Connecticut Chapter
P.O. Box 270595
West Hartford, Connecticut 06127
connecticut.sierraclub.org

TO: Department of Treasury
RE: Federal Insurance Office Request for Information on the Insurance Sector and Climate-Related Financial Risks

On behalf of the Sierra Club and our more than 40,000 members and supporters in Connecticut, thank you for raising the possibility of working with insurers to meet the emission reduction targets established by the Biden Administration. Meeting these targets is critically important if we are to avoid the worst impacts of climate change and protect people from climate catastrophe.

We are pleased to have the opportunity to provide information about stakeholder engagement with the insurance industry here in Connecticut as part of the Request for Information about climate risk in the insurance sector.

Connecticut is a hub of the U.S. insurance industry, so the Connecticut Chapter of the Sierra Club is engaging with the industry and with regulators in our state on the issue of insurance and climate change. Insurers play an outsized role in enabling the continued extraction, transport, and combustion of climate destroying fossil fuels by financing fossil fuel companies and underwriting fossil fuel projects. We have called on the industry to adopt policies to guide investments and underwriting in line with the science of holding global temperature rise below 1.5 degrees celsius. Our demands align with those of Insure Our Future:

1. Immediately cease insuring new and expanded coal, oil, and gas projects.
2. Immediately cease insuring coal companies, unless they have a coal exit plan that commits to close all coal-related assets by 2030 in EU/OECD countries and by 2040 globally.
3. Phase out, in line with a 1.5ºC pathway, insurance for oil and gas companies.
4. Divest all assets, including assets managed for third parties, from coal, oil, and gas companies that are not aligned with a 1.5ºC pathway. Any company that is building new coal, oil, or gas expansion projects is not aligned with 1.5ºC.
5. Bring stewardship activities, membership of trade associations and public positions as a shareholder and corporate citizen in line with a 1.5ºC pathway in a transparent way.
6. Establish robust due diligence and verification mechanisms to ensure clients fully respect and observe all human rights, including the right to Free, Prior and Informed Consent (FPIC) as articulated in the UN Declaration on the Rights of Indigenous Peoples.

Our organization, along with others in Connecticut, published a report in 2020 that explains what insurance has to do with climate change, provides data on insurance company investments in fossil fuels, and calls on Connecticut insurers to take action. Information on

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insurers' fossil fuel business, including Travelers and The Hartford, are provided. Some notable findings on the companies:

- Travelers is identified as having $3.5 billion invested in fossil fuels and as a major oil and gas insurer in the US and globally. The company recorded after-tax losses of $1.3 billion in 2018 including $314 million in losses from the Camp Fire in Northern California
- The Hartford had $3.2 billion invested in fossil fuels of which $668 million is in thermal coal. The Hartford provides insurance for coal, oil and gas extraction, transport and power generation.

We have reached out directly to Travelers, The Hartford, and W.R. Berkley on multiple occasions since the report was released to share our concerns, update them on developments in the industry, and to inquire about their progress towards adopting policies to address the concerns. In some cases, we have met with representatives from the companies who said they heard our concerns but to date, none have adopted any new policies to limit their investments in or underwriting of fossil fuels.

Additionally, we advocated for legislation (Public Act 21-2, Section 312) approved by the Connecticut General Assembly that calls for the Connecticut Insurance Commissioner to submit a report disclosing the Insurance Department's: (1) Progress toward: (A) Addressing climate-related risks, including, but not limited to, the department's progress toward integrating such risks into: (i) Risk-based capital requirements; (ii) Regular supervisory examinations; and (iii) Own risk and solvency assessments; and (B) Incorporating the reduced levels of emissions of greenhouse gas established in section 22a-200a of the general statutes into the department's regulatory and supervisory actions by, among other things, addressing the impacts of thermal coal, tar sands and Arctic oil and gas; and (2) Regulatory and supervisory actions to bolster the resilience of insurers to the physical impacts of climate change. We continue to follow regulatory developments to implement this new statute and will advocate for insurers to align their underwriting and investment activities with Connecticut's greenhouse gas emissions reduction mandates. This means insurers must make meaningful net zero commitments that reduce their absolute insured and financed emissions in line with Connecticut's own emissions limits. The financed and insured emissions should be calculated based on a globally accepted standard, and the planned reductions must not rely on nature-based offsets or negative emissions technologies that remain unproven at scale.

Greater oversight on the state and federal levels is needed. This must include collecting data from insurers on investments and underwriting inclusive of absolute financed emissions and absolute insured emissions, in line with existing and developing global standards. We ask that

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FIO serve as a source of independent verification for insurer's sustainability claims, calling out "greenwashing" by insurers that claim they are making net zero commitments while failing to adopt policies that are needed to meet those plans.

Thank you for your attention to this important issue.

Sincerely,

Samantha Dynowski
Sierra Club Connecticut