NY, other states tell insurers to disclose climate change plans

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Insurance commissioners in New York, California, and Washington state will require that companies disclose how they intend to respond to the risks their businesses and customers face from increasingly severe storms and wildfires, rising sea levels and other consequences of climate change, California's commissioner said Wednesday.

Up until this point, those states required about a third of larger insurers to turn over the information in a survey; for all others it was voluntary.

"Our experience and other states' experience as regulators is you get a far better response rate if you require response to be provided than if you just allow companies to decide when and how they will respond," said Dave Jones, the California commissioner. "Our goal is to have the most complete, best and accurate information possible for investors, the insurance industry, regulators and the broader public."

California, which has the ninth-largest economy in the world, has led the way on this push to make a traditionally backward-looking industry anticipate and respond to the business liability presented by a changing climate. These new state regulations will focus attention on the insurance industry's role in mediating the country's response to climate change.

"We are asking insurers to share their views of the risk of climate change so that we can be sure that the industry and regulators are appropriately prepared," said Robert H. Easton, a lead insurance regulator in New York.

Last year's level of natural disasters was unprecedented, according to an August report by the A.M. Best Company, which rates the financial strength of insurers. By late June, the estimated $27 billion in losses suffered by the American industry exceeded the 2010 total.

Many insurance companies, particularly large international reinsurance firms, have been grappling with the issue of assessing risks that are not reflected in the historical record of insurance payouts.

"Global warming presents unique risks, and it is vital that our insurance industry adequately account for the impacts of climate change," Benjamin M. Lawsky, superintendent of New York's Department of Financial Services, whose portfolio includes insurers, said in a statement. "We look forward to working with the industry to address these important and growing risks."

The disclosure survey will be mandatory for companies writing policies worth more than $300 million nationwide. It was created by Ceres, a Boston-based nonprofit group that leads a coalition of investors and environmental groups in gathering information about business responses to climate change, and prods them to do more.

Andrew Logan, the director of Ceres' insurance program, said Wednesday that the insurance industry "is distinguished by poor disclosure on this issue." He added, "To me it is a continuing surprise that an industry that is so obviously affected by this talks so little about it."

Robert Hartwig, president and economist at the Insurance Information Institute, an industry trade group, sharply disputed this point. "No industry discloses more about the impact of climate on its earnings and its ability to operate," he said. "Look at any quarterly earnings report and you'll see it's full of the impact of weather on earnings."

He added, "If insurers have shown anything over the course of the centuries in which they have oared it is that they are capable of managing changes in the weather on both the micro and the macro scale."