



Climate change

Increases in losses, rates, and exclusions are changing the game for insurers, brokers, and the businesses we serve.



Liberty Mutual.
INSURANCE

Climate change – what it means for you and what to watch for

Weather-driven losses keep on climbing: From catastrophic wildfires to damaging floods, climate change is causing more frequent and more severe losses. As natural events intensify, there's another factor: more people, and more construction along the coasts and in other disaster-prone areas. These higher-density concentrations further compound losses.

Impact on the insurance industry: As insurers' capacity for property shrinks, juries shift liability, and rates rise; the market in property and liability is beginning to tighten. Expect insurers to respond by managing limits and adding exclusions, including those for wildfires in impacted areas in the West, for example. New regulations and/or increasing risk could spur insurers to get out of unfavorable markets or jurisdictions, leaving behind a significant coverage gap. We could see pools or other coverage adaptations and innovations emerge to fill these gaps.

Pioneering risk models to ease the pinch: Many risk assessments are based on historical data – but climate change makes this less and less reliable (FEMA, for example, is constantly updating its flood maps). At Liberty Mutual, new hazard analyses anticipate changes over time to account for these shifts. Artificial intelligence is another emerging tool that can help project risk.

We can help you cope with uncertainty

In this challenging climate, businesses need carriers that can anticipate sweeping changes and how they will impact insurance coverage. Count on us to do just that. Here's how we're preparing:

- Continually studying changes and developing risk-management tools for customers
- Providing expert, specialized advice to help customers reduce risk
- Implementing notification systems for property customers to help them prepare for weather events and natural catastrophes

Every decade, catastrophe losses are projected to double due to increased residential and commercial density and higher-cost buildings.¹

How weather events and climate change impact insurance

Insurance line	Type of loss and impact	Liberty Mutual solutions
Property	<ul style="list-style-type: none"> • Damage to physical property (buildings and possessions) • Revenue loss from damaged equipment, systems, and premises • Supply chain disruption to goods produced in or transported through affected areas 	<ul style="list-style-type: none"> • Improved hazard analysis to better understand and underwrite risk • Support insureds by implementing strong risk management. • Created notification systems for imminent threats • Provide disaster preparedness resources. • Collaborate with customers to develop flexible and comprehensive structures.
WC	<ul style="list-style-type: none"> • Potential increases to disruption to injured workers in the event of evacuations • Work locations and other resources may be temporarily closed. 	<ul style="list-style-type: none"> • Developing telemedicine to continue treatment and increase access • Provide catastrophe preparedness plans and prompt responses to hurricanes, fires, tornadoes, and earthquakes.
Liability	<ul style="list-style-type: none"> • Litigation against traditionally unaffected parties has increased to offset growing costs of loss and recovery. • Companies seen as contributing to climate change may face increased exposure to litigation. 	<ul style="list-style-type: none"> • Maintain sophisticated internal legal resources and relationships with specialized attorneys nationwide. • Work collaboratively with brokers and insureds to adapt to a changing environment.
Auto	<ul style="list-style-type: none"> • As fleets transition from gas to more environmentally friendly technologies, repair and replacement costs are likely to rise. • While many vehicles can be moved, large commercial fleets, auto dealer inventories, and repair facilities may be caught in harm's way. 	<ul style="list-style-type: none"> • Continue to stay well informed of emerging automotive technologies, ensuring accurate damage appraisal and quality repair management options. • Provide guidance and alerts to trigger preventive action, such as moving vehicle fleets; customers should consider comprehensive coverage for wind, hail, and/or flood.
Professional Lines	<ul style="list-style-type: none"> • Businesses that are more vulnerable to the long-term impact of climate change could see risk increase for management teams. • Distressed business see more claims and litigation against them. • Diversified businesses that can withstand loss from weather events and a volatile climate/economy should thrive. 	<ul style="list-style-type: none"> • Provide specialty lines coverage through Ironshore. • Underwrite companies in emerging industries.

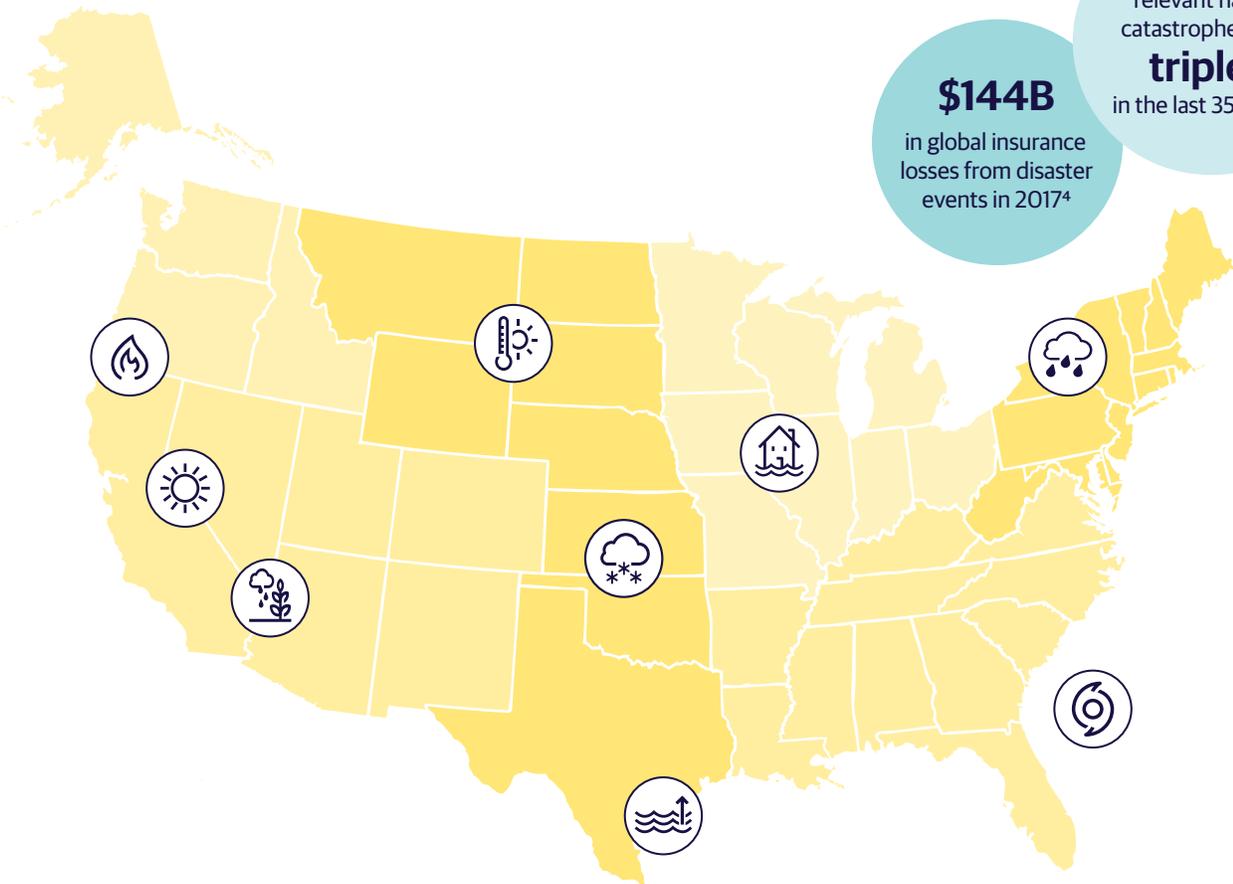
¹ <https://www.iii.org/article/spotlight-on-catastrophes-insurance-issues>

The impact of climate change by region²

Worldwide loss-relevant natural catastrophes have **tripled** in the last 35 years.³

\$144B

in global insurance losses from disaster events in 2017⁴



Wildfire season in the West starts earlier, lasts longer, and burns more acreage.



Average temperatures have risen 1.3-1.9°F since 1985, with the greatest warming in the North and West.



Floods. These are more common in the Midwest and Northeast.



Heat waves have become more frequent and intense, especially in the West.



Winter storms have increased in severity and frequency since the 1950s, and shifted north. **Cold waves** are less frequent and intense.



Precipitation. Heavy downpours have increased over the last 3-5 decades, especially in the Midwest and Northeast.



Drought has increased in the West. And in the last 10 years, the Southwest has seen the most persistent droughts on record.



Sea level has risen about 8" along the Mid-Atlantic and Gulf coasts over the last 50 years.



Hurricanes. Frequency has increased in the North Atlantic since the early 1980s.

Partner with Liberty Mutual, and you benefit from the financial strength, security, and capacity of a Fortune 100 carrier. Go beyond business as usual.

Contact your underwriter and start a conversation today.

² https://nca2018.globalchange.gov/downloads/NCA4_Ch01_Overview.pdf

³ <https://www.sciencedirect.com/science/article/pii/S2212094715300347>

⁴ https://www.swissre.com/media/news-releases/2018/nr20180410_sigma_global_insured_losses_highest_ever.html

