

Global warming and the effect on insurance

A recent global insurance survey revealed that the threat from natural catastrophes and associated climate change were rated as the second and fourth most pressing issues in the global insurance industry.

“South Africans are, for now, probably more insulated from the effects of global warming than people in the northern hemisphere,” says Gari Dombo, Managing Director, Alexander Forbes, Personal Services. “That said, we are not immune and can expect climate-related disasters to become more severe.”

In a report written by Ceres by two insurance industry experts, they came to the conclusion that climate change, although perhaps the biggest threat in the industry’s history also creates vast opportunities for new products and services.

Some of the climate change solutions include energy efficiency, green building design, carbon emissions trading and sustainable driving practices. Insurance companies are also finding that if they advise their clients to implement preventative measures for certain disasters that may occur in a specific area, their clients reap the benefits of not sustaining losses should a disaster strike. For example, insurer-initiated hurricane loss prevention methods used at nearly 500 commercial locations incurred eight times less damage from Hurricane Katrina than properties that did not make the engineering improvements.

When looking at the local situation, simply think back at the damage that was caused to the private homes along the KwaZulu Natal coast in 2007. It is evident that the potential for damage resulting from natural disasters is increasing as global warming accelerates. Fortunately, it is increasingly possible to research the full potential for damage and put adequate catastrophe protection in place as more research and measurements are also done on this subject.

Santam says there has been an increase in the frequency of natural disaster claims and this could be due to global warming. The floods of last year August is a clear example.

It is expected that the weather will become more extreme in future, and some companies are already looking out for their clients with forward-thinking solutions and providing them with a better understanding of global warming, in order to minimise the impact that it may have on people.

Make sure you are prepared for any disaster and keep your insurance policy up to date. lemas can offer comprehensive insurance to businesses, individuals as well as people with smaller needs. Speak to an lemas consultant if you need any further advice, or contact the lemas Call Centre on 0860 102 383.

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