Natural disasters send insurance rates soaring

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Whether you believe the Hurricane Katrina are still making a mark on the insurance industry, the disaster has certainly put the industry on notice.

Not only that, but insurers are facing some of the most devastating back-to-back storms in decades, especially along the Gulf and Atlantic coasts.

During 2004 and 2005, from Hurricane Katrina, there were 190 new products and services available or in the pipeline from dozens of insurance providers in 16 countries, according to the report, titled "From Risk to Opportunity: How Insurers Can Proactively and Profitably Manage Climate Change."

Some insurance companies have begun rethinking how they do business, according to the Ceres study. Dozens of new insurance activities, such as "green" building credits and incentives for investing in renewable energy, are emerging as companies look for ways to reduce losses and costs.

Florida’s state insurance pool has swelled to about 1.5 million policyholders, and it recently needed a $715 million bailout from the Florida legislature to cover its losses.

Mississippi’s Wind Pool, which insures coastal property owners, suffered a $745 million loss from Hurricane Katrina, $100 million of which was paid back with a federal block grant.

Businesses are also feeling the impact of coverage restrictions. With $10 billion in insured exposure, as much as 500 percent.

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TIP OF THE DAY

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the engineering improvements, avoiding $500 million in property damage. Insurer FM Global
says the $500 million in savings came after customer investments of only $2.5 million, and
helped make the company profitable in a year when few insurers were.
Evan Mills, the Ceres report's lead author and a scientist at the U.S. Department of Energy's
Lawrence Berkeley National Laboratory, said the offerings are impressive.
"The insurance sector is poised to make a major contribution to long-term national and
international efforts to curb the growth of greenhouse-gas emissions, while helping to fortify
society against the near-term impacts of climate change," Mills said.
"Last year's hurricanes were a real wake-up call for the industry, and many U.S. insurers are
creating programs to help businesses minimize future losses. Many of these strategies
represent new profit centers for insurers, rather than simply symbolic and charitable
activities."

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