NEWS RELEASE

New Report: Average Annual Natural Catastrophe Losses for the Insurance Industry Reaches New High of $151 Billion

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Verisk's Extreme Event Solutions business cites exposure growth, impacts from climate change and climate variability and an increasing frequency of catastrophe events as contributors to steady rise in anticipated costs

BOSTON, MA, Sept. 03, 2024 (GLOBE NEWSWIRE) -- Verisk (Nasdaq: VRSK), a leading global data analytics and technology provider, is newly reporting the average annual loss (AAL) from global natural catastrophes has reached a new high of $151 billion (with non-crop losses making up $119 billion). Additionally, the average exposure growth is expected to be 7.2 percent, including growth in property replacement values from new construction and inflation across modeled countries over the past five years.

These findings are captured in the **2024 Global Modeled Catastrophe Losses Report** from Verisk's Extreme Event Solutions business, trusted by the global insurance and reinsurance industries to provide catastrophe risk modeling, global loss indexes, and advanced analytics to help clients anticipate and plan for unprecedented climate and geopolitical risks. Verisk releases this critical report annually to support the global (re)insurance industry in managing challenges faced by recent global catastrophe losses. The Verisk AAL represents the scale of potential loss that can be expected, on average, in any given year.

"While actual annual insured losses over the past five years have been high, averaging $106 billion, they should not be seen as outliers," said Rob Newbold, president of Verisk Extreme Event Solutions. "Our models show the insurance industry should be prepared to experience total annual insured losses from natural catastrophes of $151 billion on average, and well more than that in large loss years. With this information, (re)insurers can prepare for large loss years and truly own their risk with confidence, so they can be better positioned to manage these challenging years without

risking their solvency."

The rise in global insured natural catastrophe losses is being driven by several factors:

- Rapid urban expansion and exposure growth
- The impacts of climate change and variability
- The increasing frequency of events coupled with economic and social inflation

Rapid urban expansion and exposure continue to be primary drivers of modeled loss

Today, more than half of the world's population lives in urban areas. In fast-growing, developing countries, new cities continue to form while others expand outward. In developed countries, urbanization also contributes to rising exposure levels. Exposure growth within a country can vary due to population shifts and increased urbanization.

The modeled AAL and insured losses are likely to increase over time because of rising property exposure in hazardous areas. In recent years, rapid global inflation has substantially increased property exposure value, which in turn helps drive increases in insured losses. While price inflation is returning to more normal levels worldwide, exposure growth will likely continue to contribute to rising insured losses.

While climate change is expected to increase the frequency and intensity of extreme weather events, detecting its signal in global losses can be challenging due to natural variability and changes in exposure and inflation.

"Climate change affects all atmospheric perils, but currently only accounts for approximately one percent of the annual increase in losses. Nonetheless, its influence is expected to become more significant over the next few decades," said Dr. Jay Guin, executive vice president and chief research officer for Verisk Extreme Event Solutions. "This is a signal that the insurance industry needs to be proactive and utilize advanced, forward-looking models to better estimate risk and guide internal decision-making."

Understanding the climate's contribution to variability in global insured AAL is another essential factor for accurate risk modeling and management. Verisk's models provide insights into this variability, helping insurers prepare for future losses and manage risk more effectively.

Recent losses dominated by severe thunderstorms and not hurricane or earthquake activity

In 2023, insured losses were driven by an increase in non-hurricane and non-earthquake loss activity, and no single event globally exceeded $10 billion in loss. The U.S. experienced a record-setting severe thunderstorm season, with losses contributing more than $57 billion to the total insured losses. To provide context to the growth in loss from U.S. severe thunderstorms, the adjusted AAL over the past five years is approximately $39 billion, up from around $23 billion in the

previous five-year period.

Verisk's global suite of catastrophe models help put the losses the industry has experienced over the past few years into context.

Newbold added, "The models are developed to instill confidence that the insured risk that is being managed or transferred is well-understood. The output of the models provides trusted insights that help the industry anticipate potential losses and guard against unpleasant surprises in the wake of any catastrophic event. Going beyond the standard model output, Verisk has also provided tools to help companies stress-test their portfolios so they can account for the impacts of longer-term climate change."

Download the 2024 Global Modeled Catastrophe Losses report here.

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About Verisk

Verisk (Nasdaq: VRSK) is a leading strategic data analytics and technology partner to the global insurance industry. It empowers clients to strengthen operating efficiency, improve underwriting and claims outcomes, combat fraud and make informed decisions about global risks, including climate change, extreme events, sustainability and political issues. Through advanced data analytics, software, scientific research and deep industry knowledge, Verisk helps build global resilience for individuals, communities and businesses. With teams across more than 20 countries, Verisk consistently earns certification by **Great Place to Work** and fosters an **inclusive culture** where all team members feel they belong. For more, visit **Verisk.com** and the **Verisk Newsroom**.

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