



# P E R S P E C T I V E S

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## **Death and Taxes!** *Goodbye Lloyd's of London*

A common refrain which echoed around American society for the last 70 years or so goes like this: “Nothing in life is certain, except death and taxes!” Cute, and up until recently a truism that could be counted on. No longer. It turns out there is one other thing that is certain, is inescapable, and is getting worse every year: the ravages of climate change. Germany can be certain that more floods are coming, and California can be certain that more devastating forest fires are on the way with increasing frequency and increasing violence.

Let's start with Germany. There really are no adequate words in the German language to describe what has just happened. That isn't my conclusion, that is what Chancellor Angela Merkel said to the residents of Adenau, in the German state of Rhineland Palatinate. North Rhine-Westphalia was also badly hit as were parts of Belgium and a decent chunk of Holland. She went on to call it “surreal” and “terrifying.”

Towns, railroad tracks and roads all under water. 190 people dead, hundreds more still missing, and most people in Europe becoming increasingly clear that Climate Change is not coming—it's here! Europe as a whole, and particularly Germany, realizes that Climate Change isn't something that is going to hit us sometime between 2150 and 2200. No. It is hitting now. And it will hit again with increasing violence. You see, Climate Change increases adversely at a geometric (rather than arithmetic) rate, meaning that it increases more vigorously as it increases rather than just increasing incrementally. The damage Germany, Brussels and Holland sustained this week will be far worse within a year, and the year after that will be far worse again. That's the nature of a negative geometric progression.

We can see that pattern firsthand in California. We are still in shock over the devastation and death that occurred with the town of Paradise in 2018, the deadliest and most destructive wildfire in the state's history. Now crews are battling a rapidly growing blaze just 10 miles from the town, where the ominous destruction still lingers nearly three years later. Clearly no place like Paradise (i.e., a place nestled close to a forest—even one many miles away) will be safe during our lifetimes. As I write this column in July 2021, there are now more than 70 active wildfires across the West which have incinerated a combined area larger than Rhode Island.

According to the National Interagency Fire Center, more than 2.25 million acres have been burned since the beginning of the year, compared to 1.7 million acres in the same period in 2020. That is a one-year increase of 32 percent, over what was the worst fire season on record until now. The Bootleg Fire in southern Oregon is currently the largest wildfire burning in the US, having torched an area bigger than the five boroughs of New York combined. Do you see where this is going?

The Fire Center just declared a "Preparedness Level Five", signifying the maximum pressure on our firefighting resources. Last year, we didn't reach this stage until August 18, 2020. According to Center spokesman Stanton Florea, “We're a full year ahead of where we were last year—and last year was a historic season.” That's the effect of geometric progression. Each year the damage from Climate Change will compound on itself making it ever more difficult for human civilization to adapt.

There is simply no way to predict where the devastation will occur next as annual droughts give way to “once in a thousand year” deluges (that happen each year from here on out), which then revert to unsustainable drought. Yes, the only certainties we have are 1) we will have to pay taxes, 2) we will be subjected to escalating adverse climate change events, and 3) we will die. We all must focus on number two if civilization has a chance.

Let’s step back into time to the year 1688 and drop in on Edward Lloyd’s coffee shop. Here men would gather over their favorite beverage from the New World and for a fee, agree to provide marine insurance (i.e., insurance that a ship and its contents would arrive safely at its intended port). It was a simple business. Predictively estimate how many ships would make it safely, charge a fee for each ship that taken together over the period of time the ship would be at sea, and pocket a profit from holding the cash for the insurance, until the cash was required to make good on a claim for the ships that sank. That’s it. The entire modern insurance industry was born from that simple approach.

Every form of insurance today is priced depending on what the “actuary” (i.e., the person charged with computing how long insurance money would be held before a payout was statistically required to be paid). That system is now hopelessly broken because no insurance company can any longer predict when the next “natural disaster” will occur nor how vast it will be. Hence, they don’t know what to charge in order to stay in business. And, even if they did know what to charge, no one would be willing to pay it.

The devastation coming our way is so vast and so deadly we can’t even comprehend it, let alone predict it. That’s why it is becoming increasingly difficult to obtain insurance in southern Florida and why the cost, if you can get it, will be far too high. It isn’t just the 40-year-old buildings collapsing from seawater incursion that are in jeopardy. No place in Florida will escape the insurance rate increases until the day arrives, not long from now, when traditional insurance won’t be available at any price.

How can you attempt to “insure” a biosphere so damaged that Western Civilization, as we know it, will be unable to continue to exist sometime before 2150?!? If you think that sounds dreadfully shocking, you’d be correct. If you think this is hyperbole, you would be sadly mistaken.

Take heed of what teenage environmental “superstar” Greta Thunberg recently observed: “Our hose is still on fire. Your inaction is fueling the flames. By the hour.” We Californians know what grotesque flames look like as they sweep across a dystopian landscape, and we should all be very concerned. Greta is correct, the crisis is developing faster than a year over year phenomenon, it is literally developing geometrically, on an hour-by-hour basis.

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