



OFFICE OF  
STATE TREASURER  
DENISE L. NAPIER

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# NEWS

**FOR IMMEDIATE RELEASE**

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## **INSTITUTIONAL INVESTORS URGE INSURANCE COMPANIES TO ASSESS FINANCIAL RISKS AND OPPORTUNITIES OF CLIMATE CHANGE**

*Following Historic "Hartford Summit" on Climate Change  
and the Insurance Industry, Investors Look at Next Steps*

Twenty leading U.S. institutional investors managing more than \$800 billion in assets are urging the 30 largest publicly-held insurance companies in North America to assess and disclose their financial exposure from climate change to shareholders.

The investors co-signed letters sent today requesting that insurers develop and share climate risk reports with investors by August 2006. The reports should address the multiple types of risk and opportunity that insurers face in regard to climate change, including physical loss, legal and investment risks, as well as opportunities for new markets and products in a changing economic environment.

"Insurers could face a double whammy or a one-two punch from climate change. In addition to driving up claims, it can affect the value of the stocks and bonds in insurers' investment portfolios," **said Connecticut Treasurer Denise L. Nappier**, principal fiduciary of the state's \$21 billion pension fund with more than \$500 million invested in property-casualty and reinsurance stocks.

The letter to insurers was sent by state treasurers and comptrollers from Connecticut, California, Illinois, Kentucky, Maryland, New York, North Carolina, Oregon and Vermont, as well as the New York City Comptroller, socially responsible investment funds, faith-based investors, a labor pension fund and a leading foundation. All of the investors are part of the Investor Network on Climate Risk (INCR), a leading U.S.-based investor coalition working on climate risk issues.

In addition to the risk of direct losses due to physical weather-related events, the letter asks insurers to look strategically at climate change and how it could affect the long-term value of the investments that enable them to pay claims and remain profitable.

The letter to insurers follows an historic meeting of insurance industry leaders that took place in Hartford in October. More than 100 insurance and investor leaders attended the *Insurance Summit on Climate Risk and Opportunities* hosted by Treasurer Nappier, Insurance Commissioner Susan Cogswell and Department of Environmental Protection Commissioner Gina McCarthy. The "Hartford Summit" was the first time U.S. insurers have gathered in a public forum to discuss the risks and opportunities presented by climate change.

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Insurers who attended the Connecticut summit, many of whom will receive the letter sent today, have expressed an interest in exploring the multiple risks and opportunities associated with climate change. One aspect of the summit was interest in insurers and policy leaders working together to create uniform regulations and policies in relation to climate change.

“This is not a fly-by-night initiative we’re engaged in,” said Treasurer Nappier. “We all know the saying, the bigger they are, the harder they fall. By addressing this issue now, we’re trying to keep another giant from falling.”

The investor request comes on the heels of devastating back-to-back hurricane seasons in the U.S. that caused a record \$30 billion in insured losses in 2004 and as much as \$60 billion in insured losses from Hurricane Katrina alone in 2005. While no individual weather event can be attributed to global warming, scientific data indicate that rising global temperatures will likely increase the frequency and intensity of hurricanes, floods, drought, wildfires and other extreme weather events – and, indeed, may already be doing so.

According to a recent study by the Ceres investor coalition, U.S. insurers have seen a 15-fold increase in insured losses from catastrophic weather events in the past three decades – increases that have far out-stripped growth in premiums, population and inflation over the same time period. The study, *Availability and Affordability of Insurance Under Climate Change: A Growing Challenge for the U.S.*, warns of larger financial losses in the years ahead if climate change trends continue and no actions are taken to face the challenge.

“While more insurance companies are acknowledging the seriousness of climate change, few if any companies have examined the broad financial risks and opportunities from this issue and the potential impacts on shareholder value,” the two-page letter to insurance company CEOs stated. “The challenge now is taking concrete action. We are calling on insurers to undertake a comprehensive analysis of the business implications of climate change for their companies and to share the results with shareholders.”

**New York City Comptroller William C. Thompson Jr.** said: “As the investment officer of the city’s five pension funds, I am particularly concerned that the failure of these companies to fully consider potential climate change risks in their underwriting process could adversely affect the financial performance of these companies and the pension funds’ investment interests.”

Last fall, for example, Comptroller Thompson’s office surveyed 13 insurance companies that the city’s pension funds were invested in to better assess how the companies were addressing climate change. According to survey results announced by Thompson’s office today, eight of the companies responded, and not one provided any assurance that climate change was seriously being assessed or considered.

“Investors are increasingly more concerned about the financial risks posed by climate change and our interest is especially strong for the insurance industry which is so directly exposed to the physical impacts of global warming,” said **Jack Ehnes, chief executive officer of the California State Teachers’ Retirement System (CalSTRS)**, one of the country’s largest public pension funds.

“U.S. insurers are facing a perfect storm of rising weather losses, rising global temperatures and more Americans than ever living in harm’s way,” said **Mindy S. Lubber, president of Ceres**. “Insurers and regulators have failed to adequately plan for these escalating weather events that will have major long-term ramifications on insurance companies and their shareholders.”

To read the letter to the insurers, visit:

<http://www.state.ct.us/ott/pressreleases/press2005/pr120105letter.pdf>

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For information on the Hartford, CT Climate Change Summit for Insurers, visit:  
<http://www.ctclimatechange.com/Insurance.html>.

The 30 publicly-traded companies receiving the letter are the largest in the life, health, property/casualty and reinsurance sectors – sectors all deemed to be at risk from climate change. The companies are as follows:

Full-Line

AIG, New York City  
Hartford Financial Services Group, Hartford, CT

Life

Manulife Financial, Toronto, Canada  
Prudential Financial, Newark, NJ  
Metlife, New York City  
Great West Life, Co., Canada  
Sun Life Financial, Toronto, Canada  
Genworth Financial, Richmond, VA  
Principal Financial Group, Iowa  
Lincoln National Corp., Philadelphia, PA  
Jefferson Pilot, Greensboro, NC  
Torchmark Corp., Birmingham, AL  
Nationwide Financial Services, Columbus, OH

Health

UnitedHealth Group, Minnesota  
Wellpoint Health Networks, Indianapolis, IN  
Aetna, Hartford, CT  
Cigna, Philadelphia, PA

Property & Casualty

Allstate, Northbrook, IL  
St. Paul Travelers, St. Paul, MN  
Progressive, Ohio  
Chubb, New Jersey  
Ace Limited, Philadelphia/Bermuda  
XL Capital Limited, Bermuda  
CNA Financial, Chicago, IL  
Cincinnati Finance, OH  
Safeco, Seattle, WA

Reinsurance

Everest RE, Bermuda  
Berkshire Hathaway/General RE, Omaha, NE

Brokers/Risk Advisors

Marsh & McLennan, New York City  
Aon Corp., Chicago, IL

Signers of Letter

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Steve Abrecht, Service Employees International Union  
Phil Angelides, California State Treasurer  
William R. Atwood, Illinois State Board of Investment  
Joan Bavaria, Trillium Asset Management  
Randall Edwards, Oregon State Treasurer  
Jack Ehnes, California State Teachers' Retirement System  
Julie Gorte, Calvert  
Alan Hevesi, New York State Comptroller  
Nancy Kopp, Maryland State Treasurer  
Lance Lindblom, Nathan Cummings Foundation  
Jonathan Miller, Kentucky State Treasurer  
Richard Moore, North Carolina State Treasurer  
Denise Nappier, Connecticut State Treasurer  
William Somplatsky-Jarman, Presbyterian Church, USA  
Jeb Spaulding, Vermont State Treasurer  
William Thompson, New York City Comptroller  
Steve Westly, California State Controller  
California Public Employees' Retirement System  
Sheet Metal Workers' National Pension Fund  
United Methodist Church

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