

Roth: An insurance policy for climate change

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California, New York and Washington have all announced that they will require insurance companies to respond to a survey that studies the risk of climate changes to the insurers within their respective states. The insurance commissioners in these three states have formed a 12-question survey. With this survey, they hope to understand the financial risk to the nearly \$300 million in policies governed by the three states nationwide and their potential susceptibility to climate change impacts.

Prudent decision makers must consider all potential effects. It appears these insurance policy regulators are attempting to quantify what risk, if any, climate effects are having on the validity of policies being written.

The Columbia Law School has published some of the questions on the survey. They include the following:

- Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations?
- Describe your company's process for identifying climate change-related risks and assessing the degree that they could affect your business, including financial implications.
- Has the company considered the effect of climate change on its investment portfolio?
- Has it altered its investment strategy in response to these considerations?

This announcement comes in the wake of what has been described as one of the most destructive natural disaster years in the history of the United States.

The industry is paying something to the tune of tens of billions of dollars in claims related to weather-related disasters in 2011. It is no wonder that more and more investors are beginning to see climate change as a legitimate and significant risk to the performance of insurance companies and their bottom line. And undoubtedly, you and I are being asked to cover this growing risk to weather-related claim incidents, whether man-made or not.

In fact, earlier this year, nearly 500 of the world's investors and most powerful financial players gathered for the fifth Investor Summit on Climate Risk and Energy Solutions at the United Nations. They showcased the actions they are taking to jump-start large-scale investments needed to reduce carbon emissions and help mitigate potentially catastrophic climate impacts.

The economic message from investors? Climate change presents both serious risks and major opportunities. Consider this quote from Kevin Parker, the global head of Deutsche Asset Management: "The climate change issue is certain to be a major factor in investment for the foreseeable future, perhaps the biggest investment factor of our lifetimes."

The lesson we can learn from all of this is that climate change is not about politics anymore. It's about business and economic effects.

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