



PRESS RELEASE

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Insurers Poor in Assessing and Disclosing Risks of Climate Change

Study Shows Insurers Lagging Behind Other Industries

Washington, D.C. – A new report by Friends of the Earth shows that America's property and casualty insurers are doing a very poor job in disclosing climate change-related risks in their SEC filings on material risks facing the firms. Only 5 companies out of the 106 surveyed referenced climate change issues in their SEC reporting, despite the growing body of evidence that climate change will produce increasingly intense storms.

"A growing number of companies recognize that climate change is a bottom-line issue, and are complying with SEC disclosure rules by reporting this risk to shareholders," said Michelle Chan-Fishel, coordinator of Friends of the Earth's Green Investments Program. "It is surprising that U.S. property and casualty insurers, companies one would expect to be most attuned to risks associated with climate change, are not disclosing how those risks affect their business. After these companies finish paying out the claims for Hurricane Katrina, their shareholders ought to demand full disclosure of climate change risks in future SEC reports."

Climate change-related risks facing the insurance industry include greater unpredictability and severity of severe weather events such as hurricanes, floods, and heat waves. A report from researchers the Allianz Group and the World Wide Fund for Nature includes a Cambridge University–EU estimate that potential cumulative global damages caused by climate change could reach up to 74 trillion euros (US\$ 91.8 trillion) at today's value.

FOE also released its fourth annual survey of climate change reporting in 2004 SEC filings of major companies in five important sectors of the economy: automotive, integrated oil & gas, property & casualty insurance, petrochemicals, and electric utilities sectors.

Compared with last year, the overall rate of climate change reporting has improved, going up from 39% to 47%. Reporting rates were best among utilities (96%) and integrated oil & gas companies (74%). But disclosure rates are poor in the automobile (26%) and petrochemicals sectors (28%), and worst among property & casualty insurers (15%).

Almost half of the companies providing climate reporting state that global warming-related risks could indeed have a material adverse impact on the firm, even though these impacts were often difficult to estimate. More companies are highlighting their climate change reporting by creating separate climate change sections in their SEC filings, or naming climate change as a "Key Risk" facing the firm.

One reason for this improvement may be the Sarbanes-Oxley Act. “Under Sarbanes-Oxley, corporate directors, especially audit committees, must guarantee that companies have adequate internal controls to identify, manage and disclose material risks,” said Chan-Fishel, “Boards that fail to ensure appropriate climate reporting – particularly when a company’s competitors are coming clean – may be in breach of Sarbanes-Oxley and their fiduciary duty.”

The multi-sector survey also supports recent evidence that environmental disclosure among publicly traded companies in the United States is weak. For example, an SEC review of Fortune 500 companies’ 2001 10-K filings found that many companies did not provide adequate disclosure on environmental issues.

The Best Climate Reporters: Electric Utilities

Today FoE also issued a companion report that specifically analyzes the climate disclosure practices of the 53 companies in the Dow Jones US Utilities Index. It found that 40 American utilities disclosed climate risks in their 2004 SEC 10-K filings, a reporting rate of 75%. Half of the utilities provide best, good or fair reporting. But the remaining utilities failed to report, do not adequately describe climate risks, or do not address the question of whether these risks could have an impact on the firm. The results of this utilities study are consistent with the findings of a similar report from the Government Accountability Office. The 2004 GAO study, which also looked at SEC reporting among electric utilities, found that “the amount and type of [climate] information varied widely,” and that there is “considerable variation in where the disclosures were located within the filings, posing a challenge for researchers trying to find information on particular topics.”

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The three Friends of the Earth surveys are available at:

<http://www.bluewaternet.org/FOE/secsurvey2005.pdf>

<http://www.bluewaternet.org/FOE/Utilitiessurvey.pdf>

<http://www.bluewaternet.org/FOE/insurerreporting.pdf>

The Allianz climate change report is available at:

http://www.allianz.com/Az_Cnt/az/any/cma/contents/847000/saObj_847265_Allianz_WWF_Climate_Change_Study_2005.pdf

SEC review of Fortune 500 companies: <http://www.sec.gov/divisions/corpfin/fortune500rep.htm>

Government Accountability Office 2004 study: <http://www.gao.gov/new.items/d04808.pdf>