

## Billion-dollar Thunderstorm Losses Likely to Be More Frequent

Billion-dollar losses from severe thunderstorms will likely occur more often in the coming years as populations rise in regions prone to natural disasters, according to a recent report from Swiss Re that found 70% of all global insured losses stemmed from severe storm perils.

The reinsurer's report for the first half of 2024 estimated \$60 billion in insured losses from natural disasters, 62% higher than the 10-year average. Of that, \$42 billion came from severe thunderstorms, Swiss Re said. That's 87% higher than the 10-year average and made the first half the second costliest on record for severe convective storms (SCS) as a peril.

SCS, which usually feature strong winds, hail and heavy rain, have been particularly damaging in the U.S. In the first half of 2024, 12 storms resulted in insured losses of at least \$1 billion.

"In recent years, severe thunderstorms have emerged as a main driver of a significant increase in insured losses," said Balz Grollmund, head of catastrophe perils at Swiss Re. "This is due to growing populations and higher property values in urban areas, along with insured property being more vulnerable to hail damage. Therefore, multi-billion-dollar loss events from this peril are likely to become more common."

"Insured losses from severe thunderstorms have been growing due to a mix of factors, including inflation, which has contributed to rising construction costs," said Jérôme Jean Haegeli, Swiss Re's group chief economist. "And, with economic development, overall exposures will continue to increase. That's

why investing in protective measures – such as shielding vulnerable communities from floods or improving building codes to protect homes from severe hailstorms – is vital."

Flooding also caused "above average" losses in the first half of 2024, accounting for 14% of all global insured losses, Swiss Re reported, citing flood events in the United Arab Emirates, Germany and Brazil.

### Migratory Patterns

Population growth in riskier parts of the U.S. has been cited as a primary driver of insured losses. Recent research from real estate brokerage Redfin found that in 2023, over 60,000 people moved into areas highly exposed to wildfire risk. Much of the migration included people moving into Texas, according to the firm. However, in California's high-risk areas, more people moved out than in, demonstrating different tolerance for risk (and potentially the insurance costs associated with risk) in different states.

Over 16,000 moved into high-flood-risk counties in 2023, many of them heading into flood-prone zones in Florida, Redfin found. That said, fewer people moved into flood zones in Florida in 2023 than in 2022, suggesting more awareness of flood risk.

"For a lot of Americans, things like cost of living and proximity to family take precedence over catastrophe risk, which can feel less immediate and more abstract," said Elijah de la Campa, senior economist for Redfin, in a statement. "But the cost-benefit calculus seems to be shifting in places like California and Florida, where skyrocketing home insurance costs and an uptick in high-profile disasters have had a tangible impact on residents and made national news."