

Climate crisis on track to destroy capitalism, warns top insurer

Action urgently needed to save the conditions under which markets – and civilisation itself – can operate, says senior Allianz figure

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Some companies were ending home insurance in California due to wildfires, says Allianz SE board member. He says that without insurance, many other financial services become unviable, from mortgages to investments. Photograph: Mario Tama/Getty Images

The climate crisis is on track to destroy capitalism, a top insurer has warned, with the vast cost of extreme weather impacts leaving the financial sector unable to operate.

The world is fast approaching temperature levels where insurers will no longer be able to offer cover for many climate risks, said Günther Thallinger, on the board of Allianz SE, one of the world's biggest insurance companies. He said that without insurance, which is already being pulled in some places, many other financial services become unviable, from mortgages to investments.

Global carbon emissions are still rising and current policies will result in a rise in global temperature between 2.2C and 3.4C above pre-industrial levels. The damage at 3C will be so great that governments will be unable to provide financial bailouts and it will be impossible to adapt to many climate impacts, said Thallinger, who is also the chair of the German company's investment board and was previously CEO of Allianz Investment Management.



Extreme weather cost \$2tn globally over past decade, report finds

The core business of the insurance industry is risk management and it has long taken the dangers of global heating very seriously. In recent reports, Aviva said extreme weather damages for the decade to 2023 hit \$2tn, while GallagherRE said the figure was \$400bn in 2024. Zurich said it was “essential” to hit net zero by 2050.

Thallinger said: “The good news is we already have the technologies to switch from fossil combustion to zero-emission energy. The only thing missing is speed and scale. This is about saving the conditions under which markets, finance, and civilisation itself can continue to operate.”

Nick Robins, the chair of the Just Transition Finance Lab at the London School of Economics, said: “This devastating analysis from a global insurance leader sets out not just the financial but also the civilisational threat posed by climate change. It needs to be the basis for renewed action, particularly in the countries of the global south.”

“The insurance sector is a canary in the coalmine when it comes to climate impacts,” said Janos Pasztor, former UN assistant secretary-general for climate change.

The argument set out by Thallinger in a [LinkedIn post](#) begins with the increasingly severe damage being caused by the climate crisis: “Heat and water destroy capital. Flooded homes lose value. Overheated cities become uninhabitable. Entire asset classes are degrading in real time.”

“We are fast approaching temperature levels – 1.5C, 2C, 3C – where insurers will no longer be able to offer coverage for many of these risks,” he said. “The math breaks down: the premiums required exceed what people or companies can pay. This is already happening. Entire regions are becoming uninsurable.” He cited companies ending home insurance in California due to wildfires.

Thallinger said it was a systemic risk “threatening the very foundation of the financial sector”, because a lack of insurance means other financial services become unavailable: “This is a climate-induced credit crunch.”

“This applies not only to housing, but to infrastructure, transportation, agriculture, and industry,” he said. “The economic value of entire regions – coastal, arid, wildfire-prone – will begin to vanish from financial ledgers. Markets will reprice, rapidly and brutally. This is what a climate-driven market failure looks like.”

No governments will realistically be able to cover the damage when multiple high-cost events happen in rapid succession, as climate models predict, Thallinger said. Australia’s disaster recovery spending has already increased sevenfold between 2017 and 2023, he noted.

The idea that billions of people can just adapt to worsening climate impacts is a “false comfort”, he said: “There is no way to ‘adapt’ to temperatures beyond human tolerance ... Whole cities built on flood plains cannot simply pick up and move uphill.”

At 3C of global heating, climate damage cannot be insured against, covered by governments, or adapted to, Thallinger said: “That means no more mortgages, no new real estate development, no long-term investment, no financial stability. The financial sector as we know it ceases to function. And with it, capitalism as we know it ceases to be viable.”

The only solution was to cut fossil fuel burning, or capture the emissions, he said, with everything else being a delay or distraction. He said capitalism must

solve the crisis, starting with putting its sustainability goals on the same level as financial goals.

Many financial institutions have moved away from climate action after the election of the US president, Donald Trump, who has called such action a “green scam”. Thallinger said in February: “The cost of inaction is higher than the cost of transformation and adaptation. If we succeed in our transition, we will enjoy a more efficient, competitive economy [and] a higher quality of life.”