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Insurance

US insurer Chubb pulls back from coal

First big American group to implement ban, citing climate change

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Chubb is set to become the first of the big US insurers to announce a ban on coverage for coal companies.

There has been a growing movement in Europe to stop selling insurance to coal-based power plants and coal mines because of the environmental damage they cause. So far US-based insurers have resisted joining in, despite increasing pressure from environmental action groups.

Chubb will on Monday announce that it will no longer sell insurance to new coal-fired power plants or sell new policies to companies that derive more than 30 per cent of their revenues from thermal coal mining.

"Chubb recognises the reality of climate change and the substantial impact of human activity on our planet," said Evan Greenberg, Chubb's chief executive.

The company, which is officially based in Switzerland but does much of its business in the US, will also stop making new investments in companies that have a big exposure to thermal coal mining or coal-based energy production.

Joseph Wayland, Chubb's general counsel, said that the decision was driven by business interests as well as broader environmental concerns.

"As a global insurer we are impacted by climate change, in everything from increasing fire risk to flooding," he said. "Climate change . . . can be seen in the increasing severity and frequency of natural catastrophes."

Over the past two years, insurers have been hit by a series of large natural catastrophe claims. According to Swiss Re, the insurance industry faced $76bn of losses from natural catastrophes in 2018, the fourth highest sum on record.

Not all of the catastrophes can be directly linked to climate change, but modelling specialists say that some of them, such as the series of wildfires that hit California last year, are made more likely by warmer temperatures.

Chubb's decision could increase the pressure of other big US insurers such as AIG and Travelers to act.

One that may not follow in divesting from coal is Berkshire Hathaway, which owns a number of insurance companies. In an interview with the Financial Times in April, Warren Buffett said decisions around how to deal with the declining use of coal "overwhelmingly . . . has to be a government activity".

Insurance companies in Europe including Axa, Allianz, Scor, Zurich, Swiss Re and Munich Re have over the past two years announced a series of measures to divest from coal or to stop selling insurance to companies involved in its production and use.

Last week, Zurich extended its policy, saying that it would not underwrite or invest in companies that generate more than 30 per cent of their revenues from oil sands or oil shale. It also said it would avoid companies that operated infrastructure such as pipelines and railways for oil sands projects.

At the time, Mario Greco, Zurich chief executive, said that the policy was "simply the right thing to do".

"We see first-hand the devastation natural disasters inflict on people and communities," he added.