

Study says insurance industry dangerously unprepared for extreme weather

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As historic flooding caused by climate change devastates communities in New Brunswick and British Columbia, new research from the University of Waterloo reveals the insurance industry hasn't considered a changing climate in their practices, putting homeowners at financial risk.

The study which looked at data from 178 insurers, found that most insurance companies assumed the risk to property from [extreme weather](#) is static and based their premiums on historical data. However, as extreme weather events are increasing in severity, frequency, and unpredictability, insurers have not adjusted.

"As extreme events become more frequent, insurers that ignore [climate change](#) will not put away enough money to cover their claims. To recoup those losses, they'll have to raise rates or pull coverage from high risk areas," said Jason Thistlethwaite, a climate change economist at the University of Waterloo. "When this shift happens, thousands of people will lose coverage or it will be unaffordable."

Another finding in the report outlined how reinsurers, insurers for insurance companies, have been better at reacting and adapting to climate change-related [financial risk](#). This dynamic could lead to significant disruption in global [insurance](#) industry.

"Some insurers are better at understanding climate change than others. These organizations will survive, and likely be able to sell climate services to their counterparts struggling to understand the problem," said

Thistlethwaite. "Those that don't, will fail. Insurers are supposed to watch our backs by looking into the future and protect us from unexpected events. We pay to not worry about these things."

A full version of the study, Insurance and Climate Change Risk Management: Rescaling to Look Beyond the Horizon, was published in the *British Journal of Management*.

Provided by University of Waterloo

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