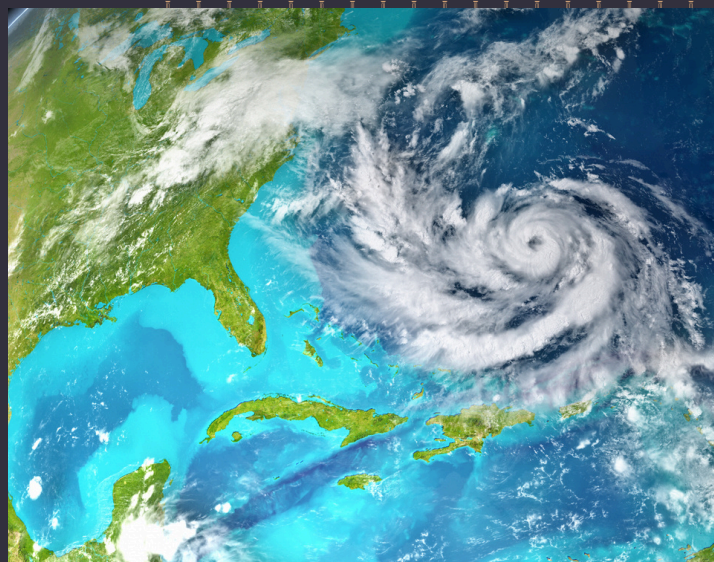


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2024 Natural Disaster Roundup

The past few decades have seen natural disasters like hurricanes, floods, tornadoes, droughts, thunderstorms, hailstorms, winter storms and wildfires surge in frequency and severity, leaving impacted businesses and their communities with widespread losses. These disasters often result in significant property and infrastructure damage, fatalities, business disruptions and economic downturns. What's worse is that natural disasters aren't limited to a single geographic region, affecting individuals and organizations across many locations.

This past year was no exception to worsening natural disaster trends. According to international reinsurance company Munich Re, total global losses stemming from such disasters reached \$320 billion in 2024, far exceeding the previous year's losses (\$286 billion) and the 10-year average (\$236 billion).



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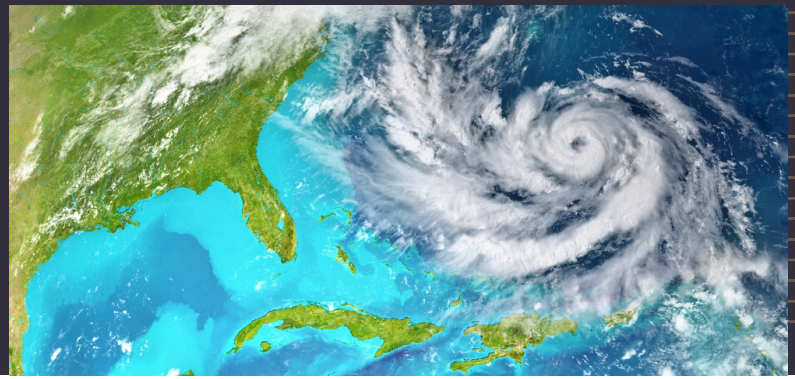
Stateside, the National Oceanic and Atmospheric Administration (NOAA) reported that 2024 produced 27 separate billion-dollar weather and climate disasters in the United States. This number is a considerable jump from the country's five-year average of 23 events, representing the second-worst year on record.

*In 2024, total global losses stemming
from natural disasters reached
\$320 billion
far exceeding the previous year's
losses (\$286 billion) and the
10-year average (\$236 billion).*

Taking a closer look at U.S. natural disasters throughout 2024, events such as the Texas Panhandle wildfire and Hurricanes Helene and Milton were particularly devastating. Additionally, the number of convective storms (e.g., thunderstorms, tornadoes and hailstorms) continued to rise across the country this past year; Munich Re found that these storms contributed to over \$40 billion in insurance payouts. Further, the National Interagency Fire Center reported that nearly 65,000 wildfires burned over 8.9 million acres nationwide in 2024, destroying thousands of structures.

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Considering these findings, it's important for businesses to better understand the various impacts of natural disasters in 2024 and take steps to minimize potential losses from future weather and climate events. The following document provides an overview of the biggest U.S. disasters that took place in 2024, outlines how this past year's disasters affected local communities and the national economy, explains the influence of these events on the commercial insurance space, and highlights associated risk management and coverage solutions for businesses to consider going forward.

The Nation's Largest Natural Disasters in 2024

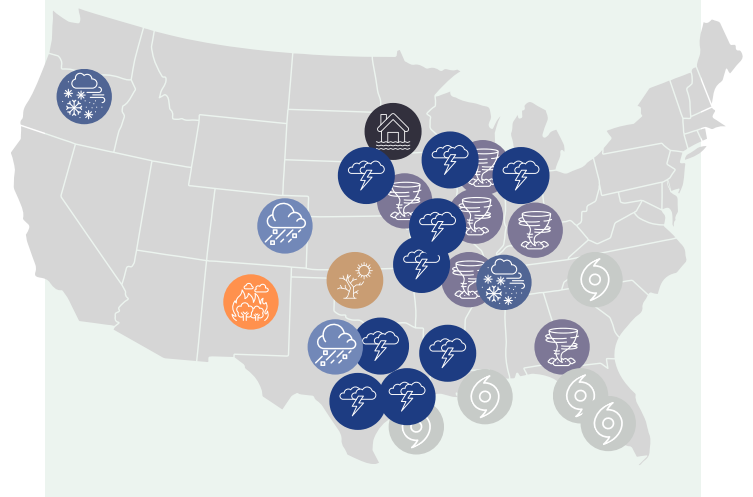
According to NOAA data, 2024 kicked off with a series of cold waves and winter storms that produced subzero temperatures, heavy winds and freezing rain across several Northwestern and Northeastern states. These conditions took down large trees and contributed to widespread power outages, resulting in substantial property and infrastructure damage that caused 61 fatalities and surpassed \$3.5 billion in losses. For the remainder of winter and into spring, multiple hailstorms (some of which created golf ball-sized hail), severe thunderstorms and hundreds of tornadoes wreaked havoc on over a dozen states sprawled throughout the southern, central and eastern regions of the country, leading to 38 fatalities and causing more than \$40 billion in losses.

During the summer of 2024, some central and eastern states continued to experience hailstorms and strong tornadoes in communities that had never recorded these storms in the years prior, causing five fatalities and totaling \$4.1 billion in losses. Virtually every part of the United States also recorded some form of drought in the summer, with certain areas seeing prolonged heat waves.

In several states, these conditions produced record-high temperatures, damaging various crops during peak growing season and leaving many individuals vulnerable to excessive heat exposure. Consequently, these conditions contributed to 136 fatalities and generated \$5.4 billion in losses.

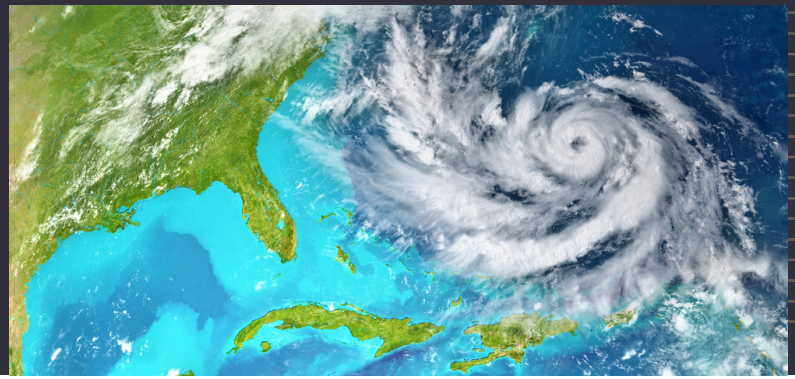
Additionally, immense rainfall and flash flooding occurred across Minnesota, South Dakota, Iowa, Wisconsin and Michigan last summer, producing between 10 inches and 15 inches in overall precipitation. These conditions flooded a number of interstate highways and damaged thousands of properties, causing four fatalities and costing \$1.1 billion in losses. Lastly, during the 2024 Atlantic hurricane season, 18 named storms caused over 400 fatalities and totaled \$129.5 billion in losses.

*In 2024 the United States experienced
27 Disaster Events
in excess of \$1B in damages, exceeded
only by 2023's record-setting
28 events.*



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THE TEXAS PANHANDLE WILDFIRE

On Feb. 26, 2024, the NOAA reported that a fire broke out after a broken utility pole brought down power lines that generated flames near Stinnett, Texas. In the coming days, the fire spread and engulfed several portions of Smokehouse Creek. From there, unseasonably warm temperatures and strong winds caused the fire to keep spreading, eventually spawning flames across the Texas Panhandle. The fire continued for several more weeks, burning over 1 million acres, causing two fatalities and damaging over 400 structures before it was extinguished on March 16, 2024. Affecting the country's biggest cattle region, the fire contributed to more than \$120 million in agricultural losses, killing thousands of livestock, charring crops and destroying a major portion of the area's ranch infrastructure. This event was the most devastating wildfire in Texas history and the largest wildfire in the United States during 2024.

HURRICANE HELENE

On Sept. 26, 2024, the NOAA confirmed that Hurricane Helene made landfall as a Category 4 storm with sustained winds of 140 mph near Perry, Florida. It became the strongest hurricane to strike the state's Big Bend region, producing 15 feet of storm surge along the coastline and 6 feet of storm surge further south. The hurricane also had far-reaching impacts in multiple Southeastern states, generating record-high rainfall in Georgia, North Carolina, Tennessee and Virginia before dissipating on Sept. 29, 2024. These conditions led to major flooding and landslides, destroying thousands of properties and critical infrastructure. Altogether, the hurricane caused 219 fatalities and totaled \$78.7 billion in losses. This event was the deadliest hurricane in the Atlantic region since Hurricane Maria in 2017 and the worst hurricane to hit the country's mainland since Hurricane Katrina in 2005.

HURRICANE MILTON

On Oct. 9, 2024, the NOAA reported that Hurricane Milton made landfall as a Category 3 storm with sustained winds of 120 mph near Siesta Key, Florida. Although the hurricane was initially projected to be a Category 5 storm, enhanced wind shear prior to landfall reduced its overall strength. Even so, the hurricane still produced between 5 feet and 10 feet of storm surge from Naples to Charlotte Harbor before dissipating on Oct. 10, 2024. Fortunately, the storm weakened as it approached Tampa Bay, minimizing damage in this densely populated region. Nevertheless, the hurricane went on to spawn dozens of tornadoes throughout southern Florida, causing widespread property damage. In total, the hurricane and its aftermath caused 32 fatalities and generated \$34.3 billion in losses.

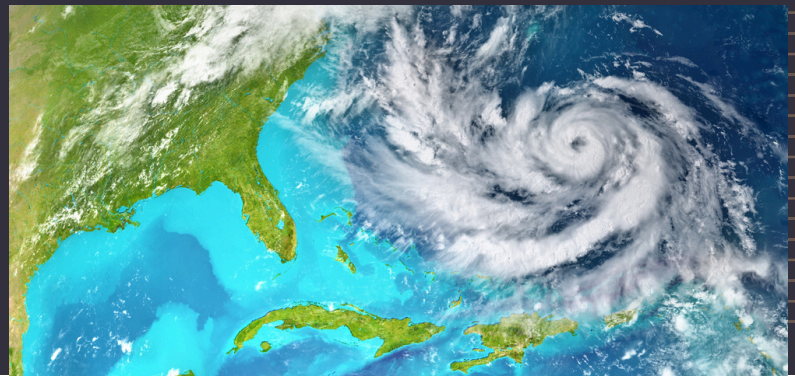
Impact on Communities and the Economy

The NOAA confirmed that U.S. natural disasters produced almost \$183 billion in total losses and led to 568 fatalities throughout 2024, affecting various communities and taking a serious toll on the national economy. The NOAA reported that these losses may continue to rise as additional costs incurred from fourth-quarter events come to light in the next couple of months.

While 2024's losses fell below the five-year average of \$149.3 billion, they still represent widespread devastation, ranking as the fourth-costliest year since 1980 and the eighth-deadliest year in the same time frame.

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Breakdown of 2024's Billion Dollar Weather Events

SEVERE STORMS

This past year saw 17 severe weather/ convective storm events, including tornado outbreaks, heavy wind and rainfall, thunderstorms and hailstorms. Such storms cost an average of \$2.5 billion per event and lead to about 48 fatalities every year.



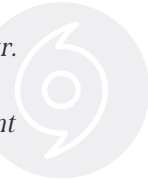
FLOODS

There was one large-scale flooding event in 2024. On average, these disasters cost \$4.5 billion per event and cause 16 deaths each year.



TROPICAL CYCLONES

The country was affected by five tropical cyclones (e.g., hurricanes, monsoons and typhoons) last year. Such disasters often leave behind the most severe damage, costing an average of \$23 billion per event and resulting in about 160 fatalities every year.



WINTER STORMS

Two winter storm/cold wave events took place this past year. On average, these disasters cost \$4.3 billion per event and cause 33 deaths each year.



WILDFIRES

There was one major wildfire event in 2024. Such disasters cost an average of \$6.4 billion per event and lead to about 12 fatalities every year.



DROUGHTS & HEAT WAVES

One drought/heat wave event occurred last year. On average, these disasters cost \$11.5 billion per event and cause 104 deaths each year.



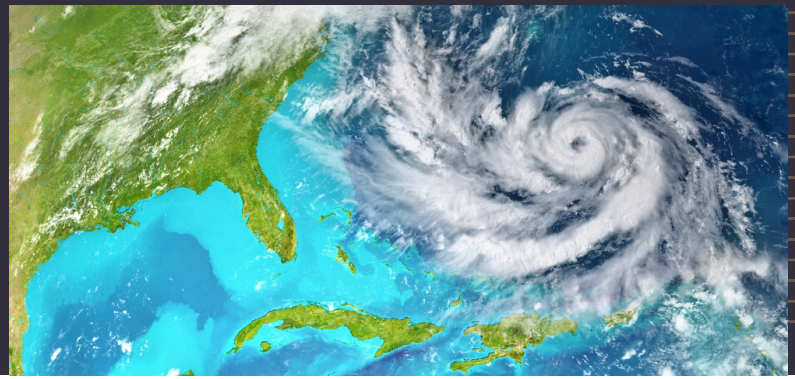
There are several factors to consider when calculating total losses from natural disasters. Every weather and climate event is different, and related losses may vary based on the type of peril, geo- graphic region and affected assets; nevertheless, the National Centers for Environmental Information reported that the following elements can be considered to determine the cost of a natural disaster:

- *Damage to commercial, residential and municipal buildings and the material assets stored in these buildings (e.g., equipment, technology and important records)*
- *Business interruption-related expenses (e.g., downtime, lost income or temporary relocation costs)*
- *Damage to fleets, personal vehicles and boats*
- *Health care costs (e.g., emergency services and ongoing medical treatments) for injured individuals*
- *Damage or disruption to national and local platforms and essential infrastructure (e.g., energy plants, electrical grids, military and government bases, and public roads and bridges)*
- *Disaster-related suppression and environmental restoration costs*

These factors showcase how natural disasters can significantly impact businesses, their communities and the overall economy. However, it's worth noting that specific communities and sectors of the economy could be more severely affected by these disasters than others. Namely, communities located in coastal and mountainous regions, where disasters have become increasingly prevalent, are more likely to face immense (and repeated) natural disaster losses, making it difficult to fully recover. Furthermore, low-income communities—regardless of geographic region—are more vulnerable to lasting damage from natural disasters, as these communities often have limited access to disaster preparedness and response resources and experience

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greater financial strain from such events. Looking at industry-related exposures, the agricultural sector is more likely to face large-scale losses and operational disruptions following certain disasters—primarily floods, wildfires, droughts and heat waves—as these events can easily lead to crop destruction, soil erosion, water contamination, equipment damage, the spread of invasive species and livestock fatalities. On the other hand, the tourism and hospitality industries are more susceptible to lost income from natural disasters, especially when these disasters strike amid peak tourist seasons and turn potential customers away.

Construction and Manufacturing Industries

The construction and manufacturing sectors are also more vulnerable to major losses from natural disasters. Such events can swiftly destroy construction materials, tools, equipment and structures in the process of being built, making projects all the more costly and significantly extending completion dates. In addition, natural disasters can result in transportation and delivery delays for raw materials across the manufacturing industry, potentially causing communication breakdowns regarding available inventory and creating confusion amid production processes. Derailed deliveries for raw materials may even prolong production timelines and delay the transportation of finished goods, compounding logistics costs among manufacturers.

Complicating matters, natural disaster-related losses in these sectors can create ripple effects on the rest of the economy. Specifically, construction project delays may extend recovery timelines for organizations facing property damage from such disasters, exacerbating total downtime and related business interruption expenses.

The manufacturing sector's procurement struggles for raw materials can also trickle down to other sectors, posing widespread supply chain issues and elevated operational costs. Across industry lines, increased losses from natural disasters typically force businesses to look for ways to cut costs, sometimes prompting layoffs and rising unemployment rates.

Even if businesses can afford to keep all their workers, these disasters can result in reduced morale, lower productivity and higher turnover as employees manage their personal recovery efforts.

Natural disasters can result in immeasurable costs, particularly loss of life, severe injuries and displacement. In other words, although these losses come with some clear price tags (e.g., medical bills, relocation expenses, funeral costs and loss of future income), it's difficult to assign a number to the lasting emotional trauma that individuals may endure after losing family members and loved ones, experiencing permanently disabling injuries, or having to uproot their lives and move to new areas following these disasters.

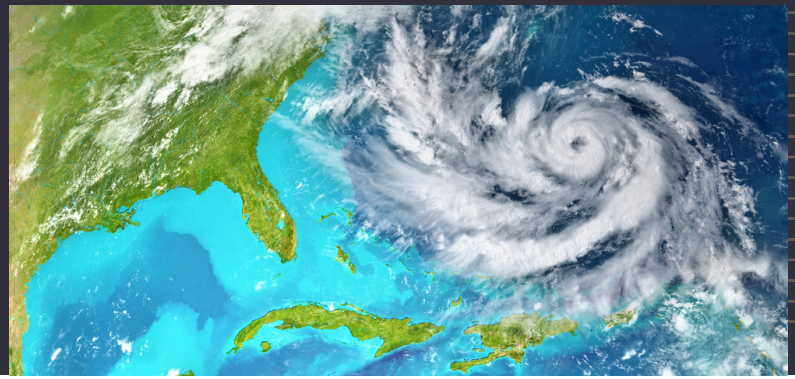
These losses can devastate communities for extended periods, leaving survivors with persistent grief, long-term recovery challenges and, in some cases, lifelong complications.

Influence on the Commercial Insurance Marketplace

While overall global losses stemming from natural disasters amounted to \$320 billion in 2024, Munich Re estimated that \$145 billion of these losses were insured, representing the fifth consecutive year in which insured losses were greater than \$100 billion.

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At a glance, this past year's worldwide insured losses not only totaled more than those from the prior year (\$108 billion) but also exceeded the 10-year average of \$102 billion and the 30-year average of \$61 billion. Focusing solely on North America, Munich Re confirmed that natural disasters in this region accounted for more than half (60%) of total global losses, causing a total of \$108 billion in insured losses.

Additionally, "mega losses" became more prevalent in 2024 after briefly dissipating in the year prior, largely due to the fallout from Hurricane Helene and Hurricane Milton. Munich Re also found that an ongoing surge in low- to medium-severity weather and climate events—primarily convective storms—further compounded disaster-related expenses, contributing to nearly one-third (\$41 billion) of 2024's global insured losses.

The difference between total economic losses caused by natural disasters and insured losses, also known as the protection gap, represents a substantial burden on the economy. According to the latest data from the Insurance Information Institute, the global protection gap is estimated at approximately 62%, meaning that a significant portion of disaster-related costs remain uninsured. This forces businesses and their communities to pay major out-of-pocket expenses and face prolonged financial challenges when weather and climate events occur.

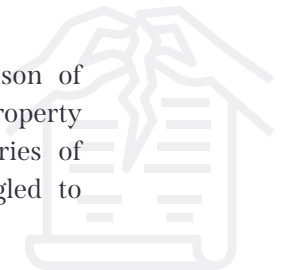
There are several possible reasons behind this large gap. First, insurance carriers are having difficulty underwriting catastrophe risk due to the increasing severity and unpredictability of natural disasters. Rising reinsurance costs, stricter underwriting criteria and limited market capacity have made it more difficult to provide affordable and comprehensive coverage. Additionally, market exits, premium increases and policy exclusions have reduced access to coverage in high-risk areas.

Second, recent inflation issues, labor shortages and supply chain complications have exacerbated recovery costs for businesses and communities affected by natural disasters, driving up associated property repair and replacement expenses and increasing the likelihood of underinsurance concerns. This increases financial strain after a disaster, prolonging recovery efforts.

The widening protection gap and escalating natural disaster-related losses have placed added pressure on the commercial insurance industry in multiple ways, especially in the property segment. As such, worsening weather and climate events have prompted the following developments:

FEWER CARRIERS

Amid yet another intense season of natural disasters, commercial property insurance carriers made a series of large-scale payouts and struggled to achieve profitability.



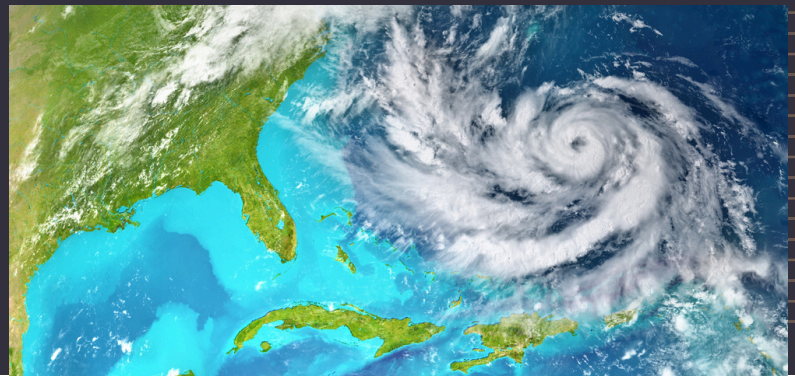
Facing significant underwriting losses, some carriers have opted to reduce their risk appetites in high-risk regions or exit the commercial property insurance market altogether to avoid insolvency.

These market exits have been particularly pronounced in disaster-prone areas, such as California, Florida, Louisiana and Texas. This has left businesses in these locations with heightened property exposures and minimal coverage options, prompting major underinsurance concerns.

If natural disaster trends continue, a growing number of commercial property insurance carriers operating in other vulnerable areas (e.g., North Carolina, Oregon, Massachusetts and Oklahoma) may also decide to exit the market, putting additional businesses at risk.

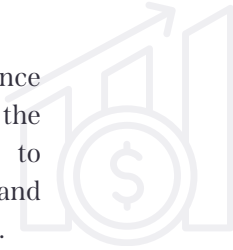
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INCREASED PREMIUM & LIMITED CAPACITY

The commercial property insurance carriers that have remained in the market have had to take steps to improve their financial situations and combat surging underwriting losses.



As a result, many of these carriers have increased policyholders' premiums and lowered available capacity by way of restrictive coverage terms. Although the commercial property segment has been characterized by hardening conditions since 2017, natural disasters have made recent years especially challenging. According to the Council of Insurance Agents & Brokers, premium jumps reached record highs in 2023, soaring to more than 20%. Rate hikes began to stabilize in 2024 but mostly remained in the double digits among policyholders in high-risk areas. Unfortunately, most policyholders in disaster-prone locations will likely remain susceptible to larger rate increases and coverage limitations for the foreseeable future. Carriers may also deploy stricter underwriting standards, placing additional emphasis on weather preparedness.

Despite these trends, it's crucial for businesses to ensure ample financial protection against natural disasters. In doing so, businesses can avoid compounded out-of-pocket costs and limit the risk of financial ruin when weather and climate events take place.

Natural Disasters: Looking Ahead

Natural disaster trends are only expected to worsen, posing ongoing concerns for businesses, their communities, the economy and the commercial insurance space.

According to weather and climate experts, global temperatures in 2025 are projected to remain at record highs, with the potential to fuel further heat waves, droughts and wildfires. For context, NASA reported that the past decade already reigns as the 10 warmest years in history.

While the NOAA reported that 2025 is unlikely to see major impacts from cyclical climate patterns such as El Niño and La Niña, increasing temperatures and rising sea levels may still contribute to another year of intense tropical storm activity across coastal regions, spawning hurricanes, heavy winds and flooding. Based on convective storm trends from the last couple of years, it's also possible that various regions of the United States will continue to experience a surge in tornadoes, thunderstorms and hailstorms.

With this in mind, it's vital for businesses to be prepared for natural disasters and do what they can to minimize possible losses. Fortunately, there are a variety of strategies companies can implement to limit their exposures, such as:

- *Equipping properties with adequate protective safeguards (storm shutters, elevating structures, etc.)*
- *Proactively incorporate disaster scenarios in business continuity and emergency response plans*
- *Relocate critical assets away from disaster prone areas*
- *Leverage government incentive programs related to client adaptation and infrastructure resilience*

Above all, businesses should aim to regularly review their commercial insurance policies and make periodic adjustments where possible to maintain sufficient protection amid evolving natural disaster exposures. Alternative risk financing options, such as catastrophe bonds and parametric coverage, may make sense for some businesses.