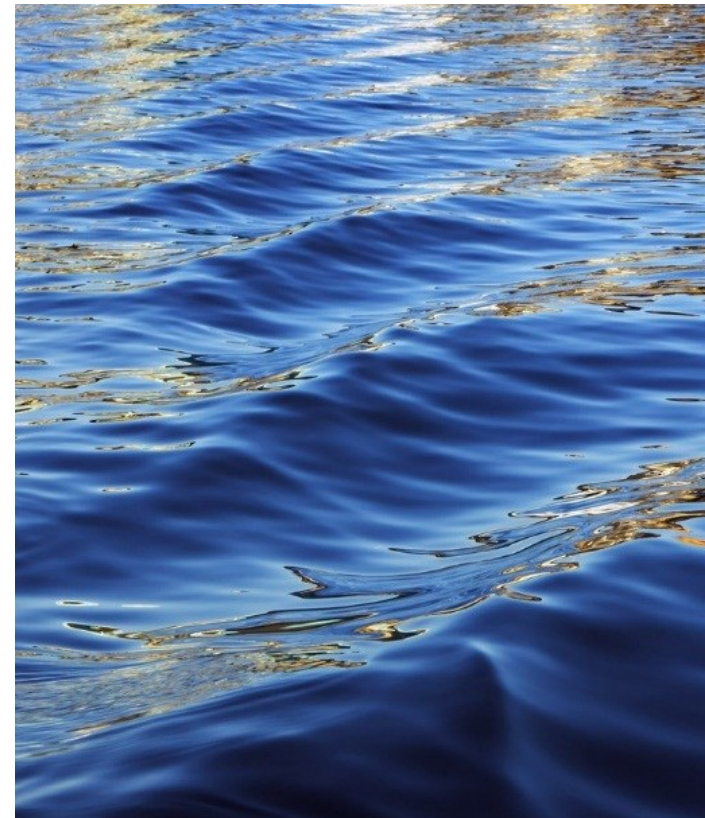




Climate Change Impacts on Insurance in Vermont

Presented by the Department of Financial
Regulation
House Committee on Commerce and Economic
Development
January 19, 2024



Climate change will present challenges and opportunities for the insurance industry

- Escalating weather events and extreme weather will lead to increased property damages.
- Increased costs could contribute further to the problem of underinsurance.
- Climate change effects on the P&C market is a national issue with local impact.
- Vermont's variable climate is getting warmer and wetter
 - Extreme weather already causes significant insured losses – at least \$67 million in losses between 2010-2019 from approximately 12% of Vermont's personal auto, farmowners, and homeowners policyholders

Wind and hail caused more widespread damages (more claims) from 2010-2019

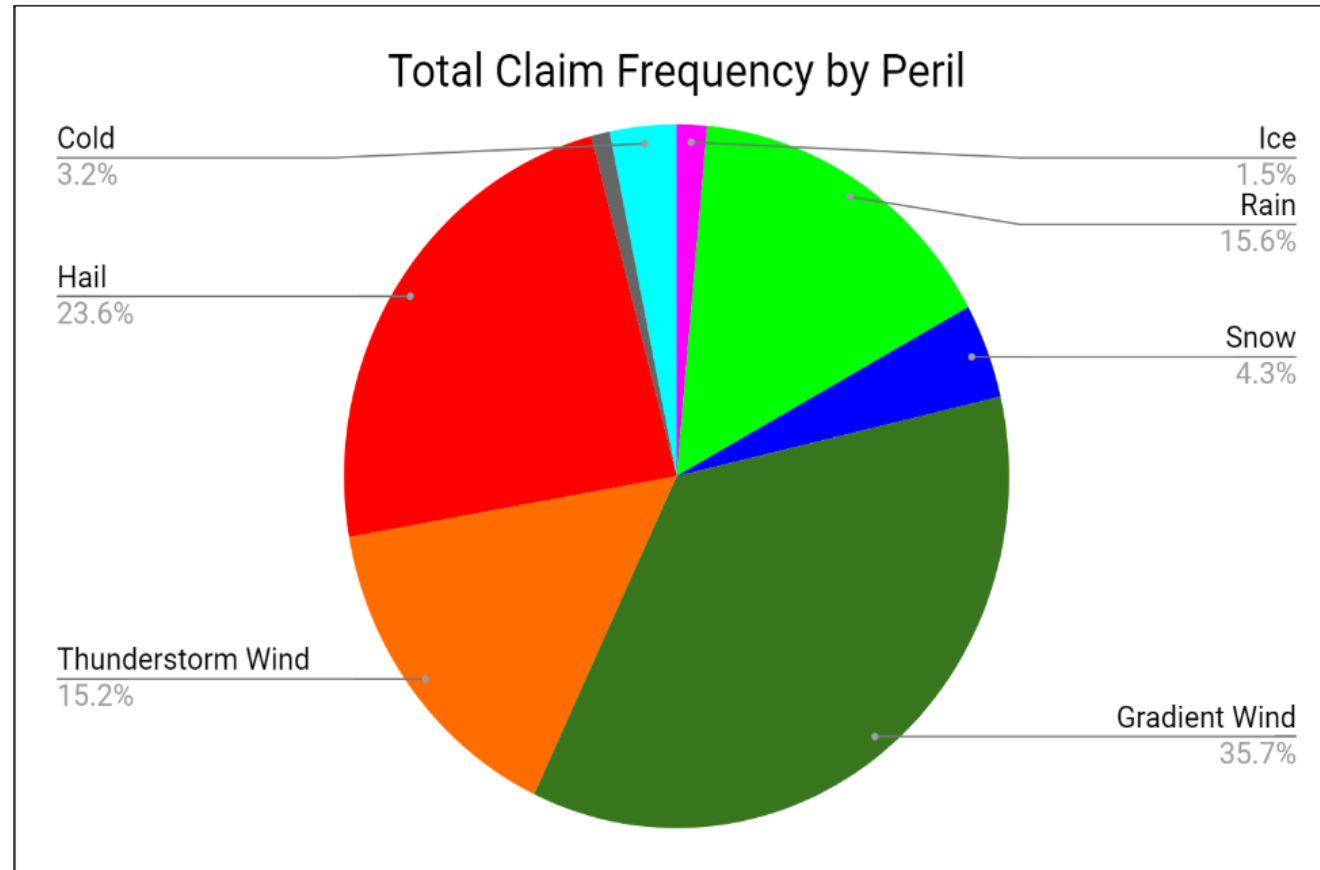


Figure 6. Claim frequency by peril class for major storm days (10 or more greater claims, n=10,317 from 2010-2019). Lightning is not labeled (less than 1%).

51% of losses were caused by a type of precipitation

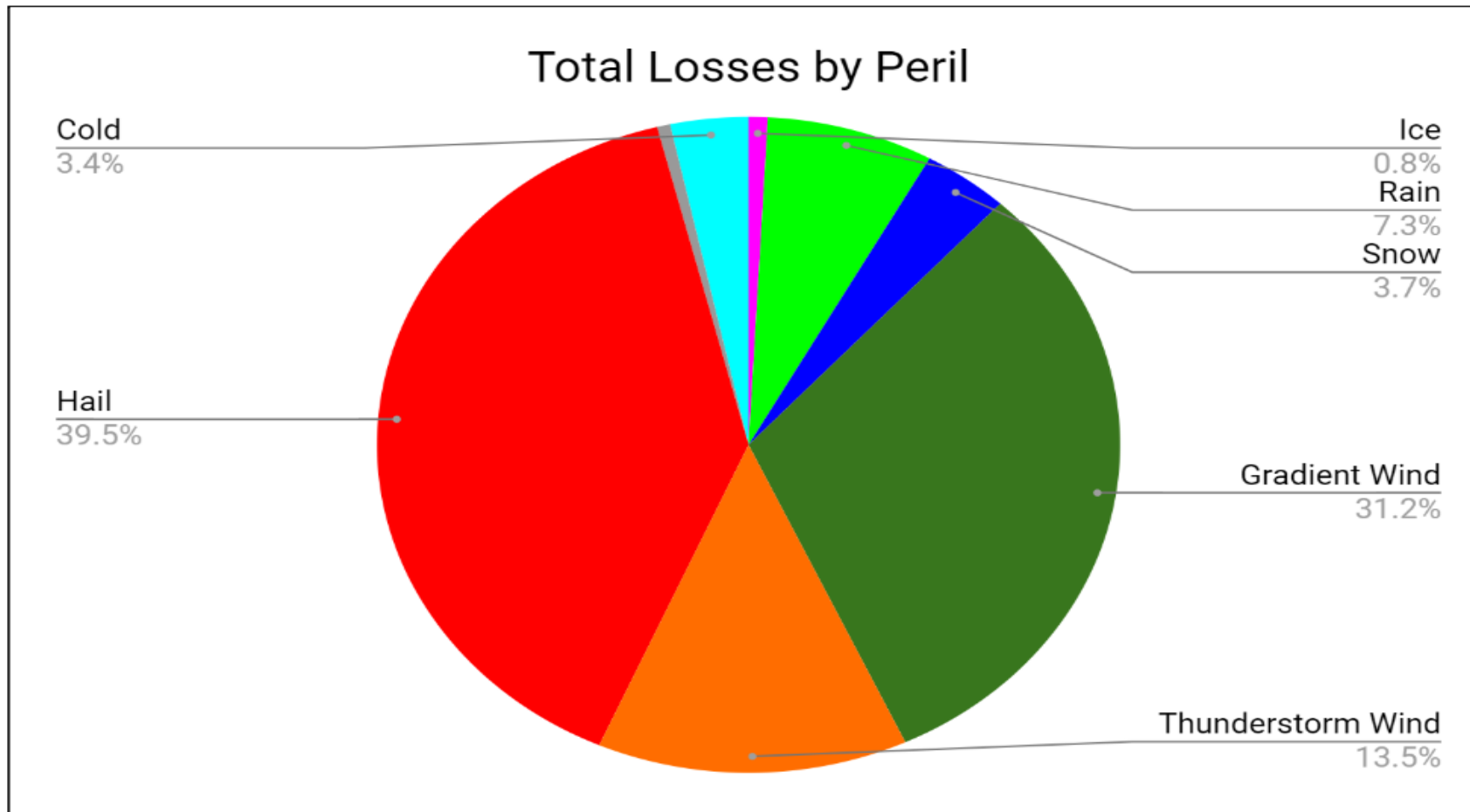


Figure 7. Cumulative incurred losses by peril class for major storm days (10 or more greater claims, n=10,317 from 2010-2019). Lightning is not labeled (less than 1%). Drought was not able to be determined as a primary cause.

Projected frequency trends by peril

	1980-2019 Trend	2021-2050 Projection
High gradient wind events	+1%	+1% to +2%
Heavy rainfall events	+7%	+5% to +10%
Heavy snowfall events	+4%	+2% to +3%
Ice (light events)	+6%	+1% to +3%
Ice (major ice storms)	0%	0%
Extreme cold	-10%	-10% to 0%
Thunderstorm wind	Inconclusive	beyond current science
Hail	Inconclusive	
Lightning	Inconclusive	
Overall Aggregated Weather Peril Risk	+2% to + 3%	+2% to +4%

Table 5. Climate trends and projections for different perils across Vermont. Projections are based on a combination of following current trends and published literature. Projected increases are based on a 30-year change 1990-2019 to 2021-2050.

DFR is actively engaged in efforts to reduce and mitigate impacts of climate change

- Member of the Sustainable Insurance Forum
- Assessing innovative solutions for the future, including insurance tools and mitigation/resiliency strategies
- Ongoing market surveillance and flood data analysis
- Participation in the NAIC Climate and Resiliency Task Force
 - Recently finished work on the National Climate Resilience Strategy
- Efforts to educate consumers on risks, offer guidance, and assist with claims and coverage where needed