Swiss Re, Partners Probe the Depths of Climate Change Threats

By David Pilla

NEW YORK November 02 (BestWire) — Changes in weather patterns are discernible, along with their effects on everything from severity of tropical storms, drought and heat waves to proliferation of disease and food production, according to a study organized by Swiss Re Group and partners.

The study, "Climate Change Futures: Health, Ecological and Economic Dimensions," was unveiled at a conference at the American Museum of Natural History in New York City. Swiss Re and the United Nations Development Program sponsored the study, which was assembled by Harvard Medical School's Center for Health and the Global Environment.

Experts involved with putting the report together stressed the connectivity of environmental factors, such as global warming leading to more intense tropical storms, but also severe drought in some places, heat waves in others and more rainfall in still others. Changing weather patterns also are contributing to the spread of diseases, according to the report.

Jacques Dubois, chairman and chief executive officer of Swiss Re America Holding Corp., said Swiss Re is involved in such a project because the effects of climate change, without doubt, stand to have a big impact on the reinsurer's own business. At the same time, he said, Swiss Re recognizes that such effects require a huge collaborative effort on the part of the private sector and government.

"In our view, the resources and efforts required to deal with climate change effects dwarf the resources of a single company or country," said Dubois.

Ivo Menzinger, head of Swiss Re's sustainability and emerging risk management division, said Swiss Re is doing its own part. The company committed to becoming the first financial institution to be "carbon-neutral" by 2013. That means that, through a combination of emissions reductions and investment in the World Bank Community Development Carbon Fund, Swiss Re won't be a net contributor of carbon to the atmosphere.

"The fundamental role of this study has been to look at the ecological effects of climate change on the environment," Paul Epstein, director of the Harvard health center, told BestWeek in a pre-conference interview. He predicted the impact of these effects would become more damaging to the long-term assets of whole economies.

The economic impact of those weather extremes in developed countries is "rising exponentially," from roughly $40 billion over the past decade to possibly more than $150 billion this year alone, said Epstein.

Charles McNeill, environment team leader with the UNDP, said that for all the headline-grabbing costs associated with climate change in the developed world, the impact would be even more devastating in developing countries. "One of the great aspects of this report that you don't normally find with such reports is the interconnectivity involving silent killers not normally reported," he said.

One example of such connectivity was offered by Epstein. When Hurricane Ivan hit the U.S. Gulf Coast a year ago, it brought ashore a type of soybean rust that had been confined mostly to Brazil and China. The rust quickly spread to 11 U.S. states and may end up costing farmers $2 billion or more in crop damage.

Epstein added that dust storms, which are becoming more prevalent in drying climates in Africa and China, are having an impact on the Caribbean basin and the U.S. west coast, where they are driving mold spores and other related allergens.

McNeill said the report throws light on the links between changing weather patterns and problems affecting the lives and health of millions of people. "We're seeing that happen in the developed world, and we're hoping to head off some of the impact on the developing world," he said.

While acknowledging that climate change and its impact on interconnected environmental factors is a hard sell on the political level, with leaders of many developed countries unwilling to use it as a basis for unpopular regulatory changes, McNeill said forums such as the U.N.'s recent Global Summit are more willing than in the past to keep it on the agenda.

"The resistance is diminishing," he said. At a recent U.N. summit of institutional investors, with "$3 to $5 trillion of investment represented in the room," climate-change issues got the attention of some very powerful asset managers, said McNeill.

Christopher Walker, managing director of Swiss Re's sustainable business development unit, said accelerating patterns of climate change are taxing the abilities of insurers to identify loss probabilities, which is key to their ability to price and assume risks. "There is also the potential for accumulation across lines, as, for example, flooding and storms which bring in their wake disease

outbreaks," he said.

"Generally, I don't think insurance companies have thought about the accumulation of risk potential across different fronts," Walker said. "Life, health and property/casualty companies generally use very different loss scenarios."

Not only may insurers be facing rapidly rising claims from climate-induced events, but as the world's largest block of investors, they have to be concerned with the threat of climate change to their assets, said Walker. "Insurers will have to think more about that," he said. "For example, an insurer might not want to consider real estate investments in Florida."

"From Swiss Re's point of view, from a precautionary basis, we need to understand what is going on in terms of environmental linkages," Walker said.

Swiss Re's Menzinger listed three reasons Swiss Re is interested in the climate-change issue. First, "risk is our business," he said. "We sit at the end of the risk-transfer chain and thus are impacted by our clients' losses."

Second, Swiss Re essentially sells a promise to pay tomorrow's claims. Some of those claims can be very long-term in nature, for which the risk increases if weather-related losses intensify.

Third, "we're a large investor, so we're concerned about the effects of climate change on our investments," he said.