MARSH

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Enabling ‘insurability’ in commercial property markets

Marsh Risk’s Insurance Enabler Framework



Contents

Introduction – 'insurability' is a misnomer	3
Using Marsh Risk's Insurance Enabler Framework	6
Step 1: Assess insurance pricing drivers	7
Step 2: Prioritize drivers for further attention	8
Step 3: Implement enablers	9
Conclusion	11
Non-exhaustive list of insurance pricing drivers	12
Case studies: Enablers in action around the world	14
Glossary	25

Introduction – ‘insurability’ is a misnomer

Insurance’s core function — spreading losses to keep risks manageable — is coming under strain due to extreme weather. When extreme weather events become more frequent and severe, and buildings continue to be built in high-risk areas, the risk simply becomes too expensive to transfer.



Businesses and investors are increasingly worried about how worsening weather will affect their insurance cover and what that means for the long-term value of their assets.

Clients are asking us practical questions: How will my premiums change as extreme weather increases? What steps can I take to manage the risk and contain costs? Where will access to insurance become constrained? And how do I reconcile insurers' annual renewal incentives with my longer-term asset ownership horizon?

The term 'insurability' is widely used, but it can be misleading. The issue is not insurance itself — it is the rising cost of risk (see Figure 1). For investors, 'insurability' concerns signal 'investability' concerns.[1] Steep premium rises or sudden capacity withdrawals can alter debt terms and investor returns.

While early warning signs are emerging in some residential property markets[2] like wildfire risk in California, commercial insurance presents a more complex picture. This is because market cycles can mask weather-related trends, even as the underlying hazard is increasing.

According to Guy Carpenter analysis, the annual change in insured global annual average losses from changing physical risk associated with climate change is projected to be approximately 1% from a hazard-only perspective. This is even before contemplating the impact in building density and value increases.

This paper uses Marsh Risk's Insurance Enabler Framework to unpack these 'insurability' concerns. The framework and diagnostic guide identify the property insurance pricing drivers that insureds can influence, shifting the response from reactive to proactive by:

- **Enabler 1:** Assessing forward-looking risk and resilience options
- **Enabler 2:** Improving risk data quality and modeling resilience measures
- **Enabler 3:** Incentivizing resilience investment
- **Enabler 4:** Sharing best-in-class resilience guidance and standards

Case studies show how organizations investing in asset-level resilience measures can improve insurance terms and, ultimately, bankability and investability. We also examine how organizations can collaborate with insurers and broader stakeholders to take a place-based approach to resilience, reducing physical risk and the extent of business interruption.

Figure 1. The ‘insurability’ challenge: increase in underlying risk due to extreme weather



Investability concerns:

How can short-term insurance policies support my longer-term assets in the face of extreme weather?

Insurability concerns:

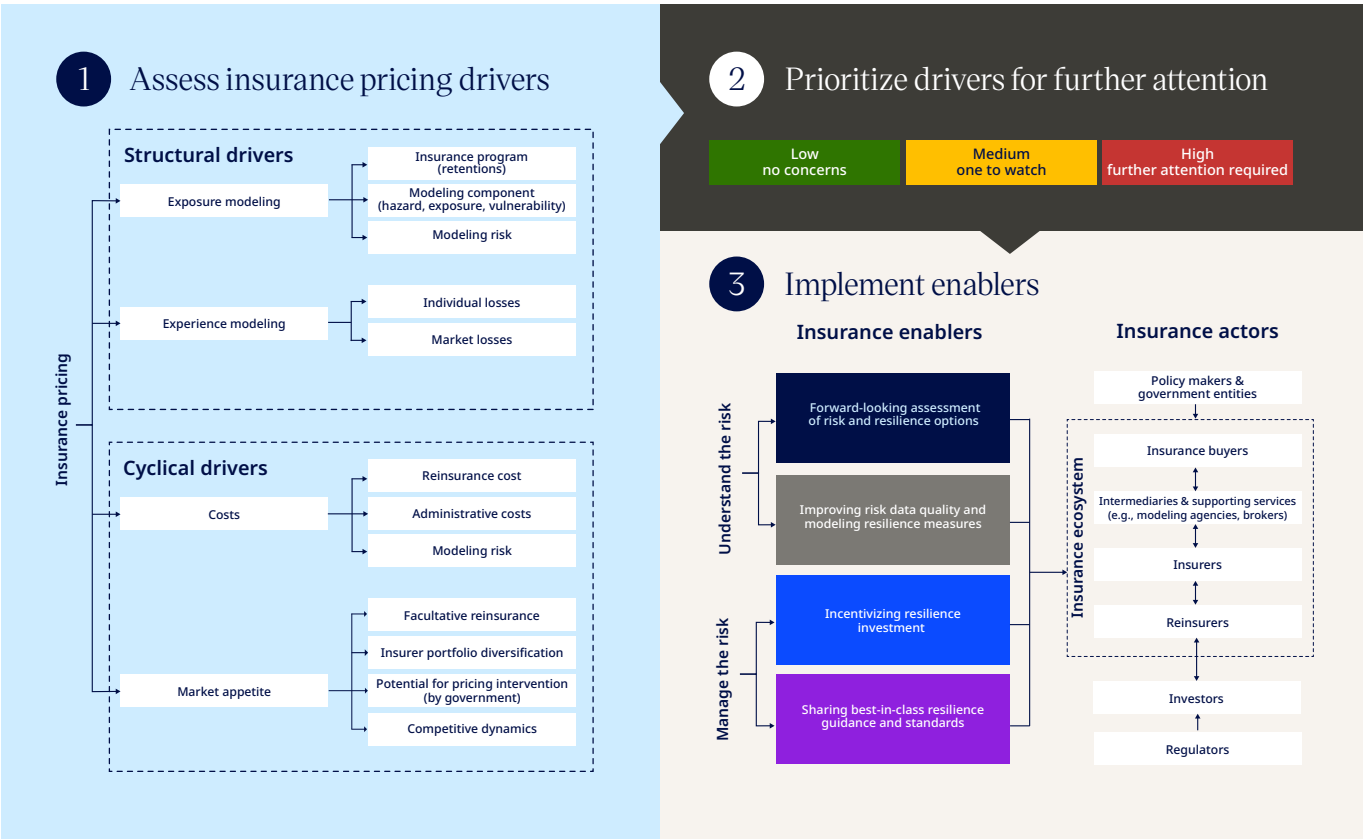
How will the cost of my insurance for a particular asset change over time? How can I ensure that my cost of PDBI insurance does not escalate? Are there areas where I may struggle accessing insurance?

The challenge:

There is an increase in hazard, exposure, and vulnerability, which is increasing the total cost of risk. This needs to be adequately managed through sufficient and timely investment.

Using Marsh Risk's Insurance Enabler Framework

Figure 2 – Marsh Risk's Insurance Enabler Framework



Step 1: Assess insurance pricing drivers

The starting point for our Insurance Enabler Framework is to understand the drivers of insurance pricing. These can be broadly split into structural and cyclical drivers as shown in Figure 2.

Structural drivers include exposure modeling (e.g., asset characteristics and insurance program design) and experience modeling (e.g., loss experience). Insurance buyers typically have more influence over structural drivers.

Cyclical drivers are typically a function of the macroeconomic environment which feeds into costs and market appetite. Cyclical drivers such as access to capital drive hard and soft insurance market cycles, as explained in this video.

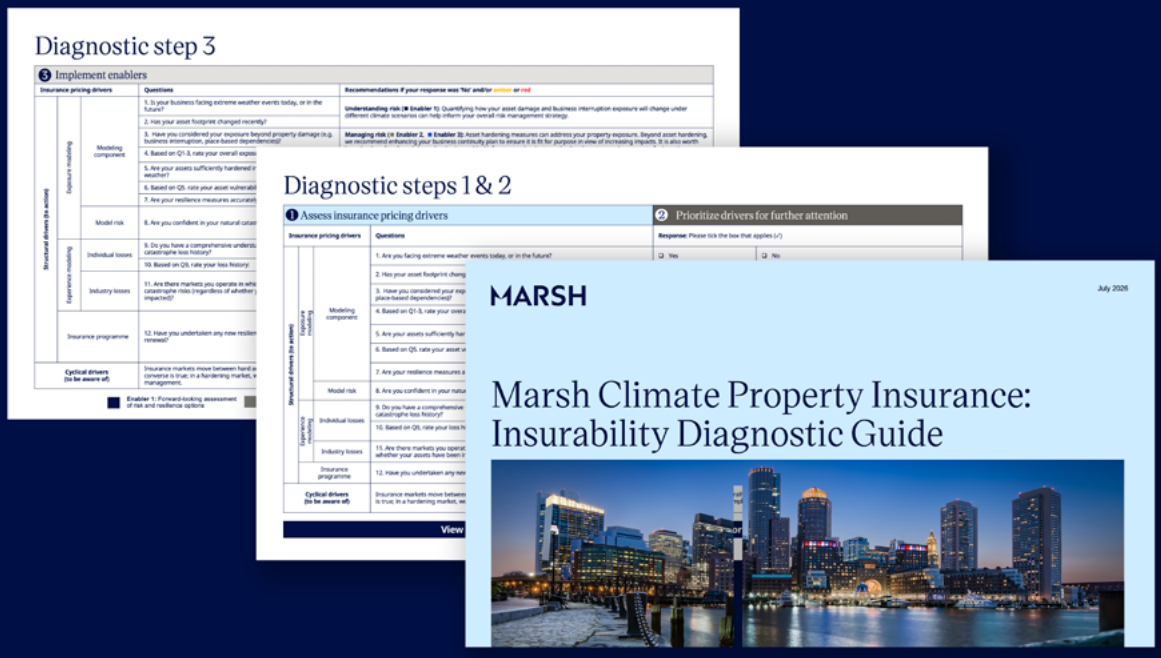
Insurers are generally becoming more selective in their underwriting in a hard market. Today we are in a softer market, making this an opportune time for insureds to invest in resilience in preparation for the next hard market cycle.[3]

Figure 2 is a simplified representation of all the variables that inform pricing. More details can be found in the Annex, where we explore sub-components further.

Step 2: Prioritize drivers for further attention

In a well-functioning insurance ecosystem, capital is available, risks are managed, and, as a result, insurers are willing to cover the risk at a cost that is acceptable to buyers. However, with increasing extreme weather, pricing can become a barrier. This could be because the risk of loss is too high or because aspects of the risk exposure are poorly understood.

We use a RAG (red, amber, green) system to highlight areas that are becoming or have the potential to become stressed by extreme weather. Organizations can use our insurability diagnostic guide to identify components flashing amber or red to take action (see Box 1).



Marsh Climate Property Insurance: Insurability Diagnostic Guide

Our simple diagnostic guide walks through the structural and cyclical drivers of insurance pricing to identify where there may be challenges now or in the future, suggesting enablers to address these challenges.

While it is important to be aware of both structural and cyclical drivers of insurance pricing, in reality, most insurance buyers can primarily influence structural components, as illustrated in Figure 4.

Download the guide

Step 3: Implement enablers

There are four key enablers organizations can use to understand and manage the risk. In some cases, they will need to coordinate with actors across the insurance ecosystem (brokers, (re)insurers, modeling agencies), the built environment (planners, architects, developers), infrastructure owners (government, private sector), as well as policymakers and regulators to implement these changes.

Case studies in the Annex demonstrate how we are working with clients to help.

Understand the risk

Enabler 1

Forward-looking assessment of risk and resilience options

Weather-related risks are evolving. Insurance buyers can use forward-looking climate models to inform risk management decision-making. For example, using climate-adjusted models, we routinely support investors with climate-risk insurance due diligence to understand the long-run insurance impacts of extreme weather on assets — and therefore on investability. Subsequently, we stress test client insurance programs under multiple climate scenarios. Understanding expected property damage and business interruption losses can support the evaluation of different resilience interventions.

Learn more, see case studies of an insurability due diligence for a real asset manager in Florida and stress testing a UK business's insurance program under multiple flooding scenarios.

Enabler 2

Improving risk data quality and modeling resilience measures

Having a complete understanding of an asset's (building) characteristics and the resilience measures in place improves the insurer's ability to value resilience and therefore price risk. Our team of expert engineers routinely helps clients ensure that insurers have an accurate understanding of a site's vulnerability to natural catastrophe risk and that insureds are aware of actions they can take to improve it, including the return on investment of these actions. Similarly, our analytics teams at Guy Carpenter, have been advancing natural catastrophe models to incorporate resilience characteristics beyond the insured site itself, such as the risk improvements provided by wildfire buffers zones.

Learn more on risk data itself, to include surrounding places, such as the risk quality improvement in this case study of an asset owner in the US.

Manage the risk

Enabler 3

Incentivizing resilience investments

Improvements in the underlying risk often require investment. We have innovated a range of resilience incentives such as a sustainability-linked insurance[4] mechanism in Asia, which rewards resilience based on specified key performance indicators. Similarly, Guy Carpenter has structured a first-of-its-kind resilience bond issued by the North Carolina Insurance Underwriting Association (NCIUA), which channels part of the bond returns into a resilience account earmarked for improvements in line with the IBHS FORTIFIED Roofs described in Enabler 4.

Learn more about sustainability-linked insurance and the resilience bond in the Annex.

Enabler 4

Sharing best-in-class resilience guidance and standards

Sharing best-in-class resilience guidance can be useful for actors across the property value chain (architects, developers, lenders, homeowners, insurers) when evaluating resilience options. One example is a risk mitigation playbook by JLL, ULI, and the Resiliency Company[5], which provides risk management best practices for stakeholders in the commercial real estate process, highlighting how their individual exposures and risk management strategies are interconnected.

Standardization can also incentivize uptake of resilience measures among organizations. One example is the IBHS FORTIFIED Roofs guidance which enables actors across the property value chain make like-for-like risk assessments, as used in a first-of-a-kind resilience bond.

Climate hazards do not impact an asset in isolation. Instead, these hazards propagate through critical infrastructure such as power and water, turning a hazard into wider operational disruption. Guidance for these system-level components are often scarce or outdated (e.g., building codes). Our paper, Addressing the system-level gap[6], explores how businesses can strengthen their place-based resilience when investing in new urban and industrial areas or upgrading risk management approaches in existing locations.

Conclusion

Marsh Risk's Insurance Enabler Framework and accompanying diagnostic guide can help organizations identify where insurance pricing drivers are flashing amber and red and take action. Insurance buyers can follow three steps:

1

Understand insurance pricing drivers — know which are structural (those you can influence) and which are cyclical.

2

Prioritize drivers for further attention using a 'RAG' system — identify insurance pricing drivers flashing amber or red for regions, perils, or markets with concerns.

3

Implement enablers in coordination with actors — understand and manage asset-level resilience and pursue place-based interventions.

The term insurability is gaining traction, but can be misleading. Visible signals like the impacts on insurance affordability and availability highlight the invisible increase in the underlying risk that needs to be managed. We hope our Insurance Enabler Framework supports businesses and investors to continue innovating and implementing enablers in a changing world.

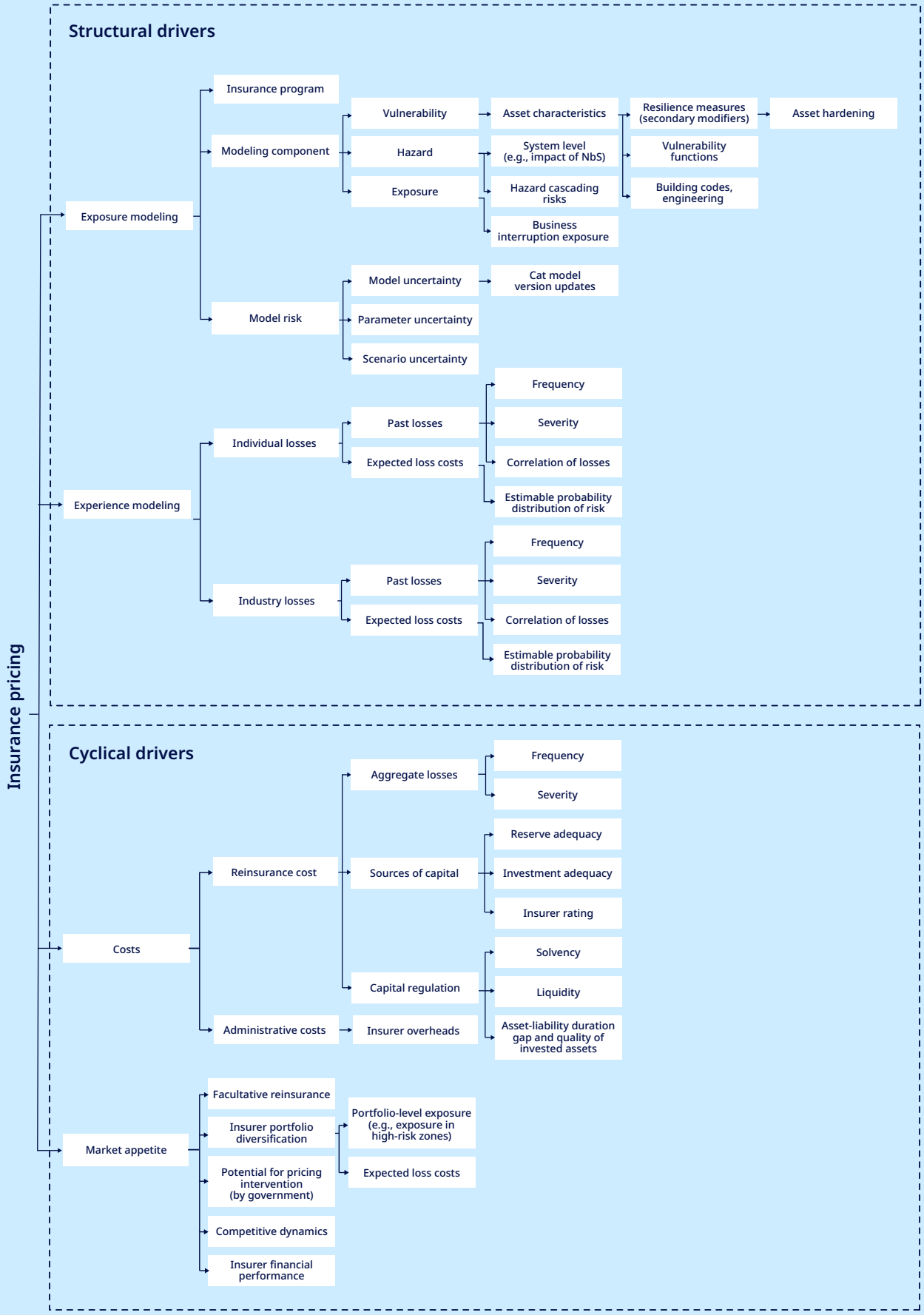


Annex 1

Non-exhaustive list of insurance pricing drivers

In Figure 5, we break down the insurance pricing drivers into sub-components. These are non-exhaustive and can be broken down into further categories.

Figure 5 – Non-exhaustive breakdown of insurance pricing drivers



Annex 2

Enablers in action: Case studies from around the world

To bring Marsh Risk's Insurance Enabler Framework to life, we discuss five examples of where Marsh Risk is supporting clients, both businesses and investors, in ensuring the long-run viability of property damage and business interruption (PDBI) insurance.

Case study 1:

Longer-term insurability due diligence for Florida real estate portfolio

Enabler 1

Forward-looking assessment of risk and resilience options

What was the 'insurability' problem?

A large institutional investor with a significant real estate footprint in Florida faced growing uncertainty around the long-term insurability of its investments as escalating climate risks were placing increasing pressure on property values. The real estate asset manager was looking for a clear, forward-looking view on how these combined factors could affect asset insurability, affordability of coverage, and long-term investment performance, both for its existing portfolio and future acquisitions.

What was the solution?

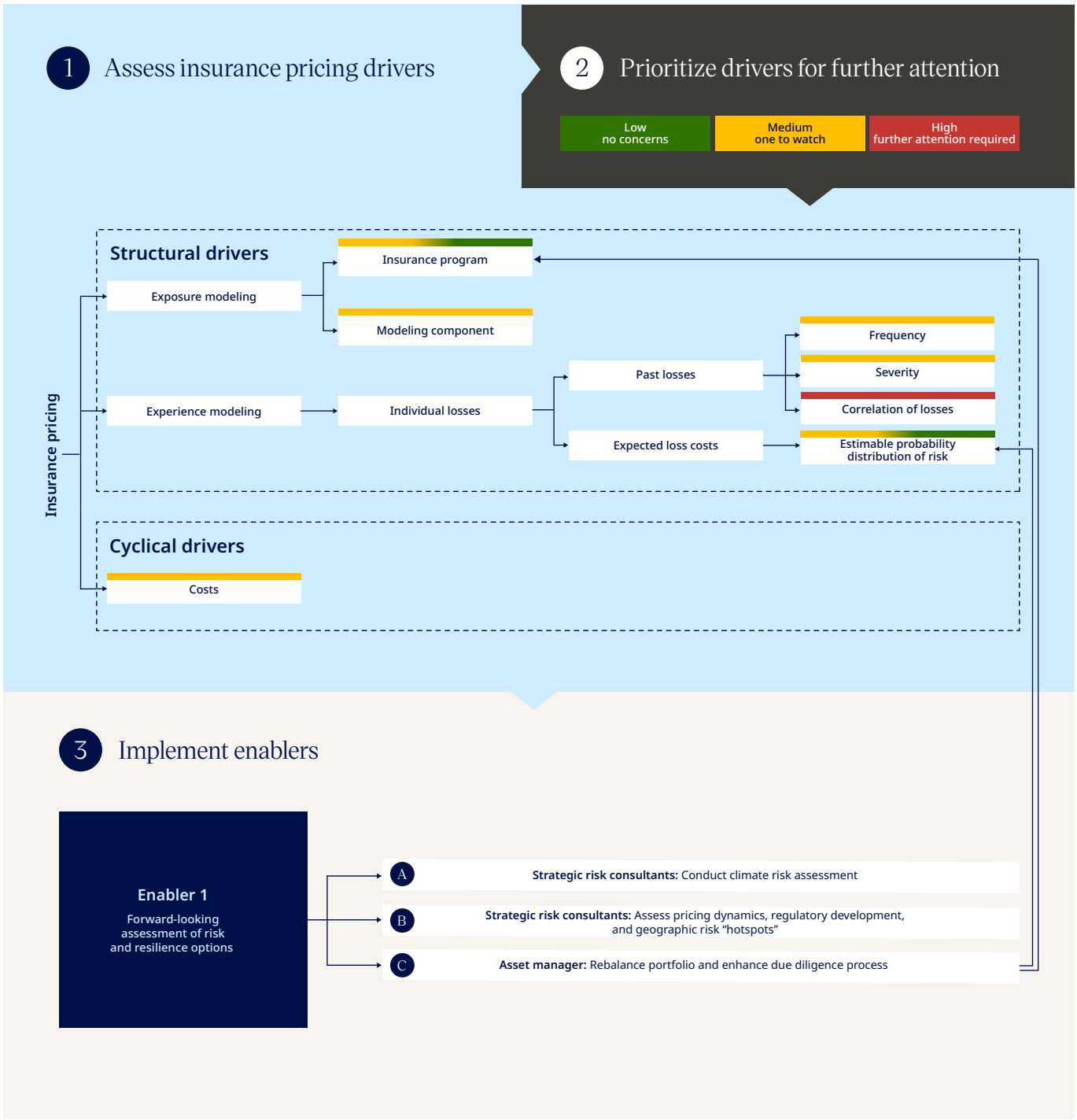
To assess insurability considerations, the asset manager needed more information to make informed investment decisions based on evolving insurance costs for assets. Marsh delivered a two-phase, integrated market review combining climate science, real estate analysis, and insurance and market expertise. The first phase included a top-down climate risk assessment across Florida. The second phase assessed the Florida property insurance market to evaluate different insurance availability drivers such as pricing dynamics, regulatory development, and the role of state-backed mechanisms.

How did it address the problem?

The asset manager was equipped with a clear, decision-ready framework to understand where climate risk and insurance pressures are most likely to erode asset value. The analysis highlighted geographic "hotspots" of elevated risk, informed potential portfolio rebalancing, and strengthened acquisition screens through an enhanced due diligence process — turning the insurance program and probability distribution of risk components from 'amber' to 'green.'

Case study framework:

Longer-term insurability due diligence for Florida real estate portfolio



Case study 2:

Stress-testing insurance programs under different flooding scenarios in the UK

Enabler 1

Forward-looking assessment of risk and resilience options

What was the 'insurability' problem?

A business that owns multiple assets was exposed to property damage and business interruption (PDBI) from flood risk. This required reassessment of the business's PDBI insurance strategy to consider its future insurance program and risk retention strategy given climate change.

What was the solution?

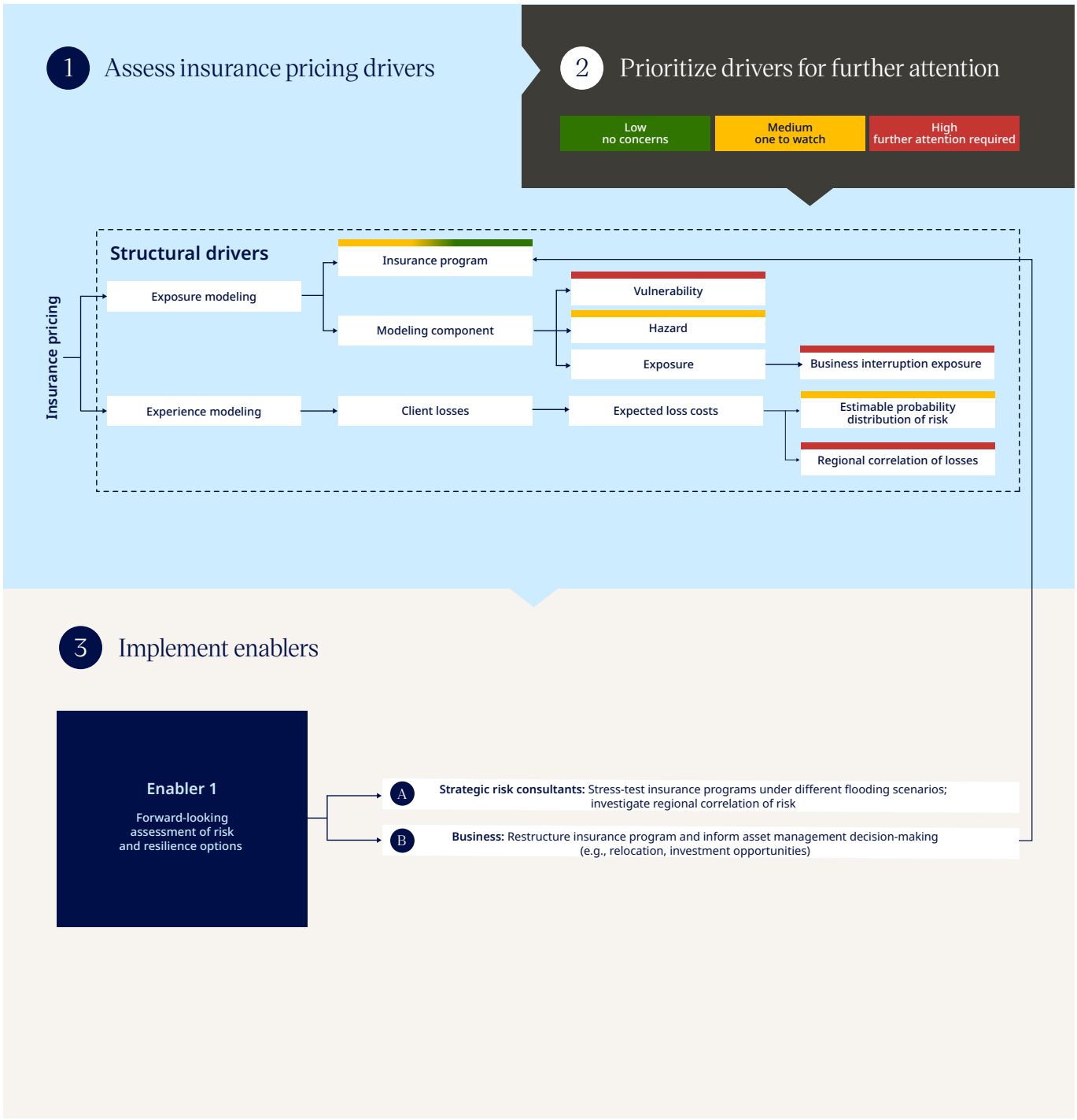
Marsh risk consultants stress-tested the business's insurance program under different climate scenarios, also known as climate risk finance optimization. This helped the client identify potential gaps in its PDBI insurance coverage. For example, while the severity (magnitude of AAL) of a flood event was the same across climate scenarios, the frequency was increasing to make a 1 in 200-year event a 1 in 100-year event.

How did it address the problem?

Analytics solutions, such as expected loss modeling under future climate scenarios, helped the business to understand how its insurance program performed under different climate scenarios, and make necessary changes, like adaptation investments. This resulted in the insurance programm component turning from 'amber' to 'green'. Beyond targeted adaptation measures, the regional correlation modelling also helped the business in their strategic decision-making around asset management (e.g., relocation, investment opportunities).

Case study framework:

Stress-testing insurance programs under different flooding scenarios in the UK



Case study 3:

Risk data quality improvement for a US educational institution's real asset portfolio

Enabler 2

Improving risk data quality and modeling resilience measures

What was the 'insurability' problem?

A US college's asset-level resilience measures were not accurately reflected in its catastrophe modeling, and thereby, insurance pricing considerations.

What was the solution?

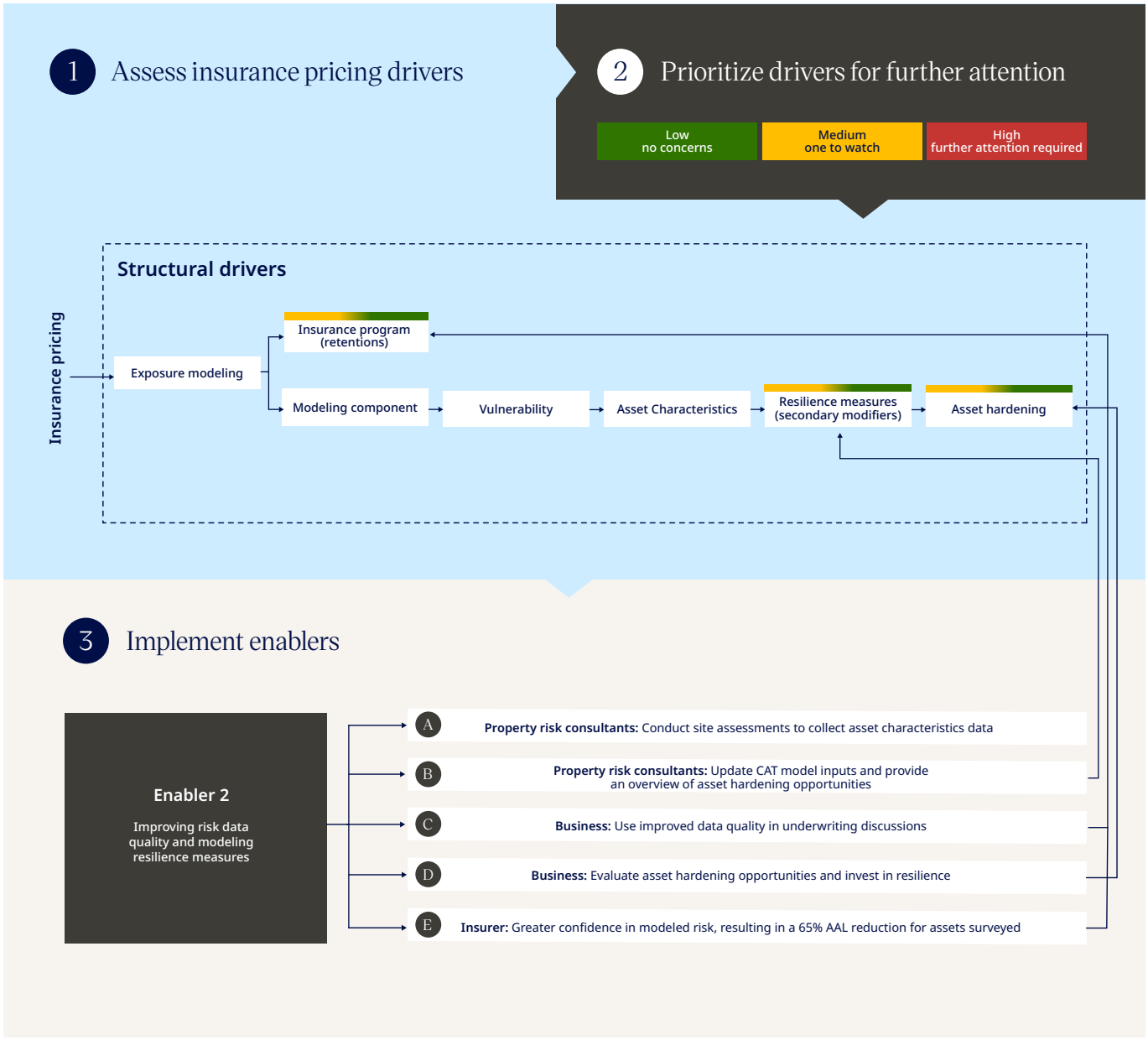
CAT-DQ is Marsh's comprehensive data quality process, designed to improve the accuracy and reliability of catastrophe modeling by validating data inputs, conducting site assessments, and updating model inputs. This approach reduces uncertainty in the data, which directly benefits underwriting by providing clearer, more precise loss expectancies, as well as revealing areas for asset hardening and investment in resilience. For this client, Marsh's risk engineers conducted fifteen site assessments, which were driving 71% of its total AAL. Based on the assessment, the catastrophe model inputs were updated. For example, floor elevations of assets were verified and/or corrected, catastrophe model coding was corrected, and other secondary modifiers were collected.

How did it address the problem?

As a result, insurers gained greater confidence in the modeled risk, enabling them to offer more accurate and often improved terms, which in this case, resulted in a 65% annual average loss reduction for all assets that were surveyed. This resulted in the following insurance pricing drivers turning from 'amber' to 'green'; insurance program, inclusion of secondary modifiers in modeling, and asset hardening.

Case study framework:

Risk data quality improvement for a US educational institution's real asset portfolio



Case study 4:

Sustainability-linked insurance in Asia

Enabler 3

Incentivizing resilience investments

What was the 'insurability' problem?

In Hong Kong, one leading asset owner saw its insurance premiums jump by 117% in the aftermath of Super Typhoon Mangkhut in 2018. As extreme weather events become increasingly severe and frequent, real estate managers are looking to tie their resilience efforts with insurance terms to retain affordability.

What was the solution?

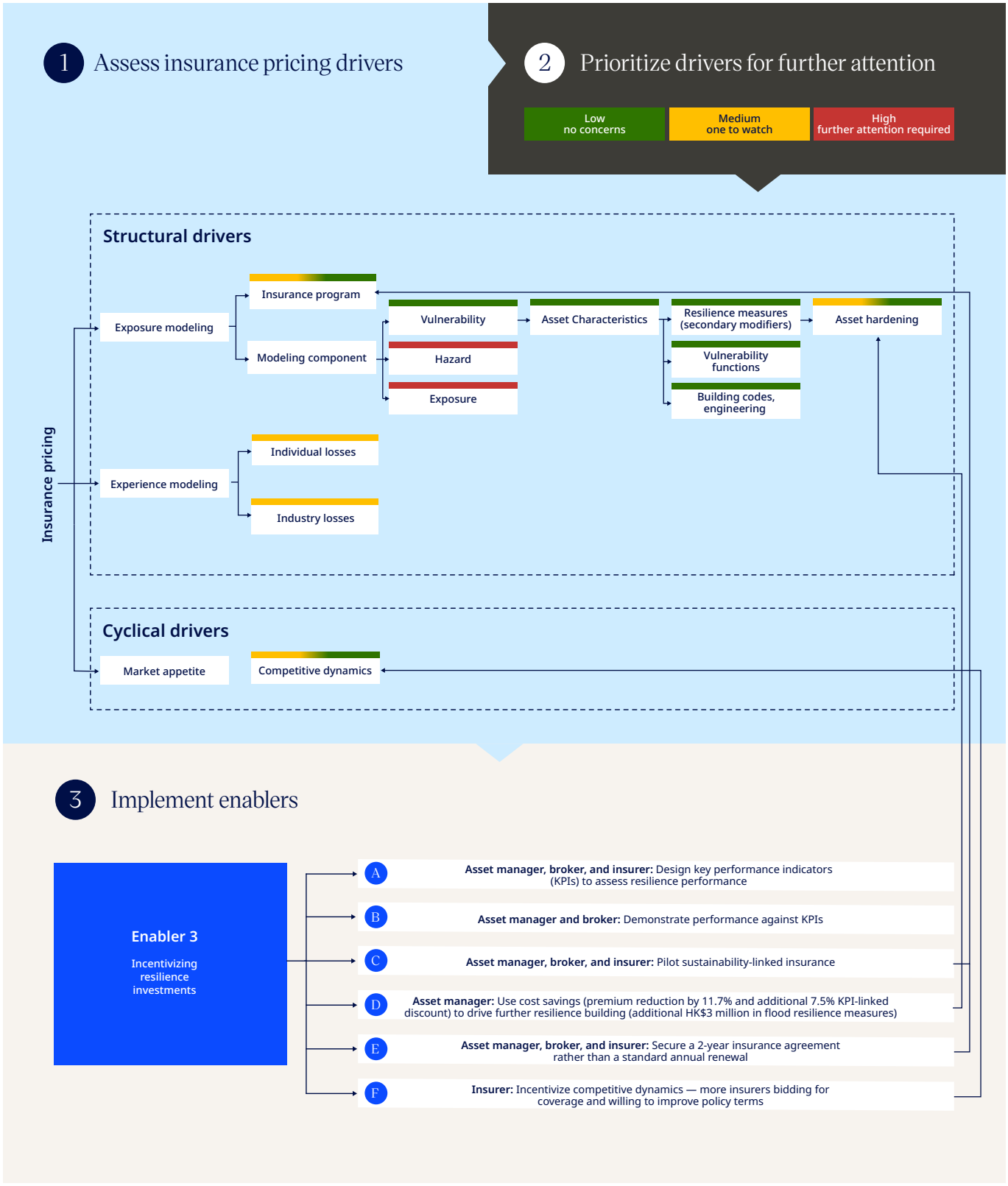
Link REIT, alongside Marsh and AXA, piloted sustainability-linked insurance[4], a first-in-market approach in Asia, which factors in the resilience measures companies take in their insurance terms through performance against key performance indicators (KPIs). The cost savings that come from insurance premium reductions can be used to drive further resilience building. The approach can also be used for new developments and retrofits.

How did it address the problem?

Following its resilience-focused insurance roadshow, Link REIT reduced its insurance premiums by 11.7% in 2025 compared to 2024. Link also received a 7.5% additional KPI-linked discount, which incentivized Link to invest an additional HK$3 million in flood resilience measures. The improvements also led Link to secure a two-year insurance agreement commitment rather than a standard annual renewal. This incentive mechanism not only encourages resilience, but also incentivizes competitive dynamics among insurers, with more insurers bidding for coverage and willing to improve policy terms. When mapping to the Marsh Risk Insurance Enabler Framework, this ensured that green components, such as asset hardening, fed into the insurance program. It also influenced cyclical cyclical insurance pricing drivers such as competitive dynamics.

Case study framework:

Sustainability-linked insurance in Asia



Case study 5:

First-of-a-kind resilience bond in North Carolina

Enabler 4

Sharing best-in-class resilience guidance and standards

What was the 'insurability' problem?

North Carolina experiences frequent storms and hurricanes that are increasing in frequency and severity over time. Roof-related damage is responsible for 70–90% of total insured residential catastrophic losses, depending on specific weather events. This has a direct impact on the insurance affordability of homeowners represented by housing associations.

What was the solution?

In May 2025, Guy Carpenter structured a pioneering US$600 million 'resilience bond', which was issued by the North Carolina Insurance Underwriting Association (NCIUA). The bond is the first transaction to not only provide financial protection against natural catastrophe events, but also to integrate disaster resilience features, enabling new private sources of funding to support risk management measures.

A resilience trigger event (e.g., year with fewer losses) activates payment, which can then be used by the NCIUA to support its policyholders through funding of IBHS Fortified Roof grants, or upgrades to an IBHS Fortified Roof during a claims process. The IBHS Fortified Roof standard is a voluntary standard which has been piloted in various US states.

How did it address the problem?

The primary goal of this resilience bond is to integrate resilience features to protect existing homes and incentivize building safer homes. The IBHS Fortified Roof certification program enables cross-stakeholder coordination on resilience benchmarks that can be used throughout the property value chain from building design to risk transfer solutions. Research from North Carolina State University[7] indicates that homes built to Fortified Roof standards experience fewer and less severe insurance claims following storm events, with fortified roofs having 63% fewer claims following unnamed storms when compared to those with standard roofs. This incentive mechanism not only encourages resilience, but also incentivizes competitive dynamics among insurers, with more insurers bidding for coverage and willing to improve policy terms. When mapping to the Marsh Risk Insurance Enabler Framework, this ensured that green components, such as asset hardening, fed into the insurance program. It also influenced cyclical insurance pricing drivers green components such as competitive dynamics.

Case study framework:

First-of-a-kind resilience bond in North Carolina

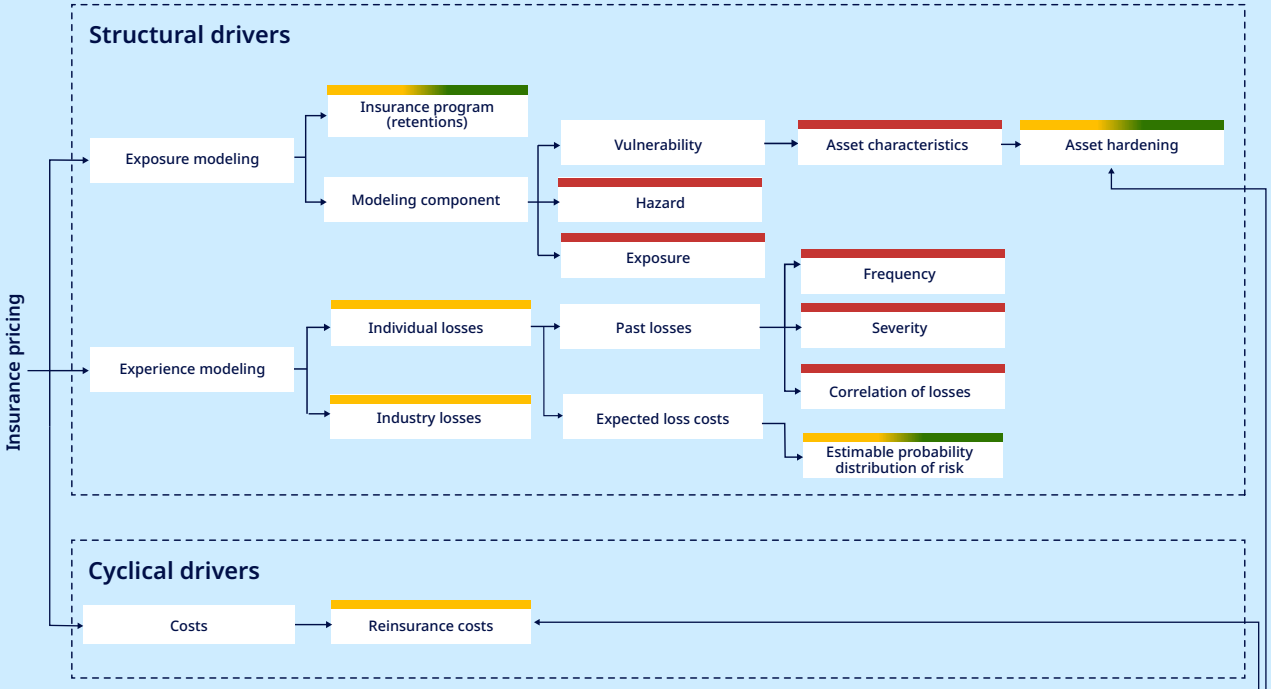
1 Assess insurance pricing drivers

2 Prioritize drivers for further attention

Low
no concerns

Medium
one to watch

High
further attention required



3 Implement enablers

Enabler 4

Sharing best-in-class resilience guidance and standards

- A **Housing association, insurer, reinsurance broker, reinsurer:** Guy Carpenter structured a US$600 million 'resilience bond', which was issued by the North Carolina Insurance Underwriting Association (NCIUA)
- B **Investors:** Invest in the cat-bond market
- C **Housing association, insurer:** A resilience trigger event (e.g., year with fewer losses) activates payment, which can then be used by the NCIUA to support its policyholders through funding of IBHS Fortified Roof grants
- D **Homeowners:** Invest in a new IBHS Fortified Roofs or upgrades during a claims process (63% fewer claims following unnamed storms when compared to those with standard roofs)

Glossary

- **Business interruption:** Financial losses a business suffers when operations are disrupted by a covered event (such as a storm or fire). Business interruption insurance coverage typically pays for lost revenue and extra expenses to help restore operations.

- **CAT model:** A model used by underwriters to estimate potential losses from weather-related events by combining information about the hazard (the event), what's exposed (people, buildings, assets), and how vulnerable those assets are.

- **Capacity:** The amount of risk or insurance coverage the market (an insurer or reinsurer) is willing and able to provide for a client or program — effectively the financial limit of what insurers will underwrite.

- **Cyclical drivers:** Insurance pricing drivers that are market driven. Businesses need to be aware of these drivers, but have limited influence over them. This includes costs and market appetite.

- **Exposure modeling:** Modeling of the weather-related risk itself on the asset and PDBI insurance program. Includes the overall insurance program (retentions), modeling components (e.g., hazard, exposure, vulnerability) and model risk (e.g., CAT model version updates).

- **Experience modeling:** Modeling of individual and industry losses in the past and future expected losses. Exposure modeling can influence the experience modeling.

- **Facultative reinsurance:** Reinsurance arranged and priced separately for an individual policy or risk on a case-by-case basis. This is in contrast to treaty reinsurance, where risks are aggregated across an insurer's whole portfolio.

- **Insurance pricing drivers:** Factors an underwriter considers when assessing a risk and determining insurance premiums.

- **Market appetite:** Insurer's appetite to cover a risk, which can be determined by various factors such as availability of facultative reinsurance, portfolio diversification, potential for pricing intervention (by government), competitive dynamics and insurer financial performance.

- **Model risk:** Risks associated with modeling, including model uncertainty (e.g., CAT model version updates), parameter and scenario uncertainty.

- **Property damage and business interruption (PDBI) insurance:** A combined cover that protects an insured against physical loss or damage to property (e.g., buildings, contents) and the consequent financial losses arising from interruption to the insured's business operations (e.g., lost income, increased operating costs, additional expenses) while the property is being repaired or replaced.

- **Resilience bond:** A financial instrument that combines funding for resilience or mitigation projects with insurance. By investing in risk reduction measures, a resilience bond aims to lower potential future losses and capture some of the resulting insurance cost savings or financial returns.

- **Retentions:** A portion of risk or loss that is kept (not transferred) by the insured party.

- **Secondary modifier:** An adjustment made after the main underwriting factors are applied to fine-tune pricing, limits, or exposure assumptions based on additional characteristics (for example, local site conditions, specific construction details, or endorsements).

- **Structural drivers:** Insurance pricing drivers that are based on the asset, over which an asset owner has influence. This includes exposure and experience modeling based on past and future estimated losses.

Endnotes

1 TED Talk: Amy Barnes—Will climate change make your home uninsurable

2 Marsh article: Reframing Insurability as Investability

3 Marsh article: The silent signal: How extreme weather can impact pricing in a soft market

4 Marsh REIT report: Sustainability-linked insurance: Rewarding Climate Risk Adapatation

5 The Resiliency Company playbook: From vulnerability to value

6 Marsh report: Addressing the system-level resilience gap

7 Insurance Business article: North Carolina expands fortified roof grants

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