Testimony of Carly Fabian, Senior Policy Advocate, Public Citizen
For the Connecticut Environment Committee

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Thank you for the opportunity to speak today. My name is Carly Fabian and I am a Senior Policy Advocate at Public Citizen, a national public interest advocacy group with more than 500,000 members and supporters, including nearly 10,000 in Connecticut. On behalf of Public Citizen, I welcome the opportunity to testify in support of Section 14 of HB 7174.

In 2021, the Connecticut General Assembly established itself as a leader on addressing climate risks in the insurance sector. That year, the General Assembly passed a bill requiring the Insurance Commissioner to incorporate the state's emissions reduction targets into insurance supervision and regulation, the first state in the nation to do so.[1] The General Assembly should now take the next step by ensuring that the industries that have enabled climate change contribute to the costs of adapting.

While Connecticut was early in recognizing the connections between climate change and insurance, the insurance companies that made Hartford the "insurance capital of the world" have not met the state even close to halfway. Despite advanced knowledge – and recent guidance from the state in managing these risks – property and casualty insurers are dragging their feet on the energy transition. Rather than translating early warnings into action, insurance companies are instead passing the costs to policyholders and taxpayers.

Connecticut communities are already paying the price for climate change through higher premiums and carved-out coverage, while taxpayers will be on the hook for the multi-billion dollar cost of adapting Connecticut to rising sea levels and alarmingly frequent wildfires.[2] This strategy has allowed the industry to hit record profits last year, while leaving entire communities behind.[3] Meanwhile, the same insurance companies dropping homeowners are bending over backwards to offer coverage for fossil fuel clients, sometimes even appearing to violate their own policies to do so.[4]

Without intervention, low-income communities will bear the brunt of these costs. Due to the legacy of red-lining and other racist practices, low-income and minority communities are more likely to live in flood-prone areas and less likely to be able to afford to pay for or to qualify for credit for mitigation steps for their homes or repair costs in the aftermath of disasters. Renters will not be immune either, as higher insurance premiums for landlords could lead to higher rent,

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[1] Conn. Gen. Stat. Section 38a-23.
[2] John Henry Smith, "Could wildfires like those damaging L.A. happen in CT?" Connecticut Public Radio; Center for Climate Integrity and Pay Up Climate Polluters, "Climate Costs in 2040."
[3] Jean Eaglesham, "Insurers Rake In Profits as Customers Pay Soaring Premiums," *Wall Street Journal,* January 25, 2024.
[4] Public Citizen and Insure Our Future, "Covering Coal: The Top Insurers of U.S. Coal Mining," September 28, 2023.

delayed maintenance, or fewer housing options. Affordable housing providers are already struggling to afford coverage, if they can find it at all.[5]

By establishing a surcharge on fossil fuel premiums, this bill would reverse that trend. It would do so by applying a concept that both the industry and every consumer is familiar with: "you break it, you buy it." If insurers continue to cover risky projects that fuel climate-related disasters at the expense of policyholders and the public, it's only fair to ask these companies to chip in for the repair costs.

Connecticut is uniquely suited to take this novel approach to climate adaptation. However, the bill should be amended to specify that the surcharge would apply to premiums collected for fossil fuel development or operations within the state. Establishing this 5% surcharge on in-state fossil fuel premiums would shift the costs to the companies driving the crisis, while creating a new source of revenue to help the state adapt.

For insurers and fossil fuel companies with serious climate commitments, this surcharge will also create a competitive advantage. Several major Connecticut-based insurers are at least paying lip service to the need to reduce carbon emissions, particularly as they pay out far more for climate-driven losses than they collect from fossil fuel clients.[6] However, insurers will face little motivation for change when they can pass on the price of climate change to the public. Without a surcharge, Connecticut communities, not the companies fueling climate change, will be the ones paying far too high a price.

[5] Franklin Schneider, "Soaring Property Insurance Rates Threaten Affordable Housing Development," *Shelterforce*, March 26, 2024.
[6] Insure Our Future, "Within Our Power: 2024 Scorecard."