

Storm clouds for insurers

Global warming heats up outlook for policyholders

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SOME SEAFRONT homes along South Africa's coasts could soon become uninsurable as global warming takes its toll.

And people can expect significant hikes in their premiums for houses, cars and possessions as a result of the risks of climate change.

Nedbank Group Insurance managing director Andrew Culbert told Weekend Argus that they had noticed an increase in the number of large losses as a result of extreme weather.

Coastal areas were especially vulnerable, he said.

"We have already seen a number of coastal areas being adversely impacted by the sea encroaching, causing substantial damage.

"It is possible that certain areas may even become uninsurable as more research on climate change is disseminated and we understand the risks associated with this change."

Peter Atkinson, national technical portfolio manager at the Financial Intermediaries Association of SA, said they had probably already begun to see some of the impacts, which meant increased risks were being factored into people's insurance premiums.

"Effectively this results in the insurers being partially protected, with consumers paying (the costs)," he said. "Catastrophe reinsurance premiums will undoubtedly increase too, if they haven't already, as reinsurers who provide this cover do a lot more research into weather patterns and the loss probabilities than primary

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insurers do."

Home and business owners on the coast were at the greatest risk, and many of them would either end up with restriction of cover or no cover at all.

However, not only people on the coast were at risk. Culbert and Atkinson agreed that inland areas could also face damage to their properties as a result of extreme weather.

There was "nowhere to hide" for reinsurers, since they would ultimately face increased costs as a direct result of climate change, said Atkinson.

"While the 'end-of-the-

world' viewpoint focuses largely on huge potential losses as coastal cities become submerged, there is an obvious impact in the agricultural arena, hail and related damage to houses and vehicles, and even a potential increase in road accidents.

"Changing weather patterns may also affect the marine and aviation markets. It's not only coastal towns; however, unseasonal and heavy rains will affect the motor and property markets universally too."

But Culbert did not believe insurance companies would increase their risk rates that quickly, saying they would first look at ways of reducing risk for their clients.

South African Insurance Association spokeswoman Vivienne Pearson said climate

change was a relatively new topic when it came to assessing risk.

Events such as crime, fires and motor vehicle accidents were immediate risks that they had to manage, as opposed to the long-term risk of climate change.

But the industry was beginning to approach environmental issues proactively, she said, which involved taking steps to ensure the risk was not a great one.

"There is a lot that we can do to ensure that we do not land up in the worst case scenario."

Santam said it had already begun engaging with clients about their climate change risk, while Culbert said Nedbank had started educating its clients about how to protect their property from weather-related damage.

