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Insurer response 'key' to climate solutions: Study

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How liability insurers respond to climate-change challenges that policyholders face likely will "be key to the ultimate success of society's overall response" to the issue, contends a study by an environmental consultant, a government scientist and an environmental law expert.

Insured property damage caused by extreme weather events has been the more widely discussed effect of climate change, note the authors of the 84-page study, "Limiting Liability in the Greenhouse: Insurance Risk-Management Strategies in the Context of Global Climate Change."

But the risks of third-party claims that policyholder activities led to personal injuries or property damage "are rising as scientific uncertainty surrounding climate change declines," the study's authors assert.

Liability insurers can reduce the risk of loss through a variety of coverage and risk management policies, according to the authors.

Among other actions, the authors recommend that liability insurers:

- Develop products and services designed to facilitate maximum utilization of climate-friendly technologies and practices as well as lead to improved loss prevention.
- Rebalance investment portfolios to recognize climate-related risks and to capitalize on emerging industries involved in providing climate change solutions.
- Participate in carbon markets as an investor and a risk manager.
- Set an example for policyholders by minimizing insurers' carbon footprint and disclosing their exposure to climate change.
- Educate policyholders about their climate risks and how those risks can be reduced.
- Withdraw from markets or raise rates only when insuring those risks under current market conditions is not viable and all best practices have been exhausted.

"Proactive approaches are likely to yield a 'win-win-win' situation in which insurers, policyholders and third parties affected by climate change-related externalities will all benefit from decreased risk," the authors asserted in the study. "The insurance industry, perhaps more than any other institution, has the power to set the stage for enduring and significant contributions to solving the problem of global climate change."

The study was written by Christina Ross, manager of technical services at Sacramento, Calif.-based building and environmental forensics and consulting firm LaCroix Davis L.L.C.; Evan Mills, a staff scientist at the U.S. Department of Energy's Ernesto Orlando Lawrence Berkeley National Laboratory in Berkeley, Calif.; and Sean B. Hecht, executive director of UCLA Law School's Environmental Law Center in Los Angeles.

The study is to be published by the Stanford Environmental Law Journal and the Stanford Journal of International Law. It can be downloaded from

<http://eetd.lbl.gov/EMills/PUBS/PDF/Liability-in-the-Greenhouse.pdf>.

<http://www.businessinsurance.com/cgi-bin/news.pl?newsId=10317>

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