

Headline: Stop insuring climate disaster

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Ripton, Vermont—Last month, the United Kingdom enjoyed its first full day without the need for coal power since the Industrial Revolution began. That's remarkable news—and a sign of the future to come as the country that began humanity's centuries-long romance with burning black rocks is now moving on.

Just as the fax gave way to email and whale oil gave way to kerosene, so is coal giving way to cleaner forms of energy. And that handover will happen faster—perhaps fast enough to let us at least slow down the pace of climate change—if the mighty insurance industry would play its part.

By underwriting the development of our industrial society and the coal that has powered it, the insurance industry was one of the Industrial Revolution's crucial but often overlooked enablers.

"This has only been made possible by the insurers," said Henry Ford, looking at the New York skyline: "With no insurance, there would be no skyscrapers. No investor would finance buildings that one cigarette butt could burn to the ground."

Through their ability to spread risk across broad portfolios, insurers have enabled high-risk activities for centuries. And that is also true of activities that contribute to the highest risk in human history: global warming.

While insurance industry representatives declare their intent and passion to rein in climate change and ensure a livable planet, in the back rooms their agents are still working their financial magic to underwrite new coal-fired power stations, oil rigs, tar sands projects, gas pipelines, and other polluting projects. Many of these projects would not be viable without the services provided by insurance firms worldwide.

Insurers are also among the world's largest asset owners. With an estimated \$31.1 trillion of funds under management at the end of 2014, insurance firms represent almost a third of all institutional assets in the global economy.

Exactly how much money these firms have sunk into fossil-fuel projects is unknown. But one thing is clear: To prevent the planet's temperature from rising by more than 2 degrees Celsius relative to its preindustrial level, and thereby avoid runaway global warming, we need to leave the majority of our coal, oil and gas assets undeveloped.

Ironically, while insurers' deep understanding of climate science made them among the first actors in the business community to acknowledge climate change publicly and call for action, the industry remains a major enabler of fossil-fuel projects. Insurers have created and sustained a perverse loop, facilitating projects that cause global warming while providing insurance against these projects' adverse climate impact.

Thanks largely to its early awareness of the need to address climate change, the insurance industry's Faustian bargain has so far avoided scrutiny from pressure groups. But this is about to change.

Late last month, the French insurance giant AXA announced that it will no longer provide underwriting services to companies that generate more than 50 percent of their turnover from coal. That change builds on AXA's earlier decision to divest from such firms.

This is a key step toward making coal uninsurable. The facts couldn't be clearer: Fossil fuels are driving not only devastating climate change, but also so many other threats that to insure new coal power and mines flies in the face of reasonable financial risk management. As one of the biggest killers on the planet, causing millions of deaths yearly through air pollution, sea-level rise, and increased extreme weather, coal combustion should be unbankable.

AXA's decision is a rational one based on indisputable facts and a realistic view of the future. Insurance, after all, is based on the idea that the future somewhat resembles the past, making it predictable. But if we keep heating the planet, that assumption disappears. Already, insurers of coastal property are throwing up their hands at the difficulty of figuring out how high the sea will rise and how hard the storms to come will blow.

On moral and economic grounds, the time has come for others to follow AXA's lead and recognize that fossil fuels are uninsurable. For these firms—and for the rest of us—the best insurance is to keep fossil fuels where they belong: in the ground. Project Syndicate

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