THE HUFFINGTON POST©

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Bio

surance and Climate Change: A Matter of Policy (5 comments)

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D MORE: Hurricane, Hurricane Katrina

overnment policies won't lead to aggressive action on climate change, ybe the insurance industry will.

eems to have gone largely unreported in the U.S., but in the past week, developments have shaken the largely staid world of insurance. On sday, preliminary estimates released by the Munich Re Foundation at the rnational climate conference in Montreal found that the world has suffered re than $200 billion in weather-related economic losses over the past year, king 2005 the costliest year on record.

t days before, 20 leading U.S. investors urged 30 of the largest publicly-held urance companies in North America to disclose their financial exposure from nate change and steps they are taking to reduce those financial impacts. group cited the enormous risks that insurance companies face from alating losses caused by extreme weather events and the financial risks opportunities associated with climate change.

ording to a recent study by the Ceres investor coalition, U.S. insurers have seen a 15-fold increase in insured ses from catastrophic weather events in the past three decades -- increases that have far outstripped growth remiums, population, and inflation over the same time period. The study, Availability and Affordability of urance Under Climate Change: A Growing Challenge for the U.S., warns of larger financial losses in the years ad if climate change trends continue and no actions are taken to face the challenge.

investor demand comes on the heels of devastating back-to-back hurricane seasons in the U.S. that caused a ord $30 billion in insured losses in 2004 and as much as $60 billion in insured losses from Hurricane Katrina ne in 2005. Worldwide, the $200 billion in damages cited by Munich Re significantly exceeded the previous ord of $145 billion set in 2004. More than $70 billion in 2005 losses were covered by insurance companies, npared to some $45 billion in damages last year, according to the Foundation.

insurance industry has reason to be worried about such trends. A study in June (PDF) by the Association of ish Insurers found that climate change could increase the annual costs of flooding in the UK almost 15-fold by 2080s under high emissions scenarios. If climate change increased European flood losses by a similar gnitude, annual costs could increase by up to $150 billion.

he ABI study, using high emissions scenarios (where carbon dioxide levels double), insurers' capital uirements could increase by over 90% for U.S. hurricanes, and by around 80% for Japanese typhoons. In al, an additional $76 billion could be needed to cover the gap between extreme and average losses resulting n tropical cyclones in the U.S. and Japan alone.

at can the industry do? Answers can be found in a nearly ten-year-old study by the Lawrence Berkeley National oratory (and funded by the U.S. Energy Department):

> *The insurance industry can take a reactive approach to mitigating climate-change risk by raising deductibles or withdrawing coverage. Alternatively, the industry can take a proactive approach by, for example, encouraging actions to reduce greenhouse-gas emissions.*

> *Energy consumption is the largest contributor to global climate change, so promoting energy efficiency is a particularly promising strategy. Many energy-efficient technologies also have the potential to reduce ordinary insured losses involving property, health, or liability. This report illustrates 60 specific ways in which targeted energy-efficiency improvements can translate into reduced risk of insured losses. The measures can reduce losses from: fire, ice, wind, and water damage; temperature extremes; occupational injuries; poor indoor air quality; equipment performance problems; and uninsured drivers. These loss-reductions translate into benefits for a variety of insurance providers, including property-casualty, professional liability, health, life, workers' compensation, business interruption, and automobile.*

moting energy efficiency aside, there are even tougher measures coming from the big insurers.

ss Re, Munich Re's competitor and one of the world's largest re-insurers, recognizes climate change risk to a potentially serious exposure for directors and officers. It now requires companies to disclose their climate itegy as part of their D&O insurance application.

message is implicit, if not explicit: "If you don't care enough about the risks to your company resulting from ere climate change, we just might not insure you."

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sted Comments :

ever thought I would ever be on the side of insurance companies, but on this one, if they put pressure on the ninistration to respond to global warming and worsening climatic changes, I'm with them.

Danny on December 11, 2005 at 08:51pm
his comment abusive? spam? [**flag it**]

eed, Danny. When climate change affects the cost of doing business, perhaps this administration will listen up. rina certainly didn't.

VDavis on December 11, 2005 at 10:06pm
his comment abusive? spam? [**flag it**]

t because FEMA gives out money like a drucken sailor doesnt mean Global Warming is a reality. Look at the ather map tonight. It is freezing everywhere

jgo on December 11, 2005 at 11:07pm
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ouldn't look to the insurance companies to do much more than a few highly publicized gestures on the issue of ironmental policy. There's always the Price/Anderson route of limiting liability to protect ecology-destroying cies.

deep-rooted nature of the problem of an elite with an attitude of 'the world may be left in ruins (ecologically) but ll preside over the ruins' will require much more profound struggle than relying on even the most progressive urance companies.

t hope is really a red-herring.

ansformed consciousness about American politics among those supportive of the environment, and carrying that to the public to transform US politics, along with other forces (eg those struggling nationally to save New eans) poses the sole general avenue of serious political change in a progressive direction available.

at is needed is the courage to stand up to the many glass walls of repression. There's no way around it. Insurance npanies and generals disgusted with the Iraq War and all the supposedly fiscally responsible Repuglicans and Wall oreign policy pragmatists and various others simply haven't, don't and won't step up to the plate in the ways that needed to bring about change.

most dismaying when well-heeled liberals and antiwar voices are also reluctant to risk anything seriously, toric notwithstanding. But it is among progressives, whether those figures or others, that change would come, if oes.

cloudy on December 12, 2005 at 08:17am
his comment abusive? spam? [**flag it**]

US has perhaps 100,000 miles of coastline (too lazy to look up) and much of it is overdeveloped. More than likely ing about several trillions in shorefront property, and much of it at risk.

much for the insurance companies to think about. No wonder they're jumping on the bandwagon.

dendroica on December 12, 2005 at 12:53pm
his comment abusive? spam? [**flag it**]