

**Research Announcement: Moody's – Insurers' retreat from coal is positive, reducing stranded asset risk, limiting liability risk**

London, February 24, 2020 --

- » Europe's biggest (re)insurers are limiting their exposure to certain fossil fuels
- » Retreat from thermal coal is taking priority and limiting future liability and stranded asset risk

Allianz, AXA, Swiss Re, Munich Re and Zurich are going further than most of their global peers in reducing their underwriting and investment exposure to fossil fuels, and thermal coal in particular, says Moody's Investors Service.

"We view the insurers' retreat from thermal coal as positive," said Brandan Holmes, a Moody's Vice President. "It reduces their exposure to potential climate change liability risk, and reduces the risk of their investment assets becoming stranded."

All five (re)insurance companies are prioritising the pullback from thermal coal related industries because the sector has the highest carbon intensity per unit of energy produced. It is also for this reason that the coal sector is highly exposed to the adverse effects of transition to a low-carbon economy, leading to rising credit risk.

By providing less cover to coal and other carbon-intensive industries insurers are reducing their exposure to the legal liabilities that could arise if climate change is established as a cause of specific damaging weather events. However, it is important to note that reducing exposure to coal will limit liability risks prospectively, but these (re)insurers will remain exposed to potential claims that occurred historically, while insurance coverage was in place.

Insurers that cut their investment exposure to fossil fuels are better protected against the risk of such assets losing value faster than expected due to the transition to carbon-neutral alternatives, as well as creating opportunities to invest in companies providing low-carbon alternatives.

Subscribers can access the report at: [http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_1202809](http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1202809)

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