

Marsh Climate Property Insurance: Insurability Diagnostic Guide



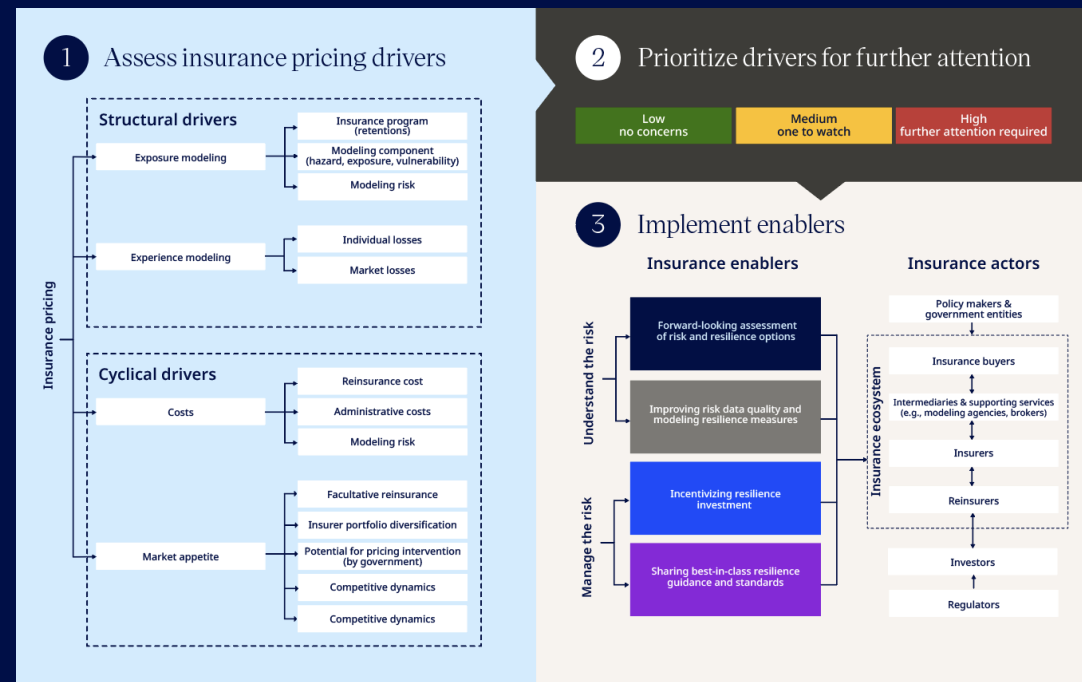
How can I use the Insurability Diagnostic Guide?

- **Introduction:** Our simple diagnostic guide helps insurance buyers (e.g., businesses, investors) to identify where there may be pressures now or in the future on property insurance, suggesting enablers to address these challenges.

Instructions:

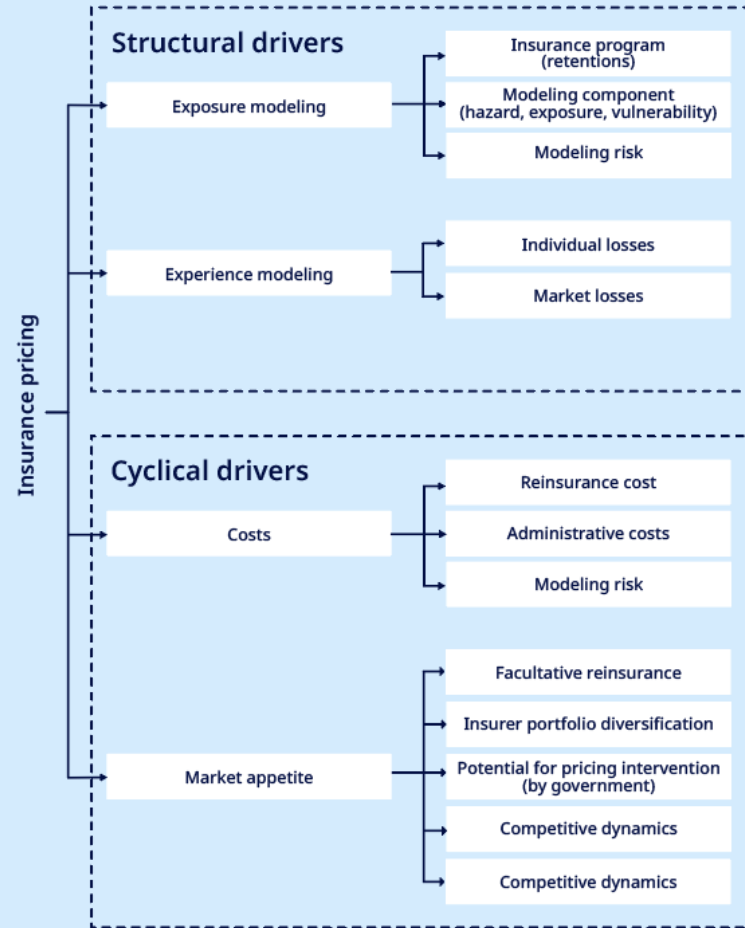
- **Step 1: Assess insurance pricing drivers:** The starting point is to assess the drivers of insurance pricing using the Marsh Insurance Enabler Framework. While it is important to be aware of both structural and cyclical drivers of insurance pricing, in reality, most insurance buyers can primarily influence structural components.
- **Step 2: Prioritize drivers for further attention:** Use the diagnostic guide questions to prioritize drivers that require attention.
- **Steps 3: Implement enablers:** For drivers which require further investigation, there are four key enablers organizations can use to understand and manage the risk. Insurance buyers can use these recommendations to explore next steps in coordination 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 changes.

The Insurability Diagnostic Guide adopts the three steps introduced in the Marsh Risk Enabler Framework (see next page)

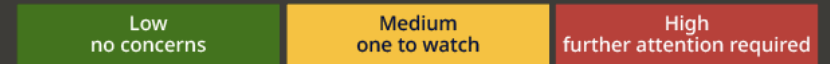


What is the Marsh Risk Enabler Framework?

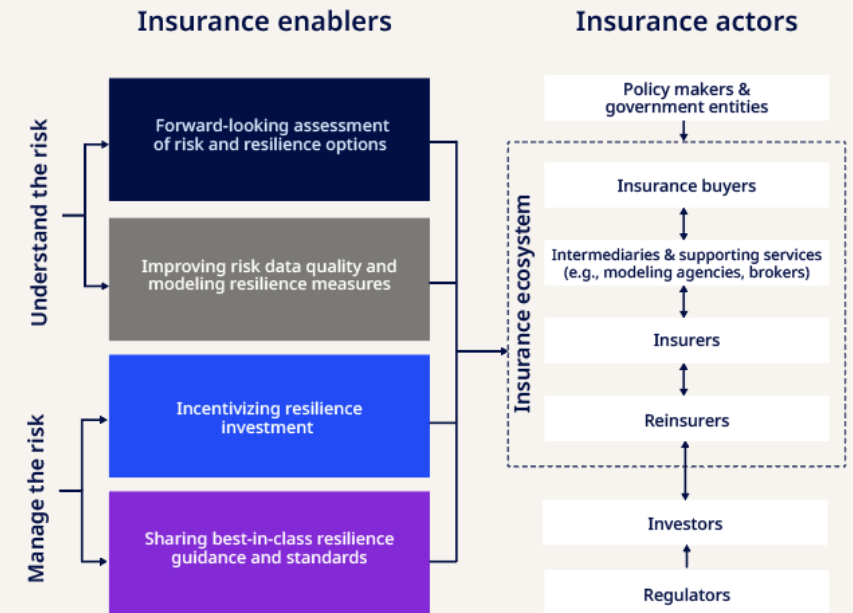
1 Assess insurance pricing drivers



2 Prioritize drivers for further attention



3 Implement enablers



Diagnostic steps 1 & 2

1 Assess insurance pricing drivers		2 Prioritize drivers for further attention					
Insurance pricing drivers		Questions			Response: Please tick the box that applies (✓)		
Structural drivers (to action)	Exposure modeling	Modeling component	1. Are you facing extreme weather events today, or in the future?	<input type="checkbox"/> Yes	<input type="checkbox"/> No		
			2. Has your asset footprint changed recently?	<input type="checkbox"/> Yes	<input type="checkbox"/> No		
			3. Have you considered your exposure beyond property damage (e.g. business interruption, place-based dependencies)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No		
			4. Based on Q1-3, rate your overall exposure:	<input type="checkbox"/> Low current and future PDBI exposure	<input type="checkbox"/> Low current but high future PDBI exposure	<input type="checkbox"/> High current and future PDBI exposure	
			5. Are your assets sufficiently hardened in the face of changing weather?	<input type="checkbox"/> Yes	<input type="checkbox"/> No		
			6. Based on Q5, rate your asset vulnerability:	<input type="checkbox"/> Assets are hardened based on current and future risk	<input type="checkbox"/> Assets are hardened based on current risk only	<input type="checkbox"/> Assets are vulnerable to current and future risk	
			7. Are your resilience measures accurately fed into models?	<input type="checkbox"/> Yes	<input type="checkbox"/> No		
	Model risk	8. Are you confident in your natural catastrophe model estimations?	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
	Experience modeling	Individual losses	9. Do you have a comprehensive understanding of your natural catastrophe loss history?	<input type="checkbox"/>	<input type="checkbox"/> No		
			10. Based on Q9, rate your loss history:	<input type="checkbox"/> No recent losses	<input type="checkbox"/> Some recent losses	<input type="checkbox"/> High frequency of losses	
		Industry losses	11. Are there markets you operate in which are exposed to natural catastrophe risks (regardless of whether your assets have been impacted)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No		
	Insurance programme	12. Have you undertaken any new resilience measures since your last renewal?	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
Cyclical drivers (to be aware of)	Insurance markets move between hard and soft cycles. A softening market can mask the climate signal as commercial insurers generally become less selective about underwriting weather-related risks. The converse is true; in a hardening market, we can expect that climate-impacted sites will feel a greater difference in their insurance programs, emphasizing the need for proactive resilience and risk management.						

View recommendations overleaf, if your response was 'No' and/or **amber** or **red**

Diagnostic step 3

3 Implement enablers

Insurance pricing drivers		Questions	Recommendations if your response was 'No' and/or amber or red	
Structural drivers (to action)	Exposure modeling	1. Is your business facing extreme weather events today, or in the future?	<p>Understanding risk (■ Enabler 1): Quantifying how your asset damage and business interruption exposure will change under different climate scenarios can help inform your overall risk management strategy.</p> <p>Managing risk (■ Enabler 2, ■ Enabler 3): Asset hardening measures can address your property exposure. Beyond asset hardening, we recommend enhancing your business continuity plan to ensure it is fit for purpose in view of increasing impacts. It is also worth investigating place-based dependencies (e.g. critical infrastructure), prior to evaluating the return on investment of adaptation options.</p> <p>Understanding & Managing risk (■ Enabler 2, ■ Enabler 3, ■ Enabler 4): At first instance, site surveys can ensure you have up-to-date risk data. Any risk data quality improvements, including existing resilience measures, should feed into models that inform your insurance outcomes. It can also help you evaluate adaptation options prior to investing in further asset hardening. Demonstrating an improvement against the baseline risk can result in explicit step improvements during the placement process.</p>	
		2. Has your asset footprint changed recently?		
		3. Have you considered your exposure beyond property damage (e.g. business interruption, place-based dependencies)?		
		4. Based on Q1-3, rate your overall exposure:		
		5. Are your assets sufficiently hardened in the face of changing weather?		
		6. Based on Q5, rate your asset vulnerability:		
		7. Are your resilience measures accurately fed into models?		
	Model risk	8. Are you confident in your natural catastrophe model estimations?	<p>Understanding risk (Enabler 1): Discuss with your broker about the different estimations insurers have used and whether any internal review is required. Given climate modeling is a rapidly evolving space, we recommend conducting a catastrophe model technical review periodically, including benchmarking exercises, to account for model uncertainties. These uncertainties can often influence commercial outcomes.</p>	
	Experience modeling	Individual losses	9. Do you have a comprehensive understanding of your natural catastrophe loss history?	<p>It is important to understand your loss history in relation to the markets you operate in. If you have suffered a loss, but other businesses in the markets you operate in have not been impacted, you might need to revisit your 'exposure modeling' components.</p>
		Industry losses	10. Based on Q9, rate your loss history:	
		11. Are there markets you operate in which are exposed to natural catastrophe risks (regardless of whether your business has been impacted)?	<p>Broader loss experience across your industry can materially influence premium levels, even where your own claims history remains favorable. Insurers price risk not only on an individual account basis, but also in light of wider market performance, including sector-wide loss trends, catastrophe activity, and shifts in the cost of capital. It is also important to recognize that, in certain jurisdictions, insurance pricing may be affected by regulatory intervention and judicial dynamics, which can inhibit the market's ability to price risk purely on technical terms as seen in some US states (e.g. California, Texas, Florida).</p>	
	Insurance programme	12. Have you undertaken any new resilience measures since your last renewal?	<p>Managing risk (■ Enabler 3, ■ Enabler 4): Investment in resilience measures can strengthen your position at renewal and create a more compelling case for improved pricing, broader coverage, and more favorable terms. The starting point should be a thorough review of your insurance program to ensure it aligns with your current risk profile and risk transfer objectives. Where meaningful resilience investments have been made, these should be actively leveraged as part of the placement strategy to differentiate your risk to insurers. This can support underwriting discussions across several areas, including enhanced policy wordings, such as build-back-resilient provisions, as well as incentives linked to adaptation performance or recognized resilience standards.</p>	
Cyclical drivers (to be aware of)		Insurance markets move between hard and soft cycles. A softening market can mask the climate signal as commercial insurers generally become less selective about underwriting weather-related risks. The converse is true; in a hardening market, we can expect that climate-impacted sites will feel a greater difference in their insurance programs, emphasizing the need for proactive resilience and risk management.		

■ **Enabler 1:** Forward-looking assessment of risk and resilience options

■ **Enabler 2:** Improving risk data quality and modeling resilience measures

■ **Enabler 3:** Improving risk data quality and modeling resilience measures

■ **Enabler 4:** Improving risk data quality and modeling resilience measures

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About Marsh Risk

Marsh Risk is a business of [Marsh](#) (NYSE: MRSH), a global leader in risk, reinsurance and capital, people and investments, and management consulting, advising clients in 130 countries. With annual revenue of \$27 billion and more than 95,000 colleagues, Marsh helps build the confidence to thrive through the power of perspective. For more information about Marsh Risk, visit [marsh.com](#), or follow us on [LinkedIn](#) and [X](#).