



Climate Change : Global Warming Basics

Why Does an Insurance Company Care about Climate Change?

Insurance companies want to keep their premiums low. Philanthropy? No - good business sense. But natural disasters brought about by global climate change are threatening not only the lives and goods of the insured, but also the low-cost policies of the insurers.



Natural disasters leave a wake of death and destruction - and, outside the big headlines, seemingly insurpassable difficulties for the survivors. Starting a new life is often made possible only through the indemnities issued by insurance companies

Contrary to common belief, insurance companies are not at all keen on raising their premiums: an affordable insurance will be taken out by more people, thus making the insurance company more stable and profitable. If the insurance company sold only a few very expensive contracts, one single catastrophe would be enough to endanger their own finances. An affordable insurance policy taken out by virtually everybody, on the other hand, creates a huge money pool sustaining even the occasional very large damage without a tremor.

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Insurer efforts to keep premiums low, however, cannot succeed if the number of damages they have to pay for increases with every passing year. This is why global climate change interests insurance companies. Every hailstorm, every hurricane, every flood causes damages the insurers have to pay for.

"We see raising claims due to natural catastrophes and have a vested interest in reducing global warming," says Allianz board member Clement Booth. "Our industry has been at the forefront of this debate for a long time."

Climate change is one of the great challenges that the insurance business has to meet. Small wonder that some of the most-detailed scenarios for the future of our planet are commissioned by insurance

companies. One should remember it is the future of their own business they are trying to plan for, as well. Striving to adjust to changing conditions as early as possible, their goal is to keep insurance safe and affordable, thus securing the economic basis of future generations.



Why does Allianz care?

Clememt B. Booth, Allianz board member: "We see raising claims due to natural catastrophes and have a vested interest in reducing global warming.

Working global and local

On a grand scale, insurance companies use what political and economical influence they have to prevent the worst consequences of global warming. But insurers are also concerned with the individual person, as well. It is, afterall, insurance who can save a homeowner from financial ruin if his roof gets carried off in a storm.

Read more about the connection between global warming and insurance in our articles "Can Insurance Cope with More Fires, Floods and Storms?" and "Are Insurers Getting Serious about Climate Change?".

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