

# The EU sustainable finance taxonomy from the perspective of the insurance and reinsurance sector

DOCUMENT

DATE:

31 Jul 2020

This article investigates how much investment held by insurers may be eligible to the EU sustainable finance taxonomy.

To this aim, Solvency II item-by-item investment data is employed. As part of the Green Deal, the Commission presented the European Green Deal Investment Plan, which will mobilize at least €1 trillion of sustainable investments over the next decade.

Our results suggest that currently only a small portion of the insurer's investments are made in economic activities which might be eligible to the EU sustainable finance taxonomy as the insurer's exposures are mainly concentrating toward financial activities.

On one hand, this can be interpreted as an indicator of limited exposure to transition risk for the insurance sector but on the other hand also indicates that insurers have the possibility to contribute more significantly to transitioning to a lower carbon society in the future. As major long-term investors, insurers could play a key role in the transition towards more sustainable society. In this respect, the taxonomy can help insurers by providing clarity in identifying sustainable economic activities and avoiding reputational risks.