

The insurance catastrophe

Whole regions of the world are now uninsurable, bringing radical uncertainty to the economy. How do we fix the problem?

Gavin Evans, aeon.co, 3 March 2026 (adapted)

Insurance companies survive by making more money from covering risk than they lose from these risks, which is why they prefer clients less likely to **claim** and require them to pay higher **premiums** to discourage claims. When payouts rise above the premium intake, insurance companies either hike up these premiums or withdraw.

- 5 Media attention has focused on the US, but it is happening all over the planet. In Australia (the Gold Coast, Adelaide Hills, Shepparton, Newcastle, parts of Western Australia), floods, fires and cyclones have prompted the climate-related equivalent of insurance **redlining**; in Thailand, Indonesia, Malaysia and the Philippines, it is storms, floods and rising sea levels; in South Africa, Nigeria and Kenya, drought and floods; in Canada (Alberta, British Columbia, Manitoba, Ontario),
10 wildfires and storms. But it is Europe that some reinsurers consider their most climate-vulnerable market, because of the increasing frequency and intensity of wildfires and floods in several countries, with these concerns amplified by the **spate** of relentless fires in southern Europe in the summer of 2025. Dense populations, not least in ancient cities like Athens that are not fire-protected, exacerbate the risk.
- 15 As a result of all this, some big players in the world economy anticipate financial catastrophe, making doom-and-gloom predictions. From their comments, one senses that the climate crisis is not only threatening to destroy property, but is also challenging the confidence of both the insurers and the insured.

- The American investor Warren Buffett warned his Berkshire Hathaway **shareholders** in 2024 that
20 climate change had announced its arrival: ‘Someday, any day, a truly staggering insurance loss will occur—and there is no guarantee that there will be only one *per annum*.’ That same year, the US Senate Committee on the Budget predicted that property values would eventually fall, sending household wealth tumbling, and that the US could be looking at a ‘systemic shock to the economy similar to the financial crisis of 2008—if not greater’. Addressing the Senate Banking Committee in
25 February 2025, the US Federal Reserve chairman Jerome Powell noted that banks and insurance companies were ‘pulling out of areas, coastal areas and ... areas where there are a lot of fires’. He added: ‘If you fast-forward 10 or 15 years, there are going to be regions of the country where you can’t get a mortgage. There won’t be **ATMs**. Banks won’t have branches.’

- Some industry leaders go even further. Günther Thallinger, a board member of Allianz SE, one of
30 the world’s biggest insurance companies, suggested that the cost of extreme weather posed an existential threat to capitalism. ‘This is already happening. Entire regions are becoming uninsurable,’ he wrote in a LinkedIn post in March 2025. ‘If insurance is no longer available, other financial services become unavailable too ... The economic value of entire regions—coastal, arid, wildfire-prone—will begin to vanish. Markets will reprice, rapidly and brutally.’

- 35 But not everyone is quite so apocalyptic. Some reach for the analogy of the San Francisco earthquake and fire of 1906, which destroyed much of the city, killing 3,000 people, and led to the collapse of several insurance companies and a **spell** of financial instability. But, within a few years, the system recovered. According to the Harvard historian Jill Lepore, this disaster created **momentum** towards a central banking system, the Federal Reserve and the introduction of **income**
40 **tax**—all tools for better managing risk and weathering catastrophe.

- Insurers often work with governments to find solutions. In future, it is likely that voters will **demand** that their state and national governments do far more, **regardless** of the cost. They will want tougher building codes, including limitations on building in risky areas; expensive fire-prevention and fire-fighting schemes; better flood and storm defences ... If the insurance industry is forced to
45 retreat by the climate crisis, all of this infrastructural investment will require vast **chunks** of taxpayers’ money.