


EXTREME WEATHER EVENTS DRIVING PREMIUM RATES UPWARD



Year after year, each passing season seems to leave a record-breaking natural disaster in its wake. And if it seems like this trend might be a bad figment of our collective imagination, the unfortunate reality is that stronger and more frequent natural disasters are destroying homes, businesses, and people's lives at record-breaking rates.

If the images and videos circulating various platforms aren't enough to convince you, the numbers speak for themselves. And insurance companies that cover extreme cold, fires, and floods are feeling the effects of unpredictable weather firsthand.

**Here's a recap of what we
saw in recent times:**



WEATHER BY THE NUMBERS



In the first half of 2021, disasters caused a grand total of **\$42 billion in insured losses globally**, which was a ten-year high. The biggest losses were linked to extreme cold in the United States.



Winter Storm Uri wreaked havoc across Texas early 2021, leading to an official death toll of 237, though some experts estimate between 426 and 978 deaths. This storm may cost Texas **\$80 billion to \$130 billion** in direct and indirect losses.



From March through May, violent thunderstorms (also called supercells) struck Alabama and Georgia. Though tornadoes are to be expected this time of year in this part of the United States, **an unprecedented 61 tornadoes** ripped through eight southern states in December 2021, devastating communities.



The 2021 hurricane season ranks as the **third most active year in history**, with a price tag to match it. Total damages are estimated to cost **over \$67 billion**. Hurricane Ida alone caused more than **\$60 billion in damages** and was linked to 26 deaths in Louisiana and 50 deaths in the Northeast.



Additionally, the National Oceanic and Atmospheric Administration estimates that flooding in the United States costs billions of dollars each year. An analysis by First Street Foundation estimates that in the United States, structural damage due to floods will reach **\$13.5 billion** in 2022.



The 2021 wildfires were far less destructive than previous years, but damages are still expected to cost the United States between **\$70 billion and \$90 billion** in direct and indirect losses.



Reinsurance giant Swiss Re reported that natural catastrophes caused global economic losses of \$190 billion in 2020, with the insurance industry covering \$81 billion of those losses. This was a big jump from \$54 billion in covered losses in 2019. At the current rate, Swiss Re estimates that Property and Casualty (P&C) premiums will **more than double by 2040**.

WHAT HAS BEEN THE EFFECT ON THE INSURANCE INDUSTRY?

The vast majority of experts agree that climate change is to blame for intensifying weather events, and bigger losses amount to increased severity in insurance claims. Though these patterns primarily impact the property and casualty market, climate change is beginning to impact other lines, such as Directors and Officers, life insurance risk, health insurance, and more.

Extreme weather events have caused some insurers to stop offering certain lines of coverage in parts of the country, limit the types of coverage they offer or hike up premium rates to never-before-seen amounts. These changes mean that more consumers in high-risk areas don't have enough coverage, or don't have insurance at all.

Because many insurance companies look to past events when making risk calculations, they're now struggling to keep up with the impact of unpredictable, extreme weather events. The insurance industry has yet to adapt underwriting strategies and climate models to the nature of interconnected weather events. More so than ever before, the past is no longer representative of the future.

Since the severity and frequency of claims have continued to rise every year, insurers are taking a close look at how extreme weather events in high-risk areas are impacting their bottom line. Recent losses and unreliable historical data create layers of unpredictability that make carriers wary of providing coverage. Now, insurers are very calculated in their risk selection and pricing, which is why many lines of insurance have entered what's called a hard market.

Carriers have the daunting task of finding a balance between managing financial stability while ensuring the availability and affordability of coverage for customers. However, adapting to the impact of climate change and its relationship to extreme weather events will take some time.

Individuals and companies who need help navigating the complexities of insuring their assets in disaster-prone areas should lean on experts who have proven success helping clients get the coverage they need, even in a hard market. Contact us today to learn more about how we can help you assess your risk profile and protect your assets and investments.