

Climate Change : Country Profile

6. Climate Profile United States -

Clem Booth, Allianz Board Member, on how climate change will affect the insurance business in the United States.



Clem Booth

Allianz Board Member

What are your estimates of the potential economic impacts, positive as well as negative, which climate change can have in the United States?

Insurers such as Allianz are on the front lines of global warming and are among the first to feel the adverse effects of climate change. This is clearest in the insurance sector: 40 percent of all insured losses worldwide are caused by weather, and the United States is particularly vulnerable to risks from rising sea level, flooding, hurricanes, forest fires, and drought. Banks are also impacted by the increased difficulty in judging a company's ability to repay a long-term loan, and asset managers must pay close attention to the effect of natural disasters on the world's stock markets.

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On the other hand, climate change may have some positive impacts in the United States. Longer growing seasons may result in improved agricultural yields in some regions. Increased awareness of global warming and a corresponding demand for renewable energy is driving a new sector for economic growth and employment.

How do Allianz employees and customers in the United States react to climate change and the recent debates about it?

Most Allianz employees in the U.S. recognize climate change as a major threat to the environment and business. When Allianz took on this issue many applauded the company for taking initiative in this area that would help secure the future of the next generation. Fighting climate change has become an important part of corporate identity in the U.S. Employees across all business lines are teaming up and finding ways to support Allianz's engagement. As for Allianz's customers, they continue to count on Allianz as a provider of risk management services. The fact that climate change has become a core issue at Allianz gives customers

confidence that Allianz is providing leadership on such an important issue that will have multiple and significant impact on consumers and businesses.

How will climate change affect your business? What are the risks and opportunities?

Climate change will affect our business by exacerbating risk in a variety of ways. Increased frequency and severity of natural disasters such as hurricanes can have a large impact on the viability of the private insurance markets. Sea level rise can result in coastal erosion and storm surge, both of which can leave existing insured property unstable. More frequent and severe droughts impact our crop insurance business and can lead to devastating forest fires, particularly in the West.

At the same time, these increased risks provide new opportunities for a well-positioned financial services provider such as Allianz. The green buildings coverage provided by Fireman's Fund helps provides a ten-percent insurance discount as an incentive. This results not only in long-term emissions mitigation, but also in a reduction in our short-term risk, as green buildings tend to experience fewer incidents of risk and loss.

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