



The environmental landscape: different geographies, similar stories

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Extreme “macro environmental” events – from California fires to flooding across Australia to the [unprecedented high temperatures in the U.K.](#) – are leaving no corner of the world untouched.

Regardless of geography, we’re hearing similar stories and seeing the indisputable effects of climate change on the environmental landscape.

KEEPING UP WITH CLIMATE

Long-time residents of the Bahamas, Florida and Louisiana will no doubt remember back to [30 years ago](#) this August, when [Hurricane Andrew](#) made history as the third-strongest hurricane ever recorded. The storm “set a new standard of damage to expect from major hurricanes,” technology for predicting hurricanes came under great scrutiny, and research funding and forecasting efforts became a top priority.

Twelve years after Andrew, Hurricane Charley made landfall in Florida on August 13, 2004 — the first of four devastating storms that blasted the state within six weeks’ time and left what was, at the time, nearly unfathomable damage. Since 2016, though, every hurricane season has recorded storms with higher-than-average numbers and intensity. The days of hoping things will simply “go back to normal” are behind us.

To put it bluntly: the modeling systems insurers are using to evaluate and predict catastrophes may well be outdated in failing to account for accelerating climate change. And where previous predictive models were based on past experience, many experts believe that existing data may prove increasingly unreliable and, frankly, incapable of keeping up with the increase in frequency and severity of natural disaster incidents.

And so, the assessment of risk is quickly going out the window.

HOW CATASTROPHE AFFECTS THE INSURANCE INDUSTRY

Flashing back to late 2019, no one could have anticipated the impact of a “cold-type of virus” on the world. It underscored how reliant we are on global supply — food from Asia, fuel from Russia — and became the most tangible example in modern history of just how interconnected we are. Economic impacts can be subtle, but significant; spiraling inflation in the U.K. seems to be driven mainly by the Ukraine crisis and Russian energy supply issues.

In South Asia, an area particularly vulnerable to flooding, it’s predicted that from now to 2050 more than 62 million people will be displaced due to climate-caused disaster, barring drastic worldwide changes to address greenhouse gases. This will have a massive economic impact, exacerbated by ongoing international supply chain issues.







**BEING READY
FOR ANYTHING
IS AN ONGOING
CHALLENGE.**



And there are a number of potentially significant global environmental issues that could give rise to almost unprecedented insurance exposures, such as microplastics in our oceans and food chains and PFAS (and kindred compounds) pollution. These may have a tremendous and as yet unforeseen impact on human health. We've already seen several PFAS-related claims arising from firefighting media pollution events.

So if we have to remodel how we predict and prepare for catastrophe, will we have to increase premiums? (Spoiler: yes.) Can businesses afford to insure themselves? What will be the broader impact on capitalism?

We're seeing it play out in Florida today, where businesses are experiencing the perfect storm of not enough adjusters, not enough access to materials like shingles and lumber, and not enough capital to afford the insurance it would take to get those things in place. Couple that with the fact that "[Florida accounts for only 8% of homeowners' insurance claims in the nation, but is responsible for about 76% of litigation](#)," and it's no wonder we're seeing the crisis unfolding before us.

It's a vicious circle: If people and businesses can't afford insurance, if they decide to risk moving forward uninsured, economic growth will undoubtedly suffer.

THE DIFFERENCE-MAKERS

Different countries have different approaches to climate policy: Developing countries are driven by economics, and their priorities are understandably quite different from what we expect in economic powerhouses like the countries comprising the G8.

Current commitments of leading economies are unlikely to make enough of a difference now to create substantial change over the next 10 years. But, if in that decade, we take the right steps, we'll see the benefits.

It will come in the form of renewable energy like wind farms, solar panels, electric cars, better recycling, with a drive for less waste – and perhaps most importantly, in a greater willingness by the world's governments to implement and enforce these types of advancement. Corporations implementing bold and progressive environmental, social and governance (ESG) efforts is also crucial.

ALL HANDS ON DECK: A CASE STUDY IN HANDLING CATASTROPHES

Australia's recent flooding is the latest example of extreme weather-related events wreaking havoc. The team of [Sedgwick colleagues responding to the disaster](#) never lost sight of our philosophy that caring counts — and never more so than in a crisis.

The event:

- 2022 floods were the fourth-largest recorded catastrophe in Australia's history.
- They spread from Queensland to New South Wales, covering more than 1,200 kilometers along the country's eastern coastline.

The big picture:

- "Surge" staffing solutions
 - Sedgwick called in nearly 100 colleagues from other regions because there weren't enough colleagues available to handle the influx of claims. International adjusters came from Mexico, Canada, Ireland, the U.K. and the U.S. And additional team of commercial adjusters in the U.K. and Ireland assisted with desktop claims.
 - Human resources are a growing need in nearly all industries, in all countries, stemming from businesses that are struggling to source their own qualified people adequately. The workforce — and how to recruit — is rapidly changing, and "be ready for anything" is an ongoing challenge.
- Temporary housing
 - To really help people in the wake of devastation, it's imperative to look at the damage holistically — and to house the people, quickly and cost-effectively.

- Helping the helpers
 - Caring has to start at home. To care for our colleagues who suffered their own losses in this difficult time, Sedgwick provided field adjusters with mental health support and additional procedures, including:
 - Onboarding for international adjusters, with a “crash course” on onsite inspections and the Australian climate, including wildlife
 - Increased training on dealing with customers in difficult circumstances (e.g., declined claims)
 - “Youth week” program designed with our youngest colleagues in mind, as this is the first job for many of them and they may find themselves overwhelmed by the challenging cases

RESOURCES

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