LIBERTY MUTUAL
Coal Policy Analysis

January 15, 2020

Liberty Mutual adopted a new policy to restrict coal insurance and investing in December 2019, becoming the third U.S. insurer to restrict insurance for the coal sector.

- Liberty Mutual's announcement follows months of pressure from Rainforest Action Network, Mass Divest, Mothers Out Front, 350 Massachusetts, 350 Seattle, and other climate and consumer organizations that make up the Insure Our Future campaign.
- We welcome the policy as an important – but very limited – first step, and Liberty Mutual must strengthen it. Liberty Mutual should expect to stay in the public spotlight until its policies and practices truly meet the urgency of the climate crisis.

Liberty Mutual's announcement is part of a growing trend. The company has joined a global movement of insurers shifting contracts and capital out of the coal sector.

- As of January 2020:
  - » **Nineteen** insurance companies have adopted policies restricting coal insurance underwriting, and **35+** have adopted policies on coal investing.
  - » Together the action takers account for **47.6%** of the reinsurance market, and divestment policies apply to more than **$9** trillion of assets.
- The shift away from coal is accelerating, with more than half of these policies adopted in 2019.
- Liberty Mutual's announcement will increase the pressure on AIG, one of the few remaining major U.S. insurance companies with no restrictions on underwriting coal.

POLICY SUMMARY

According to the press release announcing the new policy, Liberty Mutual will:

» Not insure new risks for companies with more than 25% exposure to coal and phase out existing coverage to such companies by 2023.

» End new investments in companies that generate at least 25% of their revenue from coal mining or produce at least 25% of their power from coal.

WHAT'S MISSING?

» **New coal projects:** The policy does not address insurance cover for new coal mine and power plant projects, as it only applies insurance exclusions at the company-level. This is a massive loophole. According to the Global Coal Exit List:

- 101 companies under a 25% revenue threshold are planning new coal mines.
- Coal power companies and utilities under a 25% power generation threshold are currently planning to build out 192 gigawatts (GW) of new coal power.

» **Coal company definition:** It remains unclear exactly how Liberty Mutual is defining "25% exposure to coal," given the various metrics based on revenue and power generation. Regardless, the policy does not include absolute thresholds – which account for large, diversified companies that are mining or combusting large quantities of coal – or expansion criteria, to identify if a company is building out new coal. Many diversified companies fall under the 25% threshold but continue to actively facilitate new coal projects across the globe, as the Global Coal Exit List data reveals.

» **Coal phaseout:** A 25% threshold is a start, but Liberty Mutual must commit to revisiting the policy and ratcheting down this threshold over time, in line with the Global Coal Exit List definition of a coal company. Furthermore, Liberty Mutual provides an overly long transition period for clients, as existing coverage to companies that fall within the 25% threshold will be phased out over a period of three years (by 2023).

» **Tar sands:** Liberty Mutual continues to insure and invest in the tar sands sector, which poses grave risks to Indigenous rights and the climate. The company must adopt a policy on tar sands extraction and transport companies and projects, which would rule out renewing insurance coverage of the Trans Mountain pipeline, which two subsidiaries of Liberty Mutual recently covered, and other major tar sands pipelines.

» **Free, Prior, and Informed Consent (FPIC):** In addition to exiting the tar sands sector, Liberty Mutual should adopt a policy to not insure companies that seek to build projects without the Free, Prior, and Informed Consent of impacted Indigenous Peoples globally, as articulated in the United Nations Declaration on the Rights of Indigenous Peoples.

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