April 8, 2024

To the CEOs of 30 major fossil fuel insurers

Dear CEO,

"1.5°C of global warming is extremely risky, with the chance of triggering multiple climate tipping points and multi-meter sea level rise, which may be irreversible", a report by the Institute and Faculty of Actuaries warned in November 2022. "1.5°C should be viewed similar to a ruin scenario for society – a level we must not exceed."[1]

In recent months we exceeded this "ruin scenario for society" for a full year, with hardly any response from governments and the corporate sector. Every single month since June 2023 was the warmest in a data set going back to 1940, and the global mean temperature for the last twelve months was the highest on record at 1.56°C above the pre-industrial average.[2]

Last year, natural disasters again caused losses of approximately $250 billion, of which an estimated $100 billion were insured. These costs underestimate the massive economic, social and health impacts of slow onset climate change, such as extreme temperatures, desertification, and biodiversity loss. The escalating human costs of climate change, including health impacts, loss of livelihood and displacement, are predominantly borne by poor and marginalized groups in society, those who have contributed the least to the climate emergency.

The insurance industry is responding to the escalating climate emergency by increasing premiums or entirely withdrawing from regions at the frontline of the crisis. Insurance cover for climate risks is largely lacking in large parts of the Global South and becoming increasingly unaffordable or unavailable in parts of Australia, Europe and the United States. This further shifts the cost of climate change from the carbon polluters and their supporters to individual families and businesses.

While the insurance industry abandons climate-affected communities, many carriers continue to underwrite the expansion of fossil fuel extraction and combustion, fueling the very crisis insurers have warned about for 50 years. At the end of 2023, primary insurers with a 41% market share in commercial P&C insurance had adopted coal exclusions and 20% had adopted oil and gas restrictions. Reinsurance companies controlling 63% of the market had adopted coal and 47% oil and gas restrictions respectively.[3]

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[1] Institute and Faculty of Actuaries & Climate Crisis Advisory Group, Climate Emergency – tipping the odds in our favour, November 2022

[2] Copernicus Climate Change Service, Warmest February on record, the 9th consecutive warmest month, March 8, 2024

[3] Insure Our Future, 2023 Scorecard on Insurance, Fossil Fuels and the Climate Emergency, based on research by Insuramore

Yet the oil and gas restrictions in particular are often shallow and beset by massive loopholes. No major fossil fuel insurer has ruled out support for all new upstream, midstream, and downstream oil and gas projects, and most continue to underwrite oil and gas companies that are still expanding their production in defiance of climate science.

Many insurance companies committed to transition from fossil fuels to a clean energy economy as members of the Net Zero Insurance Alliance (NZIA). Yet this past year the NZIA process collapsed. Former Alliance members could have upheld their net zero commitments at an individual level, and a few indeed published the transition plans and targets they had promised. However, most used their exit as an opportunity to delay their plans and establish targets that did not meet the modest criteria which they had agreed on as members of the NZIA.

The climate crisis threatens to destroy the foundations of a healthy planet for future generations. The insurance industry is in a powerful position to avert such an emergency by accelerating the transition from fossil fuels to a clean energy economy. We thus ask you to take the following steps:

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 have not published a transition plan aligned with a credible 1.5°C pathway, and stop offering any insurance services which support the expansion of coal, oil and gas production even among existing customers. By the end of 2025, completely phase out all insurance services for existing fossil fuel company customers which have not published such a transition plan.

3. Immediately divest all assets, including assets managed for third parties, from coal, oil, and gas companies which have not published a transition plan aligned with a credible 1.5°C pathway and scale up investments in a just, equitable, and rapid global transition to a clean energy economy.

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

5. Explore ways to bring fossil fuel companies to court in order to make polluters rather than insurance customers pay for the growing costs of climate disasters.

6. 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.

7. 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.[4]

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

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[4] See the Background notes on this platform in the Annex to this letter.

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, 2024**.

At the end of February, thousands of people in 31 countries around the world participated in a powerful and creative global week of action under the motto, #InsureOurFutureNOW. This momentum will continue to build as long as the insurance industry continues to fuel the escalating climate emergency.

We call on you to take action to avoid a ruin scenario for society now. Later is too late.

Thank you and kind regards,

Leyla Larbi
Ekō
International

Lucie Pinson
Reclaim Finance
International

Peter Bosshard
The Sunrise Project
International

Chris Wilke
Waterkeeper Alliance
International

Matt Price & Keira Taylor
Investors For Paris Compliance
Canada

Madeline Kiser
Movimiento Rios Vivos
Costa Rica

Katarína Kováčová
Re-set
Czech Republic

Didier Aksanti
Youth for Green Nature
Democratic Republic of Congo

Regine Richter
Urgewald
Germany

Antonio Tricarico
ReCommon
Italy

Yuki Tanabe
Japan Center for a Sustainable Environment and Society (JACSES)
Japan

Ashley Kitisya
Justice Peace and Integrity of Creation Franciscans Africa
Kenya

Steven Dereck Chinsendenji
Great Hope Foundation
Malawi

Nwokocha Chinenye Smith
Quest For Growth and Development Foundation
Nigeria

Godfrey Magumise
Nu Climate Vision S.A
South Africa

Karl. C. S. Yang,
Korea Sustainability Investing Forum (KoSIF)
South Korea

Donghyun Go
Solutions for Our Climate (SFOC)
SFOC, South Korea

Nora Scheel
Campax
Switzerland

Morgane Nusbaumer
Collectif Breakfree Suisse
Switzerland

Alpha Ntayomba
Population and Development Initiative
Tanzania

Nicholas Omonuk
End Fossil Occupy Uganda
Uganda

Hilda Flavia Nakabuye
Fridays For Future Uganda
Uganda

John Kaganga
Kikandwa Environmental Association
Uganda

Cirrus Kabaale
Strategic Response on Environmental Conservation
Uganda

Will Attenborough
Coal Action Network
United Kingdom

Maya Mailer
Mothers Rise Up
United Kingdom

Paul Parker
Quakers in Britain
United Kingdom

Tom Swan
Connecticut Citizen Action Group (CCAG)
United States

Cathy Becker
Green America
United States

Rick Morris
Public Citizen
United States

Ethan Nuss
Rainforest Action Network
United States

Ben Cushing
Sierra Club
United States

New address for correspondence: Minyoung Shin, minnie.shin@sunriseproject.org

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 (including in particular 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 10% or more of their revenue from mining and transporting coal or 10% or more of their electricity from burning coal; or produce 10 million tonnes or more of coal per year, or operate 5GW or more 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. See the Global Oil and Gas Exit List for a list of companies in the upstream and midstream sectors.

A **clean energy economy** will require scaling up renewable energy generation, energy efficiency measures, storage capacity, grid infrastructure and more. A just transition must provide affordable energy access to underserved communities, support impacted workers, and protect nature. Independent, science-based definitions must guide decision-making and avoid locking in unsafe technologies. According to Bloomberg New Energy Finance a ratio of 4:1 for investments on low carbon infrastructure vs. fossil fuels will be required by 2030, and according to the IEA, a ratio of 6:1 (or 10:1 if energy efficiency investments are included) will be required. Even though the BNEF and IEA definitions are flawed, these ratios indicate the scale of investments needed.

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).

Just as health insurers took tobacco companies to court to make them pay for the cost of smoking related illnesses in the 1990s, insurance companies should explore **subrogation, public nuisance or fraud claims** against major carbon producers in order to keep insurance affordable for customers affected by growing climate risks.

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.