

Federal government ads misleading on climate insurance cost

Sinclair Davidson

In order to prepare the nation for the introduction of the ETS, the federal government has begun a large advertising campaign to argue that, without action, climate change will have a significant economic impact.

In particular one of their most widely distributed advertisements claims that 'scientists warn that climate change will cause more severe bushfires, storms, cyclones and floods. This is already pushing up insurance premiums.' Both these statements may be true in isolation—some scientists are warning of such things, and some insurance premiums are going up—but the federal government invites us to believe that the first is causing the second. This is, however, not the case. The government's argument can be tested by looking at a more direct measure of damage from climate change—insurance losses.

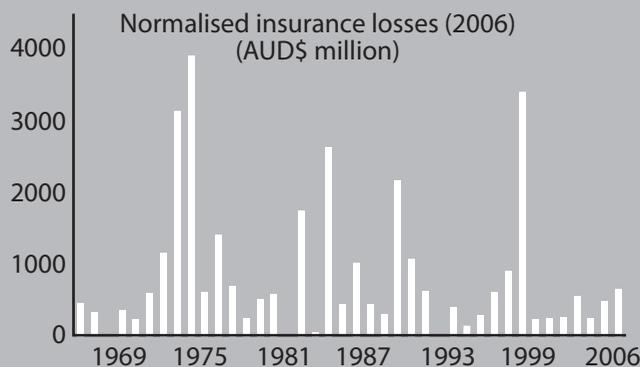
In a paper published in the peer-reviewed journal *Environmental Science & Policy*, Ryan Crompton and John McAneney of Macquarie University have investigated the link between insurance losses and meteorological hazards. Using data from the Insurance Council of Australia over 1967–2006 Crompton and McAneney adjusted the insurance

losses to normalised 2006 dollars. Doing so involves more than just accounting for inflation. For example, as population and wealth increases the loss from a meteorological disaster increase. Conversely, changes in building safety standards reduce losses from wind damage. Crompton and McAneney have taken these sorts of factors into account to standardise insurance loss data, to ensure they are comparing like with like. The results are quite startling. Cyclone Tracy destroyed Darwin in 1974 with an insured loss of \$200 million—in normalised 2006 dollars that would be equivalent to \$3.56 billion. It is quite rightly the single largest meteorological disaster in Australian history. But before Crompton and McAneney normalised the data, the ICA data appears to indicate that the 1999 Sydney hailstorm was the largest disaster in Australian history with an insured loss of \$1.7 billion, but \$3.3 billion in normalised 2006 dollars.

Crompton and McAneney conclude 'there is no discernable evidence that human-induced climate change is significantly impacting insured losses'. The observed increase in insurance losses is largely due to an increased number of more valuable buildings.

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Insurance losses in Australia, 1966-2006



Source: *Environmental Science & Policy*

Would you swap climate change for acid rain?

John Abbot

'Climate change is happening so quickly that mankind may need to pump sulfur into the atmosphere to survive', argued Tim Flannery, 2007 Australian of the Year, in May. Flannery has suggested the sulfur be dispersed by jet fuel as a last barrier against climate collapse and that this would change the colour of the sky purple.

He conceded, however, there were risks.

But following Flannery's predictions would be reckless—his 'purple sky' strategy to tackle climate change would be a dangerous and highly expensive solution to an uncertain problem.

Deliberately introducing sulfur into the stratosphere would be an example of geo-engineering to mitigate global warming. Geo-engineering describes 'technological efforts to stabilise the climate system by direct intervention with the energy balance of the earth'.

The recent report on climate change from Ross Garnaut referred to a range of other geo-engineering proposals, including cloud seeding, and fertilisation of the ocean with iron and nitrogen to increase carbon sequestration.

The idea of artificially cooling the

John Abbot is a Research Fellow with the Institute of Public Affairs. He has over twenty years experience as a research chemist.