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Top News

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Insurance Industry Dealing With Surge In Disasters



Tony Russomanno (http://cbs5.com/bios/local_bio_288150511.html)
Reporting

(CBS 5) Last year was the most expensive year on record for natural catastrophes. Hurricane Katrina was the most costly disaster in the U.S., but worldwide losses totaled over 210 billion dollars. And last year was not unique.

Over the past 30 years, there has been a 15-fold increase in insured losses from weather-related disasters. The increase is far greater than the growth in the number of insurance policies, the population, or inflation.

"The insurers now are unable to explain the rapidly rising losses that they're paying out," said Evan Mills of Lawrence Berkeley Labs.

But Lawrence Berkeley Labs researcher Dr. Evan Mills does have a possible explanation.

In a study prepared for the nation's state insurance commissioners, Mills found that global warming and climate change would continue to produce more and greater weather catastrophes.

"The one-in-100-year even becomes the one-in-ten-year event," said Mills. "And that is the trend for heat waves, floods, extreme fires, things of that sort."

The insurance industry is threatened. So will global warming simply mean higher rates? Not in all cases says Nancy Skinner of The Climate Group. "Insurance companies, if you look at them historically, have played a very significant role in helping society minimize risk."

One insurance company is now offering a 10% discount to drivers of hybrid cars. Travelers Insurance says it wants to encourage people to save gas. But it also shows that insurance companies now see a business opportunity in climate change issues.

"One of the reasons why it's good business," said Tully Lehman of the Insurance Information Network," is because if you take care of your home, and it's likely to survive a disaster or have limited impact as a result of a disaster, it costs less to get you back on your feet."

Since insurance companies cannot change the weather, they often push for changes in local building codes to reduce the number and cost of future claims.

"When they pay out claims for buildings that were damaged under Katrina," said Skinner, "they should require that the buildings are being replaced are the buildings that can withstand that kind of wind damage."

President Bush continues to question the science behind global warming. NASA, however, found the ice cover in the Arctic is at its lowest extent in at least 25 years. And other researchers found atmospheric carbon dioxide levels are greater than they've been for more than a million years.

The insurance industry's study is seen as a crucial turning point. It brings the discussion on global warming from "is it real?" To "what do we do about it?"

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