AIG'S MOVE TOWARDS INSURING OUR FUTURE

Public Citizen Analysis of American International Group's 2022 Climate Commitments

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Climate Program

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CONTEXT

On March 1, 2022, AIG adopted a new policy to restrict coal, tar sands oil, and Arctic energy insurance and investments. This makes the company the seventh North American insurer to restrict insurance services for the coal sector, the fourth to limit insurance for the tar sands sector, and notably the first U.S. insurer to limit insurance for the Arctic energy sector (the second in North America, following AXIS Capital).

In addition, AIG has become the first U.S. property and casualty insurer to commit to achieving net-zero emissions in its underwriting and investment portfolios by 2050, as well as the first to commit to science-based emissions reduction targets in line with the goals of the Paris Agreement.

AIG's new climate commitments are a significant step for the insurer, which previously was a global climate laggard with zero restrictions on insurance and investments in fossil fuels. As of March 2022, AIG's policy means that at least 38 insurance companies have adopted policies restricting coal underwriting, at least 17 have adopted policies restricting tar sands underwriting, and at least 14 have adopted restrictions on underwriting for Arctic oil and gas extraction (only 12 cover the Arctic National Wildlife Refuge specifically, not including AIG).

With this announcement, the pressure increases on the entire U.S. insurance industry to strengthen restrictions on fossil fuel underwriting. Berkshire Hathaway and W.R. Berkley are two of the last major U.S. insurers with no restrictions on underwriting coal. Chubb and Liberty Mutual, initially quicker than AIG to adopt climate policies, now lag behind without restrictions on tar sands and Arctic oil and gas.

POLICY SUMMARY

According to AIG's statement on its new climate policies, the insurer has committed to the following underwriting and investment restrictions:

- No longer insure or invest in the construction of new coal-fired power plants, thermal coal mines, or tar sands oil.
- No longer underwrite new operation insurance risks for or invest in coal-fired power plants, thermal coal mines or tar sands for companies that generate more than 30% of their revenues from these industries, or generate more than 30% of their energy production from coal.
- Phase out existing underwriting for and cease new investments in companies exceeding these thresholds by 2030.
- No longer underwrite or invest in any new Arctic energy exploration.

AIG's new policy also commits the insurer to net-zero greenhouse gas (GHG) emissions across its underwriting and investment portfolios by 2050, a phase-out of fossil fuels, and to using science-based emissions reduction targets in alignment with the goals of the Paris Agreement.

With this new policy, AIG's ranking in the Insure Our Future Scorecard on Insurance, Fossil Fuels & Climate Change, which evaluates the climate policies of 30 of the largest global insurers, improves markedly. On fossil fuel underwriting, the company moves to #11 from a last-place tie at #23. On fossil fuel investing, it moves to #24 out of #26 — previously it was tied for last. (These updated rankings are based on Reclaim Finance's methodology for the 2021 Scorecard. They are not reflected in the most recent public release of the scorecard, dated November 2021.)

WHAT'S MISSING?

These commitments are a major step for AIG and bring the insurer closer to ending its role in furthering the climate crisis. At the same time, the policy still has gaps and falls below the standard set by leading global insurers. There is an emerging consensus that any serious climate policy from an insurance company must end support for all fossil fuel expansion—new fossil fuel production is wholly at odds with meeting science-based climate targets—and set out a detailed plan to reduce underwriting and investment exposure to coal, oil, and gas in line with a 1.5ºC-aligned pathway. AIG's policy does not expressly make these commitments, although they may—and should—

be reflected in the more detailed roadmap that the company plans to release. Here are other significant components that AIG's policy does not address:

- **Strong Coal Company Exclusions:** AIG's criteria for defining a coal company do not meet best practices, and the insurer does not commit to strengthening its definition over time. The policy notably only excludes underwriting for coal *projects* where the company exceeds the 30% thresholds. This means that under AIG's policy, it can continue to provide other types of insurance for coal companies until 2030.
    - **Coal Expansion:** Although AIG's policy covers many companies with extensive coal operations, it does not end support for "coal developers," which are all companies building new coal infrastructure that our planet cannot afford. Many companies that are building new coal power plants, mines, and infrastructure fall outside of AIG's 30% thresholds. According to the Global Coal Exit List (GCEL):
        - Approximately 51 companies that generate 30% or less of their energy production from coal are currently building new coal infrastructure.
        - Approximately 54 diversified companies that generate 30% or less of their revenues from thermal coal are developing new coal mines.
    - **Increasing Relative Thresholds:** In contrast to AIG's relative thresholds of 30% revenue or energy generated from coal, the GCEL currently defines coal companies as those that generate more than 20% of their power or revenue from coal. By 2030, which is the deadline this policy sets for phasing out existing exposures, GCEL will have lowered that threshold significantly. AIG's policy does not commit to lowering these thresholds.

      Additionally, it is unclear whether AIG will apply the relative thresholds to subsidiary companies with coal operations or solely parent companies, which could be large diversified companies that would not be covered.
    - **Absolute Thresholds:** AIG's policy does not include absolute thresholds for defining a coal company, which means that large diversified companies with many revenue or energy production sources that are

mining or combusting massive quantities of coal are not included in the policy’s scope. GCEL defines coal companies using thresholds for absolute coal mined (>10 million tonnes) or combusted (>5 gigawatts).

  - Refer to Reclaim Finance’s Coal Policy Tool to see the criteria for a robust coal policy from a financial institution.

- **Strong Tar Sands Project and Company Definitions:** AIG does not define what new tar sands projects are covered by its exclusion policy, and if both extraction and transport projects (i.e. pipelines) and their dedicated infrastructure are included. Additionally, the restriction on underwriting tar sands projects for some companies is a good first step, but the policy does not address diversified oil companies that are operating in the tar sands oil sector. Along with coal, AIG should also rule out supporting any company that is expanding tar sands infrastructure.

  Given this unclear definition of tar sands, AIG continues to be at risk of supporting Indigenous rights abuses. Pipelines, in particular, are enabling the increased extraction of tar sands in Alberta, Canada and posing grave risks to Indigenous rights, local waterways and ecosystems, and the climate.

  AIG has provided insurance for the Trans Mountain tar sands oil pipeline in Canada. Despite pressure from Indigenous communities and grassroots activists across the world, AIG has refused to rule out the project. It is not clear if AIG’s new policy covers tar sands transport projects like the Trans Mountain expansion.

- **A Reasonable Timeline:** AIG’s timeline for phasing out existing underwriting relationships with these coal and tar sands companies—by 2030—is unacceptable. This allows continued support for many coal and tar sands projects and companies for the next eight years. It is unclear whether AIG will stop renewing existing contracts that cross the relative thresholds, or if existing contracts are eligible for renewal until 2030. AIG’s phase out for investments in coal and tar sands companies also appears to leave the door open to new investments until 2030.

  On coal in particular, AIG must commit to lowering its 30% company threshold to zero to align with a full exit from coal by 2030 in OECD/European countries and by 2040 at the latest elsewhere, in line with a 1.5ºC pathway.

- **Comprehensive Arctic Definition:** AIG's policy lacks definitions for its Arctic exclusions, including the geographic coverage, whether both oil and gas are covered, and how exploration activities are defined. As the Gwich'in Steering Committee points out, it is not clear whether the policy's geographic coverage includes just the Arctic National Wildlife Refuge or also areas north of the Arctic Circle globally. It is also unclear whether "exploration activities" include development, production, and transportation. Furthermore, AIG's policy does not rule out support for Arctic oil and gas *extraction* in addition to exploration.

  The Gwich'in Steering Committee has made it clear that Arctic oil and gas exploration and extraction pose grave threats to Indigenous rights in addition to a safe climate, and AIG must commit to exit Arctic oil and gas completely.

- **Oil and Gas Exclusions:** AIG's policies do not address oil and gas companies and projects beyond tar sands and Arctic energy. This means that the company can continue to insure companies expanding oil and gas infrastructure, including fracking and deep-sea exploration. According to Insure Our Future analysis, AIG is one of the top three insurers of oil and gas globally, and that is not expected to change with this new policy.

- **Free Prior and Informed Consent (FPIC):** AIG's policy does not mention Indigenous rights at all. This means that the company can continue underwriting tar sands, Arctic oil and gas, and other fossil fuel projects that threaten Indigenous rights and have not obtained the right to Free, Prior, and Informed Consent of impacted Indigenous Peoples, as articulated in the UN Declaration on the Rights of Indigenous Peoples.

- **Divestment:** AIG must strengthen the policy to divest its existing assets, rather than just set up a screen on future investments. According to the most recent numbers from the California Department of Insurance, AIG and its subsidiaries have $26.8 billion invested in fossil fuel companies.

- **Net Zero Insured Emissions:** AIG has committed to net zero insured emissions by 2050 but has not yet defined short and medium term targets, including for specific sectors such as coal, oil and gas. Furthermore, the International Energy Agency's (IEA) net zero pathway clearly rules out support for fossil fuel expansion, which AIG fails to do.

AIG's statement references a "planned phase out of fossil fuels" and indicates that it will release more information in the coming months. We look forward to seeing a concrete timeline and detailed implementation plan for this phase out.

HOW DOES THE POLICY MEASURE UP?

Here is how AIG's policy commitments stack up relative to what is required to align with a 1.5ºC pathway and the standards set by leading global insurers:

Policy Recommendations	***Commitments***	***Stronger Steps That Global Peers Have Taken***
Coal underwriting: Immediately cease insuring new coal projects and coal companies, unless they have a coal exit plan that commits to close all coal-related assets by 2030 in EU/OECD countries and by 2040 globally.		
Immediately prohibit underwriting new coal mining and power projects.	AIG has prohibited underwriting new coal-fired power plants and thermal coal mines.	18 insurance companies have policies in place restricting insurance coverage for new coal-fired power plants and new coal mines, according to Reclaim Finance's Coal Policy Tool.
Immediately prohibit underwriting any company that is developing new coal projects (mines, power plants, associated infrastructure).	**None**	According to Reclaim Finance's Coal Policy Tool, 5 companies, including AXA, AXIS Capital, and Zurich, restrict insurance coverage for companies that are expanding coal mines, power plants, and associated infrastructure.
Immediately prohibit underwriting companies with high exposure to coal and companies producing large amounts of coal.	AIG has prohibited underwriting new coal mine and power *project* risks for companies that generate 30% of revenue from coal	For *relative* thresholds, AXIS Capital sets out the best practice, currently defining coal companies as those that generate 20% of revenue

	mining or 30% of energy production from coal power—and to phase out existing coverage for these companies by 2030.	from coal mining or electricity generation. In addition to these relative thresholds, Allianz, AXA, VIG, and Zurich employ *absolute* thresholds, defining coal companies based on how much coal they mine or burn for electricity.
Oil and gas underwriting: Immediately cease insuring new oil and gas projects, and phase out, in line with a 1.5ºC pathway, insurance for oil and gas companies.		
Immediately prohibit underwriting new oil and gas projects.	**None**	Suncorp has adopted a policy prohibiting underwriting for any new oil and gas projects. While not inclusive of all oil and gas projects, Generali has committed to "no longer underwrite upstream oil and gas activities." More specifically, AXA ruled out underwriting new upstream oil greenfield exploration projects[1], and Zurich has adopted a similar restriction.
Immediately prohibit underwriting new tar sands expansion and commit to exit the sector.	AIG has prohibited underwriting for new tar sands oil projects and underwriting new risks for companies that hold more	With AIG, 16 insurers have restricted underwriting for the tar sands oil sector, including AXIS Capital, The Hartford, and Travelers. AXIS

[1] New greenfield exploration projects are defined by AXA as "any new Oil and Gas field, notably derived from the [International Energy Agency] approach based on the notion of 'Final Investment Decision / FID." AXA allows an exception to this policy for "the Oil and Gas companies with the most far-reaching and credible transition plans."

	than 30% of reserves in tar sands, and committed to phase out existing coverage for these companies by 2030.	Capital's policy restricts underwriting support for extraction and transport projects and companies.
Immediately prohibit underwriting new Arctic oil and gas projects and commit to exit the sector.	AIG has prohibited underwriting for new Arctic energy exploration.	At least 12 global insurers have ruled out underwriting oil and gas exploration, production, or transportation projects in the Arctic National Wildlife Refuge.
Commit to phase out oil and gas underwriting in line with 1.5ºC.	**None**	Suncorp has committed to phase out all oil and gas underwriting by 2025.
Coal, oil, and gas investing: Divest all assets, including assets managed for third parties, from coal, oil, and gas companies that are not aligned with a 1.5ºC pathway.		
Divest from fossil fuel companies.	AIG has committed to stop new investments in coal and tar sands companies (as defined above) and phase out existing investments in these companies as they mature.	Coal: AXA Investment Management has adopted a stringent coal phaseout plan for its investment portfolio by 2030 in EU/OECD countries and 2040 globally and excludes investments in large coal companies. Fossil fuels as a whole: In addition to making no new direct investments in fossil fuels, Suncorp has pledged to phase out all direct investments in gas and oil by 2040.

Apply all investment policies to all assets, including those managed on behalf of third parties.	**None**	AXA Investment Management's policies apply to all third-party assets.
As a shareholder, vote for climate resolutions and against boards that are not adequately addressing climate change.	**None**	Zurich has stated its intention to engage with invested companies on climate issues, with the threat that lack of sufficient action will result in voting against board members at shareholder meetings.
Net zero insured emissions: Prepare and adopt binding targets for reducing your insured emissions which are transparent, comprehensive and aligned with a credible 1.5ºC pathway.		
Commit to insured emissions reduction targets that cover insurance for new projects as well as ongoing operations and define short and medium term targets (starting in 2025) across the whole portfolio, including for specific sectors such as coal, oil and gas.	AIG adopted a commitment to net zero insured emissions by 2050, but has not yet set interim targets.	21 insurance and reinsurance companies have committed to transition their (re)insurance underwriting portfolios to net-zero greenhouse gas emissions by 2050 as part of the Net Zero Insurance Alliance (NZIA). However, like AIG, none of the members of the NZIA have published interim targets to date.

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