United States Senate

COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510–6100
TELEPHONE: (202) 224–0642

June 9, 2023

Mr. Warren Buffett
Chairman & Chief Executive Officer
Berkshire Hathaway Inc.
3555 Farnam Street
Omaha, NE 68131

Dear Mr. Buffett:

The United States Senate Committee on the Budget has recently held a series of hearings examining the economic risks associated with climate change.[1] In these hearings, central bankers, economists, insurance industry executives, financial experts, and others have testified that climate change poses multiple "systemic risks" to the economy. As you know, systemic risks cascade out of immediately affected sectors of the economy to do harm not only nationwide but also globally.

Witnesses have warned that sea level rise and wetter, more intense storms could eventually make more than $1 trillion in coastal real estate uninsurable, and therefore unmortgageable, leading to a coastal property values crash; that more frequent and intense wildfires could result in a similar death spiral for Western property in the wildland-urban interface; that climate-related losses are making it harder for the insurance industry to price risk, already resulting in insolvencies among regional insurers; and that, as demand for oil and gas declines, hundreds of billions of dollars in fossil fuel assets may be stranded (the "carbon bubble"). Each of these disruptions could become "systemic," and more than one could occur simultaneously.

We write to inquire how the U.S. insurance industry, specifically Berkshire Hathaway Inc. and its various insurance subsidiaries (collectively, Berkshire Hathaway), evaluates these climate-related risks, decides to invest in or underwrite fossil fuel expansion projects that drive such risks, and prices policies insuring such projects. Underwriting dangerous fossil fuel projects makes it harder to achieve global climate goals, and there is little transparency about how the myriad risks factor into industry decisions.[2]

As you know, 195 world leaders signed the Paris Agreement in 2015, committing their countries to pursue efforts to limit temperature increases to 1.5°C above pre-industrial levels. Since that time, respected international bodies like the International Energy Agency and

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[1] Hearings." U.S. Senate Committee On The Budget. Accessed June 6, 2023. https://www.budget.senate.gov/hearings.

[2] "Home." Oil Gas Policy Tracker, May 2, 2023. https://oilgaspolicytracker.org/.

United Nations (UN) have stated that new coal, oil, or gas development is incompatible with that global goal and, indeed, that production of these fossil fuels must decrease each year. The UN recommended that production of coal, oil, and gas decline by 11%, 4%, and 3%, respectively, every year through 2030.[3]

Despite these prudent recommendations based on well-established climate science, U.S. insurance companies continue to underwrite coal, oil, and gas projects and invest in the oil and gas industry. U.S. insurers currently have approximately $582 billion invested in fossil fuels—with nearly $90 billion in coal alone.[4] Globally, some insurance companies like Allianz, Munich Re, and AXA have begun restricting their underwriting of certain coal, oil, and gas projects.[5] But in the United States, the insurance industry continues to support existing and expanded fossil fuel projects with few restrictions in place limiting—or excluding—either. In short, U.S. insurers continue to underwrite polluting projects while making investments in an industry whose continued expansion poses multiple serious dangers to overall economic stability and to insurance services in particular.

While the U.S. insurance industry invests in and underwrites fossil fuel projects that are driving the climate crisis, it simultaneously faces rising costs due to climate disasters. For example, insurers are greatly raising rates and even pulling out of the home insurance market in Florida and Louisiana, in part due to climate-driven hurricanes.[6] In California, wildfires have caused significant turbulence in the state's insurance market, with non-renewals of residential insurance policies jumping 31% in 2019 and annual premiums increasing by thousands of dollars.[7] Some insurers even recently announced that they would completely cease accepting new applications on business and personal property lines anywhere in the state, citing rapidly growing catastrophe exposure as one of the reasons.[8] Additionally, the Treasury Department has

[3] "2021 About." Production Gap, October 20, 2021. https://productiongap.org/2021about/.

[4] "U.S. Insurance Companies Have $582 Billion Invested in Fossil Fuels." Public Citizen, December 22, 2021. https://www.citizen.org/news/u-s-insurance-companies-have-582-billion-invested-in-fossil-fuels/.

[5] Adriano, Lyle. "Revealed – How Us Insurers Compare When It Comes to Exiting Fossil Fuel Support." Insurance Business America, October 18, 2022. https://www.insurancebusinessmag.com/us/news/environmental/revealed--how-us-insurers-compare-when-it-comes-to-exiting-fossil-fuel-support-424267.aspx.

[6] Frank, Thomas. "Fla. Insurance Crisis Deepens as Rates Soar, Companies Fall." E&E News, September 21, 2022. https://www.eenews.net/articles/fla-insurance-crisis-deepens-as-rates-soar-companies-fall/; Finch II, Michael. "Louisiana's Homeowners Insurance Market Straining under Weight of 600,000 Claims." NOLA.com, April 2, 2022. https://www.nola.com/news/article_1aa57ff2-b205-11ec-8b04-5391d3bc8214.html.

[7] Nadeau, Sarah, Julia Cusick & Madeline Shepherd. "Regulators Should Identify and Mitigate Climate Risks in the Insurance Industry." Center for American Progress, June 5, 2023. https://www.americanprogress.org/article/regulators-should-identify-and-mitigate-climate-risks-in-the-insurance-industry/; Brooks, Khristopher J. "California Insurers Are Dropping Homeowners Threatened by Wildfires." CBS News, October 21, 2020. https://www.cbsnews.com/news/california-wildfires-home-insurers-dropping-homeowners/.

[8] Frank, Thomas. "Are Home Insurers Abandoning Communities Vulnerable to Climate Change?" Scientific American, January 4, 2023. https://www.scientificamerican.com/article/are-home-insurers-abandoning-communities-vulnerable-to-climate-change/; Hussain, Noor Zainab. "State Farm Stops New Home Insurance Sales in California as Wildfire Risks Grow." Reuters, May 30, 2023. https://www.reuters.com/world/us/state-farm-stops-new-home-insurance-sales-california-wildfire-risks-grow-2023-05-30/.

proposed collecting data to examine how climate risk and insurers' responses to it are affecting the cost and availability of insurance, including whether property insurance companies are withdrawing from the communities most vulnerable to climate change and, in doing so, further deepening systemic inequities.[9]

Furthermore, as states and municipalities seek damages from industrial polluters and other entities for cascading climate harms, many in the insurance industry are withdrawing from directors and officers liability coverage for defendants' alleged negligent or reckless acts in shareholder liability and tort lawsuits related to climate damage and fraud.[10] Some insurers are also responding to increased climate-related claims by including clauses requiring policyholders to disclose climate risk, or by denying coverage for climate liability, costs, and losses where the insured party has failed to meet greenhouse gas emissions reduction targets.[11] Given the threat that climate change poses to both the insurance industry and its policyholders, it is difficult to understand how the industry can carefully price and manage climate risk in some areas of its business while simultaneously having no apparent plan to phase out its underwriting of and investment in the projects and companies generating the emissions that are causing these very harms. Many fossil fuel projects would not be able to move forward without insurance, and all industries and sectors in civil society have a role to play in meeting the United States' international climate goals.

In a related environmental justice issue, it remains unclear whether insurance providers, including your company, have adopted clear policies to ensure respect for Native sovereignty and other human rights when deciding whether to invest in or underwrite infrastructure projects.[12] Where polluting projects disproportionately impact Indigenous and other marginalized communities, the UN Declaration on the Rights of Indigenous Peoples recommends that extractors "obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of mineral, water or other resources."[13] Consistent with that recommendation, the global insurer AXIS, for example, updated its human rights policy last

[9]Frank, Thomas. "Are Home Insurers Abandoning Communities Vulnerable to Climate Change?" Scientific American, January 4, 2023. https://www.scientificamerican.com/article/are-home-insurers-abandoning-communities-vulnerable-to-climate-change/.

[10] "US Fossil Fuel Firm Sues Insurer for Refusing to Cover Climate Lawsuit." The Guardian, August 30, 2022. https://www.theguardian.com/environment/2022/aug/30/us-fossil-fuel-firm-aloha-petroleum-sues-insurer-aig-for-refusing-to-cover-climate-lawsuit.

[11] "The Impact of Climate Change on the Insurance Sector." Mishcon de Reya LLP. February 7, 2023. https://www.mishcon.com/news/the-impact-of-climate-change-on-the-insurance-sector.

[12] "Climate Change for Indigenous Peoples." United Nations. Accessed June 6, 2023. https://www.un.org/development/desa/indigenouspeoples/climate-change.html.

[13] United Nations Declaration on the Rights of Indigenous Peoples. September 13, 2007. https://www.un.org/development/desa/indigenouspeoples/wp-content/uploads/sites/19/2018/11/UNDRIP_E_web.pdf.

year to "not provide insurance coverage on projects undertaken on indigenous territories without Free, Prior, and Informed Consent."[14]

Berkshire Hathaway sticks out as a key laggard that has not taken any steps to restrict its underwriting or investments of fossil fuel projects. While most large insurance companies have globally backed away from insuring new coal projects, Berkshire Hathaway continues to underwrite them. Berkshire Hathaway's connection to the U.S. coal industry runs deep: its utility subsidiary, Berkshire Hathaway Energy, owns at least eleven coal power plants, has partial stakes in thirteen others, and derives 23% of its power mix from coal as of December 2022.[15] Berkshire Hathaway's Burlington Northern railroad also ships a great deal of coal.[16] Berkshire Hathaway is the largest shareholder in Chevron, the second-largest American oil company. Overall, according to California's Department of Insurance, Berkshire Hathaway held at least $20.8 billion in fossil-fuel-related investments as of 2019.[17]

You have said that you "don't think in making an investment decision on Berkshire Hathaway . . . that climate change should be a factor in the decision-making process," citing Berkshire Hathaway Energy's sizable investments in renewable energy.[18] But your refusal to wind down fossil fuel investments in line with climate change goals is inconsistent with the positions of many insurance leaders who see climate change as a material concern for insurance companies and their shareholders. As Aon PLC President Eric Andersen stated in testimony to the Senate Budget Committee in March 2023, "Just as the U.S. economy was overexposed to mortgage risk in 2008, the economy today is over exposed to climate risk. . . . [C]limate change is injecting uncertainty into an industry built on risk prediction" and has created "a crisis of confidence around the ability to predict loss."[19] Indeed, Berkshire Hathaway reported pre-tax losses of $3.4 billion from Hurricane Ian in 2022 and an insurance and reinsurance underwriting loss of $962 million, up from a $784 million loss the previous year.[20]

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[14] Hussain, Noor Zainab & Simon Jessop. "Axis to Stop Insuring Energy, Other Projects without Community Support." Reuters, October 14, 2022. https://www.reuters.com/article/axis-capital-policy-esg-idCAL1N31E1ST.

[15] Mullaney, Tim. "Berkshire Hathaway's Utility Company Is about to Hit a Major Renewable Energy Milestone." CNBC, April 24, 2023. https://www.cnbc.com/2023/04/21/berkshire-hathaway-is-about-to-hit-a-big-renewable-energy-milestone.html; Nikolewski, Rob. "Who Is Berkshire Hathaway Energy?" San Diego Union-Tribune, August 2, 2020. https://www.sandiegouniontribune.com/business/energy-green/story/2020-08-02/who-is-berkshire-hathaway-energy.

[16] Rosenbaum, Eric. "Here's What Warren Buffett Thinks about Climate Change." CNBC, April 15, 2019. https://www.cnbc.com/2019/03/25/heres-what-warren-buffett-thinks-about-climate-change-and-investing.html.

[17] State of California. Department of Insurance. Accessed June 6, 2023. https://interactive.web.insurance.ca.gov/apex_extprd/f?p=260:40:32696013527093::NO:10,20,30,40::; "Investing in Climate Chaos: North American Fossil Fuel Insurers' Investments in Coal, Oil, and Gas." Insure Our Future, July 2022. https://us.insure-our-future.com/wp-content/uploads/sites/3/2022/07/Investing-in-Climate-Chaos-Brief.pdf.

[18] Rosenbaum, Eric. "Here's What Warren Buffett Thinks about Climate Change." CNBC, April 15, 2019. https://www.cnbc.com/2019/03/25/heres-what-warren-buffett-thinks-about-climate-change-and-investing.html.

[19] Frank, Thomas. "Climate Change Is Destabilizing Insurance Industry." Scientific American, March 23, 2023. https://www.scientificamerican.com/article/climate-change-is-destabilizing-insurance-industry/.

[20] "Disclosure and reduce GHG emissions from underwriting, insuring, and investment activities aligned with Net Zero." 2023 Shareholder Resolution. Berkshire Hathaway Inc. Accessed June 6, 2023.

Given these concerns, we respectfully request that Berkshire Hathaway provide responses to the following requests for information by no later than June 16, 2023:

1. On what basis does Berkshire Hathaway still support underwriting new fossil fuel expansion projects and investing in the fossil fuel industry? Does Berkshire Hathaway have plans in place to follow the example of global counterparts and either scale back or phase out its underwriting of new and expanded coal, oil, and gas projects? If so, by when does Berkshire Hathaway plan to cease insuring such coal, oil and gas projects?

2. What methodology does Berkshire Hathaway use to evaluate its future impact on the environment and the climate as a result of its investment and underwriting decisions? What methodology does Berkshire Hathaway use to evaluate the impact of climate change on potential new and existing insured projects?

3. Does Berkshire Hathaway have a plan to ensure that its provision of insurance to oil, gas, and coal companies is in line with a credible 1.5°C pathway? If so, please explain that plan. If not, please explain why Berkshire Hathaway has chosen not to adopt such a plan.

4. Does Berkshire Hathaway plan to divest assets, including assets managed for third parties, from coal, oil and gas companies whose activities are not aligned with a 1.5°C pathway? If so, on what timeline or by what date?

5. Please provide a list of the trade associations, advocacy organizations, and lobbying entities with which Berkshire Hathaway has a professional relationship or membership as well as the amount of money that Berkshire Hathaway has spent on climate-related lobbying activities over each of the last five (5) years.

6. What is Berkshire Hathaway doing to evaluate its membership in those trade associations, funding of such advocacy organizations, and participation in lobbying activities, and to bring such advocacy in line with a 1.5°C pathway?

7. Does Berkshire Hathaway have a plan to adopt binding targets for reducing its insured emissions that are transparent, comprehensive and aligned with a credible 1.5°C pathway? If so, please explain.

8. How does Berkshire Hathaway evaluate its responsibilities with respect to the Free, Prior, and Informed Consent of Indigenous Peoples? Does Berkshire Hathaway have a plan for developing due diligence and verification mechanisms to ensure that both Berkshire Hathaway and its clients obtain and document the Free, Prior, and Informed Consent of impacted Indigenous Peoples as articulated in the UN Declaration on the Rights of Indigenous Peoples? If so, please explain.

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https://static1.squarespace.com/static/59a706d4f5e2319b70240ef9/t/637833ba6cada911d8d818b6/1668821946720/23.BRK.1+Berkshire+Hathaway+-+Climate+Change+-+Resolution_WEB.pdf.

We also respectfully request that Berkshire Hathaway produce the following documents by no later than June 23, 2023:

1. Policies, memoranda, or other similar documents governing Berkshire Hathaway's methodology for conducting assessments of a project's impact on climate change or the environment when evaluating requests for investment in or underwriting of fossil fuel-related projects.

2. Policies, memoranda, or other similar documents concerning Berkshire Hathaway's methodology for evaluating the impact of climate change on its insured projects or projects considered for underwriting.

3. Policies, memoranda, or other similar documents reflecting Berkshire Hathaway's analysis or projections of the trajectory of insurance rates and scope of coverage in light of rising climate harms.

4. Policies, memoranda, or other similar documents concerning Berkshire Hathaway's plan, or lack thereof, to scale down or phase out insuring new and expanded coal, oil and gas projects.

5. Policies, memoranda, or other similar documents concerning Berkshire Hathaway's plan, or lack thereof, for divesting assets, including assets managed for third parties, from coal, oil and gas companies whose activities are not aligned with a 1.5°C pathway?

6. Policies, memoranda, or other similar documents concerning Berkshire Hathaway's methodology, or lack thereof, for evaluating existing or possible membership in trade associations, funding of advocacy organizations, and participation in lobbying activities, especially as such activities relate to the environment or climate change.

7. Policies, memoranda, or other similar documents concerning Berkshire Hathaway's adherence to—especially in connection with its underwriting or investing decisions—the UN Declaration on the Rights of Indigenous Peoples and/or the Free, Prior, and Informed Consent of Indigenous Peoples.

The latest Intergovernmental Panel on Climate Change (IPCC) Report states that, to limit warming to 1.5 °C above pre-industrial levels, global emissions must halve by 2030. The planet has already warmed over 1.2°C above pre-industrial levels, and our ability to reach the 1.5°C goal is moving fast out of reach, with the IPCC pegging the current probability at just 38%. Maintaining the status quo would lead to a likely catastrophic 2.8°C temperature rise by the end of the century. The insurance and financial sectors have an important role to play.

Thank you for your attention to this important issue. We look forward to your responses and welcome further engagement with you on this topic.

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The Senate Committee on the Budget has jurisdiction over Budget Act and budget process legislation, including concurrent resolutions on the budget and legislation changing the content or consideration of budget resolutions. In fulfilling its responsibilities, the Committee has broad authority to investigate the budgetary effects of existing and proposed legislation, as well as matters that affect the content or determination of amounts included in or excluded from the congressional budget or the calculation of such amounts, among other things. An attachment to this letter provides additional instructions for responding to the Committee's request. If you have any questions regarding this request, please contact Majority Staff at (202) 224-0642.

Sincerely,

Sheldon Whitehouse
Chairman
Senate Committee on the Budget

Ron Wyden
United States Senator

Bernard Sanders
United States Senator

United States Senate
COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510–6100
TELEPHONE: (202) 224–0642

June 9, 2023

Mr. Maurice R. Greenberg
Chairman & Chief Executive Officer
Starr Insurance Companies
399 Park Avenue, 2nd Floor
New York, NY 10022

Dear Mr. Greenberg:

The United States Senate Committee on the Budget has recently held a series of hearings examining the economic risks associated with climate change.[1] In these hearings, central bankers, economists, insurance industry executives, financial experts, and others have testified that climate change poses multiple "systemic risks" to the economy. As you know, systemic risks cascade out of immediately affected sectors of the economy to do harm not only nationwide but also globally.

Witnesses have warned that sea level rise and wetter, more intense storms could eventually make more than $1 trillion in coastal real estate uninsurable, and therefore unmortgageable, leading to a coastal property values crash; that more frequent and intense wildfires could result in a similar death spiral for Western property in the wildland-urban interface; that climate-related losses are making it harder for the insurance industry to price risk, already resulting in insolvencies among regional insurers; and that, as demand for oil and gas declines, hundreds of billions of dollars in fossil fuel assets may be stranded (the "carbon bubble"). Each of these disruptions could become "systemic," and more than one could occur simultaneously.

We write to inquire how the U.S. insurance industry, specifically Starr Insurance Companies (Starr), evaluates these climate-related risks, decides to invest in or underwrite fossil fuel expansion projects that drive such risks, and prices policies insuring such projects. Underwriting and investing in dangerous fossil fuel projects makes it harder to achieve global climate goals, and there is little transparency about how the myriad risks factor into industry decisions.[2]

As you know, 195 world leaders signed the Paris Agreement in 2015, committing their countries to pursue efforts to limit temperature increases to 1.5°C above pre-industrial levels. Since that time, respected international bodies like the International Energy Agency and

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Despite these prudent recommendations based on well-established climate science, U.S. insurance companies continue to underwrite coal, oil, and gas projects and invest in the oil and gas industry. U.S. insurers currently have approximately $582 billion invested in fossil fuels—with nearly $90 billion in coal alone.[4] Globally, some insurance companies like Allianz, Munich Re, and AXA have begun restricting their underwriting of certain coal, oil, and gas projects.[5] But in the United States, the insurance industry continues to support existing and expanded fossil fuel projects with few restrictions in place limiting—or excluding—either. In short, U.S. insurers continue to underwrite polluting projects while making investments in an industry whose continued expansion poses multiple serious dangers to overall economic stability and to insurance services in particular.

While the U.S. insurance industry invests in and underwrites fossil fuel projects that are driving the climate crisis, it simultaneously faces rising costs due to climate disasters. For example, insurers are greatly raising rates and even pulling out of the home insurance market in Florida and Louisiana, in part due to climate-driven hurricanes.[6] In California, wildfires have caused significant turbulence in the state's insurance market, with non-renewals of residential insurance policies jumping 31% in 2019 and annual premiums increasing by thousands of dollars.[7] Some insurers even recently announced that they would completely cease accepting new applications on business and personal property lines anywhere in the state, citing rapidly growing catastrophe exposure as one of the reasons.[8] Additionally, the Treasury Department has

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[6] Frank, Thomas. "Fla. Insurance Crisis Deepens as Rates Soar, Companies Fall." E&E News, September 21, 2022. https://www.eenews.net/articles/fla-insurance-crisis-deepens-as-rates-soar-companies-fall/; Finch II, Michael. "Louisiana's Homeowners Insurance Market Straining under Weight of 600,000 Claims." NOLA.com, April 2, 2022. https://www.nola.com/news/article_1aa57ff2-b205-11ec-8b04-5391d3bc8214.html.

[7] Nadeau, Sarah, Julia Cusick & Madeline Shepherd. "Regulators Should Identify and Mitigate Climate Risks in the Insurance Industry." Center for American Progress, June 5, 2023. https://www.americanprogress.org/article/regulators-should-identify-and-mitigate-climate-risks-in-the-insurance-industry/; Brooks, Khristopher J. "California Insurers Are Dropping Homeowners Threatened by Wildfires." CBS News, October 21, 2020. https://www.cbsnews.com/news/california-wildfires-home-insurers-dropping-homeowners/.

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proposed collecting data to examine how climate risk and insurers' responses to it are affecting the cost and availability of insurance, including whether property insurance companies are withdrawing from the communities most vulnerable to climate change and, in doing so, further deepening systemic inequities.[9]

Furthermore, as states and municipalities seek damages from industrial polluters and other entities for cascading climate harms, many in the insurance industry are withdrawing from directors and officers liability coverage for defendants' alleged negligent or reckless acts in shareholder liability and tort lawsuits related to climate damage and fraud.[10] Some insurers are also responding to increased climate-related claims by including clauses requiring policyholders to disclose climate risk, or by denying coverage for climate liability, costs, and losses where the insured party has failed to meet greenhouse gas emissions reduction targets.[11] Given the threat that climate change poses to both the insurance industry and its policyholders, it is difficult to understand how the industry can carefully price and manage climate risk in some areas of its business while simultaneously having no apparent plan to phase out its underwriting of and investment in the projects and companies generating the emissions that are causing these very harms. Many fossil fuel projects would not be able to move forward without insurance, and all industries and sectors in civil society have a role to play in meeting the United States' international climate goals.

In a related environmental justice issue, it remains unclear whether insurance providers, including your company, have adopted clear policies to ensure respect for Native sovereignty and other human rights when deciding whether to invest in or underwrite infrastructure projects.[12] Where polluting projects disproportionately impact Indigenous and other marginalized communities, the UN Declaration on the Rights of Indigenous Peoples recommends that extractors "obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of mineral, water or other resources."[13] Consistent with that recommendation, the global insurer AXIS, for example, updated its human rights policy last

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[10] "US Fossil Fuel Firm Sues Insurer for Refusing to Cover Climate Lawsuit." The Guardian, August 30, 2022. https://www.theguardian.com/environment/2022/aug/30/us-fossil-fuel-firm-aloha-petroleum-sues-insurer-aig-for-refusing-to-cover-climate-lawsuit.

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[13] United Nations Declaration on the Rights of Indigenous Peoples. September 13, 2007. https://www.un.org/development/desa/indigenouspeoples/wp-content/uploads/sites/19/2018/11/UNDRIP_E_web.pdf.

year to "not provide insurance coverage on projects undertaken on indigenous territories without Free, Prior, and Informed Consent."[14]

Starr sticks out as a key laggard that has not taken any steps to restrict its underwriting of or investment in fossil fuel projects. While most large insurance companies have globally backed away from insuring new coal projects, Starr continues to underwrite them. For instance, in the last five years, Starr underwrote at least three new coal power plants in Vietnam and the Philippines.[15]

Starr has also failed to adopt any restrictions on underwriting oil and gas development and related projects. For example, Starr underwrote Canada's Trans Mountain Pipeline, which would ship 590,000 barrels-per-day of tar sands, some of the most carbon-intensive oil on Earth, to British Columbia.[16] Finally, according to California's Department of Insurance, as of 2019, Starr still held at least $218 million in fossil-fuel-related investments.[17]

Given these concerns, we respectfully request that Starr provide responses to the following requests for information by no later than June 16, 2023:

1. On what basis does Starr still support underwriting new fossil fuel expansion projects and investing in the fossil fuel industry? Does Starr have plans in place to follow the example of global counterparts and either scale back or phase out its underwriting of new and expanded coal, oil, and gas projects? If so, by when does Starr plan to cease insuring such coal, oil and gas projects?

2. What methodology does Starr use to evaluate its future impact on the environment and the climate as a result of its investment and underwriting decisions? What methodology does Starr use to evaluate the impact of climate change on potential new and existing insured projects?

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[15] "2022 Scorecard on Insurance, Fossil Fuels and the Climate Emergency." Insure Our Future, October 2022. https://us.insure-our-future.com/wp-content/uploads/sites/3/2022/10/SP-IOF-2022-Scorecard-v0.8-online-1.pdf.

[16] Canada Energy Regulator Report. "In the Matter of Nova Gas Transmission Ltd." September 2020. https://docs2.cer-rec.gc.ca/ll-eng/llisapi.dll/fetch/2000/90464/90550/554112/3742312/3760383/3773600/3962397/C08154-1_CER_Report_NGTL_North_Corridor_Expansion_-_A7I2R6.pdf?nodeid=3965217&vernum=-2.; Williams, Nia. "Trans Mountain Oil Pipeline Expansion Costs Surge 44% to C$30.9 Billion." Reuters, March 10, 2023. https://www.reuters.com/business/energy/trans-mountain-oil-pipeline-expansion-costs-surge-44-c309-billion-2023-03-10/.

[17] State of California. Department of Insurance. Accessed June 6, 2023. https://interactive.web.insurance.ca.gov/apex_extprd/f?p=260:40:32696013527093::NO:10,20,30,40::; "2022 Scorecard on Insurance, Fossil Fuels and the Climate Emergency." Insure Our Future, October 2022. https://us.insure-our-future.com/wp-content/uploads/sites/3/2022/10/SP-IOF-2022-Scorecard-v0.8-online-1.pdf.

3. Does Starr have a plan to ensure that its provision of insurance to oil, gas, and coal companies is in line with a credible 1.5°C pathway? If so, please explain that plan. If not, please explain why Starr has chosen not to adopt such a plan.

4. Does Starr plan to divest assets, including assets managed for third parties, from coal, oil and gas companies whose activities are not aligned with a 1.5°C pathway? If so, on what timeline or by what date?

5. Please provide a list of the trade associations, advocacy organizations, and lobbying entities with which Starr has a professional relationship or membership as well as the amount of money that Starr has spent on climate-related lobbying activities over each of the last five (5) years.

6. What is Starr doing to evaluate its membership in those trade associations, funding of such advocacy organizations, and participation in lobbying activities, and to bring such advocacy in line with a 1.5°C pathway?

7. Does Starr have a plan to adopt binding targets for reducing its insured emissions that are transparent, comprehensive and aligned with a credible 1.5°C pathway? If so, please explain.

8. How does Starr evaluate its responsibilities with respect to the Free, Prior, and Informed Consent of Indigenous Peoples? Does Starr have a plan for developing due diligence and verification mechanisms to ensure that both Starr and its clients obtain and document the Free, Prior, and Informed Consent of impacted Indigenous Peoples as articulated in the UN Declaration on the Rights of Indigenous Peoples? If so, please explain.

We also respectfully request that Starr produce the following documents by no later than June 23, 2023:

1. Policies, memoranda, or other similar documents governing Starr's methodology for conducting assessments of a project's impact on climate change or the environment when evaluating requests for investment in or underwriting of fossil fuel-related projects.

2. Policies, memoranda, or other similar documents concerning Starr's methodology for evaluating the impact of climate change on its insured projects or projects considered for underwriting.

3. Policies, memoranda, or other similar documents reflecting Starr's analysis or projections of the trajectory of insurance rates and scope of coverage in light of rising climate harms.

4. Policies, memoranda, or other similar documents concerning Starr's plan, or lack thereof, to scale down or phase out insuring new and expanded coal, oil and gas projects.

5. Policies, memoranda, or other similar documents concerning Starr's plan, or lack thereof, for divesting assets, including assets managed for third parties, from coal, oil and gas companies whose activities are not aligned with a 1.5°C pathway?

6. Policies, memoranda, or other similar documents concerning Starr's methodology, or lack thereof, for evaluating existing or possible membership in trade associations, funding of advocacy organizations, and participation in lobbying activities, especially as such activities relate to the environment or climate change.

7. Policies, memoranda, or other similar documents concerning Starr's adherence to—especially in connection with its underwriting or investing decisions—the UN Declaration on the Rights of Indigenous Peoples and/or the Free, Prior, and Informed Consent of Indigenous Peoples.

The latest Intergovernmental Panel on Climate Change (IPCC) Report states that, to limit warming to 1.5 °C above pre-industrial levels, global emissions must halve by 2030. The planet has already warmed over 1.2°C above pre-industrial levels, and our ability to reach the 1.5°C goal is moving fast out of reach, with the IPCC pegging the current probability at just 38%. Maintaining the status quo would lead to a likely catastrophic 2.8°C temperature rise by the end of the century. The insurance and financial sectors have an important role to play.

Thank you for your attention to this important issue. We look forward to your responses and welcome further engagement with you on this topic.

* * *

The Senate Committee on the Budget has jurisdiction over Budget Act and budget process legislation, including concurrent resolutions on the budget and legislation changing the content or consideration of budget resolutions. In fulfilling its responsibilities, the Committee has broad authority to investigate the budgetary effects of existing and proposed legislation, as well as matters that affect the content or determination of amounts included in or excluded from the congressional budget or the calculation of such amounts, among other things. An attachment to this letter provides additional instructions for responding to the Committee's request. If you have any questions regarding this request, please contact Majority Staff at (202) 224-0642.

Sincerely,

Sheldon Whitehouse
Chairman
Senate Committee on the Budget

Ron Wyden
United States Senator

Bernard Sanders
United States Senator

United States Senate
COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510–6100
TELEPHONE: (202) 224–0642

June 9, 2023

Mr. Evan G. Greenberg
Chairman and Chief Executive Officer
Chubb Group
1133 Avenue of the Americas
New York, NY 10036

Mr. John J. Lupica
Vice Chairman
President, North America Insurance
Chubb Group
1133 Avenue of the Americas
New York, NY 10036

Dear Mr. Greenberg and Mr. Lupica:

The United States Senate Committee on the Budget has recently held a series of hearings examining the economic risks associated with climate change.[1] In these hearings, central bankers, economists, insurance industry executives, financial experts, and others have testified that climate change poses multiple "systemic risks" to the economy. As you know, systemic risks cascade out of immediately affected sectors of the economy to do harm not only nationwide but also globally.

Witnesses have warned that sea level rise and wetter, more intense storms could eventually make more than $1 trillion in coastal real estate uninsurable, and therefore unmortgageable, leading to a coastal property values crash; that more frequent and intense wildfires could result in a similar death spiral for Western property in the wildland-urban interface; that climate-related losses are making it harder for the insurance industry to price risk, already resulting in insolvencies among regional insurers; and that, as demand for oil and gas declines, hundreds of billions of dollars in fossil fuel assets may be stranded (the "carbon bubble"). Each of these disruptions could become "systemic," and more than one could occur simultaneously.

We write to inquire how the U.S. insurance industry, specifically Chubb Group (Chubb), evaluates these climate-related risks, decides to invest in or underwrite fossil fuel expansion projects that drive such risks, and prices policies insuring such projects. Underwriting and investing in dangerous fossil fuel projects makes it harder to achieve global climate goals, and there is little transparency about how the myriad risks factor into industry decisions.[2]

As you know, 195 world leaders signed the Paris Agreement in 2015, committing their countries to pursue efforts to limit temperature increases to 1.5°C above pre-industrial levels. Since that time, respected international bodies like the International Energy Agency and

[1] Hearings." U.S. Senate Committee On The Budget. Accessed June 6, 2023. https://www.budget.senate.gov/hearings.

[2] "Home." Oil Gas Policy Tracker, May 2, 2023. https://oilgaspolicytracker.org/.

United Nations (UN) have stated that new coal, oil, or gas development is incompatible with that global goal and, indeed, that production of these fossil fuels must decrease each year. The UN recommended that production of coal, oil, and gas decline by 11%, 4%, and 3%, respectively, every year through 2030.[3]

Despite these prudent recommendations based on well-established climate science, U.S. insurance companies continue to underwrite coal, oil, and gas projects and invest in the oil and gas industry. U.S. insurers currently have approximately $582 billion invested in fossil fuels—with nearly $90 billion in coal alone.[4] Globally, some insurance companies like Allianz, Munich Re, and AXA have begun restricting their underwriting of certain coal, oil, and gas projects.[5] But in the United States, the insurance industry continues to support existing and expanded fossil fuel projects with few restrictions in place limiting—or excluding—either. In short, U.S. insurers continue to underwrite polluting projects while making investments in an industry whose continued expansion poses multiple serious dangers to overall economic stability and to insurance services in particular.

While the U.S. insurance industry invests in and underwrites fossil fuel projects that are driving the climate crisis, it simultaneously faces rising costs due to climate disasters. For example, insurers are greatly raising rates and even pulling out of the home insurance market in Florida and Louisiana, in part due to climate-driven hurricanes.[6] In California, wildfires have caused significant turbulence in the state's insurance market, with non-renewals of residential insurance policies jumping 31% in 2019 and annual premiums increasing by thousands of dollars.[7] Some insurers even recently announced that they would completely cease accepting new applications on business and personal property lines anywhere in the state, citing rapidly growing catastrophe exposure as one of the reasons.[8] Additionally, the Treasury Department has

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[3] "2021 About." Production Gap, October 20, 2021. https://productiongap.org/2021about/.

[4] "U.S. Insurance Companies Have $582 Billion Invested in Fossil Fuels." Public Citizen, December 22, 2021. https://www.citizen.org/news/u-s-insurance-companies-have-582-billion-invested-in-fossil-fuels/.

[5] Adriano, Lyle. "Revealed – How Us Insurers Compare When It Comes to Exiting Fossil Fuel Support." Insurance Business America, October 18, 2022. https://www.insurancebusinessmag.com/us/news/environmental/revealed--how-us-insurers-compare-when-it-comes-to-exiting-fossil-fuel-support-424267.aspx.

[6] Frank, Thomas. "Fla. Insurance Crisis Deepens as Rates Soar, Companies Fall." E&E News, September 21, 2022. https://www.eenews.net/articles/fla-insurance-crisis-deepens-as-rates-soar-companies-fall/; Finch II, Michael. "Louisiana's Homeowners Insurance Market Straining under Weight of 600,000 Claims." NOLA.com, April 2, 2022. https://www.nola.com/news/article_1aa57ff2-b205-11ec-8b04-5391d3bc8214.html.

[7] Nadeau, Sarah, Julia Cusick & Madeline Shepherd. "Regulators Should Identify and Mitigate Climate Risks in the Insurance Industry." Center for American Progress, June 5, 2023. https://www.americanprogress.org/article/regulators-should-identify-and-mitigate-climate-risks-in-the-insurance-industry/; Brooks, Khristopher J. "California Insurers Are Dropping Homeowners Threatened by Wildfires." CBS News, October 21, 2020. https://www.cbsnews.com/news/california-wildfires-home-insurers-dropping-homeowners/.

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proposed collecting data to examine how climate risk and insurers' responses to it are affecting the cost and availability of insurance, including whether property insurance companies are withdrawing from the communities most vulnerable to climate change and, in doing so, further deepening systemic inequities.[9]

Furthermore, as states and municipalities seek damages from industrial polluters and other entities for cascading climate harms, many in the insurance industry are withdrawing from directors and officers liability coverage for defendants' alleged negligent or reckless acts in shareholder liability and tort lawsuits related to climate damage and fraud.[10] Some insurers are also responding to increased climate-related claims by including clauses requiring policyholders to disclose climate risk, or by denying coverage for climate liability, costs, and losses where the insured party has failed to meet greenhouse gas emissions reduction targets.[11] Given the threat that climate change poses to both the insurance industry and its policyholders, it is difficult to understand how the industry can carefully price and manage climate risk in some areas of its business while simultaneously having no apparent plan to phase out its underwriting of and investment in the projects and companies generating the emissions that are causing these very harms. Many fossil fuel projects would not be able to move forward without insurance, and all industries and sectors in civil society have a role to play in meeting the United States' international climate goals.

In a related environmental justice issue, it remains unclear whether insurance providers, including your company, have adopted clear policies to ensure respect for Native sovereignty and other human rights when deciding whether to invest in or underwrite infrastructure projects.[12] Where polluting projects disproportionately impact Indigenous and other marginalized communities, the UN Declaration on the Rights of Indigenous Peoples recommends that extractors "obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of mineral, water or other resources."[13] Consistent with that recommendation, the global insurer AXIS, for example, updated its human rights policy last

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[9] Frank, Thomas. "Are Home Insurers Abandoning Communities Vulnerable to Climate Change?" Scientific American, January 4, 2023. https://www.scientificamerican.com/article/are-home-insurers-abandoning-communities-vulnerable-to-climate-change/.

[10] "US Fossil Fuel Firm Sues Insurer for Refusing to Cover Climate Lawsuit." The Guardian, August 30, 2022. https://www.theguardian.com/environment/2022/aug/30/us-fossil-fuel-firm-aloha-petroleum-sues-insurer-aig-for-refusing-to-cover-climate-lawsuit.

[11] "The Impact of Climate Change on the Insurance Sector." Mishcon de Reya LLP. February 7, 2023. https://www.mishcon.com/news/the-impact-of-climate-change-on-the-insurance-sector.

[12] "Climate Change for Indigenous Peoples." United Nations. Accessed June 6, 2023. https://www.un.org/development/desa/indigenouspeoples/climate-change.html.

[13] United Nations Declaration on the Rights of Indigenous Peoples. September 13, 2007. https://www.un.org/development/desa/indigenouspeoples/wp-content/uploads/sites/19/2018/11/UNDRIP_E_web.pdf.

year to "not provide insurance coverage on projects undertaken on indigenous territories without Free, Prior, and Informed Consent."[14]

We applaud Chubb for being the first U.S. insurer to adopt an oil and gas restriction policy, announcing in March 2023 that its insurance coverage will be contingent on client adoption of evidence-based plans to reduce methane emissions, and that it will not underwrite oil and gas extraction projects in government-protected conservation areas that do not allow sustainable use.[15] In 2019, Chubb was also the first insurer with significant U.S. operations to limit coal-related underwriting and investment, a policy later extended to oil sands projects underwriting.[16]

Notwithstanding this admirable progress, Chubb's oil and gas policy contains significant loopholes that will allow it to continue insuring many new oil and gas fields, pipelines, and other midstream and downstream infrastructure—underwriting that is inconsistent with global climate goals. Indeed, despite its stated policy, Chubb is still a major insurer of fossil fuel projects, with an estimated $500 to $800 million in annual premiums from the industry according to market intelligence firm Insuramore.[17] Chubb's subsidiary ACE American Insurance Company has also been linked to BP's oil and gas exploration in the Arctic as well as to onshore oil exploration in Brazil.[18] Finally, according to California's Department of Insurance, Chubb held at least $3.1 billion in fossil-fuel-related investments as of 2019.[19]

Given these concerns, we respectfully request that Chubb provide responses to the following requests for information by no later than June 16, 2023:

[14] Hussain, Noor Zainab & Simon Jessop. "Axis to Stop Insuring Energy, Other Projects without Community Support." Reuters, October 14, 2022. https://www.reuters.com/article/axis-capital-policy-esg-idCAL1N31E1ST.

[15] "Chubb Announces New Climate and Conservation-Focused Underwriting Standards for Oil and Gas Extraction." Chubb Corporate Newsroom, March 22, 2023. https://news.chubb.com/2023-03-22-Chubb-Announces-New-Climate-and-Conservation-Focused-Underwriting-Standards-for-Oil-and-Gas-Extraction.

[16] "Chubb Announces New Policy on Coal Underwriting and Investment." Chubb Corporate Newsroom, July 1, 2019. https://news.chubb.com/2019-07-01-Chubb-Announces-New-Policy-on-Coal-Underwriting-and-Investment; Chubb and climate change: Our policy. April 2022. https://about.chubb.com/content/dam/chubb-sites/chubb/about-chubb/citizenship/environment/pdf/Chubb-Our_Climate_Change_Policy.pdf.

[17] Snape, Gia. "Not Enough – Chubb's Oil and Gas Policies 'fall Short,' Campaigners Say." Insurance Business America, March 23, 2023. https://www.insurancebusinessmag.com/us/news/environmental/not-enough--chubbs-oil-and-gas-policies-fall-short-campaigners-say-440472.aspx.

[18] "Fueling Climate Change: The Insurers Behind Brazil's Offshore Oil Expansion. Insure Our Future, January 2022. https://global.insure-our-future.com/wp-content/uploads/sites/2/2022/02/IOF-Brazil-report_FINAL.pdf.

[19] State of California. Department of Insurance. Accessed June 6, 2023. https://interactive.web.insurance.ca.gov/apex_extprd/f?p=260:40:32696013527093::NO:10,20,30,40::; "Investing in Climate Chaos: North American Fossil Fuel Insurers' Investments in Coal, Oil, and Gas." Insure Our Future, July 2022. https://us.insure-our-future.com/wp-content/uploads/sites/3/2022/07/Investing-in-Climate-Chaos-Brief.pdf.

1. On what basis does Chubb still support underwriting new fossil fuel expansion projects and investing in the fossil fuel industry? Does Chubb have plans in place to follow the example of global counterparts and either scale back or phase out its underwriting of new and expanded coal, oil, and gas projects? If so, by when does Chubb plan to cease insuring such coal, oil and gas projects?

2. What methodology does Chubb use to evaluate its future impact on the environment and the climate as a result of its investment and underwriting decisions? What methodology does Chubb use to evaluate the impact of climate change on potential new and existing insured projects?

3. Does Chubb have a plan to ensure that its provision of insurance to oil, gas, and coal companies is in line with a credible 1.5°C pathway? If so, please explain that plan. If not, please explain why Chubb has chosen not to adopt such a plan.

4. Does Chubb plan to divest assets, including assets managed for third parties, from coal, oil and gas companies whose activities are not aligned with a 1.5°C pathway? If so, on what timeline or by what date?

5. Please provide a list of the trade associations, advocacy organizations, and lobbying entities with which Chubb has a professional relationship or membership as well as the amount of money that Chubb has spent on climate-related lobbying activities over each of the last five (5) years.

6. What is Chubb doing to evaluate its membership in those trade associations, funding of such advocacy organizations, and participation in lobbying activities, and to bring such advocacy in line with a 1.5°C pathway?

7. Does Chubb have a plan to adopt binding targets for reducing its insured emissions that are transparent, comprehensive and aligned with a credible 1.5°C pathway? If so, please explain.

8. How does Chubb evaluate its responsibilities with respect to the Free, Prior, and Informed Consent of Indigenous Peoples? Does Chubb have a plan for developing due diligence and verification mechanisms to ensure that both Chubb and its clients obtain and document the Free, Prior, and Informed Consent of impacted Indigenous Peoples as articulated in the UN Declaration on the Rights of Indigenous Peoples? If so, please explain.

We also respectfully request that Chubb produce the following documents by no later than June 23, 2023:

1. Policies, memoranda, or other similar documents governing Chubb's methodology for conducting assessments of a project's impact on climate change or the environment when evaluating requests for investment in or underwriting of fossil fuel-related projects.

2. Policies, memoranda, or other similar documents concerning Chubb's methodology for evaluating the impact of climate change on its insured projects or projects considered for underwriting.

3. Policies, memoranda, or other similar documents reflecting Chubb's analysis or projections of the trajectory of insurance rates and scope of coverage in light of rising climate harms.

4. Policies, memoranda, or other similar documents concerning Chubb's plan, or lack thereof, to scale down or phase out insuring new and expanded coal, oil and gas projects.

5. Policies, memoranda, or other similar documents concerning Chubb's plan, or lack thereof, for divesting assets, including assets managed for third parties, from coal, oil and gas companies whose activities are not aligned with a 1.5°C pathway?

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7. Policies, memoranda, or other similar documents concerning Chubb's adherence to—especially in connection with its underwriting or investing decisions—the UN Declaration on the Rights of Indigenous Peoples and/or the Free, Prior, and Informed Consent of Indigenous Peoples.

The latest Intergovernmental Panel on Climate Change (IPCC) Report states that, to limit warming to 1.5 °C above pre-industrial levels, global emissions must halve by 2030. The planet has already warmed over 1.2°C above pre-industrial levels, and our ability to reach the 1.5°C goal is moving fast out of reach, with the IPCC pegging the current probability at just 38%. Maintaining the status quo would lead to a likely catastrophic 2.8°C temperature rise by the end of the century. The insurance and financial sectors have an important role to play.

Thank you for your attention to this important issue. We look forward to your responses and welcome further engagement with you on this topic.

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Sincerely,

Sheldon Whitehouse
Chairman
Senate Committee on the Budget

Ron Wyden
United States Senator

Bernard Sanders
United States Senator

United States Senate
COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510–6100
TELEPHONE: (202) 224–0642

June 9, 2023

Mr. Alan D. Schnitzer
Chairman & Chief Executive Officer
The Travelers Companies, Inc.
485 Lexington Avenue
New York, NY 10017

Dear Mr. Schnitzer:

The United States Senate Committee on the Budget has recently held a series of hearings examining the economic risks associated with climate change.[1] In these hearings, central bankers, economists, insurance industry executives, financial experts, and others have testified that climate change poses multiple "systemic risks" to the economy. As you know, systemic risks cascade out of immediately affected sectors of the economy to do harm not only nationwide but also globally.

Witnesses have warned that sea level rise and wetter, more intense storms could eventually make more than $1 trillion in coastal real estate uninsurable, and therefore unmortgageable, leading to a coastal property values crash; that more frequent and intense wildfires could result in a similar death spiral for Western property in the wildland-urban interface; that climate-related losses are making it harder for the insurance industry to price risk, already resulting in insolvencies among regional insurers; and that, as demand for oil and gas declines, hundreds of billions of dollars in fossil fuel assets may be stranded (the "carbon bubble"). Each of these disruptions could become "systemic," and more than one could occur simultaneously.

We write to inquire how the U.S. insurance industry, specifically The Travelers Companies Inc., evaluates these climate-related risks, decides to invest in or underwrite fossil fuel expansion projects that drive such risks, and prices policies insuring such projects. Underwriting and investing in dangerous fossil fuel projects makes it harder to achieve global climate goals, and there is little transparency about how the myriad risks factor into industry decisions.[2]

As you know, 195 world leaders signed the Paris Agreement in 2015, committing their countries to pursue efforts to limit temperature increases to 1.5°C above pre-industrial levels. Since that time, respected international bodies like the International Energy Agency and

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Despite these prudent recommendations based on well-established climate science, U.S. insurance companies continue to underwrite coal, oil, and gas projects and invest in the oil and gas industry. U.S. insurers currently have approximately $582 billion invested in fossil fuels—with nearly $90 billion in coal alone.[4] Globally, some insurance companies like Allianz, Munich Re, and AXA have begun restricting their underwriting of certain coal, oil, and gas projects.[5] But in the United States, the insurance industry continues to support existing and expanded fossil fuel projects with few restrictions in place limiting—or excluding—either. In short, U.S. insurers continue to underwrite polluting projects while making investments in an industry whose continued expansion poses multiple serious dangers to overall economic stability and to insurance services in particular.

While the U.S. insurance industry invests in and underwrites fossil fuel projects that are driving the climate crisis, it simultaneously faces rising costs due to climate disasters. For example, insurers are greatly raising rates and even pulling out of the home insurance market in Florida and Louisiana, in part due to climate-driven hurricanes.[6] In California, wildfires have caused significant turbulence in the state's insurance market, with non-renewals of residential insurance policies jumping 31% in 2019 and annual premiums increasing by thousands of dollars.[7] Some insurers even recently announced that they would completely cease accepting new applications on business and personal property lines anywhere in the state, citing rapidly growing catastrophe exposure as one of the reasons.[8] Additionally, the Treasury Department has

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[5] Adriano, Lyle. "Revealed – How Us Insurers Compare When It Comes to Exiting Fossil Fuel Support." Insurance Business America, October 18, 2022. https://www.insurancebusinessmag.com/us/news/environmental/revealed--how-us-insurers-compare-when-it-comes-to-exiting-fossil-fuel-support-424267.aspx.

[6] Frank, Thomas. "Fla. Insurance Crisis Deepens as Rates Soar, Companies Fall." E&E News, September 21, 2022. https://www.eenews.net/articles/fla-insurance-crisis-deepens-as-rates-soar-companies-fall/; Finch II, Michael. "Louisiana's Homeowners Insurance Market Straining under Weight of 600,000 Claims." NOLA.com, April 2, 2022. https://www.nola.com/news/article_1aa57ff2-b205-11ec-8b04-5391d3bc8214.html.

[7] Nadeau, Sarah, Julia Cusick & Madeline Shepherd. "Regulators Should Identify and Mitigate Climate Risks in the Insurance Industry." Center for American Progress, June 5, 2023. https://www.americanprogress.org/article/regulators-should-identify-and-mitigate-climate-risks-in-the-insurance-industry/; Brooks, Khristopher J. "California Insurers Are Dropping Homeowners Threatened by Wildfires." CBS News, October 21, 2020. https://www.cbsnews.com/news/california-wildfires-home-insurers-dropping-homeowners/.

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proposed collecting data to examine how climate risk and insurers' responses to it are affecting the cost and availability of insurance, including whether property insurance companies are withdrawing from the communities most vulnerable to climate change and, in doing so, further deepening systemic inequities.[9]

Furthermore, as states and municipalities seek damages from industrial polluters and other entities for cascading climate harms, many in the insurance industry are withdrawing from directors and officers liability coverage for defendants' alleged negligent or reckless acts in shareholder liability and tort lawsuits related to climate damage and fraud.[10] Some insurers are also responding to increased climate-related claims by including clauses requiring policyholders to disclose climate risk, or by denying coverage for climate liability, costs, and losses where the insured party has failed to meet greenhouse gas emissions reduction targets.[11] Given the threat that climate change poses to both the insurance industry and its policyholders, it is difficult to understand how the industry can carefully price and manage climate risk in some areas of its business while simultaneously having no apparent plan to phase out its underwriting of and investment in the projects and companies generating the emissions that are causing these very harms. Many fossil fuel projects would not be able to move forward without insurance, and all industries and sectors in civil society have a role to play in meeting the United States' international climate goals.

In a related environmental justice issue, it remains unclear whether insurance providers, including your company, have adopted clear policies to ensure respect for Native sovereignty and other human rights when deciding whether to invest in or underwrite infrastructure projects.[12] Where polluting projects disproportionately impact Indigenous and other marginalized communities, the UN Declaration on the Rights of Indigenous Peoples recommends that extractors "obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of mineral, water or other resources."[13] Consistent with that recommendation, the global insurer AXIS, for example, updated its human rights policy last

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[10] "US Fossil Fuel Firm Sues Insurer for Refusing to Cover Climate Lawsuit." The Guardian, August 30, 2022. https://www.theguardian.com/environment/2022/aug/30/us-fossil-fuel-firm-aloha-petroleum-sues-insurer-aig-for-refusing-to-cover-climate-lawsuit.

[11] "The Impact of Climate Change on the Insurance Sector." Mishcon de Reya LLP. February 7, 2023. https://www.mishcon.com/news/the-impact-of-climate-change-on-the-insurance-sector.

[12] "Climate Change for Indigenous Peoples." United Nations. Accessed June 6, 2023. https://www.un.org/development/desa/indigenouspeoples/climate-change.html.

[13] United Nations Declaration on the Rights of Indigenous Peoples. September 13, 2007. https://www.un.org/development/desa/indigenouspeoples/wp-content/uploads/sites/19/2018/11/UNDRIP_E_web.pdf.

year to "not provide insurance coverage on projects undertaken on indigenous territories without Free, Prior, and Informed Consent."[14]

We applaud Travelers for adopting a policy last year that rules out underwriting the construction or operation of new coal-fired power plants, as well as some coal mining and tar sands projects. This policy, however, contains loopholes, and Travelers' bondholding in coal alone is around $842 million, surpassing many of its American peers.[15] Travelers has also failed to adopt any restrictions on underwriting conventional oil and gas development and related projects.[16] Finally, according to California's Department of Insurance, Travelers still held at least $4.7 billion in fossil-fuel-related investments as of 2019.[17]

Given these concerns, we respectfully request that Travelers provide responses to the following requests for information by no later than June 16, 2023:

1. On what basis does Travelers still support underwriting new fossil fuel expansion projects and investing in the fossil fuel industry? Does Travelers have plans in place to follow the example of global counterparts and either scale back or phase out its underwriting of new and expanded coal, oil, and gas projects? If so, by when does Travelers plan to cease insuring such coal, oil and gas projects?

2. What methodology does Travelers use to evaluate its future impact on the environment and the climate as a result of its investment and underwriting decisions? What methodology does Travelers use to evaluate the impact of climate change on potential new and existing insured projects?

3. Does Travelers have a plan to ensure that its provision of insurance to oil, gas, and coal companies is in line with a credible 1.5°C pathway? If so, please explain that plan. If not, please explain why Travelers has chosen not to adopt such a plan.

4. Does Travelers plan to divest assets, including assets managed for third parties, from coal, oil and gas companies whose activities are not aligned with a 1.5°C pathway? If so, on what timeline or by what date?

5. Please provide a list of the trade associations, advocacy organizations, and lobbying entities with which Travelers has a professional relationship or membership as well as

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[15] "Travelers." Global Coal Exit List. Accessed June 6, 2023. https://www.coalexit.org/investor/travelers.

[16] "Home." Oil Gas Policy Tracker, May 2, 2023. https://oilgaspolicytracker.org/.

[17] State of California. Department of Insurance. Accessed June 6, 2023. https://interactive.web.insurance.ca.gov/apex_extprd/f?p=260:40:32696013527093::NO:10,20,30,40::; "Investing in Climate Chaos: North American Fossil Fuel Insurers' Investments in Coal, Oil, and Gas." Insure Our Future, July 2022. https://us.insure-our-future.com/wp-content/uploads/sites/3/2022/07/Investing-in-Climate-Chaos-Brief.pdf.

the amount of money that Travelers has spent on climate-related lobbying activities over each of the last five (5) years.

6. What is Travelers doing to evaluate its membership in those trade associations, funding of such advocacy organizations, and participation in lobbying activities, and to bring such advocacy in line with a 1.5°C pathway?

7. Does Travelers have a plan to adopt binding targets for reducing its insured emissions that are transparent, comprehensive and aligned with a credible 1.5°C pathway? If so, please explain.

8. How does Travelers evaluate its responsibilities with respect to the Free, Prior, and Informed Consent of Indigenous Peoples? Does Travelers have a plan for developing due diligence and verification mechanisms to ensure that both Travelers and its clients obtain and document the Free, Prior, and Informed Consent of impacted Indigenous Peoples as articulated in the UN Declaration on the Rights of Indigenous Peoples? If so, please explain.

We also respectfully request that Travelers produce the following documents by no later than June 23, 2023:

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4. Policies, memoranda, or other similar documents concerning Travelers's plan, or lack thereof, to scale down or phase out insuring new and expanded coal, oil and gas projects.

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7. Policies, memoranda, or other similar documents concerning Travelers's adherence to—especially in connection with its underwriting or investing decisions—the UN Declaration on the Rights of Indigenous Peoples and/or the Free, Prior, and Informed Consent of Indigenous Peoples.

The latest Intergovernmental Panel on Climate Change (IPCC) Report states that, to limit warming to 1.5 °C above pre-industrial levels, global emissions must halve by 2030. The planet has already warmed over 1.2°C above pre-industrial levels, and our ability to reach the 1.5°C goal is moving fast out of reach, with the IPCC pegging the current probability at just 38%. Maintaining the status quo would lead to a likely catastrophic 2.8°C temperature rise by the end of the century. The insurance and financial sectors have an important role to play.

Thank you for your attention to this important issue. We look forward to your responses and welcome further engagement with you on this topic.

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The Senate Committee on the Budget has jurisdiction over Budget Act and budget process legislation, including concurrent resolutions on the budget and legislation changing the content or consideration of budget resolutions. In fulfilling its responsibilities, the Committee has broad authority to investigate the budgetary effects of existing and proposed legislation, as well as matters that affect the content or determination of amounts included in or excluded from the congressional budget or the calculation of such amounts, among other things. An attachment to this letter provides additional instructions for responding to the Committee's request. If you have any questions regarding this request, please contact Majority Staff at (202) 224-0642.

Sincerely,

Sheldon Whitehouse
Chairman
Senate Committee on the Budget

Ron Wyden
United States Senator

Bernard Sanders
United States Senator

United States Senate
COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510–6100
TELEPHONE: (202) 224–0642

June 9, 2023

Mr. Michael L. Tipsord
Chairman, President & Chief Executive Officer
State Farm Insurance
One State Farm Plaza
Bloomington, IL 61710

Dear Mr. Tipsord:

The United States Senate Committee on the Budget has recently held a series of hearings examining the economic risks associated with climate change.[1] In these hearings, central bankers, economists, insurance industry executives, financial experts, and others have testified that climate change poses multiple "systemic risks" to the economy. As you know, systemic risks cascade out of immediately affected sectors of the economy to do harm not only nationwide but also globally.

Witnesses have warned that sea level rise and wetter, more intense storms could eventually make more than $1 trillion in coastal real estate uninsurable, and therefore unmortgageable, leading to a coastal property values crash; that more frequent and intense wildfires could result in a similar death spiral for Western property in the wildland-urban interface; that climate-related losses are making it harder for the insurance industry to price risk, already resulting in insolvencies among regional insurers; and that, as demand for oil and gas declines, hundreds of billions of dollars in fossil fuel assets may be stranded (the "carbon bubble"). Each of these disruptions could become "systemic," and more than one could occur simultaneously.

We write to inquire how the U.S. insurance industry, specifically State Farm Insurance (State Farm), evaluates these climate-related risks, decides to invest in or underwrite fossil fuel expansion projects that drive such risks, and prices policies insuring such projects. Underwriting and investing in dangerous fossil fuel projects makes it harder to achieve global climate goals, and there is little transparency about how the myriad risks factor into industry decisions.[2]

As you know, 195 world leaders signed the Paris Agreement in 2015, committing their countries to pursue efforts to limit temperature increases to 1.5°C above pre-industrial levels. Since that time, respected international bodies like the International Energy Agency and United Nations (UN) have stated that new coal, oil, or gas development is incompatible with that

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global goal and, indeed, that production of these fossil fuels must decrease each year. The UN recommended that production of coal, oil, and gas decline by 11%, 4%, and 3%, respectively, every year through 2030.[3]

Despite these prudent recommendations based on well-established climate science, U.S. insurance companies continue to underwrite coal, oil, and gas projects and invest in the oil and gas industry. U.S. insurers currently have approximately $582 billion invested in fossil fuels—with nearly $90 billion in coal alone.[4] Globally, some insurance companies like Allianz, Munich Re, and AXA have begun restricting their underwriting of certain coal, oil, and gas projects.[5] But in the United States, the insurance industry continues to support existing and expanded fossil fuel projects with few restrictions in place limiting—or excluding—either. In short, U.S. insurers continue to underwrite polluting projects while making investments in an industry whose continued expansion poses multiple serious dangers to overall economic stability and to insurance services in particular.

While the U.S. insurance industry invests in and underwrites fossil fuel projects that are driving the climate crisis, it simultaneously faces rising costs due to climate disasters. For example, insurers are greatly raising rates and even pulling out of the home insurance market in Florida and Louisiana, in part due to climate-driven hurricanes.[6] In California, wildfires have caused significant turbulence in the state's insurance market, with non-renewals of residential insurance policies jumping 31% in 2019 and annual premiums increasing by thousands of dollars.[7] Some insurers, including State Farm, even recently announced that they would completely cease accepting new applications on business and personal property lines anywhere in the state, citing rapidly growing catastrophe exposure as one of the reasons.[8] Additionally, the Treasury Department has proposed collecting data to examine how climate risk and insurers'

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[5] Adriano, Lyle. "Revealed – How Us Insurers Compare When It Comes to Exiting Fossil Fuel Support." Insurance Business America, October 18, 2022. https://www.insurancebusinessmag.com/us/news/environmental/revealed--how-us-insurers-compare-when-it-comes-to-exiting-fossil-fuel-support-424267.aspx.

[6] Frank, Thomas. "Fla. Insurance Crisis Deepens as Rates Soar, Companies Fall." E&E News, September 21, 2022. https://www.eenews.net/articles/fla-insurance-crisis-deepens-as-rates-soar-companies-fall/; Finch II, Michael. "Louisiana's Homeowners Insurance Market Straining under Weight of 600,000 Claims." NOLA.com, April 2, 2022. https://www.nola.com/news/article_1aa57ff2-b205-11ec-8b04-5391d3bc8214.html.

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responses to it are affecting the cost and availability of insurance, including whether property insurance companies are withdrawing from the communities most vulnerable to climate change and, in doing so, further deepening systemic inequities.[9]

Furthermore, as states and municipalities seek damages from industrial polluters and other entities for cascading climate harms, many in the insurance industry are withdrawing from directors and officers liability coverage for defendants' alleged negligent or reckless acts in shareholder liability and tort lawsuits related to climate damage and fraud.[10] Some insurers are also responding to increased climate-related claims by including clauses requiring policyholders to disclose climate risk, or by denying coverage for climate liability, costs, and losses where the insured party has failed to meet greenhouse gas emissions reduction targets.[11] Given the threat that climate change poses to both the insurance industry and its policyholders, it is difficult to understand how the industry can carefully price and manage climate risk in some areas of its business while simultaneously having no apparent plan to phase out its underwriting of and investment in the projects and companies generating the emissions that are causing these very harms. Many fossil fuel projects would not be able to move forward without insurance, and all industries and sectors in civil society have a role to play in meeting the United States' international climate goals.

In a related environmental justice issue, it remains unclear whether insurance providers, including your company, have adopted clear policies to ensure respect for Native sovereignty and other human rights when deciding whether to invest in or underwrite infrastructure projects.[12] Where polluting projects disproportionately impact Indigenous and other marginalized communities, the UN Declaration on the Rights of Indigenous Peoples recommends that extractors "obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of mineral, water or other resources."[13] Consistent with that recommendation, the global insurer AXIS, for example, updated its human rights policy last

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[10] "US Fossil Fuel Firm Sues Insurer for Refusing to Cover Climate Lawsuit." The Guardian, August 30, 2022. https://www.theguardian.com/environment/2022/aug/30/us-fossil-fuel-firm-aloha-petroleum-sues-insurer-aig-for-refusing-to-cover-climate-lawsuit.

[11] "The Impact of Climate Change on the Insurance Sector." Mishcon de Reya LLP. February 7, 2023. https://www.mishcon.com/news/the-impact-of-climate-change-on-the-insurance-sector.

[12] "Climate Change for Indigenous Peoples." United Nations. Accessed June 6, 2023. https://www.un.org/development/desa/indigenouspeoples/climate-change.html.

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year to “not provide insurance coverage on projects undertaken on indigenous territories without Free, Prior, and Informed Consent.”[14]

Just last week, State Farm announced that it would stop selling new coverage to homeowners in California, because of “rapidly growing catastrophe exposure” from devastating wildfires in the state.[15] As State Farm is the largest homeowner insurance company operating in California, this announcement promises to have a significant effect on insurance rates and availability. It seems nonsensical at best—and complicit at worst—for State Farm to carefully factor climate risk from wildfires into its homeowner’s insurance policies, refusing in some cases to provide such policies at all, while apparently ignoring the heightened climate risk that its investment portfolio is helping to create. A recent study by the Union of Concerned Scientists found that 19.7 million acres of burned forest land—37% of the total area affected by forest fires in the western U.S. and Canada since 1986—can be attributed to the world’s 88 largest fossil fuel producers and cement manufacturers.[16]

Despite all this, State Farm continues to hold significant investments in fossil fuel industries. According to California’s Department of Insurance, State Farm held at least $30.9 billion in fossil-fuel-related investments as of 2019—the most of *any* insurance provider in the United States.[17]

Given these concerns, we respectfully request that State Firm provide responses to the following requests for information by no later than June 16, 2023:

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[15] Flavelle, Christopher, Jill Cowan & Ivan Penn. “Climate Shocks Are Making Parts of America Uninsurable. It Just Got Worse.” The New York Times, May 31, 2023. https://www.nytimes.com/2023/05/31/climate/climate-change-insurance-wildfires-california.html.

[16] “The Fossil Fuels behind Forest Fires.” Union of Concerned Scientists, May 16, 2023. https://www.ucsusa.org/resources/fossil-fuels-behind-forest-fires.

[17] State of California. Department of Insurance. Accessed June 6, 2023. https://interactive.web.insurance.ca.gov/apex_extprd/f?p=260:40:32696013527093::NO:10,20,30,40::.

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4. Does State Firm plan to divest assets, including assets managed for third parties, from coal, oil and gas companies whose activities are not aligned with a 1.5°C pathway? If so, on what timeline or by what date?

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Thank you for your attention to this important issue. We look forward to your responses and welcome further engagement with you on this topic.

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Sincerely,

Sheldon Whitehouse
Chairman
Senate Committee on the Budget

Ron Wyden
United States Senator

Bernard Sanders
United States Senator

United States Senate
COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510–6100
TELEPHONE: (202) 224–0642

June 9, 2023

Mr. Peter Zaffino
Chairman & Chief Executive Officer
American International Group, Inc.
1271 Avenue of the Americas
New York, NY 10020

Dear Mr. Zaffino:

The United States Senate Committee on the Budget has recently held a series of hearings examining the economic risks associated with climate change.[1] In these hearings, central bankers, economists, insurance industry executives, financial experts, and others have testified that climate change poses multiple "systemic risks" to the economy. As you know, systemic risks cascade out of immediately affected sectors of the economy to do harm not only nationwide but also globally.

Witnesses have warned that sea level rise and wetter, more intense storms could eventually make more than $1 trillion in coastal real estate uninsurable, and therefore unmortgageable, leading to a coastal property values crash; that more frequent and intense wildfires could result in a similar death spiral for Western property in the wildland-urban interface; that climate-related losses are making it harder for the insurance industry to price risk, already resulting in insolvencies among regional insurers; and that, as demand for oil and gas declines, hundreds of billions of dollars in fossil fuel assets may be stranded (the "carbon bubble"). Each of these disruptions could become "systemic," and more than one could occur simultaneously.

We write to inquire how the U.S. insurance industry, specifically American International Group Inc. (AIG), evaluates these climate-related risks, decides to invest in or underwrite fossil fuel expansion projects that drive such risks, and prices policies insuring such projects. Underwriting and investing in dangerous fossil fuel projects makes it harder to achieve global climate goals, and there is little transparency about how the myriad risks factor into industry decisions.[2]

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Despite these prudent recommendations based on well-established climate science, U.S. insurance companies continue to underwrite coal, oil, and gas projects and invest in the oil and gas industry. U.S. insurers currently have approximately $582 billion invested in fossil fuels—with nearly $90 billion in coal alone.[4] Globally, some insurance companies like Allianz, Munich Re, and AXA have begun restricting their underwriting of certain coal, oil, and gas projects.[5] But in the United States, the insurance industry continues to support existing and expanded fossil fuel projects with few restrictions in place limiting—or excluding—either. In short, U.S. insurers continue to underwrite polluting projects while making investments in an industry whose continued expansion poses multiple serious dangers to overall economic stability and to insurance services in particular.

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[11] "The Impact of Climate Change on the Insurance Sector." Mishcon de Reya LLP. February 7, 2023. https://www.mishcon.com/news/the-impact-of-climate-change-on-the-insurance-sector.

[12] "Climate Change for Indigenous Peoples." United Nations. Accessed June 6, 2023. https://www.un.org/development/desa/indigenouspeoples/climate-change.html.

[13] United Nations Declaration on the Rights of Indigenous Peoples. September 13, 2007. https://www.un.org/development/desa/indigenouspeoples/wp-content/uploads/sites/19/2018/11/UNDRIP_E_web.pdf.

year to "not provide insurance coverage on projects undertaken on indigenous territories without Free, Prior, and Informed Consent."[14]

We recognize AIG's adoption last year of new policies ceasing its underwriting of services for and investments in the construction of any new coal and oil sands facilities and Arctic exploration activities, claiming to adopt science-based emissions reduction targets in line with the goals of the Paris Agreement, and committing to reach net zero greenhouse gas emissions across its underwriting and investment portfolios by 2050.[15] Notwithstanding this stated commitment to progress, however, AIG has not provided further detail since the policy was introduced on how it plans to reduce emissions or reach net zero, and it has not adopted any restrictions on underwriting new conventional oil and gas development and related projects—despite the fact that new development is incompatible with climate goals. Additionally, while AIG was the first U.S. insurer to rule out insurance for Arctic energy exploration, questions remain as the policy contains loopholes that do not clearly define which areas of the Arctic and what kind of energy exploration is covered in the policy.

AIG also continues to be one of the largest insurers of fossil fuels in the United States, collecting as much as $675 million in premiums for covering the fossil fuel industry in 2021, according to the consultancy firm Insuramore.[16] For example, AIG underwrote Canada's Trans Mountain Pipeline, which would ship 590,000 barrels per day of tar sands, some of the most carbon-intensive oil on Earth, to British Columbia.[17] AIG also provided coverage for the first construction phase of Australia's Ichthys LNG, one of the most carbon-intensive offshore liquid natural gas (LNG) projects. It has also not ruled out supporting the expansion of that project nor the controversial East African Crude Oil Pipeline Project (EACOP), which 22 insurance companies have already pledged they will not insure.[18] Additionally, in the United States, AIG has been linked to the Freeport LNG export terminal on the Texas coast, which has a long history of harm to local communities, mismanagement, and a string of safety incidents that culminated

[14] Hussain, Noor Zainab & Simon Jessop. "Axis to Stop Insuring Energy, Other Projects without Community Support." Reuters, October 14, 2022. https://www.reuters.com/article/axis-capital-policy-esg-idCAL1N31E1ST.

[15] "Insurer AIG Steps Back from Coal, Arctic Energy Underwriting." Reuters, March 1, 2022. https://www.reuters.com/business/sustainable-business/insurer-aig-steps-back-coal-arctic-energy-underwriting-2022-03-01/.

[16] "Profiting off the Climate Crisis Looks like AIG Raking in up to $675 Million in Fossil Fuel Company Premiums." Public Citizen, January 10, 2023. https://www.citizen.org/news/how-aig-undermines-climate-action/.

[17] Canada Energy Regulator Report. "Nova Gas Transmission Ltd." Accessed June 6, 2023. https://docs2.cer-rec.gc.ca/ll-eng/llisapi.dll/fetch/2000/90464/90550/554112/3742312/3760383/3773600/3962397/C08154-1_CER_Report_NGTL_North_Corridor_Expansion_-_A7I2R6.pdf?nodeid=3965217&vernum=-2.; Williams, Nia. "Trans Mountain Oil Pipeline Expansion Costs Surge 44% to C$30.9 Billion." Reuters, March 10, 2023. https://www.reuters.com/business/energy/trans-mountain-oil-pipeline-expansion-costs-surge-44-c309-billion-2023-03-10/.

[18] "Ichthys LNG: Risky support from the insurance industry." Reclaim Finance, October 2022. https://reclaimfinance.org/site/wp-content/uploads/2022/10/2022.10.05_Reclaim-Finance_Report_Ichthys-LNG-Risky-support-from-the-insurance-industry.pdf; "Insure Our Future, Not the EACOP: Who's Backing the Pipeline and Who's Ruled it Out?" #StopEACOP. Accessed June 6, 2023. https://www.stopeacop.net/insurers-checklist.

in an explosion in June 2022.[19] Finally, according to California's Department of Insurance, AIG still held at least $24.2 billion in fossil-fuel-related investments as of 2019.[20]

Given these concerns, we respectfully request that AIG provide responses to the following requests for information by no later than June 16, 2023:

1. On what basis does AIG still support underwriting new fossil fuel expansion projects and investing in the fossil fuel industry? Does AIG have plans in place to follow the example of global counterparts and either scale back or phase out its underwriting of new and expanded coal, oil, and gas projects? If so, by when does AIG plan to cease insuring such coal, oil and gas projects?

2. What methodology does AIG use to evaluate its future impact on the environment and the climate as a result of its investment and underwriting decisions? What methodology does AIG use to evaluate the impact of climate change on potential new and existing insured projects?

3. Does AIG have a plan to ensure that its provision of insurance to oil, gas, and coal companies is in line with a credible 1.5°C pathway? If so, please explain that plan. If not, please explain why AIG has chosen not to adopt such a plan.

4. Does AIG plan to divest assets, including assets managed for third parties, from coal, oil and gas companies whose activities are not aligned with a 1.5°C pathway? If so, on what timeline or by what date?

5. Please provide a list of the trade associations, advocacy organizations, and lobbying entities with which AIG has a professional relationship or membership as well as the amount of money that AIG has spent on climate-related lobbying activities over each of the last five (5) years.

6. What is AIG doing to evaluate its membership in those trade associations, funding of such advocacy organizations, and participation in lobbying activities, and to bring such advocacy in line with a 1.5°C pathway?

7. Does AIG have a plan to adopt binding targets for reducing its insured emissions that are transparent, comprehensive and aligned with a credible 1.5°C pathway? If so, please explain.

8. How does AIG evaluate its responsibilities with respect to the Free, Prior, and Informed Consent of Indigenous Peoples? Does AIG have a plan for developing due

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[19] Soraghan, Mike, Mike Lee & Carlos Anchondo. "LNG Plant Had History of Safety Issues before Explosion." E&E News, June 17, 2022. https://www.eenews.net/articles/lng-plant-had-history-of-safety-issues-before-explosion/.

[20] State of California. Department of Insurance. Accessed June 6, 2023. https://interactive.web.insurance.ca.gov/apex_extprd/f?p=260:40:32696013527093::NO:10,20,30,40::; "Investing in Climate Chaos: North American Fossil Fuel Insurers' Investments in Coal, Oil, and Gas." Insure Our Future, July 2022. https://us.insure-our-future.com/wp-content/uploads/sites/3/2022/07/Investing-in-Climate-Chaos-Brief.pdf.

diligence and verification mechanisms to ensure that both AIG and its clients obtain and document the Free, Prior, and Informed Consent of impacted Indigenous Peoples as articulated in the UN Declaration on the Rights of Indigenous Peoples? If so, please explain.

We also respectfully request that AIG produce the following documents by no later than June 23, 2023:

1. Policies, memoranda, or other similar documents governing AIG's methodology for conducting assessments of a project's impact on climate change or the environment when evaluating requests for investment in or underwriting of fossil fuel-related projects.

2. Policies, memoranda, or other similar documents concerning AIG's methodology for evaluating the impact of climate change on its insured projects or projects considered for underwriting.

3. Policies, memoranda, or other similar documents reflecting AIG's analysis or projections of the trajectory of insurance rates and scope of coverage in light of rising climate harms.

4. Policies, memoranda, or other similar documents concerning AIG's plan, or lack thereof, to scale down or phase out insuring new and expanded coal, oil and gas projects.

5. Policies, memoranda, or other similar documents concerning AIG's plan, or lack thereof, for divesting assets, including assets managed for third parties, from coal, oil and gas companies whose activities are not aligned with a 1.5°C pathway?

6. Policies, memoranda, or other similar documents concerning AIG's methodology, or lack thereof, for evaluating existing or possible membership in trade associations, funding of advocacy organizations, and participation in lobbying activities, especially as such activities relate to the environment or climate change.

7. Policies, memoranda, or other similar documents concerning AIG's adherence to—especially in connection with its underwriting or investing decisions—the UN Declaration on the Rights of Indigenous Peoples and/or the Free, Prior, and Informed Consent of Indigenous Peoples.

The latest Intergovernmental Panel on Climate Change (IPCC) Report states that, to limit warming to 1.5 °C above pre-industrial levels, global emissions must halve by 2030. The planet has already warmed over 1.2°C above pre-industrial levels, and our ability to reach the 1.5°C goal is moving fast out of reach, with the IPCC pegging the current probability at just 38%. Maintaining the status quo would lead to a likely catastrophic 2.8°C temperature rise by the end of the century. The insurance and financial sectors have an important role to play.

Thank you for your attention to this important issue. We look forward to your responses and welcome further engagement with you on this topic.

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The Senate Committee on the Budget has jurisdiction over Budget Act and budget process legislation, including concurrent resolutions on the budget and legislation changing the content or consideration of budget resolutions. In fulfilling its responsibilities, the Committee has broad authority to investigate the budgetary effects of existing and proposed legislation, as well as matters that affect the content or determination of amounts included in or excluded from the congressional budget or the calculation of such amounts, among other things. An attachment to this letter provides additional instructions for responding to the Committee's request. If you have any questions regarding this request, please contact Majority Staff at (202) 224-0642.

Sincerely,

Sheldon Whitehouse
Chairman
Senate Committee on the Budget

Ron Wyden
United States Senator

Bernard Sanders
United States Senator

United States Senate
COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510–6100
TELEPHONE: (202) 224–0642

June 9, 2023

Mr. Timothy M. Sweeney
President & Chief Executive Officer
Liberty Mutual Insurance
175 Berkeley Street
Boston, Massachusetts 02116

Dear Mr. Sweeney:

The United States Senate Committee on the Budget has recently held a series of hearings examining the economic risks associated with climate change.[1] In these hearings, central bankers, economists, insurance industry executives, financial experts, and others have testified that climate change poses multiple "systemic risks" to the economy. As you know, systemic risks cascade out of immediately affected sectors of the economy to do harm not only nationwide but also globally.

Witnesses have warned that sea level rise and wetter, more intense storms could eventually make more than $1 trillion in coastal real estate uninsurable, and therefore unmortgageable, leading to a coastal property values crash; that more frequent and intense wildfires could result in a similar death spiral for Western property in the wildland-urban interface; that climate-related losses are making it harder for the insurance industry to price risk, already resulting in insolvencies among regional insurers; and that, as demand for oil and gas declines, hundreds of billions of dollars in fossil fuel assets may be stranded (the "carbon bubble"). Each of these disruptions could become "systemic," and more than one could occur simultaneously.

We write to inquire how the U.S. insurance industry, specifically Liberty Mutual Insurance (Liberty Mutual), evaluates these climate-related risks, decides to invest in or underwrite fossil fuel expansion projects that drive such risks, and prices policies insuring such projects. Underwriting and investing in dangerous fossil fuel projects makes it harder to achieve global climate goals, and there is little transparency about how the myriad risks factor into industry decisions.[2]

As you know, 195 world leaders signed the Paris Agreement in 2015, committing their countries to pursue efforts to limit temperature increases to 1.5°C above pre-industrial levels. Since that time, respected international bodies like the International Energy Agency and

[1] Hearings." U.S. Senate Committee On The Budget. Accessed June 6, 2023. https://www.budget.senate.gov/hearings.

[2] "Home." Oil Gas Policy Tracker, May 2, 2023. https://oilgaspolicytracker.org/.

United Nations (UN) have stated that new coal, oil, or gas development is incompatible with that global goal and, indeed, that production of these fossil fuels must decrease each year. The UN recommended that production of coal, oil, and gas decline by 11%, 4%, and 3%, respectively, every year through 2030.[3]

Despite these prudent recommendations based on well-established climate science, U.S. insurance companies continue to underwrite coal, oil, and gas projects and invest in the oil and gas industry. U.S. insurers currently have approximately $582 billion invested in fossil fuels—with nearly $90 billion in coal alone.[4] Globally, some insurance companies like Allianz, Munich Re, and AXA have begun restricting their underwriting of certain coal, oil, and gas projects.[5] But in the United States, the insurance industry continues to support existing and expanded fossil fuel projects with few restrictions in place limiting—or excluding—either. In short, U.S. insurers continue to underwrite polluting projects while making investments in an industry whose continued expansion poses multiple serious dangers to overall economic stability and to insurance services in particular.

While the U.S. insurance industry invests in and underwrites fossil fuel projects that are driving the climate crisis, it simultaneously faces rising costs due to climate disasters. For example, insurers are greatly raising rates and even pulling out of the home insurance market in Florida and Louisiana, in part due to climate-driven hurricanes.[6] In California, wildfires have caused significant turbulence in the state's insurance market, with non-renewals of residential insurance policies jumping 31% in 2019 and annual premiums increasing by thousands of dollars.[7] Some insurers even recently announced that they would completely cease accepting new applications on business and personal property lines anywhere in the state, citing rapidly growing catastrophe exposure as one of the reasons.[8] Additionally, the Treasury Department has

[3] "2021 About." Production Gap, October 20, 2021. https://productiongap.org/2021about/.

[4] "U.S. Insurance Companies Have $582 Billion Invested in Fossil Fuels." Public Citizen, December 22, 2021. https://www.citizen.org/news/u-s-insurance-companies-have-582-billion-invested-in-fossil-fuels/.

[5] Adriano, Lyle. "Revealed – How Us Insurers Compare When It Comes to Exiting Fossil Fuel Support." Insurance Business America, October 18, 2022. https://www.insurancebusinessmag.com/us/news/environmental/revealed--how-us-insurers-compare-when-it-comes-to-exiting-fossil-fuel-support-424267.aspx.

[6] Frank, Thomas. "Fla. Insurance Crisis Deepens as Rates Soar, Companies Fall." E&E News, September 21, 2022. https://www.eenews.net/articles/fla-insurance-crisis-deepens-as-rates-soar-companies-fall/; Finch II, Michael. "Louisiana's Homeowners Insurance Market Straining under Weight of 600,000 Claims." NOLA.com, April 2, 2022. https://www.nola.com/news/article_1aa57ff2-b205-11ec-8b04-5391d3bc8214.html.

[7] Nadeau, Sarah, Julia Cusick & Madeline Shepherd. "Regulators Should Identify and Mitigate Climate Risks in the Insurance Industry." Center for American Progress, June 5, 2023. https://www.americanprogress.org/article/regulators-should-identify-and-mitigate-climate-risks-in-the-insurance-industry/; Brooks, Khristopher J. "California Insurers Are Dropping Homeowners Threatened by Wildfires." CBS News, October 21, 2020. https://www.cbsnews.com/news/california-wildfires-home-insurers-dropping-homeowners/.

[8] Frank, Thomas. "Are Home Insurers Abandoning Communities Vulnerable to Climate Change?" Scientific American, January 4, 2023. https://www.scientificamerican.com/article/are-home-insurers-abandoning-communities-vulnerable-to-climate-change/; Hussain, Noor Zainab. "State Farm Stops New Home Insurance Sales in California as Wildfire Risks Grow." Reuters, May 30, 2023. https://www.reuters.com/world/us/state-farm-stops-new-home-insurance-sales-california-wildfire-risks-grow-2023-05-30/.

proposed collecting data to examine how climate risk and insurers' responses to it are affecting the cost and availability of insurance, including whether property insurance companies are withdrawing from the communities most vulnerable to climate change and, in doing so, further deepening systemic inequities.[9]

Furthermore, as states and municipalities seek damages from industrial polluters and other entities for cascading climate harms, many in the insurance industry are withdrawing from directors and officers liability coverage for defendants' alleged negligent or reckless acts in shareholder liability and tort lawsuits related to climate damage and fraud.[10] Some insurers are also responding to increased climate-related claims by including clauses requiring policyholders to disclose climate risk, or by denying coverage for climate liability, costs, and losses where the insured party has failed to meet greenhouse gas emissions reduction targets.[11] Given the threat that climate change poses to both the insurance industry and its policyholders, it is difficult to understand how the industry can carefully price and manage climate risk in some areas of its business while simultaneously having no apparent plan to phase out its underwriting of and investment in the projects and companies generating the emissions that are causing these very harms. Many fossil fuel projects would not be able to move forward without insurance, and all industries and sectors in civil society have a role to play in meeting the United States' international climate goals.

In a related environmental justice issue, it remains unclear whether insurance providers, including your company, have adopted clear policies to ensure respect for Native sovereignty and other human rights when deciding whether to invest in or underwrite infrastructure projects.[12] Where polluting projects disproportionately impact Indigenous and other marginalized communities, the UN Declaration on the Rights of Indigenous Peoples recommends that extractors "obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of mineral, water or other resources."[13] Consistent with that recommendation, the global insurer AXIS, for example, updated its human rights policy last

[9] Frank, Thomas. "Are Home Insurers Abandoning Communities Vulnerable to Climate Change?" Scientific American, January 4, 2023. https://www.scientificamerican.com/article/are-home-insurers-abandoning-communities-vulnerable-to-climate-change/.

[10] "US Fossil Fuel Firm Sues Insurer for Refusing to Cover Climate Lawsuit." The Guardian, August 30, 2022. https://www.theguardian.com/environment/2022/aug/30/us-fossil-fuel-firm-aloha-petroleum-sues-insurer-aig-for-refusing-to-cover-climate-lawsuit.

[11] "The Impact of Climate Change on the Insurance Sector." Mishcon de Reya LLP. February 7, 2023. https://www.mishcon.com/news/the-impact-of-climate-change-on-the-insurance-sector.

[12] "Climate Change for Indigenous Peoples." United Nations. Accessed June 6, 2023. https://www.un.org/development/desa/indigenouspeoples/climate-change.html.

[13] United Nations Declaration on the Rights of Indigenous Peoples. September 13, 2007. https://www.un.org/development/desa/indigenouspeoples/wp-content/uploads/sites/19/2018/11/UNDRIP_E_web.pdf.

year to "not provide insurance coverage on projects undertaken on indigenous territories without Free, Prior, and Informed Consent."[14]

Liberty Mutual sticks out as a key laggard that has taken few steps to restrict its underwriting of or investments in fossil fuel projects. While most large insurance companies have globally backed away from insuring new coal projects, Liberty Mutual continues to underwrite them, having adopted only a modest restriction on insuring and investing in some coal projects in 2019.[15] For example, Liberty Mutual provided coverage to at least three coal power plants in Indonesia and Vietnam within the last five years.[16]

Furthermore, Liberty Mutual has not yet adopted any restrictions on underwriting oil and gas development and related projects.[17] For example, your company underwrote Canada's Trans Mountain Pipeline, which would ship 590,000 barrels-per-day of tar sands, some of the most carbon-intensive oil on Earth, to British Columbia.[18] It has also not ruled out support for expansion of the controversial East African Crude Oil Pipeline Project (EACOP), which 22 insurance companies have already said they will not insure.[19] Finally, according to California's Department of Insurance, as of 2019, Liberty Mutual still held at least $2.5 billion in fossil-fuel-related investments.[20]

Given these concerns, we respectfully request that Liberty Mutual provide responses to the following requests for information by no later than June 16th, 2023:

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[14] Hussain, Noor Zainab & Simon Jessop. "Axis to Stop Insuring Energy, Other Projects without Community Support." Reuters, October 14, 2022. https://www.reuters.com/article/axis-capital-policy-esg-idCAL1N31E1ST.

[15] "Liberty Mutual Insurance Appoints First Chief Sustainability Officer to Oversee Continued Development of Environmental, Social and Governance Agenda." Liberty Mutual Insurance. PR Newswire: press release distribution, targeting, monitoring and marketing, December 13, 2019. https://www.prnewswire.com/news-releases/liberty-mutual-insurance-appoints-first-chief-sustainability-officer-to-oversee-continued-development-of-environmental-social-and-governance-agenda-300974652.html.

[16] "Insuring Our Future: 2020 Scorecard on Insurance, Fossil Fuels and Climate Change." Insure Our Future, December 2020. https://global.insure-our-future.com/wp-content/uploads/sites/2/2022/01/IOF-REPORT-FINAL-1-compressed.pdf.

[17] "Home." Oil Gas Policy Tracker, May 2, 2023. https://oilgaspolicytracker.org/.

[18] Stand.earth. Accessed June 6, 2023. https://old.stand.earth/sites/stand/files/TMX-Insurance-Certificate.pdf.; Williams, Nia. "Trans Mountain Oil Pipeline Expansion Costs Surge 44% to C$30.9 Billion." Reuters, March 10, 2023. https://www.reuters.com/business/energy/trans-mountain-oil-pipeline-expansion-costs-surge-44-c309-billion-2023-03-10/.

[19] "Ichthys LNG: Risky support from the insurance industry." Reclaim Finance, October 2022. https://reclaimfinance.org/site/wp-content/uploads/2022/10/2022.10.05_Reclaim-Finance_Report_Ichthys-LNG-Risky-support-from-the-insurance-industry.pdf; "Insure Our Future, Not the EACOP: Who's Backing the Pipeline and Who's Ruled it Out?" #StopEACOP. Accessed June 6, 2023. https://www.stopeacop.net/insurers-checklist.

[20] State of California. Department of Insurance. Accessed June 6, 2023. https://interactive.web.insurance.ca.gov/apex_extprd/f?p=260:40:32696013527093::NO:10,20,30,40::; "Investing in Climate Chaos: North American Fossil Fuel Insurers' Investments in Coal, Oil, and Gas." Insure Our Future, July 2022. https://us.insure-our-future.com/wp-content/uploads/sites/3/2022/07/Investing-in-Climate-Chaos-Brief.pdf.

1. On what basis does Liberty Mutual still support underwriting new fossil fuel expansion projects and investing in the fossil fuel industry? Does Liberty Mutual have plans in place to follow the example of global counterparts and either scale back or phase out its underwriting of new and expanded coal, oil, and gas projects? If so, by when does Liberty Mutual plan to cease insuring such coal, oil and gas projects?

2. What methodology does Liberty Mutual use to evaluate its future impact on the environment and the climate as a result of its investment and underwriting decisions? What methodology does Liberty Mutual use to evaluate the impact of climate change on potential new and existing insured projects?

3. Does Liberty Mutual have a plan to ensure that its provision of insurance to oil, gas, and coal companies is in line with a credible 1.5°C pathway? If so, please explain that plan. If not, please explain why Liberty Mutual has chosen not to adopt such a plan.

4. Does Liberty Mutual plan to divest assets, including assets managed for third parties, from coal, oil and gas companies whose activities are not aligned with a 1.5°C pathway? If so, on what timeline or by what date?

5. Please provide a list of the trade associations, advocacy organizations, and lobbying entities with which Liberty Mutual has a professional relationship or membership as well as the amount of money that Liberty Mutual has spent on climate-related lobbying activities over each of the last five (5) years.

6. What is Liberty Mutual doing to evaluate its membership in those trade associations, funding of such advocacy organizations, and participation in lobbying activities, and to bring such advocacy in line with a 1.5°C pathway?

7. Does Liberty Mutual have a plan to adopt binding targets for reducing its insured emissions that are transparent, comprehensive and aligned with a credible 1.5°C pathway? If so, please explain.

8. How does Liberty Mutual evaluate its responsibilities with respect to the Free, Prior, and Informed Consent of Indigenous Peoples? Does Liberty Mutual have a plan for developing due diligence and verification mechanisms to ensure that both Liberty Mutual and its clients obtain and document the Free, Prior, and Informed Consent of impacted Indigenous Peoples as articulated in the UN Declaration on the Rights of Indigenous Peoples? If so, please explain.

We also respectfully request that Liberty Mutual produce the following documents by no later than June 23rd, 2023:

1. Policies, memoranda, or other similar documents governing Liberty Mutual's methodology for conducting assessments of a project's impact on climate change or the environment when evaluating requests for investment in or underwriting of fossil fuel-related projects.

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The latest Intergovernmental Panel on Climate Change (IPCC) Report states that, to limit warming to 1.5 °C above pre-industrial levels, global emissions must halve by 2030. The planet has already warmed over 1.2°C above pre-industrial levels, and our ability to reach the 1.5°C goal is moving fast out of reach, with the IPCC pegging the current probability at just 38%. Maintaining the status quo would lead to a likely catastrophic 2.8°C temperature rise by the end of the century. The insurance and financial sectors have an important role to play.

Thank you for your attention to this important issue. We look forward to your responses and welcome further engagement with you on this topic.

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Sincerely,

Sheldon Whitehouse
Chairman
Senate Committee on the Budget

Ron Wyden
United States Senator

Bernard Sanders
United States Senator