



# INSURING COAL NO MORE

The 2019 Scorecard  
on Insurance, Coal  
and Climate Change

December 2019

Unfriend

COAL



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**December 2019**

This report and further information on coal insurance are available at <https://unfriendcoal.com/>

**Currencies:** \$ refers to US dollars in this report.

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## EXECUTIVE SUMMARY

Coal – the biggest single contributor to human-made climate change – is on the way to becoming uninsurable.

The Unfriend Coal campaign's third Scorecard on Insurance, Coal and Climate Change shows how insurance companies are exiting the coal sector in response to the growing risk of an unmanageable climate breakdown and an unprecedented mobilization of public pressure on the fossil fuel industry and its enablers.

Action is accelerating. The world's first three insurers adopted rudimentary coal exit policies in 2017.<sup>1</sup> Four followed in 2018 and 10 more this year. Now, 17 insurance and reinsurance companies have ended or limited their cover for coal projects. They control 9.5% of the primary insurance market and 46.4% of the reinsurance market.<sup>2</sup>

Action is also spreading beyond Europe. The first 10 insurers to exit the coal sector were all European, but since March 2019, two US insurers and both Australian coal insurers have also adopted coal exit policies.<sup>3</sup>

At least 35 insurers with assets of more than \$10 billion each have adopted some form of coal divestment policies. Their combined assets amount to \$8.9 trillion or approximately 37% of the insurance industry's global assets.<sup>4</sup>

This action is having a tangible impact. Insurance brokers consistently report that the insurance market for the coal sector is shrinking and that rates are increasing. Willis Towers Watson found in January 2019 that "insurers' retreat from underwriting coal business has left coal-fired generators with a significant reduction in available capacity". The broker noted this would "put them at a commercial disadvantage when com-

peting with lower-cost greener generators".<sup>5</sup>

Insurers' action is part of a wider flight of capital from the coal sector. As of November 2019, at least 111 globally significant financial institutions – including commercial banks, development financiers, insurers, export credit agencies and central banks – had divested from coal or reduced their exposure to the sector in other ways.<sup>6</sup>

### RESPONDING TO A GROWING CRISIS

The shift against coal is encouraging but needs to expand and accelerate quickly. The last five years have been the hottest on record and carbon dioxide emissions increased by a record 2% in 2018. Scientists are warning that "climate impacts are hitting harder and sooner than climate assessments indicated even a decade ago". According to a recent UN report "growing climate impacts increase the risk of crossing critical tipping points".<sup>7</sup>

If a sector is not  
insurable it is not  
bankable, and so  
most coal projects  
cannot be financed,  
built or operated  
without insurance.

1 The term "policies" refers to binding operational guidelines, not insurance contracts in the context of this report.

2 The primary insurance market is much less concentrated than the reinsurance market and includes numerous companies which are not active in the energy and power sectors.

3 Chubb and AXIS Capital are registered in Switzerland and Bermuda, respectively. However, their senior management and most of their business operations are located in the US, so they are considered US insurers for the purpose of this report.

4 Exact estimates are not possible as it is not known how the assets of financial institutions offering both pension funds and insurance services are reflected in estimates of global insurance assets.

5 Willis Towers Watson, *Ready and waiting? Power and Renewable Energy Market Review 2019*

6 Institute for Energy Economics and Financial Analysis (IEEFA), *Over 100 and counting*, <http://ieefa.org/finance-exiting-coal/>, accessed on November 4, 2019

7 Data and quotes from *United in Science, High-level synthesis report of latest climate science information* convened by the Science Advisory Group of the UN Climate Action Summit 2019

The UN's Intergovernmental Panel on Climate Change has warned that warming beyond 1.5°C could have devastating environmental, social and economic impacts. The climate science institute, Climate Analytics, calculates that meeting this target will require global coal combustion to peak by 2020, fall by 80% below 2010 levels over the next decade, and end before 2040 – some 10 years earlier than previously estimated.<sup>8</sup> Yet in July 2019, 980 new coal projects with a combined capacity of 925 gigawatts were still in the pipeline or under construction.<sup>9</sup>

Insurers, as society's risk managers, have a responsibility to support global action to avoid climate breakdown. They also have powerful financial incentives, as the impacts of climate change are leading to record payouts and threatening the value of investments they hold to fund their liabilities.

A warming world increases the frequency and intensity of hurricanes, floods, heatwaves and other extreme weather events. The last two years (2017-18) saw total losses from natural catastrophes of \$510 billion, of which \$220 billion were insured. For comparison, the average insured losses for the last 30 years amounted to an inflation-adjusted \$41 billion.<sup>10</sup>

Insurance companies can play a unique role in accelerating and scaling up the transition to a low-carbon economy. Their decisions on which projects to cover help shape the development of modern society. If a sector is not insurable it is not bankable, and so most coal projects cannot be financed, built or operated without insurance.

Insurers have an estimated \$24 trillion in assets under management, so their decisions on where to invest also influence the direction of the global economy.<sup>11</sup> Divestment has made it significantly more expensive to finance coal projects.

Given their privileged access to scientific data and their long-term perspective, insurers' decisions on underwriting and investment, in addition to their material impacts, have a signal effect on many governments,

8 Climate Analytics, *Global and regional coal phase-out requirements of the Paris Agreement: Insights from the IPCC Special Report on 1.5°C*, September 2019

9 See footnote 13: p. 14

10 Munich Re, *Extreme storms, wildfires and droughts cause heavy nat cat losses in 2018*, January 8, 2019

11 TheCityUK, *UK Fund Management*, April 2018

“Insurers’ retreat from underwriting coal business has left coal-fired generators with a significant reduction in available capacity”

(Willis Towers Watson, January 2019)

other investors and financiers. Their actions send a strong message that coal is a dying industry.

## CLIMATE LEADERS AND LAGGARDS

*Insuring Coal No More* 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 and tar sands insurance, divestment and other aspects of climate leadership on the basis of a survey with more than 80 questions. Of the 30 companies, 24 responded to the survey or provided other information.<sup>12</sup>

Those that did not respond were scored on the basis of publicly available information.

The report's findings include the following:

- **Swiss Re** and **Zurich** are the leaders in ending coal insurance. Their policies address coal as well as tar sands, and include new and existing projects, as well as the companies operating in these sectors.<sup>13</sup> **AXA, AXIS Capital, Generali, QBE, Allianz, Chubb, SCOR, Hannover Re, HDI Global, Aviva, Munich Re, Mapfre** and **Ping An** (as well as four smaller

12 AIG, W.R.Berkley, Berkshire Hathaway, Liberty Mutual, Samsung Fire & Marine and Sinasure chose not to reply. MetLife, Prudential and TIAA only sent very basic information.

13 Swiss Re continues to insure existing tar sands operations. See footnote 9: p. 18.

## INSURANCE COMPANIES ASSESSED IN THIS REPORT



insurers not covered in this report) have adopted less comprehensive policies, but most exclude insurance for new coal projects. Several US and East Asian insurers have not taken any steps to end their cover of coal projects.

- **Swiss Re, SCOR and Zurich** lead on divestment. Their policies exclude both coal and tar sands projects, and in the case of **SCOR** and **Zurich** any company that plans new coal projects. **AXA** and **Allianz**, which has a strong policy but only on coal, are close behind. **Hannover Re, Generali, Munich Re, AXIS Capital, QBE, Lloyd's, Chubb, HDI Global, Mapfre, Aviva, W.R. Berkley** and **L&G** (plus other insurers not assessed in this report) have ended their investments in coal companies as well, but less thoroughly. Many US and East Asian insurers continue to invest in coal and tar sands companies.
- **Legal & General** leads on other climate leadership. It supports numerous shareholder resolutions calling for climate action and advocates for industry

bodies to address climate change as well. **Aviva, Allianz, Zurich, and AXA** also score well. Most insurers from the US and China have not taken any publicly documented climate action.

There is still considerable scope for insurers to improve their policies. Now that ending insurance for new coal projects has become the international benchmark for meaningful action, all responsible insurers should take the next step and end cover for existing coal projects, and their operators, in order to accelerate the retirement of more than 2,000 gigawatts of global coal capacity.

Nevertheless, the industry's action is starting to bite. As laggards such as **Liberty Mutual** and **AIG** in North America, **Tokio Marine** in East Asia and the **Lloyd's** insurers join the trend and more insurers start excluding existing coal operations, the challenges for the coal industry to stay in business will grow. The insurance industry has the power to play a significant role in bringing about the rapid demise of coal.





## RECOMMENDATIONS

Since 2017, the Unfriend Coal campaign has called on the insurance industry to end underwriting and to divest from coal. In April 2019, 15 organizations engaged in the campaign presented the following recommendations to the 30 international insurance companies depicted in the graphic above:

1. Immediately cease underwriting coal and tar sands projects and companies (unless they are engaged in a rapid transition to clean energy that would normally take no longer than two years) across all lines of business.<sup>14</sup>
2. Immediately start divesting from coal companies and companies developing projects to extract and transport tar sands. Divestment should include insurers' own assets as well as assets managed for third parties.
3. Align all business activities, including underwriting and investments, with science-based targets that limit average global temperature increases to 1.5°C. This will require a transition from all fossil fuels to clean energy projects and companies worldwide by 2050.
4. Bring stewardship activities (including the engagement with investee companies and exercise of voting rights), membership of trade associations and public positions as a shareholder and a corporate citizen more broadly in line with the goals of the Paris Agreement and create full transparency about these positions.

## TAR SANDS INSURANCE































Extracting and refining tar sands produces very high carbon emissions, poses massive risks to ecosystems and public health, and almost invariably violates Indigenous rights. There is no credible path to staying within 1.5°C of warming while expanding tar sands production.<sup>15</sup>

Organizations supporting the Unfriend Coal campaign are calling on the insurance industry to stop underwriting and to divest from the tar sands sector. Swiss Re, AXA, Zurich and AXIS Capital have all announced policies that restrict insurance of tar sands extraction projects and pipelines, and at least eight major insurance companies have divested from tar sands companies.

<sup>14</sup> See the definition of coal and tar sands companies on page 14. Workers' compensation policies, which directly benefit workers in the coal industry, should be exempt from this policy.

<sup>15</sup> Carbon Tracker, *Breaking the Habit*, September 2019

## SCORING GRID

	COUNTRY	COAL INSURANCE		COAL DIVESTMENT		OTHER CLIMATE LEADERSHIP	
		RANK	SCORE	RANK	SCORE	RANK	SCORE
Swiss Re		1	4.0	1	5.1	6	3.7
Zurich		2	3.6	3	4.3	4	5.3
AXA		3	3.2	5	3.6	5	4.5
AXIS Capital		4	2.7	9	2.4	25	0.0
Generali		5	2.5	7	2.5	7	3.2
QBE		6	2.4	10	2.3	8	1.8
Allianz		7	2.1	4	4.0	3	5.9
Chubb		8	1.7	12	2.0	20	0.7
SCOR		9	1.7	2	4.5	13	1.3
Hannover Re		10	1.5	6	2.7	22	0.5
HDI Global		10	1.5	12	2.0	24	0.3
Aviva		12	1.1	15	1.7	2	6.0
Munich Re		13	1.1	7	2.5	11	1.6
Mapfre		14	0.8	14	1.7	16	0.9
Ping An		15	0.6	18	0.6	19	0.7
Lloyd's		16	0.0	11	2.2	16	0.9
W.R. Berkley		16	0.0	16	1.4	25	0.3
Legal & General		n/a	n/a	17	1.0	1	6.4
Tokio Marine		16	0.0	19	0.0	9	1.8
Sompo		16	0.0	19	0.0	10	1.7
TIAA Family		n/a	n/a	19	0.0	12	1.3
MS&AD		16	0.0	19	0.0	14	1.1
Samsung FM		16	0.0	19	0.0	15	1.0
Prudential		n/a	n/a	19	0.0	18	0.8
AIG		16	0.0	19	0.0	20	0.7
MetLife		n/a	n/a	19	0.0	23	0.4
Berkshire Hathaway		16	0.0	19	0.0	25	0.0
FM Global		16	0.0	19	0.0	25	0.0
Liberty Mutual		16	0.0	19	0.0	25	0.0
Sinosure		16	0.0	19	0.0	25	0.0

**KEY**  Multiline insurance  Primarily reinsurance  Primarily life insurance

The maximum score for each column is 10.

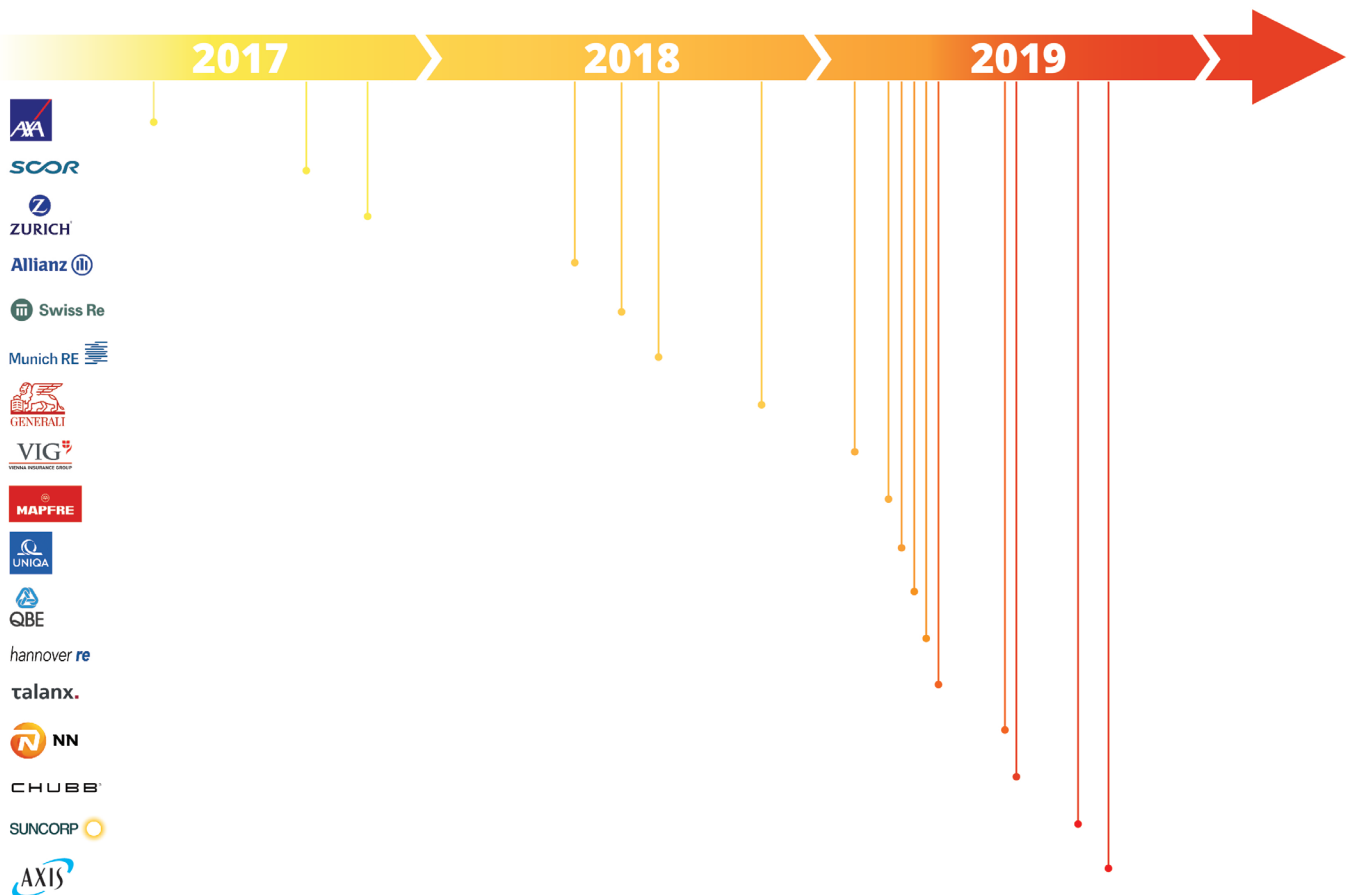
For details of insurers' policies see page 14 and <https://unfriendcoal.com/2019scorecard>.

## ABOUT THIS REPORT

This is the third annual Scorecard on Insurance, Coal and Climate Change published by the Unfriend Coal campaign. It analyses the evolving role of the global insurance industry in the coal sector and in avoiding catastrophic climate collapse. It focuses on 30 leading primary insurers and reinsurers, assessing and scoring their policies on insuring and investing in coal and other aspects of climate leadership. It highlights progress and loopholes, calls out leaders and laggards and identifies challenges and opportunities for the year ahead.

Fifteen organizations active in the Unfriend Coal campaign presented their recommendations to the insurance companies in April 2019, requesting a response by September 15. In June, the campaign shared a questionnaire and a list of criteria detailing how policies would be scored. By mid-November, 24 of the 30 companies had replied. The responses and other publicly available information were analyzed and scored by Profundo, a research consultancy, in cooperation with the Unfriend Coal campaign. Each company was shown its scores before the report went to print.

## INSURERS ARE DITCHING COAL



For more information on the policies adopted on coal check [unfriendcoal.com/coal-insurance](https://unfriendcoal.com/coal-insurance)



## GROWING MOMENTUM

In January 2019, the **CRO Forum**, which brings together Chief Risk Officers from large insurance companies, published a report calling on insurers to participate in a “massive and globally coordinated response” to mitigate climate risks, including by “phasing out” fossil fuels from their underwriting and investment activities. It warned that “underwriting operations [with a high carbon footprint] will have to expect pressure from NGOs”.<sup>16</sup>

This year, concern and outrage about the inaction of governments and big business in the face of the climate crisis has finally gone mainstream. Pressure for the insurance industry to align its business with international climate targets has expanded beyond NGOs, and a diverse group of actors, from climate strikers to insurance customers, are calling on insurers to end their support for coal.

Young people are at the forefront of the global mobilization for climate action. Insurance companies, which often struggle to attract young talent, need to be particularly concerned about their reputation with this generation.

In October, a group of **risk management students** in the United States launched a petition calling on US insurers to join their international peers and stop insuring and investing in the coal industry. “Our generation will bear the brunt of the economic and societal impacts of climate change and we want to work in an industry that is part of the solution”, reads the statement, which was signed by more than 200 students and young insurance professionals.

**Current employees** are exerting pressure too. Insurers have acknowledged that pressure from their workforce is one of the factors motivating them to take action on coal. Insurance professionals from laggard companies in Europe, the Americas and Asia have informed the Unfriend Coal campaign that they are calling on their employers to follow industry leaders and exit the coal sector. With support from the campaign, internal pressure on insurers will increase next year.

**Insurance customers** are also calling on their carriers to exit coal. As part of efforts to green their supply

“A massive and globally coordinated response is required to mitigate climate risks, enabled by radical economic and socio-cultural change.”

(Chief Risk Officers Forum, January 2019)

chains, prominent US companies are currently preparing a statement “expressing our desire for insurance coverage in the US market that is not tied to supporting fossil fuels”.

Global pressure for climate action creates risks for coal insurers trying to bolster their brands by **sponsoring** popular causes and events. In September, ahead of the Rugby World Cup, climate activists in New Zealand launched a petition calling on the All Blacks national team to drop their sponsor **AIG**, because the US insurer has not excluded support for the giant Adani coal mine project in Australia. The same day, a group of NGOs started a campaign criticizing the Tokyo 2020 Olympics because sponsors include Tokyo Marine and two Japanese banks that still underwrite new coal projects.

There is also a growing risk that liability insurers will have to pay for the **legal costs and damages** of fossil fuel companies targeted by climate lawsuits. More than 1,300 climate lawsuits have been brought against governments and companies in at least 28 countries, and the science attributing climate impacts

<sup>16</sup> CRO Forum, *The Heat is on, Insurability and Resilience in a Changing Climate*, January 2019

to specific actors is improving.<sup>17</sup> As early as 2015, the UK Prudential Regulation Authority warned that “liability claims can be disruptive to the insurance industry with significant and unforeseen claims increasing over time”.<sup>18</sup>

Given the social pressures and legal risks, **rating agencies** have concluded that it is in insurers’ self-interest to reduce their exposure to coal. In July 2019, Moody’s Investors Service assessed the risk of coal insurance and found that it did “not expect large diversified insurers’ thermal coal exclusionary policies to result in a meaningful loss of business”. It added: “These insurers could, in fact, benefit from reduced exposure to potential environmental liability risks associated with thermal coal industries.”<sup>19</sup>

## COAL COMPANIES SUFFER IN A SHRINKING INSURANCE MARKET

17 Joana Setzer and Rebecca Byrnes, *Global trends in climate change litigation: 2019 snapshot*, July 2019

18 Prudential Regulation Authority, *The impact of climate change on the UK insurance sector*, September 2015

19 Moody’s Investors Service, *The impact of environmental, social and governance risks on insurance ratings*, July 1, 2019. In August 2019 the analytics company GlobalData also found that the insurance industry may “enjoy a considerable financial benefit in the longer term as a result of any anti-coal stance”.

By mid-November 2019, 17 insurance companies had stopped insuring new coal projects (albeit with loopholes in some cases) including all leading European insurers except for the Lloyd’s market. This action has had tangible impacts on the coal industry.

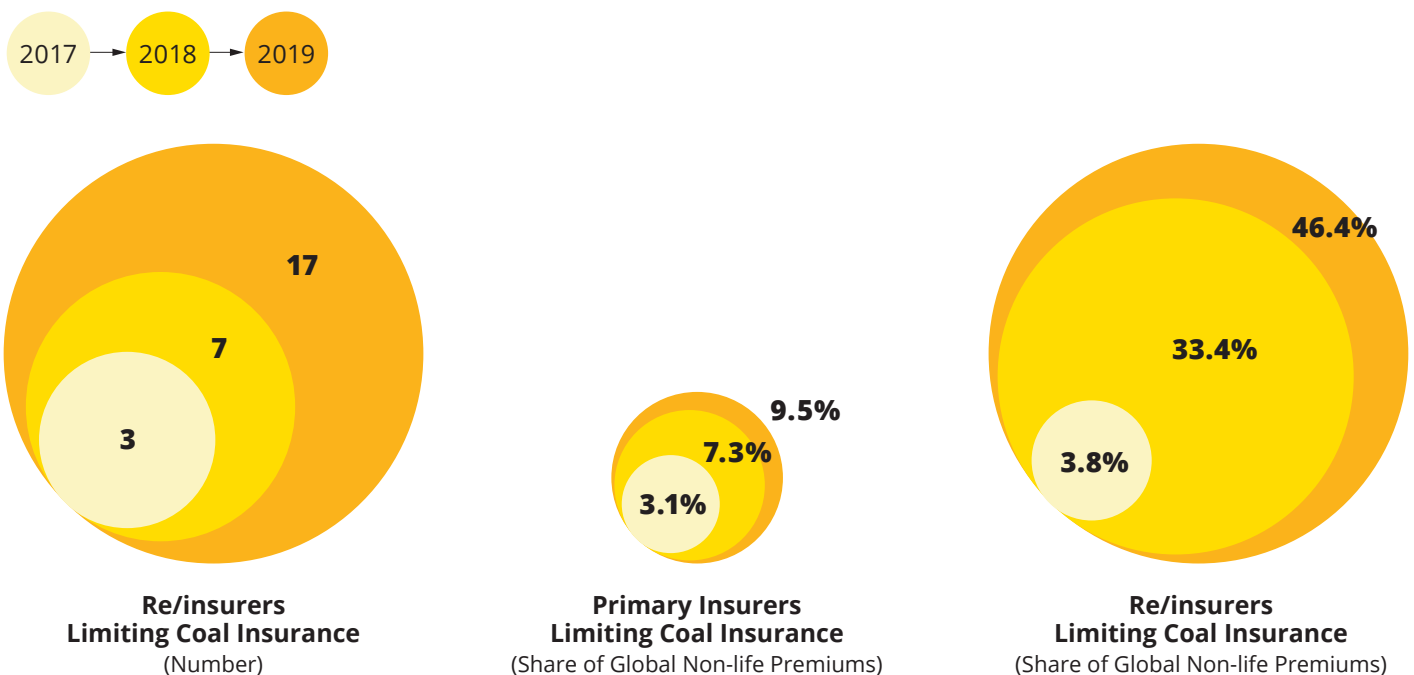
Insurance companies do not publish information about which projects and companies they are insuring, and no comprehensive data about the size of the coal insurance market is available. Yet statements from coal companies and reports from insurance brokers indicate that this market is shrinking, making cover harder to find and more expensive.

In January 2019, in its annual review of the power sector insurance market, the broker Willis Towers Watson found that “insurers’ retreat from underwriting coal business has left coal-fired generators with a significant reduction in available capacity. (...) This reduction in available capacity will invariably see upward pressure on rates and coverages as the competition for market share in this specific sector will be much more limited.”<sup>20</sup>

In September 2019, Willis Towers Watson reported an

20 Willis Towers Watson, *Ready and waiting? Power and Renewable Energy Market Review 2019*

### FIGURE 1: COAL BECOMING UNINSURABLE



“increasing and worrying trend for insurers to withdraw from what they consider to be environmentally unfriendly industries such as coal” in its review of the mining sector. Even in the US, the broker warned, this trend “leaves very few primary markets for coal miners to turn to”. A senior manager at Munich Re warned in the review: “Bluntly said: no investment in coal – no insurance for coal risks and vice versa. And the fact that we insurers and reinsurers are covering both sides, the risk taking and investment side, makes us an obvious ‘target’.”<sup>21</sup>

Several coal companies have confirmed that a shrinking insurance market is affecting their operations. Peabody Energy, the world’s largest private coal company, for example, cautioned in its 2019 annual report that “our financial assurance obligations may increase” and certain types of insurance “may not be available to us, particularly in light of some insurance companies’ announced unwillingness to support fossil fuel companies”.<sup>22</sup>

21 Willis Towers Watson, *Addressing Uncertainty, Mining Risk Review 2019*  
 22 Peabody Energy Corporation, Form 10-K, *Annual Report*, February 27, 2019. See also Mining Weekly, *Climate risk lifting insurance premiums for coal mining company Exxaro*, August 22, 2019

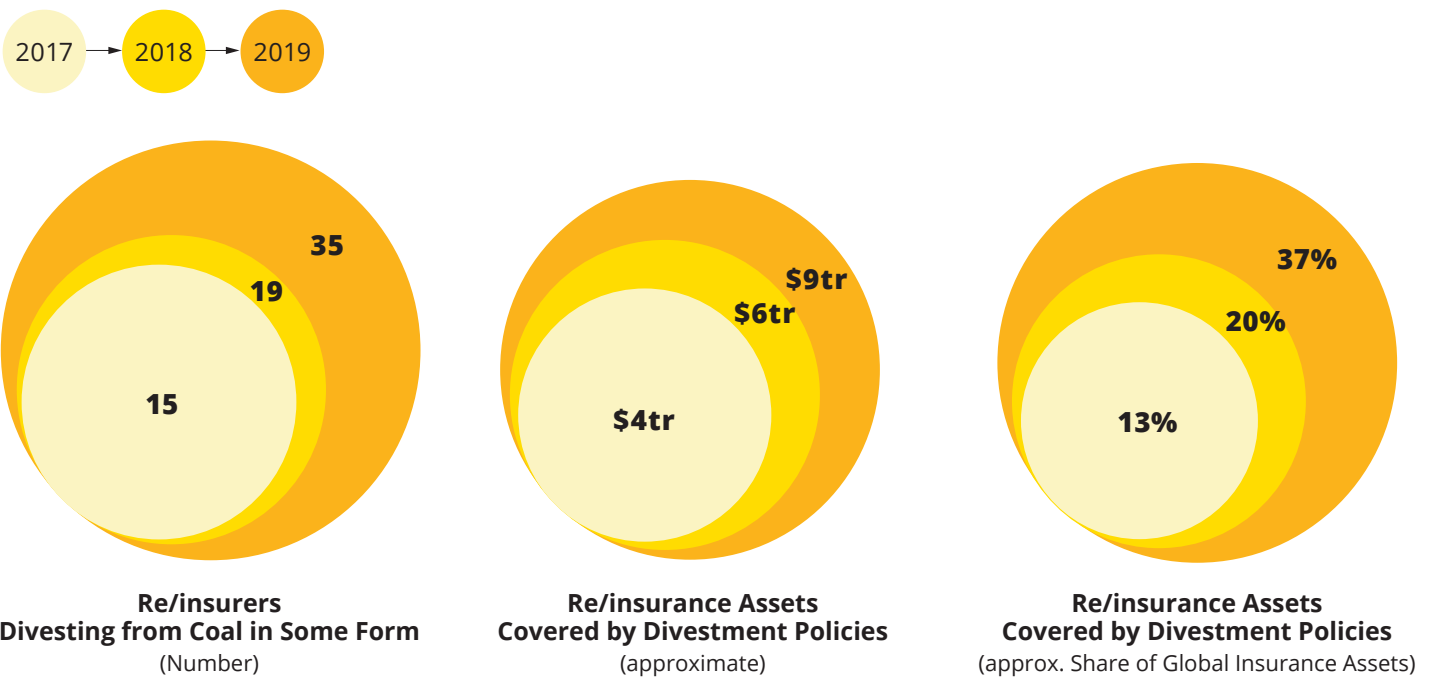
## MOST US AND ASIAN INSURERS ARE MISSING IN ACTION

Almost all major European and Australian insurers have now adopted coal exit policies, but big US and Asian companies as well as the specialty insurers on the Lloyd’s market will need to follow suit for coal to become uninsurable.

Some **US insurers** are starting to shift, with restrictions on underwriting announced this year by Chubb and AXIS Capital. Yet several large companies – in particular Liberty Mutual, AIG and Berkshire Hathaway – continue to cover coal risks. According to data from Finaccord, AIG and Liberty Mutual are among the biggest international carriers which still insure coal.<sup>23</sup> They not only insure coal projects, but are also among the few players able to take the lead in conducting due diligence for multi-billion-dollar coal projects. Both can expect stronger public pressure to move away from coal in the coming year.

23 Finaccord research for the Unfriend Coal campaign, October 2019

**FIGURE 2: INSURERS DIVESTING FROM COAL**





This year has also seen the first action from **specialty insurers on the Lloyd's market**. AXIS Capital, Chubb and QBE have all adopted coal exit policies, but most Lloyd's insurers continue to insure both new and existing coal operations. Several are based in Bermuda, which is highly vulnerable to ever more serious hurricanes, yet the island's specialty insurers "remain steadfast, and have largely maintained a consistent appetite" for coal projects, according to Willis Towers Watson.<sup>24</sup>

Meanwhile, **Asian insurers** are almost completely missing in action. According to industry insiders, companies that continue to play an important role in insuring coal include: Tokio Marine, Sompo and MS&AD (Japan); Samsung Fire & Marine (Korea); and Ping An, the People's Insurance Company of China (PICC) and China Re (China).

Of these insurers, only Ping An has so far adopted a coal policy. The policy stipulates conditions under which the company "will consider restricting to underwrite" coal projects. The conditions are lax and allow Ping An to continue insuring most projects in the pipeline, particularly in China.<sup>25</sup>

Japanese insurers argue that it is difficult for them to shift away from coal while their government supports expanding the sector. Yet US and Australian insurers have taken action despite their governments' strenuous support for coal, and even Allianz adopted a coal exit policy while the German government was still backing increased coal mining. As an Olympic sponsor, Tokio Marine will be particularly vulnerable to public pressure in 2020.

There is now a risk that US and Asian insurers will undermine the climate action taken by early movers. They will face pressure to cover projects for their national coal companies if international carriers withdraw from the market. Some may also be tempted to opportunistically increase their presence in the coal sector and seize commercial opportunities as their competitors exit. According to a broker report, PICC expressed an interest in establishing a presence in Poland after most European insurers stopped insuring coal projects there.<sup>26</sup>

24 Willis Towers Watson, *Addressing Uncertainty, Mining Risk Review 2019*

25 Statement on Coal-related Business of Ping An Group

26 Willis Towers Watson, *Ready and waiting? Power and Renewable Energy Market Review 2019*

“Our generation will bear the brunt of the economic and societal impacts of climate change and we want to work in an industry that is part of the solution.”

(Risk management students' petition to US insurers, October 2019)

Yet, according to industry insiders the extent to which Chinese carriers can fill the gap left by other insurers is limited. Chinese insurers are not licensed to operate in numerous countries, and some international financiers are not prepared to invest in or lend to a coal project with a Chinese certificate of insurance.

## **BROKERS DUCK RESPONSIBILITY FOR CLIMATE ACTION**

**Insurance brokers** arrange risk cover for customers, including for complex multi-billion dollar construction projects. The market is highly concentrated and the four leaders – Aon, Marsh, Willis Towers Watson and Arthur J. Gallagher – play a critical role in facilitating coal projects. Marsh, for example, is trying to arrange insurance for the Adani Group's Carmichael coal mine project in Australia, and Aon and Marsh are respectively advising the lenders and developers of Van Phong 1, a coal power project in Vietnam with massive environmental and health impacts.

Like all other actors in society, brokers need to make their business activities consistent with limiting global warming to 1.5°C. They should stop brokering insurance contracts for new coal projects and customers



and phase out services for existing coal sector customers. They should also immediately end the practice of bundling coal together with non-coal business, so that insurance companies can stop covering coal contracts without losing out on business opportunities that are unrelated to coal.

The Unfriend Coal campaign raised these concerns in a letter to the four leading brokers in May 2019, but none of them responded. Brokers' silence appears hypocritical since the consulting companies with which some are affiliated – for example Mercer and Oliver Wyman in the case of Marsh – are advising customers on how to take action in line with the Paris Agreement. Brokers face considerable reputational risks by continuing to arrange coal projects.

As insurance customers, employees and prospective employees increase demands for climate action, brokers can expect growing pressure to stop propping up the coal industry.

## ADANI IS A WARNING TO COAL DEVELOPERS

The Adani Group's proposed Carmichael coal mine in Australia has become a test case for the financial sector's support for international climate targets. The gigantic 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.<sup>27</sup> After numerous financial institutions from around the world declined support, the Adani Group decided to self-finance a scaled-down version of the project and contracted Marsh to arrange insurance.

At the end of 2018, 73 NGOs with a combined membership of 76 million people called on the insurance industry to not cover construction of the mine and the associated railway. So far at least 16 international insurers have ruled out insuring the project in one way or another.<sup>28</sup> AIG, which has made no commitment, has faced protests at its offices in Australia and the US and at least 135,000 people signed a petition calling on it to rule out support for the Carmichael project.

According to industry insiders, the Adani Group failed to insure project construction by September 2019 and the fate of the Carmichael mine continues to hang in the balance. The project saga holds important lessons for climate campaigners and coal companies alike. Even if the Adani Group were to start major construction at some point, its experience has been so painful that few other companies will want to repeat it.

<sup>27</sup> For comparison the total US carbon dioxide emissions from fossil fuel emissions in 2016 amounted to 4.833 billion tonnes.

<sup>28</sup> The figure does not include some insurers who have adopted coal exit policies but are not active in Australia.

# INSURERS' COAL POLICIES

## CRITERIA FOR STRONG COAL AND TAR SANDS EXIT POLICIES

The following elements make up a strong and comprehensive coal and tar sands exit policy, and were used in this report as the criteria by which to score 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) and for other extreme fossil fuels such as tar sands, associated pipelines, Arctic and deep-sea drilling.
- **Coverage types:** Policies should apply to insurance for new and existing coal projects and for coal companies. Reinsurers' policies should apply to treaty as well as facultative reinsurance.<sup>29</sup>
- **Coal companies:** Policies should define coal companies as enterprises that depend on coal for more than 30% of their mining revenue or power generation; or produce more than 20 million tonnes of coal per year; or operate more than 10 GW of coal power capacity; or plan to develop new coal facilities. Tar sands companies should be defined as companies holding at least 20% of their oil reserves in tar sands. In line with the need to completely phase out coal and other extreme fossil fuels, these thresholds should be lowered over time.

### Divestment policies:

- **Scope:** Policies should cover all types of thermal coal as well as tar sands and associated pipeline companies.
- **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:** Policies should define coal and tar sands companies using the criteria listed above for underwriting policies.

<sup>29</sup> Facultative insurance covers a specific risk or defined package of risks; treaty insurance covers all risk of a certain type.

## PROGRESS ON UNDERWRITING

Since the last *Insuring Coal No More* report was published a year ago, 10 new insurers have ended or limited coal insurance services while several early movers have strengthened their policies. To date 17 companies have withdrawn cover for coal.

This report assesses the positions and policies of 30 global insurers, 13 of which have adopted coal exit policies.<sup>30</sup> Most now exclude cover for all new coal mines and power plants throughout the world but only a few limit cover for existing coal operations. While most policies address stand-alone coal projects, they do not exclude insurance packages which have a high coal content. Only the more ambitious policies extend their policies to tar sands or restrict cover for coal and tar sands companies.

**Swiss Re** and **Zurich** score highest for their underwriting policies. They have stopped insuring both new and existing coal projects. They have also withdrawn cover for new tar sands projects, and Zurich will not insure existing operations. Both exclude insurance for coal and at least some tar sands companies. Finally, both exclude not just stand-alone coverage but also insurance for packages of risk which have a high coal content.

**AXA, AXIS Capital, Generali, QBE, Allianz, Chubb, SCOR, Hannover Re, HDI Global, Aviva, Munich Re, Mapfre** and **Ping An** have adopted coal exit policies which are less thorough and comprehensive. Most of the policies exclude insurance for new but not existing coal operations. Similarly, most policies only address stand-alone coal projects and not packages with a high coal content.

**AXA** and **AXIS Capital** are the only members of this group to limit cover for tar sands projects and companies.<sup>31</sup> **Generali, QBE** and **Chubb** are the only ones to restrict support for coal companies as well as coal projects. The policies of **Aviva, Munich Re, Hannover Re** and **HDI Global** contain loopholes which allow them to insure some new coal projects.

<sup>30</sup> Four other insurers (Nationale Nederlanden, Suncorp, Uniq and VIG) have adopted coal exit policies but were not included in this report because they do not play a leading role in global energy and power insurance.

<sup>31</sup> Munich Re indicated in October 2019 that it was preparing a position on tar sands.



However, some of this group do foresee a full phase-out of coal from their underwriting portfolios: **Hannover Re** and **HDI Global** by 2038 and, much more thoroughly **Allianz**, by 2040. **Aviva** has committed to a phase out of coal power insurance by 2050. **Zurich** and **Swiss Re** have yet to set a date.

**Ping An** has adopted a coal policy which allows the continued underwriting of coal projects under certain conditions. According to an analysis by Global Energy Monitor, the conditions allow **Ping An** to insure 67% of projects currently in the global planning pipeline or under construction, including 81% of the projects in China and 55% in the rest of the world.<sup>32</sup>

**AIG, W.R. Berkley, Berkshire Hathaway, FM Global, Liberty Mutual, Lloyd's, MS&AD, Samsung Fire & Marine, Sinasure, Somp** and **Tokio Marine** (as well as many coal insurers not assessed in this report) have not adopted any public policies to reduce their support for coal projects.<sup>33</sup>

More detail on each insurer's policy is available at <https://unfriendcoal.com/2019scorecard>.

## PROGRESS ON DIVESTMENT

Divestment is often the first step in insurance companies' withdrawal from the coal sector. In the past year, at least 16 insurers with assets of more than \$10 billion have announced policies, making a total of at least 35 insurers that have now divested from coal.

Of the 30 global insurers analyzed in this report, 16 have adopted divestment policies. All, apart from **Aviva**, have divested from companies which depend on coal for more than 30% (and in **Hannover Re's** case, 25%) of their business. In other ways the policies differ widely in scope and depth.

**Swiss Re, SCOR, Zurich, Allianz** and **AXA** score highest on divestment. All, apart from **Allianz**, have policies that cover coal as well as tar sands companies. All, apart from **Swiss Re**, stipulate divestment from any

“Now that ending insurance for new coal has become the international benchmark, all responsible insurers should take the next step and end cover for existing coal projects in order to accelerate the retirement of existing coal capacity.

company that still plans to develop new coal capacity. All policies cover both actively and passively managed funds. While most insurers only manage their own assets, **Allianz** and **AXA** (including their subsidiaries) each manage more than \$1 trillion for other owners. **AXA's** divestment policy covers at least some third-party assets but **Allianz** continues to invest these in coal.

**Hannover Re, Generali, Munich Re, AXIS Capital, QBE, Lloyd's, Chubb, HDI Global, Mapfre, Aviva, WR Berkley** and **L&G** have adopted more rudimentary divestment policies. Most of them do not apply to tar sands or other extreme fossil fuel companies, and (with the exception of Generali and Aviva) do not stipulate divestment from any company developing new coal capacity. Most policies stipulate immediate divestment from coal shares, but not from bonds – even if they are years away from maturing.

32 Global Energy Monitor, email communication with the Sunrise Project, October 23, 2019

33 FM Global informed the Unfriend Coal campaign that it will no longer insure tar sands companies and mines. Since the company has not made this commitment public, no scores could be awarded.

**AIG, Berkshire Hathaway, FM Global, Liberty Mutual, Metlife, MS&AD, Ping An, Prudential, Samsung Fire & Marine, Sinasure, Sampo, TIAA and Tokio Marine** (and many other insurers not assessed in this report) have not adopted any public policies to divest from coal and other fossil fuels.

## OTHER CLIMATE LEADERSHIP

Ending the combustion of coal, tar sands and other extreme fossil fuels is essential to avoid catastrophic climate change, but limiting global warming to 1.5°C will also require a much more comprehensive low-carbon transition. With their deep understanding of climate risks, insurance companies are well placed to play an ambitious leadership role in advancing this transition within the private sector.

While the Unfriend Coal campaign focuses on coal and tar sands, this report also assesses insurers' climate leadership in other areas using the following criteria:

- Commitment to aligning all business activities with a 1.5°C goal;
- Engagement with the companies they invest in and underwrite to support this goal;
- Systematic voting for climate resolutions at the companies in which they hold shares;
- Increasing investment in and insurance services for renewable energy companies;
- Support for and implementation of the recommendations of the Task Force on Climate-Related Financial Disclosures;
- Advocacy for climate action as members of trade associations.

Although **Legal & General** has no formal coal divestment policy, it scores highest for other climate leadership. It has committed to align its investment portfolio

with the goals of the Paris Agreement, including the third-party assets it holds through its asset management arm LGIM. It has called on the energy companies it invests in to do the same, and to support the Paris targets through their lobbying activities. **L&G** publishes its voting record as a shareholder and has supported more resolutions on climate change than any of the world's top 10 asset managers. It is also an active and outspoken member of many investor groups calling for climate action.

“With their deep understanding of climate risks, insurers are well placed to promote a comprehensive low-carbon transition within the private sector

**Aviva, Allianz, Zurich** and **AXA** have also taken strong steps on overall climate leadership. In contrast, several insurers from the US are abdicating their climate responsibility completely, and most Chinese insurers have not taken any climate action either.

## POLICY LOOPHOLES

While the growing number of insurance companies taking action on coal is positive, even the strongest policies on coal insurance and divestment only reached 40% and 51% of the maximum possible scores respectively. Several insurers have made commitments that are extremely limited and shallow. The most serious loopholes include the following:

**Coal insurance:** **Chubb's** policy excludes cover for new coal power plants (with large geographic exceptions) but in principle it continues to allow insurance for new coal mines. **Munich Re, Hannover Re, QBE** and **Chubb**, among others, no longer insure most or all new coal projects, but they continue to insure existing operations. **Allianz, AXA, Hannover Re, Munich Re** and **SCOR** have stopped insuring most or all coal projects but continue to insure coal companies. **Generali** has dropped some companies but continues to insure PGE and CEZ, two highly polluting European coal utilities.

**Coal reinsurance:** **Swiss Re's** policy covers both facultative and treaty reinsurance for coal projects and companies, although no details on the latter are available.<sup>34</sup> **Munich Re** and **SCOR** only limit the facultative reinsurance of coal. This creates the risk that coal companies can compensate for a shortfall in facultative reinsurance by increasing their treaty cover. **Munich Re** and **Hannover Re** can also continue to reinsure new coal projects in certain countries.

**Third party assets:** Some insurers manage up to one trillion dollars for other asset owners. **AXA** and **L&G** have divested some or all of their third-party assets from coal along with their own assets. **Allianz** – one of the world's largest asset managers – and other insurers have divested their own assets but not applied these policies to third-party assets, thus creating a double standard within their portfolios.

34 See note 1.





## PHASING OUT EXISTING COAL OPERATIONS

The climate science institute Climate Analytics has found that limiting global warming to 1.5°C will require coal combustion to peak by 2020, fall by 80% below 2010 levels over the next decade, and end before 2040 – some 10 years earlier than previously estimated.<sup>35</sup>

As of July 2019, 980 new coal power plants with a combined capacity of 925 gigawatts were still under construction or in the planning pipeline according to the Global Coal Plant Tracker.<sup>36</sup> Most insurers that have adopted coal exit policies rule out cover for all these projects. This, along with grassroots opposition and competitive pressure, will stop many of them from going forward.

At the same date 2,459 coal power plants with a combined capacity of 2,027 gigawatts were still in operation globally.<sup>37</sup> Climate Analytics calculates that all but around 300 gigawatts will need to be retired in the next 10 years in order to limit warming to 1.5°C, leaving just a small number of plants in developing countries. Yet among the major insurers and reinsurers, only **SCOR**, **Swiss Re** and **Zurich** have adopted policies which, at least partially, end cover for existing coal projects and the companies which operate them.

Now that ending insurance for new coal projects has become the international benchmark for meaningful action, all responsible insurers should take the next step and end cover for existing coal projects and their operators (after a transition period of no longer than two years) in order to accelerate the retirement of existing coal capacity in line with a 1.5°C climate target.

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35 Climate Analytics, *Global and regional coal phase-out requirements of the Paris Agreement: Insights from the IPCC Special Report on 1.5°C*, September 2019

36 Global Coal Plant Tracker, <https://endcoal.org/global-coal-plant-tracker/summary-statistics/>, accessed on September 19, 2019. The projects in the pipeline include projects that have been shelved but not cancelled and can be revived any time.

37 Ibid.



## THE UNFRIEND COAL CAMPAIGN

Unfriend Coal is an international campaign calling on insurance companies to exit the coal and tar sands sectors and support the transition to a low-carbon economy. The organizations engaged in the campaign include Greenpeace, Urgewald (Germany), Rainforest Action Network (USA), the Japan Center for a Sustainable Environment and Society, Client Earth (UK), Fundacja Rozwój TAK - Odkrywki NIE (Poland), Re:Common (Italy), Market Forces and the Sunrise Project (both Australia), among others.

Launched in April 2017, the campaign is a coordinated effort but not a formal coalition. In September 2018, 17 groups launched a sister campaign in North America, Insure Our Future.

Combining engagement and public pressure the campaigns pursue a variety of activities to reach their goals:

- They conduct research on insurance companies' support for coal and tar sands projects and publish case studies and briefing papers.
- They share their 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.
- They draw 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.
- They put pressure on individual insurers that are lagging behind on climate action. For example Greenpeace organized protests at Generali offices throughout Italy and a public protest at the company's 2018 shareholder meeting, and AVAAZ mobilized more than 850,000 signatures for a petition calling on Munich Re to exit the coal sector.
- They create public interest in the insurance industry's responsibility for taking climate action through articles and comments in mainstream media, trade journals and social media.



# INSURING COAL NO MORE

The 2019 Scorecard on Insurance, Coal and Climate Change



New coal projects are becoming uninsurable. At least 17 leading insurers have ended or limited cover for coal projects, and many more have divested from coal. This action sends a strong message to governments, developers and financiers that coal is a dying industry. This report reveals the rapid shift of the insurance industry away from the coal sector, rates the coal and climate policies of 30 leading insurers, and identifies early movers and laggards in the industry.