

Fifty Years of Climate Failure

2023 Scorecard on Insurance, Fossil Fuels
and the Climate Emergency

With a Preface by Kim Stanley Robinson

November 2023

Insure Our Future, an international campaign calling on insurance companies to exit coal, oil and gas in line with a pathway limiting global warming to 1.5°C. The organizations engaged in the campaign and co-publishers of the Scorecard include:

Campax (Switzerland), Coal Action Network (United Kingdom), Connecticut Citizen Action Group (USA), Ekō (international), Fundacja “Rozwój TAK – Odkrywki NIE” (Poland), Greenpeace (international), Investors For Paris Compliance (Canada), Instituto Internacional de Derecho y Medio Ambiente (IIDMA, Spain), Japan Center for a Sustainable Environment and Society (JACSES, Japan), Korea Sustainability Investing Forum (KoSIF, Korea), Mazaska Talks (USA), Mothers Rise Up (United Kingdom), Public Citizen (USA), Reclaim Finance (international), ReCommon (Italy), Re-set (Czech Republic), Solutions For Our Climate (Korea), Sierra Club (USA), The Sunrise Project (international), Urgewald (Germany), Waterkeeper Alliance (international).



About this report

This is the seventh annual Scorecard on Insurance, Fossil Fuels and the Climate Emergency published by the Insure Our Future campaign. The Scorecard analyzes the evolving role of the global insurance industry in fueling or averting catastrophic climate breakdown. It focuses on 30 leading primary insurers and reinsurers, assessing and scoring their policies and practices on insuring and investing in coal, oil and gas. The report highlights progress and loopholes, calls out leaders and laggards, and identifies challenges and opportunities for the year ahead.

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November 2023





by Kim Stanley Robinson

*Kim Stanley Robinson has won many awards for his science fiction novels, which explore ecological sustainability and the catastrophic impacts of global warming. His latest novel is *The Ministry for the Future*.*

Insurance is the backstop of capitalism. If a business suffers unexpected losses, and has paid to insure those losses properly, the insurer pays out and the business survives. If not, the business may fail and disappear.

Re-insurance, which insures insurers, is sometimes regarded as the ultimate financial backstop, but this is not always the case. In moments of potential financial collapse, governments can step in and save businesses regarded as crucial to society. At this point the process becomes political and chaotic —changing laws in the midst of crisis is a very uncertain thing. Better if the laws hold up under the blows of big shocks; this is what insurance and re-insurance are designed to help with.

Now climate change is accelerating drastically, and widespread calls to decarbonize our civilization as quickly as possible are backed by the undeniable evidence of immense damage to the biosphere, caused mainly by our burning of fossil fuels and the resulting accumulation of carbon dioxide in the atmosphere. **This summer was the hottest on record by an astonishing degree, and yet it may also be one of the coolest summers of the coming decades.**

Unless we take action now, the damages to come will be catastrophic and deadly, and in financial terms, unsupportable. This is to say, insurance will fail; no business could afford to pay the premiums high enough to fund its pay-outs. That includes re-insurance, which will fail for the same reason. At that point we'll be thrust into a world of financial chaos, but more importantly by far, we'll be in a world of social and physical chaos, suffering, and death.

This is an easy call to make, it does not take a science fiction writer to see it; the trajectory we are on is quite clear. So is our general awareness of it.

And yet, as this report tells us, insurance companies continue to insure fossil fuel companies, including projects that will increase production, even though we understand this is poisoning our planet. And it has to be added, some governments are making political choices to financially subsidize the expansion of fossil fuel extraction, despite the clear evidence that this process will wreck civilization.

These destructive choices are being made mostly by well-educated and well-intentioned people. So it must be the case that they are not yet seeing the nature of the problem. It's possible they are perceiving the world through a lens that says our situation is accurately described by economics, rather than physics; they are therefore making decisions based on numbers, rather than bodies and objects.

So here, in coping with a new biophysical situation, the work of creating a new understanding that changes the way people act can be greatly assisted by new measurements, rubrics, and models, including calculations of cost and benefit, and profit and loss. That's how businesses work, and how individuals decide things.

This report is a very important new tool of measurement, part of a new and quickly spreading model of the world and our actions in it. Central to that model is this realization: we have to live within our biosphere's "safe operating space." It's not a choice we can take or leave. This is the new formulation created by the planetary boundaries model, which has been hugely influential, even transformative. Another new insight follows from it: we have a sustainability imperative. In other words, we have to conform to biophysical facts, or civilization will crash, and our children will face a miserable future.

Given the many climate shocks of the last few years — and the sudden new apprehension of reality created by the Covid pandemic, which taught us that problems can appear out of our biosphere and force change — this new model, of planetary boundaries and the sustainability imperative, has seized the imaginations of people everywhere. It is the new global paradigm. We are at a historical crux: science, government, academia, business — and therefore also the business of insurance — all these are in the midst of immense change.

The speed of this change is shocking, and many are now looking around through these new lenses of understanding, trying to see who exactly will go first in this moment of necessity. Everyone knows we have to act, but who goes first? Insurance goes first. That's its business! It calculates risk, and refuses to insure risks that are too dangerous to cover. That's precisely the calculation it is designed to make.

So now it needs to stop insuring the fossil fuel industry. It can do that legally, and it could be said that it has a fiduciary responsibility to do so, but its moral and physical responsibility are even higher. Like everyone else, it has to conform to the sustainability imperative, as a survival move. And it can; it can by its very design pivot almost instantly, given the new information at hand, framed by the new modeling we have, and the new reality we face.

Read this report, which is part of a world historical paradigm shift toward sustainability; ponder the implications of it; then make the move. We need it.





“Even 1.5°C of global warming is extremely risky, with the chance of triggering multiple climate tipping points ... 1.5°C should be viewed similar to a ruin scenario for society – a level we must not exceed.”

**Report by the *Institute and Faculty of Actuaries*
& *Climate Crisis Advisory Group*, November 2022**

2023 is on track to become the hottest year on record.

More than 3.8 billion people – nearly half the world’s population – experienced sustained extreme heat between June and August, which was made more likely because of human-caused climate change. Most of these people live in Africa, South Asia, South and Central America – world regions that have contributed very little to the climate crisis.¹

3.8

billion people
experienced
sustained extreme
heat between June
and August.

Since at least 2021, climate scientists have agreed that we need to stop expanding fossil fuel extraction immediately and phase out the production of coal, oil and gas at an ambitious pace in order to avoid unmanageable climate breakdown. In its 6th Assessment Report, the Intergovernmental Panel on Climate Change (IPCC) found that the window to limit global warming to 1.5°C is rapidly closing and will require “phasing out all unabated fossil fuels”.

“Financial institutions everywhere must end lending, underwriting, and investments in coal anywhere”, UN Secretary General António Guterres warned in June 2023. “And they must commit to end financing and investment in exploration for new oil and gas fields, and expansion of oil and gas reserves – investing instead in the just transition in the developing world.”²

Against the warnings of global leaders and scientists, and in spite of a rapid increase in renewable energy generation, the consumption of fossil fuels continued to increase in 2022 and CO₂ emissions from the energy sector reached a new record level of 39.3 billion tonnes.³

Under public pressure ahead of the COP26 climate summit in Glasgow in 2021, more than 500 financial institutions from around the world pledged to take climate action and joined net zero alliances. As part of this process, 31 insurance companies joined the newly founded Net Zero Insurance Alliance (NZIA).

After two years of preparatory work, financial institutions were supposed to start taking action on their net zero commitments this year. All members of net zero alliances were expected to publish transition plans documenting their short-, medium- and long-term strategies to reach net zero emissions in June, and the NZIA members committed to publishing targets for reducing their insured emissions in July.

Yet these commitments have remained unfulfilled. Most members of the NZIA buckled under the political pressure of the fossil fuel lobby in the United States and left their net zero alliance this year. The departing members promised to keep up their climate commitments but have completely failed to do so. No insurers have yet set targets to reduce their insured absolute emissions by at least 34% by 2030, a commitment they made when they joined the NZIA.

Slow progress in fossil fuel restrictions fails to match urgency of climate crisis

In the past year, insurance companies have continued to adopt fossil fuel restrictions on their underwriting, and coal companies are finding it increasingly difficult to access insurance cover not just for new projects, but even for their ongoing operations.⁴ This demonstrates the power the insurance industry has to accelerate the transition away from fossil fuels.

Yet the shift away from fossil fuels does not meet the urgency of the climate crisis, and most insurers continue to underwrite the expansion of oil and gas infrastructure.

Since the publication of the last scorecard report in November 2022, the number of insurance companies with coal exit policies has increased from 41 to 45 and those with restrictions on conventional oil and gas are up from 14 to 18. Primary insurers with a 41.2% share of the commercial property & casualty market have now taken action on coal (up from 39.8% last year), and those taking action on conventional oil and gas account for 19.6% of the market (up from 15.4%). In the reinsurance industry the market share of companies with restrictions is 62.7% for coal (up from 58.2% in 2022) and 46.7% for oil and gas (up from 43.4%).

While some insurers have adopted bold restrictions covering upstream oil and gas as well as mid- and downstream oil projects, many other policies are extremely limited. Japanese insurer **MS&AD**, for example, will no longer offer new cover for coal companies' projects to extract oil and gas but will continue to do so for oil and gas companies.

Zurich is a stark example of the industry's climate hypocrisy. The Swiss insurance company pledged to align its business with the goals of the Paris Agreement in 2015 and was one of the founding members of the NZIA in 2021. Yet Zurich is the world's sixth largest fossil fuel underwriter and, with **Lloyd's of London**, the only major European insurer that continues to underwrite new oil and gas extraction projects.

The company has repeatedly championed its net zero targets and transition plans as an alternative to oil and gas restrictions. Yet Zurich was one of the first insurers to quit the NZIA in April, it has published no emissions reduction target, and it postponed its first transition plan to 2024.

"Every company needs to stand for what they believe in", Zurich's CEO said after his company left the NZIA.⁵ The track record of the Swiss insurer – and the insurance industry more widely in regard to oil and gas expansion – is a damning indictment of insurers' stance on climate action.

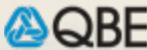
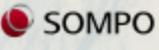
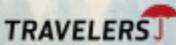
45

insurance companies
with coal exit policies

18

insurance companies
with restrictions
on conventional oil
and gas

Figure 1: Insurers Addressed In This Report



Leaders and Laggards

Every year the Insure Our Future Scorecard assesses and ranks 30 leading insurance (and reinsurance) companies on the effectiveness of their fossil fuel policies. Scores are based on insurers' responses to a survey carried out by the Insure Our Future campaign and on publicly available information in the case of non-respondents.

Although some insurers have introduced significant restrictions on fossil fuels, none are aligned with the 1.5°C Paris target and overall, the industry's response to climate emergency is totally inadequate. To highlight this, the three top spots of this year's scorecard are left empty for the first time.

As in the past two years, **Allianz** scores highest for its overall policies on fossil fuel underwriting. The German insurer is followed by **Generali**, **Aviva**, **Swiss Re**, **AXA**, **Hannover Re** and **AXIS Capital**. On coal exit policies specifically **Allianz**, **AXA**, **Swiss Re** and **Generali** score highest, while **Aviva**, **Generali**, **Allianz** and **Hannover Re** rank highest for their oil and gas restrictions.

The insurers of the **Lloyd's** market collectively are the world's biggest fossil fuel underwriters, earning an estimated \$1.6-2.2 billion in premiums last year, research for this report reveals.⁶ Alongside **Lloyd's**, **Berkshire Hathaway**, **Everest Re**, **Starr** and **W.R. Berkley** are revealed as the fossil fuel insurers of last resort.

Many of the oil and gas restrictions which insurers have adopted are extremely limited in scope. On average, the 30 companies assessed in this report score 3.8 out of 10 points for their coal exit policies but only 1.4 out of 10 points for their restrictions on oil and gas.

Turning to fossil fuel divestment policies, **SCOR** retains its top place by a large margin, ahead of **Generali**, **Swiss Re**, **Zurich**, **QBE** and **AXA**. While many companies score well on their coal divestments, **SCOR** is the only insurer that will no longer invest in any companies with upstream oil and gas expansion plans.

0

insurers are aligned with the 1.5°C Paris target





Insurers abandon communities affected by climate risks

As the climate crisis escalates, numerous insurance companies are withdrawing their cover from regions particularly affected by climate change in Australia, the United States and other countries. Major reinsurers such as **AIG Re**, **AXIS Capital**, **AXA XL**, **Everest Re**, **SCOR** and **TransRe** have reduced cover for natural catastrophes or left the property market altogether, causing a spike in premiums. Yet while companies abandon communities affected by climate risks, they continue to fuel the climate crisis by underwriting and investing in the expansion of fossil fuels.

It is 50 years since the insurance industry first warned about the risks of climate change, and also the 50th anniversary of the Geneva Association, the think tank which brings together the CEOs of the world's biggest insurance companies. Yet after half a century, the industry's climate actions remain completely insufficient. Two years after the Glasgow climate summit, the net zero commitments of most insurance companies have resulted in a lot of paperwork, some modest practical steps and a lot of greenwashing.

On November 28-29 this year, on the eve of the COP28 climate summit in Dubai, insurance CEOs will gather at a conference in Zurich to celebrate the 50th anniversary of the Geneva Association. The role of insurers in accelerating the world's decarbonization features prominently on the agenda. These CEOs have been aware of the risks which climate changes poses to global society throughout their professional careers. They are in a powerful position to support and accelerate the global transition from fossil fuels to clean technologies. Yet at this critical point, the CEOs and their companies – along with most other financial institutions and governments – risk squandering our last chance to limit the climate crisis to a somewhat manageable level. Worse, they are adding fuel to the fire by underwriting and investing in the continued expansion of oil and gas extraction.

A scorched, uninsurable world is a world without an insurance industry and so insurance companies have an eminent self-interest in scaling up their climate action. Insurers have demonstrated that they can accelerate the shift away from fossil fuels through their coal exit policies. They urgently need to adopt similar policies on oil and gas.

The world's biggest fossil fuel insurers

In spite of the public interest in transparency, insurance contracts are treated as if they were commercial secrets. With a few exceptions such as data leaks, it is impossible to know which insurers are insuring which companies and projects in the fossil fuel sector and beyond. Insuramore, a highly reputed market intelligence firm in the insurance sector, has carried out research for this report which sheds some light on the largest insurers of the fossil fuel industry.

Insuramore estimates the gross direct premiums from insuring the fossil fuel industry at \$21.25 billion in 2022, a nominal increase of some 6% from 2021. These premiums do not include the revenues of captive insurers of fossil fuel companies and the reinsurance market.²⁷

The biggest oil and gas insurers, again according to Insuramore estimates, are **AEGIS, PICC** and **SOGAZ**, followed by **Chubb, Allianz, Zurich, W.R. Berkley, AXA, Everen** and **Everen Specialty**.

Non-OECD insurers play a larger role in the remaining market for coal insurance, where Insuramore considers the biggest carriers to be **PICC, China Coal Insurance** and **Yingda Taihe**, followed by **Fairfax Financial, Chubb, Ping An, Liberty Mutual, FM Global, Starr** and **AIG**.

For practical purposes the fossil fuel insurance market (not including captive insurers) can be divided among the following actors:

- **Multiline insurers with big public brands** (in particular **Chubb, Allianz, AXA, Zurich, AIG, Liberty Mutual, Tokio Marine, Mapfre, Travelers, QBE** and **MS&AD**) with an approximate combined market share of 37% (38% in the case of oil and gas; 33% in the case of coal);²⁸
- **Insurers from non-OECD countries such as China and Russia (PICC, Sogaz, Yingda Taihe, Ping An, China Coal Insurance and China Pacific)** with an approximate combined market share of 27% (oil and gas 23%; coal 44%);
- **Mutual insurance companies of the energy sector (AEGIS, Everen and Everen Specialty and FM Global)** with an estimated combined market share of 21% (oil and gas 24%; coal 8%);
- **Specialty insurers from OECD countries (Fairfax Financial, W.R. Berkley, Starr, Berkshire Hathaway and Arch)** with an approximate combined market share of 15% (oil and gas 15%; coal 16%).

The insurers of the **Lloyd's** market are assessed individually by Insuramore. Taken together, they are the world's biggest fossil fuel underwriters, accounting for an estimated 9% of the non-captive fossil fuel insurance market in 2022, with an estimated \$1.6-2.2 billion in premiums. (See box, p16: *Lloyd's of London: climate wreckers of last resort.*)

Like captive insurers, insurers of non-OECD countries and mutual insurers made up of energy companies are less exposed to reputational risk. They don't have retail customers and public brands, they are not listed on the stock exchanges or they operate in countries with no political space for NGO campaigns.

However, Chinese insurers, captive insurers and most energy sector mutuals rely on cover from global reinsurance companies for their business. **AEGIS** and **Everen Specialty** for example secured reinsurance cover for 38% and 22% respectively of their business in 2022. The fossil fuel policies of reinsurers, both for their facultative and their treaty business, are thus critical for the insurance industry's shift away from fossil fuels.²⁹

According to Insuram more estimates, the top-10 fossil fuel insurers in 2022 are as follows (million \$):

Rank	Name	Country of Headquarter	Premium range	Midpoint
1.	 AEGIS	Bermuda	1,550-1,850	1,700
2.	 PICC	China	1,250-1,650	1,450
3.	 SOGAZ INSURANCE GROUP	Russia	800-1,100	950
4.	 CHUBB®	Switzerland/USA	550-850	700
5.	 Allianz	Germany	475-775	625
6.	 AXA	France	450-750	600
6.	 FAIRFAX FINANCIAL HOLDINGS LIMITED	Canada	450-750	600
6.	 ZURICH®	Switzerland	450-750	600
9.	 Berkley	USA	525-625	575
10.	 AIG	USA	425-675	550

An aerial photograph showing the aftermath of a disaster. The ground is covered in rubble and ash. Several cars are parked in a row, many of which are heavily damaged or overturned. A large, leafless tree stands in the center, its branches reaching out over the destruction. In the background, there are more buildings and structures that appear to be in various states of ruin. The overall scene is one of devastation and loss.

“Insurers have to assess risks to our future. If they can’t see the damage that fossil fuels cause to our future and the risks they are creating for our people, what’s their point?”

Joseph Sikulu, *Pacific Climate Warriors*

Since 2017, 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. In March 2023, the campaign sent a letter to the 30 leading international fossil fuel insurers depicted in Figure 1 asking them to take six steps to align their activities with the goals of the Paris Agreement (See *Recommendations*, below).

In May, the Insure Our Future campaign shared a questionnaire and a list of criteria with the 30 insurers, detailing how their policies would be scored and requesting a reply by July 15, 2023.⁷ By mid-October 2023, 19 companies had replied.⁸ 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 received its scores before the report was published.

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

Recommendations

1

Immediately cease insuring new and expanded coal, oil, and gas projects.

2

Immediately stop insuring any new customers from the fossil fuel sector which are not aligned with a credible 1.5°C pathway, and stop offering any insurance services which support the expansion of coal, oil and gas production at existing customers. Within two years, phase out all insurance services for existing fossil fuel company customers which are not aligned with such a pathway.

3

Immediately divest all assets, including assets managed for third parties, from coal, oil, and gas companies that are not aligned with a credible 1.5°C pathway.

4

Immediately define and adopt binding targets for reducing insured emissions which are transparent, comprehensive and aligned with a credible 1.5°C pathway.

5

Immediately adopt robust due diligence and verification mechanisms to ensure that clients fully respect and observe all human rights, including a requirement that they obtain and document the Free, Prior, and Informed Consent (FPIC) of impacted Indigenous Peoples as articulated in the UN Declaration on the Rights of Indigenous Peoples.

6

Immediately bring stewardship activities, membership of trade associations and public positions as a shareholder and corporate citizen in line with a credible 1.5°C pathway in a transparent way.⁹

Lloyd's of London: Climate wreckers of last resort

Taken together, the insurers operating on the **Lloyd's** market are the world's biggest fossil fuel underwriters. According to Insuramore, Lloyd's insurers accounted for \$1.6-2.2 billion in fossil fuel premiums in 2022 or 9% of the world total.

The leading role of the Lloyd's market is illustrated by numerous case studies. When Vietnam still sought to develop the new Vung Ang 2 coal power plant in 2021, 13 Lloyd's insurers offered 27% of the required capacity.⁴⁴ Of the 69 insurers underwriting oil and gas companies in the North Sea, 28 are Lloyd's insurers. Lloyd's is also the second-biggest insurer of coal mining in the United States. (See box, p32: *Insuring coal mining in the U.S.*)

At least six Lloyd's insurers have previously insured the construction or operation of the Adani Group's giant Carmichael coal mine in Australia but have now stopped doing so, in the case of **Probitas1492** as late as December 2022. Five other Lloyd's insurers – **Hamilton, Markel, RenaissanceRe, SA Meacock** and **Starr** – have refused to comment on their position on the project.⁴⁵

Lloyd's adopted a coal, tar sands and Arctic policy in December 2020 but has since stated that it is "not mandating" its insurers to comply with this policy. Lloyd's is expected to update its ESG guidelines before the end of the year.

Analysis by Insure Our Future partner Reclaim Finance found major differences among the 20 biggest Lloyd's managing agents, which represent more than 80% of the Lloyd's market. Five of these managing agents – **RiverStone, Chaucer, RenaissanceRe, Ascot** and **Aegis** – have not taken any measures on fossil fuels. On the other hand, the managing agents of **AXA XL, Hannover Re (Argenta)** and **Munich Re** have ruled out support for new oil and gas extraction projects (even if only from 2025 in the case of AXA XL).⁴⁶

"The undoubted impact of fossil fuels on climate change demands a proactive stance from insurers", Munich Re's Dominick Hoare, a member of the Lloyd's Council, has said. Yet the Lloyd's market as a whole appears to be intent on becoming climate wreckers of last resort.

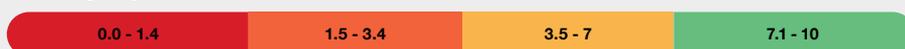


Scoring Grid

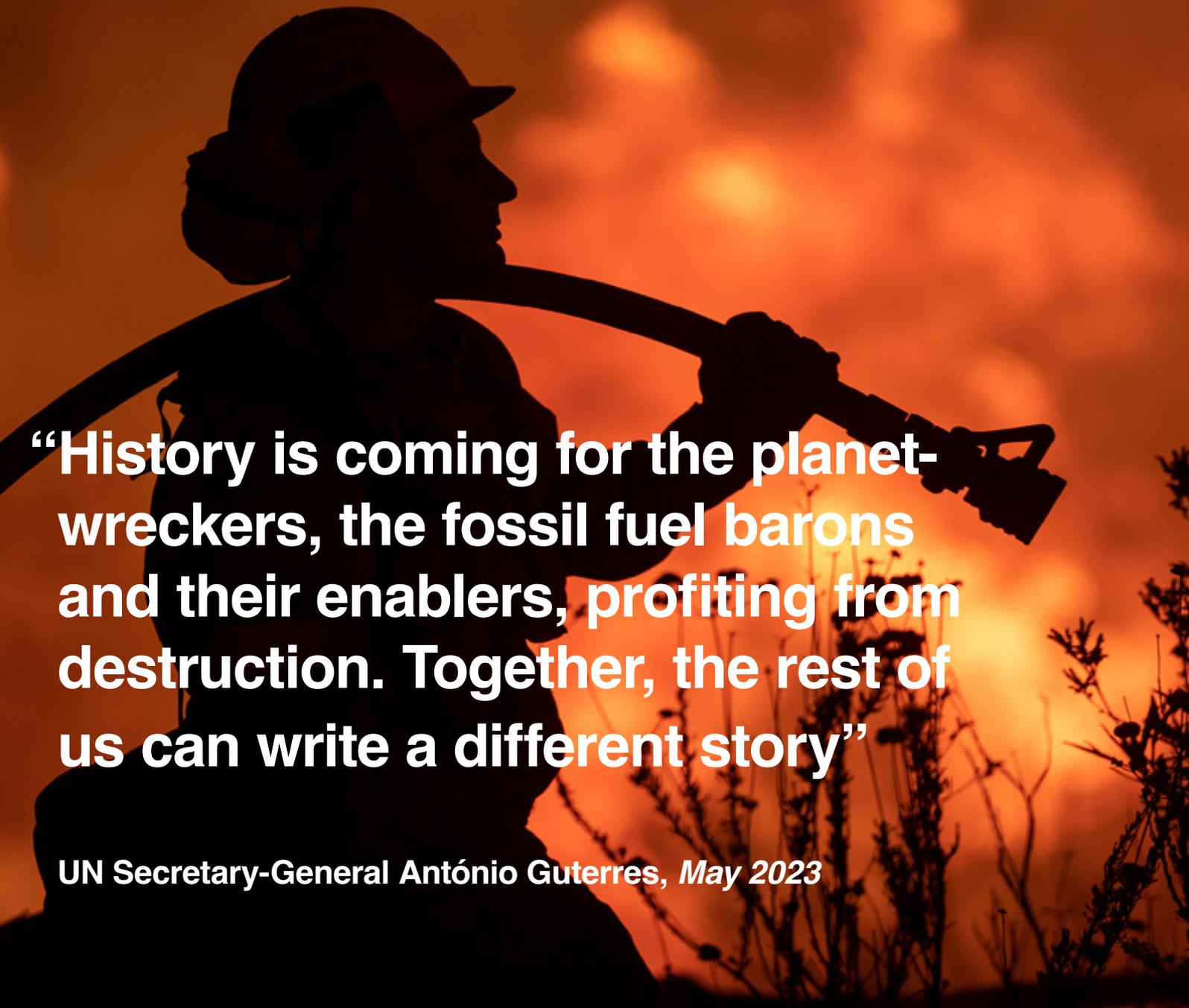
(Re)insurer	Country	Underwriting						Investment	
		Oil and Gas		Coal		Total		Total	
		Score	Rank	Score	Rank	Score	Rank	Score	Rank
							1		
							2		
							3		
Allianz		3.7	3	10.0	1	6.6	4	4.0	9
Generali		4.0	1	8.3	4	5.4	5	5.8	2
Aviva		4.0	1	7.8	6	5.1	6	4.8	8
Swiss Re		3.3	5	8.8	3	4.6	7	5.6	3
AXA		2.0	9	9.3	2	4.5	8	5.6	3
Hannover Re		3.4	4	6.2	9	4.0	9	3.2	12
Axis Capital		1.3	13	8.2	5	3.9	10	4.9	5
Zurich		1.5	11	7.8	7	3.5	11	5.3	6
Munich Re		2.4	7	5.6	10	3.2	12	3.1	13
SCOR		1.7	10	6.5	8	3.1	13	10.0	1
HDI Global – Talanx		2.5	6	4.7	12	3.1	14	3.5	11
Mapfre		2.1	8	5.2	11	3.0	15	4.0	9
QBE		1.2	16	4.0	13	2.1	16	5.1	7
AIG		1.3	14	2.7	14	1.6	17	2.4	14
Chubb		1.3	12	2.0	16	1.5	18	1.1	22
Sompo		1.2	15	2.0	16	1.4	19	2.2	17
MS&AD		1.0	17	2.0	16	1.3	20	2.2	18
Tokio Marine		1.0	17	2.0	16	1.3	20	2.2	18
Samsung FM		1.0	17	2.3	15	1.3	22	2.2	18
The Hartford		0.9	20	2.0	16	1.3	23	2.4	14
Travelers		0.9	20	2.0	16	1.2	24	2.4	14
Ping An		0.0	23	1.3	22	0.6	25	1.1	22
Liberty Mutual		0.0	23	1.3	22	0.4	26	1.1	22
Lloyd's		0.1	22	0.1	24	0.1	27	2.2	18
WR Berkley		0.0	23	0.0	25	0.0	28	1.1	22
Berkshire Hathaway		0.0	23	0.0	25	0.0	28	0.0	26
Everest Re		0.0	23	0.0	25	0.0	28	0.0	26
PICC		0.0	23	0.0	25	0.0	28	0.0	26
Sinosure		0.0	23	0.0	25	0.0	28	0.0	26
Starr		0.0	23	0.0	25	0.0	28	0.0	26

The first three lines in this ranking remain empty. While some insurers perform strongly on certain policy aspects, none have shown the overall leadership which the climate crisis demands

Scoring Key



Insurers knew: Fifty years of climate failure



“History is coming for the planet-wreckers, the fossil fuel barons and their enablers, profiting from destruction. Together, the rest of us can write a different story”

UN Secretary-General António Guterres, *May 2023*

1973

insurance industry's first warning about climate risks

Fifty years ago this summer, in August 1973, Munich Re published the insurance industry's first warning about the growing risks of climate change, stating that rising temperatures would lead to “retreat of glaciers and polar caps, shrinking of lake surfaces and an increase in marine temperatures”.¹⁰

In November 1990, Swiss Re issued another wake-up call, highlighting the “significant body of scientific evidence indicating that last year's record insured losses from natural catastrophes (...) may be the result of climatic changes that will enormously expand the liability of the property-casualty industry”.¹¹ In the five decades since the insurance industry first warned about climate change, these risks have turned into a grim reality with disastrous human, environmental and financial impacts.

2023 is on track to become the hottest year on record, and relentless heatwaves have scorched China, North Africa, South Asia, the United States and other parts of the world. Wildfires of unprecedented size and fury have destroyed large parts of Canada, Greece and Maui. As Munich Re warned 50 years ago, flooding has intensified as well: more than 10,000 people have died in just one disaster in Libya and other floods claimed hundreds of lives in Brazil, India, Korea, Sudan, Rwanda and the Democratic Republic of Congo.

In the industrialized world as well as the Global South, such climate disasters predominantly impact poor and marginalized groups – including women, children, migrant communities and Indigenous peoples – which have historically contributed very little to the climate crisis. They are also most vulnerable to the food insecurity, public health crises and sea level rise which the climate crisis fosters.

The insurance industry is keenly aware of these impacts. “Climate change is happening more quickly than anticipated, with severe impacts already being felt by millions globally at the current level of warming of 1.2°C”, a report by the UK’s highly reputed Institute and Faculty of Actuaries (IFoA) warned in July 2023.¹²

Five years ago, the IPCC described the stark consequences of global warming beyond 1.5°C. Among other impacts, an increase of average global temperatures by 2°C would bring an irreversible loss of ecosystems (including the complete destruction of coral reefs), increase the frequency and intensity of rainstorms and droughts, and expose hundreds of millions of people to climate risks and poverty.¹³

In its 6th Assessment Report of March 2023, the IPCC emphasized that we have a final chance to limit global warming to 1.5°C if we act quickly and decisively. The Panel confirmed findings by the International Energy Agency (IEA) that we cannot afford any fossil fuel expansion – and must wind down existing assets rapidly – if we are to achieve that goal.

“2023 is a year of reckoning”, UN Secretary General António Guterres warned in February. “It must be a year of game-changing climate action. We need disruption to end the destruction. No more baby steps. No more excuses. No more greenwashing.”

“Even 1.5°C of global warming is extremely risky”, another report by the Institute and Faculty of Actuaries confirmed in November 2022, and “should be viewed similar to a ruin scenario for society – a level we must not exceed.”¹⁵

Yet even as the climate crisis escalates, and in spite of the dire warnings from scientists and world leaders, fossil fuel production continued to increase in 2022, driving global CO₂ emissions from energy consumption to a record high despite the rapid growth in wind and solar capacity.¹⁶ The IEA predicts that demand for coal, oil and gas is set to peak in the coming years. However, as the agency’s Executive Director Fatih Birol has warned, “the projected declines in demand we see based on today’s policy settings are nowhere near steep enough to put the world on a path to limiting global warming to 1.5C”.¹⁷

Looking ahead, thousands of new fossil fuel projects are still in the pipeline. According to Global Energy Monitor, in addition to hundreds of coal, oil and gas extraction projects, 655 coal power plants, 238 liquified fossil gas (LNG) import terminals, 980 gas power plants, 210,000 kilometers of gas pipelines and 31,000 kilometers of oil pipelines are currently proposed or under construction.¹⁸ If built, these projects will lock in increased consumption for decades to come and will completely destroy our chances of limiting global warming to 1.5°C.

655

coal power plants
proposed or under
construction

See Endnotes section at the back of the report for the full glossary of terms used in this section

Underwriting climate destruction

Almost none of the thousands of new fossil fuel projects in the pipeline can go forward without insurance cover, and most ongoing production will quickly grind to a halt without it. As AXA CEO Thomas Buberl stated in November 2021, “if you don’t have the insurance, you will have no financing — whether it’s private, public, from an insurer, from an asset manager, whatever”.¹⁹

Moreover, as society’s risk managers, early warners about climate risks and one of the hidden hands behind modern industrial development, insurance companies have a particular opportunity and responsibility for taking the game-changing climate action for which the UN Secretary General has called.

If insurance companies took climate science seriously, they would fully align their underwriting and investment strategies with a credible 1.5°C pathway and end all support for the expansion of fossil fuels. They would forcefully engage their high-carbon customers on the need to shift away from fossil fuels and advocate for bold climate policies through their trade associations and on their own. They would have announced ambitious new commitments at the UN Climate Ambition Summit in September 2023. Some of them would currently be suing fossil fuel companies, to make polluters pay for the growing costs of climate disasters and keep insurance affordable for climate-affected communities.

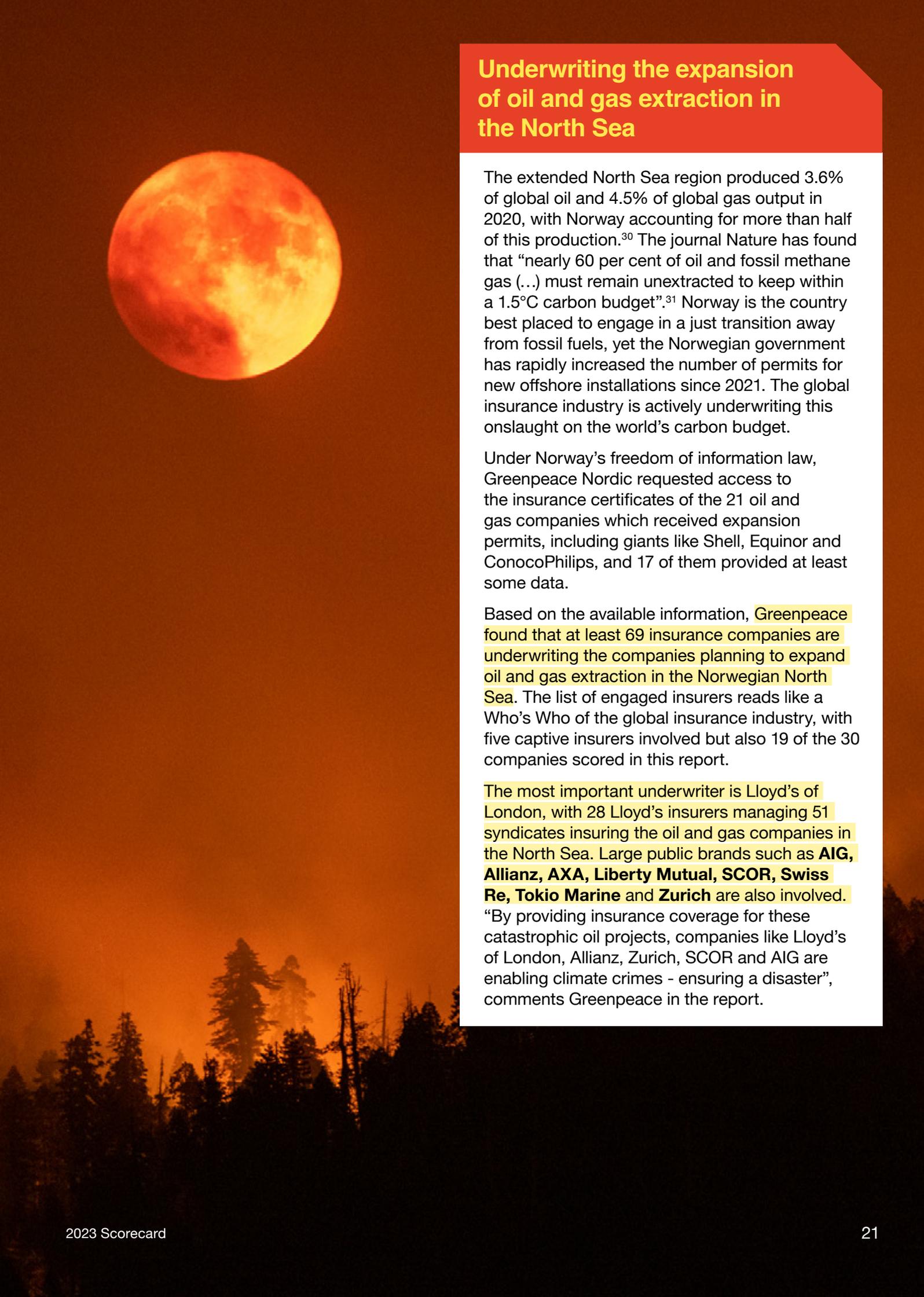
Has any of this come to pass? Far from it. At a time when humanity has the last chance to keep global warming below 1.5°C through bold climate action, the insurance industry is maintaining its revenues from coal, oil and gas and even walking back some of its earlier climate pledges.

While insurers’ climate commitments have accelerated the shift away from coal, they have not yet limited insurance capacity for the oil and gas sector in a significant way. According to estimates by market intelligence company Insuramore, gross direct premiums from the fossil fuel industry (not including captive insurance) increased from \$20 billion to \$21.25 billion in 2022.²⁰ (See box, p12-13: *The world’s biggest fossil fuel insurers*.) A recent report on energy sector insurance from global broker Willis Towers Watson found that “the focus on ESG seems to be declining somewhat”.²¹

In spite of their strong position to influence the global economy, most insurance companies are currently following trends in the energy markets rather than trying to shape them. “[Our] energy portfolio will likely reflect global energy demand”, a senior energy underwriter at the fossil fuel insurer Convex stated in a comment which reflects a sentiment widely shared in the insurance industry. “We can see where that’s going, and we want to be part of that journey as long as we can make an adequate return for shareholders.”²²

\$21BN

gross direct
premiums from the
fossil fuel industry
in 2022



Underwriting the expansion of oil and gas extraction in the North Sea

The extended North Sea region produced 3.6% of global oil and 4.5% of global gas output in 2020, with Norway accounting for more than half of this production.³⁰ The journal Nature has found that “nearly 60 per cent of oil and fossil methane gas (...) must remain unextracted to keep within a 1.5°C carbon budget”.³¹ Norway is the country best placed to engage in a just transition away from fossil fuels, yet the Norwegian government has rapidly increased the number of permits for new offshore installations since 2021. The global insurance industry is actively underwriting this onslaught on the world’s carbon budget.

Under Norway’s freedom of information law, Greenpeace Nordic requested access to the insurance certificates of the 21 oil and gas companies which received expansion permits, including giants like Shell, Equinor and ConocoPhillips, and 17 of them provided at least some data.

Based on the available information, Greenpeace found that at least 69 insurance companies are underwriting the companies planning to expand oil and gas extraction in the Norwegian North Sea. The list of engaged insurers reads like a Who’s Who of the global insurance industry, with five captive insurers involved but also 19 of the 30 companies scored in this report.

The most important underwriter is Lloyd’s of London, with 28 Lloyd’s insurers managing 51 syndicates insuring the oil and gas companies in the North Sea. Large public brands such as **AIG, Allianz, AXA, Liberty Mutual, SCOR, Swiss Re, Tokio Marine** and **Zurich** are also involved. “By providing insurance coverage for these catastrophic oil projects, companies like Lloyd’s of London, Allianz, Zurich, SCOR and AIG are enabling climate crimes - ensuring a disaster”, comments Greenpeace in the report.

Modest new fossil fuel restrictions

When the last scorecard report was published in October 2022, **Swiss Re**, **Allianz** and **Munich Re** had recently adopted substantive restrictions on their conventional oil and gas business and it appeared as if the insurance industry’s shift away from oil and gas was accelerating. Yet progress has been slow this past year.

In December 2022, **Korean Re** announced that it would no longer provide individual reinsurance cover for new coal mine and coal power projects. Korean Re was the first Asian reinsurer to do so but added exceptions “under limited circumstances” for national energy policy or social needs.

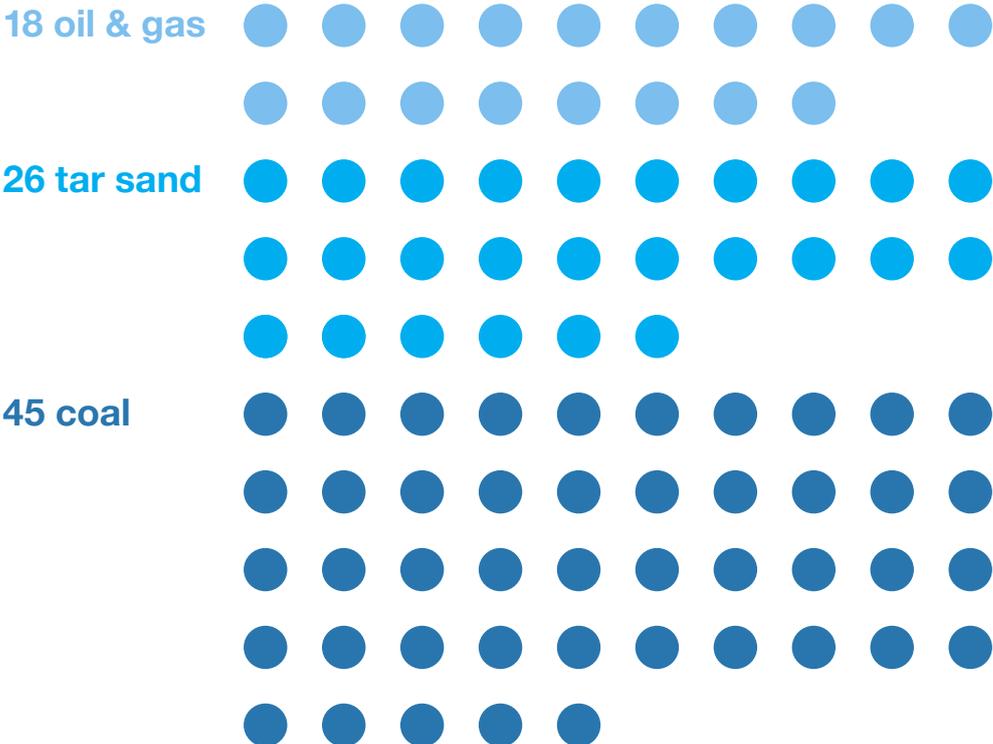
In March 2023, **Beazley**, a large Lloyd’s insurer, announced that it would no longer underwrite “any new thermal coal, oil tar sands, or arctic energy exploration projects, or businesses which generated more than 5% revenues from these areas”.

Also in March, **Chubb** ceased insuring any oil and gas projects in national parks and other protected areas, as well as projects without methane emission reduction plans. While these measures are very modest, they are significant because they were the first restrictions on conventional oil and gas adopted by a U.S. insurer and were announced despite strong campaigns against climate action by the U.S. fossil fuel lobby.

Following Allianz’s model, German insurer **Talanx** announced in May that it would no longer insure new oil and gas fields, new oil power plants and other new infrastructure directly associated with new oil fields.

In an update which is almost comic in its limitation, Japanese insurer **MS&AD** in May decided that it would no longer offer new cover for oil and gas extraction by coal companies, although it continues to underwrite extraction by oil and gas companies. The policy is so limited that it is not included in the list of 18 oil and gas restrictions of primary insurers.

Figure 2: Number of insurers with fossil fuel restrictions, by sector



Two years of net zero insurance greenwashing

In response to public pressure for corporate climate action, numerous insurers and other financial institutions adopted net zero commitments in the run-up to COP26 in Glasgow. In June 2021, eight insurance companies founded the Net Zero Insurance Alliance (NZIA) as part of the UN Race to Zero campaign.

The NZIA was created as a high-ambition group, but soon started to settle for lowest common denominator positions in an effort to attract more members. Unlike the Net Zero Asset Owners Alliance, the NZIA, for example, did not adopt any guidance or obligations on fossil fuels.

The main achievement of the Alliance was the adoption of a target-setting protocol in January 2023. This protocol is full of massive loopholes. It does for example not cover emissions from new fossil fuel projects, sets minimum emission reduction thresholds of only 34% by 2030 (compared with the IPCC's 43% target), and allows insurers to simply engage their customers in a dialogue rather than reducing emissions in the real world.³²

Insurance companies in the United States are regulated by state governments, unlike other financial institutions. Even though the NZIA is rather toothless, this left an opening for the political servants of the fossil fuel lobby to target its members as part of its broader campaign against ESG commitments. In May 2023, the Attorneys General of 23 states threatened to take anti-trust action against NZIA members.

By the end of September, 20 of the 31 NZIA members had left the Alliance in response to pressure from the fossil fuel lobby. "My job is to manage insurance", AXA CEO Thomas Buberl explained to the Financial Times, "and not to deal ... with 23 attorneys-general in the US."³³

When they departed the NZIA, Munich Re, Swiss Re and many other prominent insurers reassured the public that they would uphold their climate commitments. In practical terms, this meant publishing a transition plan by June, as

they had pledged to do under the Race to Zero, and preparing net zero targets by the end of July.

In reality, only a handful of insurance companies (including Allianz, AXA, Fidelis, the NN Group, SCOR and Tokio Marine) have so far published their transition plans and emissions reduction targets. Allianz, which according to Insuramore is still the world's fifth largest fossil fuel insurer, set an ambitious target to reduce the carbon intensity of its commercial property & casualty portfolio by 45% by 2030. Yet no insurance companies have so far adopted targets to reduce their absolute insured emissions by at least 34% during the 2019-2030 period, as they committed to under the NZIA's target setting protocol.

When the Insure our Future campaign carried out a detailed survey on how large insurance companies are encouraging and incentivizing the decarbonization of high carbon emitting sectors such as agriculture, automobiles, cement and steel, it found that insurers had no specific knowledge or plans for how to promote the transition of these sectors. When it comes to net zero insurance, the emperor has no clothes.

Ever since the IEA published its net zero roadmap in May 2021, scientists have agreed that there is no space for any new fossil fuel projects in the global carbon budget and the transition away from coal, oil and gas needs to accelerate. Rather than aligning their business strategies with this consensus, insurance companies have engaged in two years of bureaucratic processes. These processes greenwashed their ongoing fossil fuel profits but have not produced any tangible results.

"Every company needs to stand for what they believe in; you cannot hide behind [climate] alliances", Zurich CEO Mario Greco, who continues to underwrite new fossil fuel projects, stated in August 2023.³⁴ The failure of the NZIA re-emphasizes the responsibility of individual fossil fuel insurers to take climate action – and the role of regulators, climate campaigners and other actors to hold greenwashers to account.

Also in May **ASR**, a medium-sized Dutch insurer, excluded cover for “producers of thermal coal and unconventional oil and gas products (such as shale gas, Arctic oil and tar sands)”. Other upstream, midstream and downstream fossil fuel companies will need to have 1.5°C-aligned transition plans in place to receive insurance.

In June **Helvetia**, a medium-sized Swiss insurer, ended cover for new coal mining, coal power and unconventional oil and gas projects. Helvetia decided to divest from conventional oil and gas companies expanding their production but will still insure their projects.

Also in June, mid-sized Austrian insurer **Uniq** announced that they would cease underwriting any new oil and gas business from 2024 and 2025 respectively. By 2030 and 2035, the Austrian insurer will phase out all companies that generate more than 5% of their business from oil and gas. Uniq’s restrictions cover the upstream, midstream and downstream sectors and offer a model which other insurers should follow.

Figure 3: Insurers adopting oil & gas exit policies, by year

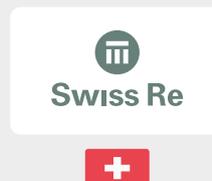
2020



2021



2022



2023



A few other insurers strengthened their oil and gas restrictions in significant ways. In May, French reinsurer **SCOR** expanded its exclusion of new oil field production projects to include facultative²³ cover for new oil field development projects. As previously, SCOR will offer exceptions for companies with credible, science-based transition plans.

In July, **AXA** expanded the restriction of cover for new oil and gas exploration projects to also include new development projects (from 2024 for oil and September 2025 for gas). Like SCOR, AXA offers exceptions for companies with credible transition plans, but fails to explain how new extraction projects can be compatible with credible transition plans.

In addition, numerous insurance companies have ruled out underwriting specific fossil fuel projects. Under pressure from campaign groups, 46 insurance companies have ruled out support for the Adani Group's Carmichael coal mine in Australia. By early October 2023, 23 insurers pledged not to underwrite the East Africa Crude Oil Pipeline in Uganda/Tanzania, and 20 insurers put policies in place to protect Gwich'in Indigenous rights in the Arctic National Wildlife Refuge in Alaska.

Even though a lot of fossil fuel projects impact Indigenous lands and rights, **AXIS Capital** is the only insurance company that explicitly rules out support for any projects on Indigenous territories without Free Prior Informed Consent (FPIC). Allianz and Swiss Re screen for FPIC in their underwriting process.

In summary, four additional insurance companies adopted coal exit policies this past year (for a total of 45), five announced new restrictions on extreme oil and gas (for a total of 26) and another four, on conventional oil and gas (for a total of 18).²⁴

In the past year the market share of primary insurers with fossil fuel restrictions has grown from 39.8% to 41.2% in coal and from 15.4% to 19.6% in oil and gas insurance. The market share of reinsurers with similar restrictions has increased from 58.2% to 62.7% in coal and from 43.4% to 46.7% in oil and gas insurance respectively. These increases are positive but don't meet the urgency of the moment.

Many companies' restrictions continue to contain large loopholes, particularly on oil and gas. Of the 30 major insurers assessed in this report, only **Aviva**, **Generali** and the German insurers **Allianz**, **Hannover Re**, **Munich Re** and **Talanx** have ceased underwriting any new oil and gas extraction projects without major exceptions. Almost no insurers have ended cover for new midstream and downstream gas infrastructure such as liquefied fossil gas (LNG) terminals and gas power plants, which are locking in increased extraction for decades to come. Only Hannover Re will no longer insure new midstream infrastructure benefitting new oil and gas production.

Through systematic information requests under freedom of information acts, Insure Our Future partners have been able to produce more evidence on which insurance companies are still underwriting the fossil fuel companies that are increasing the extraction of oil and gas and continue to mine coal without any phase-out plans. (See box p12-13: *The World's Biggest Fossil Fuel Insurers*.)

63%

Market share of reinsurers with coal exit policies

47%

Market share of reinsurers with oil and gas restrictions

Shallow net zero promises

Insurance companies justify their continued support for the expansion of oil and gas extraction in two ways. They assert that engaging fossil fuel companies in a dialogue about the need for a net zero transition is more effective than ending cover for new projects. They also argue that aligning their insurance companies with net zero pathways across the board makes more sense than restricting cover for specific sectors and projects.

Engaging coal, oil and gas companies on the need to phase out fossil fuel production is useful as long as such dialogue complements policies excluding cover for new extraction projects, rather than substituting for them. This is what numerous insurers are doing in the coal sector. Global insurance brokers and coal company executives from around the world have confirmed that the lack of insurance capacity was one of the drivers for the shift away from coal in recent years.

In contrast, asking oil and gas companies to align their business with climate science and stop extracting more oil and gas is neither credible nor effective as long as insurers compete with each other to underwrite the new extraction projects they are supposedly advising against.

Insurers talk a lot about the need for oil and gas companies to transition away from fossil fuels. In reality, they are not advocating for a transition away from fossil fuel extraction but are satisfied if fossil fuel companies adopt shallow net zero commitments, shift from coal to gas extraction, invest in renewable energy projects and reduce their operational emissions. This does nothing to reduce the climate impact of burning the oil and gas these companies sell, which is by far the biggest part of their life-cycle emissions.

When the Insure Our Future campaign surveyed fossil fuel insurers about the success of their engagement policies, none could point to a material shift of oil and gas companies away from their core business. Oil majors have even walked back their previous commitments to a net zero transition this year, and the oil and gas industry is currently bankrolling a political campaign targeting insurance companies with net zero and ESG commitments in the United States.

At least 31 insurance companies proclaimed net zero commitments and joined the Net Zero insurance Alliance (NZIA) in recent years. Most have now left it, under pressure from the U.S. anti-ESG campaign, but pledged that they would implement their net zero commitments in an individual capacity.

When they joined the Alliance, insurers committed to publish transition plans in June 2023, and to publish targets in July for reducing emissions from the projects and companies they insure. A reality check suggests that most insurers have walked back their commitments or were never serious about them in the first place. (See box, p23: *Two years of insurance greenwashing*.)

Insurance companies argue that they can't align their businesses with a 1.5°C pathway if society at large moves towards 2.7°C of global warming. While this may be true, insurance companies are not making a strong effort to accelerate the necessary transition. Most are only prepared to implement net zero commitments as long as they don't affect their short-term profits.

Outlook

Insurance companies have a responsibility to end cover for new coal, oil and gas projects and phase out support for ongoing fossil fuel operations, and this is in their long-term interest. Yet given competitive pressures, most are only prepared to take limited action at best. With the option of collective voluntary climate action through the NZIA no longer open, insurance regulators need to create a level playing field by starting to regulate the industry's transition away from fossil fuels.

Pressure on the insurance industry to align its business with credible 1.5°C pathways will certainly increase. Under a new EU directive, all large companies active on the European market will need to report on their sustainability efforts starting in January 2024.

Under the draft Solvency II rules, which an EU parliament committee approved in July, insurers will also need to publish transition plans with quantifiable targets and processes for reaching net zero by 2050.

In the United States, the Senate Budget Committee in June called on AIG, Chubb, Liberty Mutual, Travelers, Berkshire Hathaway, Starr and other insurers to disclose their cover for and investments in fossil fuels, as well as information on how each insurer respects human rights.

The International Association of Insurance Supervisors (IAIS), which holds its annual meeting in Tokyo on November 6-10 this year, should create a process for regulating the alignment of insurance underwriting with climate science, including a mandatory requirement for science-based transition plans.

Pressure on insurers to move away from fossil fuels is also growing from an unexpected source: potential employees. The insurance industry has an aging problem and in a recent survey of more than 300 senior underwriters, 84% of respondents said they were concerned about “winning the war for talent”.²⁵ In a global survey by Deloitte, 42% of Millennials said that they had already changed or plan to change their job or industry due to climate concerns.²⁶ In May, more than 500 students and young graduates in the United Kingdom signed a letter saying that they would not work for Lloyd's and other companies insuring fossil fuel expansion. As the climate emergency escalates, fossil fuel policies will affect insurers' chances to recruit the best and the brightest.

As the experience in the coal sector demonstrates, insurance can be a critical lever to accelerate the transition away from fossil fuels. All actors interested in strengthening climate action should increase pressure on fossil fuel insurers: not only regulators but employees and potential employees, board members and potential board members, NGOs and activists, customers and shareholders, ESG rating agencies and analysts. The Insure Our Future campaign will work with these actors to increase pressure on the insurance industry to accept its responsibility and play its part in preventing unmanageable climate breakdown.

42%

Share of Millennials ready to change jobs over climate concerns



“From our point of view, pressure to cease underwriting [fossil fuels] is very effective. Insurance is an incredible tool for enacting change.”

Dominick Hoare, *Munich Re*, November 2022

The following elements make up strong and comprehensive fossil fuel policies aligned with the Paris Agreement goal of limiting global warming to 1.5°C and were used as the criteria for scoring insurers' policies in this report.

Underwriting Policies

- **Scope**
Policies should rule out insurance for all types of new coal infrastructure (including mines and power plants as well as transport facilities); extreme fossil fuels such as tar sands, associated pipelines, Arctic and ultra-deep water drilling; and any oil and gas expansion projects that drive increased production.
- **Types of cover**
Policies should apply to all lines of business for new and existing projects and companies, except cover for protecting workers, ringfenced renewable energy projects, and existing mine reclamation surety bonds. Reinsurers' policies should apply to treaty as well as facultative reinsurance.⁴⁷
- **Fossil fuel companies**
Policies should apply comprehensive criteria to define companies operating in coal, oil and gas, and tighten cover over time in line with the need to phase out these fossil fuels completely. Policies should immediately exclude new customers from the fossil fuel sector not aligned with a 1.5°C pathway, and phase out all insurance services within two years for existing fossil fuel company customers not aligned with such a pathway.
- **Emissions reduction targets**
Insurers need to set emissions reduction targets for new projects as well as ongoing operations which they insure, and define short- and medium-term targets across their entire commercial property & casualty portfolio. The targets must cover the Scope 3 emissions of all carbon intensive sectors, including energy and power, and aim for a reduction of insured emissions of at least 43% by 2030, in line with IPCC findings.
- **Human rights**
Policies should include robust due diligence to ensure that clients fully respect all human rights, including a requirement that they obtain and document the Free, Prior, and Informed Consent of impacted Indigenous Peoples.

Divestment Policies

- **Scope**
Policies should cover all coal, oil and gas companies that are not aligned 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.

Progress on underwriting

This year more insurance companies have adopted or strengthened fossil fuel restrictions, even though not at the scale which the escalating climate crisis requires. Reflecting the inadequate response by the insurance industry to the climate emergency, the top three places in this year's scorecard remain empty.

As in the last two years, **Allianz** achieved the highest score for its fossil fuel underwriting policies. This year, the German insurer is followed by **Generali**, **Aviva**, **Swiss Re**, **Hannover Re**, **AXA** and **AXIS Capital**.

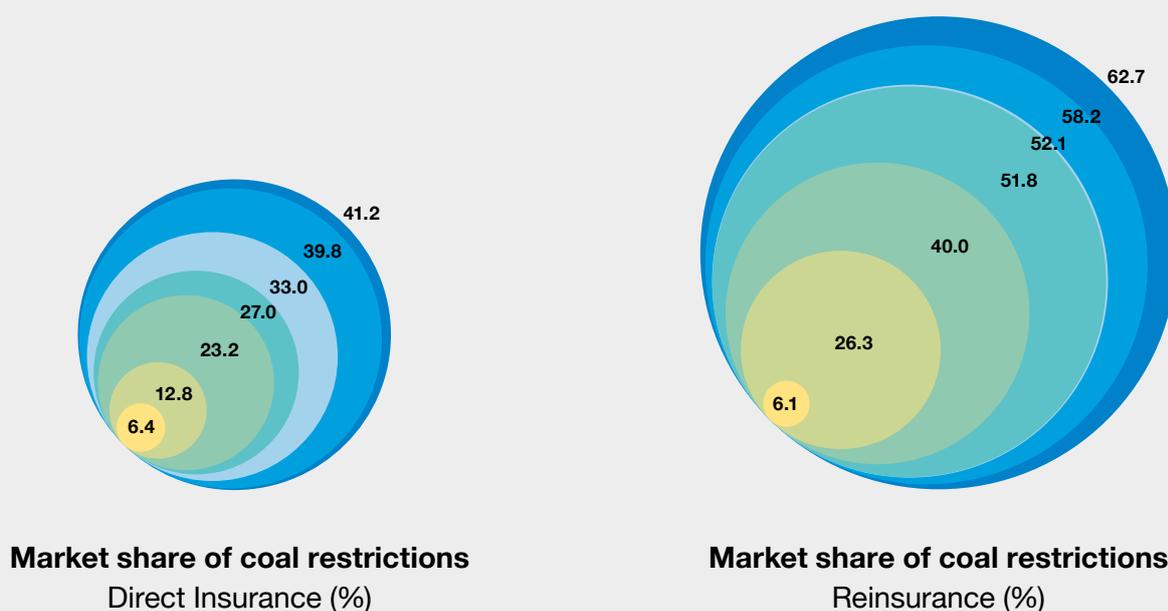
Coal

The number of coal exit policies increased from 41 to 45 in the past twelve months. Among the top 30 fossil fuel insurers covered in this report, 24 have adopted coal restrictions (although **Lloyd's of London** has declared that its guidance is not mandatory). **Allianz**, **AXA**, **Swiss Re**, and **Generali** score highest for their coal restrictions, while **Berkshire Hathaway**, **Everest Re**, **Lloyd's**, **Starr** and **W.R. Berkley** appear as coal insurers of last resort. Chinese insurers have not adopted any coal restrictions either but will likely no longer underwrite new projects outside their home country.

Most coal restrictions include a pledge to no longer insure new coal mines and coal power plants. Only six insurers covered in this report – **Allianz**, **AXA**, **AXIS Capital**, **Generali**, **Zurich** and, with some qualifications, **Mapfre** – have also pledged to end insurance for companies that plan to develop new coal projects.

Eight of the top 30 fossil fuel insurers – **Allianz**, **AXA**, **AXIS Capital**, **Generali**, **Mapfre**, **SCOR**, **Swiss Re** and **Zurich** – have committed to phase out coal completely by 2030 in OECD and other European countries and by 2040 in the rest of the world. **Hannover Re**, **Munich Re**, **SCOR** and **Swiss Re** have made similar commitments for their treaty reinsurance business.

Figure 4: Market share of action takers (Coal, 2017-2023)



Oil and Gas

The number of oil and gas restrictions increased from 14 to 18 this year, and from 10 to 12 among the insurers covered in this report. If restrictions on cover for tar sands and Arctic oil are included, the number increased from 21 to 26, including 18 from among the top-30 fossil fuel insurers.

Aviva, Generali, Allianz and Hannover Re rank highest for their policies on oil and gas. Some of the oil and gas restrictions are, however, extremely limited in scope. Only 10 insurers – **Allianz, AXA, Aviva, Generali, Hannover Re, HDI-Talanx, Mapfre, Munich Re, SCOR** and **Swiss Re** – have committed to no longer underwrite new conventional oil and gas extraction projects. Of this group, **AXA, SCOR** and **Swiss Re** apply exceptions for companies with credible transition plans. Transition plans which allow for new extraction are not science-based so these loopholes are contradictions in terms.

Allianz, Munich Re and **HDI-Talanx** will no longer underwrite new midstream and downstream oil infrastructure (but have not adopted any restrictions on mid- and downstream gas). **Hannover Re** will no longer insure new midstream infrastructure connected to expanding oil and gas reserves.

Hannover Re is also the only reinsurance company that has adopted guidelines for oil and gas projects (but not companies) in its treaty business. **Swiss Re** has announced that it aims to prepare its own guidelines on the topic by the end of the year.

On average, the quality of insurers' oil and gas restrictions is much poorer than that of their coal exit policies. **Allianz** scored a full 10 out of 10 for its coal exit policy while insurers with the strongest oil and gas restrictions – **Generali** and **Aviva** – only scored 4 out of 10 points. On average, the 30 companies covered in this report scored 3.8 out of 10 points for their coal and a meagre 1.4 out of 10 points for their oil and gas policies.

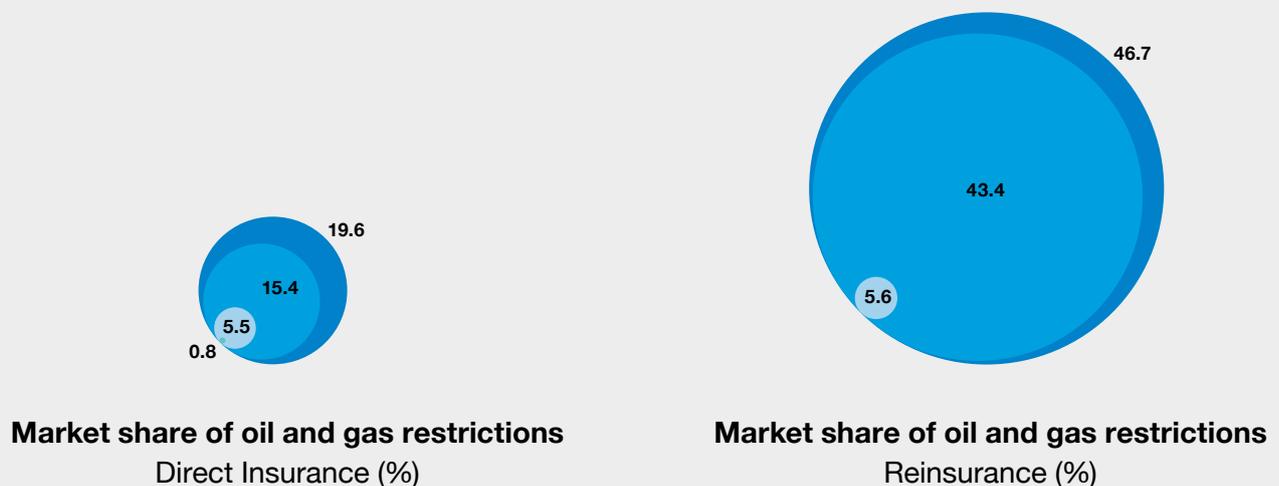
3.8

average score of insurers coal policies

1.4

average score of insurers' oil and gas policies

Figure 5: Market share of action takers (Oil and Gas, 2017-2023)



Progress on divestment

Of the 30 insurers assessed in this report, 25 have coal divestment policies, up from 23 last year. Twenty insurers, up from 19 last year, have divested from at least some oil and gas assets. Again, coal divestment policies are typically stronger than oil and gas divestment policies, with average scores of 4.6 and 1.9 out of 10 respectively.

With a score of 10 out of 10, **SCOR** again ranks first in the fossil fuel divestment league table, and by a large margin. Next in line are **Generali, Swiss Re, Zurich, QBE** and **AXA**.

AXA, AXIS Capital, Generali, SCOR, Zurich and **Swiss Re** all scored a full 10 out of 10 for their coal divestment policies. They have stopped investing in companies developing new coal mines and coal power plants and also in coal companies not aligned with a 1.5°C pathway more generally.

SCOR ranks highest for its oil and gas divestment policy, ahead of **Generali, QBE, Swiss Re** and **Aviva**. While most insurers have only divested from unconventional oil and gas companies, **SCOR** is the only insurer that will no longer invest in any companies with upstream oil and gas expansion plans.

Berkshire Hathaway, Everest Re, PICC, Sinosure and **Starr** have not taken any steps to divest from coal, oil and gas companies.

Insuring coal mining in the U.S.

The U.S. is the world's fourth largest coal producer, mining 595 million short tons in 2022 alone.⁴¹ According to the One Earth Climate Model's sectoral pathways report, emissions from coal combustion must be reduced by 49% by 2025 and by 79% by 2030, compared with 2019 levels.⁴² Yet U.S. coal production picked up again in 2021 and 2022 after a slump during the pandemic.

Coal combustion is not only the biggest source of CO₂ emissions. Coal mining also has massive impacts on water and air pollution, public health and worker safety, including in the United States.

Without insurance, coal mining would not be possible. Public Citizen, a partner group of the Insure Our Future campaign, obtained certificates of insurance for the 25 largest coal mines which together produce more than 60% of total U.S. coal output.

According to this data, **AIG** (underwriting 7 mines and 167 million tons of production), **Lloyd's of London** (10 mines, 135 million tons) and **Starr** (9 mines, 103 million tons) were the largest insurers of coal mining in the United States,

followed by specialty insurers such as **Skyward, James River** and **Westfield**. Leading European insurers **Zurich** (2 mines with 29 million tons of production), **AXA** (2 mines, 21 million tons) and **Swiss Re** (1 mine, 18 million tons) are also among the leading underwriters of coal mining in the United States.⁴³

Among the insurers listed above, **AIG, AXA, Swiss Re** and **Zurich** have adopted coal restrictions, and Lloyd's has adopted ESG guidance which it does not enforce. The fact that all these insurers still insure coal mining companies which are in no way aligned with 1.5°C pathways indicates the weakness of their policies. **Swiss Re's** involvement even violates its own policy, which excludes support for companies and projects "that have more than 30% of exposure to thermal coal".

"The contradictions between insurers' sustainability statements and their continued support for coal raise questions about their seriousness regarding the climate crisis and their ability to act on long-term risks from climate change", comments Public Citizen, the publisher of the report.

Insuring fossil fuels but not climate risks

Since 2017 annual insured losses from natural catastrophes such as floods, hurricanes, wildfires and droughts (which in many cases are human-made disasters) have averaged over \$110 billion, more than twice the \$52 billion average of the previous five years.³⁵ In response to the increasing frequency and severity of climate disasters the insurance industry is withdrawing from insuring climate risks – but in many cases not from insuring fossil fuel expansion.

Exposure to catastrophic risks is concentrated in the reinsurance industry and, since 2022, major reinsurers such as **AIG Re, AXIS Capital, AXA XL, Everest Re, SCOR** and **TransRe** have reduced their cover for such risks or left the property market altogether. According to the Swiss Re Institute, the capital allocated to reinsurance globally declined by 20-25% in 2022, further adding to a spike in reinsurance premiums.³⁶

This past year **State Farm, Allstate, Chubb, Tokio Marine, AIG, AmGUARD** (part of **Berkshire Hathaway**) and other insurers withdrew from California's home insurance market following years of escalating climate disasters. **Farmers** restricted their offer and **Liberty Mutual** pulled out of business owners' insurance. Collectively these insurers accounted for more than two fifths of the state's home insurance market in 2022.

The home insurance market is an early warning sign of how climate change threatens the social fabric of communities in the United States and many other countries. According to the First Street Foundation, properties in California, Florida and Louisiana instantly lose up to 39%, 40% and 48% respectively of their value when they lose insurance cover. The foundation estimates that 39 million properties in the U.S. are threatened by such price shocks due to their exposure to flood, wind and wildfire risks.³⁷

The shocking irony is that while insurance companies are abandoning communities

affected by climate risks, they continue to fuel the climate crisis by underwriting and investing in the expansion of fossil fuels. The U.S. Gulf Coast offers a stark example of this hypocrisy. There are proposals to build more than 20 liquified fossil gas (LNG) facilities in this region, mostly in poor, racial minority and Indigenous communities already overburdened by the fossil fuel industry. If they go ahead, these projects will lock in decades of increased methane gas extraction, and will create additional health, safety and environmental risks for the local communities.

According to the certificate of insurance for the Freeport LNG terminal in Texas, a project with a very poor safety and public health record, such facilities are enabled by insurance companies such as **AIG, Allianz, AXA, Chubb, Liberty Mutual, SCOR, Lloyd's** and **Starr**.³⁸ At the same time growing numbers of property owners on the Texas Gulf coast can no longer access private insurance and are relying on a badly funded state-chartered insurance program.³⁹

Insurance companies should stop underwriting the projects that are making California, the U.S. Gulf coast and parts of Australia – not to mention climate-affected regions in the Global South – uninsurable. And while they can't be expected to absorb the growing losses from climate disasters, they shouldn't pass the buck to the climate-affected communities or the state either, but to the polluters who created the problems in the first place.

Just as health insurers sued tobacco companies to recoup some of their losses in the 1990s, insurance and particularly reinsurance companies should take fossil fuel companies to court and force them to pay up for the climate disasters they are causing. Such court action could keep insurance affordable for communities exposed to climate risks and send a strong message to fossil fuel companies that they need to urgently change course.⁴⁰



“Insurance companies are in a powerful position to protect people and the planet. They need to truly protect communities impacted by the climate crisis, rather than supporting the fossil fuel industry and prioritizing profit. They need to be on the right side of history.”

Hilda Flavia Nakabuye, *Fridays For Future Uganda*

The Insure Our Future Campaign

Insure Our Future is an international campaign of NGOs and social movements that hold the insurance industry to account for its role in fueling the climate crisis. It calls on insurance companies to immediately stop insuring new fossil fuel projects and phase out support for existing coal, oil and gas operations in line with a pathway limiting global warming to 1.5°C. The organizations engaged in the campaign include:

International

Ekō; Greenpeace; Reclaim Finance; Sunrise Project; Waterkeeper Alliance.

Asia

Japan Center for a Sustainable Environment and Society (JACSES, Japan); Korea Sustainability Investing Forum (KoSIF, Korea); Solutions For Our Climate (Korea).

Europe

Campax (Switzerland); Coal Action Network (UK); Fundacja “Rozwój TAK – Odkrywki NIE” (Poland); Instituto Internacional de Derecho y Medio Ambiente (IIDMA, Spain), Mothers Rise Up (UK); Re:Common (Italy); Re-set (Czech Republic); Urgewald (Germany).

North America

Connecticut Citizen Action Group (USA); Investors For Paris Compliance (Canada); Mazaska Talks; Public Citizen (USA); Rainforest Action Network (USA); Sierra Club (USA).

Combining engagement and public pressure, the campaign pursues a range of strategies to reach its goals:

- It conducts research on insurance companies' support for fossil fuel projects and publishes case studies and briefing papers.
- It supports frontline communities in their campaigns against insurers' involvement in major fossil fuel projects that have no place in a low-carbon world. Examples include Adani Group's Carmichael coal mine in Australia, oil and gas projects in the Arctic National Wildlife Refuge in Alaska and the East African Crude Oil Pipeline in Uganda/Tanzania.
- It shares its analyses and demands with the insurance industry through letters, presentations at conferences, and roundtable discussions. Many groups engage insurers in an ongoing dialogue and raise their demands at shareholder meetings.
- It puts pressure on individual insurers that are lagging on climate action, with protests and other forms of direct action.
- It mobilizes employees, potential future employees, customers, shareholders and regulators to pressure insurers to align with credible 1.5°C pathways.
- It generates public interest in the insurance industry's role in the climate crisis through articles and comments in mainstream media, trade journals and social media.

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

- 1 Climate Central, Carbon pollution boosted heat for billions during Earth's hottest summer, September 7, 2023
- 2 United Nations, Secretary-General's press conference - on Climate, June 15, 2023
- 3 Energy Institute, Statistical Review of World Energy, June 2023
- 4 See Reuters, Coal miners forced to save for a rainy day by insurance snub, August 31, 2023QW
- 5 Bloomberg, Zurich Insurance CEO Criticizes Climate Clubs After Exodus, August 10, 2023
- 6 See box, p16: Lloyd's of London: climate wreckers of last resort
- 7 See Criteria for Strong Fossil Fuel Policies section on page 29
- 8 AIG, Berkshire Hathaway, Everest Re, Liberty Mutual, Lloyd's, PICC, Ping An, Samsung FMI, Sinosure, Starr and W.R. Berkley did not respond to the Insure Our Future questionnaire.
- 9 [Annex: Background notes on this platform](#)

New or expanded coal, oil, and gas projects are defined as new coal, oil and gas extraction projects, power plants, transport facilities and other infrastructure (such as LNG terminals) that drive expanded extraction. This includes, but is not limited to, all oil and gas projects which had not yet received a Final Investment Decision (FID) by the end of 2021.

In accordance with the [Global Coal Exit List](#), **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.

Oil and gas companies are defined as oil and gas producers, oil service and equipment companies, companies involved in transporting oil, oil traders, companies refining and processing oil, or companies involved in the production and transport of LNG and power utilities which depend on oil and gas for more than 20% of their revenue. The Global Oil and Gas Exit List offers a list of companies in the upstream and midstream sectors.

Credible 1.5°C pathways must provide a greater than 50% chance of limiting global warming to 1.5°C, must not rely on offsets and must only rely on negative emissions to a minimal degree, as reflected in the One Earth Climate Model (OECM). According to the OECM's sectoral pathways report, which was commissioned by the Net-Zero Asset Owners Alliance, a credible 1.5°C pathway requires that Scope 3 emissions from fossil fuel production must be reduced as follows, compared with 2019:

Coal: -49% by 2025, -79% by 2030, -100% by 2050

Oil: -8% by 2025, -31% by 2030, -100% by 2050

Gas: -7% by 2025, -18% by 2030, -94% by 2050

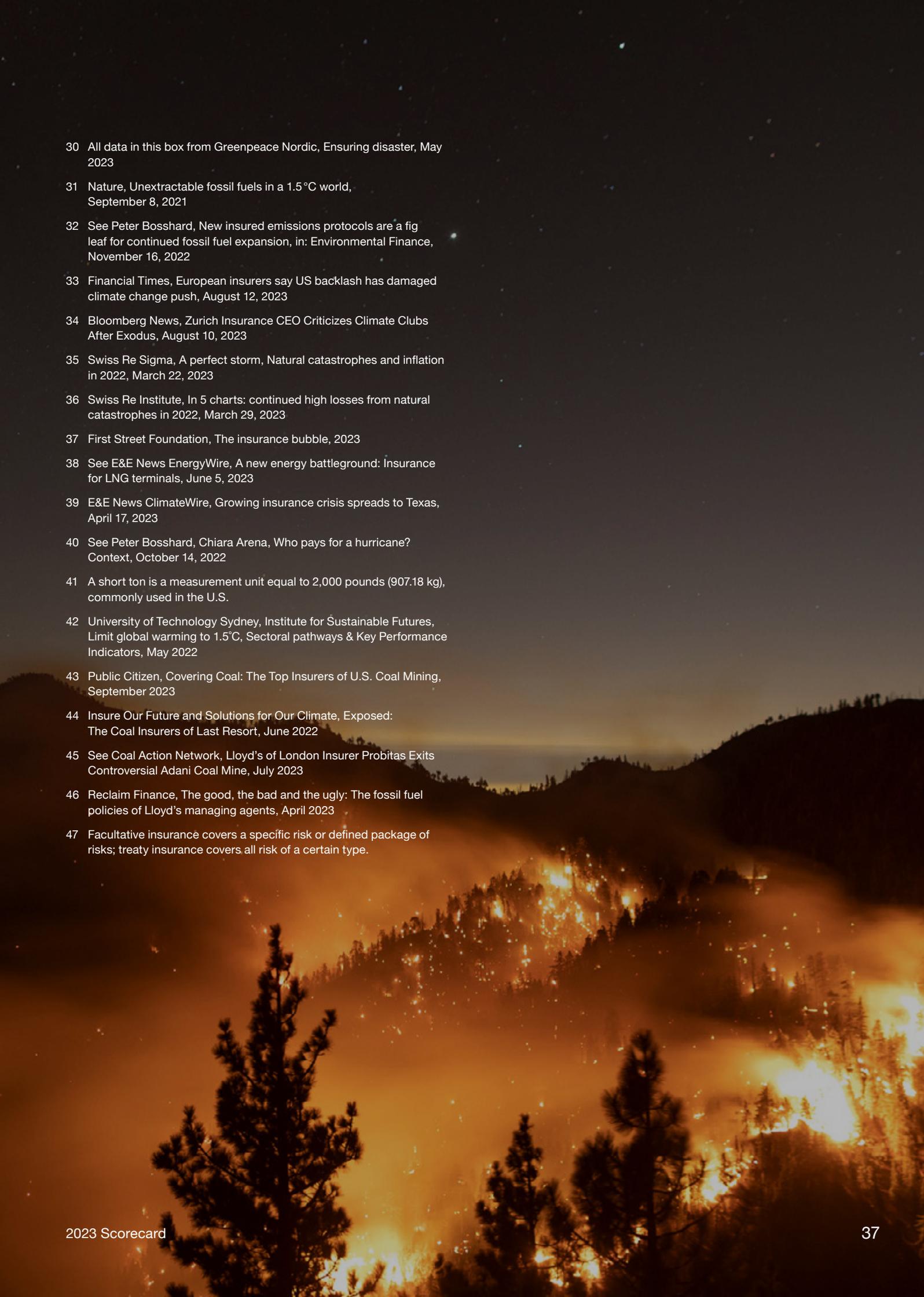
Any company that is building new coal, oil or gas expansion projects is not aligned with 1.5°C. All coal-related assets need to be closed by 2030 in European and OECD countries and by 2040 in the rest of the world. Insurance services to be phased out include reinsurance for the captive insurers of the respective fossil fuel companies.

Workers' compensation policies, which directly benefit workers in the coal, oil and gas industry, renewable energy projects and operations which are ring-fenced from other energy and power sector projects and operations, and existing mine reclamation surety bonds should be **exempt from this policy**.

Insurers need to set emissions reduction targets for new projects as well as ongoing operations and need to define short- and medium-term targets (starting in 2025) across the entire commercial property & casualty portfolio. The targets must cover all greenhouse gases and the Scope 3 emissions of all carbon intensive sectors, including coal, oil, gas and electric utilities. They must aim for a reduction of insured emissions of at least 43% by 2030 (compared with 2019, as required according to the IPCC).

The **FPIC policy** should result in the ending of any insurance services for customers which fail to provide evidence that FPIC has been obtained for all projects on Indigenous lands and territories covered by the insurance policy.

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- 12 Institute and Faculty of Actuaries and University of Exeter, The Emperor's New Climate Scenarios, Limitations and assumptions of commonly used climate-change scenarios in financial services, July 2023
- 13 IPCC, Global Warming of 1.5°C, Special Report, October 2018
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- 25 Intelligent Insurer, Big Underwriting Survey 2023
- 26 Deloitte, 2023 Gen Z and Millennial Survey
- 27 Well-capitalized companies from the oil and other sectors can self-insure their businesses through so-called "captive insurers" which they own.
- 28 A contract with Mexico's Pemex, which is only renewed every two years, accounts for a large part of Mapfre's fossil fuel premium revenue. For the purpose of this list we have averaged Mapfre's fossil fuel premkums over the years.
- 29 Facultative insurance covers a specific risk or defined package of risks; treaty insurance covers all risk of a certain type.

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- 30 All data in this box from Greenpeace Nordic, Ensuring disaster, May 2023
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- 34 Bloomberg News, Zurich Insurance CEO Criticizes Climate Clubs After Exodus, August 10, 2023
- 35 Swiss Re Sigma, A perfect storm, Natural catastrophes and inflation in 2022, March 22, 2023
- 36 Swiss Re Institute, In 5 charts: continued high losses from natural catastrophes in 2022, March 29, 2023
- 37 First Street Foundation, The insurance bubble, 2023
- 38 See E&E News EnergyWire, A new energy battleground: Insurance for LNG terminals, June 5, 2023
- 39 E&E News ClimateWire, Growing insurance crisis spreads to Texas, April 17, 2023
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- 42 University of Technology Sydney, Institute for Sustainable Futures, Limit global warming to 1.5°C, Sectoral pathways & Key Performance Indicators, May 2022
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Fifty Years of Climate Failure **The 2023 Scorecard on** **Insurance, Fossil Fuels,** **and the Climate Emergency**

In August 1973 the insurance industry first warned about increasing climate risks. Fifty years later, the industry is not pulling its weight to accelerate climate action and avoid an unmanageable climate breakdown.

45 big insurers have adopted coal exit policies and 18 have started to restrict their cover for conventional oil and gas projects. Yet many leading insurers still add fuel to the fire by underwriting the expansion of the oil and gas industry. This report summarizes recent trends in fossil fuel insurance, rates the climate policies of 30 leading insurers and their CEOs, and identifies leaders and laggards in the industry.

insure-our-future.com/scorecard

