The market associations do not publish written guidelines regarding the application or intent of the content of this resource. The market associations preparing this resource operate under strict terms of reference to ensure, among other things, compliance with competition law.