

## Nature's future fury

Climate change will be costly in ways we've not yet seen, say insurers

By VIVIAN SONG

When Mother Nature throws a meteorological fit, she bills the insurance industry for her therapy sessions.

And they aren't cheap.

In August 2005, she flew into a tempestuous rage, unleashing her fury on Toronto and areas west of the city, pummelling neighbourhoods with torrential downpours, tossing cars and ripping roofs off houses with a single, angry breath.

The one-day tantrum cost the Canadian property and casualty insurance industry close to half a billion dollars, becoming the single largest claims payment in Ontario history and the second largest in Canadian history, said Mark Yakabuski, incoming president of the Insurance Bureau of Canada.

"We end up paying a good portion of the bills related to climate change," he said. "The fact of the matter is these kinds of storms are becoming more frequent. What used to be a 100-year occurrence is increasingly becoming a 20- to 50-year occurrence, and shortly will become more frequent. That's the nature of climate change."

Recently, the insurance industry -- one of the world's largest with \$3.4 trillion in yearly premium revenue alone -- has become an active ally in the fight against climate change.

Last month in London, for example, with the backing of Prince Charles, a group of global insurers, reinsurers and brokers launched ClimateWise, an initiative that will pressure businesses to operate sustainably, reduce their carbon footprint and reward customers for living green. In Canada, insurance companies Aviva Canada and Desjardins General Insurance offer hybrid car drivers a 10% discount.

On that same day, fund manager F&C Asset Management released a report urging insurers to develop climate change strategies beyond the usual historical data, or risk becoming "victims" of extreme weather themselves.

Meanwhile, Zurich Canada also announced last month it will be working with Simon Fraser University in Burnaby, B.C., examining ways to adapt to extreme weather events.

### CLIMATE CHANGE A FACT

"We believe that climate change is a fact and we want to be able to respond to challenges, try and figure out how we need to change the lifestyle of society as a whole to be more effective (in dealing) with what's coming upon us," said Zurich senior vice-president Urs Uhlmann.

The university's Adaptation to Climate Change Team will bring international experts together to make policy recommendations on how to mitigate the effects of climate change.

The year 2005 is considered the tipping point for the insurance industry, as hurricane Katrina helped make it the costliest year ever for property insurers. Global natural disasters caused \$230 billion US in damage, a third of which was insured at \$83 billion US, according to Swiss Re. In Florida and Louisiana, more than 600,000 homeowner property policies were cancelled or not renewed, with firms withdrawing altogether from the markets. Katrina alone cost the insurance industry about \$45 billion US.

And though Canada is less vulnerable to extreme weather events than the U.S., Uhlmann admitted premiums could rise in the future in coastal areas subject to flooding and central Canada areas subject to tornadoes.

"The real challenge is we have to work together to find ways of limiting damage climate change causes and improve infrastructure," Yakabuski said. "One of the biggest challenges is that the majority of our municipal infrastructure is not adequate for the rains we get today. They were built for an earlier age."

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### WORST WEATHER YEAR IN CANADA

1996 was the worst year for extreme weather in Canada and some climatologists fear it might be an example of the kind of extreme weather global warming will bring.

January: Three straight weeks of frigid cold weather. Total insured losses estimated at \$165 million.

Spring to early summer: The Okanagan experienced the worst flooding in six years causing property damage between \$20-\$50 million.

April: Tornadoes in southern Ontario caused property losses approaching \$8 million.

July 4: Severe thunderstorms and tornadoes in Saskatchewan caused \$15 million damage. (Tornado related damage in all of Canada in 1996 exceeded \$50 million.)

July: Massive floods and mud slides in Quebec's Saguenay region, with estimated insured losses at \$450-\$400 million.

July: Hailstorms in Winnipeg and Calgary caused \$300 million damage, mostly to autos.

August: Rainstorm in Ottawa-Hull caused more than \$20 million in property damage.

September: Hurricane Hortense in Nova Scotia caused property losses approaching \$5 million.

Nov. 7-9: Thirty hours of steady rains in Montreal caused damage estimated at over \$60 million.

December: Winter storms in B.C. caused economic losses of about \$200 million.

SOURCE: Atmospheric Environment Services

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#### SOARING COSTS

Europe's biggest insurer predicts the cost of climate change-related losses will climb in the next decade.

2000-2006 - \$30 Billion U.S. dollars

2010-2019 - \$41 Billion (projected) U.S. dollars

Source: Allianz RE