



Ensuring Wildfires in California

How Liberty Mutual, AIG & Farmers Fuel Climate Change

The insurance industry has known about the risks of climate change for decades. Scientists, including those employed by insurance companies, have been telling us for several years that climate change is causing longer wildfire seasons with larger and more destructive fires.¹ Insurance claims from the California wildfires in 2017 and 2018 alone totaled more than \$26 billion.² With the onset of the 2019 wildfire season in California, many homeowners in at-risk areas have seen their insurance rates skyrocket or have received non-renewal notices from their insurers. In the past four years alone, nearly 350,000 rural homeowners in California have had their coverage dropped.³

Meanwhile, insurance companies continue to fuel the climate crisis in two key ways:

- **Providing insurance for climate-destroying fossil fuel projects like coal mines, fracking wells, and tar sands pipelines.**
- **Investing hundreds of billions of dollars of their customers' premiums in fossil fuel companies.**

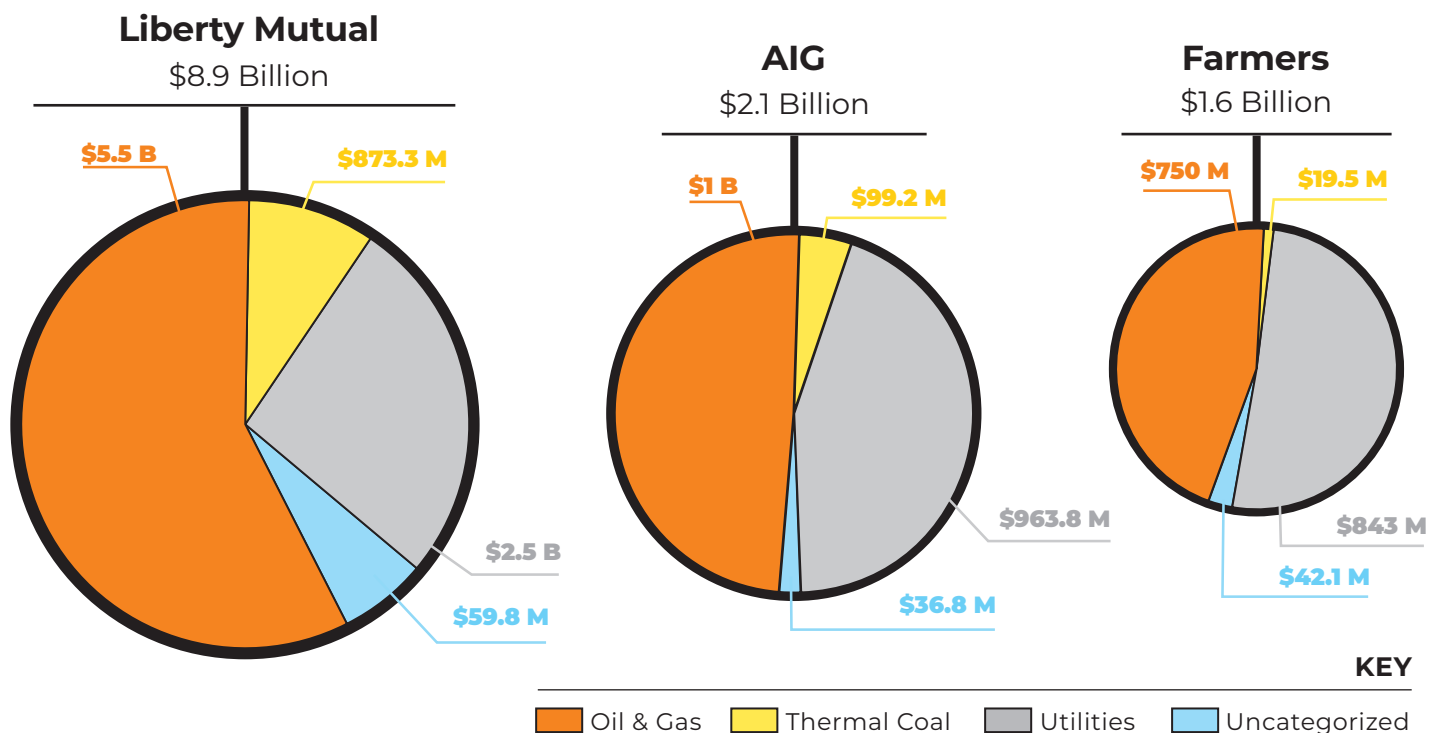
As the human and economic costs of wildfires mount, the insurance industry is siding with the perpetrators of climate change instead of its victims. Liberty Mutual, AIG, and Farmers – the top three fire insurers in California⁴ – continue to insure and invest in the fossil fuel companies that are driving climate change, making these fires more devastating and costly.

Investing in Climate Destruction

The U.S. insurance industry has \$6.5 trillion in assets under management.⁵ Yet despite being on the hook to pay for the damages caused by climate change, most U.S. insurers continue to invest their customers' premiums in fossil fuels. According to the latest data from the California Department of Insurance, insurers who do business in the state have \$521 billion invested in coal, oil, gas, and utilities that rely on these fuels to generate electricity.⁶

Liberty Mutual has holdings in some of the worst environmental polluters on the planet including oil companies Shell and British Petroleum, Canadian tar sands mining company Teck Resources, pipeline companies like Enbridge and TransCanada (builder of the Keystone XL pipeline), and utilities such as Duke Energy and Dominion Gas. AIG also has holdings in some of the most egregious emitters, such as BP and Chevron, Sempra Energy (which owns the notorious Aliso Canyon gas storage facility, which caused the worst natural gas leak in U.S. history in 2015), and Teck Resources. Meanwhile Farmers has holdings in companies like Chevron, Exxon, Energy Transfer Partners, and Duke Energy.⁷

Fossil Fuel Investments of the Top 3 Fire Insurance Companies in California



Source: California Department of Insurance

Insuring Fossil Fuel Projects

Insurance is critical to the fossil fuel industry. Without it, most fossil fuel projects would not be able to get regulatory approval or financing. You can't drive a car or buy a house without insurance. Likewise, energy companies can't build or operate destructive fossil fuel projects without insurance. Once built, this fossil fuel infrastructure locks us into decades of dirty and expensive energy that fuels climate change and endangers public health.

The proposed TransMountain tar sands pipeline in Canada is just one example of the kind of fossil fuel project that insurance companies support around the globe. Insured by Liberty Mutual and AIG⁸ (among others), the pipeline expansion:

- would carry 590,000 barrels of dirty tar sands crude oil every day from Alberta to British Columbia, significantly expanding the production of Canada's high-carbon "reserves".
- poses grave risks to Indigenous rights, water, and the land along the pipeline route.
- would prevent Canada from meeting its Paris Climate Agreement targets, as the increase in emissions would be the equivalent of putting 2.2 million cars on the road.⁹

The project is opposed by:

- more than 150 First Nations and Tribal Chiefs.
- Washington Governor Jay Inslee and British Columbia Premier John Horgan.
- 21 municipalities across British Columbia, including Vancouver.

Abandoning Climate Change Victims

In just the past four years, nearly 350,000 rural homeowners in California have had their coverage dropped, according to the California Department of Insurance, while non-renewals in zip codes affected by the 2015-2017 wildfires jumped by almost 10% in 2018.¹⁰ According to Tuolumne County officials interviewed by *The Union Democrat*, “hundreds, if not thousands, of residents have struggled to get homeowners insurance or been dropped by their existing providers in recent years.”¹¹ Since 2010, complaints about raised premiums filed with the California Department of Insurance in the highest wildfire risk counties have increased by 224 percent, and complaints about difficulty in renewing coverage have jumped by 573 percent.¹²

Liberty Mutual account representative Clifton Padgett says the company is no longer insuring in high fire areas: “Nothing against the policyholder; it’s just a business decision.”¹³ A 2015 Liberty Mutual California Underwriting Property Manual corroborates this claim, stating that the company “may periodically utilize targeted non-renewals to reduce exposure to catastrophic wildfire events.”¹⁴

“The Paradise fire caused the re-insurers to start shedding policies. Liberty Mutual was a big one that sent out big, vast swaths of non-renewals.”¹⁵

SEAN SMITH, INSURANCE BROKER

The abandonment of California’s rural communities by insurers is likely to continue – under a business-as-usual emissions scenario, the average annual acreage burned by wildfires in the Sierra Nevada region this century will quadruple.¹⁶ For those still able to get insurance in California, rates have skyrocketed. Richard Harris, an independent insurance agent in Grass Valley, is seeing the impacts of these increases in his community. “It’s really sticker shock for people to see their homeowners’ (premium) go from \$1,200 to

\$3,600,” he said. “They can’t afford these increases, and they leave crying. We can’t help them. You can only have so many people leaving your office crying.”¹⁷

U.S. Insurers Can & Must Do Better

While U.S. insurance companies like Liberty Mutual, AIG, and Farmers continue to fuel climate change, leading global insurance companies are ditching some fossil fuels. More than twenty insurers with assets of at least \$10 billion each have divested from coal and 17 of the world’s biggest insurers have limited or ceased their insuring of coal projects. Four companies have also limited their insurance for tar sands. Since the launch of the Insure Our Future campaign in September 2018, two U.S. companies – Chubb and AXIS Capital – have restricted insurance for coal, and AXIS is also phasing out tar sands. Pressure is mounting on the rest of the U.S. industry to step up and take action. As the advocacy group Consumer Watchdog puts it, “insurance companies’ response to climate change should be to side with the victims, not support the perpetrators.”¹⁸

Endnotes

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- 3 *Sacramento Bee*, "Insurers dropped nearly 350,000 California homeowners with wildfire risk," 20 August 2019 <https://www.sacbee.com/news/politics-government/capitol-alert/article234161407.html>
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- 6 California Department of Insurance, "Commissioner discloses insurers' carbon investments facing climate risk," 18 January 2017 <http://www.insurance.ca.gov/0400-news/0100-press-releases/archives/release004-17.cfm>
- 7 A full list of insurance company holdings are available on the California Department of Insurance website: https://interactive.web.insurance.ca.gov/apex_extprd/?p=250:40:0::NO:10,20,30,40
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- 16 California Department of Insurance, *Trial By Fire: Managing Climate Risks Facing Insurers in the Golden State*, September 2018 <https://www.law.berkeley.edu/wp-content/uploads/2018/09/Trial-by-Fire-September-2018.pdf>
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INSURE OUR FUTURE CAMPAIGN

Insure Our Future holds the insurance industry accountable for its role in supporting the drivers of climate change. The campaign is calling on insurers to stop insuring and investing in coal and tar sands projects and companies. It is part of the global Unfriend Coal campaign, which promotes a rapid shift of the insurance industry from supporting and financing fossil fuels to accelerating the transition to a clean energy economy. Unfriend Coal publishes an annual scorecard that analyzes the evolving role of the global insurance industry in the coal sector and the transition to a low-carbon economy. The 2019 scorecard will be released in early December.



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