



May 27, 2020

Mr. David Long  
Chairman & Chief Executive Officer  
Liberty Mutual Group  
175 Berkeley Street  
Boston, Massachusetts 02116

Dear Mr. Long,

Now more than ever, the insurance sector must accelerate the low-carbon transition by phasing out fossil fuel insurance and investing. The global pandemic has shown how the strength of collective action allows us to confront an existential threat. Together, we must focus on combating another important emergency of our times: climate change.

In the Massachusetts legislature, we – the undersigned senators, representatives – are pushing for a number of policies to decarbonize the state’s economy and ensure a reliable, affordable, and sustainable energy future for Massachusetts residents. We also understand that the solutions to climate change are multifaceted and require that diverse actors, including financial institutions, step up and actively tackle the crisis. As the fifth largest property and casualty company worldwide, Liberty Mutual is in a unique position to push for an energy transition at a global scale.

The climate crisis is already affecting the way we live. In Massachusetts, we are experiencing record-breaking temperatures. Projections show that Boston, the Cape and Islands, and other coastal areas of the state are highly vulnerable to sea level rise, as we have seen with unprecedented flooding in recent years.<sup>1</sup> As a risk expert, you must understand the massive threats that climate change poses to our communities and economy and the urgent need to cut emissions.

The science is clear: warming beyond 1.5°C would result in long-lasting and irreversible damage to the atmosphere and planet.<sup>2</sup> Potential emissions from the coal, oil, and gas reserves already in production would take the world well beyond 2°C of warming, let alone 1.5°C.<sup>3</sup> This means that

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<sup>1</sup> Environmental Protection Agency, “[What Climate Change Means for Massachusetts](#),” 2016.

<sup>2</sup> Intergovernmental Panel on Climate Change, “[Summary for Policymakers](#),” in “Global Warming of 1.5°C,” 2018.

<sup>3</sup> Greg Muttitt, “[The Sky’s Limit: Why the Paris Climate Goals Require a Managed Decline of Fossil Fuel Production](#),” Oil Change International, September 2016.

insuring any new coal mines, coal-fired power plants, or oil and gas infrastructure is incompatible with the Paris Agreement and a safe climate future.

As you know, insurance companies like Liberty Mutual underpin the fossil fuel economy in two key ways. By covering the risks associated with coal, oil, and gas companies and projects, insurers enable new fossil fuel projects to be financed and built in spite of the profound risks to our environment and public health and safety. Without insurance, existing facilities would have to find new ways of managing their risks or close. Moreover, insurers are major investors in fossil fuel companies. Insurance companies are the second largest institutional investors, after pension funds, with \$24 trillion in assets under management collectively.<sup>4</sup>

We know Liberty Mutual is one of the largest fossil fuel insurers globally, facilitating the expansion of coal, oil, and gas infrastructure. At a time when the United Nations Secretary General is calling for no coal-fired power plants to be built after 2020,<sup>5</sup> Liberty Mutual continues to insure new coal mines and power plants. Experts estimate that it is the third largest U.S. insurer of the nation's power sector, which is more than 60% fossil-generated.<sup>6</sup> Liberty Mutual is currently insuring the Keystone XL pipeline expansion, the Trans Mountain tar sands pipeline in Canada, and the Mariner East II fracked gas pipeline in Pennsylvania.<sup>7</sup>

Your company also has major holdings in fossil fuel companies. According to the California Department of Insurance's latest data, Liberty Mutual has more than \$8.9 billion invested in fossil fuel companies and fossil fuel-intensive utilities, including \$1.5 billion in thermal coal. These holdings include coal mining giants like Anglo American and Glencore, as well as TC Energy and Kinder Morgan, the companies behind destructive pipeline projects.<sup>8</sup>

Kinder Morgan and its subsidiary, Tennessee Gas Pipeline, has been attempting to build a network of gas pipelines across Massachusetts for years, but the company has faced major setbacks in the face of community resistance along the proposed routes. Massachusetts must transition off of fossil fuels and increase safety by repairing gas leaks, but not allow new gas infrastructure through unwanted expansions like the Northeast Energy Direct proposal or the 261 upgrade.

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<sup>4</sup> TheCityUK, "[UK Fund Management](#)," 2018, p. 14.

<sup>5</sup> United Nations, "[To Tackle Climate Change, Leaders Must Tax Pollution, Not People, End Coal Plant Construction by 2020, Secretary-General Urges, Concluding Pacific Region Visit](#)," September 2019.

<sup>6</sup> Liberty Mutual's role in the U.S. power sector is based on a 2018 analysis that Finnacord provided the Unfriend Coal campaign.

<sup>7</sup> See documentation for the [Keystone XL](#) policy, the [Trans Mountain pipeline](#) policy (2019-20), and the [Mariner East II pipeline](#) policy (2019-20).

<sup>8</sup> Data compiled from the California Department of Insurance [Climate Risk Carbon Initiative database](#), accessed October 2019.

From a financial angle, climate policy and the rapid adoption of renewables creates significant risks that your investments in fossil fuel companies may end up as stranded assets. Additionally, as climate change litigation makes progress in the courts, Liberty Mutual may be responsible for covering the damages that fossil fuel companies are forced to pay, due to legal liability insurance products.

We note that Liberty Mutual announced a new policy restricting insurance and investing in coal companies in December 2019, becoming the eighteenth insurer across Europe, Australia, and the U.S. to limit coal insurance.<sup>9</sup> We welcome this policy as an important – but limited – first step, and we urge you to strengthen it to meet the scale of the climate crisis. This includes:

- Closing the policy loopholes on coal to rule out insuring new coal-fired power plants and coal mines, as well as companies that are actively expanding coal.
- Ruling out insuring and investing in the tar sands sector, which poses grave risks to Indigenous rights and the climate, as five insurers, including U.S.-based The Hartford and AXIS Capital, have already done.
- Aligning all your business activities, including your underwriting and investments, to ensure zero carbon emissions by 2050 or sooner.

In light of these concerns, we look forward to hearing more from you and your colleagues about Liberty Mutual’s plans to address the climate, social, and financial risks of insuring and investing in fossil fuels.

Sincerely,

Jamie Eldridge, State Senator, Middlesex & Worcester  
Dylan Fernandes, State Representative, Barnstable, Dukes & Nantucket

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<sup>9</sup> [“Liberty Mutual Insurance Appoints First Chief Sustainability Officer to Oversee Continued Development of Environmental, Social and Governance Agenda,”](#) PR NewsWire, December 13, 2019.