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NEWS RELEASE

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NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS ESTABLISHES TASK FORCE ON CLIMATE CHANGE

Regulators for the first time will examine issue key to the industry's long-term solvency

The National Association of Insurance Commissioners (NAIC) voted unanimously last week at its quarterly meeting in Orlando, Fla. to establish a task force to examine the impact of climate change on the U.S. insurance industry and on insurance consumers. The task force will look at how a warming climate may affect the availability and affordability of insurance for consumers and the financial health of insurance companies. The task force will also consider actions necessary to enable state regulators and insurers to mitigate and otherwise respond to these problems.

Unlike most other industries, the insurance sector is regulated primarily at the state level. NAIC is the forum through which insurance regulators from all 50 states work together to grapple with issues facing the industry.

The task force will be led by Tim Wagner, director of the Nebraska Department of Insurance, and Mike Kreidler, insurance commissioner for the State of Washington.

"It's becoming clearer that we are experiencing more frequent and more powerful weather events that pose huge challenges for the insurance industry," Wagner said. "The impacts are being felt on our coasts and in the interior U.S. We're seeing all kinds of extreme weather in the Great Plains states, including drought, tornadoes, brushfires and severe hailstorms. I am glad the NAIC is taking proactive steps to deal with this key issue."

The NAIC action comes on the heels of devastating back-to-back hurricane seasons that caused a record $30 billion in US insured losses in 2004 and as much as $60 billion in insured losses from Hurricane Katrina alone in 2005. According to a December 2005 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.

Washington Insurance Commissioner Kreidler said the task force will look at whether insurers have adequately factored these occurrences in their financial and risk models. "We had a statewide drought emergency in Washington last year. With record-low snowpack and stream flows, the eastern part of the state was declared a farm disaster area and our ski industry had its worst year on record," Kreidler said. "As scientists predict this trend to continue, I'm increasingly concerned with the impact these changes will have on insurance availability and costs."

Nancy Skinner, US Director of The Climate Group and Andrew Logan, insurance program director at Ceres, have been advising NAIC members on climate change and helped organize a special session on the insurance implications of climate change at NAIC's December meeting in Chicago. Skinner and Logan praised the NAIC for taking this action and noted that many different lines of insurance are likely to be affected by climate change. They gave special praise to Maine Insurance Superintendent and NAIC President Alessandro A. Iuppa for agreeing to establish the task force.

"Insurance as we know it is threatened by a perfect storm of rising weather losses, rising global temperatures and more Americans than ever living in harm's way," Logan said. "Insurers have failed to adequately plan for these escalating weather events that scientists predict will intensify in the years ahead due to warming global temperatures. That's why we're pleased to see regulators taking stock of these impacts as a first step toward engaging the industry in the effort to support solutions."

"People tend to think about climate change in terms of Category 5 hurricanes and sea level rise," said Skinner. "But changing weather patterns such as more intense rain or ice storms and lower snow levels can also have big impacts. Business and homeowner claims rise as a result of floods or when the ski season ends from lack of snow. Other lines of insurance are also vulnerable, like health when heat-related respiratory diseases and mosquito-borne diseases increase. And more hailstorms mean more claims for automobile damage."

Skinner praised Washington Insurance Commissioner Mike Kreidler, Nebraska Insurance Department Director Tim Wagner, and Connecticut Insurance Commissioner Susan Cogswell for spearheading the effort to establish the task force. "Kreidler, Wagner and Cogswell did a great job," she said. "NAIC has a lot on its plate, but these Commissioners were able to persuade their colleagues that the impact of climate change on the insurance industry and its consumers was a top-tier issue."

The Climate Group is a leadership coalition of Fortune 500 companies, states and sub-national governments promoting economically sound solutions to reduce the threat of global warming. Ceres is a national coalition of institutional investors and environmental organizations working with companies to address sustainability challenges such as

climate change. Ceres directs the Investor Network on Climate Risk (INCR), a network of more than 50 institutional investors in the U.S. and Europe, which collectively manage over $2.7 trillion of assets.