INSURING OUR FUTURE

2020 Scorecard on Insurance, Fossil Fuels and Climate Change

December 2020

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The 2020 Scorecard on Insurance, Fossil Fuels and Climate Change

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This report and further information on fossil fuel insurance are available at:
www.insurance-scorecard.com

Currencies: $ refers to US dollars in this report.

Disclaimer: The organizations listed as publishers endorse the contents of this report as a whole, but not every organization necessarily endorses every score for every company.

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“The coal business is going up in smoke.”

António Guterres
UN Secretary General

Executive Summary

"The coal business is going up in smoke," UN Secretary General António Guterres warned this August, as he called on all G20 countries including China and India, the world's two biggest coal developers, to stop building new coal power plants after 2020, end fossil fuel subsidies and invest in a green recovery from the COVID-19 pandemic.[1]

He said investing in fossil fuels was *"bad economics"* and the world's largest investors were abandoning coal. By contrast, a transition to renewable energy could benefit millions, saving lives, creating inclusive economies and mitigating the threat of climate change.

The UN Intergovernmental Panel on Climate Change has warned that we have a window of just 10 years to keep global warming to 1.5°C and even half a degree beyond this could significantly worsen the risk of droughts, floods and extreme heat with devastating environmental, social and economic impacts. Achieving this target will require huge cuts in our use of all fossil fuels, particularly coal, and is not compatible with developing any new fossil fuel projects.

Insurers, as society's risk managers, have a responsibility to actively support the Paris Agreement and global action to avoid climate breakdown. They have the power to drive the transition to a low-carbon economy and strong business reasons to do so.

The Insure Our Future campaign's fourth annual scorecard on the industry's response to climate change reveals that insurers around the world are continuing to retreat from coal, and this is having a tangible impact on coal mining and power companies. However, this momentum is not keeping up with the escalating climate crisis. Major companies in the U.S., the Lloyd's market and East Asia are still insuring coal, and the insurance industry has so far failed to take comprehensive action on oil and gas, although there are signs this is starting to change.

At least 23 insurers and reinsurers have now ended or limited their cover for coal projects, up from 17 last year. They control 12.9% of the primary insurance market and 48.3% of the reinsurance market, up from 9.5% and 46.4% respectively last year.[2] Many companies have tightened existing policies, and insurers in East Asia, the U.S. and the Lloyd's market that have not taken action are increasingly isolated.

Nine insurers and reinsurers have also ended or limited cover for dirty tar sands, up from four last year. Australia's Suncorp is the first company to announce that it will phase out cover for all oil and gas production, setting a precedent which others need to follow.

Nine major companies, including some of the biggest oil and gas insurers, are members of the UN-convened Net Zero Asset Owners' Alliance, pledging to align their investment portfolios with the 1.5°C target.[3] These companies must now step up and lead the industry's transition away from oil and gas.

There are now at least 65 insurers with combined investments worth $12 trillion – likely more than 40% of the industry's total assets [4] – that have either adopted a divestment policy or committed to making no new investments in coal. While the quality of their commitments varies, their number has grown from 35 companies and $8.9 trillion of assets since last year's report.

Major insurers in the U.S., East Asia and the Lloyd's market continue to underwrite coal without any restrictions. Yet even some of these laggards appear to see the writing on the wall. Samsung Fire & Marine just became the first Asian insurer to stop insuring new coal projects. Three major Japanese insurers have committed in principle to end coal insurance as well, albeit with numerous loopholes. Lloyd's of London announced that it was *"providing guidance to firms in the Lloyd's market planning to withdraw insurance cover and investments for carbon-intensive projects."*[5]

The industry's withdrawal from coal is having a tangible impact. Coal developers are facing rate increases of up to 40% this year, according to broker Willis Towers Watson.[6] Controversial projects like the Adani Group's Carmichael coal mine are finding it hard to obtain cover at all: to date 27 international insurers have publicly distanced themselves.

Insurers' action is part of a growing flight of capital from fossil fuels. As of October 2020, 143 banks, development financiers, export credit agencies and other globally significant financial institutions had divested from coal or reduced their exposure in other ways, while 50 had gone further and adopted restrictions on oil and gas.[7] BlackRock, the world's largest investor with $7 trillion in assets, announced in January that it would divest companies relying on coal production for 25% or more of their revenues from its actively managed portfolios.

> ***The movement to divest from coal is "slowly squeezing the entire coal industry like an anaconda."***
>
> **Benjamin Nelson,** Lead Coal Analyst Moody's Investors Service.[8]

FIGURE 1: INSURERS ADDRESSED IN THIS REPORT

TIME IS RUNNING OUT

The insurance industry is waking up to the need to respond to the climate emergency, but time is running out. Action needs to expand across all fossil fuels and scale up fast.

Global temperatures are still barely 1°C above the pre-industrial average,[9] yet a warming world has already increased the frequency and intensity of extreme weather events. The UN reports that disasters from floods, storms, droughts, wildfires and heatwaves have nearly doubled in the last two decades, and warns *"we are turning our only home into an uninhabitable hell for millions of people."*[10] Around the world, it is poor and marginalized people who typically suffer most even though they have done least to cause the climate crisis.

The climate science institute, Climate Analytics, calculates that limiting global warming to 1.5°C will require global coal combustion to peak in 2020 and fall by 80% below 2010 levels over the next decade.[11] Yet in July 2020, more than 737 gigawatts of new coal power was still in the pipeline or under construction worldwide.[12]

Governments are planning to increase oil production from 100 to 120 million barrels per day (mb/d) by 2040 – three times the 40 mb/d level that is compatible with a 1.5°C pathway – reports the Stockholm Environment Institute.[13]

Insurers have a unique power to drive the transition to a low-carbon economy by only insuring projects that are consistent with a 1.5°C target.

If a project is not insurable it is not bankable, so most fossil fuel expansion cannot be financed, built or operated without insurance.

With an estimated $24 trillion in assets under management at the end of 2016, insurers' decisions on where to invest also influence the direction of the global economy.[14]

Fossil fuels, particularly coal, are losing their attraction as investments. The sector was in long-term decline even before the shock to demand delivered by COVID-19. In the past 10 years the S&P 500 Index has gained 191% in value but U.S. oil and gas companies have fallen 43%. The U.S. coal industry has lost a staggering 98% of its value over the same period.[15]

By contrast, wind and solar have seen rapid growth. They accounted for 67% of all new power capacity worldwide in 2019, compared with less than a quarter in 2010.[16] It is already cheaper to generate energy from new renewables than from new coal plants in all major markets, reports the financial think tank Carbon Tracker.[17]

Insurers not only have a moral responsibility to help implement the Paris Agreement, they also have powerful financial incentives.

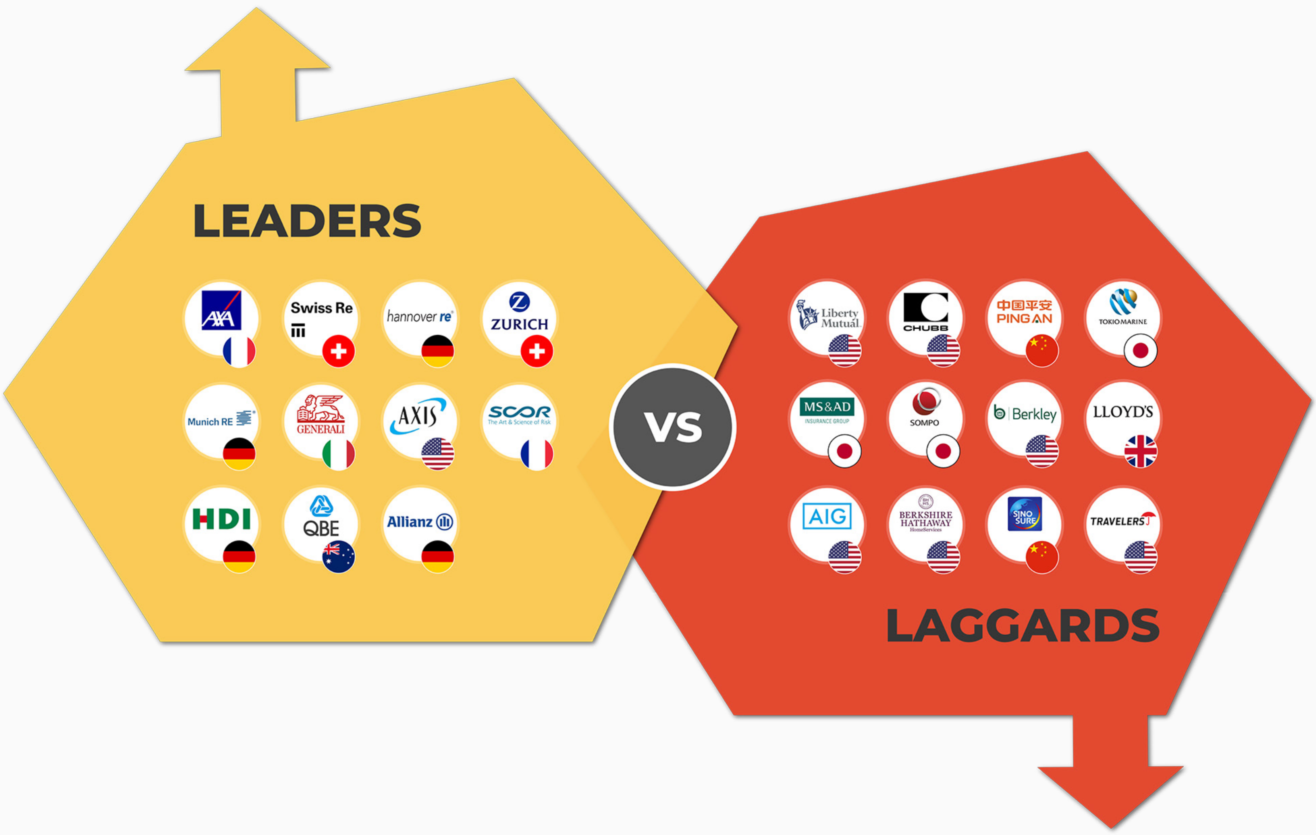
The impacts of climate change are affecting millions of people worldwide, creating massive potential liabilities, and undermining the value of investments that insurers hold to fund these liabilities. Natural disasters caused a record $3 trillion of losses over the last decade – $1.2 trillion higher than in 2000-2009 – and cost insurers $845 billion in payouts, according to insurance broker Aon.[18]

Extreme weather is pushing up the cost of insurance worldwide and making the worst affected areas uninsurable. In 2019 California had to temporarily ban insurers from cancelling policies on some 800,000 homes in areas at risk from wildfires. In Italy, insurers are no longer providing flood insurance to Venice. This threatens the wider financial system: Larry Fink, CEO of BlackRock, warned this January that if fire or flood insurance are not available banks may no longer be able to offer 30-year mortgages.[19]

LEADERS AND LAGGARDS

Insuring Our Future 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, divestment and other aspects of climate leadership** based on a survey with more than 40 questions. Twenty companies responded to the survey or provided other information.[20] Those that did not respond were scored on publicly available information.

FIGURE 2: LEADERS VS LAGGARDS ON COAL



The report's findings include the following:

- **AXA and Swiss Re** are the leaders in ending fossil fuel insurance, followed by **Hannover Re, Zurich** and **Munich Re**, which strengthened their commitments this year. Most of their policies address both coal and tar sands projects as well as coal companies and, in some cases, tar sands companies.
- Of the companies covered in this report, only **AIG, Berkshire Hathaway, Lloyd's of London, Sinosure, Travelers** and **W.R. Berkley** continue to underwrite coal, oil and gas without any restrictions.
- **SCOR** and **AXA** lead on divestment followed by **Swiss Re, Zurich** and **Allianz**. All but Allianz cover tar sands and coal, and some exclude investments in any company that plans new projects. Sixteen other insurance companies assessed in this report have less comprehensive coal divestment policies and only nine continue to invest in the coal sector.[21]
- **Legal & General** scored highest for other climate leadership – which focuses on insurers' commitments to align their businesses with a 1.5°C pathway, and their moves to advance bold climate action as shareholders and members of lobby organizations. **Aviva, Zurich, Munich Re, QBE** and **AXA** also score well. Thirteen insurers, including all 10 U.S. companies assessed, received negative scores because they not only failed to take positive action but supported lobby organizations that oppose climate action.

While the number of coal and tar sands exclusion policies has continued to grow, insurers in the U.S., East Asia and the Lloyd's market remain slow to act on coal. **And across the global industry, very few insurers have adopted broader restrictions on oil and gas insurance.**

Only Australia's Suncorp has ended cover for all new oil and gas production and, on average, companies assessed in this scorecard score three times higher for their policies on coal than on oil and gas.

Overall, the insurance industry is still missing in action when it comes to ending coverage for new oil and gas projects.

There is considerable scope for insurers to strengthen their coal exit policies as well, particularly by ending cover for mining companies and utilities which are not quickly transitioning away from coal.

BOX 1

ABOUT THIS REPORT

This is the **fourth annual Scorecard** on Insurance, Fossil Fuels and Climate Change published by the Insure Our Future (formerly Unfriend Coal) campaign. It analyzes the evolving role of the global insurance industry in the fossil fuel sector and in avoiding catastrophic climate collapse by examining 30 insurers. It focuses on 27 leading primary property and casualty insurers and reinsurers, assessing and scoring their policies on insuring and investing in coal, oil and gas as well as other aspects of climate leadership. The report highlights progress and loopholes, calls out leaders and laggards and identifies challenges and opportunities for the year ahead.

In July, the campaign shared a questionnaire with insurers and a list of criteria detailing how their policies would be scored requesting a reply by mid-September.[22] By early November, 20 of the 30 companies had replied. The responses and other publicly available information were analyzed and scored by Reclaim Finance, a research and campaign organization, in cooperation with the Insure Our Future campaign. Each company was shown its scores before the report went to print.

RECOMMENDATIONS

Since 2017, the Unfriend Coal campaign has called on the insurance industry to end underwriting and to divest from coal. In June 2020 it **expanded its demands to include oil and gas and rebranded as Insure Our Future**.

In May 2020, 18 organizations engaged in the campaign presented the following recommendations to 30 international insurance companies depicted in Figure 1[23]:

1. **Immediately cease insuring new coal projects and coal companies**, unless they are engaged in a rapid transition away from coal to renewable energy lasting no more than two years.[24]

2. **Immediately cease insuring new oil or gas expansion projects.**[25]

3. **Commit to phasing out insurance for oil and gas companies** in line with a 1.5°C pathway.

4. **Divest all assets from coal companies, and from oil and gas companies** that are not in line with a 1.5°C pathway, including assets managed for third parties.

5. **Bring stewardship activities, membership of trade associations and positions as a shareholder and corporate citizen** in line with a 1.5°C pathway in a transparent way. This must include forceful advocacy for a green and just recovery from COVID-19.

Scoring Grid*

INSURER	COUNTRY	FOSSIL FUEL INSURANCE		FOSSIL FUEL DIVESTMENT		OTHER CLIMATE LEADERSHIP	
		RANK	SCORE 0-10	RANK	SCORE 0-10	RANK	SCORE
AXA ■		**1**	4.38	**2**	4.19	**6**	4.67
Swiss Re ●		**2**	4.29	**3**	3.02	**10**	2.67
Hannover Re ●		**3**	2.86	**6**	1.86	**11**	1.25
Zurich ■		**4**	2.66	**3**	3.02	**3**	5.33
Munich Re ●		**5**	2.62	**8**	1.63	**4**	5.00
Generali ■		**6**	2.34	**9**	1.40	**7**	4.00
AXIS Capital ■		**7**	2.17	**9**	1.40	**19**	-0.63
SCOR Re ●		**8**	1.67	**1**	4.42	**9**	3.64
HDI Global ■		**9**	1.48	**7**	1.74	**12**	0.91
QBE ■		**10**	1.41	**12**	0.93	**4**	5.00
Allianz ■		**11**	1.33	**5**	2.67	**7**	4.00
The Hartford ■		**12**	1.25	**9**	1.40	**20**	-0.67
Aviva ■		**13**	1.09	**22**	0.00	**2**	6.60
Samsung FM ■		**14**	0.78	**14**	0.47	**13**	0.67
Mapfre ■		**15**	0.63	**14**	0.47	**13**	0.67
Liberty Mutual ■		**16**	0.47	**12**	0.93	**22**	-1.33
MetLife ◆		N/A	N/A	**14**	0.47	**21**	-0.77
Chubb ■		**17**	0.39	**14**	0.47	**30**	-2.67
Ping An ■		**18**	0.31	**14**	0.47	**13**	0.67
Legal & General ◆		N/A	N/A	**21**	0.12	**1**	8.77
Tokio Marine ■		**18**	0.31	**22**	0.00	**13**	0.67
MS&AD ■		**18**	0.31	**22**	0.00	**17**	0.00
Sompo ■		**18**	0.31	**22**	0.00	**22**	-1.33
W.R. Berkley ■		**22**	0.00	**14**	0.47	**22**	-1.33
Lloyd's ■		**22**	0.00	**20**	0.23	**22**	-1.33
TIAA ◆		N/A	N/A	**22**	0.00	**18**	-0.08
AIG ■		**22**	0.00	**22**	0.00	**22**	-1.33
Berkshire Hathaway ■		**22**	0.00	**22**	0.00	**22**	-1.33
Sinosure ■		**22**	0.00	**22**	0.00	**22**	-1.33
Travelers ■		**22**	0.00	**22**	0.00	**29**	-2.00

KEY: Primary Insurance ■ Reinsurance ● Life Insurance ◆

* Insurers were scored on Coal, Oil, Gas & Tar Sands

Growing Momentum

“As risk managers, insurers and investors, no industry has the capacity to keep us safe other than the insurance industry.”

Christiana Figueres
Chief Architect of the Paris Agreement

©George Nikitin

Growing Momentum

Insurers are under pressure to adapt their business to support international climate targets and reduce their own financial risks as the world transitions to a low-carbon economy. They face growing calls from across society to take action – and not just on coal but on oil and gas too.

Churches are providing moral leadership. In June, the Vatican called on the world's 1.3 billion Catholics to divest from fossil fuels in a document which warned against the dangers of climate change and strongly supported efforts to contain global warming.[26]

Business customers are demanding change. In September, nearly 60 U.S. companies, including Patagonia and Ben & Jerry's, called on their insurers to stop insuring and investing in fossil fuels driving climate change, in a first for U.S. business. *"When you're trying to put out the fires, you don't invest in lighter fluid – but that's exactly what insurance companies investing in fossil fuels are doing,"* said Thomas Oppel, executive vice president at the American Sustainable Business Council.

Influential investors are also calling for action. In April, New York City Comptroller Scott Stringer, the city's chief financial officer, called on AIG, Liberty Mutual and Berkshire Hathaway to stop insuring coal projects and divest from the industry, writing on behalf of three city pension funds holding $155 billion of assets. *"Divesting from the coal industry is the right thing to do for our planet, our future and our children – and it's the smart thing to do for investors and shareholders,"* he said.[27]

A briefing paper from BlackRock, the world's largest asset manager, warned that the insurance industry was *"uniquely exposed to climate-change-related risks"* and that even to align with a 2°C target the first step would be to reduce its exposure to coal and oil by divesting significantly from fossil fuel companies. It found that the U.S. insurance industry was holding investments consistent with 4°C-6°C of warming.[28]

Insurers are also waking up to the risk that they may have to pay for the legal costs and damages of fossil fuel companies targeted by climate lawsuits.

Kate Lennon, who heads Axa XL's climate change working group, told an industry conference that there are now more than 1,500 active climate lawsuits around the world, and warned: *"It can't be that long until some kind of legal precedent is set in terms of climate change liability."*[29]

Brandon Holmes, a vice president with ratings agency Moody's, said insurers' retreat from coal was "positive," explaining: *"It reduces their exposure to potential climate change liability risk, and reduces the risk of their investment assets becoming stranded."*[30]

PREMIUMS SOAR AS COAL INSURANCE MARKET SHRINKS

Coal mining and power companies around the world are finding it increasingly difficult to get insurance with most European and Australian companies no longer underwriting coal and U.S. insurers growing more cautious. Even insurers with no formal coal restrictions are reducing capacity, and coal companies face soaring premiums.

> ***"In the current environment, businesses with any direct or indirect exposure to the coal sector are being punished as many insurers withdraw their underwriting support to the sector."***
>
> **David Harrison,** Managing Director of CRE Insurance Broking, Australia

Harrison added that a growing number of insurers were withdrawing support from the whole supply chain *"from pit to port to light switch."*[31]

Global broker Willis Towers Watson reports that even insurers who still continue to cover coal are becoming more cautious after many years of losses and are now reducing capacity. *"The extent of an Insured's coal-related operations is becoming an increasingly dominant factor in determining whether insurers will provide cover,"* it reports, revealing that negotiations are taking longer and coal companies are facing rate increases of up to 40%.[32]

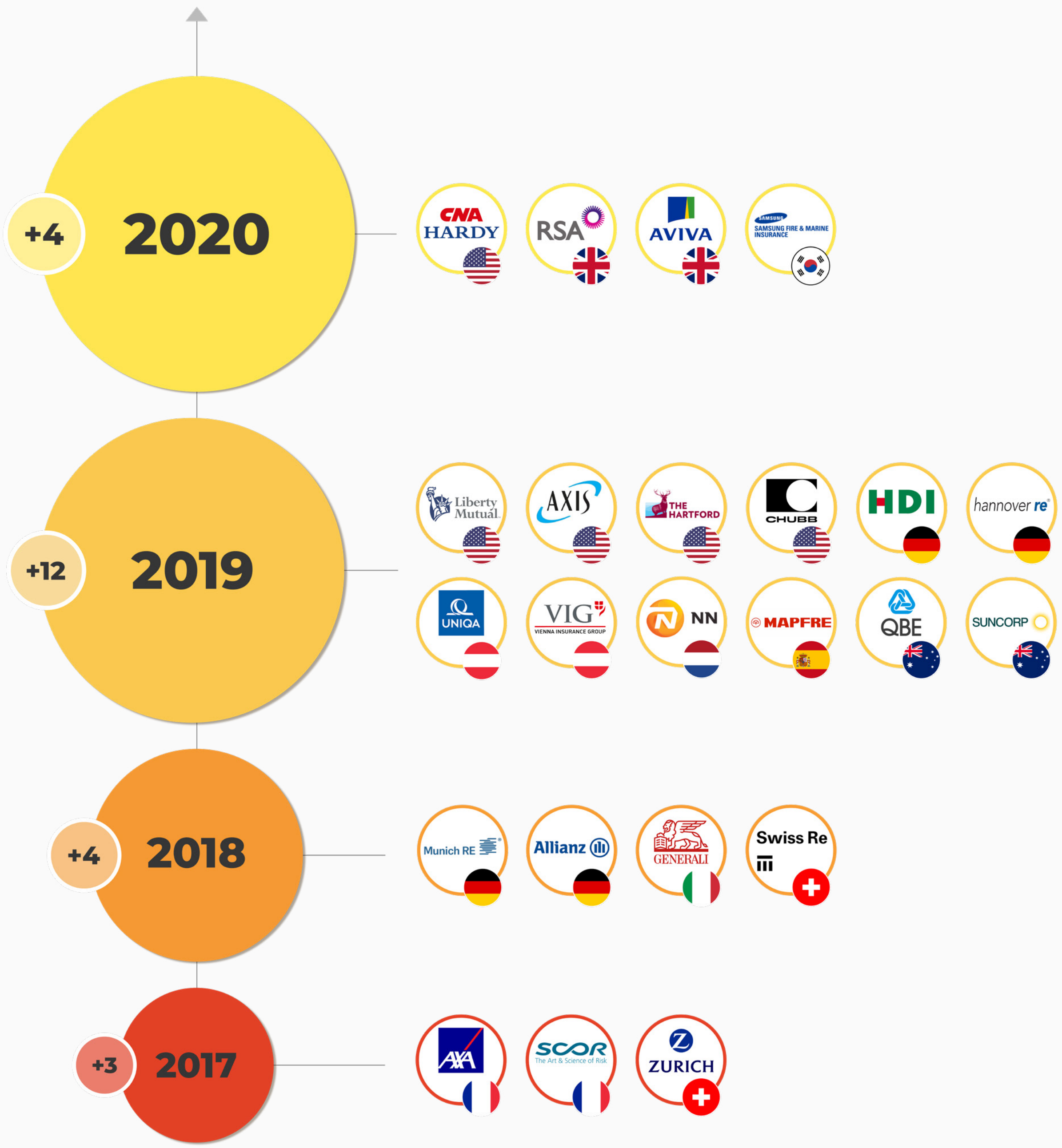
"Insurers who can continue to write coal exposures are often unwilling to increase their exposure to coal further by writing new risks and will only consider renewing existing policies," it adds.

David Stetson, CEO of U.S. coal miner Contura Energy, said it was hard for coal operators to get insurance economically and this was making it harder to raise capital to build a new mine, expand an existing mine or get equipment financing.[33]

The power industry is also feeling the pressure. U.S. utility Duke Energy notes: *"Property insurance companies have said publicly that they intend to stop providing insurance to companies that have above a certain amount of coal generation, or have said that they will only provide coverage if a company has a plan to decrease that over a reasonable period of time."*[34]

Pressure to align insurance with climate targets is starting to affect the oil and gas industry too. This year at least three insurers ended support for the Canadian government's Trans Mountain Pipeline, which plans to enable a big expansion in production of tar sands oil. (See Box 2)

FIGURE 3: INSURERS ADOPTING UNDERWRITING POLICIES



INSURERS IN U.S. AND JAPAN STILL SLOW TO ACT

European and Australian insurers continue to set the pace on fossil fuels and are now starting to introduce restrictions on oil and gas. U.S. insurers are shifting more slowly, while Japanese companies are only starting to take the first tentative steps.

In **Europe** and **Australia** almost all major insurers have adopted coal exit policies and many are now tightening their policies or extending them to tar sands. In August, Australia's Suncorp became the first insurer to announce that it would stop insuring and investing in new oil and gas production and phase out cover for oil and gas by 2025.

The Lloyd's market remains the major source of insurance for coal. Lloyd's of London has divested coal from its own central fund but has not given any directions to the 90-plus syndicates that make up 97% of its market. However, following pressure from Insure Our Future campaigners, Lloyd's announced that it would publish a report on the issue by the end of 2020. *"What we'd like to do then is to translate that into policies which reduce the impact of our underwriting support for things that have a negative impact on climate,"* Lloyd's Chairman Bruce Carnegie-Brown said.[35]

U.S. insurers continue to shift slowly and lag far behind Europe and Australia. Liberty Mutual, The Hartford and Lloyd's insurer CNA Hardy adopted coal policies in the last 12 months, following Chubb and AXIS Capital, but all five policies are significantly weaker than those of the leading European companies. Liberty Mutual's, for example, has not prevented the company from seeking to build its own coal mine in Australia.

AIG remains one of the biggest international carriers to still insure coal and is one of the few companies able to take the lead in conducting due diligence for multi-billion-dollar coal projects. It disclosed that it received coal premiums of approximately $90 million in 2019.[36]

In Asia there is growing recognition that coal is a problem. Government institutions in Japan and Korea are slowly phasing out support for foreign coal projects while banks have begun to restrict finance. Insurers, however, still lag behind most of their international peers.

In **Korea,** Samsung Fire & Marine stopped underwriting new coal projects in November and along with Samsung Life and DB Insurance, has stopped financing coal projects.

Japan's major insurers Sompo, Tokio Marine and MS&AD have all committed to the Science Based Target Initiative, pledging to set targets in line with the Paris Agreement. All three announced very basic policies on insuring coal in September, but they contain large loopholes and are far from being consistent with the long-term goals of the Paris Agreement.

In **China** insurers are expanding their business as growing numbers of Chinese companies buy overseas coal mining projects, although host nations such as Vietnam, the Philippines, Bangladesh and Egypt are starting to turn away from new coal power projects. Ping An remains the only insurer with any public restrictions on coal, but lax conditions allow it to continue insuring most projects. The People's Insurance Company of China (PICC) is willing to underwrite certain non-Chinese business,[37] but many banks will not offer loans based on Chinese certificates of insurance.

OIL & GAS INSURANCE

Burning coal is responsible for 40% of all global CO2 emissions not related to land-use, but oil and gas combined account for another 55%.[38] The IPCC has shown that we cannot afford to expand production and need to phase out oil and gas operations over time[39] and Oil Change international has found that CO2 emissions from the oil, gas and coal in existing fields and mines will push the world far beyond 1.5°C.[40] Yet governments still plan to expand oil production by 20% over the next two decades.[41]

Time to avoid catastrophic climate change is running out. Insurance companies need to stop enabling new oil and gas projects now and phase out support over time for existing operations that are inconsistent with global climate targets.

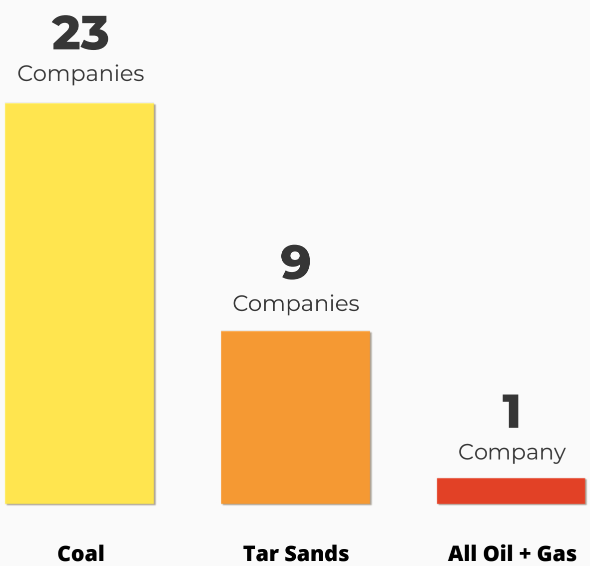
The sector is highly concentrated, with 10 insurers covering about 70% of the market, so action by a small number of companies can have a major impact.[42] The biggest oil and gas insurers are AIG, Travelers, Zurich and Lloyd's, according to research for the Insure Our Future campaign.[43]

Australia's Suncorp was the first insurance company to end cover for new oil and gas production in August. Aviva – not a major player in this field – has stopped underwriting all thermal power production, and Swiss Re will cut insurance services for the world's 10% most carbon-intensive oil and gas producers by 2023.

Other insurers are known to be considering restricting cover for oil and gas. Carriers accounting for about 45% of the oil and gas market have already moved away from coal, and a quarter of the market is provided by companies that have formally committed to limiting global warming to 1.5°C, including Allianz, AXA, Munich Re and Zurich.

The insurance market for oil and gas is significantly bigger than the market for coal, with estimated premiums of $17.3 billion in 2018. Yet premiums from insuring new oil and gas projects amounted to only about $1.7 billion that year – a mere 0.1% of all premium revenues of non-life insurers.[44] This amount pales in comparison with the social and financial cost of the climate disasters covered by the insurance industry.

FIGURE 4: UNDERWRITING POLICIES BY FOSSIL FUEL SUB-SECTOR



BOX 2

TEST CASES FOR INSURERS' CLIMATE COMMITMENTS

Two controversial projects that flagrantly undermine international climate targets and Indigenous rights are becoming test cases for insurers' support for the Paris Agreement: the **Adani Group's proposed Carmichael coal mine in Australia** and the **Canadian government's Trans Mountain Pipeline.**

The proposed Carmichael coal mine would produce 4.6 billion tonnes of carbon dioxide over its lifetime and open up even larger mines for exploitation in Queensland's Galilee Basin. However, Adani Group is still struggling to secure insurance, and more than a year after it received final permits construction is proceeding at a very slow pace.

In June documents seen by Insure Our Future and leaked to the Sydney Morning Herald revealed that Liberty Mutual, HDI Global, AXA's XL Australia and Aspen Re held insurance policies on the mine and its planned railway, brokered by Marsh. Within a week, all four companies said they would not renew their insurance for the mine or the company behind it or had recently ended cover. As of October, 27 insurers had pledged not to insure the project.

The Carmichael project has also shone a spotlight on the critical role of insurance brokers in facilitating coal projects. While Marsh seeks to arrange insurance for the mine, Aon is brokering insurance for BMD, Carmichael's railway contractor.

Aon argued in a recent report that *"a rapid shift away from fossil fuels in favour of renewable energy sources"* is needed, and warned that if society failed to act *"the final outcome may be catastrophic."* Yet the broker is also advising the lenders of the Van Phong coal power project in Vietnam, the Java 9 & 10 coal-fired power complex in Indonesia, and other controversial fossil fuel projects.

In May, Insure Our Future revealed that Lloyd's of London, Zurich, Munich Re and Chubb were Trans Mountain's biggest insurers. After a public outcry, the pipeline developer confirmed that Zurich, its lead insurer, was not renewing cover for the project. Talanx announced it was dropping its cover and Munich Re signalled it would do the same.

Trans Mountain is pressing ahead with plans to expand its pipeline, despite opposition from First Nations whose land it crosses. This will enable it to pump an extra 590,000 barrels of tar sands oil a day – the equivalent of putting 2.2 million cars on the road. More than 150,000 people have signed a petition calling on Lloyd's of London, AIG, Liberty Mutual, Chubb, W.R. Berkley, Starr and Stewart to end their support.

©Stop Adani

"Insurance companies – which claim to be proponents of scientific rigor and risk management – must phase out all fossil fuel business in line with 1.5°C."

Professor Michael Mann
Climate Scientist, Penn State University

Insurers' Fossil Fuel Policies

©Beyond Coal and Gas

CRITERIA FOR STRONG 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' current policies:

Underwriting Policies:

- **Scope**: Policies should rule out insurance for: all types of thermal coal infrastructure (for example mines as well as power plants); extreme fossil fuels such as tar sands, associated pipelines, Arctic and deep-sea drilling; and oil and gas expansion projects that drive increased production.
- **Coverage types**: Policies should apply to insurance for new and existing coal projects and for all coal companies. They should apply to new oil and gas projects and to oil and gas companies that are not aligned with a 1.5°C pathway. Reinsurers' policies should apply to treaty as well as facultative reinsurance.[45]
- **Coal companies**: Policies should apply strict criteria to define companies driving coal and tar sands use and tighten these over time in line with the need to phase out these fossil fuels completely.[46]

Divestment Policies:

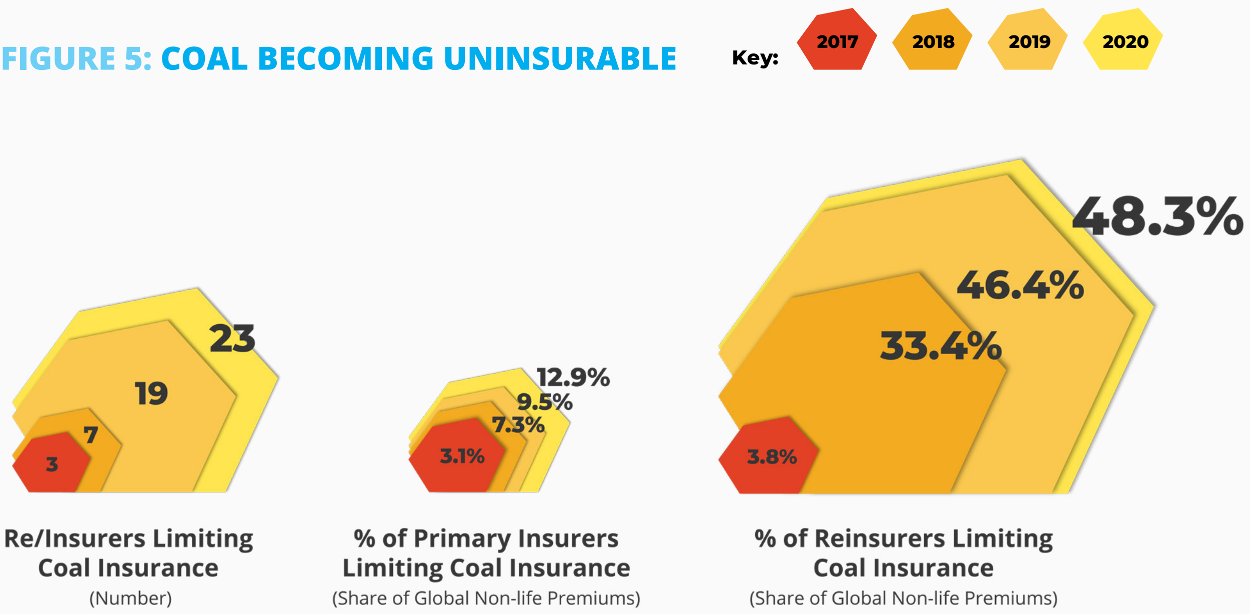
- **Scope**: Policies should cover all types of thermal coal, oil and gas that is not consistent with a 1.5°C pathway, and companies providing pipelines and other transportation infrastructure.
- **Types of assets**: Policies should cover equities and bonds; actively and passively managed funds; insurers' proprietary assets; and assets they manage for third parties.
- **Coal 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. This should include forceful advocacy for a green and just recovery from COVID-19.

PROGRESS ON UNDERWRITING

FIGURE 5: COAL BECOMING UNINSURABLE



Six new insurers have ended or limited coal insurance services in the year since the last scorecard report was published, bringing the total to 23.

In addition, five new insurers have adopted tar sands restrictions, for a total of nine, and one, Suncorp (not assessed in this report), has adopted a comprehensive policy restricting insurance for oil and gas.

This report assesses the fossil fuel policies of 27 leading underwriters and three major investors from the insurance sector.

Of the 27 underwriters, 16 have adopted policies on coal, eight on tar sands, and Swiss Re and Aviva have adopted broad but modest restrictions on oil and gas. Four more underwriters have adopted minor restrictions on coal.

AXA scores highest on underwriting after tightening its restrictions this past year. It has the most comprehensive coal exit policy and, with **Zurich**, is the only insurer that will not cover companies with coal expansion plans. However, it still insures tar sands companies and has taken no measures to phase out oil and gas insurance more broadly.

Swiss Re is close behind. It has fairly strong restrictions on facultative reinsurance for fossil fuel projects, which include phasing out the most carbon-intense oil and gas companies, but it continues to provide treaty insurance to fossil fuel companies.

They are followed by **Hannover Re, Zurich, Munich Re, Generali** and **AXIS Capital**. Significant loopholes remain in the fossil fuel policies adopted by **SCOR, HDI Global, QBE, Allianz, The Hartford, Aviva, Samsung Fire & Marine, Mapfre, Liberty Mutual** and **Chubb**. All bar **Liberty Mutual** rule out cover for new coal projects in principle, although several include major exceptions. Aviva will not insure power companies.

Allianz, AXA, AXIS Capital, Chubb, Liberty Mutual, QBE, The Hartford and **Zurich** have stopped insuring companies which rely on coal for more than 20% to 30% of their business (although QBE only plans to fully implement this in 2030). **Allianz, AXA, Hannover Re** and **HDI Global** have committed to phase out all, or almost all, coal underwriting between 2030 and 2040. **Aviva** and **Swiss Re** have committed to the timeline of the Powering Past Coal Alliance (2030-2050).

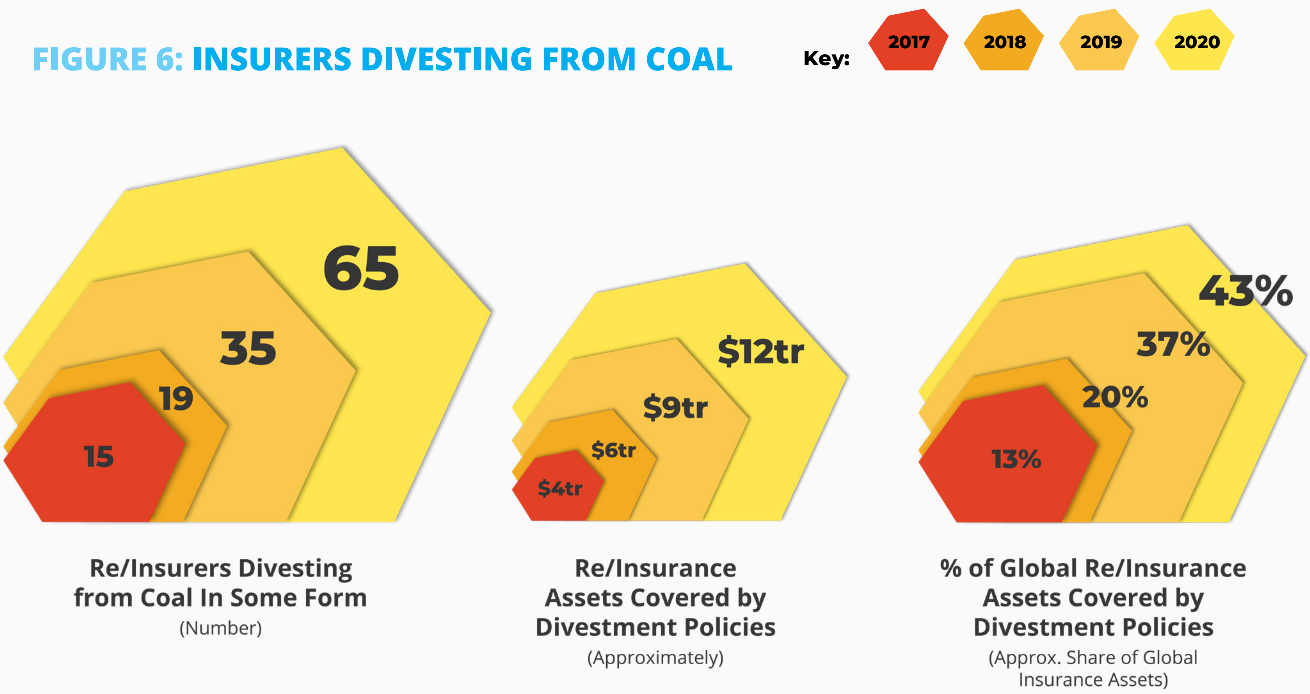
AXA, Hannover Re and **Swiss Re** have ended insurance cover for new tar sands projects, while **Generali, The Hartford** and **Zurich** have restricted cover for tar sands companies, and **AXIS Capital** and **HDI Global** have done both. **AXA** and **Zurich** have also ruled out cover for certain other extreme oil projects or companies.

Ping An, MS&AD, Sompo and **Tokio Marine** have made policy statements on coal which restrict underwriting in principle but feature such large exceptions that their practical impact is questionable. **Lloyd's of London** has not adopted any restrictions although certain Lloyd's insurers have done so.

AIG, Berkshire Hathaway, Sinosure, Travelers and **W.R. Berkley** have not adopted any restrictions on fossil fuel underwriting.

PROGRESS ON DIVESTMENT

FIGURE 6: INSURERS DIVESTING FROM COAL



Divestment can be the first step in insurers' retreat from the fossil fuel sector. The Insure Our Future campaign is aware of 65 insurance companies that have divested from coal or are no longer investing in the sector – almost twice the number at the end of 2019.[47] In that time, the amount of global insurance assets covered by divestment policies of some sort has grown from approximately $9 to more than $12 trillion.

> ***Of the 30 companies assessed in this report, 20 have coal divestment policies. SCOR and AXA score highest, followed by Swiss Re, Zurich and Allianz.***

Less comprehensive policies have been adopted by **Hannover Re, HDI Global, Munich Re, Generali, The Hartford, AXIS Capital, Liberty Mutual, QBE, Legal & General, Chubb, Mapfre, MetLife, Ping An, Samsung Fire & Marine, W.R. Berkley** and **Lloyd's**.

Allianz, AXA, Generali, Lloyd's, MetLife, Mapfre, SCOR, Swiss Re and **Zurich** use relatively thorough criteria to define the coal companies they are divesting from. **Allianz, AXA, Hannover Re, HDI, Legal & General**, **SCOR** and **Swiss Re** have committed to phasing out all coal investments over time.

AXA, Hannover Re, HDI Global, Liberty Mutual, Munich Re, QBE, SCOR, Swiss Re and **Zurich** apply their divestment policies to all or almost all their assets. However, **Lloyd's** has only divested the assets of its small Central Fund, and **Allianz** does not apply its divestment policies to the more than $1 trillion in third party assets which it manages.

Eleven insurers have divested from or at least stopped investing in tar sands companies: **AXA, AXIS Capital, Generali, Hannover Re, HDI Global, MetLife, Munich Re, SCOR, Swiss Re, The Hartford** and **Zurich.** Three, **SCOR, Swiss Re** and **Zurich,** are also divesting from certain other types of oil companies.

Nine companies assessed here have no fossil fuel divestment policies: **AIG, Aviva, Berkshire Hathaway, MS&AD, Sinosure, Sompo, TIAA, Tokio Marine** and **Travelers**.

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OTHER CLIMATE LEADERSHIP

Limiting global warming to 1.5°C requires a comprehensive economic transition that goes beyond withdrawing support from fossil fuels that have no space in a low-carbon society. As risk managers, shareholders and members of lobby organizations, insurance companies 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 five important shareholder resolutions on climate change (as measurable proxies for their climate stewardship as shareholders)[48]; and their engagement in lobby organizations, which was assessed by the think tank InfluenceMap.

Legal & General and **Aviva** score highest on other climate leadership, followed by **Zurich, Munich Re, QBE, AXA, Allianz, Generali, SCOR** and **Swiss Re**. All but **QBE** have committed to align their investments with a 1.5°C strategy. **Swiss Re** and **Zurich** have gone further, committing to align their underwriting with 1.5°C, and now need to take practical steps to implement this.

Aviva was the only insurance company to vote for all five climate resolutions assessed in this report, while **Allianz, AXA** and **Legal & General** voted for three. **AXA, Legal & General** and **Zurich** also authored climate resolutions themselves.

Generali, Legal & General, Munich Re and **QBE** score highest for their climate lobbying, followed by **Aviva, SCOR** and **Zurich.**

Thirteen insurers, including all U.S. carriers, score negatively on other climate leadership because they support lobbying activities to thwart climate action: TIAA, AXIS Capital, MetLife, The Hartford, AIG, Berkshire Hathaway, Liberty Mutual, Lloyd's, Sinosure, Sompo, W.R. Berkley, Travelers and Chubb.

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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 - 350.org, ClientEarth, Greenpeace, SumOfUs.

Asia/Pacific - the Japan Center for a Sustainable Environment and Society; Market Forces and The Sunrise Project (both Australia); Solutions For Our Climate (Korea).

Europe - Europe Beyond Coal Campaign; 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).

U.S. - Connecticut Citizen Action Group, Public Citizen, Rainforest Action Network and Indigenous Environmental Network.

The campaign is a coordinated effort but not a formal coalition. It launched as Unfriend Coal in April 2017, with an initial focus on the coal sector. In June 2020, the campaign broadened its focus to include oil and gas and rebranded as Insure Our Future.

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 behind 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, for example at the annual meetings of the Geneva Association and the Global Insurance Forum, and the Rendez-Vous de Septembre in Monte Carlo.
- 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.

ENDNOTES

1 India urged to lead global push for clean energy, climate action, UN News, 28-8-20
2 In practice, much more than 12.4% of the primary insurance market for coal is covered by restrictions because most insurers are not active in the sector even if they have no coal exclusion policies.
3 Founding members Allianz, Swiss Re and Zurich have been joined by Aviva, AXA, CNP Assurances, Generali, Munich Re and SCOR.
4 TheCityUK, UK Fund Management, April 2018 (the most recent estimate available, which puts the industry's global assets at $24 trillion at the end of 2016).
5 Lloyds of London becomes target for climate campaigners as underwriting room reopens, Insurance Times 1-9-20
6 Managing the transition, Mining Risk Review 2020, Willis Towers Watson, Sept. 2020.
7 Over 100 and counting, IEEFA, monitored Oct 2020 .
8 Coal exec: ESG trend 'caught fire,' is pressuring sector across the board, S&P Global, 12-2-20
9 1.15C in 2019, the second warmest year on record – Climate Change: Global Temperature, NOAA Climate.gov, 14-8-2020
10 'Uninhabitable hell': Climate change and disease threaten millions, UN warns, Reuters, 12-10-20
11 Global and regional coal phase-out requirements of the Paris Agreement: Insights from the IPCC Special Report on 1.5°C, Climate Analytics, Sept 2019
12 EndCoal Summary Statistics, Coal Plants by Region (MW) – July 2020, Global Energy Monitor
13 The Production Gap Report, Stockholm Environment Institute et al, Nov 2019
14 See endnote 4.
15 Comparing the S&P 500, the S&P 500 Energy and the Dow Jones U.S. Coal indices on September 18, 2020.
16 Power Transition Trends 2020, Bloomberg NEF, Sept 2020
17 How to waste over half a trillion dollars, Carbon Tracker, March 2020. The report also found that over half of existing coal plants already cost more to run than building new renewables.
18 Weather, Climate and Catastrophe Insight: 2019 Annual Report, Aon, Jan 2020
19 A Fundamental Reshaping of Finance, Larry Fink, BlackRock CEO, Jan 2020
20 AIG, Berkshire Hathaway, Chubb, Liberty Mutual, Lloyd's, Ping An, Samsung, Sinosure, Travelers and W.R. Berkley did not respond in any substantive way.
21 AIG, Aviva, Berkshire Hathaway, MS&AD, Samsung Fire & Marine, Sinosure, Sompo, TIAA, Tokio Marine and Travelers have no divestment policies.
22 See Criteria for Strong Fossil Fuel Policies section.
23 The letter was sent to 30 insurance CEOs, including 13 in Europe (Allianz, Aviva, AXA, Generali, Hannover Re, HDI Global, Legal & General, Lloyd's, Mapfre, Munich Re, SCOR, Swiss Re and Zurich), 10 in the U.S. (AIG, AXIS Capital, Berkshire Hathaway, Chubb, The Hartford, Liberty Mutual, MetLife, Travelers, TIAA and W.R. Berkley) and seven in Asia and the Pacific (MS&AD, Ping An, QBE, Samsung Fire & Marine, Sinosure, Sompo and Tokio Marine).
24 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.
25 New oil and gas expansion projects are defined as those that result in an increase in developed reserves, or infrastructure projects that drive expanded extraction.
26 Vatican urges Catholics to drop investments in fossil fuels, arms, Reuters, 18-6-20
27 Comptroller Stringer and Pension Fund Trustees Call on Major Insurance Companies to Sever All Ties with the Coal Industry, Press Release, April 24, 2020
28 To what degree? A climate scenario analysis of US insurers' portfolios, BlackRock and 2 Degree Investing Initiative, 5-12-19
29 Climate-related litigation could produce 'grey or black swan event', Insurance Post Online, 23-9-20

30 Moody's – Insurers retreat from coal is positive, reducing stranded asset risk, limiting liability risk, research announcement, 24-2-20
31 Coal sector struggles for cover in tough market, Insurance News, 11-6-20
32 Managing the transition, Mining Risk Review 2020, Willis Towers Watson, Sept 2020
33 Coal exec: ESG trend 'caught fire,' is pressuring sector across the board, S&P Global, 12-2-20
34 Achieving a Net Zero Carbon Future, Duke Energy 2020 Climate Report, p17
35 Lloyd's of London falls to £400m loss due to coronavirus claims, City AM, 10-9-20
36 2019 Climate-Related Financial Disclosure Report, AIG, August 2020
37 Managing the transition, Mining Risk Review 2020, Willis Towers Watson, Sept 2020
38 See http://www.globalcarbonatlas.org/en/CO2-emissions. Figures do not include the emissions from land-use changes, for which no recent data exists.
39 Global Warming of 1.5°C, Summary for Policymakers, IPCC, 2018. Without viable carbon capture and storage at scale there must be sharp falls in use of all fossil fuels by 2030. (Pathway 1).
40 Sea Change, Oil Change International, Platform and Friends of the Earth Scotland, May 2019
41 The Production Gap Report, Stockholm Environment Institute et al, Nov 2019
42 Global Property Insurance and Global Casualty Insurance for Oil and Gas Sector Market 2018, HTF Market Intelligence Consulting.
43 Leading insurers of oil and gas production, Finaccord, June 2020.
44 Global Property Insurance and Global Casualty Insurance for Oil and Gas Sector Market 2018, HTF Market Intelligence Consulting.
45 Facultative insurance covers a specific risk or defined package of risks; treaty insurance covers all risk of a certain type.
46 Insure Our Future defines tar sands companies as those holding at least 20% of their oil reserves in tar sands. See footnote 25 for coal company definition.
47 This only includes insurers with at least $10 billion of assets under management.
48 The resolutions were: voting a climate change denier off JP Morgan's Board; aligning Chevron's lobbying with Paris goals; voting all members off Exxon's Board; disclosure of lobbying at GM; and a climate resolution at Total.

INSURING OUR FUTURE

2020 Scorecard on Insurance, Fossil Fuels and Climate Change

New coal projects are becoming uninsurable. **At least 23 leading insurers have ended or limited cover for coal projects**, and some have also stopped insuring tar sands, Arctic drilling and oil and gas projects. Many more have divested from fossil fuels. These actions send a strong message to governments, developers and financiers that **coal is a dying industry and the days of oil and gas are numbered.** This report reveals the rapid shift of the insurance industry away from coal and other fossil fuels that are inconsistent with the Paris Agreement, it rates the fossil fuel and climate policies of 30 leading insurers, and it identifies leaders and laggards in the industry.