GLOBE EDITORIAL

Insurers at risk

The Boston Globe

September 11, 2005

FOR THE first time in its history, the National Association of Insurance Commissioners was planning to examine formally the impact of climate change on insurance at its fall meeting this week. The discussion will have to be put off -- the meeting was scheduled to be held in New Orleans. When the state regulators of insurance do convene, they should make sure the industry wakes up to the implications of climate change and does its best to get the government to take it seriously.

Climate scientists do not attribute the recent upsurge in hurricanes to global warming; there seems to be a natural cycle in tropical storm frequency, and the last several years of greater storm formation followed a quieter period. But there is little dispute that global warming has helped raise water temperatures in the Gulf of Mexico -- which strengthens hurricanes there --and that global warming has also contributed to the rising sea level, which aggravates the effect of any storm on places that are at or below sea level.

The climate change panel at the New Orleans meeting was organized by Ceres, a Boston-based national coalition of large institutional investors and environmental organizations. Ceres issued a report last week that detailed recent-year increases in catastrophic weather-related property losses -- insured and uninsured -- that far exceed premium increases, inflation, and population growth. Again, it is impossible to link climate change conclusively to any extended drought or severe windstorm, but the data in the report provide some evidence, at least, that extreme weather conditions -- in addition to the trend of more Americans living in harm's way -- are taking a greater toll on property.

The report raises the specter that insurers will restrict coverage or simply stop covering certain risks, as they have in the past with floods and mudslides. The federal government is already the insurer of last resort for floods and crops, and it could be under pressure to take over other markets as well.

The insurance industry could better calculate risk and set premiums in a climate-changed environment by using modeling that relies less on historical trends outdated by global warming. Insurers could also invest their assets in companies that are reducing their greenhouse gas emissions or producing forms of energy that emit as little as possible of the chief greenhouse gas, carbon dioxide.

In Europe, the insurance industry has been a leader in calling attention to the impact climate change will have on property. With some exceptions, US insurers have been as complacent about global warming as the federal government has been. The insurance industry should heed Katrina and become an early warning system of the threat posed by global climate change.

CLARIFICATION: An editorial Aug. 28 about Karl Rove reported that "no charge" was produced in a 1990 federal investigation of former Texas Agriculture Commissioner Jim Hightower, despite Rove telling reporters that "Hightower and several aides face the possibility of indictment." No charge was brought against Hightower, but three of his top aides were indicted and eventually convicted of conspiracy in 1993. ■
