

Environmental Finance	Climate Change : Emissions : Weather : Investment : Lending : Insurance	
	Online News	
	News Last Issue	
	Features Last Issue	
	Subscribe	
	Conferences	
	Advertising	
	Bookshop	
	Archive	
	Reporting	
	About Environmental Finance	
	Home	
	Online News – New from Environmental Finance Publications Sign up to receive this weekly news service direct to your inbox	
	More insurance solutions needed on climate – Ceres	

London, 25 August: US insurance companies have made an encouraging start in developing policies to combat climate change, but more effort is needed, according to a US-based investor group.

A [report](#) released on Tuesday by Ceres, a coalition representing more than 50 institutional investors with a total of \$3 trillion under management, has identified 190 innovative products and services that address both the causes, and effects of, climate change.

"We've seen encouraging progress from big-name insurers and brokers since last year's devastating hurricanes, but many more creative services will be needed as we confront what is perhaps the biggest threat in the industry's history," said Ceres president Mindy Lubber.

The report's lead author, Evan Mills, identified seven main categories among the raft of new initiatives:

- Promotion of loss prevention, e.g. through building standards;
- Crafting insurance products and aligning terms and conditions to induce climate-responsible behaviour;
- Participating directly in carbon markets, e.g. by facilitating trading, managing project risk, or enabling customers to buy offsets;
- Involvement in R&D and new technologies for reducing greenhouse (GHG) gas emissions;
- Building awareness among customers and other actors;
- Participating more formally in the formulation of public policy; and
- Leading by example, e.g. reducing GHG emissions from insurance companies' vast real estate holdings.

Specific examples cited include Marsh, the world's largest insurance broker, and AIG, the world's largest insurer, launching carbon emission credit guarantees to help more companies participate in carbon offset projects (see *Environmental Finance* July-August 2006, p34). California-based Firemen's Fund Insurance is launching 'green' coverage, which provides incentives to commercial property owners to rebuild damaged properties using low-energy designs. Motor insurers are also developing pay-as-you-drive policies that link premiums to the mileage driven, or the price of petrol.

"It's only a hint of the level of activity that is called for," said Mills, acknowledging that major efforts are underway. He also noted that these initiatives "demonstrate the fallacy of assertions that the prosperity of business is somehow at odds with environmental protection".

But the insurance industry alone cannot provide a solution to climate change. "We are working on new products to serve customers, and working on new loss mitigation technologies. But these are only responses. It's very important that we have an energy policy that addresses the anthropomorphic carbon dioxide emissions across all sectors of the economy," said Nebraska Department of Insurance director Tim Wagner.

The report also outlines the crisis in availability of insurance following last year's hurricanes. In Louisiana and Florida alone, more than 600,000 homeowner policies

have been cancelled or not renewed in the past year. "Insurers who have withdrawn from the area are foregoing about \$3 billion a year of insurance premiums," said Mills.

Updated 25 August 2006