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Insurance: Munich Re Limits Future Fossil Fuel Coverage

October 11, 2022

Insurance



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Munich Re, the world's largest reinsurer, has **announced** that starting April 1, 2023, it will no longer invest in or insure contracts or projects exclusively covering: (1) new oil and gas fields; (2) new midstream oil infrastructure; and (3) new oil fired power plants. According to the announcement, the policy applies to direct illiquid investments along with related reinsurance activities and will be enforced even where risks are bundled in one cover together with other risks (e.g., existing oil or gas fields), when the cover is mainly designed to protect one or more of the activities identified by the company. This announcement follows similar moves from other insurance providers such as **Allianz** and **Swiss Re** together with last week's **announcement** by Munich Re's syndicate in Lloyd's of London to cease underwriting traditional oil and gas activities by January 1, 2023. Munich Re did not rule out coverage for new gas pipelines, liquefied natural gas plants and gas-fired power plants.

Taking the Temperature: Munich Re's announcement can be viewed as part of a wider debate about how companies in the financial services and other industries should approach business with certain sectors of the fossil fuel industry (see next story). It is important to balance the goals of sustainability with the need for oil and gas energy to power a transition to a greener economy. It also is likely that companies seeking insurance coverage or investment in future oil and gas projects will pay higher premiums and have fewer options as the market continues to shrink.