LAW360 Insurance Authority

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Lloyd's Fossil Fuel Reversal Strikes Experts As Political

By **Eli Flesch**

Law360 (September 11, 2025, 7:58 PM EDT) -- Lloyd's of London's recent move to relax coverage restrictions for certain fossil fuel businesses reflects a more permissive political climate for polluting industries, experts said, while advocates for sustainable investment called it bad business.

A law professor studying sustainability in insurance says supporting fossil fuel operations will result in more greenhouse gas emissions, which will intensify climate change and natural disasters, as Lloyd's of London relaxes coverage restrictions for certain fossil fuel businesses. (AP Photo/Kirsty Wigglesworth)

The policy shift is a reversal for Lloyd's, which said in 2020 it would phase out coverage and investments in thermal-fired coal plants and mines, oil sands and Arctic oil exploration. Experts said that CEO Patrick Tiernan's plan to allow "more freedom" to Lloyd's insurers to cover such business activity could be a market opportunity for carriers, especially if regulations on polluting industries like coal are relaxed to the point where those businesses grow and need a way to offload risk. Tiernan succeeded former Lloyd's chief executive John Neal this June.

But experts pushing insurance companies to adopt sustainable practices also see a risk to the industry and its investors — the costs associated with paying out claims for natural disasters that are becoming more severe as the planet continues to grow hotter.

Tiernan's comments, first reported Sept. 4 by the Financial Times, also described a need to remain "apolitical" and called that a strength of Lloyd's. Earlier this year, in a half-year report, the executive also said that Lloyd's "neutrality is part of our value."

Many industry observers, however, see Lloyd's reversal as a political one.

Franziska Arnold-Dwyer, a University College London law professor studying sustainability in insurance, said supporting fossil fuel operations will result in more greenhouse gas emissions, which will intensify climate change and natural disasters. Risks are becoming uninsurable and protection gaps are widening, she said, with looming consequences for wider financial systems.

"There is nothing 'apolitical' about underwriting and investing in fossil fuels," she told Law360. "It is a decision that tracks the politics of the current U.S. administration."

In April, Trump issued an executive order directing the Interior and Agriculture secretaries to "prioritize coal leasing and related activities" as the "primary land use" in parts of federally-owned land identified as having coal resources and reserves. The U.S. owns about 640 million acres of land, mostly in Alaska and western states.

Coal is a particularly polluting source of energy. For a decades-long period**,** it was the country's biggest source of electricity**,** but a combination of coal regulation and competitively priced energy from other sources — like natural gas, nuclear, and renewables — have led to a major decline in coal.

According to a coal industry report published June 30 by the nonpartisan Congressional Research Service, coal accounted for 8% of primary energy consumption in 2024, and coal-fired power plants are retiring at a higher rate than other electricity generators.

Thomas B. Alleman, a carrier-side attorney with Dykema Gossett PLLC who has worked with oil and gas industry insurers, said there might be a better environment for coal producers now because there is more insurance available for coal.

But he also questioned whether the costs associated with coal exploration, development and transit make it competitive with other sources of energy.

"I frankly don't know that coal is very profitable," Alleman told Law360.

With respect to the Lloyd's decision, the attorney said he wasn't sure it would have a significant effect on the oil and gas coverage market. Oil majors like Exxon and Shell already have highly customized insurance programs, Alleman said, and the introduction of another insurer might only change that to the extent that they have another coverage option.

"Anytime that there's more market competition — and Lloyd's wants to participate at all levels — that potentially could impact rates or coverage," he added.

Oil, gas, and coal businesses face significant risks, including claims related to climate change, said Andrew P. Van Osselaer, an insurance policyholder and environmental attorney with Haynes and Boone LLP. However, he noted that Lloyd's insurers are known for being very selective about risks, and if they did choose to insure coal projects, for example, they might include exclusions for claims around air emissions.

It's also an open question as to how Lloyd's policy will ultimately affect the market for coverages, he said, but more insurance could make more fossil fuel business possible. Still, there have been longtime headwinds for the coal industry in particular that could inform their approach to underwriting decisions, including whether to even offer any coverage.

"Insurers — they can see which way the winds are blowing," Van Osselaer said.

In the U.S., even before Trump was reelected to a second term, insurers were subject to criticism for attention to environmental, social and governance goals — those which climate advocates say are meant to address material risks to the insurance business.

In 2023, Texas lawmakers **approved a bill** banning most in-state insurance companies from setting or changing rates based on ESG aims. They also considered a bill to prevent insurers from adopting shareholder proposals with those objectives. In each case, experts warned of difficult compliance issues, with broad risks to policyholders.

Climate-friendly investment groups have also been the subject of **congressional subpoenas** from rightwing lawmakers over alleged antitrust violations.

Speaking about the Lloyd's fossil fuel policy reversal, James S. Gkonos, a Saul Ewing LLP attorney who has advised insurers and reinsurers on regulatory matters said, "It appears to be a reaction to where the world has gone in the last few years with ESG."

Gkonos said that given insurers' primary focus is on underwriting — opposed to the secondary consideration of public perception — it's important to keep an eye on how fossil fuel industries evolve, from an environmental perspective. That evolution — good or bad — could play an important role in future underwriting decisions, and how insurers evaluate whether to cover or offer reinsurance for their product offerings.

In the meantime, sustainable business advocates see the import of the Lloyd's policy change as less about politics, and more about a failure to meet fiduciary obligations. They say that offering cover to polluting industries like coal is a setback, and insurers should be seeking to expand coverage offerings for renewable energy sources and carbon capture tech.

"Lloyd's own data shows increasing frequency and severity of climate disasters," said Steven Rothstein, the managing director of the Ceres Accelerator for Sustainable Capital Markets, an organization that has worked with insurers to address climate risks. "Now they'll be enabling the very activities that drive these risks — that increase premiums, increase costs for insurance, decrease availability of insurance."

There are many opportunities in cleaner tech, he said. Engaging with solar, wind and carbon capture are some ways carriers could expand their portfolios, he said. But he said some insurers have been more proactive than others in seeing that opportunity.

Giovanna Eichner, a shareholder advocate with Green Century Capital Management, which deals with insurer investors, said she sees the Lloyd's change "as continuing to encourage the short-term thinking that's harming insurers' bottom lines."

Lax policies prevent insurers from committing to credible and transparent fossil fuel exit strategies, she told Law360. And without a clear signal from large insurers like Lloyd's, she said, there is less incentive for other carriers to adopt climate-friendly practices.

A spokesperson for Lloyd's of London didn't respond to a request for comment.

--Editing by Amy Rowe and Nick Petruncio.
