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TOKIO MARINE :
TIME TO STOP INSURING FOSSIL FUELS

An Insure Our Future Briefing for Shareholders

TOKIO MARINE: COAL INSURER AND CLIMATE LAGGARD

Without insurance, few new coal projects could be built and many existing operations would have to close down. When it comes to insuring coal and other fossil fuels worldwide, the Tokio Marine Group plays a leading role. Tokio Marine is for instance, a top-10 insurer in the global coal as well as the oil and gas sectors according to Finaccord, a market intelligence company specializing in insurance industry trends.

With over 240 subsidiaries and $43 billion in premium income in 2019, Tokio Marine is a leading insurance conglomerate, headquartered in Tokyo while operating international hubs from Asia, Europe and the USA. As part of the Mitsubishi family of corporations, the Group is also the biggest underwriter in the Japanese power sector.[1]

Despite its international prominence in the energy and power sectors, it has no mechanisms by which to evaluate whether its clients fully respect all human rights including Indigenous Peoples' right to Free, Prior and Informed Consent (FPIC).

Insure OUR FUTURE

The **Insure Our Future campaign** brings together a global network of NGOs and social movements calling for insurance companies to divest from and cease insuring coal and support the transition to clean energy.

See https://insureourfuture.co/

WORDS, BUT NO ACTION

Tokio Marine's approach to climate change for now consists of multiple rhetorical commitments and little action.

> Tokio Marine continues to engage in business practices that undermine science-based recommendations to avoid a climate catastrophe.

The Group's vision is "to be a good company", striving to be "doing the right thing and always acting for the benefit of our customers and society". Tokio Marine has joined a number of climate initiatives, including the Task Force on Climate-Related Financial Disclosures, the Carbon Disclosure Project, ClimateWise, the Science Based Targets Initiative and the Japan Climate Leaders' Partnership.

But Tokio Marine continues to engage in business practices that undermine science-based recommendations to avoid a climate catastrophe — most importantly by continuing to underwrite new and existing coal ventures. For example, the Tokio Marine Group has refused to rule out support for the development of coal terminals and coal-fired power projects on the Matarbari Island in Bangladesh, which is an area already extremely vulnerable to climate change.

If these projects move ahead, they are expected to forcibly dispossess coastal communities and severely impact local mangrove habitats sheltering globally threatened species of turtles, fish and birds. As a result, these projects have already been the subject of protests inside Bangladesh and beyond.

Meanwhile, Tokio Marine advertises its expertise to underwrite oil and gas exploration in the coastal areas of the Arctic and in offshore and onshore oil and gas projects, including in Brazil. Such projects risk undermining the rights of Indigenous Peoples and other human rights as outlined in UN Conventions and Declarations while also destroying local climate resilience.

Although Tokio Marine has supported the planting of mangroves across Asia over the past 20 years and regularly touts this effort in its marketing materials as a pathway to offset the company's carbon footprint, this commitment cannot compensate for their support for fossil fuel projects, including those which endanger mangrove ecosystems.

TOKIO MARINE GROUP

Polluting the Planet!

THE INSURANCE INDUSTRY'S SHIFT AWAY FROM COAL

Already, nearly 30 major insurance companies – including the world's biggest primary insurers and reinsurance companies – have adopted policies to stop or significantly limit insurance services for coal.[3]

In addition, at least 65 major insurance companies with combined assets of approximately $12 trillion have divested from coal or ended further investments in the coal industry.[4] The insurance industry's shift away from coal has made it more difficult and expensive for coal companies to access insurance, with the practical effect of helping to accelerate the transition from coal to renewable energy solutions.

Significantly, in February 2020, Moody's Investor Service welcomed the shift of insurers away from the coal sector, stating: "We view their retreat from coal as credit positive, as it protects them against potential climate change liability risk, and reduces the risk of their investment assets becoming 'stranded' … Retreating from coal has a small negative impact on insurers' revenue and short-term profitability, but we believe it will reduce risk to their profitability over the longer-term. By excluding coal and other fossil fuels, insurers can also enhance their credentials as partners to the growing clean energy sectors." [4]

Likewise, a report which Societe Generale issued in December 2020 increased the target price of insurance companies with strong ESG and coal exit policies by 4-5% in December 2020. "We think the insurance sector's most important contribution to ESG is exiting coal underwriting," the report stated. "Stopping underwriting coal is particularly significant because, without insurance, coal projects are simply not viable."

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Moody's Investor Service, Feb 2020

TOKIO MARINE'S CLIMATE STRATEGY

Leaving gaps on coal and other fossil fuel underwriting

Unlike its global peers in the insurance industry that are taking heed of the impact of coal underwriting on our climate,[5] the Tokio Marine Group has not adopted any effective restrictions on insuring coal projects.

On September 29, 2020, the company announced a new climate strategy which states that: "Tokio Marine will not provide new insurance underwriting capacities to coal fired power generation projects".[6]

However, this principle is undermined by a long list of exceptions and fails to:

- Cover coal mines and other elements of the coal value chain;
- Commit to divest from companies with significant exposure to coal; or
- Require client projects and companies within their portfolio of underwriting and investment to fully respect all human rights, including the right to Free, Prior and Informed Consent (FPIC) as articulated in the UN Declaration on the Rights of Indigenous Peoples.

The coal section of the Tokio Marine Group's 'Climate Strategy" appears to be designed to allow the underwriting of any coal project currently planned or proposed. In particular, the reference to "national energy policy and other considerations in the relevant country" ensures that the company can still provide insurance for controversial proposed coal projects such as Vung Ang 2 in Vietnam, Indramayu Coal Power Station (Unit 4) in Indonesia and the Matarbari power stations in Bangladesh as well as all associated infrastructure. All of these projects have met determined opposition by the communities that would be impacted by them and their civil society allies.

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NEXT STEPS

Recommendations from Insure Our Future

The Tokio Marine Group positions itself as a leading insurer within Japan and internationally. Yet when it comes to ending cover for the fossil fuel sector, the company is part of a small group of prominent laggards, well behind its self-identified peers AXA, Allianz and Zurich.[7,8]

By May 2021, Tokio Marine should commit to:

1. Immediately cease insuring new coal projects and coal companies.

2. Divest all assets from coal, oil and gas companies.[9]

3. Adopt a credible transition plan to a low-carbon economy

   covering all business sectors and consistent with the IPCC's 1.5°C pathway 1. Plans should be consistent with science-based targets, leaving no room for carbon offsets or false 'techno-fixes'.

4. Establish robust due diligence and verification mechanisms to ensure all client projects and companies within their portfolio of underwriting and investment fully respect all human rights,

   including the right to Free, Prior and Informed Consent (FPIC) as articulated in the UN Declaration on the Rights of Indigenous Peoples.

References

[1] Finaccord, "Leading insurers of coal power generation: Memorandum for the Insure Our Future campaign", October 9, 2019.

[2] Insure Our Future campaign, Insuring Our Future: 2020 Scorecard on Insurance, Fossil Fuels and Climate Change

[3] Ibid.

[4] Moody's Investors Service, "Issuer In-Depth: Allianz, AXA, Swiss Re, Munich Re, Zurich, Retreat from coal reduces liability and stranded asset risk, a credit positive," February 24, 2020. (paywalled link)

[5] Tokio Marine, Our Climate Strategy, September 28, 2020

[6] Some regulators and voluntary ESG standard setters recognize the significance of the impacts that a company's activities can have on the environment and society (also known as environmental and social materiality). See for example: European Commission, "Guidelines on non-financial reporting: Supplement on reporting climate-related information" and SASB, "EU Directive Can Lay the Foundation for a Global ESG Disclosure Solution".

[7] Insure Our Future campaign, "Insuring Our Future: 2020 Scorecard on Insurance, Fossil Fuels and Climate Change", Dec. 2020. See: insurance-scorecard.com.

[8] Tokio Marine Holdings, "At a Glance" [n.d.]: www.tokiomarinehd.com/en/company/about/at_glance.html.

[9] Coal companies are defined as those that:

- generate at least 20% of their revenue from mining and transporting coal at least 20% of their electricity from burning coal
- produce at least 10 million tons of coal per year, or operate at least 5 GW of coal-fired power stations
- are planning new coal mining, power, or other infrastructure projects

This coal exclusion should not include workers' compensation and existing mine reclamation surety bonds. The Global Coal Exit List offers further guidance for identifying these companies: coalexit.org.

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