INSURING COAL NO MORE

An Insurance Scorecard on Coal and Climate Change

November 2017

Unfriend COAL

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Published by 350.org, CIEL, ClientEarth, Friends of the Earth France, Greenpeace Switzerland, Market Forces, Rainforest Action Network, Re:Common, Sierra Club, Sunrise Project, UK Tar Sands Network, Urgewald, and Waterkeeper Alliance

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This report and further information on coal insurance are available at **www.unfriendcoal.com.**

Disclaimer: The organizations listed as publishers endorse the contents of this report as a whole, but not every organization necessarily endorses every score for every company.

EXECUTIVE SUMMARY

Insurance companies are increasingly pulling out of the coal sector in response to climate change. In 2015 AXA became the first global insurer to reduce investment in coal and now 15 insurers with just over 4 trillion USD in assets have taken action.[1] They are collectively divesting about $20 billion in equities and bonds from coal companies or are ceasing to underwrite coal projects, thus making coal uninsurable. The early movers represent about 13 percent of all the assets managed by the global insurance industry (see Figure 4 on page 8).

The shift of insurers away from coal is now gathering momentum and may be approaching a tipping point. Zurich just announced that it will divest from and cease underwriting companies which depend on coal for more than 50% of their business. In addition Swiss Re and Lloyd's have informed the publishers of this scorecard that they will prepare new policies in the coming months. Some of these new policies go beyond the efforts undertaken by early movers such as Allianz, Aviva, AXA and SCOR.

While most leading European insurers are now taking action on coal, their U.S. competitors are lagging behind. So far, no American insurer has taken meaningful action on coal and climate change, and even industry giants such as Berkshire Hathaway, AIG and Liberty Mutual have remained completely silent about the catastrophic climate risks affecting their clients. Among the major European companies, Hannover Re, Chubb and Mapfre have so far not taken any action on coal either, while Generali and Munich Re have only taken baby steps.

Coal is by far the biggest source of climate destroying CO2 emissions. In its annual review of global action on climate change, the UN has just called for a stop on new coal power plants and an accelerated phase-out of existing plants as key steps towards achieving the goals of the Paris Agreement and limiting average temperature increases to well below 2 degrees Celsius.[2] The International Energy Agency's pathway for a 2 degree transition also requires 99% of global coal generation to be phased out by 2050.[3]

Insurance companies have a vital self-interest in avoiding catastrophic climate change. 2017 is on track to become the worst climate disaster year for the insurance industry, and growing areas—for example exposed coastal properties—are becoming uninsurable. "Left unchecked", British insurer Aviva states, climate change will "render significant portions of the economy uninsurable, shrinking our addressable market."[4]

Insurance companies are uniquely placed to drive the transition from coal to clean energy by ceasing to underwrite and invest in coal projects. Without their coverage of the numerous natural, technical, commercial and political risks of coal projects, new coal mines and power plants could not be built and existing operations would have to shut down. With about $31 trillion under management, insurers also own significant parts of the global stock and bond markets.[5] By shifting their investments from coal to clean energy they can greatly accelerate the transition to a low-carbon economy aligned with international climate targets.

1 The amount of $4 trillion only includes the assets covered by coal divestment decisions, not all assets managed by the respective insurance companies.
2 UNEP, The Emissions Gap Report, 2017
3 See the IEA 2 Degree Scenario (coal without Carbon Capture and Storage) at https://www.iea.org/etp/explore/ (accessed on October 31, 2017)
4 Aviva's strategic response to climate change, July 2015, p. 14
5 TheCityUK, UK Fund Management, An Attractive Proposition for International Funds, November 2015

Fifteen insurers are collectively divesting about $20 billion from coal companies, and some are ceasing to underwrite coal. Is coal becoming uninsurable?

INSURANCE COMPANIES ASSESSED IN THIS REPORT

The Unfriend Coal campaign holds insurers to account for their action and inaction on coal and climate change. In June 2017, 13 organizations engaged in the campaign asked 25 leading insurance companies around the world to stop underwriting coal, divest their assets from the coal sector, prepare longer-term plans to exit other fossil fuels, and scale up their support for clean energy solutions.[6]

This scorecard assesses how insurance companies are performing on coal and climate change. It is based on the responses of 17 of the 25 insurers—a 68% participation rate—and on additional relevant information from industry surveys, company literature and websites. Four leading insurers responded through their CEOs, which illustrates the importance that they give to the topic.

The scorecard does not seek to cover the full range of climate actions that insurers can take. It focuses on one essential step—the phasing out of coal—without which all other climate efforts risk becoming meaningless.

Insurance companies have warned about the risks of climate change for more than 40 years, and many of them regularly portray themselves as climate leaders. Continued support for the mining and burning of coal is incompatible with these claims.

Time to take meaningful climate action is running out, and the momentum in the insurance industry needs to accelerate and expand. The early movers in the industry still need to deepen their engagement. The laggards in the U.S., parts of Europe and other parts of the world need to take action by the time of their 2018 annual general meetings or they will face growing reputational damage as climate hypocrites.

The publishers of this report will regularly update the scorecard as insurers take further action to exit the coal sector. They will continue to inform the customers, the staff and prospective staff members of the insurance industry about the role of insurers in underwriting coal and climate change. They will continue to acknowledge early movers and call out laggards in the industry, so that insurance companies can live up to their ultimate mission—to protect society against catastrophic risk.

6 The letter was signed by 350.org, AVAAZ, Divest Invest Individual, Friends of the Earth France, Greenpeace Switzerland, Market Forces, Re:Common, ShareAction, the Sierra Club, the Sunrise Project, Rainforest Action Network, Urgewald, and the Waterkeeper Alliance.

CLIMATE, COAL AND THE INSURANCE SECTOR

With average temperatures of 1.2 degrees Celsius over pre-industrial levels, 2016 was the hottest year on record. The unprecedented number of devastating floods, hurricanes and wildfires which ravaged many parts of the world this current year has highlighted the urgent concerns about the impacts of unabated climate change.

In the Paris Accord, governments agreed to limit the increase in the global average temperature to well below 2 degrees Celsius and to pursue efforts to limit the increase to 1.5 degrees by 2100. A Climate Action Tracker Update has found, however, that the policies which governments adopted by November 2016 would result in a temperature increase of 3.6 degrees Celsius. If governments fully implemented the Nationally Determined Contributions to which they committed in Paris, average temperatures would still increase by an estimated 2.8 degrees Celsius by 2100.[1]

1 Climate Analytics, Ecofys, New Climate Institute, Climate Action Tracker Update, Paris Agreement in force, but no increase in climate action, November 2016

According to climate scientists, an increase in average temperatures by 3 degrees Celsius would result in a significant drop of agricultural production, and an increase in deadly urban heatwaves and wildfires. Both poles would melt, and sea levels would rise by an estimated 1 meter every two decades, resulting in millions of coastal refugees. Feedback loops such as the thaw of the permafrost in arctic regions would likely kick in and would make it impossible to stabilize the climate in the future.

Coal accounts for 43% of all CO_2 emissions from fossil fuel combustion,[2] which in turn is responsible for 87% of all CO_2 emissions created by humans.[3] Coal is also one of the primary sources of pollution, which according to a recent study kills an estimated 9 million people every year.[4]

2 International Energy Agency. CO2 Emissions from Fuel Combustion 2012
3 C. Le Quéré et al,. The global carbon budget 1959-2011, Earth System Science Data 5/2013
4 The Lancet Commission on pollution and health, October 19, 2017

FIGURE 1: CO2 EMISSIONS AND TEMPERATURE INCREASES BY 2100

	Current policy projections (Nov. 2016)	NDCs and other pledges	Below 2°C by 2100 compatible pathway	Below 1.5°C by 2100 compatible pathway
Temperature increase by 2100	3.6°C	2.8°C	Below 2°C	Below 1.5°C
Emissions 2025 (GtCO2e)	55-57	52-55	39-43	35-40
Emissions 2030 ($GtCO_2e$)	58-61	53-56	36-40	29-36

Source: Climate Analytics, Ecofys, New Climate Institute, Paris Agreement in force, but no increase in climate action, November 2016

By underwriting and investing in coal and other fossil fuel projects, insurance companies contribute to the kind of catastrophic climate change from which they are supposed to protect their customers.

As the costs of wind and solar power continue to drop, numerous coal-fired power plants around the world are being retired early, and the number of new projects in the pipeline is dwindling. According to a report by Coal Swarm, the Sierra Club and Greenpeace, the global capacity of coal power plants still grew by 3% to 1,964 gigawatts in 2016. Yet last year also saw a 62% drop in construction starts of coal power plants and a drop in pre-construction activity by 48%, from 1090 to 570 gigawatts. Based on the evidence from 2010-16, only 37% of this planned capacity will actually be implemented.[5]

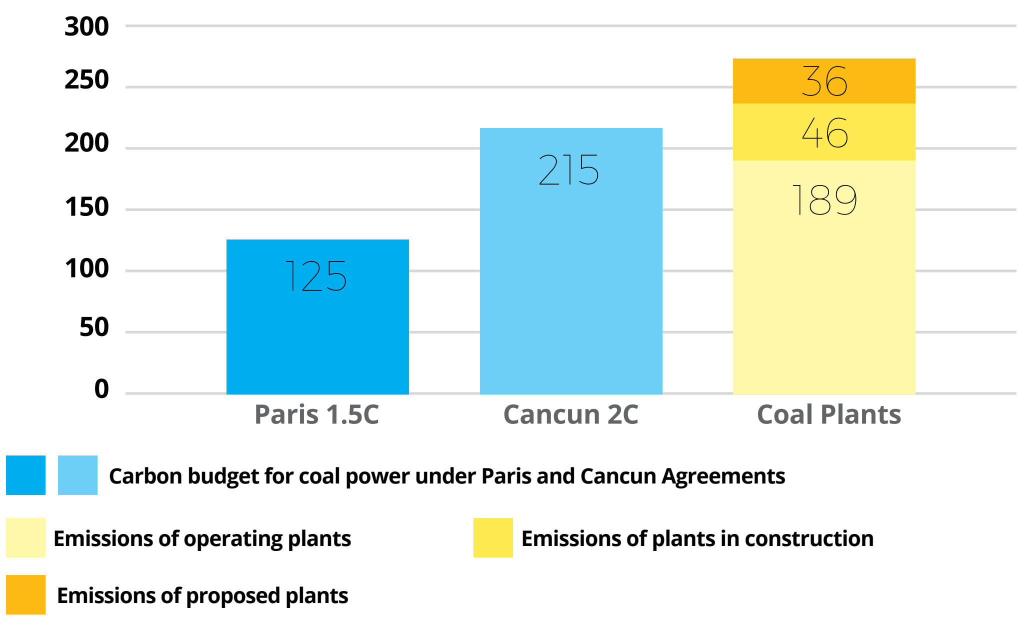
The current shift away from coal is positive, but not sufficient. CoalSwarm's Global Coal Plant Tracker found that the emissions from coal plants under operation and construction will make it impossible to limit temperature increases to 2 degrees Celsius, and emissions from operating plants alone will surpass the world's carbon budget for the 1.5 degree goal (see Figure 2).

A separate study by Climate Analytics found that none of the coal power plants in the pipeline can be built for global society to reach the climate goals of the Paris Agreement in a cost-effective way. "Building additional planned [coal] capacity would be

5 Coal Swarm, Sierra Club, Greenpeace, Boom and Bust 2017, Tracking the Global Coal Plant Pipeline

FIGURE 2: COAL PLANTS EXCEED PLANET'S CARBON BUDGET

Estimated Carbon Dioxide Emissions of Operating Coal Plants, Coal Plants in Construction, and Pre-Construction Plants, Compared to Emissions Cap for Coal Plants Under Paris 1.5°C and Cancun 2°C Agreements. (Gt)



Source: Global Coal Plant Tracker (GCPT), January 2017.

completely inconsistent with any development in line with meeting the Paris Agreement temperature goal", the think-tank found in November 2016. In addition, industrialized countries need to completely phase out coal by 2030, China by 2040, and other developing countries by 2050.[6]

Insurance companies are among the ultimate managers of risk in our society. With total assets under management of approximately $31 trillion they are also one of the world's largest groups of institutional investors. With their underwriting and investments they play a major role in shaping the world's industrial development.

The fundamental role of insurers is to protect their clients from the impacts of catastrophic risks. Insurance companies such as Munich Re were among the first business enterprises to publicly warn about the risks of climate change as early as 1973. Many leading insurers have meanwhile endorsed the goals of the Paris Agreement. "Climate change presents a major challenge for mankind and insurers will play a central role in helping society to adapt and mitigate its effects", the trade association Insurance Europe stated in October 2015.

6 Climate Analytics, Implications of the Paris Agreement for Coal Use in the Power Sector, November 2016

Unfortunately, most insurers have so far not matched their climate rhetoric with action when it comes to coal and other fossil fuels. Separate reports by Profundo and Ceres found that 55 leading insurers in Europe and in the U.S. have collectively invested at least $590 billion in bonds and shares of fossil fuel companies. With approximately 12% of their bonds in fossil fuels, the 40 U.S. insurers covered by the Ceres research were even more strongly invested in the sector than average investors.[7]

Allianz leads the list of fossil fuel investors among insurance companies with $59 billion in shares and bonds—equal to the full GDP of Uruguay. Germany's insurance giant divested its own assets from coal in 2015, but manages vast amounts of third-party assets through PIMCO and other subsidiaries, including in fossil fuels.

Through their role as underwriters, insurers play an even more essential role for the continued construction and operation of coal projects. Without the coverage of their significant natural, commercial, legal and political risks, major coal mines, ports and power plants could not be funded, built or operated.

7 Simons, M. and J. de Wilde, The Involvement of European Insurance Groups in the Fossil Fuels Sector, Profundo, April 2017; Cynthia McHale and Rowan Spivey, Assets or Liabilities? Fossil Fuel Investments of Leading U.S. Insurers, Ceres, May 2016

FIGURE 3: THE COAL SUPPLY CHAIN DEPENDS ON INSURANCE

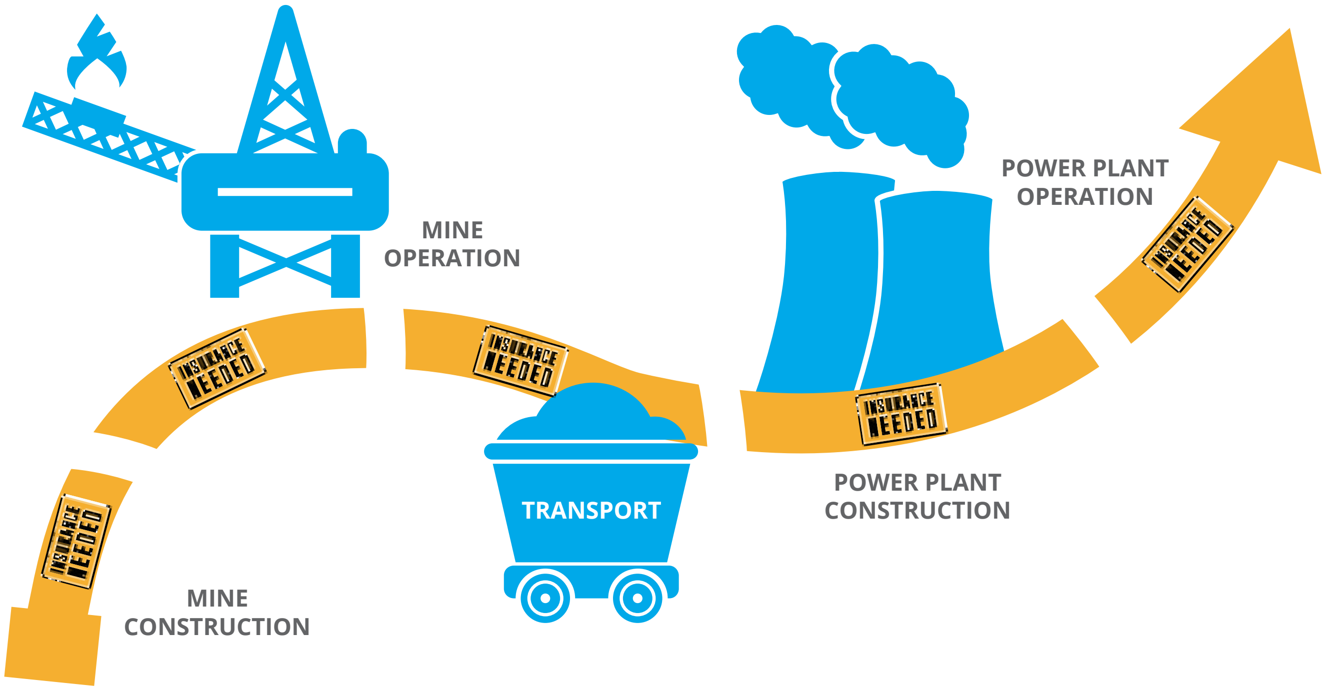
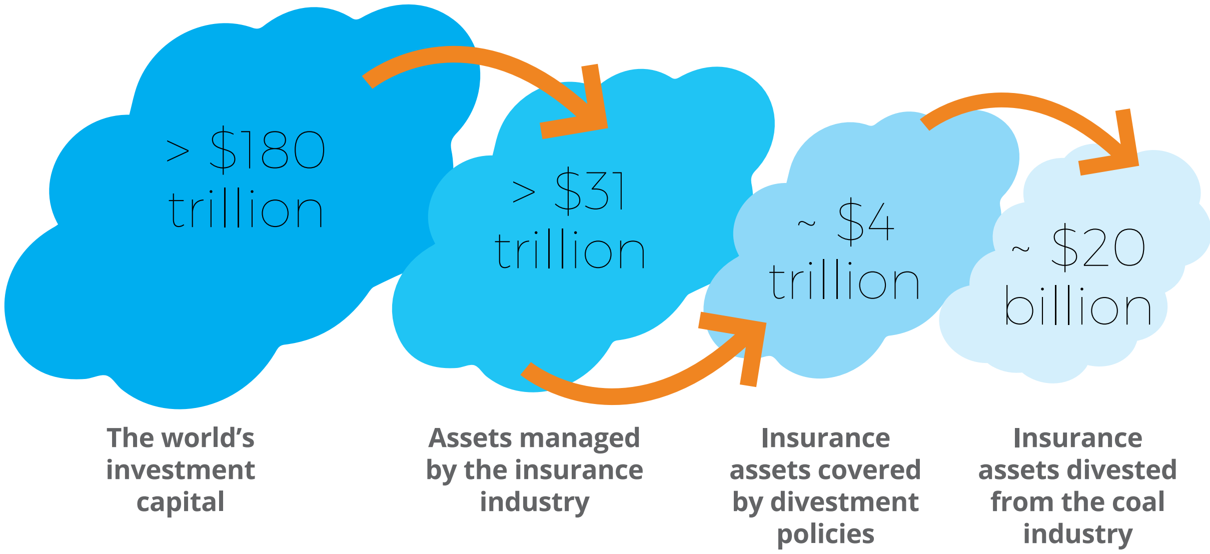


FIGURE 4: INSURANCE ASSETS DIVESTED FROM THE COAL INDUSTRY



In contrast to their investments, insurance companies don't report publicly about their underwriting, and the source of insurance for specific projects almost always remains confidential. Based on insurance intelligence reports and on how companies advertise their own services, it is however evident that most large property & casualty insurers play an active role in underwriting fossil fuel companies, including for coal projects. Profundo for example found that 11 of Europe's 15 largest multi-line insurers are highly involved in underwriting fossil fuel companies.

By underwriting and investing in coal and other fossil fuel projects, insurance companies contribute to the kind of catastrophic climate change from which they are supposed to protect their customers.

Insurers not only have a moral obligation to make their businesses compatible with the goals of the Paris Agreement. They also have a self-interest in addressing climate risks. According to the Bank of England's Prudential Regulation Authority, insurers face three types of risks relating to climate change:[8]

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

PHYSICAL RISKS: Extreme weather events such as this year's hurricanes, wildfires and floods can cause massive losses for insurance companies. Most underwriters assume that they can gradually adjust to this risk by increasing premiums, but as Standards & Poor's have warned, "climate change may also lead to a sudden increase in the risk and volatility of weather losses if certain tipping points are reached".[9]

TRANSITION RISKS: The transition to a low-carbon economy is reducing the value of carbon-intensive firms such as coal, oil and gas companies. Investments which insurers hold in such companies can thus turn into stranded assets. Lloyd's warned that climate change "could potentially strand entire regions and global industries within a short timeframe, leading to direct and indirect impacts on investment strategies and liabilities".[10]

LIABILITY RISKS: Parties who are suffering losses from climate chaos are increasingly trying to hold actors that share a responsibility for climate change liable for their losses, and the liability risks of these actors may be covered by insurance. The Prudential Regulation Authority views this climate risk "as being of most relevance to general insurers". It notes that insurance companies have so far suffered losses due to liability claims for asbestos damages in the U.S. of $85 billion.

9 S&P Global Market Intelligence, Insurers May Anticipate A Smooth Road Ahead On Climate Change, But Their View Could Be Restricted, November 16, 2015
10 Lloyd's, Stranded Assets: the transition to a low carbon economy, Overview for the insurance industry, February 2017, p. 4

In recent years, a growing number of far-sighted insurance companies have started to take action on coal. Since 2013, at least 13 major insurers—including life insurers such as Storebrand and Natixis, multi-line insurers such as AXA and Allianz, and reinsurers such as Swiss Re and SCOR—have divested their assets from the coal sector to varying degrees. In addition, Lloyds and Zurich have informed the publishers of this report that they will take this step now.[11] Starting with AXA in April 2017, a few leading insurance companies have also decided to stop underwriting some or all coal companies.

The total assets managed by insurance companies that are covered by coal divestment policies amount to just over $4 trillion. European insurers invest about 15% of their portfolios in equities and 36% in corporate bonds, for a combined total of 51%.[12] Companies that derive at least half of their revenue from coal make up about 1% of the capitalization of the S&P Global 1200 index,[13] and will likely take up a roughly similar share of corporate bonds. We can therefore assume that insurers have so far withdrawn about $20 billion in share capital and bonds from the coal industry (see the graphic).

In order to encourage further progress and to hold insurance companies to account for their action or inaction on coal, 13 organizations engaged in the Unfriend Coal campaign wrote to 25 leading insurance companies in June 2017 asking them to shift their underwriting and divestment from coal to clean energy sources. The insurers included ten large multi-line insurers, five large reinsurers, five life insurers which don't underwrite coal projects but are major institutional investors, four major niche insurers specialized in underwriting energy projects, and the insurance market Lloyd's.[14]

11 The current list of insurance companies with coal divestment policies includes Aegon, Allianz, Aviva, AXA, California's State Compensation Insurance Fund, CNP, HCF, Lloyd's (under preparation), Munich Re, Natixis, Oslo Pension & Insurance, SCOR, Storebrand, Swiss Re, and Zurich. Some of these companies were not scored in this report because they don't underwrite coal and are not among the world's largest investors. In addition, at least 11 small U.S. insurers with assets of less than $10 billion each have informed California's insurance commissioner that they will no longer invest in coal companies.

12 Insurance Europe, Oliver Wyman, Funding the Future, Insurers' role as institutional investors, June 2013.

13 Personal communication from Toby Heaps, Corporate Knights, October 30, 2017

14 The full list of insurance companies addressed can be seen in the matrix on p. 10-11

More specifically, the Unfriend Coal campaigners asked the insurance companies to undertake the following actions by October 2017:

1. Develop and adopt publicly available policies not to underwrite any new coal exploration, coal mining, coal power plant or coal infrastructure projects, and not to offer any insurance, including renewing existing policies, to companies that meet any one of the following criteria:

- they derive at least 30% of their revenues or power generation from coal;
- they produce, trade or consume at least 20 million tons of coal annually;
- they plan investments in new coal mines, power plants or infrastructure.[15]

Workers compensation policies, which directly benefit workers in the coal industry, should be exempt from this policy.

2. Publicly exclude offering any insurance coverage to the Adani group of companies and partner companies associated with the Carmichael coal mine in Australia, one of the world's largest coal mining projects.

3. Develop and adopt a publicly available policy to divest, within six months, any assets from companies that meet any of the criteria listed above. They should divest such holdings from investments on their own accounts, and no longer offer respective holdings to external investors whose assets they manage.

4. Beyond October 2017, develop a plan to divest from and cease underwriting other fossil fuel technologies (oil, gas and associated infrastructure) for their business to become fully compatible with the goals of the Paris Agreement.

5. As they divest from coal and other fossil fuel projects, scale up investments in clean energy companies that follow international human rights, social and environmental standards in their projects at a corresponding pace.

This report scores the response of the 25 insurers to this appeal for action on coal and climate change.

15 A list of approximately 800 parent companies and more than 1000 subsidiaries which fulfill these criteria has just been published in the form of the Global Coal Exit List.

SCORING GRID

	COAL UNDERWRITING							
	DEFINITION OF COAL	THRESHOLD	SPECIFIC PROJECTS	NEWS ON THE HORIZON	SUMMATION	DEFINITION OF COAL	THRESHOLD	
AIG	👎	👎	👎		👎	👎	👎	
Allianz	👎	👎	👉		👎	👍	👍	
Aviva	N/A	N/A	N/A		N/A	👉	👍	
AXA	👍	👉	👍	🔭	👍	👍	👉	
Axis Capital	👎	👎	👎		👎	👎	👎	
Berkshire Hathaway	👎	👎	👎		👎	👎	👎	
Chubb	👎	👎	👎		👎	👎	👎	
Generali	👎	👎	👎		👎	👎	👎	
Hannover Re	👎	👎	👎		👎	👎	👎	
Legal & General	N/A	N/A	N/A		N/A	👎	👎	
Liberty Mutual	👎	👎	👎		👎	👎	👎	
Lloyd's	N/A	N/A	N/A		N/A	👎	👎	
Mapfre	👎	👎	👎		👎	👎	👎	
MetLife	N/A	N/A	N/A		N/A	👎	👎	
Munich Re	👎	👎	👎		👎	👍	👉	
Prudential	N/A	N/A	N/A		N/A	👎	👎	
QBE	👎	👎	👎		👎	👎	👎	
SCOR	👉	👉	👍		👉	👍	👍	
Sompo	👎	👎	👎		👎	👎	👎	
Swiss Re	👍	👍	👍	🔭	👍	👍	👍	
TIAA Family	N/A	N/A	N/A		N/A	👎	👎	
Tokio Marine	👎	👎	👎		👎	👎	👎	
W.R. Berkley	👎	👎	👎		👎	👎	👎	
XL Catlin	👎	👎	👎		👎	👎	👎	
Zurich	👍	👉	👍		👍	👍	👉	

KEY Multiline insurance | Primarily reinsurance | Primarily life insurance

🔭 Upcoming news that could result in policy change

COAL INVESTMENT				OTHER FOSSIL FUELS (FF)		TRANSPARENCY	CLEAN ENERGY INVESTMENT	OTHER CLIMATE LEADERSHIP
ASSETS MANAGED	TYPE OF DIVESTMENT	NEWS ON THE HORIZON	SUMMATION	DIVESTMENT	UNDERWRITING			
👎	👎		👎	👎	👎	👉	👍	👎
👉	👍		👉	👉	👎	👍	👍	👍
👉	👉		👉	👉	N/A	👍	👍	👍
👍	👍	🔭	👉	👉	👍	👍	👍	👍
👎	👎		👎	👎	👎	👎	👎	👎
👎	👎		👎	👎	👎	👎	👎	👎
N/A	👎		👎	👎	👎	👎	👎	👎
👎	👎	🔭	👎	👎	👎	👍	👉	👉
👎	👎		👎	👎	👎	👉	👎	👎
👎	👎		👎	👉	N/A	👍	👍	👍
👎	👎		👎	👎	👎	👎	👎	👎
N/A	👎	🔭	👎	👉	N/A	👍	👉	👍
👎	👎		👎	👎	👎	👉	👎	👎
👎	👎		👎	👎	N/A	👉	👉	👉
👉	👉		👉	👉	👉	👉	👍	👍
👎	👎		👎	👎	N/A	👉	👍	👎
N/A	👎		👎	👎	👎	👉	👉	👎
👉	👍		👍	👉	👉	👍	👍	👍
👎	👎		👎	👎	👎	👉	👎	👉
N/A	👍		👍	👍	👍	👍	👉	👍
👎	👎	🔭	👎	👎	N/A	👉	👉	👎
👎	👎		👎	👎	👎	👉	👎	👎
N/A	👎		👎	👎	👎	👎	👎	👎
N/A	👎		👎	👎	👎	👉	👉	👉
👍	👍		👍	👉	👎	👍	👉	👍

As more insurers take action to exit the coal sector we will update this scorecard at UnfriendCoal.com

THE CRITERIA OF THIS SCORECARD

1. COAL UNDERWRITING

Underwriting risk lies at the core of the insurance industry's business model. The organizations engaged in the Unfriend Coal campaign asked insurers to adopt policies to stop underwriting coal projects by October 2017.

Insurers' performance was scored along the following criteria:

1.1. SCOPE

We expect insurers to cover all types of coal, or at least all types of thermal coal (which unlike metallurgical coal can easily be replaced), and all types of insurance in their policies.

AXA's policy covers all relevant types of coal and insurance coverage. Zurich's new policy covers new coal mines and all new customers deriving more than 50% from thermal coal. In contrast, SCOR's announcement covers direct insurance or facultative reinsurance that would specifically encourage new greenfield thermal coal mines or stand-alone lignite mines or plants. SCOR, in other words, exempts the bulk of new coal-fired power plants from its new policy.

1.2. THRESHOLD

We expect insurers not to offer insurance to companies that meet any one of the following criteria:

- they derive at least 30% of their revenues or power generation from coal;
- they produce, trade or consume at least 20 million tons of coal annually;
- they plan investments in new coal mines, power plants or infrastructure.

AXA defines coal companies as mining companies or electric utilities that derive more than 50% of their turnover from coal. Zurich uses a 50% threshold for all new customers, with a transition period of no more than 24 months for existing customers deriving more than 50% of their revenue from coal. SCOR's announcement uses a qualitative rather than a numeric threshold to define coal companies (but uses a threshold of 30% for its divestments).

No insurer is excluding support for companies irrespective of their coal percentage if they produce, trade or consume at least 20 million tons of coal per year.

1.3. SPECIFIC PROJECTS

As a test case for our policy demands, we asked insurers to publicly rule out any insurance coverage for companies associated with the giant proposed Carmichael coal mine project in Australia. Any comprehensive coal exclusion policy, even at a weaker 50% threshold, would rule out coverage for the Carmichael project.

Generally insurers don't offer any public information about specific projects. Many companies that have not adopted coal exclusion policies claim that their internal Environmental, Social and Governance (ESG) screens for climate impacts *can* limit insurance coverage to particularly destructive coal and other fossil projects. While a comprehensive coal exclusion policy is preferrable, insurers that use such screens should be transparent about what types of projects are limited by them. Zurich specifically mentioned Adani, the developer of the Carmichael mine, as an example of a company that would be excluded from its underwriting.

2. DIVESTMENT FROM COAL

With assets under management estimated at $31 trillion, insurance companies (including life insurers, which don't underwrite coal projects) are among the largest groups of institutional investors. Insurers belong to the world's biggest asset owners in their own right; in addition many of them manage significant third-party assets through their mutual funds and other instruments.

The performance of insurers as asset managers was scored along the following criteria:

2.1. SCOPE

We expect insurance companies to divest from all types of companies that are associated with coal in a major way—mining companies, electric utilities and equipment suppliers.

Allianz and Swiss Re are among companies that provide clear language for divesting from coal mining companies and coal-intensive electric utilities; companies should also divest from other critical links of the coal supply chain, most notably large equipment manufacturers.

2.2. THRESHOLD

We expect insurers to divest from companies that meet any one of the criteria listed under section 1.2.

Allianz and Swiss Re adopted a 30% threshold for the definition of coal companies. AXA, Munich Re, and SCOR adopted a 50% threshold, which allows continued investments in some of the world's most aggressive coal developers such as Korea's KEPCO, Japan's J-Power and Malaysia's utility Tenaga. Zurich also adopted a 50% threshold, with a 24 month transition period for existing customers. SCOR has meanwhile tightened its policy by adopting a 30% threshold, and other investors need to follow suit.

2.3. ASSETS OWNED VS. MANAGED

Some insurance companies manage vast amounts of third-party assets in addition to their own assets. We expect insurers to divest all funds that trigger their coal exclusion thresholds: their own assets as well as those they manage for others unless they are under specific instructions from the assets' owners to do otherwise.

Allianz has divested its own assets from coal, but not the more than $1 trillion of third-party assets that it manages. AXA IM and Zurich are also divesting third-party assets from coal, albeit with a higher threshold than Allianz. Several other insurers that have divested from coal don't manage sizable third-party assets.

2.4. TYPE OF ASSETS

Insurers invest the bulk of their assets in bonds and equities. We expect them to divest all types of assets from coal.

Most insurers which have divested from coal companies have done so for all types of assets, typically divesting from equities right away and not renewing bonds when they expire. The exception is Munich Re, which only divested from coal equities (and with a weak threshold of 50%), and continues to invest in bonds of coal companies from which it wouldn't hold shares.

THE CRITERIA OF THIS SCORECARD (CONT)

3. OTHER CRITERIA

While the main focus of this report is on coal, there are other related criteria in which we assess company performance.

3.1. OTHER FOSSIL FUELS

For average temperature increases to be limited to 1.5 or 2 degrees Celsius, 85% or 68% respectively of all known fossil fuel reserves—not just coal—need to remain in the ground.[1] We therefore asked insurers to, beyond October 2017, develop a plan to divest from and cease underwriting other fossil fuel technologies (oil, gas and associated infrastructure) for their businesses to become fully compatible with the goals of the Paris Agreement.

So far no insurer has taken steps to cease underwriting or divest from fossil fuels across the board. Some of them have however adopted policies not to underwrite environmentally particularly damaging practices such as tar sands extraction and Arctic drilling. Swiss Re is not underwriting tar sands and Arctic drilling projects. AXA just informed the publishers of this report that it is no longer underwriting Arctic drilling, and is moving away from investments in the tar sands sector. ERGO, the primary insurance group of Munich Re, does not underwrite oil drilling operations in the Arctic.

1 Oil Change International, The Sky's Limit, Why the Paris climate goals require a managed decline of fossil fuel production, September 2016

3.2. TRANSPARENCY

The levels of transparency from insurers regarding their approach to coal as well as their disclosure of ESG and climate related matters vary widely. Some of this disparity may relate to performance, as it is challenging for insurers to disclose much detail about non-existent coal policies and tepid approaches to the climate crisis. However, even some of the early movers vary widely in the level of transparency they offer, and the whole insurance sector continues to be utterly non-transparent regarding the underwriting of specific transactions.

Lloyd's, Swiss Re, XL Catlin and Zurich communicated with the authors of this report at the level of their CEOs. In contrast and in spite of repeated reminders Axis Capital, W.R. Berkley, Berkshire Hathaway, Chubb, Hannover Re, Liberty Mutual, MetLife and Mapfre did not respond to the survey at all. AIG and Munich Re responded but without divulging any detailed information.

As interim steps towards improved transparency, we scored companies by the level of detail they disclose regarding the criteria of this report as well as broader climate and ESG issues. We assessed the level of verifiable detail provided in the responses to our questionnaire and other surveys and initiatives such as the California Department of Insurance's Climate Risk Disclosure Survey, the Climate Disclosure Project and the Global Reporting Initiative.

3.3. CLEAN ENERGY INVESTMENTS

In order to meet the goals of the Paris Agreement, we must not only leave the majority of fossil fuel reserves in the ground, but also ramp up investments in clean energy technologies throughout the world. As underwriters and large asset owners, insurers can play a dual role in catalyzing the transition from fossil fuels to clean energy. If 55 insurance companies shifted the $590 billion they hold in fossil fuel companies to clean energy technologies, they could more than triple current worldwide investment in renewable energy (see Figure 4).

We scored insurers on the level and quality of their clean energy investments. We assessed how they defined clean energy (e.g. whether they included problematic sources such as large-scale hydropower); how big their clean energy investments were; whether they consisted of nebulously defined green bonds or critical but scarce project finance; and whether they were targeted at countries where they could easily displace new fossil fuel infrastructure. While clean energy investments varied widely among insurers, the sector as a whole needs to provide more detailed information about clean energy investments as well as the type of unique insurance products provided to facilitate the clean energy transition.

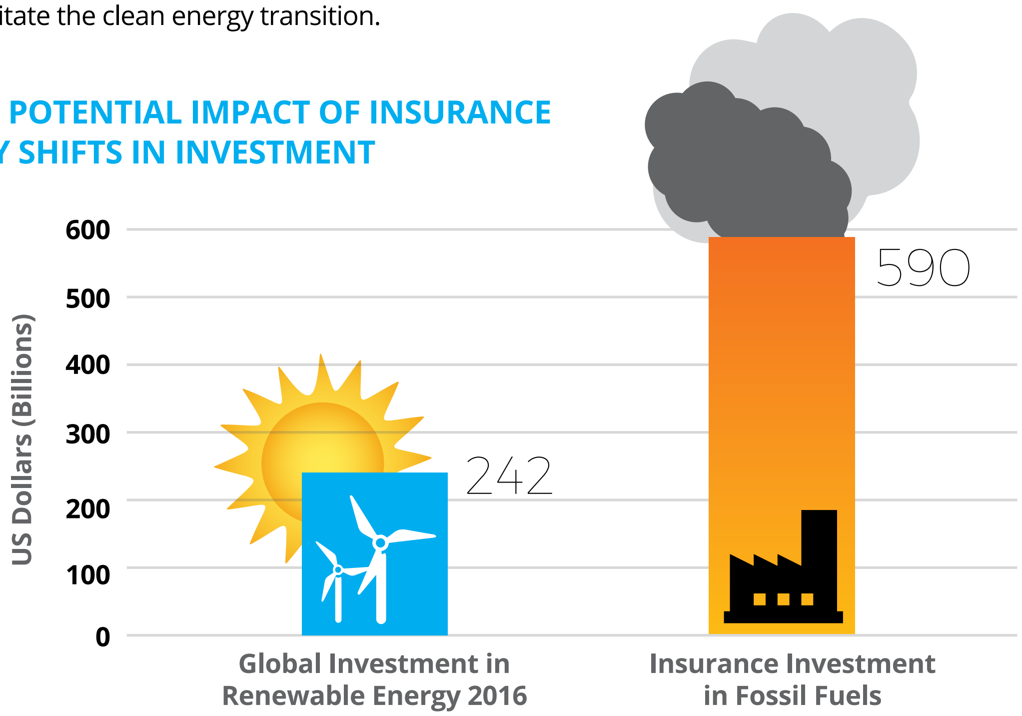
3.4. OTHER CLIMATE LEADERSHIP

There are many ways for insurers to demonstrate leadership in combating climate change and strengthening climate resilience. We scored companies based on their responses to our survey, their sustainability reports and other disclosures. Criteria included research and public education on climate issues, strong public advocacy for climate action, and companies' efforts to limit their own carbon emissions.

Insurance companies vary widely in their climate leadership. Not surprisingly we found a strong correlation between their performance on coal investment and underwriting and other aspects of climate leadership.

Companies' initial steps often include reductions in their own greenhouse gas emissions, and membership in various trade groups or committees on climate change. True climate leaders took unique and often early action to promote climate solutions for example through cutting edge research or sustained advocacy for strong, binding climate legislation at the global, national and sub-national level.

FIGURE 4: POTENTIAL IMPACT OF INSURANCE INDUSTRY SHIFTS IN INVESTMENT



Sources: Asset or Liabilities? Fossil Fuel Investments of Leading U.S. Insurers, Ceres May 2016; The involvement of European insurance groups in the fossil fuels sector, Profundo April 2017; Global Trends in Renewable Energy Investment, UNEP and BNEF, April 2017

INSURANCE COMPANY PROFILES

ALLIANZ

Allianz is the world's biggest insurance company in terms of assets under management. It is also highly involved in underwriting fossil fuel projects.

In November 2015, Allianz was one of the first insurers to divest from coal. With a threshold of 30% of revenues (for mining companies) and electricity (for utilities) generated from coal, Allianz has a more comprehensive definition of coal companies than AXA, Zurich and other peers.

Allianz's coal policy contains two critical gaps: The insurer manages third-party assets of more than $1 trillion, and unlike AXA or Zurich, does not offer coal-free funds as the default option. According to Profundo (2017), it thus manages the highest amount of fossil fuel assets among all insurers with a total of at least $59 billion. Furthermore, Allianz does not exclude coal companies and projects from underwriting.

With a growing number of insurers ceasing to underwrite coal, Allianz needs to catch up if it wants to continue to play a leadership role on climate change.

AXA

AXA was the first global insurer to divest from coal in May 2015, applying a relatively loose threshold of 50% of revenues to define coal companies. In 2017 AXA extended its coal divestment to the third-party assets managed by AXA IM but not those managed by AllianceBernstein, another global asset manager majority-owned by AXA.

In April 2017, AXA was also the first major insurer to stop underwriting coal companies in which it would no longer invest. "We believe that unsustainable business is not only uninvestable, it is also uninsurable business", Sylvain Vanston the head of ESG integration at AXA, argues.

The main weakness of AXA's coal policy continues to be the insufficiently strict definition of what constitutes a coal company. The 50% threshold allows it to continue investing in numerous companies with aggressive coal expansion plans. As several peers are also ceasing to underwrite coal, AXA needs to strengthen its definition of coal companies to keep up.

GENERALI

Generali is the world's fourth-largest multi-line insurer with an active involvement in fossil fuels as an investor and underwriter. The company likes to compare itself to peers such as Allianz, AXA and Zurich. Unlike these companies it has so far only taken baby steps on coal however, and the status of these measures is rather confusing.

Generali says that it is not underwriting underground mining projects. Furthermore its 2016 Sustainability report states that the insurer has divested from a number of companies with an (undefined) high coal intensity, and in response to a survey by the California Department of Insurance Generali said that it would no longer invest in companies depending on coal for more than 30% of their business. Yet in response to the publishers of this scorecard, the company stated that it did not have any policy on coal divestment, and would complete an analysis of its exposure to coal before deciding on measures regarding divestment and underwriting.

As one of the world's largest insurers Generali needs to quickly clarify its position on coal and take rapid measures to catch up with its European peers.

LLOYD'S

Lloyd's does not underwrite transactions directly, but offers a marketplace and services to almost 90 syndicates of other insurers, including some of the companies scored in this report (such as Axis Capital, W.R. Berkley, Chubb, QBE and XL Catlin). It also sets minimum standards with which the syndicates have to comply.

Lloyd's CEO Inga Beale informed the publishers of this report that the Lloyd's Corporation was "implementing a coal exclusion policy as part of its responsible investment strategy for the Central Fund", which would enter into force in April 2018. In addition, Lloyd's would draw attention to the issues of coal underwriting and divestment in the relevant market associations. In February 2017, Lloyd's published a report to create awareness about the risks insurers faced with stranded fossil fuel assets.

MUNICH RE AND SWISS RE

Munich Re and Swiss Re are the world's largest reinsurance companies. Both companies have carried out cutting-edge climate research, informed the public about the risks of climate change and supported government action on climate change for several decades.

Swiss Re is taking determined steps to address its own contribution to climate change as an investor and underwriter. Since early 2016, it has divested its assets from coal companies with a strict 30% threshold. The company also adopted a policy limiting its underwriting of shale gas, tar sands and Arctic drilling projects.

Swiss Re is currently developing a carbon risk steering mechanism that would help steer its business towards a low-carbon world. The first part of this mechanism will be a Sustainability Risk Framework policy that will limit Swiss Re's business support for thermal coal utilities and mining. The new policy will enter into force in mid-2018, and a transitional period will apply.

In comparison with Swiss Re, Munich Re has so far only taken baby steps to address its support for coal, divesting its own assets from companies which generate more than 50% of their revenues from coal. Unlike it peers, Munich Re generally refuses to share information about its policies.

SCOR

France's SCOR is the world's fifth-largest reinsurance company. In November 2015, SCOR decided to divest from coal companies, albeit with rather weak threshold of 50%.

In September 2017, SCOR tightened its threshold for coal divestment to 30%. It also announced that it would no longer underwrite certain coal projects, becoming the world's first reinsurer to do so. Yet its new policy has serious loopholes: It only covers facultative but not treaty reinsurance. More importantly it covers lignite projects as well as new coal mines, but not the thousands of existing and planned climate-destroying coal plants other than lignite plants.

It is positive that SCOR recognizes that sustainability criteria must apply to insurers' underwriting as well as investments. Along with Swiss Re, the reinsurer now needs to strengthen its policy so it covers all coal projects.

U.S. INSURERS LAGGING BEHIND

U.S. insurers such as Berkshire Hathaway and AIG belong to the most important global underwriters of energy projects, and MetLife and Prudential are among the most important life insurers. Some U.S. insurers have taken positive steps in terms of climate risk disclosure, engagement in international associations and investments in clean energy. Yet in sharp contrast to the momentum in Europe, no major American insurance company has so far taken any action to exit the coal sector.

U.S. insurers have access to cutting edge climate data in a country where climate science and education are now being suppressed. The inaction of U.S. insurers on coal and their lack of public advocacy for climate action is unacceptable.

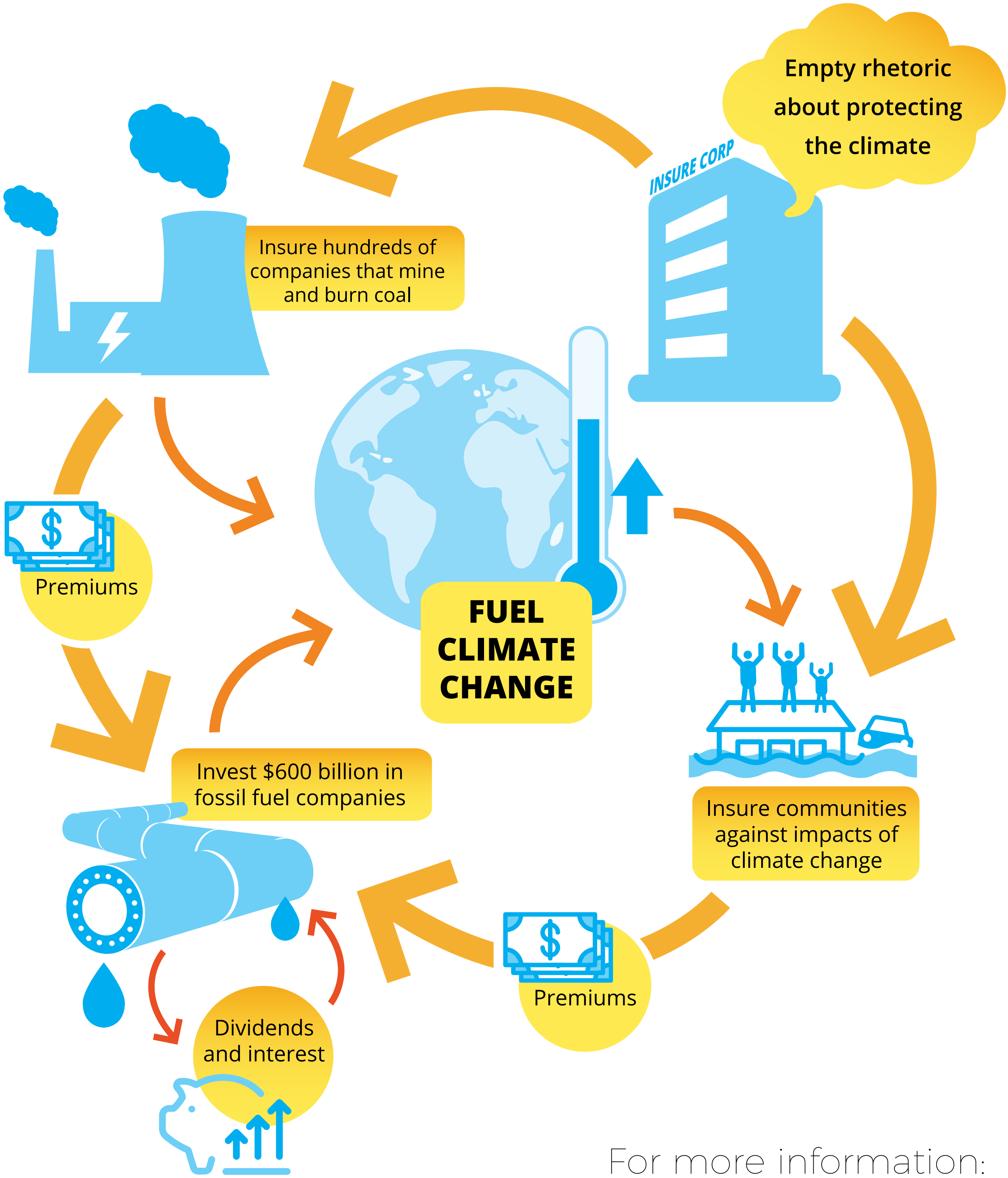
ZURICH

Zurich is the world's seventh-largest multi-line insurer with an active role in fossil fuels both as an investor and an underwriter. The company initially declined to divest from or cease underwriting coal but changed tack in the fall of 2017.

Just before the publication of this report, Zurich decided to divest its own as well as third-party assets from companies that derive more than 50% of their revenues from mining coal and from utilities that generate more than 50% of their electricity from coal. The insurer will also no longer offer underwriting services to such companies, with a transition period of up to two years for existing clients. For investments in and the underwriting of companies doing 30-50% of their business with coal, Zurich will carry out additional ESG due diligence. In line with best industry practice, Zurich should strengthen its threshold to a 30% limit.

THE CLIMATE CHANGE-INSURANCE PROFIT CYCLE

HOW THE INSURANCE INDUSTRY FUELS CLIMATE CHANGE



For more information:
UNFRIENDCOAL.COM

ANNEX: SOURCES USED FOR THE SCORECARD

We used a plethora of sources to assess and score company performance in this report.
The digital version of the report, available at **UnfriendCoal.com**, offers active links to these sources.

We approached all companies listed in this report in June 2017 with a letter encouraging action and requesting detailed information regarding the report criteria. Seventeen out of the 25 companies responded to our request by October 2017. Website reference links are listed below wherever possible; further source information and correspondence is available upon request. Note: Axis Capital, W.R. Berkley, Berkshire Hathaway, Chubb, Hannover Re, Liberty Mutual, Mapfre and Metlife declined to respond to the questions of the publishers of this report in spite of several reminders.

Additionally, we accessed industry submissions to the following other relevant surveys and disclosures:

Climate Risk Disclosure Survey and the corresponding analysis from Ceres

Carbon Disclosure Project submissions

California Department of Insurance database on fossil fuel divestment

Finally, we also referenced the following reports, interviews and documents, unique to each company:

AIG: Corporate Citizen Update Report 2016

Allianz: Coal and Insurance, ESG Integration Framework, Statement on Coal-based Investments, 2016 Sustainability Report, Environmental Data, Company Climate Advocacy, Climate Strategy

Aviva: Strategic Response to Climate Change, 2016 Corporate Responsibility Report, Strategic Response to Climate Change, various Climate Advocacy on: Fossil Fuel subsidies, Coal and Adani's proposed Carmichael Coal Mine

AXA: 2016 Annual Financial Report, Coal Investment Policy, Climate Related Disclosures, Climate Risks Report

Axis Capital: Renewable Energy Insurance

W.R. Berkeley: Environmental Stewardship

Berkshire Hathaway: Gen Re Corporate Responsibility

Chubb: 2016 Environmental Report

Generali: Sustainability Report, Responsible Investment Guideline, Green Investments, Clean Energy Insurance Products, Climate Policy

Hannover Re: 2016 Sustainability Report, Greenhouse Gas Footprint

Legal & General: 2016 Corporate Responsibility Report

Liberty Mutual: no additional data

Lloyd's: Stranded Assets: the transition to a low carbon economy, ClimateWise Report, 2016 Annual Report, Public Advocacy, Environmental Impact

Mapfre: 2016 Corporate Social Responsibility Report, 2015 Corporate Social Responsibility Policy

Metlife: 2016 Corporate Responsibility Report

Munich Re: Clean Energy Insurance, Corporate Responsibility Reports, Investment Strategy, Financial Data and Sustainability Indicators, Climate Change Initiatives and Targeted Memberships

Prudential: 2016 Sustainability Report, Environmental Work

QBE: 2016 Sustainability Report, Green Bond Framework

SCOR: 2016 ESG Report, September 2017 policy announcements, Corporate Social Responsibility Data, Climate Advocacy, again here.

SOMPO: 2016 Sustainability Report, ESG integration in Investment Process, Renewable Energy Insurance Products

Swiss Re: 2016 Sustainability Report, Sustainability Risk Framework, Investment Data, Wind Power Data and Climate Change Action

TIAA Family: 2015 Responsible Investment Report, 2015 Corporate Social Responsibility Report

Tokio Marine: 2013 Corporate Social Responsibility Report

XL Catlin: February 2017 Climate Change Policy Statement, 2016 Corporate Sustainability Report

Zurich: Green Bond Investment, Company Data, Corporate Responsibility Report, Investment Data, ESG Integration, Environmental Footprint

INSURING COAL NO MORE

An Insurance Scorecard on Coal and Climate Change

Protest against proposed coal plants in Batangas, Philippines

At least 15 leading insurers have divested about $20 billion in assets from bonds and equities in the coal sector. In addition, four of the world's largest insurance and reinsurance companies are ceasing to underwrite coal companies and projects. Is coal becoming uninsurable? This report analyzes the role of the insurance industry in the coal sector, scores the coal and climate policies of 25 leading insurers, and identifies early movers and laggards in the industry.