Connecticut Insurers: Ensuring the Climate Crisis

Connecticut is a global hub of the insurance industry. As the impacts of climate change intensify, there is growing concern that Connecticut-based insurers are exacerbating the climate crisis by continuing to underwrite and invest in fossil fuels.

Hartford, Connecticut: Insurance Capital Of The World

Hartford, Connecticut is often referred to as the “insurance capital of the world.” Many of the country’s largest private insurers have major offices in Hartford, including Travelers, Aetna, and, of course, The Hartford. Connecticut is also home to more than 1,440 domestic and international insurance companies which collectively write over $36 billion in direct premiums.

The insurance industry is vitally important to Connecticut’s economy. The state ranks first in the United States for the percentage of workers employed in the insurance industry. In Hartford alone, insurance companies employ more than 63,500 workers, and the Hartford region has the highest concentration of actuaries anywhere in the United States.[1]

Connecticut has been a de facto industry leader for decades. In other words, as Connecticut insurers go, so goes the industry. Unfortunately, Connecticut’s insurance companies, which are so central to life in the state, have largely failed to take action on climate change.

What Does Insurance Have To Do With Climate Change?

Insurers enable climate-destroying fossil fuel production in two important ways:

1. Insurers play an outsized but often unrecognized role in facilitating fossil fuel projects and companies. Through their underwriting, insurers shape what kinds of projects can get built and operate. Without insurance, no oil drilling or fracking could occur, no pipeline could be built, and no coal or gas-fired power plant could be built or operated. Once built, fossil fuel infrastructure locks us into dirty and expensive energy that fuels extreme weather and worsens public health. Insurers can give the green light to climate-killing fossil fuel projects, or they can take it away.
2. Insurers don't just underwrite and insure pipelines, mines, and drilling – they are also investing hundreds of billions of dollars of their customers' premiums in fossil fuels. In fact, the top 30 insurance companies in Connecticut have a combined $2.4 trillion in assets under management, and they're investing this money heavily in fossil fuels, even as most governments recognize that a rapid drawdown of fossil fuels is necessary to limit global warming to 1.5°C to avoid the most catastrophic impacts of climate change.

Connecticut Insurers & Fossil Fuels: By The Numbers

Insurers operating in Connecticut are some of the biggest investors and insurers of fossil fuels in the world. Table 1 shows the top 10 life, health, and property and casualty insurers operating in Connecticut (by premium) and their fossil fuel investments, which total over $247 billion.[2]

The top 10 life, health, and property and casualty insurers in Connecticut have $160 billion, $43.3 billion, and $66 billion invested in fossil fuels respectively. Of these 30 companies, over half have more than 10% of their investments in fossil fuels.

Fossil Fuel Investments of Top 30 Insurers in CT

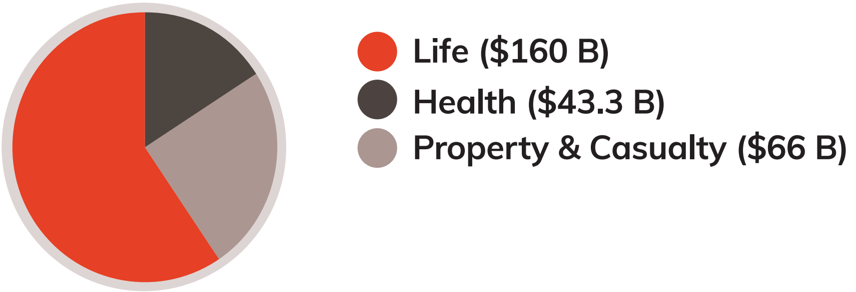
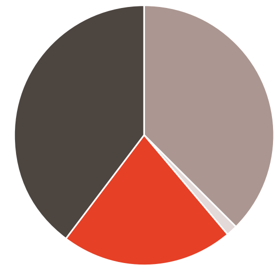


Table 1: Top 30 Insurers in CT (by total premium)

		COMPANY	TOTAL ASSETS UNDER MANAGEMENT	TOTAL FOSSIL FUEL INVESTMENTS	% OF ASSETS IN FOSSIL FUELS
Life Insurance	1	**Northwestern Mutual**	$225.6 B	$25.4 B	11.3%
	2	**MetLife**	$250.7 B	$18.9 B	7.5%
	3	**Mass Mutual**	$171 B	$12.8 B	7.5%
	4	**Lincoln National**	$123.8 B	$24.2 B	19.6%
	5	**New York Life**	$251.8 B	$27 B	10.7%
	6	**Prudential**	$172.1 B	$16.7 B	9.7%
	7	**Guardian**	$58.3 B	$9.8 B	16.7%
	8	**John Hancock**	$100.2 B	$19.8 B	19.8%
	9	**The Hartford**	$13.7 B	$3.3 B	23.9%
	10	**Penn Mutual**	$16.3 B	$2.2 B	13.8%
		Total	**$1.3 T**	**$160 B**	**14.1%**
Health Insurance	1	**Anthem**	$2.3 B	$256 M	11.3%
	2	**EmblemHealth**	N/A	N/A	N/A
	3	**UnitedHealth**	$16.1 B	$570 M	3.2%
	4	**Aetna**	$12.6 B	$1.5 B	11.7%
	5	**Cigna**	$16.8 B	$18.8 B	13.5%
	6	**Harvard Pilgrim**	N/A	N/A	N/A
	7	**MetLife**	$250.7 B	$18.9 B	10.8%
	8	**WellCare**	N/A	N/A	N/A
	9	**Unum**	$34.3 B	$10.8 B	31.4%
	10	**Genworth**	$56.8 B	$9 B	16%
		Total	**$389.7 B**	**$43.3 B**	**13.6%**
Property & Casualty Insurance	1	**Berkshire Hathaway**	$332.7 B	$8.4 B	2.5%
	2	**Liberty Mutual**	$70.8 B	$6.6 B	9.3%
	3	**Travelers**	$35.7 B	$3.5 B	9.9%
	4	**Chubb**	$52.5 B	$2.9 B	5.5%
	5	**The Hartford**	$13.7 B	$3.3 B	7.3%
	6	**Allstate**	$265.3 M	$26 M	9.8%
	7	**Progressive**	$19.4 B	$453.8 M	2.3%
	8	**State Farm**	$260.7 B	$23.3 B	9%
	9	**Nationwide**	$96.6 B	$10.5 B	10.9%
	10	**United Services Automobile Association**	$71.5 B	$7 B	9.8%
		Total	**$953.9 B**	**$66 B**	**7.6%**
		Overall Total	**$2.4 T**	**$247.3 B**	

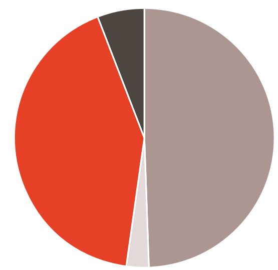
Fossil Fuel Investments of Select Connecticut Insurers

Oil & Gas · Coal · Utilities · Other



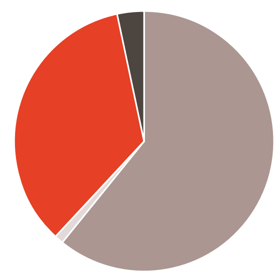
THE HARTFORD

$1 B
$2 B
$1.9 B
$73 M



CIGNA

$1.4 B
$197 M
$1.6 B
$91 M



TRAVELERS

$676 M
$65 M
$1.1 B
$23 M

The Hartford

The Hartford is a Fortune 500 company headquartered in its namesake city of Hartford, Connecticut. It provides insurance for coal, oil, and gas extraction, transport, and power generation. It also has $3.2 billion invested in fossil fuels and utilities, of which $668 million is in thermal coal. The Hartford has holdings in some of the world's worst polluters, including oil companies Chevron and Exxon, pipeline company Energy Transfer Partners (builder of the Dakota Access Pipeline), and fracking giant Chesapeake Energy.

In December 2019, The Hartford adopted a policy[3] to limit fossil fuel business. According to the policy, The Hartford will no longer cover the risks of new coal power plants or invest in or insure new clients that are highly active in coal and tar sands. It also committed to phasing out existing insurance coverage and divesting from coal and tar sands companies. While a welcome first step, the policy contains critical loopholes, as it provides an overly long transition period for clients, excludes large, diversified mining companies, does not address tar sands pipelines and other tar sands transport infrastructure projects and companies, and fails to protect the rights of Indigenous people.[4]

Travelers

Travelers is the second-largest property and casualty insurer in the United States—its main office is located in Hartford. It also is a major oil and gas insurer in the U.S. and globally. Although it proclaims that "changing climate conditions" are "integral to overseeing [its] business and operations," the company continues to prop up fossil fuels with no recognition of the role it's playing in driving the climate crisis. Meanwhile, it is reeling from climate change-fueled extreme weather. The company recorded after-tax losses of $1.3 billion in 2018 from natural catastrophes, including $314 million in losses from the Camp Fire in Northern California.[5]

Travelers has $3.5 billion invested in fossil fuels, according to the most recent data from the California Department of Insurance, and zero policies in place that address fossil fuel insuring or investing. Its holdings include oil companies Chevron, Exxon, and Shell; Connecticut Natural Gas Corporation; and pipeline companies Halliburton and Kinder Morgan.

Cigna

Cigna is a health insurance company headquartered in Bloomfield, Connecticut. It has the fifth-largest market share in Connecticut among health insurance companies. Despite purporting to care about the health and well-being of its customers and communities, the company has $2.3 billion invested in fossil fuels, including pipeline companies Enbridge and TC Energy (formerly Transcanada); oil companies Chevron and Marathon Petroleum; natural gas company Targa Resources; and coal company Peabody. Cigna does not have any policies on fossil fuel investing.

Fossil Fuels Are Bad For Business

Fossil fuel underwriting and investments are bad for the insurance business in three ways:

1. **Exacerbating climate change.** By investing in fossil fuels, insurance companies are financing an industry that is fundamentally harming their bottom line. The increased frequency and intensity of climate-related natural disasters is driving a rapid uptick in insurance claims. Global insured losses from natural catastrophes in 2018 totaled $76 billion, making it the fourth most expensive year on record and reflecting the "new normal" of higher-frequency, more severe extreme weather events.[6]

2. **Poor returns on investment.** In recent years, fossil fuel investments have proven to be profoundly volatile and underperforming. In 2018, the Institute for Energy Economics and Financial Analysis released a report[7] detailing fossil fuel companies' weak performance and growing risks.[8] World-renowned investor Jeremy Grantham says that fossil fuels are a declining industry, and that a company can safely divest from the sector with a negligible impact on risk and return.[9] Important regulators like Governor of the Bank of England Mark Carney[10] and even Black Rock CEO Larry Fink concur. In Fink's annual letter to investors in December 2019, Fink said that investors are increasingly "recognizing that climate risk is investment risk."[11]

3. **Growing Reputational Risk.** The insurance industry is facing a public backlash because it's investing its customers' premiums into the very industries driving the climate crisis. By propping up fossil fuels, the insurance industry is jeopardizing its ability to recruit and retain younger employees who, studies show, care deeply about sustainability[12] and who have already begun to press insurers to take climate change more seriously.[13]

Connecticut Insurers: Missing In Action

Connecticut-based insurers are far behind their global peers in reducing their support for fossil fuels. In recent years, a growing number of European and Australian insurers have begun to take action. By the end of 2019, 19 of the world's biggest insurers had announced coal exit policies; these insurers control 48% of the global reinsurance market and 14% of the primary insurance market.

Most of these companies refuse to insure new mines and power plants, while companies like Swiss Re and Zurich have also ended coverage for existing coal projects and the companies that operate them. The number of insurance companies divesting from coal has also increased dramatically. At least 35 companies with combined assets of roughly $8.9 trillion – 37% of the industry's global assets – have now adopted coal divestment policies.[14]

Some of these same insurers have also begun to end insurance for the destructive tar sands oil sector, which poses grave threats to Indigenous rights, local ecosystems, and the global climate. Nine European and U.S. insurers have adopted policies that limit tar sands insuring and/or investing.

Although the end of 2019 saw some limited progress by U.S. insurers, the overwhelming majority of insurance companies in Connecticut haven't done a thing to reduce their support for fossil fuels. Of the 30 companies listed in Table 1, only Chubb, Liberty Mutual, and The Hartford have begun to make some preliminary moves to limit their insurance coverage for fossil fuels, but even these policies contain major loopholes and remain far from what climate science tells us must be done.

What Connecticut Insurers Must Do

Rather than trying to wring the last drops of profit from dirty energy, the Connecticut insurance industry could play a major role in the just transition to a low-carbon future. Citizens' groups in Connecticut are demanding that insurance companies stop insuring the expansion of fossil fuels and phase out fossil fuel business in line with keeping global warming to 1.5°C. That means:

1. Immediately stop insuring new fossil fuel projects.
2. Immediately stop insuring and investing in companies that are exploring new fossil fuel reserves and/or are highly active in coal, tar sands, Arctic oil and gas, offshore oil and gas, oil shale, shale oil and gas, and liquefied natural gas.
3. Phase out insurance for and investments in all fossil fuel companies in line with the goals of the Paris Agreement.
4. Report annually on how investment activities (including exercise of voting rights and engagement with companies they have holdings in), membership in trade associations, and political spending are in line with limiting global warming to 1.5°C.

Note: *Workers' compensation policies, which directly benefit workers in the fossil fuel industry, should be exempt from these policies. Furthermore, insurers should support a just transition policy for communities and workers currently dependent on fossil fuels for their livelihoods.*

April 2020

Endnotes

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