

Insurance industry feels the heat of global warming

By Derrick Z. Jackson, Columnist , Boston Globe

NEITHER TIM WAGNER nor Mike Kreidler imagined how climate change would intrude into state insurance regulation. Wagner, the director of the Nebraska Department of Insurance, said the reality is literally pelting him.

"While you can't correlate it directly, in the Plains states we've had severe droughts," Wagner, 63, said over the telephone. "We've had fires in Texas and Oklahoma. There's a terrible drought in Arizona right now. When we get rain, we seem to get more and more severe hail. I just drove to Kansas City. My nephew is in Iraq and we went to see his family. Our brand-new car got pummeled while it was parked in north Kansas City. We didn't lose any glass, but plastic parts of the car rack and a piece of the bumper was hanging off. I don't think I remember being in a hail storm like that in my lifetime."

Kreidler, 62, the Washington state insurance commissioner, has seen his Pacific Northwest weather go from a drought emergency last winter to floods this winter. "Obviously a trigger for the threshold of getting our attention was Katrina and the number of hurricanes we've been having," Kreidler said in a phone interview. "But even in Washington the vagaries in weather patterns

make you suspicious."

The suspicions moved Kreidler, a former Democratic congressman, and Wagner, a registered Republican, to form a task force for the National Association of Insurance Commissioners to assess the impact of climate change on the American insurance industry. They hope to join a discussion that has been going on for years in Europe, where insurers Swiss Re and Munich Re have warned of massive financial losses from storm patterns aggravated by global warming.

"When you couple changes in climate with changes in demographics where at this point 70 percent of our population resides within 50 miles of a coastline, and the fact that property values of those areas have increased significantly, it just seemed that we had to recognize the issue," Wagner said.

Munich Re calculated that last year was the most expensive on record for natural catastrophes, with losses of over \$210 billion. Windstorm destruction in just the United States, the Caribbean, and Mexico cost \$83 billion, most of it, of course, coming from Hurricane Katrina.

Swiss Re, in a joint report done with Harvard Medi-

cal School's Center for Health and the Global Environment and the United Nations Development Program, said, "Many in the business community have begun to understand the risks that lie ahead. Insurers and reinsurers find themselves on the front lines of this challenge since the very viability of their industry rests on the proper appreciation of risk."

The insurance giant AIG, estimates that both Florida and New York have nearly \$2 trillion each of insured coastal property exposure. Massachusetts is in fourth place in AIG's estimates at \$662 billion. AIG said last October that six of the 10 most expensive hurricanes in US history occurred in just the prior 13 months.

"People are getting the idea that there is nowhere to hide on this issue," said Andrew Logan insurance program director for the Boston-based Ceres, which promotes corporate environmentalism and has been advising Wagner, Kreidler, and NAIC. Ceres says that insured losses due to weather have grown 10 times faster than premiums since 1971, and the percentage of total economic losses from catastrophic weather has grown from a "negligible

fraction in the 1950s to 25 percent in the past decade."

Wagner and Kreidler said they do not know yet what their task force will recommend. They do say that the time for Americans to hide from global warming is over. "I don't want to have to get to the point where we have to ask, 'Do you pump water for vineyards, or run water for turbines, or save it for salmon in the Columbia?'" Kreidler said.

Wagner said, "I don't know what, from a regulatory standpoint, we can do in terms of building codes being enforced and changes in land-use policy. We cannot change the weather. But it would be nice if the insurance industry played a role of some type."

He added, "I'm a financial guy, not an activist. But we heard about storm models where it would not be unheard of to have a \$120 billion storm . . . I don't know if we're prepared to be another Netherlands. But it does seem that we are too often in the position of cleaning up after the elephants run by."

