

**PUBLIC POSITION:**  
**NATURAL DISASTERS, CLIMATE CHANGE AND INSURANCE PREMIUMS**

Natural disasters seem to have hit with greater frequency and greater costs in the past few years. What impact do natural disasters have on the insurance premiums paid by consumers for property and casualty insurance?

Natural disasters have measurably increased insurance premiums paid by consumers and in some locations, they have even caused both life and property/casualty insurance coverage to be withdrawn. Premiums are affected by many factors. Two critical ones are the risk posed by local experience and the risk posed by global experience. Canadian insurers, including government insurers, buy insurance themselves from the global reinsurance market. The worldwide risk of natural disasters affects the premiums paid by insurance companies in the global reinsurance market—costs that are then reflected in higher consumer insurance rates. Therefore, a natural disaster which causes substantial insured damage in Asia may well have an impact on premiums in Canada.

Catastrophe modeling has been updated as changes in weather patterns have produced more frequent and more costly claims (including litigation costs), and even more work is being done in response to these claims incurred in the past 10 years. The current indications are consistent with the theory of global warming and scientists are predicting more frequent and more severe weather disturbances in the future. That said, even with the massive claims paid in recent years, the industry remains financially strong due to worldwide risk transfer and risk spreading procedures.