INVESTING IN CLIMATE CHAOS

North American Fossil Fuel Insurers' Investments in Coal, Oil, and Gas

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Photo: Arvind Vallabh

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RAINFOREST ACTION NETWORK

Insure OUR FUTURE

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Executive Summary

- Ten of the top North American underwriters of the fossil fuel industry had at least $59.7 billion collectively invested in fossil fuels in 2019.

- The insurers with the largest investments in fossil fuels in 2018 and 2019 were American International Group (AIG) and Berkshire Hathaway, followed by Travelers, Chubb, The Hartford, and Liberty Mutual.

- AIG and its subsidiaries invested at least $24.2 billion in fossil fuels in 2019, which made up 11.40% of the company's assets under management analyzed.

- At the sector-level, the 2019 investments of the insurers analyzed were $30.8 billion for oil and gas, including $1.9 billion for tar sands, as well as $272 million for coal.

Photo: George Day

Introduction

Insurance companies face climate risk on both sides of the balance sheet: through underwriting homes, businesses, and other property threatened by climate disasters on the liability side, as well as their significant investments in the fossil fuel industry on the asset side. This analysis looks at the fossil fuel investments for 10 of the top North American underwriters for both the coal sector and the oil and gas sector. As of 2019, U.S. insurance companies are still propping up the fossil fuel industry with billions of dollars—more than $582 billion, according to S&P Global Sustainable1.

This analysis is based on 2018 and 2019 data—the most recent available—underscoring the need for more timely disclosures of insurers' fossil fuel investments and underwriting in order to better understand their climate risks. Several insurers analyzed, including AIG, The Hartford, and Travelers, have restricted investments in coal and tar sands since the data in this brief was collected. However, this analysis shows that over half of these insurers' investments in 2019 were in the broad oil and gas sector. North American insurers' lack of restrictions on oil and gas means that they are likely still significant investors in that sector.

Major North American fossil fuel underwriters are significantly exposed to the fossil fuel industry through their investments. This exposure increases the risk of insurers holding stranded assets—where assets experience premature write-downs or devaluations due to the rapid transition away from fossil fuels. Insurers that do not adequately manage their fossil fuel exposure risk losing their ability to maintain sufficient capital for payouts, especially as climate-related losses escalate.

By underwriting and investing in fossil fuel companies as they build out new infrastructure, insurance companies are actively undermining global climate goals and exacerbating the very climate risks that threaten their business. The insurance industry must accelerate the transition away from fossil fuels, not drive a worsening climate crisis by enabling fossil fuel expansion.

Methodology

Scope

This report assesses the fossil fuel investments for 10 North American insurance companies that are among the major underwriters for the fossil fuel industry, according to Insure Our Future's 2021 Scorecard on Insurance, Fossil Fuels, and Climate Change. The companies included are:

- Chubb
- Liberty Mutual
- Travelers
- The Hartford
- W.R. Berkley
- AIG
- Berkshire Hathaway
- Everest
- AXIS Capital
- Starr[1]

Data Sources

The investment data was obtained via public records request to the California Department of Insurance (CDI). The data is derived from the CDI database of California insurers' 2018 and 2019 investments in fossil fuels, including coal and tar sands, which uses data from S&P Global Market Intelligence. Companies' investments for oil and gas[2] and tar sands[3] were obtained via records request and not previously available to the public. The insurers included in the database are those operating in California and subject to the regulation of the CDI. See the CDI Scope and Methodology for more detail.

The fossil fuel investments for each parent company analyzed were compiled by totaling the investments of the subsidiary companies that were included in the database. Given that only companies operating in California were included in the data, each parent company's total fossil fuel investments are likely higher than the totals found in this brief, as data for subsidiaries outside the scope of the CDI analysis was not obtained. Subsidiaries were identified using CDI Group Company Lists using National Association of Insurance Commissioner (NAIC) group numbers, accessed via the CDI Company Profile Search tool.

Photo: Erik McGregor

[1] Starr was not assessed in Insure Our Future's 2021 Scorecard, but will be included in the 2022 Scorecard. Additionally, Convex, a Bermudan insurer included in the 2021 Scorecard, is not assessed in this report due to a lack of investment data for this company in the CDI database.

[2] Oil and gas investments in this brief represent the value of holdings, in dollars, for holdings that were determined to be exposed to oil and gas, including those related to exploration, mining, refining, distribution, and power generation of oil and gas.

[3] Tar sands investments are defined in this brief as any identified exposure to the upstream exploration and production companies that extract tar sands. This is more inclusive than "Tar Sands Investments Over Threshold" included in the CDI database, which are companies that generate 50% or more of their revenue from the exploration, mining, or refining of tar sands.

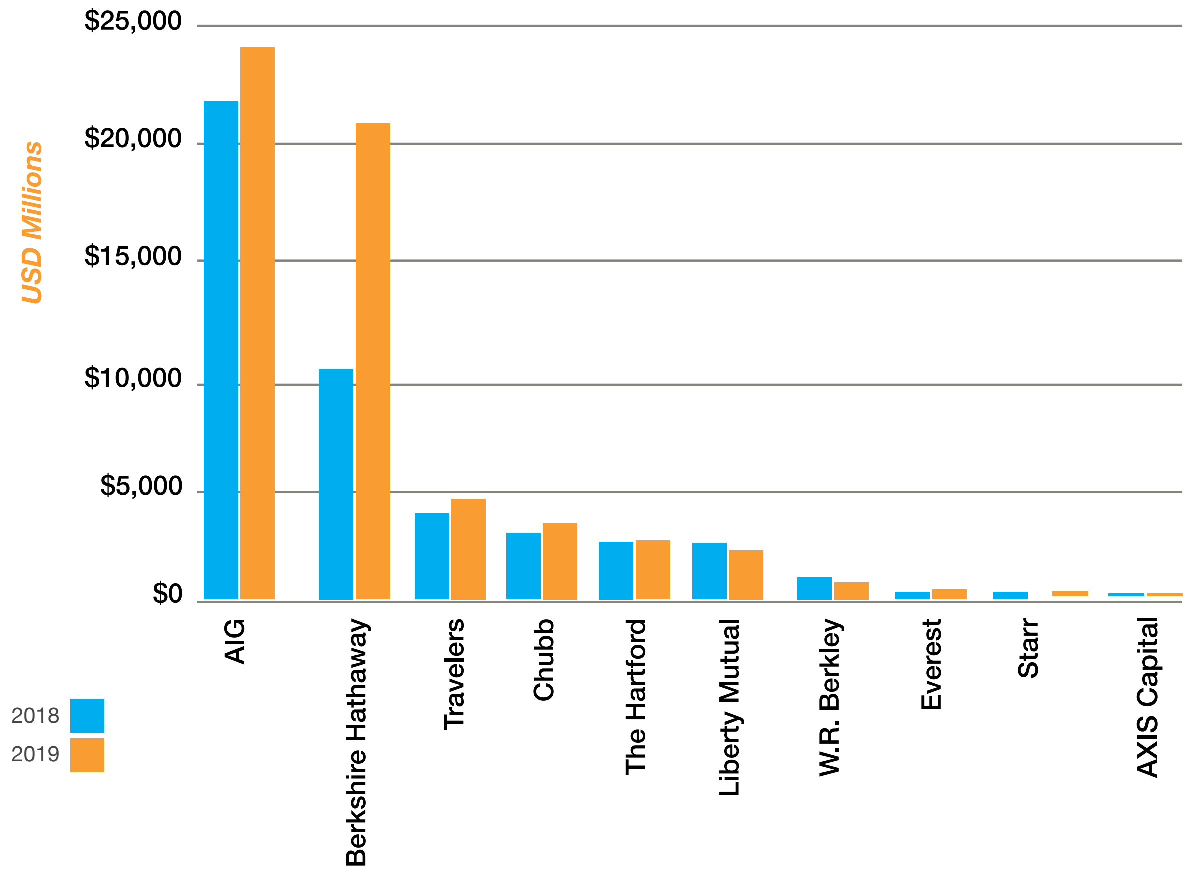
Findings

The insurers analyzed in this brief invested $59.7 billion in fossil fuels in 2019 (see Table 1). AIG and Berkshire Hathaway had by far the largest total fossil fuel investments, followed by Travelers, Chubb, The Hartford, and Liberty Mutual, as shown in Figure 1. The companies' fossil fuel assets collectively increased in value by $14 billion from 2018 to 2019.[4]

AIG had a notably high percentage of fossil fuel investments relative to its assets under management for the subsidiaries analyzed, with 11.05% in 2018 and 11.40% in 2019 (see Table 1). The average among the 10 companies analyzed was 4.62% and 4.87% of insurers' 2018 and 2019 total assets under management, respectively.[5]

Table 2 shows the companies' sector-level investments in oil and gas, tar sands, and coal. Over half of the 2019 investments among insurers analyzed were in oil and gas, at $30.8 billion. Berkshire Hathaway had the most significant oil and gas investments, with $20.7 billion in 2019, followed by AIG with $5.9 billion. Travelers, The Hartford, Chubb, and Liberty Mutual complete the top 6 companies with the largest investments in oil and gas. In 2019, the insurers analyzed invested $1.9 billion in tar sands, one of the most carbon-intensive forms of oil. Insurers' coal investments for 2019 totaled $272 million.

Figure 1: Total Fossil Fuel Investments by Company, 2018-2019



[4] Changes in total fossil fuel investments from 2018 to 2019 may be due to fluctuations in the market value of fossil fuel assets.
[5] The percent of fossil fuel investments to assets under management was calculated using fossil fuel investments and assets under management for the subsidiaries analyzed.

Table 1: Fossil Fuel Investments by Company, 2018-2019

		2018		2019	
Rank	Company	Total Fossil Fuel Investments (in millions)	% Fossil Fuel Investments to Assets Under Management	Total Fossil Fuel Investments (in millions)	% Fossil Fuel Investments to Assets Under Management
1	AIG	$21,552	11.05%	$24,200	11.40%
2	Berkshire Hathaway	$10,736	2.16%	$20,863	3.21%
3	Travelers	$4,032	6.04%	$4,716	6.68%
4	Chubb	$2,857	5.18%	$3,113	5.22%
5	The Hartford	$2,619	5.78%	$2,875	5.78%
6	Liberty Mutual	$2,458	3.38%	$2,348	3.03%
7	W.R. Berkley	$925	4.27%	$882	3.72%
8	Everest	$212	1.93%	$344	2.86%
9	Starr	$158	3.74%	$218	4.36%
10	AXIS Capital	$104	2.65%	$104	2.41%
	Total	**$45,653**		**$59,661**	

Table 2: Sector-Level Investments by Company, 2019

Rank	Company	Oil and Gas Investments *(in millions)*	Tar Sands Investments *(in millions)*	Coal Investments *(in millions)*
1	Berkshire Hathaway	$20,655	$140	$0
2	AIG	$5,912	$1,205	$145
3	Travelers	$1,209	$263	$2
4	The Hartford	$956	$104	$42
5	Chubb	$867	$57	$14
6	Liberty Mutual	$693	$81	$40
7	W.R. Berkley	$240	$47	$22
8	Starr	$102	$12	$0
9	Everest	$73	$14	$7
10	AXIS Capital	$46	$0	$404
	Total	**$30,754**	**$1,923**	**$272**

Conclusion

The 10 companies analyzed in this brief face substantial climate risks, as both major underwriters and significant investors in the fossil fuel industry. These insurers are collectively propping up the oil and gas industry as it recklessly develops new climate-wrecking infrastructure—to the tune of $30.8 billion, as of 2019. Since then, several of the insurers analyzed in this brief have adopted new restrictions on their investments in coal and tar sands. However, these commitments do not cover broad oil and gas investments, and thus are not expected to significantly alter the companies' investments in oil and gas. Excluding tar sands, oil and gas investments total $28.8 billion across all insurers analyzed. A recent report found that eight major oil and gas companies are involved in more than 200 fossil fuel expansion projects set for approval from 2022 to 2025. If insurers do not dramatically reduce financing for the oil and gas sector, they are at risk of enabling the industry's deadly expansion.

In the absence of clear divestment policies, it seems unlikely that the insurers analyzed in this brief have dramatically reduced their investment exposure to fossil fuels since 2019. Companies with substantial fossil fuel assets face significant climate risks as the world transitions to clean energy. AIG and its subsidiaries analyzed had 11.40% of assets under management invested in fossil fuels. AIG recently found that its 2021 investment portfolio was aligned with a 2.7°C global temperature increase by 2050—far above the goal set by the Paris Agreement of 1.5°C. This suggests that AIG has not dramatically reduced its fossil fuel investments since 2019. The company has pledged to reach net zero greenhouse gas emission for its investments and underwriting by 2050, but has not yet set interim targets or released its detailed plan to achieve this goal. Without a clear plan to phase out fossil fuel investments, AIG—and other insurers with high fossil fuel exposure—could become unable to meet claims obligations if fossil fuel assets become rapidly stranded.

Major U.S. property and casualty insurers faced unprecedented shareholder challenges this year over their inadequate climate action. This brief emphasizes how, if the insurers analyzed have not dramatically offloaded their fossil fuel assets since 2019, they are ignoring major climate threats to their financial stability. It also highlights the urgent need for more transparency into insurers' fossil fuel exposures for both their investments and underwriting. Despite the unique climate risks they face, insurers are continuing to back the fossil fuel industry as it expands through their investments and underwriting. Instead of responsibly managing their climate risks, insurance companies are adding fuel to the fire and ensuring climate disaster.

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Rainforest Action Network is a non-profit organization that preserves forests, protects the climate and upholds human rights by challenging corporate power and systemic injustice through frontline partnerships and strategic campaigns.

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Insure OUR FUTURE

Insure Our Future is a global coalition holding insurance companies accountable for their role in the climate crisis by advocating for a transition away from the fossil fuel economy in alignment with a 1.5˚C global warming trajectory.

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