S&P Global Market Intelligence Has Released a Report Exploring How Climate Change and Extreme weather are Reshaping the Insurance Industry

NEW YORK, Nov. 20, 2024 /PRNewswire/ -- S&P Global Market Intelligence has released a report today showing how evolving natural catastrophe risks due to climate change are forcing insurers to reevaluate their relationships with each other and the world at large. The newly published *Evolving Natural Catastrophe Risks* report is part of S&P Global Market Intelligence's Big Picture 2025 Outlook Report Series.

In this new report, S&P Global Market Intelligence's climate, insurance and industry experts highlight how secondary perils like floods, fires and severe convective storms — as distinct from the insurance industry's peak perils of tropical cyclones and earthquakes — are now making up a larger portion of catastrophe losses in recent years. Insurers and reinsurers are used to picking up the tab for natural catastrophes, but the increasing frequency and severity of mid-sized events and hurricanes hitting previously unaffected areas has led to an overhaul of the industry's approach to those payouts.

"The insurance industry has often acted as an early warning system for individuals and industries looking to understand and mitigate future risk. With climate change expected to increase the severity and frequency of natural catastrophes, understanding this altered risk environment is paramount. Insurers have been beating the drum on a variety of climate change risks for many years so their current focus on extreme weather should be a cross-industry concern," **said Raymond Barrett, lead author of the report at S&P Global Market Intelligence.**

Key highlights from the report include:

- Secondary perils such as floods and fires played a large role in the global reinsurance industry failing to earn its cost of capital for five of the six years between 2017 and 2022. The knock-on effect of this new reality has insurers paying more for cover to the reinsurance industry and retaining more risk on their own books.
- One striking example of how the risk landscape has changed is the damage wrought by Hurricane Helene in North Carolina. Hurricanes generally cause the most destruction in coastal regions but in this case the Appalachian Mountains saw some of the most severe devastation from the storm. However, a significant portion of the economic losses caused by Helene are not insured, as flooding falls outside the terms and conditions of most insurance policies in the U.S.
- It has been a costly 2024 so far for European-focused insurers after two large floods hit the central and eastern parts of the continent. S&P Global Sustainable1 data shows that the northernmost part of Germany will be particularly susceptible to increased pluvial flooding in the 2050s.
- These findings highlight the necessity for robust infrastructure design and prioritizing flood-resistant construction. As drought, water stress and localized flooding risks intensify, strategic planning and proactive risk management will be vital to safeguard against evolving climate challenges.

To request a copy of the *Evolving Natural Catastrophe Risks* report please contact press.mi@spglobal.com

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