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Severe weather increasing losses, report says

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Losses to the US insurance industry from severe weather have far outstripped rises in premiums over the past three decades, and worse could come, insurers were warned on Thursday.

A study of the insurance industry and climate change by the Ceres investor group, a coalition of activist investors with an interest in environmental issues, found that there was a 15-fold increase in insured losses from catastrophic episodes of severe weather in the past 30 years. Insured losses stood at \$45bn (€37bn, £25bn) globally in 2004. Total property losses in that year were \$107bn.

Hurricane Katrina's impact could far exceed those figures, the report said. Although no single hurricane can be blamed on climate change, many climate scientists believe global warming could lead to a rise in the intensity of hurricanes in the Gulf of Mexico, and – less widely accepted – an increase in frequency.

Tim Wagner, director of the Nebraska Department of Insurance, suggested higher water temperatures in the Gulf of Mexico had added to Katrina's strength: "After New Orleans, it's becoming clearer we are experiencing more frequent and more powerful weather events that pose huge challenges for the insurance industry."

But he said the issue was not just one for the Gulf coast: "This is both a coastal issue and a heartland issue. We're seeing all kinds of extreme weather in the Great Plains, including drought, tornadoes, brushfires and severe hailstorms."

The effects of climate change can already be seen, according to the report. Crop insurance losses for farmers in the midwest have grown 10-fold. In the west, the average wildfire is twice as damaging now as in the 1970s and wildfire damage is forecast to quadruple in areas such as California because of warmer temperatures and stronger winds, the results of climate change.

The report also cites hurricanes in Florida last year that caused many insurers to leave the market in the region as an example of what could happen in other US areas. However, insurers have ignored the threat, the report warned: only a small fraction of US insurance companies had seriously examined the business implications of climate change.


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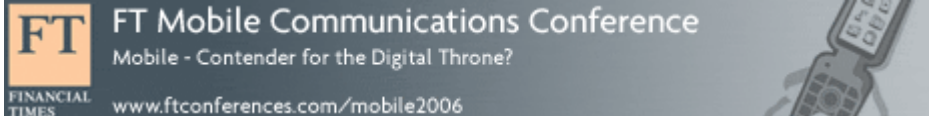
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