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WORLDCHANGING

Insurers Can Have A Constructive Role in Fighting Global Warming

[Mindy Lubber](#)

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The recent devastating fires in California reminded us how vulnerable society is to the whims of nature, even in this modern age. They also illustrated why the insurance industry, the world's largest (bigger than even Big Oil), is increasingly concerned about climate change. While it's impossible to associate these fires -- or any specific event -- with climate change, scientists tell us that it [could increase](#) the risk of large wildfires by over 50 percent by the end of the century. Add that to growing worries about climate change's impact on hurricane intensity, as well as a veritable biblical plague of [other impacts](#) (mud slides, wildfires, hail storms, blizzards, drought, floods, crop failures, heat waves), and you can see why the industry is beginning to worry.



As a [recent report by Dr. Evan Mills](#) documents, insurers can be a major part of the solution to climate change in varied ways, including everything from helping clients become more resistant to disasters (for an extreme example of this, insurance giant AIG [sent a private fire-fighting force](#) into the teeth of the California fires to spray fire retardant on the homes of its high-end clients) to developing products and services that simultaneously reduce risk and reduce global warming pollution. Examples of the latter include products like "pay-as-you-drive" auto insurance, where instead of paying for unlimited mileage, consumers pay for each mile driven. It's like a reward for walking to the store instead of driving.

These kinds of efforts could dramatically reduce greenhouse gas (GHG) emissions in some of the most energy intensive parts of our economy:

- Motor vehicles account for more than 25 percent of all U.S. greenhouse emissions, and insurance policies such as pay-as-you-drive and incentives for hybrid vehicles could reduce that amount by 10 percent or more if broadly implemented.
- Buildings account for more than a third of U.S. GHG emissions. Studies have demonstrated that green buildings, which can reduce emissions by 50 percent or more, tend to have fewer insured losses than regular buildings, leading some insurers such as Fireman's Fund to offer new green building discounts.

Pay-as-you-drive insurance is potentially a great deal for consumers as well as for the planet. Consumers save up to 40 percent off regular insurance rates, emissions go down, and statistically speaking people who drive less generate less risk, so insurers should be happy too. Yet pay-as-you-drive is virtually unavailable in the U.S., even as 250,000 customers in France have chosen the pay-as-you-drive option, and millions of customers in Japan receive discounts for low-emission vehicles. As documented in Dr.

Mills' report, many European and Asian competitors are offering these sorts of products, while very few U.S. insurers are following suit.

Instead most US insurers -- with notable exceptions like AIG and Travelers -- have taken a reactive approach to climate change, focusing their efforts on terminating coverage in more than a dozen "high-risk" coastal states. More than one million homeowners in Florida and other coastal states have been excluded from receiving private homeowners' coverage in just the past two years. This response clearly is short sighted: if scientists are correct about the far-reaching ripples from climate change, which will impact coastal and non-coastal areas alike, the industry will essentially have to exclude itself out of business.

Hopefully more U.S. insurers will follow their European and Asian colleagues in realizing that a greener world is a less risky world, and begin to offer products and services that will help society adapt to -- and ultimately prevent -- the worst impacts of climate change.

Mindy S. Lubber is president of Ceres, a leading coalition of investors, environmental groups and other public interest organizations working with companies to address sustainability challenges such as global climate change.

Image: Santiago Fire, California, Oct. 25, 2007. Credit: [flickr/Caesar Sebastian](#)



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Just a little note to update your information: the 3rd largest car insurance company in the country, Progressive, is offering the domestic version of "pay as you drive". It's called Trip Sense, it's in 4 states already and will be launched in more states next year. Thank you! Maria Pacca

Posted by: MARIA PACCA on November 6, 2007 3:02 PM

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