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Regulators Seek to Chart Impact of Climate Change on Insurers

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BOSTON August 25 (BestWire) — A comprehensive report on climate change unveiled by the Ceres investor coalition is expected to help U.S. insurance regulators on their way to understanding climate change and defining suggestions on how the insurance industry might respond.

The topic currently is a central focus of a task force of the National Association of Insurance Commissioners that is charged with documenting, by year end, the impact of climate change on insurers.

"We're not interested in learning more about climate change, we want to focus more on the impact," said Nebraska Insurance Commissioner Tim Wagner, who has led the climate-change charge at the NAIC. "I don't condone the report 100%, but I'm happy that it was prepared."

One of the key findings of the recent report is that dozens of new insurance products are emerging to tackle the causes of climate change and rising weather-related losses — from the introduction of "green" building credits to incentives for investing in renewable energy.

"Climate change poses unprecedented risks to the insurance industry, but it also creates vast opportunities for new products and services to help consumers and businesses reduce their losses, while also reducing the pollution causing global warming," Ceres President Mindy Luber said in a statement.

According to the report, major insurers already are responding to the climate-change threat:

— Fireman's Fund Insurance Co. is launching a "green" coverage policy, which includes rate credits and other incentives for commercial building owners that rebuild damaged properties using energy-efficient building practices;

— Marsh & McLennan Cos. and American International Group Inc. have launched carbon emissions credit guarantees and other renewable energy-related insurance products; and

— Japanese insurer Tokio Marine & Nichido Fire Insurance Co. Ltd. has reforested more than 7,500 acres of mangroves in Indonesia, Thailand and several other countries to minimize losses from rising cyclone-related risks.

Wagner said the report is helpful in the NAIC's Climate Change Task Force's charge to bring about recognition of climate change by insurers and to pin down how it affects both the industry and consumers.

Initially, the group sought to pinpoint the general consensus of the scientific community with regard to climate change, but on a recent conference call, the membership shifted the focus from cause — whether or not the phenomenon is caused by human activity — to effect, Wagner said.

At the NAIC's Fall National Meeting, slated for Sept. 9-12 in St. Louis, Wagner's group will discuss a bibliography on climate change the group has constructed and the draft of an outline of the issue as it relates to insurance companies. At the NAIC's Winter National Meeting in December, the group will sponsor its second forum on climate change, brining in experts from across the globe to discuss the topic.

Evan Mills, a staff scientist with the U.S. Department of Energy's Lawrence Berkeley National Laboratory and co-author of the Ceres study, said in an e-mail to BestWire that the report was done because of a surprising lack of review of the impacts of climate change on insurance consumers. He noted the link between the report's concept and the NAIC task force's charge.

"The existing experience (as with the activities of AIG and Marsh) is encouraging, yet only a hint of the level of activity that we think is called far," Mills said.

He said though current thought might hold that the bottom line of business is at odds with environmental protection, "this emerging myth stands in striking contrast to insurers' growing realization that the business impacts of climate change will be far more expensive than the solutions to it."
(By Eleanor Barrett, senior associate editor, BestWeek: eleanor.barrett@ambest.com) BN-NJ-08-25-2006 1520 ET #

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