Insurance pricey now? Just wait for warming

Insurers urge governments to take action to cut greenhouse emissions

MSNBC staff and news service reports

LONDON - The cost of cleaning up storm damage will balloon, forcing higher premiums on policy holders, unless the world takes urgent action to cut emissions that many scientists tie to global warming, the Association of British Insurers said on Wednesday.

In a study released ahead of the Group of Eight summit next week in Scotland, the group called on leaders of the world's richest nations to slash carbon dioxide emissions, improve coastal defenses and strengthen buildings to dampen the impact of the predicted storms.

"Governments now have a chance to make rational choices for the future, before it is too late," ABI's director of general insurance, Nick Starling, told a conference as the study was released.

Damage costs from the three most expensive types of storms -- hurricanes in the United States, typhoons in Japan and windstorms in Europe -- will rise to $27 billion in an average year by 2080 up from $16 billion today if carbon dioxide emissions double their current rate, ABI's report predicted.

"Insurance acts as a messenger for the financial costs of climate change. Insurance is all about risk and assessing risk," added ABI policy adviser Sebastian Catovsky.

Impact on capital, financial markets

The increasing cost of storm damage will have to be found in the international money markets, pushing up the cost of borrowing as demand grows, Catovsky said. "This will have a knock-on effect both to capital markets and financial markets overall," he said.

British Prime Minister Tony Blair, who is hosting the Group of Eight summit, hopes to push through radical plans to combat global warming, but U.S. President Bush opposes mandatory measures to cut emissions as too costly for industry.

The other members of the G8 are Canada, France, Germany, Italy, Japan and Russia.

The ABI said the final bill could be even higher as its estimates do not include population and infrastructure growth, damage to which would increase costs.

Two-thirds of the cost is covered by the insurance industry and it also needs to prepare for years when a flurry of storms combine to batter the globe.

"The important point is that that it won't even out every year," Catovsky said.

The insurance industry needs to build up its cash reserves to around $200 billion from $120 billion it currently holds to pay for years with severe weather, he said.

The ABI report said that sharp cuts in CO2 "could save up to 80 percent of the predicted extra costs."

'No-action' predictions

Citing climate scenarios modeled by the U.N.-sponsored experts, the ABI report predicted these outcomes if no action is taken:

- Insured damage in a severe hurricane season in the United States could rise by three-quarters to $150 billion, an increase equivalent to almost three Hurricane Andrews. The 1992 storm is the costliest single weather event on record.
- The costs of Japanese typhoons could increase by around two-thirds to $34 billion. The increase would be double the cost of typhoon damage in 2004, which was the costliest year in the last 100 years.
- The financial costs of flooding could rise across Europe, increasing the annual flood bill by up to $150 billion.
- Insurance markets could become more volatile. The capital needed by insurers to cover severe storms could rise by $78 billion, with increases of 90 percent for U.S. hurricanes and 80 percent for Japanese typhoons.

Premiums likely to rise

On Tuesday, the head of a major British insurer said that insurers are likely to

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While this story emanates from London, global warming has serious ramifications to the price of insurance in the U.S.

For this reason alone POA considers this article worthy of your attention.

Insurance Pricey (continued from page 1)

raise premiums in coming years as the world's weather becomes more violent and a major business risk.

While climate change has not led to increased insurance charges so far, it may as more extreme weather has a bigger financial impact, Andrew Torrance, chief executive of UK Allianz Cornhill Insurance Plc, told a news conference hosted by his company's German parent, Allianz Group, and the World Wide Fund for Nature.

"We are going to need to take account of these trends," he said. "Our estimate of exposure is increasing by 2 to 4 percent per year in terms of weather-related claims."

Allianz Group, one of the world's largest financial conglomerates, called for G8 leaders to come up with a clearer policy on climate change so business can adapt to a global threat.

German giant eyes CO2

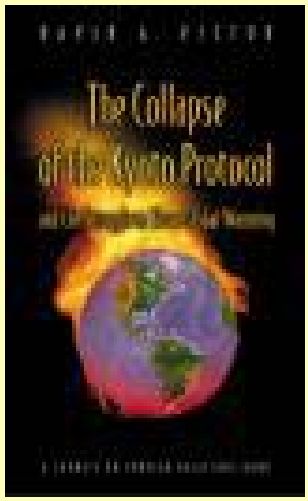
The insurance, banking and investment giant underlined its concerns by saying it would screen all its businesses for risks linked to rising atmospheric levels of carbon dioxide.

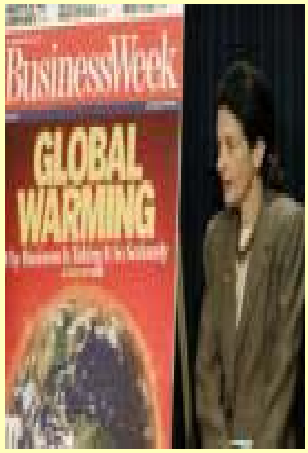
It said the issue of global warming would in future be dealt with at board level. "We will address the issue of climate change with other major risks that we need to manage within our company," Joachim Faber, a board member and chief executive officer of Allianz's investment arm, told a news conference.

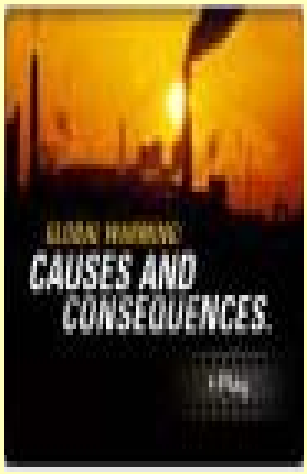
Faber told Reuters separately that the company was lobbying on the issue in both Washington and Brussels, where the European Union is headquartered.

Faber said Allianz hoped business and economic forces in the United States would push the White House to adopt what he called "a more reasonable attitude."

Reuters contributed to this report.







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Study Says Global Warming Boosts Hurricanes' Intensity

Research Finds Major Storms Have Increased in Duration, Strength Since 1970s

By JOSEPH B.VERRENGIA, AP

Is global warming making hurricanes more ferocious? New research suggests the answer is yes. Scientists call the findings both surprising and "alarming" because they suggest global warming is influencing storms now - rather than in the distant future.

However, the research doesn't suggest global warming is generating more hurricanes and typhoons.

The analysis by climatologist Kerry Emanuel of the Massachusetts Institute of Technology shows for the first time that major storms spinning in both the Atlantic and the Pacific since the 1970s have increased in duration and intensity by about 50 percent.

These trends are closely linked to increases in the average temperatures of the ocean surface and also correspond to increases in global average atmospheric temperatures during the same period.

"When I look at these results at face value, they are rather alarming,'' said research meteorologist Tom Knutson. "These are very big changes.''

Knutson, who wasn't involved in the study, works in the National Oceanic and Atmospheric Administration's Geophysical Fluid Dynamics Laboratory in Princeton, N.J.

Emanuel reached his conclusions by analyzing data collected from actual storms rather than using computer models to predict future storm behavior.

Before this study, most researchers believed global warming's contribution to powerful hurricanes was too slight to accurately measure. Most forecasts don't have climate change making a real difference in tropical storms until 2050 or later.

But some scientists questioned Emanuel's methods. For example, the MIT researcher did not consider wind speed information from some powerful storms in the 1950s and 1960s because the details of those storms are inconsistent.

Researchers are using new methods to analyze those storms and others going back as far as 1851. If early storms turn out to be more powerful than originally thought, Emmanuel's findings on global warming's influence on recent tropical storms might not hold up, they said.

"I'm not convinced that it's happening,'' said Christopher W. Landsea, another research meteorologist with NOAA, who works at a different lab, the Atlantic Oceanographic & Meteorological Laboratory in Miami. Landsea is a director of the historical hurricane reanalysis.

"His conclusions are contingent on a very large bias removal that is large or larger than the global warming signal itself,'' Landsea said.

Details of Emanuel's study appear Sunday in the online version of the journal Nature.

Theories and computer simulations indicate that global warming should generate an increase in storm intensity, in part because warmer temperatures would heat up the surface of the oceans. Especially in the Atlantic and Caribbean basins, pools of warming seawater provide energy for storms as they swirl and grow over the open oceans.

Emanuel analyzed records of storm measurements made by aircraft and satellites since the 1950s. He found the amount of energy released in these storms in both the North Atlantic and the North Pacific oceans has increased, especially since the mid-1970s.

In the Atlantic, the sea surface temperatures show a pronounced upward trend. The same is true in the North Pacific, though the data there is more variable, he said.

"This is the first time I have been convinced we are seeing a signal in the actual hurricane data,'' Emanuel said in an e-mail exchange.

"The total energy dissipated by hurricanes turns out to be well correlated with tropical sea surface temperatures,'' he said. "The large upswing in the past decade is unprecedented and probably reflects the effects of global warming.''

This year marked the first time on record that the Atlantic spawned four named storms by early July, as well as the earliest category 4 storm on record. Hurricanes are ranked on an intensity scale of 1 to 5.

In the past decade, the southeastern United States and the Caribbean basin have been pummeled by the most active hurricane cycle on record. Forecasters expect the stormy trend to continue for another 20 years or more.

Even without global warming, hurricane cycles tend to be a consequence of natural salinity and temperature changes in the Atlantic's deep current circulation that shift back and forth every 40 to 60 years.

Since the 1970s, hurricanes have caused more property damage and casualties. Researchers disagree over whether this destructiveness is a consequence of the storms' growing intensity or the population boom along vulnerable coastlines.

"The damage and casualties produced by more intense storms could increase considerably in the future,'' Emanuel said.