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## **U.S. insurers don't heat up to global warming threat**

**British, Japanese firms predict more frequent storms could increase losses on insured property by 65 percent by 2080**

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Inside Bay Area

Looking ahead at a warmer planet, British insurers see more frequent and severe storms ahead, with losses on insured property perhaps rising

65 percent by 2080.

Japanese insurers are coming to similar conclusions. But climate change is barely on the radar for the U.S. insurance industry, rating far less attention than asbestos and terrorist attacks.

Unlike their counterparts overseas, American insurers suggest that climate change, while probably a very real phenomenon, is not a big deal.

That could be a costly gamble, said Evan Mills, a physicist and energy-policy analyst at Lawrence Berkeley National Laboratory.

Climate change and its impacts, particularly on human and environmental health, are a "blind spot" for many U.S. insurers, Mills said, and that could lead to unexpectedly high losses that risk toppling insurance from what Mills said is the world's largest single industry.

"Insurers may rise to the occasion and become more proactive players in improving science and crafting response," Mills concluded in a recent article in the journal *Science*. "Or they may retreat from oncoming risks, thereby shifting more burden to governments and individuals."

That burden shifting is one reason the trade association for U.S. insurers is not sweating climate change.

Insurers can raise premiums, and state and federal governments have a history of stepping in when risk is too great for insurers, said David Unnewehr, senior research manager for the statistical arm of the American Insurance Association, or AIA. Florida has a hurricane insurance fund. California has an earthquake fund. The federal government generally shoulders flood insurance and, under a law due to expire this year, insuring insurers against terrorist attacks.

For the most part, however, the AIA sees climate change as a back-burner issue, slow and gradual enough in its impacts that people, governments and insurers will have time to adjust.

"It really hasn't risen to a major issue as yet," Unnewehr said. "I think there's a feeling that there's a lot of things that the industry can do to adapt and that people can do to adapt."

U.S. insurers also do not know how to gauge the impacts of climate change or, put another way, scientifically justify the resulting rate increases to state regulators and policyholders.

"The consensus is building very strongly that climate change is affecting hurricanes, but how to quantify that is very difficult," said Rick Clinton, president of Oakland-based EQECAT, one of three firms that model catastrophes and losses for the insurance industry.

But United Kingdom insurers already are teasing those numbers out of computer models of climate change and coming up with potentially large losses for the industry.

In June, the Association of British Insurers reported that rising carbon-dioxide emissions could increase annual losses from the three major types of storms that affect insurers — U.S. hurricanes, Japanese typhoons and European windstorms — by \$27 billion a year, a two-thirds increase, by the 2080s.

Increasing greenhouse gases would trap more heat in the Earth's atmosphere and add energy to its weather, producing a modest 6 percent increase in wind speeds for major storms but enough to push a Category 4 hurricane to a Category 5, the ABI found. As a result, wind-related losses from U.S. hurricanes could rise three-quarters to more than \$100 billion, equal to two or three additional Hurricane Andrews a year, according to the report.

Losses due to flooding, lightning, heat stroke — such as the more than 20,000 European deaths attributed to a record summer heat in 2003 — also would climb, the report said.

Insurers drove the nation toward stronger building codes, the creation of professional fire departments and the setting up of early warning systems, Mills said. For climate change, insurers could work with governments to improve building codes and limit development in areas at risk for floods or severe storms, particularly in the Third World, where losses are likely to be highest. It also could sell policies that reward or protect renewable energy sources, he said.