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Unseasonal fires trigger above-trend catastrophe insured losses first half 2025

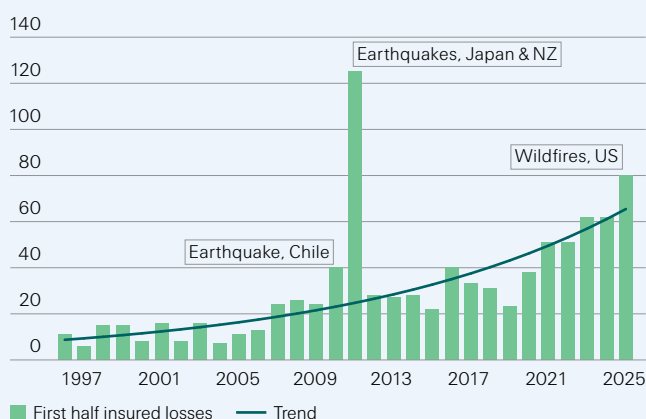
We estimate that global insured catastrophe losses reached USD 80 billion in the first half of 2025, above trend. Unprecedented losses from wildfires in California and large thunderstorms in the US led to the second costliest first half ever (after the first half of 2011). Wildfire risk is evolving amid settlement trends and lengthening of fire seasons, with changing climates compounding the loss threat that fires present. This adds volatility to global natural catastrophe losses, making the latter more difficult to predict. In the second half, the Atlantic hurricane season approaching its peak remains a key swing factor for catastrophe activity although other perils, including wildfire, may also add to the full-year insured loss total.

First-quarter 2025 fires trigger second highest first-half natural catastrophe insured losses

Swiss Re Institute's preliminary estimates see global insured losses from natural catastrophes reaching USD 80 billion in the first half of this year (see Figure 1). The main drivers were the wildfires that swept through parts of Los Angeles (LA) County in January, these alone accounting for close to 70% of the global insured losses in the first quarter (see Figure 2 opposite). Most of the first-half losses came in January-March, mounting to more than double the first-quarter average of the previous five years. Losses moderated to below historical average in the second quarter, but not enough to offset the severe first quarter outcome.

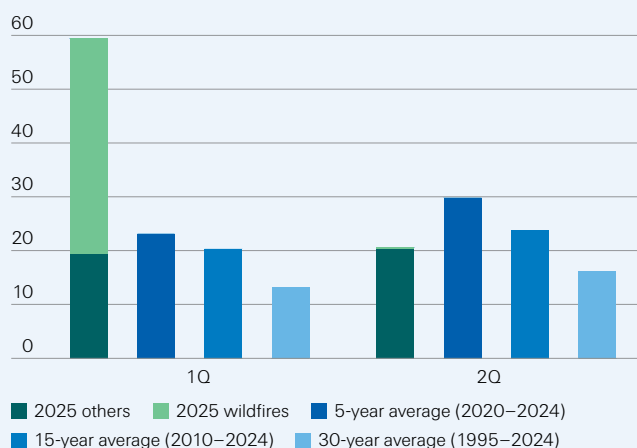
First-half insured losses of USD 80 billion would make for the industry's second highest first-half loss tally ever after 2011, when earthquakes (EQ) in New Zealand (February) and Japan (March) triggered record high claims in the first six months of that year. It will also make 2025 the fifth in succession in which first-half insured losses have exceeded USD 50 billion. There were no other major insured loss-making events in the first half and absent the unseasonal LA County fires, global insured losses would have been well below trend. With changing climates, unexpected and unseasonal weather conditions may occur more frequently, making loss outcomes more volatile and difficult to predict.

Figure 1: Global insured losses from natural catastrophes in 1H (USD bn, 2025 prices)



Source: Swiss Re Institute

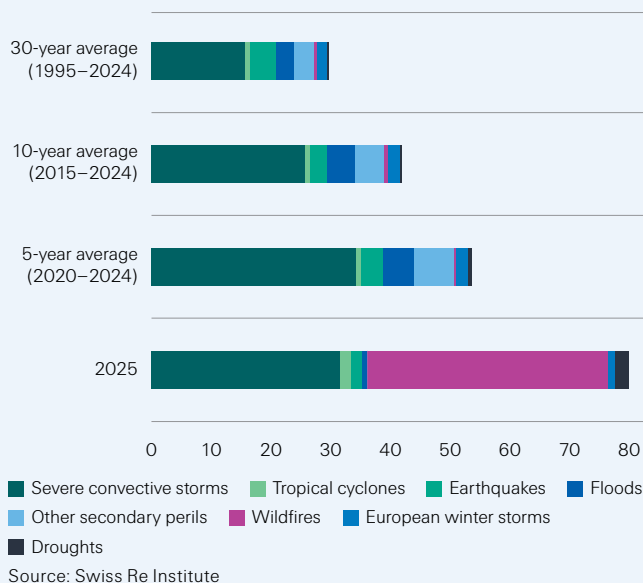
Figure 2: Global insured losses from natural catastrophes in 1Q and 2Q 2025 and previous years averages (USD bn, 2025 prices)



Source: Swiss Re Institute

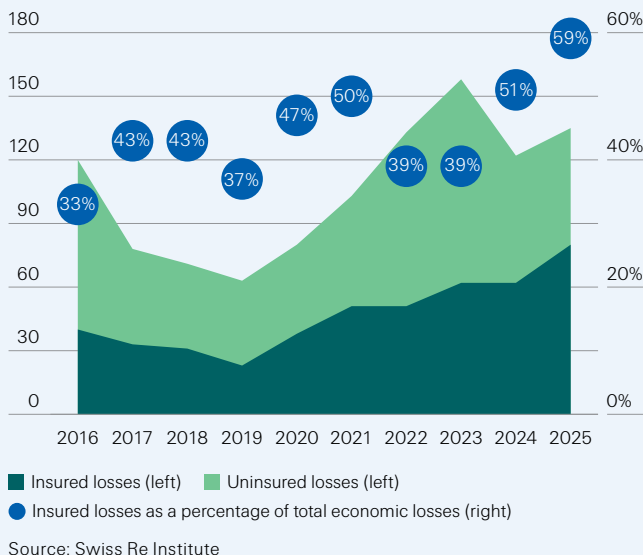
The Palisades and Eaton wildfires in LA County were the costliest events of the first half, resulting in combined insured losses of USD 40 billion (preliminary estimates). That's half of global first-half losses insured losses. For all other major perils, also severe convective storms (SCS), losses were instead mostly below the January-June average of the previous five years (see Figure 3).

Figure 3: Global insured losses from natural catastrophes by peril in 1H 2025 and previous half-year averages (USD bn, 2025 prices)



Economic losses from natural catastrophes in the first half of 2025 were USD 135 billion, of which insurance covered about 59% (see Figure 4). That's higher than the previous 10-year average of 42% and reflects that much of the damage caused by disasters was in US and other regions of relatively high insurance penetration, and also that wildfire is widely covered in personal property covers.

Figure 4: Global annual insured and uninsured losses from natural catastrophes in 1H (USD bn, 2025 prices)



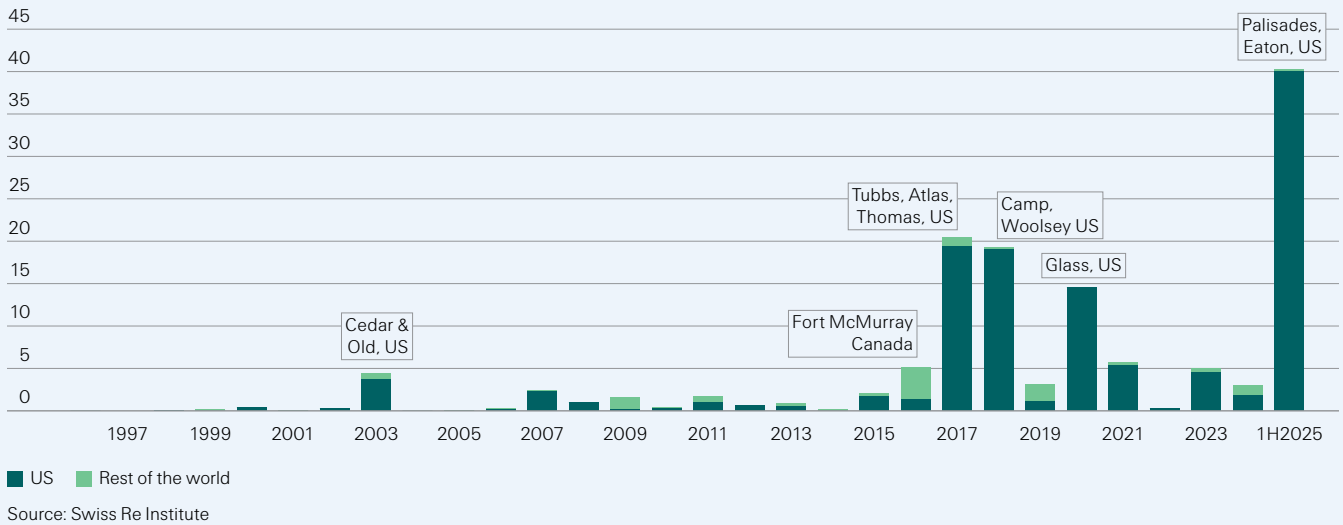
The LA County fires were not the only major disaster in the first half. Another catastrophe was the magnitude 7.7 earthquake that struck Myanmar in March, claiming around 3 900 human lives, more than any other disaster.¹ The quake struck densely populated regions of the country including Mandalay, its second largest city, and total economic losses are estimated to have been around USD 14 billion. There is no information on insured losses but, with low insurance penetration, these will likely be low relative to regions of higher risk protection uptake. The shock waves from the earthquake were felt as far away as in India, China and Thailand. In Bangkok, the seismic shakes caused a high-rise building under construction to collapse, claiming more lives. Bangkok sits on a basin of soft sediment that acts like an amplifier, increasing the intensity and duration of shaking and making even far-off earthquakes feel intense. For this reason, even though far away from active faults, Bangkok is exposed to loss potential from seismic activity. Preliminary estimates from the Thai General Insurance Association indicate insured losses in the country of USD 1.5 billion as a result of the earthquake.

With earthquakes, location and ground conditions matter as much as magnitude with respect to damage caused. Many cities around the world including Mexico City, LA, Beijing and Tokyo are built on sedimentary basins and face elevated seismic risk on account of potential for amplified ground motions. Without proper building codes and adequate enforcement thereof, the increased shaking can cause severe structural damage and loss of life. Modern seismic hazard assessment including localised effects is needed to accurately assess the resilience of buildings to ground shakes, and the stringency of building codes required. Strong building codes reduce damage but are not always rigorously enforced. Risk models must account for basin effects to avoid underestimating loss potential.

Non-seasonal wildfires account for half of the January-June losses

In January 2025, two major wildfires burned close to 40 000 acres in LA County and destroyed more than 16 000 structures in the Palisades and Eaton neighbourhoods.² A prolonged and dry Santa Ana wind with gusts reaching speeds of almost 100 mph, coupled with a lack of rainfall, created unseasonal and extreme fire-fuelling weather conditions. The area affected by the Palisades fire contains some of the densest concentration of high-value single-family residential property in the US. The resulting fires covered locations of high exposure, leading to exceptional losses. A very large number of structures were destroyed, more than 400% of the long-term annual average, causing high losses in what was otherwise in terms of physical events an unremarkable fire season. For instance, in year to 19 June 2025, the number of acres burned in the California and the number of fire outbreaks were just 5% and 38% of the respective long-term yearly averages.

According to Swiss Re estimates, as of July 2025 combined insured losses from the Palisades and Eaton firestorm(s) were USD 40 billion, by far the largest global insured wildfire loss event(s) to date, and among the top 10 costliest natural catastrophe insured loss events of all perils on *sigma* records. Total first-half insured losses for wildfire were the highest ever, surpassing even the previous full-year peaks for this peril by a significant margin (see Figure 5 below).

Figure 5: Global annual insured losses from wildfires (USD bn, 2025 prices)

Overall, losses from wildfires have been rising significantly in the past decade. Prior to 2015, on average wildfires across the world contributed around 1% of the total insured losses from all natural catastrophes. In the last 10 years, this has risen to 7%, the costliest periods being a two-year stretch of 2017–18, and to a lesser extent 2020. Eight of the 10 costliest wildfire insured loss events have all occurred in the last decade, after adjusting for inflation. Wildfires are an ever-present hazard in hot and dry regions with large areas of vegetation, such as there are in North America. The single biggest loss growth driver for this peril is increased exposure in such hazardous regions. Due to the combination of high hazard and high value asset concentration, most fire losses originate in the US and particularly in California, where expansion in said regions has been high. Since 1990, exposure growth in the high-risk wildland urban interface (WUI) zones has outpaced exposure growth in non-WUI zones by a factor of 1.8 in the US, and by a factor of 1.9 in California.³

Wildfires are typical for southern California after an extended period of low precipitation and in the presence of strong, dry winds. They are a natural phenomenon of the forest ecosystem, essential for restoring nutrients to the soil, clearing out decay and helping plants to reproduce. Occasionally forest fires turn into urban conflagration when they spread to urban areas, threatening human safety and property. Suburban sprawl with communities expanding into wildland increases the risk of such events. The close proximity of structures to dense vegetation allows for easier transfer of flames and embers to nearby buildings, increasing the vulnerability of the suburban environment risk. In addition, WUI development adds additional sources of ignition (sparks from machinery or trains, campfires, arcing from electrical utility lines, as well as arson).

Ongoing warming and drying trends, coupled with changing rainfall patterns, contribute to drier and more flammable fuels, creating conditions more conducive for ignition and spread. Rising temperatures are also extending the fire seasons, lengthening the overlap of the peak fuel dryness and the height of the Santa Ana winds season in California. The January fires in California were unusual in that they occurred in the winter season, typically the state's wet season. Historically, the biggest wildfire loss events in California have occurred during the hot and dry late summer and autumn months, after which cooler temperatures and rains serve to

dampen fire risk. Based on *sigma* records, 99% of the wildfire losses that originate in California occur in the second half of the year.

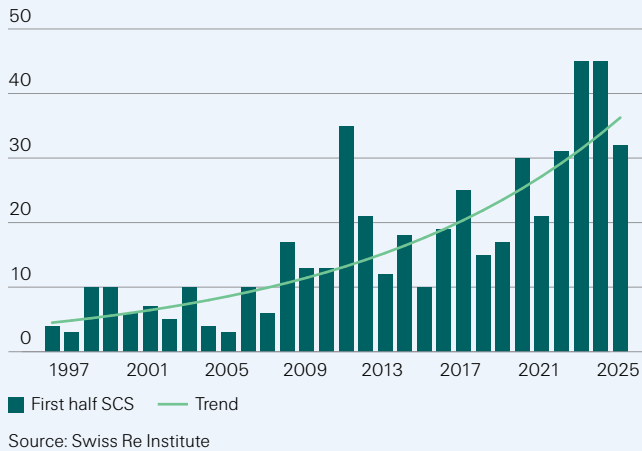
The 2025 fires give the measure of the scale of devastation and loss potential when all ingredients for major conflagration come together: weather (drought and winds); dense urban or suburban environment; and fuel (flammable structures and dry grassland that connects the structures, providing a pathway of fire). There have been large wildfire-loss events outside of the US in recent years too, such as in Australia (as in 2019 and 2009), Canada (as in 2016), and also Europe (eg, Portugal in 2017), with all ingredients for urban conflagration present. Droughts are becoming more frequent in Europe also, extending the wildfire season and exacerbating water shortages, which hinder firefighting efforts.

Wildfire is a complex peril to model. Human actions influence the occurrence and damage potential of wildfires to a much greater extent than other perils. To date traditional risk evaluation methods – such as predictive or probabilistic models – have not been fully captured the complex interactions between drivers of wildfire risk, changes in fire behaviour and inter-annual variability. Wildfire remains a volatile peril and in our view, more and rising associated insured losses can be expected.⁴

Severe convective storm losses remain high though below trend

Between March and June, a number of severe thunderstorms with large hail and tornado outbreaks in the US led to global SCS-related insured losses of USD 31 billion in the first half of 2025 (see Figure 6 below). Though below the trend estimate of USD 35 billion and also the first-half loss tallies for this peril in 2023 and 2024, those SCS losses are still the 4th costliest ever. Only a decade ago insured losses triggered by SCS were trending at around USD 20 billion.

Entangled with high year-on-year volatility, SCS drive a substantial portion of global natural catastrophe insured losses. The main factors pushing losses higher are increased exposure values due to economic and population growth, urbanisation (expanding urban footprints in exposed regions) and inflation (mainly construction

Figure 6: Global insured losses from SCS in 1H (USD bn, 2025 prices)

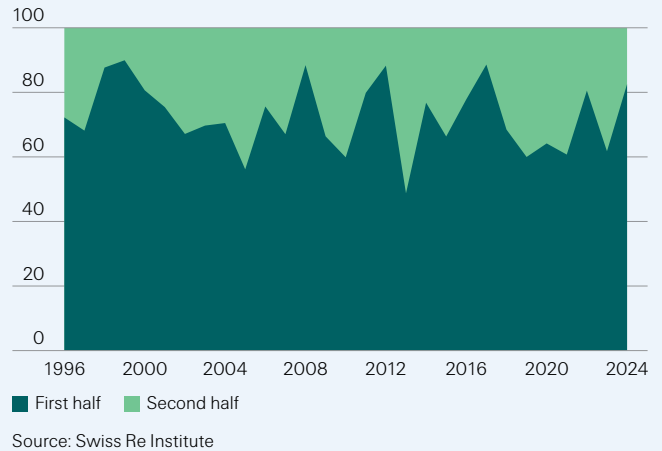
costs). Post-pandemic inflation made reconstruction significantly more expensive. For example, in the US, construction costs rose by 35.64% from January 2020 to June 2025, directly impacting property claims costs.⁴ There is also evidence that SCS activity has been increasing in specific regions and another factor contributing to losses is vulnerability of exposed assets.⁵ Like solar power systems on roof tops, the number of installations of which have risen rapidly, increasing exposure vulnerability.⁶ Although SCS losses have so far been below trend in 2025, there is no reason to believe that they will not continue to rise over the long run.

June marks the end of the peak of severe thunderstorm activity across the central US. On average at least 70% of the losses from this peril originate in the first half of the year and historically, first-half losses from SCS have never been below 50% of the full-year total (see Figure 7 opposite). That said, significant severe weather activity might continue through the year and large events can happen in the second half too, also outside of the US. The US is particularly prone to SCS due to its geography, but large-scale scale events can happen in Europe too, as in the case of Italy in July 2023.

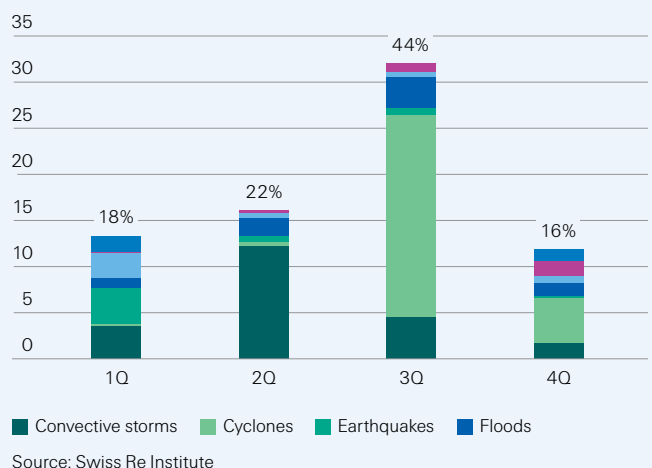
Not over yet: all it takes is one major hit

The second half of the year started with the lingering warming effects of a major heat dome that in late June brought temperatures in excess of 40°C in western and central Europe.⁷ These led to wildfire outbreaks in many countries, also going into the second half. Meanwhile, torrential rains in the US led to catastrophic flash flooding in central Texas in July, another signal of what severe weather conditions could bring in the second half of the year. With the US season for SCS past its peak, the focus for the second half shifts to the North Atlantic hurricane season (TCNA), the high point typically coming in early September. Historically, second-half year insured losses have been higher but also more volatile than in the first. In the past 30 years, 60% of the total natural catastrophe insured losses originated in the second half on average (see Figure 8 opposite), mostly on account of costly TCNA activity in the third quarter (2004, 2005, 2008 and 2017 and 2022).

Global insured losses from natural catastrophes have been growing at a long-term trend rate of 5–7% annually in real terms (see Figure 9 below).⁸ If this trend holds, we estimate that insured losses from natural disasters this year will approach USD 150

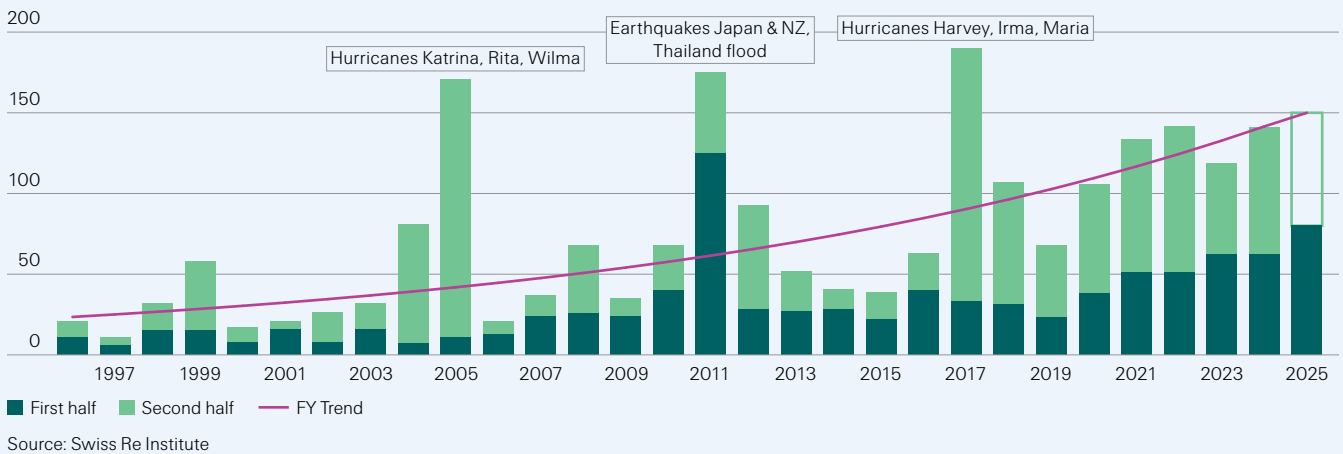
Figure 7: Global insured losses from SCS in 1H and 2H, %

billion, in 2025 prices.⁹ Our estimate of the first-half loss is past the mid-point of this outcome. With first-half insured losses above trend and catastrophe activity typically higher in the second half,

Figure 8: Average global insured losses (USD billion), and share of losses (%), from natural catastrophes by quarter and peril (1995–2024; 2025 prices)

total insured losses for the full year could exceed our projection.

Second-half losses can deviate from trend in any year depending foremost on the intensity of storms in the TCNA season. Latest meteorological forecasts predict near- to above-average activity in 2025, with three to five major (Saffir-Simpson Category 3 and above) hurricanes, compared to a long-term average (since 1950) of 3. Generally speaking, higher activity increases the chance of a severe hit. However, for insurers (and exposed communities), the key factor determining the scale of losses is *where* a hurricane hits. A storm that hits coastal locations with high value concentration can happen in any season, regardless of how much activity is predicted. And it can take just one severe event to cause significant damage, as was the experience with Hurricane Andrew in 1992, a year of otherwise limited activity. This year's 20th anniversary of Hurricane Katrina serves as a further reminder that tropical cyclones, in particular major hurricanes, pose substantial risk to the east and Gulf Coasts of North America, as

Figure 9: Global insured losses from natural catastrophes (USD bn, 2025 prices)

well as the Caribbean.¹⁰ For coastal communities, preparation and advance disaster resilience are essential to minimise the impact.

But that is not all that can lead to deviation from trend. There could be major losses from the full spectrum of perils, such as summer/autumn large scale floods across the world. Current Mediterranean sea surface temperatures are 3°C above the historic average, the warmest on record. This could lead to higher-than-usual rainfall levels in autumn, potentially triggering large-scale floods.¹¹ There may also be more wildfires in North America and in other regions.

Historically, the great majority of wildfire losses occur in the second half when dry fuel on the ground is at its peak: as already stated, the LA County fires were unseasonal and to this end, an exception. Catastrophe losses fluctuate greatly year-on-year, mostly due to random natural weather variability. Amid year-on-year loss volatility, exposures are still rising. Long-term growth of catastrophe insured losses is mostly driven by economic development and urbanisation, often in hazardous regions such as by WUI and along the coast, and also construction costs rising more rapidly than overall inflation. Hazard intensification in changing climates like longer and harsher wildfire seasons, and more intense rainfall may alter loss seasonality patterns and add to the overall losses. All of those factors will continue to underpin steep growth in insured losses over the longer term, with some

above-average years when unpredictable severe weather hits in high exposure locations, but also some below-average ones.

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