Insure Our Future's Analysis of Travelers' Climate Commitments

Response to Travelers' 2022 Coal & Tar Sands Policy

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Context

In early 2022, Travelers adopted a new policy to restrict coal and tar sands insurance and investing, making it the sixth North American insurer to restrict insurance services for the coal sector and third North American insurer to limit insurance for the tar sands sector.

With this announcement, Travelers has joined a global movement of insurers that are shifting capital out of fossil fuels. As of February 2022, at least 35 insurance companies have adopted policies restricting coal insurance underwriting and at least 14 insurance companies have adopted policies restricting tar sands insurance underwriting.

Travelers' announcement will increase the pressure on AIG and Berkshire Hathaway to rule out coal, as they are the two remaining major U.S. insurance companies with no restrictions on underwriting coal, as well as on Chubb and Liberty Mutual to include tar sands in the scope of their climate policies.

Policy Summary

According to the Coal/Tar Sands Policy, Travelers has committed to the following underwriting restrictions:

- No longer insure new coal power plants.
- No longer underwrite new risks for companies that generate more than 30% of their revenues from thermal coal mining, more than 30% of their energy production from coal, or hold more than 30% of their reserves in tar sands.
- Phase out existing insurance coverages to companies exceeding these thresholds by 2030.
- No longer make new investments in coal and tar sands companies (as defined above) and phase out current investments in these companies.

With this new policy, Travelers' 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 #16 from #23, where it was tied for last. On fossil fuel investing, it also moves to #16 – up from #24 where it was also tied for last. (Note: this updated ranking is not reflected in the scorecard, which was most recently published in November 2021.)

The coal restrictions in Travelers' new policy are evaluated in detail by Reclaim Finance in their online Coal Policy Tool.

What’s Missing?

While these commitments represent a significant step towards aligning Travelers’ practices with a safe climate future, the policy has significant loopholes and falls well below the standard set by leading global insurers. Here are some of the major components that it does not address:

- **Coal Company Definitions:** Travelers’ criteria to define a coal company and nonexistent plan to strengthen this definition over time is concerningly limited.
    - **Coal Expansion:** While Travelers’ policy excludes many coal-intensive companies, it does not end support for all coal companies that are building new coal infrastructure, also known as “coal developers.” Many companies that fall outside of these 30% thresholds are building new coal power plants, mines, and infrastructure that our climate cannot afford. 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.
    - **Relative Thresholds:** In contrast to Travelers’ relative thresholds – set at 30% – 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 grace period that this policy offers, GCEL will have lowered that threshold significantly.
    - **Absolute Thresholds:** GCEL also defines coal companies using thresholds for absolute coal mined (>10 million tonnes) or combusted (>5 gigawatts), which Travelers does not include. This 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.
- **Tar Sands Company Definition:** The restriction on underwriting some tar sands extraction companies is a good first step, but the policy does not address diversified oil companies that are operating in the tar sands oil sector, nor does it include tar sands transport companies. As above, Travelers should also rule out supporting any company that is expanding tar sands infrastructure.

  Given this narrow definition of tar sands, Travelers 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 environments, and the climate.

  Travelers subsidiary Navigators, a syndicate in the Lloyd’s of London Marketplace, is one of the remaining potential insurers of the Trans Mountain tar sands pipeline. Despite pressure from Indigenous communities and grassroots activists across the world, Navigators has refused to rule out the project.
- **A Reasonable Timeline:** Travelers’ 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.

On coal in particular, Travelers must commit to revisiting the policy and lowering its coal company thresholds 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.

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

- **Arctic Drilling:** Oil and gas extraction in the Arctic poses grave threats to the environment and Indigenous rights. As The Gwich'in Steering Committee has outlined clearly, Travelers must rule out underwriting any projects in the Arctic Refuge and commit to exit the Arctic oil and gas sector completely.

- **Alignment with the Lloyd's Policy:** Travelers' policy does not apply to all of its underwriting, as it explicitly notes that business on the Lloyd's of London marketplace will instead follow the guidelines set out in the Lloyd's 2020 Environmental, Social and Governance Report.

  While overall the Lloyd's guidance is less stringent than Travelers' new commitments, the restrictions on insuring coal, tar sands, and Arctic drilling projects are, in fact, stronger, notably in the exclusion of Arctic drilling. If Travelers is implementing the Arctic project underwriting guidance for all of its business on the Lloyd's marketplace, then why is it not also doing so across all of its underwriting business?

- **Free Prior and Informed Consent (FPIC):** Travelers policy does not mention Indigenous rights at all. This means that the company can continue underwriting tar sands 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:** Travelers 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, Travelers and its subsidiaries have 3.5 billion USD invested in fossil fuel companies.

How Does the Policy Measure Up?

There's an emerging consensus that any serious climate policy from an insurance company must end support for fossil fuel expansion and set out a plan to reduce underwriting and investment exposure to coal, oil, and gas in line with a 1.5ºC-aligned pathway. The details of such a policy – and how Travelers measures up to global best practices – are outlined in the table below.

Policy Recommendations	***Travelers' Commitments***	***Stronger Steps That Global Peer Insurers 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	Travelers has prohibited underwriting new coal-fired	18 insurance companies have policies in place restricting insurance coverage for

and power projects.	power plants, but not new coal mines.	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 coal companies.	Travelers has prohibited underwriting new risks for companies that generate 30% of revenue from coal mining or 30% of energy production from coal power – and to phase out existing coverage for these companies by 2030.	For *relative* thresholds, AXIS Capital sets out the best practice, currently defining coal companies as those that generate 20% of revenue 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.
Commit to exit coal by 2030 in OECD/EU countries and 2040 elsewhere.	**None**	Nine insurance companies have committed to coal phaseout plans. AXA has put in place an exit strategy in line with these dates, requiring coal companies to disclose a coal exit or asset closure plan. Swiss Re has committed to tighten its treaty reinsurance underwriting to exit all exposures in OECD countries by 2030 and the rest of the world by 2040.
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 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, and Zurich has adopted a similar restriction.

Immediately prohibit underwriting new tar sands expansion and commit to exit the sector.	Travelers has committed to stop underwriting new risks for companies that hold more than 30% of reserves in tar sands – and to phase out existing coverage for these companies by 2030.	With Travelers, 15 insurers have restricted underwriting for the tar sands oil sector, including AXIS Capital and The Hartford. AXIS 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.	**None**	At least 8 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.	Travelers 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 aligned with the 2030 and 2040 dates and the coal company definitions as detailed in its underwriting restrictions. 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.

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