

Nobel-prize winning economist Robert Schiller has a New York Times [op-ed](#) about the need for insurance against risks of climate change. Speaking of the latest U.S. climate assessment, he writes:

*After discussing how to mitigate the coming dangers, the report says, “Commercially available mechanisms such as insurance can also play a role in providing protection against losses due to climate change.” That sentence should have been in big, bold letters and underlined.*

*That’s because of the substantial risk that efforts to stop global warming will fail. The implications are staggering, and we must encourage private innovation and government support to insure against the devastating financial losses that will result.*

He then discusses various innovative mechanisms that might help insure against some of the extreme events that may be associated with climate change”

*We have a crucial need to bring innovation to our risk-management institutions. We need to make them flexible, to clarify their long-term international legal status, to develop mechanisms and indexes that can be the basis of long-term risk management contracts and to educate the public about them. Most important, we need concrete action now to build a mechanism that will provide real help for the victims of climate-change disasters.*

Those who are tempted to dismiss Schiller’s views should bear in mind that he was one of the few who anticipated the collapse of the housing bubble, which nearly brought down the economy. An awful lot of scientists and economists agree with him that we have a critical need to bring innovation to our risk-management institutions.

Schiller is thinking about the problem of insuring against local catastrophes — hurricanes, floods, heat waves, and the like. But there is also a risk of widespread global disaster, if we hit a serious tipping point. We don’t know whether this will happen. But it is only prudent to take reasonable precautions. That’s the strongest argument for reducing carbon emissions. If we don’t reduce emissions stringently, we might get lucky. Or maybe not.