



HIGH MEADOWS
INSTITUTE

Sustainability in Capital Markets

**Financing the transition to a sustainable
low-carbon economy**

Insurance Firms Sector Profile



Introduction

This sector snapshot is part of the High Meadows Institute report, Sustainability in Capital Markets. It is designed to provide a high-level overview of how key sectors in the financial system are supporting the transition to a sustainable low-carbon economy (SLCE). The sector evaluation is based on a literature review of studies on each sector's role in the SLCE transition, as well as a more detailed analysis of how 10 of the largest institutions in the sector are supporting the transition. Further details on the purpose of the report, the sectors being assessed, and the methodology for the assessment can be found in the Methodology publication [here](#).

Sample size: Allianz, Axa, Swiss Re, Zurich Insurance Group, Aviva, Munich Re, Legal & General, MetLife, Prudential (UK), AIG¹

Total estimated assets of sample size: \$6.47 trillion¹
(16% of total sector assets)

As a multi-trillion dollar market, the global insurance industry encompasses thousands of firms managing vast assets across the life, property, and casualty sectors. In 2023, the market saw its total assets rise by 2.7% to \$40 trillion, driven by strong financial market performance. At the same time, its total liabilities grew by 2.4% to \$34 trillion, reflecting premium growth.ⁱⁱ

Complimenting this, another study found that the insurance industry grew by an estimated 7.5% in 2023, with premium income increasing by 21.5%. This growth is expected to continue, with experts predicting annual growth of 5.5% over the next decade, roughly the same as expectations for economic growth.ⁱⁱⁱ

Among the insurance sectors, property and casualty (P&C) insurance is at the forefront of managing climate-related risks, with extreme weather events causing increasing financial losses. Because of its direct exposure to these challenges, our analysis focuses on property insurers and how they adapt to and mitigate these risks and integrate sustainability into their financial and underwriting models. Considering that

¹ These insurance firms were chosen based on an estimation of how much of their business comes from providing property insurance, since that is the type of insurance most relevant to a discussion of climate risks and opportunities. Other insurers may have more total assets but are less influential within the property insurance market.

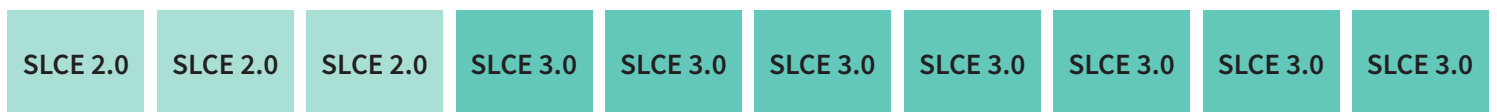
insurers have a unique opportunity to lead the sector to a sustainable low-carbon economy (SLCE), this sector profile will specifically focus on the financial influence and risk expertise of property insurers, and how their actions can aid in setting industry-wide standards.

SLCE Analysis

Despite public climate commitments, insurers show uneven progress in transitioning to an SLCE framework. Our analysis of 10 leading insurance firms finds that:

- All 10 insurance firms have committed to achieving net-zero emissions by 2050.
- 8 of 10 insurance firms are signatories to the Principles of Responsible Investment (PRI).
- 7 insurance firms are members of the Net-Zero Asset Owner Alliance (NZAOA).²
- 8 insurance firms use the Task Force on Climate-related Financial Disclosures (TCFD) framework.
- 7 insurance firms explicitly reference materiality in their ESG strategies or frameworks, 2 of which expressly reference double materiality.
- 5 insurance firms have limited third-party assurance for ESG and climate-related reporting.

Insurance Firms on the SLCE Spectrum



► This graphic illustrates where 10 of the largest insurance firms sit on the SLCE Spectrum, which is a framework designed to assess the strength and integrity of their commitment to a sustainable, low-carbon economy based on their alignment to industry best practices. SLCE 1.0 represents “Minimal Commitment,” while SLCE 2.0 represents “Active Integration” and SLCE 3.0 represents “Systemic Leadership.” To learn more about the SLCE Spectrum, including how insurance firms were assessed against HMI’s criteria, please review the separate [Methodology](#) publication.

- 4 insurance firms are involved in biodiversity-related initiatives or the Taskforce on Nature-related Financial Disclosures (TNFD).
- 2 insurance firms align their emissions reduction targets with Science-Based Targets (SBTi).

Using the SLCE framework, we categorized 7 insurance firms as Sustainability 3.0 (SLCE 3.0), with the remaining 3 categorized as Sustainability 2.0 (SLCE 2.0) due to a lack of explicit, science-backed targets and resistance to strong accountability mechanisms. This 7/10 SLCE 3.0 categorization stands out as the highest across all our analyzed sectors, suggesting that insurers are more likely to adopt sustainability frameworks compared to other sectors.

Climate Risk and its Effect on the Insurance Business Model

As specialists at pricing risk, insurance firms are obligated to forecast the impact of climate change on their financial models and ability to limit insurance payouts. With natural disasters increasing, the cost of damages to residential and commercial properties also increases. Insurers often cover these financial costs, which strains their resources. According to a recent report by Insure Our Future,^{iv} climate change has been responsible for over a third of all weather-related insurance losses over the last 20 years, amounting to

2. In June 2025, Munich Re announced its withdrawal from the Net Zero Asset Owner Alliance (NZAOA), as well as the Net Zero Asset Managers Initiative (NZAM), Climate Action 100+ (CA100+), and the Institutional Investors Group on Climate Change (IIGCC), citing legal and regulatory pressures and the complexity of climate disclosure requirements.

an estimated \$600 billion. In 2024 alone, insurance losses from natural catastrophes are expected to surpass \$135 billion, marking the fifth consecutive year with losses exceeding \$100 billion.^v

Over the years, escalating climate risks and attached costs caused insurers to either withdraw from high-risk regions or increase premiums, leaving certain markets uninsurable due to excessive risk and making coverage increasingly inaccessible for many affected individuals, businesses, and communities. The recent Los Angeles wildfires, with insured losses estimated by JP Morgan to top \$20 billion,^{vi} illustrate this crisis. In response, State Farm very recently requested an emergency 22% rate hike for California homeowners, citing increased financial strain after paying out over \$1 billion in claims.^{vii} Meanwhile, a report by First Street estimated that climate-driven insurance pressures and shifting consumer demand could lead to \$1.47 trillion in lost U.S. property value by 2055, and prompt voluntary relocation of over 55 million Americans by 2055, starting with 5.2 million in 2025.^{viii} Critics have argued that insurers are capitalizing on climate instability to generate record profits, prioritizing shareholder interests over the needs of their customers, and have urged them to balance profitability with the need to provide affordable, accessible coverage in an increasingly vulnerable world.^{ix}

The Role of the Insurance Industry in Climate Adaptation and Resilience

In addition to insurers' focus on accurately pricing climate risks, there is also an important role for insurers – and particularly reinsurers – to play in climate adaptation and resilience. For instance, insurers could develop innovative insurance products that are tailor-made for different types of climate-related risks. This could take the form of parametric insurance policies that would pay out to policyholders based on the triggering of environmental factors like

wind speed or rainfall levels, thereby allowing for a quicker recovery from a natural disaster. Insurers could also explore offering customized risk mitigation services to clients, such as guidance on building resilient infrastructure and advice on implementing disaster response plans, thereby encouraging key decision-makers to prioritize climate resilience. For example, insurers could partner with policymakers to design and roll out premium assistance programs to help protect the most vulnerable sectors and individuals, especially in cases where insurance might otherwise be unaffordable or inaccessible.^x The Sustainable Markets Initiative, which was launched in 2020 by King Charles III during the annual World Economic Forum convening, has an Insurance Task Force led by Lloyd's that is actively working on many of these issues, with the goal of “supporting the global transition to a sustainable future.”^{xi}

Some insurers are already taking steps towards this goal by playing a more active role in underwriting companies and municipalities focused on climate mitigation and adaptation. Industry experts see massive opportunities for investment in these areas, led by capital-intensive projects like building (or rebuilding) roads, bridges, tunnels, ports, and seawalls. For example, as part of New York City's pledge to reduce greenhouse gas emissions by 80% by 2050, public officials want to retrofit many of the city's buildings, which account for nearly 70% of the city's carbon emissions.^{xii} These improvements include upgrading boilers, heaters, roofs, and windows to make buildings more energy efficient. The city also has several projects and plans in the works to protect against rising sea levels, including a proposed 2.4-mile-long flood barrier along the Lower East Side at an estimated cost of \$1.45 billion.^{xiii}

By targeting these types of insurable projects, insurance firms can also reduce overall portfolio risk, which benefits both shareholders (via a stronger balance sheet) and customers (via more affordable premiums).

Opportunities for Leadership in SLCE



Shifting Away from Fossil Fuels

Globally, insurers are under increasing pressure to phase out fossil fuel-related coverage, while addressing the mounting financial impacts of climate change. The 2023 Scorecard from the Insure Our Future campaign found that between November 2022 and November 2023, the number of insurers with coal exit policies increased from 41 to 45, and those with restrictions on conventional oil and gas rose from 14 to 18.

However, this progress falls short of addressing the urgency of the climate crisis, as most insurers continue to underwrite the expansion of oil and gas infrastructure,^{xiv} highlighting the contradiction between insurers' climate goals and their ongoing support for fossil fuels.^{xv}

The Scorecard further shows that although some prominent insurers – including those in our sample – publicly align with global climate goals and promote net zero targets, they remain among the largest underwriters of fossil fuel projects. Despite advocating for transition plans, these companies have postponed emissions reduction targets and withdrawn from key climate initiatives, such as the Net-Zero Insurance Alliance (NZIA), underscoring the disconnect between their stated ambitions and actual practices.^{xvi}

Underwriting Fossil Fuels: The Role of Insurers as Risk Providers

Zurich Insurance Group is a stark example of the contradictions in the industry's approach to climate.^{xvii} As the founding member of the NZIA and a signatory of the Paris Agreement in 2015, it remained one of the world's largest fossil fuel underwriters, ranking sixth globally. Alongside Lloyd's of London, it was the only major European insurer still underwriting new oil and gas extraction projects in 2023.^{xviii}

Zurich left NZIA in April 2023, citing political and legal concerns, stating that companies should not rely solely on alliances to drive change.^{xix} At the same time, it failed to set emissions reduction targets and postponed its first transition plan until 2024, fueling skepticism about its climate commitments.

In April 2024, Zurich announced that it would stop underwriting new oil and gas extraction and metallurgical coal projects.^{xx} The company described

it as “the right time to evolve our position,” stating that further fossil fuel exploration wasn’t necessary for the transition.^{xxi} Despite generating \$2.1 billion in fossil-fuel-related premiums in 2023, Zurich anticipated no significant financial impact from these new restrictions. However, it planned to continue covering existing projects while requiring high-emission corporate clients to demonstrate clear carbon reduction efforts under its climate transition plan.^{xxii}

Investment Strategies: The Role of Insurers as Asset Owners

Beyond their role as underwriters, insurers have significant influence as asset owners, managing trillions in investments. Although some insurers align their investments with climate goals through initiatives like the Net-Zero Asset Owner Alliance (NZAOA), the financial impact of fossil fuel financing remains substantial.

- In 2023, Canadian insurers invested \$19.5 billion in fossil fuels, further exacerbating the climate risks they are responsible for covering.^{xxiii}
- Since 2023, 25 of the world’s leading primary insurers and reinsurers have implemented restrictions on coal underwriting, with 18 excluding new coal mines and power plants.
- Only six have policies to exclude companies developing new coal projects, while only eight have committed to phasing out coal by 2030 in OECD/Europe and by 2040 globally.
- For oil and gas, 23 of the leading insurers and reinsurers have implemented some form of restriction, while only eight have begun developing oil and gas phase-out strategies that require further strengthening.
- 21 of the top 30 insurers have placed restrictions on oil and gas investments.^{xxiv}



Navigating Dual Pressures: Policyholders vs. Political Backlash

As public-facing firms, with millions of policyholders across life, property, casualty, and auto insurance, insurers are highly susceptible to public and government pressure, as businesses and individuals can easily switch providers. At the same time, in politically polarized markets like the U.S., insurers also face backlash from anti-ESG factions. This political pressure contributed to NZIA’s disbandment in 2024, with several major insurers—including five firms from our sample—exiting the alliance.^{xxv} In response, the United Nations Environment Programme created the Forum for Insurance Transition to Net Zero (FIT), focusing on advancing insurance metrics, creating transition frameworks, and collaborating with corporations on net-zero strategies. Its legal team, which includes experts in sustainability, finance, and antitrust law, further reflects a response to antitrust concerns raised by 23 Republican attorneys general.^{xxvi}

Activist groups argue that insurers have the “superpower” to stop fossil fuel projects overnight simply by denying coverage. Extinction Rebellion, for instance, describes insurers as the “Achilles’ heel” of the fossil fuel industry, noting that without insurance, new fossil fuel projects become nearly impossible to finance and operate.^{xxvii}

Pain Points

A related issue is that insurers may face conflicts of interest in their underwriting and coverage decisions.

On the one hand, they are expected to provide financial protection to policyholders facing climate risks; on the other, their business model requires them to limit exposure to costly climate-related payouts. This contradiction has led to growing concerns that some insurers are using climate risk to justify increasing premiums while continuing to insure high-carbon industries that exacerbate these risks.^{xxviii}

Insurance firms face pressure from multiple sides: governments and customers push for lower rates and broader coverage, while shareholders demand higher premiums and stricter underwriting, especially in high-risk areas, to account for rising climate-related costs. This places insurers in a difficult position, forcing them to balance regulations, financial stability, and customer expectations.

In the United States, this complexity is becoming increasingly evident. As noted earlier, major insurers had stopped either renewing or issuing new home insurance policies in California before the LA fires, citing significant financial losses due to climate-related risks, such as wildfires, alongside regulatory restrictions on premium increases. A key factor behind this issue is Proposition 103, a 1988 California ballot measure that prevents insurers from raising rates without state approval. While Proposition 103 was intended to protect consumers, insurers argue that it has made the market unsustainable^{xxix} by suppressing rates while costs rise, eventually forcing them to either limit coverage or exit the market entirely.^{xxx}



As private insurers retreat from high-risk areas like California and Florida, state-backed programs such as the California FAIR Plan have become a last resort for homeowners. This shift not only damages public resources and places a heavier burden on taxpayers but also limits long-term solutions to the insurance crisis.^{xxxi} Furthermore, the recent LA fires have put this safety net under strain. As of last year, the state's FAIR Plan had \$2.5 billion in reinsurance capacity and just \$377 million in capital, while its exposure to losses in the Pacific Palisades alone stands at \$5.89 billion.^{xxxii} If claims from the recent fires exhaust FAIR Plan's resources, it can impose an "assessment" on private insurers, potentially forcing rate hikes across the state, including for policyholders unaffected by the fires. Although this would ensure coverage for all policyholders, the fallout could ripple through US insurance markets, causing further destabilization.^{xxxiii}

Beyond the wildfires, many homeowners across the United States face additional risks because their policies exclude flood coverage. In North Carolina, for instance, only 2.64% of properties in the state are covered by flood insurance, leaving many others in the state financially vulnerable.^{xxxiv} Nationally, the federal government provides most flood insurance through the National Flood Insurance Program (NFIP), which had 4.7 million policies in place and collected \$4.5 billion in premiums and fees in fiscal year 2023, according to an August 2024 Congressional Budget Office report.^{xxxv} The \$59.6 billion in damage caused by Hurricane Helene in North Carolina shows how devastating inadequate coverage can be.^{xxxvi} Despite this, many homeowners remain unaware that standard policies do not cover flooding, often failing to realize the gaps until disasters occur. This highlights the urgent need for greater public awareness and collaboration between insurers and government agencies to address these shortcomings.

The insurance industry's ongoing financial ties to fossil fuels remain one of its biggest challenges. While insurers raise premiums and halt coverage in high-risk areas due to climate-related disasters, many continue investing in fossil fuel companies, with holdings rising to 4.4% in 2023, up from 3.8% nine years earlier.^{xxxvii} Underwriting decisions vary by region: Zurich and Generali have begun phasing out coverage,^{xxxviii} while Lloyd's of London allows syndicates to decide independently.^{xxxix} A ShareAction report found many insurers still support coal, oil, and gas projects, undermining the Paris Agreement's 1.5°C target. Even where restrictions exist, loopholes allow fossil fuel companies to secure coverage and investment "through the side door," making a consistent stance on climate risk difficult.^{xl}

Conclusion

The insurance sector has enormous influence in shaping climate resilience and the transition to a more sustainable low-carbon economy, particularly through the actions of property insurers. As underwriters and asset owners, insurers have the tools to price climate risk, limit harmful activities, and steer capital away from fossil fuel expansion. Yet, despite this potential, many continue to underwrite fossil fuels while raising premiums for communities affected by climate change, reinforcing the very risks they seek to mitigate. This fragmented approach across the industry calls for stronger accountability mechanisms, broader collaboration with regulators and advocacy groups, and, ultimately, systemic reform.

Key challenges include the disconnect between public commitments and actual practices, ongoing investment in high-carbon industries, and competing pressures from shareholders, regulators, and customers. As insurers withdraw from high-risk markets, public systems are left to carry the burden while often under-resourced and overstretched. Still, there are real opportunities: insurers can lead on climate risk disclosure, scale up resilience financing, align portfolios with science-based targets, and help shape a more stable, equitable insurance landscape in the face of accelerating climate risks.



Summary

Opportunities

- Insurance firms can play multiple different roles in helping facilitate the transition to a sustainable, low-carbon economy.
- As underwriters, particularly for real estate and infrastructure projects, insurers can help encourage the SLCE transition by further incorporating climate risks into the premiums they charge customers.
- As asset owners, insurers control trillions of dollars that can be put to work in sectors essential to the SLCE transition, with the added benefit that these investments can also help minimize the amount of risk in insurers' portfolios.
- Many insurance firms are also brand-name institutions with the potential for significant influence over both policymaking and consumer behavior.

Challenges

- The insurance sector is highly regulated due to its importance to the financial system, which makes it more difficult for insurers to exit certain markets or increase the premiums they charge to customers.
- Insurance is also a very elastic good, meaning that it is fairly easy to substitute one insurer for another without any significant increase in costs or decrease in benefits. Therefore, the insurance sector needs to operate with a shared voice to enact desired changes or reforms.
- Insurance firms can be an easy target or scapegoat in the aftermath of climate-related natural disasters (e.g., floods, hurricanes, wildfires, etc.), forcing insurers to balance reputational damage with the realities of the business model.
- Insurance firms have limited ways to collaborate on key issues due to concerns about collusion or antitrust behavior, especially following the attacks on the Net Zero Insurance Alliance that resulted in the initiative's disbandment.

Additional reading and resources about insurance firms

- **Brookings:** [How is climate change impacting home insurance markets?](#)
- **Capital & Main:** [How big insurance's investment in fossil fuels came back to bite it](#)
- **Congressional Budget Office:** [Climate Change, Disaster Risk, and Homeowner's Insurance](#)
- **Financial Times:** [Insurance losses from natural catastrophes set to top \\$135BN](#)
- **Green Alliance:** [Insuring disaster: The insurance industry's support for fossil fuels](#)
- **Green Central Banking:** [Increasing climate losses threaten the insurance industry and financial stability](#)
- **Insure Our Future:** [Fifty Years of Climate Failure: 2023 Scorecard on Insurance, Fossil Fuels and the Climate Emergency](#)
- **Insure Our Future:** [Within Our Power: Cut Emissions Today To Insure Tomorrow](#)
- **International Association of Insurance Supervisors (IAIS):** [Global Insurance Market Report \(GIMAR\)](#)
- **International Association of Insurance Supervisors (IAIS):** [Application Paper on the supervision of climate-related risks in the insurance sector](#)
- **North Carolina Office of State Budget and Management:** [Hurricane Helene Recovery - Revised Damage and Needs Assessment](#)
- **Reclaim Finance:** [For a few dollars more: The fossil fuel policies of Lloyd's managing agents](#)
- **ShareAction:** [Insuring Disaster 2024: Ranking 65 of the world's largest insurers' approaches to responsible investment and underwriting](#)

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About the Authors

High Meadows Institute is focused on the role of business leadership in society. Our mission is to contribute to sustainable economic and social progress in a global economy and society. High Meadows Institute was founded in 2013 by a small group of senior business and finance leaders with deep experience in the private and non-profit sectors. The Institute works in close partnership with other leading think tanks and academic and business organizations to advance its mission.

17 Communications is a mission-driven marketing and communications consultancy specializing in the ESG, impact investing and sustainable finance sectors. We are committed to catalyzing the flow of capital towards sustainability and impact-oriented investments and solutions through a combination of communications, advocacy, research and education.



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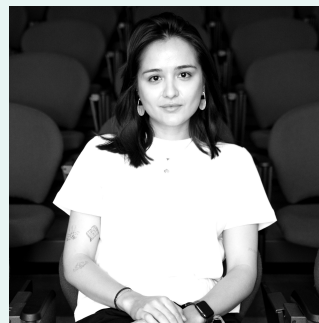
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Sustainability in Capital Markets:

Financing the transition to a sustainable low-carbon economy

Insurance Firms Sector Profile

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