Headlines and Bottom Lines

An expert in risk analysis says global warming will give the insurance industry a lot of headaches that will add up to huge financial claims.

By Richard Hoops

A natural disaster like a hurricane can attract a lot of attention, cause a lot of damage and lead to billions of dollars in insurance claims. Some experts say global climate change could hit the insurance industry even harder but the damage claims might never make the headlines. >P> Evan Mills is an expert in risk analysis with the U.S. Department of Energy. He says the insurance industry is concerned with climate conditions that might change slowly but eventually become impossible to ignore. He says the slow rising of sea levels offers a good example.

"It's not abrupt, it doesn't happen in one day but, as we have seen, there are huge stretches of U.S. coastal zone properties that will be inundated with water. They expect in some parts of Delaware and North Carolina, three or four rows of homes going back from the high tide line will be lost in the near term - meaning a few decades, four or five decades - so you're talking about very large economic and insured losses but it happens gradually."

Mills says the insurance industry also is concerned with the collective cost of small damages that become more common. For example, he says droughts can dry out soil and cause it to subside, and the foundations of buildings crack as they settle. Mills says some British companies see a direct connection between this facet of climate change and rising numbers of claims for this kind of property damage.

Mills says climate changes will present all kinds of risk for all kinds of insurance companies.

"Almost every type of insurance is affected by climate risks. The industry is very broadly vulnerable to these kinds of events."

Mills says some insurance companies are well aware of this vulnerability and the financial stakes that are involved. He says others have yet to look at it seriously.

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Additional Information:

Evan Mills profile, Environmental Energy Technologies Division, Lawrence Berkeley National Laboratory, U.S. Department of Energy