



Insurance: A Corporate Sustainability Opportunity

Climate Change and the Insurance Industry

Insurance companies are in the business of risk management. They are experts at modeling and pricing risk and designing preventive measures. Insurance industry leaders were among the first to publicly acknowledge the risks from climate change and to call for action in the 1970s.

Paradoxically, the insurance industry has a close financial relationship with the fossil fuel industry, which is largely responsible for climate change

Insurance companies support fossil fuels in two main ways:

- *Providing Insurance for Fossil Fuel Projects* - Insurance coverage allows carbon-intensive projects such as coal plants, tar sands mines, and gas pipelines to be built and operated. Without insurance, these projects can't get financed.
- *Investing in Fossil Fuel Companies* - Insurance companies invest customers' premiums in, among many things, fossil fuel companies. In fact, in 2014 the 40 largest US insurers held over \$450 billion in coal, oil, gas and electric utility stocks and bonds.

Recognizing their role in the fossil fuel economy, 19 global insurers have agreed to stop insuring new coal and tar sands projects and nearly 30 have divested from coal. *Of these, just four US insurers have taken action thus far.* This presents an opportunity for US insurance customers to demand greener insurance options and encourage climate action from the financial sector.

The Risk Management Case Against Insuring Fossil Fuels

Climate change is a very real risk to American business. The federal government's recent National Climate Assessment estimates that climate change impacts will wipe out 10 percent of the American economy by the end of the century¹. For insurance companies, in addition to the risk that climate change itself presents, the energy revolution underway and policy measures to address climate change are making fossil fuel investments riskier. As renewables become cheaper and more widespread and investors flee fossil fuels especially the coal sector to avoid the risk of stranded assets², insurance companies that continue to

¹ <https://nca2018.globalchange.gov/>

² http://ieefa.org/wp-content/uploads/2019/02/IEEFA-Report_100-and-counting_Coal-Exit_Feb-2019.pdf

underwrite and invest in fossil fuels are potentially risking their own financial solvency and their ability to protect their policyholders.

Corporations are increasingly acknowledging the threats climate change presents, and as a result, adapting their business strategies to shield themselves from the negative impacts of an uncertain future on an increasingly warm and volatile planet. However, few risk management strategies are addressing the cause - the fossil fuel industry and the financiers including the insurance companies that provide them with protective coverage and monetary capital.

The Corporate Sustainability Case Against Insuring Fossil Fuels

Companies continue to make progress to address their carbon footprint, but often-overlooked financial services like insurance should be a part of any good corporate sustainability strategy and to avoid undermining your company's climate efforts. Given the insurance industry's role in the fossil fuel economy, businesses should assess their insurance carriers' fossil fuel policies, if they exist and communicate their desire for greener insurance options.

Steps Your Company Can Take

There are simple but effective steps your company can take as part of this growing initiative to move away from fossil fuel investments and underwriting and accelerate the transition to a clean energy economy and a stable climate.

- Survey your insurance carriers about their investments and underwriting - see our [assessment tool](#) as a template
- Communicate your concerns to your insurance carrier - [template letter here](#)
- Adopt an internal policy to give preference for insurance carriers that divest from and limit coverage for fossil fuels

Contact us if you want to learn more or discuss how your business can engage its insurers to be part of the solution.

Contact

Mary Sweeters, Insure Our Future

mary@sunriseproject.org

+1 (951) 275-4676