

RAA

# Climate Change Presentation

Minnesota House of Representatives  
Commerce Finance and Policy Committee

February 14, 2024



# What is the RAA?



The RAA represents reinsurers and brokers doing business in the United States, advocating for sound public policy in reinsurance matters.

# The RAA's Position on Climate Change



- An increase in the severity and frequency of extreme weather is impacting daily life for the global community.
- It is prudent for the insurance industry to acknowledge the changing climate as well as the risks it poses to all areas of its business.

# On a Fundamental Level



- If climate change is happening
- If climate change is making storms more frequent and more severe
- If insurers should pay claims from these more frequent and more severe storms
- If insurers should have sufficient capital to pay for these more frequent and severe storms, then...

# On a Fundamental Level



- Insurers must charge a sufficient rate to have the necessary funds to pay for the more frequent and more severe storms resulting from climate change
- More severe WX events → Impact on insurer solvency

# In 2023



- \$118B in global insured losses – Aon
  - 31% above 21<sup>st</sup> century average
  - 37 billion dollar events – new record (previous record: 30 in 2020)
- Six of the top 10 most expensive events on earth were SCS events in the U.S. – Gallagher Re
- Rising property values, inflation and demographic shifts contribute to this - Aon

# Storm Count Since 2000

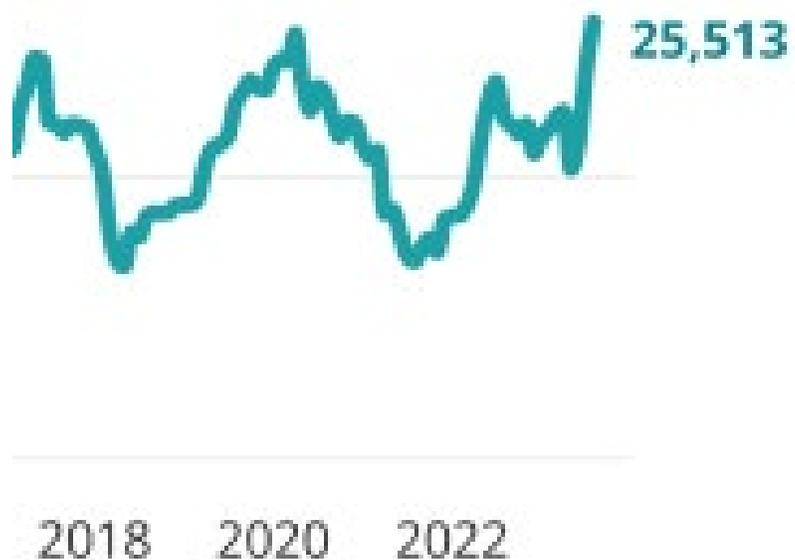


## There is significant year-to-year variability in the frequency of severe weather

12-month rolling total of the Storm Prediction Center's severe weather reports since 2000



Source: NOAA National Weather Service



Difference between 2020 & 2023:

- Inflation
- Interest rates
- Supply chain
- Labor costs

All hitting at the same time

# Role Of Insurers in Climate



- We insure with an “I” and not with an “E.”
  - Insure vs. Ensure
  - The industry cannot be the guarantor of a state’s environment or economy.

# Role Of Insurers in Climate



- Insurers provide important price signals to the market, reflecting the true cost of the risk.
- Insurers provide critical research on improving building technologies to better endure climate change.
- Insurers provide capital to help consumers recover from natural disasters.

# Policymaker Considerations



Will this policy encourage or discourage new insurance capital coming to the state?



## Make solvency the top priority

- This is not a good time for policy makers to impose more restrictions/mandates on the industry

# Policymaker Considerations



## Promote a resiliency agenda

- All states would benefit from better building codes and enforcement.

# Contact Information



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