INSURING OUR FUTURE

2021 Scorecard on Insurance, Fossil Fuels and Climate Change

November 2021

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November 2021: This report and further information on fossil fuel insurance are available at insure-our-future.com/scorecard

Currencies: Unless otherwise specified, $ refers to US dollars in this report.

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About This Report

This is the **fifth annual Scorecard on Insurance, Fossil Fuels and Climate Change** published by the Insure Our Future campaign. The Scorecard analyzes the evolving role of the global insurance industry in the fossil fuel sector and in avoiding catastrophic climate collapse. It focuses on 30 leading primary insurers and reinsurers, assessing and scoring their policies on insuring and investing in coal, oil, gas, and other aspects of climate (in)action. The report highlights progress and loopholes, calls out leaders and laggards, and identifies challenges and opportunities for the year ahead.

“The alarm bells are deafening, and the evidence is irrefutable: greenhouse gas emissions from fossil fuel burning and deforestation are choking our planet and putting billions of people at immediate risk. [We] must sound a death knell for coal and fossil fuels before they destroy our planet.”

UN Secretary-General António Guterres – August 2021

Executive Summary

There can be no development of new oil and gas fields or coal power stations if the world is to meet the 1.5°C Paris climate target and avoid the worst consequences of climate change.[1] This blunt warning from the International Energy Agency came as the world's leading climate scientists confirmed that the climate crisis, largely caused by carbon emissions from burning fossil fuels, is now increasing, inevitable, and irreversible. [2]

The world has warmed by 1.1°C since 1900 and this is driving heatwaves, wildfires, and floods of increasing frequency and unprecedented severity.[3] More than 10 million people were displaced by climate change in the six months prior to February 2021 alone[4], while insured losses from natural disasters reached $42 billion in the first six months of 2021,[5] a 10-year high. UN Secretary General António Guterres declared the situation "Code red for humanity".[6]

Countries need to cut production of coal, oil, and gas by 6% a year over the next decade to limit global warming to 1.5°C, yet they are planning average annual increases of 2%. By 2030 this would result in more than double the fossil fuel production consistent with 1.5°C, according to the UN Production Gap report.[7]

Insurers, as society's risk managers, have a responsibility to actively support global action to avoid climate breakdown, and the power to drive the transition to a low-carbon economy. Without insurance most new fossil fuel projects cannot go ahead and existing ones must close.

However, the **Insure Our Future campaign's fifth annual report** on the insurance industry's response to the climate crisis reveals that insurers have lost their leadership role on the topic. The global industry has taken swift action against new coal projects, which have become nearly uninsurable, although major US companies such as AIG and international specialty insurers continue to prop up coal. Reinsurers have started removing coal from their treaties,[8] an important move because insurance laggards may be reluctant to cover existing coal operations if they cannot reinsure them. But the insurance industry is doing almost nothing to prevent the growth of oil and gas production.

So far, only Axa, Generali and Suncorp have adopted policies to stop cover for some or all new oil and gas production projects, although 14 insurers have now restricted cover for tar sands. Numerous insurers from North America, Europe and Asia continue to underwrite the expansion of the oil and gas industry without any restrictions. These include Allianz, Munich Re and Zurich – all founders of the Net-Zero Insurance Alliance (NZIA), members of which have committed to align their underwriting portfolios with 1.5°C – who between them provide more than 20% of all oil and gas insurance.[9]

Yet the industry's retreat from coal shows that action can come quickly, with tangible impacts. Since 2017, 35 insurers have withdrawn cover, representing 14.3% of the market for primary insurance and 54.5% of the market for reinsurance, up from 23 insurers with market shares of 12.9% and 48.3% respectively one year ago.[10] Coal companies now face soaring premiums, reduced coverage, and longer searches to find insurance.

Divestment has become standard in much of the industry and this scorecard has ceased to track it. As of last year, more than 65 insurers with combined assets of $12 trillion had divested from coal or pledged to make no new investments, and many have also divested from tar sands. However, Swiss Re and Munich Re are the only insurers that have taken initial steps to phase out investments from oil and gas more generally.

European and Australian insurers continue to set the pace on coal, but East Asian insurers are starting to withdraw support. The US now hosts the last big group of insurers without any coal restrictions, and no companies made new commitments this year. This undermines the Biden administration's efforts to accelerate the phase-out of coal.

Since the Paris Agreement, the pre-construction coal pipeline has collapsed by more than three-quarters to 297 gigawatt's (GW), and China's pledge in September to stop building new coal power plants overseas will end construction in much of the world.[11] The insurance industry must now accelerate the phase-out of existing coal operations and initiate broad momentum away from oil and gas.

FIGURE 1: INSURERS ADDRESSED IN THIS REPORT

Leaders And Laggards

The Insure Our Future scorecard analyzes the evolving role of the global insurance industry in the transition to a low-carbon economy. It focuses on **30 leading insurers**, assessing and scoring their **policies on coal, oil and gas insurance, fossil fuel divestment, and other aspects of climate leadership.** Eighteen companies responded to a survey with more than 40 questions or provided other information. Those that did not respond were scored on publicly available information.

The report's findings include the following:

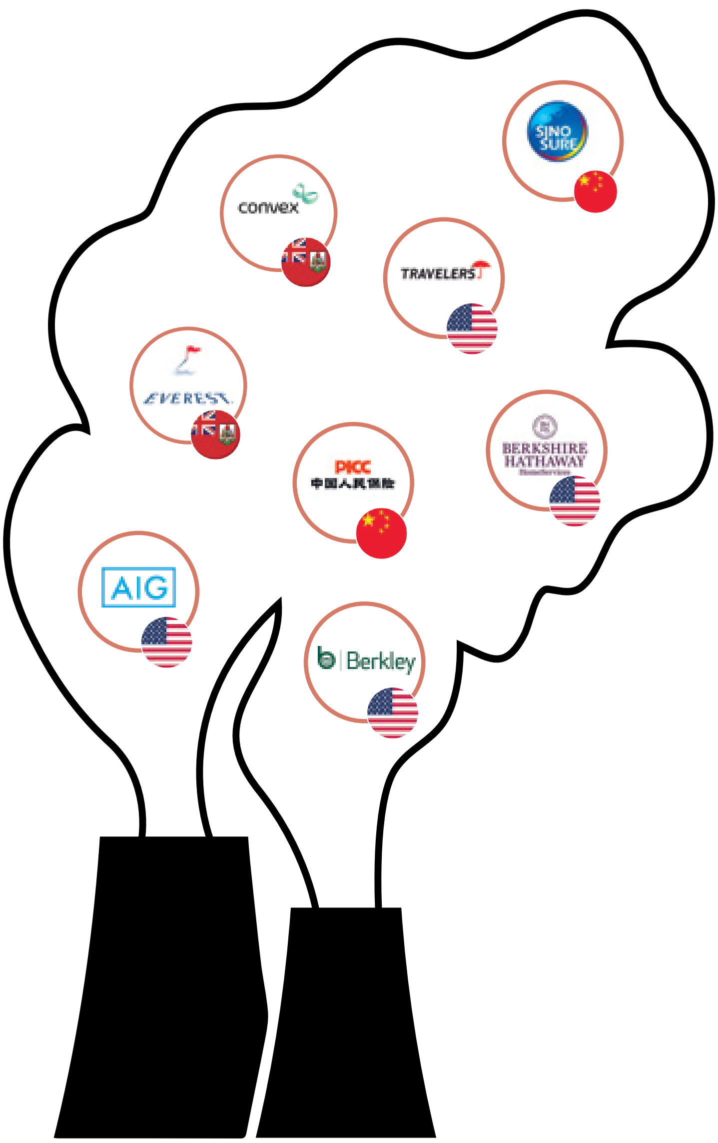
Allianz, which strengthened its coal exit policy and added tar sands exclusions, ranks as the insurer with the strongest policies on fossil fuel underwriting this year. **AXA**, which adopted an oil and gas exit policy in late October, is a close second while **AXIS Capital** ranks third. **Swiss** Re, **Zurich** and **Hannover Re** also score highly. **AIG**, **Berkshire Hathaway**, **Convex**, **Everest Re**, **PICC**, **Sinosure**, **Travelers** and **W.R**. **Berkley** have still not put any restrictions on underwriting fossil fuels and rank at the bottom of the table.

The contradictory way in which insurance companies approach their support for fossil fuels is also expressed in the scores this year. Companies on top of the underwriting table achieved high scores on coal, but even they scored poorly on underwriting oil and gas.

AXA, **SCOR** and **Allianz** rank at the top of the table on fossil fuel divestment this year, with **Swiss Re**, **Zurich**, **AXIS Capital** and **Generali** also scoring highly. Again, these insurers score much higher on coal than on oil and gas divestment. **AIG**, **Berkshire Hathaway**, **Convex**, **Everest Re**, **MS&AD**, **PICC**, **Sinosure**, **Sompo** and **Travelers** have no restrictions on fossil fuel investments and find themselves at the bottom of the table.

Aviva, Allianz, and **AXA** score highest on other climate leadership, a category that measures commitments to align with a 1.5°C pathway, a strong voting record on shareholder resolutions and procedures to protect human rights and particularly Indigenous Peoples' right to Free, Prior and Informed Consent (FPIC). **Swiss Re, Zurich** and **Munich Re** also score well. But 20 insurers have not shown any measurable initiatives on these issues.

FIGURE 2: LAGGARDS ON COAL
INSURERS WITH NO COAL EXIT POLICIES



Recommendations

In June 2021, the campaign shared a questionnaire and a list of criteria detailing how their policies would be scored with the 30 insurers, requesting a reply by August 15.[12] By the end of September, 18 companies had replied.[13] The responses and other publicly available information were analyzed and scored by Reclaim Finance, a research and campaign organization, in collaboration with the Insure Our Future campaign. Each company was shown its scores before the report was published.

Further details of the scoring methodology can be found at insure-our-future.com/scorecard

The Insure Our Future campaign has called on the insurance industry to align its business with the 1.5°C target of the Paris Agreement since 2017. In April 2021, the campaign sent a letter to the 30 leading international fossil fuel insurers depicted in Figure 1 asking them to do the following:[14]

1. **Immediately cease insuring new and expanded coal, oil, and gas projects.**[15]
2. **Immediately cease insuring coal companies, unless they have a coal exit plan that commits to close all coal-related assets by 2030 in EU/OECD countries and by 2040 globally.**[16]
3. **Phase out, in line with a 1.5°C pathway, insurance for oil and gas companies.**
4. **Divest all assets, including assets managed for third parties, from coal, oil, and gas companies that are not aligned with a 1.5°C pathway.**
5. **Bring stewardship activities, membership of trade associations and public positions as a shareholder and corporate citizen in line with a 1.5°C pathway in a transparent way.**
6. **Establish mechanisms to ensure clients respect and observe all human rights, including Indigenous Peoples' right to Free, Prior and Informed Consent (FPIC).**

Scoring Grid

INSURER	COUNTRY	Fossil Fuel Insurance		Fossil Fuel Investment		Other Climate Leadership	
		RANK	SCORE (0-10)	RANK	SCORE (0-10)	RANK	SCORE (0-10)
Allianz		1	4.7	3	4.4	2	4.5
AXA		2	4.6	1	5.4	3	4.0
AXIS Capital		3	3.9	4	3.5	11	0.0
Swiss Re		4	3.6	4	3.5	4	3.8
Zurich		5	3.2	6	3.3	5	3.5
Hannover Re		6	3.2	12	1.1	11	0.0
Mapfre		7	2.8	8	1.7	10	0.7
Generali		8	2.6	7	2.9	7	3.3
SCOR Re		9	2.1	1	5.4	8	3.1
QBE		10	2.1	13	1.0	9	2.2
Aviva		11	1.8	23	0.1	1	5.0
Munich Re		12	1.8	9	1.6	6	3.5
HDI Global		13	1.3	9	1.6	11	0.0
The Hartford		13	1.3	11	1.5	11	0.0
Tokio Marine		15	1.2	16	0.4	11	0.0
Lloyd’s		16	0.9	16	0.4	11	0.0
MS&AD		17	0.8	16	0.4	11	0.0
Samsung FM		17	0.8	16	0.4	11	0.0
Chubb		19	0.7	15	0.6	11	0.0
Liberty Mutual		20	0.4	14	0.8	11	0.0
Ping An		21	0.2	16	0.4	11	0,0
Sompo		21	0.2	16	0.4	11	0.0
W.R. Berkley		23	0.0	16	0.4	11	0.0
AIG		23	0.0	24	0.0	11	0.0
Berkshire Hathaway		23	0.0	24	0.0	11	0.0
Convex		23	0.0	24	0.0	11	0.0
Everest Re		23	0.0	24	0.0	11	0.0
PICC		23	0.0	24	0.0	11	0.0
Sinosure		23	0.0	24	0.0	11	0.0
Travelers		23	0.0	24	0.0	11	0.0

Growing Momentum

"If governments are serious about the climate crisis, there can be no new investments in oil, gas and coal, from now – from this year."

Dr Faith Birol, Executive Director, International Energy Agency – May 2021

The Time For Insurers To Act Is Now

> ***I used to say that climate change is serious, certain, and soon. But this is no longer accurate. Now it is very serious, very certain, and now.***
>
> Dr Linda O. Mearns, IPCC Report Co-Author [17] – August 2021

Only "immediate, rapid and large-scale reductions" in carbon emissions will achieve the Paris Agreement goal of limiting global warming to 1.5°C and avoiding the worst impacts of climate change, according to the UN Intergovernmental Panel on Climate Change (IPCC). [18]

Even at 1.1°C, the world is facing climate change impacts of increasing frequency and severity, with devastating effects on millions of lives. July 2021 was officially the world's hottest month in recorded history,[19] and there were unprecedented wildfires in India, France, Italy, Greece, Turkey, Algeria, the U.S., and Siberia.

When the world wasn't on fire, it flooded, with extreme rainfall causing deadly emergencies across six continents – and rain fell on the peak of the Greenland ice cap for the first time on record.

Carbon emissions from fossil fuels exacerbate such disasters and the biggest single source is coal. It must be phased out from use urgently – but that is not enough. The International Energy Agency now says no new oil and gas production after 2021 will be compatible with the 1.5°C target. [20]

Insurers are uniquely positioned to accelerate the phase out of fossil fuels and transition to a low-carbon economy. Without insurance, most new coal, oil, and gas projects cannot start, and many existing ones must close.

And, as society's risk managers, insurers have a moral responsibility to act by aligning their policies with the 1.5°C limit. The human cost of climate change is disproportionately borne by poor and marginalized people – those who have contributed least to global heating. According to the UN, the world's first climate famine is currently affecting Madagascar – a country that is producing 0.01% of annual global carbon emissions. [21] And UNICEF reported in August that nearly half the world's children – more vulnerable to climate and environmental shocks than adults – are already at extremely high risk from the crisis. [22]

Insurers who are not aligning their business with the Paris Agreement are undermining global climate targets, contributing to mounting economic and social chaos, and threatening their own business: Insured losses from natural disasters reached $42 billion in the first six months of 2021, according to Aon – a 10-year high. Premiums have increased, although increases have tended to lag the escalating costs of climate disasters, and some of the regions most exposed to climate risks have become uninsurable.

This is all happening today, and the insurance industry has the power to act. It must not delay.

Global Market Opinion Shifts Against Fossil Fuel Insurance

As the climate emergency intensifies, insurers are under growing pressure to withdraw insurance and investment from fossil fuel production and generation which are not consistent with 1.5°C. The industry is not only being urged to take immediate action on coal, but on oil and gas, too.

> ***The insurance sector's most important contribution to ESG is exiting coal underwriting. Without insurance, coal projects are simply not viable. Therefore, the insurance industry can, almost single-handedly, exert pressure on coal energy producers.***
>
> Société Générale – December 2020

Calls to action now sound from all quarters, from powerful U.S. senators – who in March wrote directly to major U.S. insurance companies for the first time about the conflict between their support for fossil fuels and their sustainability pledges [23] – to UN Secretary- General António Guterres, who in June addressed the Insurance Development Forum (IDF), saying, *"We need net zero commitments to cover your underwriting portfolios, and this should include coal – and all fossil fuels"*. [24]

Mainstream opinion within the industry has also shifted. The IDF's Secretary-General Ekhosuehi Iyahen echoed Guterres' plea in July, urging U.S. insurers to show more ambition. In the same month, the Geneva Association, an insurance CEOs think-tank, for the first time publicly welcomed insurers' withdrawal from coal, recognizing it as "the most polluting and carbon-intensive fuel" when delivering its annual Women in Insurance Award for commitment to driving the reduction of coal underwriting. [25]

Markets are now rewarding insurers that act on fossil fuels. French bank Société Générale found in December 2020 that insurers with strong coal and ESG policies are adding billions to their value,[26] potentially increasing market capitalization by up to +9% and positioning insurers to seize opportunities in the low-carbon economy of the future.

Conversely, insurers that duck society's expectations on fossil fuels face repercussions: Legal & General Investment Management (LGIM) penalizes companies that breach its red lines – for insurers, this is *"No restrictions around coal underwriting/ investing"*. [27] In June, it showed it meant business by divesting funds from U.S. insurer AIG, citing the company's lack of thermal coal underwriting policy.

Providers of global sustainability disclosure, rating, and benchmark systems created their own 'red lines' this year, tightening criteria for assessing insurance companies on coal, oil and gas. Global non-profit CDP and the World Benchmarking Alliance made underwriting and investment policies excluding fossil fuels key metrics in assessing insurers' climate commitments.

In June, global broker Willis Towers Watson decided to title its annual Power Market Review 'Adapting to New Realities', concluding that the International Energy Agency's zero new coal, oil or gas roadmap *"reflects a significant proportion of the global media and public opinion"*.

FIGURE 3: INSURERS ADOPTING COAL EXIT POLICIES, BY YEAR

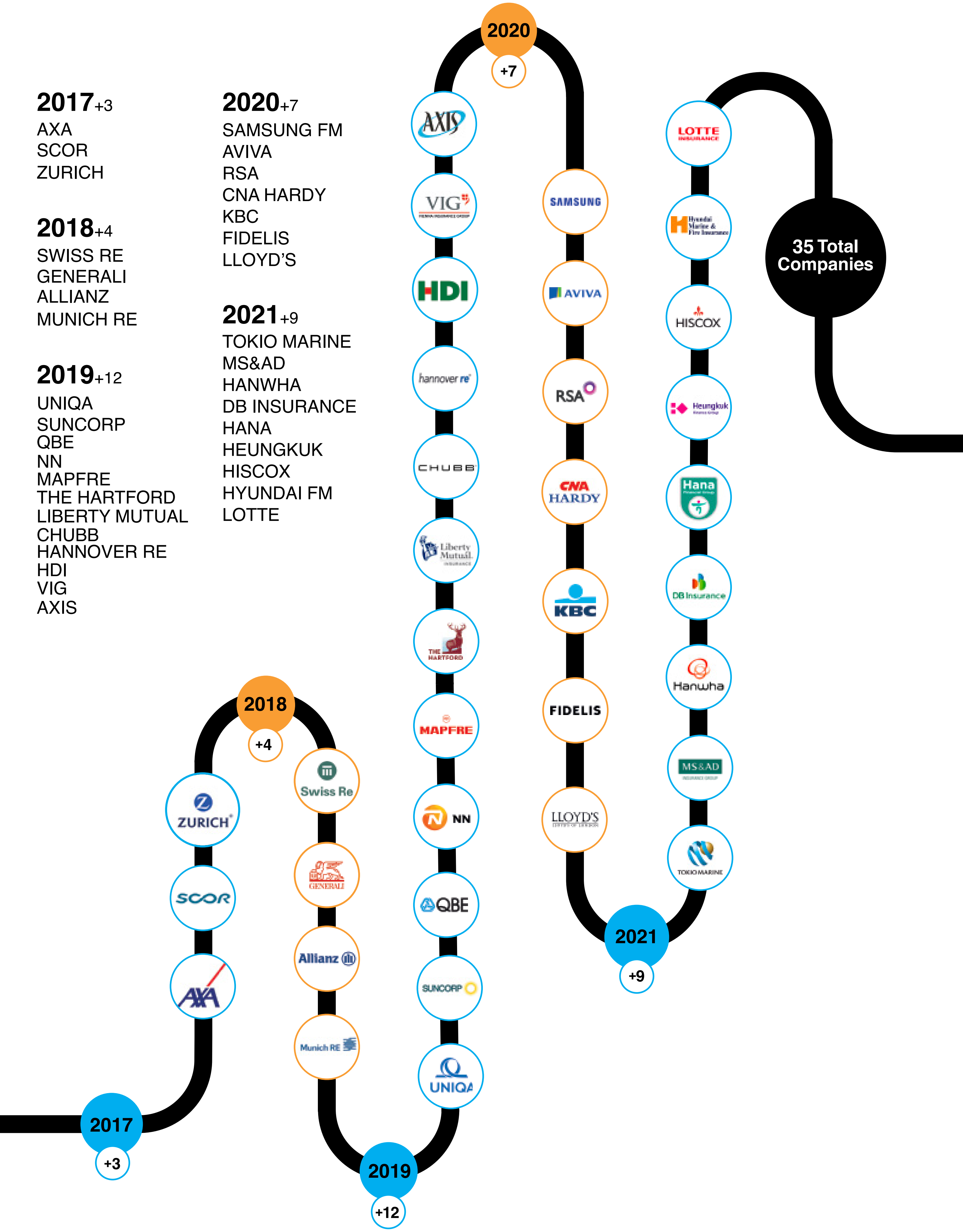
2017+3
AXA
SCOR
ZURICH

2018+4
SWISS RE
GENERALI
ALLIANZ
MUNICH RE

2019+12
UNIQA
SUNCORP
QBE
NN
MAPFRE
THE HARTFORD
LIBERTY MUTUAL
CHUBB
HANNOVER RE
HDI
VIG
AXIS

2020+7
SAMSUNG FM
AVIVA
RSA
CNA HARDY
KBC
FIDELIS
LLOYD'S

2021+9
TOKIO MARINE
MS&AD
HANWHA
DB INSURANCE
HANA
HEUNGKUK
HISCOX
HYUNDAI FM
LOTTE



Europe Leads As Insurers Largely Shift From Coal

By the end of last year, most insurers had effectively ended the underwriting of at least new coal, and Europe continues to set the pace. However, East Asia still lags, and insurers in the U.S. are failing to keep up with the global industry.

Thirty-five major insurers worldwide have now ruled out insurance for new coal projects – an increase of 12 since the 2020 Scorecard – and, in many cases, they are also phasing out cover for existing projects. See Figure 3 for the list of 35 insurers.

In **Europe**, this tally now includes what was the region's last major coal holdout, **Lloyd's of London**, which finally committed in December 2020 to end new insurance cover for coal-fired power plants, thermal coal mines, oil sands extraction and new arctic energy exploration. But its target exclusion dates show no urgency, allowing its insurers to underwrite new coal customers until the end of 2021, and to retain them until 2030. In a major dilution, Lloyd's also left the implementation of its policy up to its insurers just before COP26.

> ***We can't be cognitively dissonant – investing in the best renewables then undermining it with underwriting. There is a big opportunity within the insurance industry to have that total balance sheet approach to sustainability.***
>
> Butch Bacani, Programme Leader,
> UN Environment Programme's Principles for Sustainable Insurance Initiative – June 2021

Many European insurers continue to routinely cover existing coal customers. A forthcoming case study finds that **Allianz, Munich Re** and **Swiss Re** are regularly renewing contracts with coal companies in Turkey even if they don't take on new clients. [28] But in a remarkable step, France's biggest insurer **AXA** dropped German energy giant RWE AG for its coal operations in March 2021 – even refusing to insure its renewables.

That same month, **Swiss Re** became the first reinsurer to announce a comprehensive phasing out of coal from treaty reinsurance – a $500-billion-plus global market.[29] This move was highly significant because without treaty reinsurance, many remaining coal underwriters will no longer be prepared to cover the coal industry. Germany's **Munich Re** and **Hannover Re** are considering similar moves, while France's **SCOR** announced in July it would apply a coal policy to its reinsurance treaties within a Paris-aligned timeline. If these reinsurers are serious about shedding coal from their treaties, they can help accelerate the phase-out of existing coal operations.

Also committing to align their portfolios to Paris at least in theory are the founder members of the UN-convened Net-Zero Insurance Alliance (NZIA), announced in July: **AXA, SCOR,** Germany's **Allianz** and **Munich Re**, Britain's **Aviva,** Italy's **Generali,** and Switzerland's **Swiss Re** and **Zurich**. But the alliance's commitments are accompanied by significant caveats, and no explicit recognition that new coal, oil and gas resources are incompatible with 1.5°C. [30]

In **Asia, MS&AD** and **Tokio Marine** became the first Japanese insurers to end underwriting for most new coal projects, while in Korea, non-life insurers **DB, Hyundai Marine & Fire, Hanwha General** and **Hana** also ended insurance for both construction and operations of coal plants, with **Heungkuk Fire & Marine** and **Lotte Non-Life** eventually following suit.

None of **the U.S.** insurers made any new commitments to withdraw from coal this year. By underwriting the expansion of coal and other fossil fuels, companies such as **AIG, Berkshire Hathaway, Travelers,** and **W.R. Berkley** are ignoring the growing public concerns about climate change in the U.S. and undermining the diplomatic efforts of the Biden administration to accelerate the phasing out of coal ahead of COP26.

Coal Still Propped Up By The U.S., Bermuda And East Asia

> ***Whether it's protecting a coal mining company in West Virginia or drilling in Texas, the highly experienced team of underwriters at the Everest Insurance® companies group work to create flexible, comprehensive coverage options.***
>
> Insurance laggard Everest Re [31]

Large insurers from Europe and Australia have now moved away from insuring at least new coal almost completely, although Lloyd's and QBE are slow-walking the implementation of their exit policies. Insurers in North America and East Asia, however, continue to prop up coal.

The U.S. hosts the last big group of insurers without any coal restrictions. Under its new CEO Peter Zaffino, **AIG** remains the largest coal insurer outside China, and one of the few companies still willing and able to insure multibillion-dollar projects, even though coal accounted for less than 0.3% of its 2020 premiums. The company calls itself "an environmental steward", [32] but has not ruled out underwriting the Adani coal mine project in Australia or the Trans Mountain tar sands pipeline in Canada (see page 19).

AIG is not alone in such sluggishness: Other North American companies still underwriting coal without any restrictions include **Berkshire Hathaway, Travelers,** and **W.R. Berkley** in the U.S., and Bermuda's **Everest Re** and specialty insurer **Convex**. The latter entered the market against the tide of a global exodus and quickly became a major energy sector insurer, underwriting coal, oil, and gas.

Another new coal underwriter is U.S. insurer **GuideOne National**, whose Specialty Senior Vice President Mark Groenheide has specifically cited "the Europeans' stance on coal" for its own entry into the market. [33]

The number of insurers from **Japan** and **Korea** that still insure new coal projects is dwindling rapidly. Japan's **Sompo** has only adopted very vague guidelines on the topic, and a few Korean insurers such as **Meritz** are also still underwriting new coal.

In **China**, insurers such as **Ping An** and **PICC** have not adopted new coal exit policies. Global broker Willis Towers Watson stated in June 2021, *"Considering that some International reinsurers will no longer provide capacity for coal-fired power plants, Chinese insurer capacity could be seen as a replacement"*. [34]

However, the Chinese government's decision to stop building coal power plants overseas is likely to also spell the end of Chinese insurance support, at least for new coal projects outside China. In a marked contrast, the country's financial regulator called on Chinese banks and insurance companies to *"support the main coal-producing areas and key coal enterprises"* in response to soaring electricity prices in early October. [35]

Coal Industry Squeezed into Last Resort Measures

> ***Coal insurance is harder to get, it's expensive, there are all sorts of caveats on it, and you might not be offered it.***
>
> Paul Merrey, insurance partner at KPMG [36] – June 2021

Across the world, coal mine and utility companies are attempting to operate in an ever-shrinking insurance market, facing soaring premiums, reduced coverage and longer, more complex searches to obtain insurance.

In **Europe**, CEO of Czech power utility ČEZ Daniel Beneš said in May, "insurance companies with which it makes sense to talk about insuring our coal assets are fewer than the fingers of one hand, and at the same time insurance is getting significantly more expensive". [37]

And Ryszard Wasiłek, Vice-President of the Management Board for Operations of Poland's coal-dependent power utility PGE, testified that: *"It is very hard to underwrite our coal assets with insurance companies. When an underwriting contract is signed/ when the insurance is obtained, is very expensive"*. [38]

In **Australia**, the world's second largest coal exporter, three of the biggest miners are struggling to obtain insurance. New Hope says that nine out of 10 insurers have refused it coverage, Whitehaven Coal has blamed insurance for a 50% rise in costs, and Adani's controversial Carmichael mine has had 40 major insurance companies rule out coverage.

The 'ripple effect' has spread to secondary companies such as BMD Construction, contracted to build a rail network to transport Adani's coal. Its broker found it was "uninsurable" after being refused by 33 underwriters across Europe, the U.S. and Asia, and its directors' and officers' liability insurer reduced coverage by almost half. [39] Mining engineering company Field Engineers said professional indemnity premiums had risen 300%.

In desperation, the country's mining industry has now resorted to requesting government support and considering an AUD$50 million self-insurance scheme.

In the **U.S.**, industry testimony in North Dakota's 'coal country' suggests the ESG movement within finance and insurance is the industry's most pressing threat: Insurance premiums for coal projects have risen anywhere from 20% to 100%, while the number of major insurance companies willing to cover the industry has dwindled to five or 10.

The impact is such that not only are insurers unwilling to underwrite Great River Energy's Coal Creek Station in North Dakota, no one wants to take it over either. The station is slated to close in 2022, with its CEO David Saggau explaining, "The real driver for this decision is economics. We have discussed giving the plant away, but we had no takers". [40]

Insurers Are Abandoning Climate Leadership Over Oil And Gas

> ***"Governments' production plans and projections would lead to around 240% more coal, 57% more oil, and 71% more gas [in 2030] than would be consistent with limiting global warming to 1.5°C."***
>
> The Production Gap [41], 2021 Report

The IPCC and the IEA agree: If we are to meet the world's 1.5°C climate target there is no space for new oil and gas (or coal) production. Even the Deputy Prime Minister of Iraq, one of the founding members of the global oil cartel OPEC, said in August, "the world needs to fundamentally change the way it produces and consumes energy, burning less coal, oil and natural gas". [42]

Since the Paris Agreement, new coal capacity in the pipeline has collapsed by more than 75% globally, even before the Chinese decision to stop building coal power projects overseas. But increases in oil and gas production are planned or projected by Australia, Canada, the U.S., Brazil, and Russia. [43] The UK, host of the 2021 UN Climate Change Conference, has refused to stop licensing new exploration, and drilling is due to start in the controversial North Sea Cambo oil field in 2022.

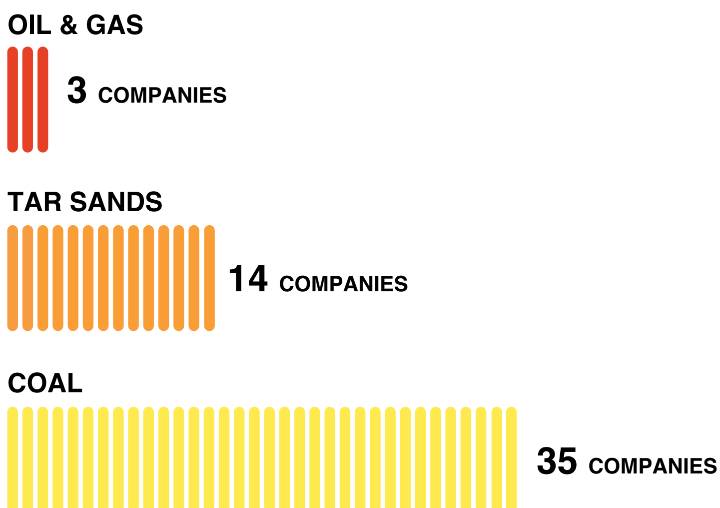
The insurance industry has the power to curtail the expansion of oil and gas production. The market, worth about $18.5 billion in annual premiums, is highly concentrated and so action by only a few major players could have significant impact.

Together, the world's biggest oil and gas insurers **AIG, Travelers, Zurich, Allianz, Chubb** and **Liberty Mutual** could end more than half the underwriting of the industry. [44]

Of the 10 insurers that control about 70% of the market, four – **AXA, Allianz, Zurich** and **Munich Re** – are founding members of the Net-Zero Insurance Alliance and have pledged to align their portfolios with 1.5°C. They have defended their continued support for oil and gas by engaging with major companies in the sector over climate action but have clearly failed to convince the industry to phase out production in line with a 1.5°C pathway. They must now take the lead in ending cover for new oil and gas projects.

Moving away from underwriting oil and gas would not only have benefits for the climate but could also create financial value for insurance companies: In a July report, French bank Société Générale found that "reducing exposure to oil and gas should be the next environmental objective for insurers", which could "unlock an additional 'green premium' for the sector".[45]

FIGURE 4: NUMBER OF COMPANIES WITH UNDERWRITING POLICIES BY FOSSIL FUEL SUB-SECTOR



Despite such incentives the insurance industry has failed to match its action on coal, and its net-zero commitments, with policies to exclude support for the expansion of oil and gas production and consumption. Although all major insurers in Europe and Australia have now acted on coal and many on tar sands, few have made progress on oil and gas more broadly. Insurers cannot claim to be climate leaders within the corporate sector while they continue to underwrite the expansion of oil and gas.

In 2020 Australia's **Suncorp** was the first company to stop underwriting oil and gas production, committing to exit the industry by 2025.[46] It was joined this year by **Generali**, the only insurer in Europe to have ended cover for new production entirely, but not a major actor in the sector. **Aviva** and **Swiss Re** have both made limited commitments as well.[47] No insurers in the U.S. or Asia have indicated they will end insurance for oil and gas.

Just before the start of COP26, **AXA** was the first major fossil fuel insurer to adopt an oil and gas policy. **AXA** announced a series of further restrictions on insuring companies engaged in fracking, Arctic drilling and tar sands. The French insurer also committed to end cover for new greenfield oil exploration projects unless their developers have a 1.5°C strategy certified by the Science-Based Targets Initiative. However, this language is unclear and leaves a lot of space for supporting the expansion of oil and gas production.

AXA should stop underwriting all new oil and gas projects, and oil and gas companies which are not aligned with a 1.5°C pathway, right away. Meanwhile other insurers – particularly Allianz and Zurich and other members of the NZIA – should build on the French insurer's lead and develop their own oil and gas phase-out policies.

> ***With so much focus on coal, remarkably, fossil gas appears to be slipping under the radar. Let's be clear, gas is not an alternative to coal and nor is it a transition fuel. Investments in new gas must stop immediately if carbon neutrality is to be reached by 2050.***
>
> Christiana Figueres, Chief Architect of the Paris Agreement – September 2021 [48]

Fourteen insurers have restricted their cover for tar sands, one of the most polluting types of oil projects, which often violate Indigenous rights. Since the last scorecard report **Lloyd's, Allianz,** and **Mapfre** have adopted tar sands policies, even if of varying quality, and **Chubb** has pulled out of the Trans Mountain pipeline after immense grassroots pressure.

In July, when Capital Monitor asked 22 major insurers for their position on the IEA's finding that new oil and gas projects were incompatible with 1.5°C, only seven had the courage to respond.[49] Although members of the NZIA have committed to align their portfolios with Paris, **Munich Re** and **Zurich** refused to comment, while **Allianz** would only comment on its coal commitments. To move beyond greenwashing, NZIA members must make progress on these fuels the way they have with coal.

The IEA projects that by 2026, global oil consumption will reach 104.1 million barrels per day (mb/d).[50] According to UN Climate, the updated climate plans of the world's governments will result in an increase of global greenhouse gas emissions of 16% by 2030 (compared with 2010), and an increase in average temperatures of 2.7°C by the end of the century.[51] It is critical that insurers act now.

Adani's Carmichael Mine Faces Worsening Insurance Problems

Adani Group's insurance problems continue to plague what could yet become the largest coal mine in Australia's history. Forty companies have ruled out underwriting the giant Carmichael mine and a further 50 financial institutions have declined support, forcing Adani to self-fund. When the mine eventually struck coal in June, after years of delays, it was with investment dramatically reduced from AUD$16.5 to AUD$2 billion.

Adani has also faced major problems constructing the railway to transport coal from the mine. BMD, the company building the line, reported in May that it had failed to secure contractually required public liability, directors and officers and environmental protection insurance despite approaching 33 carriers. [52] Construction was delayed in December after large sections of the rail corridor flooded,[53] and Adani still does not have all the approvals it requires.

In April, Adani testified to an Australian parliamentary inquiry that "The consequence of the banking and insurance sectors removing support for the thermal coal sector has the immediate impact of increasing financing costs associated with developing new projects or maintaining existing operations".[54] Adani Australia CEO Lucas Dow blamed insurance companies for "either refusing to insure coal or increasing premiums to the point they become unaffordable".[55]

The mine is starting at 10 million tonnes and could be expanded to 60 million tonnes (per annum).[56] It has an estimated life cycle production of 2.3 billion tonnes [57] and could open Queensland's untapped Galilee Basin for further coal mining. However, Adani's experience serves as a warning to developers that few companies are now willing to insure and finance new coal projects.

Trans Mountain Project Shrouds Its Insurers In Secrecy

Tar sands oil is one of the dirtiest forms of fossil fuels and Trans Mountain's plan to triple the amount it transports across Western Canada has become a test case for insurers' support for the Paris Agreement.[58] The Canadian government-owned corporation's planned pipeline expansion would flood the world market with an extra 590,000 barrels per day and contribute to an additional 152 million tonnes of CO2 annually.[59] The proposed route also poses a grave threat to Indigenous rights and Trans Mountain has failed to obtain the Free, Prior, and Informed Consent (FPIC) of all Indigenous communities impacted.

To date, 16 insurers have ruled out cover for the proposed expansion, and many have also ruled out support for the existing pipeline. But another 19 insurers previously linked to the project have failed to rule out their involvement, including AIG, Energy Insurance Limited, Liberty Mutual, Lloyd's of London, Markel, Starr, Stewart Specialty Risk Underwriting, and W.R. Berkley, together with Lloyd's syndicates Apollo, Arch, Ark, Beazley, Brit, Canopius, CNA Hardy, Hiscox, Inigo, MS Amlin, and Navigators.[60]

The pipeline now has zero transparency and accountability after Trans Mountain successfully petitioned the Canada Energy Regulator in February to keep its insurance backers a secret, saying it had *"observed increasing reluctance from insurance companies to offer insurance coverage for the Pipeline and to do so at a reasonable price"*.[61] The most recent insurance certificate was publicly filed with insurance companies redacted.[62]

> ***The IPCC report reflects major advances in our ability to attribute extreme events to climate change. No longer do we have to talk in generalities about climate change influencing all events; we can estimate how much worse a given heatwave was made by human activity.***
>
> Dr Zeke Hausfather, Director of Climate and Energy, Breakthrough Institute [63] – August 2021

Insurers are waking up to the growing risk that they may have to pay for the legal costs and damages of fossil fuel companies targeted by climate lawsuits. Since 2017 the number of climate lawsuits worldwide has nearly doubled, with at least 1,550 cases filed in 38 countries. [64] The landmark 2021 IPCC report has now explicitly linked all climate change to human activities, increasing the likelihood of lawsuits, their success, and therefore insurers' liabilities risks.

In January, the UN's Environment Programme's Principles for Sustainable Insurance Initiative noted that though there has yet to be an insurer litigation test case, "the frequency and diversity of legal actions addressing climate change are increasing" and "the increasing effects of slow-moving impacts of climate-change similarly increase the likelihood of climate change litigation." 65 Mike Hayes, a Senior Vice President with Berkley Offshore Underwriting Managers, warned that the market should take the risk of class action suits "very seriously", noting that "there is always the concern in the back of insurers' minds that climate change may be the next asbestosis". [66]

Climate lawsuits present a particular risk to providers of directors' and officers' liability (D&O) insurance, a market that is dominated by **AXA, AIG, Chubb** and **Tokio Marine**.

In a 2020 report, German insurer **Allianz** highlighted ESG failings and environmental disasters as "mega trends" for future D&O insurance risks. [67] Primary risks include lawsuits that allege corporations have not correctly disclosed climate-related vulnerabilities to investors, with insurers liable to pay out.

Britain's RSA declared in its January 2020 Climate Change and Low Carbon Policy position statement that it is now *"Ruling out providing Directors and Officers cover for the fossil fuels industry"* [68] – the first insurer the Insure Our Future campaign is aware of who has done so for sectors beyond coal. Other insurers can be expected to follow.

"It's hypocritical to talk about saving the climate as long as you're still expanding fossil fuel infrastructure."

Greta Thunberg – September 2021

Insurers' Fossil Fuel Policies

The following elements make up strong and comprehensive fossil fuel policies aligned with the Paris Agreement objective of limiting global warming to 1.5°C and were used in this report as the criteria for scoring insurers' policies. Our full methodology for scoring can be found at insure-our-future.com/scorecard.

Underwriting Policies

Scope

Policies should rule out insurance for all types of coal infrastructure (for example, mines and power plants as well as transport facilities); extreme fossil fuels such as tar sands, associated pipelines, Arctic and deep-sea drilling; and any oil and gas expansion projects that drive increased production.

Coverage Types

Policies should apply to all lines of business for new and existing projects and companies, except for coverage for protecting workers. Reinsurers' policies should apply to treaty as well as facultative reinsurance. [69]

Fossil Fuel Companies

Policies should apply comprehensive criteria to define companies operating in coal, oil, and gas, and tighten them over time in line with the need to phase out these fossil fuels completely.[70] Policies should also exclude all fossil fuel companies that are not aligned with a 1.5°C pathway. Companies increasing their fossil fuel production and developing any kind of new fossil fuel project should not be considered to be aligned.

Divestment Policies

Scope

Policies should cover all types of coal, oil, and gas that are not consistent with a 1.5°C pathway, and companies providing pipelines and other transportation infrastructure.

Types of Assets

Policies should cover equities and bonds; actively and passively managed funds; insurers' proprietary assets; and assets they manage for third parties.

Fossil Fuel Companies

See above under Underwriting Policies.

Other Climate Leadership

Insurers should commit to align their underwriting and investment with a 1.5°C pathway, and ensure their public positions are transparent and aligned with this target, including shareholder voting, stewardship activities, and membership of trade associations. They should also establish mechanisms to ensure clients respect all human rights, including Indigenous Peoples' right to Free, Prior and Informed Consent (FPIC).

Progress On Underwriting

At the time of publication, 22 of the 30 companies assessed in this report have adopted at least some restrictions on underwriting coal. But only 14 have adopted restrictions on oil and gas and, of those, only three have adopted restrictions beyond extreme oil sources such as tar sands.

Most insurance companies score much higher on coal than on oil and gas underwriting. The leaders on coal underwriting score 8.6 and 7.9 out of 10 possible points respectively, and on average the 30 insurers score 2.6 points. In comparison the leaders on oil and gas underwriting only score 1.9 and 1.8 out of 10 points respectively, and on average the 30 insurers score 0.5 points. This indicates how little progress the insurance industry has made on oil and gas underwriting – even the self-proclaimed climate leaders within the sector.

This year, **Allianz** scored higher than **AXA** on underwriting, with the two insurers ranking first and second, respectively. **AXA** just adopted the first somewhat comprehensive oil and gas phase-out policy among major fossil fuel insurers while **Allianz** has yet to adopt any limits on underwriting oil and gas more generally. **AXIS Capital** also strengthened its coal and tar sands policy and added restrictions on Arctic oil this year. It ranks third in this year's scorecard – far ahead of its Bermudian peers **Convex** and **Everest Re**.

Allianz, **AXA**, **AXIS Capital**, **Hannover Re**, **QBE**, **Swiss Re** and **Zurich** have adopted strict policies ruling out cover for any new coal projects. **Aviva**, **SCOR** and Generali have also put strict provisions on new coal projects in place even if with some gaps. **Allianz**, **AXA**, and **AXIS Capital** have ruled out cover for companies still developing new coal projects, as has **Zurich** with somewhat less stringent restrictions.

AXIS Capital has made the strongest commitment to phasing out all insurance support for coal over time, followed by **Allianz**, **Aviva**, **AXA, Generali, SCOR and Swiss Re.**

AXA and **Generali** are the only insurers assessed in this report that have adopted restrictions on conventional oil and gas production projects. **Swiss Re** and **Munich Re** have committed to reducing their cover for the most carbon-intense oil and gas companies.

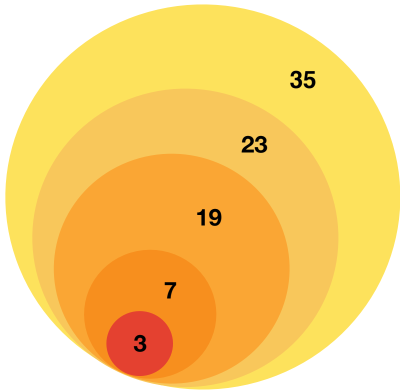
Generali and **AXA** have ended cover for tar sands, Arctic oil, and fracking projects. **AXIS Capital**, **Mapfre**, **Lloyd's** and **Swiss Re** have committed to reducing cover for tar sands and Arctic oil projects, even though several of their policies have serious loopholes. **AXIS Capital** is also ending support for tar sands and Arctic oil companies (even if with exceptions).

Allianz, **Hannover Re**, **HDI**, **Munich Re** and **QBE** have adopted policies to end or reduce cover for tar sands projects. Allianz and **Hannover Re** have also ended the underwriting of tar sands companies.

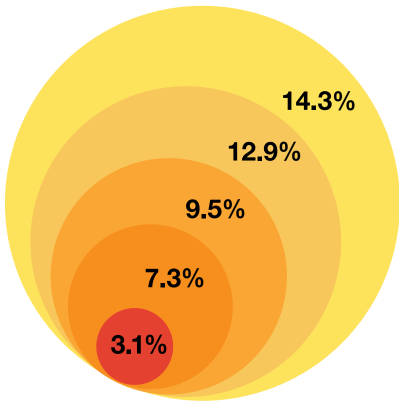
Swiss Re and **SCOR** are the only reinsurers which have made formal commitments to phase out coal from treaties so far. Other reinsurance companies are expected to follow soon.

AIG, Berkshire Hathaway, Convex, Everest Re, PICC, Sinosure, Travelers and W.R. Berkley have so far not adopted any restrictions on underwriting fossil fuels. However, unlike their North American peers, **PICC** and **Sinosure** are, formally or in practice, constrained by the decision of the Chinese government to stop building coal power plants overseas.

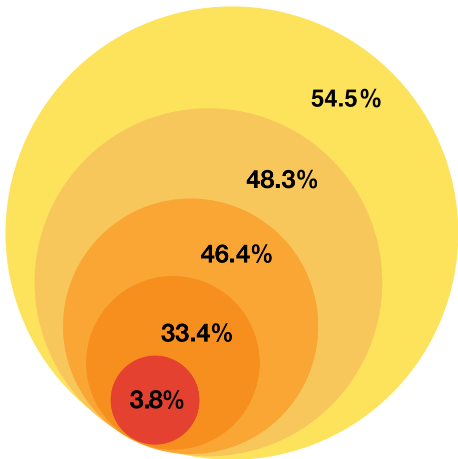
FIGURE 5: COAL BECOMING UNUSABLE



Re/insurers Limiting Coal Insurance
(Number)



Primary Insurers Limiting Coal Insurance
(Share of Global Non-life Premiums)



Reinsurers Limiting Coal Insurance
(Share of Global Non-life Premiums)

Progress On Divestment

Of the 30 companies assessed in this report, 19 have coal divestment policies, but only 12 have similar policies on oil and gas divestment – and in most cases those are limited to divestment from tar sands companies. **SCOR** and **AXA** rank highest on fossil fuel divestment overall, followed by **Allianz. Swiss Re, Zurich, AXIS Capital and Generali** also score well.

While the leaders on divestment from coal score 8.8 and 8.3 out of 10 possible points, no insurer scores more than 2.9 out of 10 for oil and gas divestment. The insurance industry needs to make more progress on disassociating itself from a sector that has failed to align its business plans with a 1.5°C pathway and is actively lobbying against such pathways.

SCOR has the strongest policy on divesting from existing coal businesses, followed by **Allianz, AXA, AXIS Capital, Zurich, Swiss Re and Generali. Chubb, Hannover Re, HDI, Munich Re, Liberty Mutual, Lloyd's, QBE, The Hartford, and Zurich** have adopted some basic provisions to divest from existing coal operators.

Allianz, AXA, AXIS Capital and SCOR have adopted strong policies to divest from coal companies with expansion plans, followed by **Zurich**. **Swiss Re, Generali and Mapfre** have also taken some steps to divest from coal developers. **Allianz** has adopted the strongest policy to phase out investments from coal completely over time, followed by **AXA, Generali, SCOR and Swiss Re.**

AXA, Swiss Re and Munich Re are the only insurers which have taken initial steps to phase out investments from oil and gas companies generally. **SCOR** is divesting from companies engaged in tar sands, fracking and Arctic oil production. **Allianz, AXIS Capital, Generali, Hannover Re, HDI, Munich Re, Lloyd's, The Hartford, Swiss Re and Zurich** have adopted policies to divest from tar sands and in some cases Arctic oil or fracking companies to a varying extent. **Aviva** has committed to net zero investments by 2040, with a 25% reduction by 2025 and 60% by 2030.

AIG, Berkshire Hathaway, Convex, Everest Re, MS&AD, PICC, Sinosure, Sompo, Tokio Marine and Travelers are the only insurers assessed in this report that have not committed to divest from any fossil fuel companies at all.

Other Climate Leadership

To meet the Paris Agreement goal of limiting global warming to 1.5°C, society must rapidly and comprehensively transition to a low-carbon economy – a transition that must not only end reliance on fossil fuels but actively move beyond them. As risk managers, shareholders, and members of lobby organizations, insurers are well-placed to advance such a transition.

This year's scorecard assesses insurers' other climate leadership by considering: their overall alignment with 1.5°C pathways; their votes on eight important shareholder resolutions on climate change (as measurable proxies for their climate stewardship as shareholders); and their commitment to respect Indigenous Peoples' right to Free, Prior Informed Consent (FPIC) in the projects they underwrite.

Here, **Aviva, Allianz** and **AXA** score highest. **Swiss Re, Zurich** and **Munich Re** also score relatively well on this category.

The eight founding members of the Net-Zero Insurance Alliance – **Allianz, Aviva, AXA, Generali, Munich Re, SCOR, Swiss Re** and **Zurich** – are the only insurers to have committed to align both their underwriting and their investments with a 1.5°C pathway. Only **Swiss Re** has also publicly accepted the conclusions of the IEA's 1.5°C roadmap.

Allianz, Aviva, AXA, Munich Re and **Zurich** offer transparency about their voting record on shareholder resolutions. Aviva voted for five out of eight critical climate resolutions during the 2021 shareholder season. **AXA** voted for three and **Allianz, Generali,** and **Zurich** for one resolution each. Not every insurer holds shares in all the companies where critical climate votes were on the agenda this year.

Only **Allianz, Munich Re** and **Swiss Re** have made some limited commitments to FPIC. **Generali** and **Mapfre** have made more general commitments to avoid the underwriting of companies with a track record of human rights violations. The insurance industry is missing in action when it comes to ensuring that globally respected rights are respected.

Twenty of the 30 insurers assessed don't score any points for other climate leadership. All insurers that score well on this category are from Europe and Australia. In contrast, no insurers from Asia and North America have made any progress on other climate leadership. Three European insurers (**Hannover Re, HDI** and **Lloyd's**) have not made any progress on this score either.

The Insure Our Future Campaign

Insure Our Future is an international campaign calling on insurance companies to exit the coal sector and phase out oil and gas in line with a pathway limiting global heating to 1.5°C. The organizations engaged in the campaign include:

International – Client Earth; Indigenous Environmental Network; Mothers Rise Up; Waterkeeper Alliance; SumOfUs; Market Forces; Sunrise Project.

Asia – Japan Center for a Sustainable Environment and Society; Solutions for Our Climate (Korea).

Europe – #aufstehn (Austria), Campax (Switzerland); Coal Action Network (UK); Europe Beyond Coal; Fundacja "Rozwój TAK – Odkrywki NIE" (Poland); the Instituto Internacional de Derecho y Medio Ambiente (Spain); Reclaim Finance (France); Re:Common (Italy); ReSet (Czech Republic); Urgewald (Germany).

North America – Connecticut Citizen Action Group; Future Coalition; Mazaska Talks, Public Citizen; Rainforest Action Network; Sierra Club; Stand.earth.

Combining engagement and public pressure the campaign pursues a variety of activities to reach its goals:

• It **conducts research** on insurance companies' support for fossil fuel projects and publishes case studies and briefing papers.

• It shares its critique and recommendations with the insurance industry through **letters, presentations at conferences, and roundtable discussions.** Many groups also engage insurers in an ongoing dialogue and raise their demands at shareholder meetings.

• With **protests at companies** such as Liberty Mutual and Lloyd's it puts **pressure on individual insurers** that are lagging on climate action.

• It **supports frontline communities** in their campaigns against insurers' involvement in major projects that have no place in a low-carbon world. Examples include Adani Group's Carmichael coal mine in Australia and the Canadian Government's Trans Mountain tar sands expansion pipeline.

• It **draws attention to coal insurers' responsibilities** by staging protests at industry events.

• It creates **public interest in the insurance industry's responsibility for taking climate action** through articles and comments in mainstream media, trade journals and social media.

End Notes

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2. AR6 Climate Change 2021: The Physical Science Basis, Intergovernmental Panel on Climate Change (IPCC)

3. 'Climate change widespread, rapid, and intensifying – IPCC', IPCC, August 9, 2021

4. Responding to Disasters and Displacement in a Changing Climate, International Federation of Red Cross and Red Crescent Societies

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8. Facultative insurance covers a specific risk or defined package of risks; treaty insurance covers all risk of a certain type.

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11. Roberts, L., and Shearer, C., 'Guest post: How world's coal-power pipeline has shrunk by three-quarters', Carbon Brief, September 14, 2021

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13. New or expanded coal, oil, and gas projects are defined as those that result in an increase in developed reserves or production, or infrastructure projects that drive expanded extraction.

14. Coal companies are defined as those that generate at least 20% of their revenue from mining and transporting coal or at least 20% of their electricity from burning coal; or produce at least 10 million tonnes of coal per year or operate at least 5GW of coal-fired power stations; or are planning new coal mining, power, or infrastructure projects. Workers' compensation policies, which directly benefit workers in the coal industry, and existing mine reclamation surety bonds, should be exempt from this policy.

15. See Criteria for Strong Fossil Fuel Policies section on page 22

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71. Since the benchmarks are tightened every year to reflect the growing urgency of the climate crisis, scores cannot be compared directly from year to year.

72. See endnote 69

Insure
OUR FUTURE

INSURING OUR FUTURE

2021 Scorecard on Insurance, Fossil Fuels and Climate Change

The past year has brought a clear scientific consensus that any new fossil fuel projects are incompatible with the goal to limit global warming to 1.5°C. Except for a few laggards, insurance companies have made a lot of progress phasing out coal. With few exceptions, insurers continue to support the expansion of oil and gas, however, and so they have lost their leadership role on climate change within the corporate sector. This report summarizes recent trends in fossil fuel insurance, rates the climate policies of 30 leading insurers, and identifies leaders and laggards in the industry.

insure-our-future.com/scorecard