



March 21, 2023

To the CEOs of 30 major fossil fuel insurers

Dear CEO,

The global climate crisis continues to escalate and may already have crossed irreversible tipping points. World leaders have committed to limiting climate change to 1.5°C; even half a degree beyond this would significantly worsen the risks of drought, floods, extreme heat and poverty for hundreds of millions of people, climate scientists at the Intergovernmental Panel on Climate Change (IPCC) have warned.

Fossil fuel emissions are the primary cause of climate change. The IPCC, the International Energy Agency and the One-Earth Climate Model (OECM) have all concluded that in order to meet the 1.5°C target, we cannot afford to develop any new fossil fuel projects. They also agree that we must phase out current fossil fuel production over time: scope 3 emissions from burning coal, oil and gas must fall by 79%, 31% and 18% respectively by 2030 from their 2019 levels, according to the OECM's sectoral pathways report for the Net Zero Asset Owners Alliance.¹

Governments, businesses and other actors all need to urgently scale up their efforts to avert an unmanageable climate breakdown. Insurers, as society's risk managers, have a special responsibility to act and the power to drive change: without insurance most new fossil fuel projects cannot go ahead and existing ones cannot continue to operate.

In the last few years many insurance companies have adopted exclusion policies which have helped accelerate the shift away from coal. However, as we show below, overall the industry has failed to align its business with the scientific consensus on what is required to limit global warming to 1.5°C. In this letter we present you with the Insure Our Future campaign's updated platform of demands - the actions responsible insurers must take if they are taking the climate emergency seriously.

¹ Sven Teske et al, Sectoral pathways and Key Performance Indicators, Report prepared by the University of Technology Sydney for the Net Zero Asset Owners Alliance, 2022

The last eight years were the hottest on record and extreme weather events are becoming more frequent and severe. In 2022, China, South Asia and Europe saw unprecedented heatwaves, Pakistan, Australia and West Africa were affected by catastrophic floods, while mighty rivers in Europe and other parts of the world ran dry due to record droughts.

Natural catastrophes, exacerbated by human-made climate change, caused an estimated \$270 billion in damages last year, of which approximately \$120 billion were insured. They left a trail of destruction affecting millions of people worldwide, with the biggest impacts on poor and marginalized communities which have contributed least to climate change.

And worse is to come. Climate scientists have warned that when the next El Niño phase starts, “the extreme weather that has rampaged across our planet in 2021 and 2022 will pale into insignificance”.² Other scientists have concluded that we may already have crossed two global climate tipping points – the melting of the West Antarctic and Greenland ice sheets – and may cross others if average temperatures increase by even 1.5°C. Such changes, they warn, “may lead to abrupt, irreversible, and dangerous impacts with serious implications for humanity”.³

As we – and particularly less privileged groups in society – pay the price for decades of inaction in the face of climate change, we know that we can only avoid unmanageable climate breakdown by accelerating the shift away from fossil fuels dramatically.

In recent years, the insurance industry has taken a series of steps to accelerate the transition from fossil fuels to renewable energy sources, albeit with notable exceptions. Since 2017, at least 41 insurers have adopted restrictions on underwriting coal, 22 on tar sands and 13 on conventional oil and gas.

But numerous loopholes in policies and standards allow insurers to continue underwriting the expansion of fossil fuel production. Several oil and gas policies restrict cover for exploration but not the development of expanded production. Others restrict cover for upstream projects but not the midstream and downstream infrastructure which, if built, will lock in expanded oil and gas production for decades to come. In addition, most policies don’t phase out support for ongoing fossil fuel production in line with a credible 1.5°C pathway.

The 29 members of the Net Zero Insurance Alliance (NZIA) have adopted a protocol for setting targets to reduce their insured emissions in line with their net zero commitments, but this falls far short of credible alignment with 1.5°C. It excludes new projects from its scope; fails to mandate targets for scope 3 emissions even when they are significant and data exists; allows insurers to set emission reduction targets for a small part of their business only; and defines a very low threshold for minimum reduction targets.

Many insurers argue that they are actively engaging their energy sector customers in a dialogue about the net zero transition, but major oil and gas producers show no signs of adopting credible net zero pathways and some have even walked back the weak commitments they have made in the past. Neither the NZIA target setting protocol nor engagement processes offer credible alternatives to fossil fuel exclusion policies.

² Bill McGuire, El Niño Is Coming—and the World Isn't Prepared, Wired, December 24, 2022

³ David Armstrong McKay et al, Exceeding 1.5C global warming could trigger multiple climate tipping points, Science, September 9, 2022

UN Secretary-General António Guterres has repeatedly appealed to the business community to take urgent steps to scale up climate action. “Climate destruction is not moving incrementally”, he said in February 2023. “We cannot move incrementally. This is not a time for tinkering. It is a time for transformation.”⁴

In line with the scientific consensus and appeals from the UN Secretary-General we, the undersigned organizations of the Insure Our Future campaign, call on you to take the following steps to support the global goal of limiting climate change to 1.5°C:

1. Immediately cease insuring new and expanded coal, oil, and gas projects.
2. Immediately stop insuring any new customers from the fossil fuel sector which are not aligned with a credible 1.5°C pathway, and stop offering any insurance services which support the expansion of coal, oil and gas production at existing customers. Within two years, phase out all insurance services for existing fossil fuel company customers which are not aligned with such a pathway.
3. Immediately divest all assets, including assets managed for third parties, from coal, oil, and gas companies that are not aligned with a credible 1.5°C pathway.
4. By July 2023, define and adopt binding targets for reducing your insured emissions which are transparent, comprehensive and aligned with a credible 1.5°C pathway.
5. Immediately establish, and adopt as policy, robust due diligence and verification mechanisms to ensure clients fully respect and observe all human rights, including a requirement that they obtain and document the Free, Prior, and Informed Consent (FPIC) of impacted Indigenous Peoples as articulated in the UN Declaration on the Rights of Indigenous Peoples.
6. Immediately bring stewardship activities, membership of trade associations and public positions as a shareholder and corporate citizen in line with a credible 1.5°C pathway in a transparent way.⁵

These policies should be applied by both insurance and reinsurance companies at the Group level. Reinsurance companies should apply the policies to direct, facultative and treaty business.

As always, your response to this letter will serve as the basis of our annual scorecard report on insurance, fossil fuels and the climate emergency. Our scoring partner Reclaim Finance will send a questionnaire with specific questions to your sustainability staff in the coming months. We ask you to respond to our letter, using the questionnaire, **by July 15, 2023**.

Companies should be rewarded for showing climate leadership and those delaying the transition from fossil fuels must be exposed. Based on your response, we will share the findings of our report with the media, insurance employees and prospective employees, shareholders, ESG raters, index providers, regulators and other interested actors.

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

⁴ Secretary-General's briefing to the General Assembly on Priorities for 2023, February 6, 2023

⁵ See the Background notes on this platform in the Annex to this letter.

excuses. No more greenwashing.”⁶ We hope we can count you among the climate leaders at this critical moment.

Thank you for your interest and kind regards.



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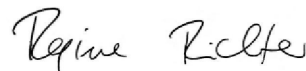
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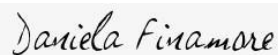
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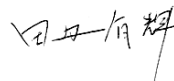
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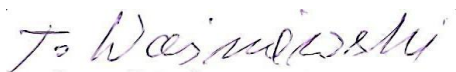
⁶ Secretary-General's briefing to the General Assembly on Priorities for 2023, February 6, 2023



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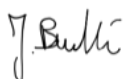
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Annex: Background notes on this platform

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

In accordance with the Global Coal Exit List, **coal companies** are defined as those that generate at least 20% of their revenue from mining and transporting coal or at least 20% of their electricity from burning coal; or produce at least 10 million tonnes of coal per year, or operate at least 5GW of coal-fired power stations; or are planning new coal mining, power or infrastructure projects.

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

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

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

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

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

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

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

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

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