



## **Insurance: A Climate Opportunity for Local Governments**

### **Climate Change and the Insurance Industry**

Insurers are in the business of risk management. They are experts at modeling and pricing risk, and designing preventive measures. Insurers were among the first to publicly acknowledge climate change and to call for action in the 1970s.

Local governments and communities across the U.S. are increasingly affected by the intensity and frequency of extreme weather (such as hurricanes, wildfires and floods) and rising sea levels. This means more people are affected by climate change - and now, as many are filing insurance claims, insurers are beginning to feel the squeeze.

Despite this, the insurance industry continues to enable fossil fuel expansion in two ways:

#### *Providing Insurance for Fossil Fuel Projects*

Insurance coverage enables carbon-intensive projects such as gas pipelines, plants, and offshore oil infrastructure to be built and operated. Without insurance, these projects likely won't get financed.

#### *Investing in Fossil Fuel Companies*

Insurance companies invest customers' premiums in fossil fuel companies. In 2019, 77% of U.S. insurers held over \$536 billion in coal, oil, gas and electric utility stocks and bonds.<sup>1</sup>

### **Local Governments are Leading the way to Address Climate Change**

From transportation and waste management to sourcing clean energy and energy efficiency, cities are leaders in finding solutions to reduce carbon emissions and make communities more healthy, resilient and prosperous. The conversation about climate solutions now includes financial institutions, given their role as enablers of fossil fuel expansion, especially as more cities assess those institutions that may prevent them from decarbonizing their finances. The insurance industry is one such institution - and that's where cities have an opportunity to make an impact.

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<https://www.insurancebusinessmag.com/us/news/environmental/insurers-still-have-over-half-a-trillion-invested-in-fossil-fuels-458310.aspx>

## **Local government can influence the insurance industry**

As big policyholders of commercial insurance, cities and counties can send a powerful message to the industry by urging insurers to stop underwriting and investing in fossil fuels. And local governments have leverage in making this demand. Annual insurance contract renewals present regular opportunities to bring these demands to insurers and provide clear deadlines for them. And with an increasing number of global insurance companies that are making commitments or adopting policies to divest and stop underwriting at least some fossil fuels, cities and counties have some insurance options that are safer for the climate over others.

Depending on local government size and structure, officials and staff at every level can get involved, from city councils to sustainability directors to risk managers.

### **Some local government efforts to date include:**

- Boulder County, CO adopted a resolution to screen prospective insurers on their insurance and investments in fossil fuels and use that information to inform their decision-making on insurance procurement.
- Los Angeles City Council adopted a motion that required the city to deliver an inventory of its insurance carriers and a method for evaluating prospective insurers based on their underwriting and investments in fossil fuels.
- The Boston suburbs of Cambridge and Somerville both passed resolutions; the latter will give preference for purchasing insurance from insurers that have adopted policies restricting insurance and investments for fossil fuels.

### **Get your local government involved**

Whether you're a government employee or a resident, contact us about getting your city or county to be a part of the effort to get the insurance industry to stop supporting fossil fuels.

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