

Report: Most insurers not prepared for climate change

Wendy Koch, USA TODAY | 4:28p.m. EST March 7, 2013

Are insurers ready for the risks posed by climate change? New study finds most aren't fully prepared, but the industry says it can handle claims.



(Photo: Mel Evans, AP)

Most insurance companies do not have comprehensive strategies to cope with climate change despite mounting weather-related claims, says a report to be released Thursday.

Of 184 companies surveyed, only 23 had such strategies, and 13 of those that did were foreign-owned, according to report by Ceres, a Boston-based non-profit that promotes eco-minded business practices. The report says the most prepared tend to be the largest companies with scientists on staff and those that insure property rather than life or health.

Many companies "won't talk about climate change" and if they do, they use "hedged" language to avoid the controversial issue of whether it's man-made, says author Sharlene Leurig, senior manager of Ceres' insurance program. She says the issue is less politically divisive in Europe, where insurers are often better prepared.

The report comes as weather-related disasters cost an estimated \$100 billion in damages last year, and the U.S. government's latest National Climate Assessment says climate change increases the risks and severity of heat waves, downpours, droughts and wildfires as well as the intensity of hurricanes.

The report's findings are based on responses by insurers doing at least \$300 million worth of business in California, New York and Washington — states that mandate they participate in a survey to disclose their plans. Ceres evaluated the companies for how seriously they study climate-related risks and take steps to reduce them, such as lowering their own and their clients' energy use and greenhouse gas emissions.

Others say the insurance industry is stepping up to the challenge. It's made 1,148 efforts to adapt and mitigate climate change, according to a study released in December by Evan Mills, a scientist at the federally funded Lawrence Berkeley National Laboratory. He said insurers have introduced at least 130 energy-efficient products and services and paid claims encouraging their use in rebuilding after a loss.

Leurig says Mills looked at the largest global insurers while her study evaluated both large and smaller companies working in the United States. Still, the industry says it's ready.

"They (insurers and re-insurers) have been dealing with climate variability and volatility in every corner of the globe for decades," says Robert Hartwig, president of the Insurance Information Institute, a trade group. "The industry globally has never been stronger, despite record catastrophic losses in recent years."

Hartwig says the industry had no trouble covering the 1.5 million claims worth an estimated \$25 billion in damage from Superstorm Sandy last year. He says smaller insurers are no less prepared, because they can access the scientific expertise of their brokers and re-insurers.

Washington's Insurance Commissioner, Mike Kreidler, agrees the industry is now financially solid but says it can do more to prepare. He cites its efforts to boost auto safety by advocating seat belts and air bags. He says it could do the same with climate change by encouraging people to build more resilient structures in less risky areas.

Kreidler says he worries that insurers will react to major losses by boosting premiums, adding exclusions or pulling out of devastated areas, leaving communities without coverage or taxpayers with the tab. He says climate change can be that kind of "game-changer."

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