MILLIMAN ANNUAL REPORT

Extreme weather in Europe

The toll of 2025's extreme weather events across Europe—and steps insurers can take now to reduce the financial risks posed by climate change

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Executive summary

HOW DID EXTREME WEATHER EVENTS AFFECT INSURERS, GOVERNMENTS AND COMMUNITIES?

The year 2025 ranked among the three warmest years on record, according to the World Meteorological Organization, even as scientists from the European Union determined that average temperatures have now exceeded 1.5°C of global warming for the longest stretch of time since records began.[1] As in other recent years, Europe continued to feel the effects of sustained warming related to climate change, including the frequency and intensity of heatwaves, droughts, floods, storms and hail.

This paper summarises the severe heat, drought and other extreme weather events that occurred in 13 European countries in 2025 and the impact of these events on insurers, governments and communities. We conclude with some concrete, actionable steps for insurers seeking to manage climate-related financial risks and contribute to a more resilient and sustainable future.

Growing impact of heat and drought and their associated risks

In one study, researchers at the University of Mannheim in collaboration with economists from the European Central Bank found that extreme weather events generated an estimated EUR 43 billion in economic losses across Europe during 2025. Given the continued impact of climate change, researchers project these losses to rise to EUR 126 billion by 2029.[2]

While in 2024 flooding stood out as the predominant and costliest threat to many European countries, extreme heat and drought hit harder in 2025, with countries across Europe incurring high economic costs as a result. Prolonged heatwaves and drought conditions affected large areas of the continent, particularly southern Europe, causing serious stress to agriculture, water supplies and citizens' health. They also contributed to extensive wildfire outbreaks—including Spain's worst wildfire season in years—which amplified economic and insured losses. Southern Europe felt this in particular: Italy experienced more than EUR 7 billion in losses related to heat and drought, while Spain and France each suffered more than EUR 10 billion in damages due to heatwaves and water scarcity.[3]

Flooding remained significant in localised regions, with intense rainfall and river overflow affecting communities and infrastructure in parts of eastern and western Europe, including Poland, Austria, Spain and France. But the geographical extent and sustained nature of extreme heat and the accompanying drought were a broader cause of climate risk impacts across the continent in 2025.

Vulnerability of agricultural sector

The increasing frequency and severity of climate-related disruptions have wide-ranging effects on many European nations' socioeconomic systems, including on critical sectors such as infrastructure, public health and agriculture. Europe's agricultural sector is particularly vulnerable to the compounded effects of drought, including the accompanying threat of wildfires and the labour productivity losses caused by extreme heat. Such impacts can often lead to an increase in prices for agricultural goods in the market and a financial loss for farmers. In turn, insurers covering agriculture, crops and livestock will likely see a rise in the frequency and severity of claims.

To help mitigate these impacts, insurers in Romania, for example, are choosing to offer coverage for open-air crops, guaranteeing farmers a revenue even if those crops are damaged by extreme heat, drought, heavy rain, frost or other extreme weather. State support for farmers, including grants or subsidies, can contribute to this effort. Such an integrated

approach can help manage risk more effectively and safeguard food security in an era of increasingly volatile and extreme weather conditions.

Public-private collaboration to mitigate and share risk

Along these lines, many European countries are increasingly turning to collaborative approaches between governments and the insurance industry to confront the challenges posed by extreme weather. Examples of such efforts include the joint insurance industry and government initiative Flood Re, which provides flood cover for properties in high-risk areas in the UK, and France's Catastrophe Naturelle (Cat Nat) system, a public-private catastrophe insurance framework designed to help the insurance industry manage the financial impacts of extreme weather and other natural disasters by mutualising risk and providing state-backed reinsurance support.

Countries including Luxembourg and Austria have focussed on the role governments can play in communicating with the public and raising awareness of the risks and impacts of extreme weather events. Such efforts can include targeted information campaigns and individualised risk assessments and legal requirements, as well as robust emergency response measures, alerts and communication procedures.

Promoting climate resilience

Across Europe, many insurers and governments have begun to invest in making sectors such as infrastructure, agriculture, energy and transport more climate resilient. As noted throughout this report, ageing infrastructure in particular is becoming less capable of withstanding the impacts of intense rainfall events, extreme temperatures and soil subsidence linked to drought.

Efforts to promote climate resilience include initiatives like Belgium's Blue Deal, a major investment programme to handle drought and floods that was extended in 2025. In the Netherlands, the Dutch Association of Insurers has appealed to local authorities to take action to prevent further damage to house foundations, which is reaching the level of a national crisis due to the decrease in average groundwater level and soil subsidence caused by climate change.

As with other recent years, 2025 has shown how climatic extremes—such as a dry, hot summer conducive to wildfires followed by a wet, flood-prone autumn—can cause cascading impacts, a pattern that may become more frequent as climate change progresses. Overall, these 13 European countries' experiences with and responses to the extreme weather events they faced in 2025 highlight how climate change is reshaping nearly every aspect of life across Europe—from public health to agricultural policy to monetary stability—as Europeans endeavour to build climate resilience for a more sustainable future.

Europe overview

MILLIMAN ANALYSIS SHOWS 2025 WAS AMONG THE MOST HEAT-PRONE YEARS ON RECORD

During 2025, Europe experienced extreme weather events that could lower the gross value added in the affected countries by more than EUR 43 billion, according to researchers at the University of Mannheim and the European Central Bank.[4]

Using the years 1981 to 2010 as a reference period, Milliman analysed the European Extreme Events Climate Index (E3CI) dataset, and our findings indicate that the trends are consistent with, or even worse than, those observed in previous years.[5] Using the E3CI dataset, Milliman calculated the probability of exceeding the 95th percentile threshold. Based on the assumption that all indices follow a standardised normal distribution, the sum of these distributions should follow a Gaussian distribution, allowing us to approximate probability by the formula:

$$p(index > t) = 1 - p(index \leq t)$$

To generate aggregated results at the European level, Milliman began with each country's index values from E3CI and weighted them according to each country's population. This produced a time series showing the probability of exceeding the 95th percentile threshold for each hazard, as illustrated in Figure 1.

Additionally, Milliman verified whether the empirically observed index exceeded the 95th percentile threshold. We define the odds ratio[6] as the ratio of the average of probability of exceeding the 95th historical percentile in the year 2025 (or the 2011–2025 period)

and the reference period of 1981–2010, also shown in Figure 1. This means:

- An odds ratio of less than 1 indicates a lower probability of exceeding the 95th percentile compared to the reference period.
- An odds ratio of greater than 1 indicates a higher probability of exceeding the 95th percentile compared to the reference period.

Climate change continued to affect trends in catastrophic events in 2025, as shown by the odds ratios, which confirm the increasing trend. The year 2025 marks the second consecutive year, following 2024, of extreme temperature values combined with reduced precipitation, which has been declining since 2023, leading to an increased risk of severe drought. The heat stress experienced in the last two years is comparable to that of 2022, which recorded the highest levels observed. Since 2022, extreme temperatures have significantly not only exceeded the reference period but have also shown a sharply increasing trend over the last 15 years.

The risk of extreme winds appears to be negligible; however, this may be because indices are aggregated across Europe. In reality, we expect greater damage from winds when combined with extreme waves, such as those observed in southern Italy in January 2026, when extreme winds caused waves exceeding 9 metres, along with landslides, causing potential losses estimated at around EUR 2 billion.[7]

Wildfire risk was lower in 2025 than in 2024; however, there were some episodes of extreme wildfires, which burned a total of 232,000 hectares (ha) between January and July 2025.[8] This was 119% more than the corresponding long-term reference average of 106,000 ha for the same period. This trend is due

FIGURE 1: PROBABILITY OF EXCEEDING 1981–2010 THRESHOLD AND ODDS RATIOS, AT EUROPE LEVEL

	YEAR	DROUGHT	HEAT STRESS	COLD STRESS	EXTREME PRECIPITATION	EXTREME WIND	WILD FIRE	HAIL	E³CI
95th perc.	1981–2010	0.67	0.89	0.89	0.37	0.60	0.16	0.90	0.22
	2011	28%	51%	0%	5%	2%	64%	3%	51%
	2012	5%	50%	27%	18%	1%	57%	6%	53%
	2013	1%	17%	23%	18%	9%	10%	0%	16%
	2014	0%	38%	1%	34%	0%	11%	1%	3%
	2015	4%	65%	0%	20%	31%	32%	3%	54%
	2016	10%	43%	0%	21%	0%	37%	0%	20%
	2017	15%	52%	0%	12%	13%	40%	2%	41%
	2018	11%	57%	3%	22%	17%	70%	1%	59%
	2019	2%	62%	0%	12%	14%	54%	2%	49%
	2020	50%	61%	0%	28%	30%	67%	2%	66%
	2021	24%	46%	3%	35%	18%	1%	11%	30%
	2022	58%	79%	0%	12%	24%	73%	0%	61%
	2023	0%	70%	0%	55%	29%	60%	13%	60%
	2024	0%	75%	0%	48%	4%	59%	0%	46%
	2025	19%	74%	0%	14%	0%	2%	0%	24%
Average	1981–2010	6%	7%	7%	6%	6%	6%	4%	6%
Average	2011-2025	15%	56%	4%	24%	13%	43%	3%	42%
Odds ratio	2011-2025	2.5	8.6	0.6	3.8	2.3	7.1	0.7	7.6
Odds ratio	2025	3.1	11.4	0.0	2.3	0.0	0.3	0.0	4.4

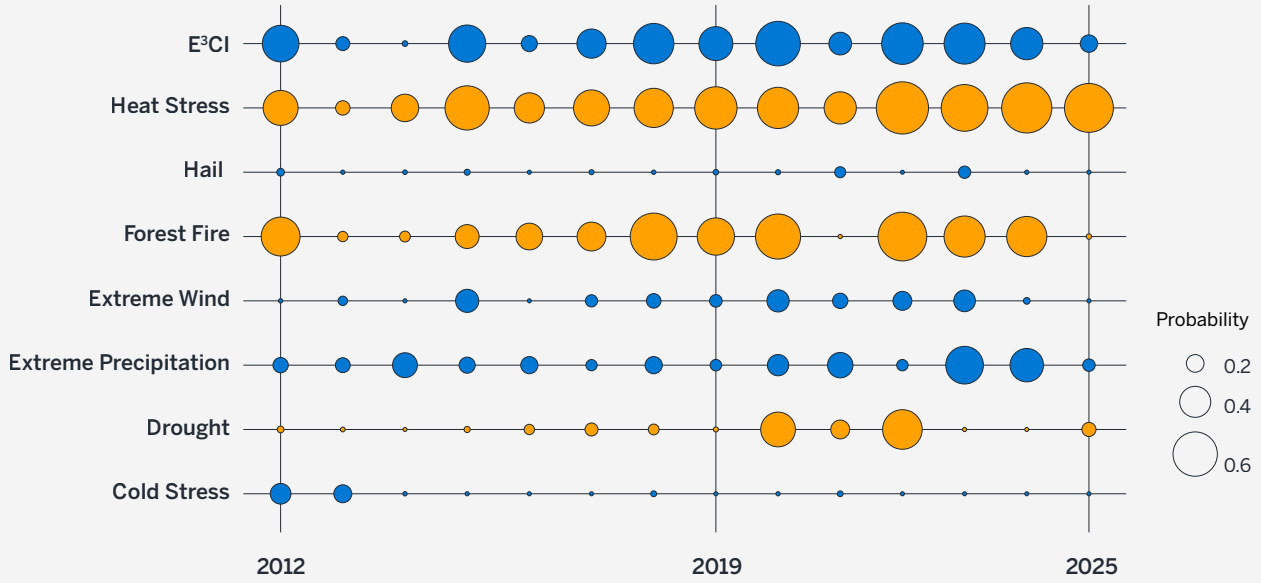
to the combination of extreme heat and drought episodes during these months.

Given these results, it is crucial for insurers and stakeholders to understand risk dynamics and proactively manage them to minimise damage and enable effective recovery after extreme weather events. We are witnessing not only an increase in extreme heat, drought and wildfires, but also the emergence of new combined events—such as the January 2026 episode in southern Italy, which exhibited oceanic patterns of extreme winds and waves rarely seen in the Mediterranean. This highlights the need to prepare for a future that may differ significantly from past expectations.

A positive development is the growing availability of data, which enables more sophisticated risk analysis and management. By combining climate, building and damage data, we can model specific risks more accurately. For example, integrating climate data with topographical factors like distance from streams and elevation can improve flood risk models, while historical burned area data and terrain characteristics such as slope and aspect can refine wildfire risk assessments.

Considering these insights, insurers and stakeholders should harness advanced risk modelling to guide their decisions. By embedding data-driven analysis into underwriting, pricing and portfolio management, they can better anticipate emerging risks, set appropriate premiums and design effective mitigation strategies. This proactive approach not only protects their operations but also strengthens community resilience by promoting risk reduction and facilitating faster recovery when disasters occur. Ultimately, turning analysis into action will be essential for successfully navigating the evolving risk landscape.

FIGURE 2: EXTREME INDICES TREND, 2012–2025, AT EUROPE LEVEL



Source: Milliman elaboration on International Foundation Big Data and Artificial Intelligence for Human Development (IFAB) data.

Austria

HEAVY RAINFALL AND HAIL CAUSE SIGNIFICANT CROP DAMAGE

The year 2025 was marked by a series of extreme weather events across Austria, with numerous localised incidents that collectively posed significant challenges for communities, emergency services and policymakers. While many of these events might be classified as "small" in scale, their frequency and cumulative impact underscored the growing vulnerability of the region to climate-related hazards.

However, compared to previous years, the extreme weather in 2025 was not as severe. Most events consisted primarily of heavy rainfall and hail. The most significant of these events occurred on 24 June and 27 June and affected several regions, including Burgenland, Lower Austria, Vorarlberg, Tyrol and Styria.[9] These events resulted from thunderstorms following a heatwave with temperatures exceeding 35°C.[10]

Agriculture in Austria saw the greatest impacts from extreme weather events.[11] Agricultural losses alone were estimated at around EUR 9 million, including severe damage to fruit and tree nurseries, grasslands, vegetables and other agricultural crops.[12] Styria was the most affected region, accounting for approximately EUR 6.2 million of the total damage. Within a very short period, massive hailstones—some reaching diameters of up to 5 centimetres—caused extensive damage to agricultural crops. In addition to arable and grassland areas, fruit orchards, tree nurseries, Christmas tree plantations and vegetable-growing regions also suffered significant losses.[13, 14]

Upper Austria (Oberösterreich) also experienced severe flooding following intense rainfall in July. Torrential downpours resulted in widespread basement flooding, prompting numerous emergency interventions by local fire brigades. This event highlighted the urgent need for enhanced flood prevention measures, and authorities responded by accelerating preparations for future high-water scenarios.

IMPACT OF THESE EXTREME WEATHER EVENTS

In response to the increasing frequency and severity of extreme weather events, Austria has intensified its efforts to mitigate the impact of natural disasters, particularly flooding. Recognising that traditional flood protection measures—originally designed for so-called "100-year" flood events—may no longer be sufficient given changing climate patterns, both national and regional authorities are reassessing the adequacy of current standards. New scientific studies are underway to provide updated data, which will inform future benchmarks for flood protection infrastructure.

Significant financial investments have been made in recent years, especially in Upper Austria, where more than EUR 170 million has been allocated to flood protection since 2013.[15] These funds have supported the completion of more than 160 projects, with recent events demonstrating the effectiveness of these measures. In 2025 alone, approximately EUR 50 million was invested in new and ongoing projects outside the Danube region, including the construction of large retention basins in Attergau, the continuation and completion of dam works in Timelkam and Rottenbach, and comprehensive river engineering efforts.

Along the Danube, Austria is pursuing extensive, collaborative flood protection initiatives, with nearly 30 projects underway and a total investment of around EUR 170 million. Particularly notable is the planned EUR 90 million project to protect the Eferdinger Basin, a region of critical importance due to its dense population and agricultural value. Additional efforts include the installation of flood gates at key sites such as the Linz Harbor and the safeguarding of essential infrastructure like the Ars Electronica Center.[16]

However, recent disasters and ongoing climate change have exposed persistent vulnerabilities—most notably, the so-called "protection gap" in natural catastrophe insurance. The Austrian Court of Audit has therefore recommended developing a more suitable insurance model to better cover private losses from extreme

weather events. While farmers can insure their crops—hail insurance covered on average 56% of damages between 2012 and 2022, for example—coverage for private households and businesses remains limited.[17] Estimates from 2022 indicate that only around 5% of the assets of households and companies were insured against flood damage, with typical compensation capped at about EUR 10,000. In some high-risk areas, insurance was not available at all. These shortcomings reveal significant structural weaknesses and highlight the need for a more comprehensive and accessible natural hazard insurance framework.[18]

Current discussions in Austria increasingly focus on the need for a mandatory insurance scheme for natural disasters. While such a requirement could be a step forward, experience shows that simply mandating insurance is not a panacea. Many risks remain underinsured even when policies are in place, often because coverage limits do not reflect the true potential for loss. This gap arises both from the absence of insurance policies and from insufficient coverage amounts in existing contracts. The effectiveness of any mandatory insurance will therefore depend on how comprehensively and adequately risks are covered.[19]

Consumer research highlights additional barriers to closing the protection gap, including limited risk awareness, low trust in insurance providers and a lack of understanding about available products. These factors often lead to inadequate demand for insurance or insufficient coverage. International comparisons, such as with Switzerland's mixed system of mandatory insurance, strong state involvement and active private-sector participation, demonstrate that effective risk management requires coordinated efforts across all stakeholders. Even the best insurance models must be complemented by prevention, damage minimisation and widespread risk awareness.[20]

To address these challenges, both the public and private sectors in Austria are called upon to take action. Insurance companies play a key role in raising awareness through targeted information campaigns, transparent products and individualised risk assessments. The state, in turn, must create the right framework conditions for prevention and risk reduction—via incentives, legal requirements and public education.[21]

Belgium

AN UNUSUALLY DRY AND WARM SPRING AND SUMMER

In 2025, Belgium again experienced climate-related events that differed from the average measurements of the past. Water resilience and temperatures were particularly affected.

The spring and summer of 2025 were extraordinary: Across much of Belgium, the seasons proved markedly drier, sunnier and warmer than normal. The Royal Meteorological Institute (IRM) reports many statistics indicating drought and heat for the reference weather station of Uccle. Between March and May, only 54.4 millimetres (mm) of rain were recorded in Uccle, compared with a typical total of 165.6 mm. That amount of precipitation made spring 2025 the second-driest on record, with the only drier spring dating back to 1893. Rain fell on just 20 days across the spring season, far below the usual average of 43.5 days; this marks a new record low since systematic observations began in 1833.[22]

Similarly, summer 2025 was the fifth-driest on record, with 130 mm of rain spread out over 35 rainy days, compared to averages of 234.2 mm over 42.6 days. Temperatures were well above the seasonal norm: The average temperature this spring reached 11.8°C, compared to a normal average of 10.5°C, placing this among the warmest springs on record. The mean daily maximum temperature rose to 16.9°C, against a normal average of 14.7°C, again ranking high historically.[23]

Following the same trend, 2025 saw the fourth-warmest summer on record since 1833 in terms of seasonal average temperature (19.3°C versus 17.9°C). The average minimal temperature was also higher than the norm. Sunshine hours were recorded to be greater than the past average for both summer and spring.[24]

Several other elements underline how unusual 2025's spring was, again using measurements for reference station Uccle. There were 13 thunderstorm days recorded across Belgium during spring, far fewer than normal, matching a record low when considering the average values over years 1991–2020. Summer brought only one tornado, on 7 June. Between March and May, the IRM recorded no days with snow or snow-related precipitation, while the normal is about 3.3 such days. Wind conditions were also unusually calm; the average wind speed during spring was only 3.2 m/s, equalling the lowest recorded value since measurements started in 1879.[25]

On a broader level, spring and summer were characterised by exceptionally low precipitation, both in total volume and in frequency. This stood in sharp contrast with the strong precipitations and floods experienced in 2024.

The unpredictability of water-related events is affecting Flanders in particular. In August 2025, the Flemish commission for drought (Vlaamse Droogtecommissie) put out an orange alert asking the population to reduce the use of drinkable water. A ban on water abstraction from almost all Flemish navigable and non-navigable waterways was also imposed.[26]

Compared to Flanders, Wallonia's water reserves mostly remained at a good level. Only the commune of Léglise was put under orange alert in June, during which citizens were asked to practice economy on drinkable water consumption.[27]

IMPACT OF THESE EXTREME WEATHER EVENTS

Overall, prolonged drought can have several impacts: forest fires with possible effect on communities living nearby, problems for the farming community and ultimately a slowdown in economic growth. Crops are likely to be damaged, especially for farmers who do not use permaculture, which allows them to maintain ground moisture for longer. This damage would ultimately lead to an increase in prices for agricultural goods in the market and a loss for farmers. Moreover, as canals are drying up, which limits their navigability, transportation of goods becomes more expensive.

To help farmers facing adverse conditions, some insurance companies offer coverages for open-air crops. These types of insurances guarantee farmers

with a revenue even if crops are damaged by, for example, heavy rain, drought, frost, snow and storms.[28]

As the consequences of prolonged drought can be of major importance, it is a priority for the government to act towards such problems. The Flemish government began moving in this direction in 2020 with the issue of the Blue Deal, a major investment programme to handle drought and floods. Between 2020 and 2025, the EUR 500 million of investment led to the restoration of 88 kilometres (km) of infrastructure, the creation of 6,300 ha of wetlands, the creation of weirs as water buffering for agriculture, increased collection of extra rainwater for reuse and the reuse of alternative water sources like treated wastewater, among other actions.[29]

Although shifting financial priorities led to a reduction of budget dedicated to climate-related matters, the Blue Deal was extended in July 2025 for the upcoming years, with the allocated budget reduced from EUR 500 million to EUR 330 million. Its aim is still to deal with floods and drought, water quality, groundwater, drinking water and wastewater. However, a more structured and coherent approach was adopted, with a greater focus on integration of initiatives and increased local cooperation. Special attention was also dedicated to the so-called "sponge goals," which refer to how much water needs to be absorbed by nature in case of floods to prevent damages and how much water needs to be retained for periods of drought.[30]

Assuralia, the association of insurance and reinsurance companies in Belgium, published in April 2025 the monitor of climate damage and flood prevention tips.[31]

The monitor provides an amount of the costs related to climate damage for a specific postal code for the past 10 years. In particular, the costs of damages to homes, vehicles and businesses caused by storms and floods are considered. Assuralia also published a list of prevention tips to increase water resiliency of buildings. Among these measures are a ventilation system that can be closed in case of floods, elevation of the entrances to the building, elevation of the ground where the building stands to increase its water retention capacity and barriers on windows and doors to block water in case of flood.

France

SEVERE HEAT AND DROUGHT LEAD TO WILDFIRES AND FLASH FLOODS

The year 2025 confirmed the increase in extreme weather events across France, illustrating a structural worsening of climate hazards. According to Météo-France,[32] the summer of 2025 ranked as the third-hottest on record since records began, with a national average temperature of 22.2°C, which is 1.9°C above the 1991–2020 average. June was particularly remarkable, with an anomaly of +3.3°C, according to the 2025 Summer Climate Report produced by the French Ministry of Ecological Transition.[33]

The heatwave from 8 to 18 August 2025, described as exceptional, saw temperatures exceed 40°C in several regions of the southwest and centre of the country, with repeated tropical nights and sustained heat stress on populations and infrastructure.[34] This heat was accompanied by a rainfall deficit of around 30% across the country.[35]

The BRGM, a French public establishment specialising in soil and subsoil, reported that groundwater levels declined across 54% of the country in September 2025,[36] with the consequences for clay soils exacerbating the subsidence phenomenon. Subsidence was already the main cause of natural disasters in terms of insured costs under the Cat Nat regime over the last 10 years on average, with an average annual cost of EUR 1.6 billion and EUR 3.5 billion for 2022.[37]

The drought conditions have thus contributed to an increase in wildfires: More than 30,000 ha were affected by flames in 2025, with nearly 15,000 fires according to a press release from the ONF.[38] This represented nearly 1.5 times more fires and twice as much burned area as the averages observed between 2006 and 2021.

At the same time, France experienced several notable windy episodes, even though the year was not characterised by a succession of major storms comparable to those seen in the winters of 2010[39] or 2020.[40] The notable event of the fall was Storm Benjamin, which struck western France on the night of 22–23 October 2025, prompting 17 to 19 departments out of 101 to issue orange wind warnings, according to the official bulletin published by Météo-France.[41] The strongest gusts forecast and observed reached 150–170 km/h, particularly in the coastal area of Seine-Maritime and on the Cap Corse. These values were relatively high for an autumn storm and caused downed trees, power outages and varied damage to roofs.

We also note that Cyclone Garance crossed the north of La Réunion on 27 and 28 February 2025. Strong winds and cumulative rainfall caused heavy damage, with nearly 16,000 private and professional claims insured for between EUR 160 million and EUR 200 million by the insurance market.[42]

Flooding was also a feature of the year. At the end of January, floods in Bretagne affected more than 200 homes, forced the evacuation of nearly 1,100 people and paralysed transport networks, with 77 roads cut off and rail traffic interrupted; the total cost, according to the Caisse Centrale de Réassurance (CCR), reached between EUR 130 and EUR 160 million.[43] At the end of May, the Var region experienced nearly 187 mm of rain in six hours, with 124 mm falling in one hour.

But it was the rainy events from September to October that had the greatest impact on the country, causing flash floods and urban flooding. Météo-France reported that September was the rainiest in 25 years.[44] The Cévennes region recorded between 650 mm and 700 mm of rainfall in just 48 hours. According to the CCR, these events caused nearly EUR 420 million in insured damage, confirming the upward trend in rainwater runoff recognised in the Cat Nat regime since 2023.[45]

Finally, several episodes of unusually heavy hailstorms hit the country in the spring of 2025, including one on

3 May in the Île-de-France region, which resulted in more than 61,000 car claims and damage estimated at EUR 334 million, according to France Assureurs.[46]

We can now say that 2025 was a year marked by very severe heatwaves, leading to drought and an increase in forest fires, a new phenomenon in France that is likely to continue in the future. In addition, the year saw massive rainfall events such as cyclones in our overseas territories and multiple episodes of heavy rainfall in mainland France.

IMPACT OF THESE EXTREME WEATHER EVENTS

The Cat Nat scheme is managed by the CCR, a public company that reinsures insurance companies against risks related to natural disasters. France stands out for its nationally pooled Cat Nat coverage system managed by the CCR, which is based on a mandatory surcharge included in all property and casualty insurance policies, whereby insurers compensate claimants and then transfer part of the risk to the CCR, which provides them with public reinsurance backed by an unlimited government guarantee.

The French insurance market in 2025 was deeply affected by an already high claims rate in the first half of the year. According to the CCR,[47] compensated damages reached EUR 525 million as of 30 June 2025, the result of a combination of high-intensity hazards. The first significant event was Cyclone Garance, which hit the island of Réunion in February; its cost to the CCR is estimated at EUR 241 million, reflecting the increasing severity of cyclonic events in overseas territories. Added to this were the floods in Bretagne in January, which caused EUR 80 million in insured damage. Finally, the risk of drought and subsidence,

which has become structural in the French climate landscape, remained surrounded by considerable uncertainty at mid-year. CCR has set aside EUR 158 million to cover the risk in 2025, pending the first consolidated projections.

Faced with this increase in hazards, such as multiple heatwaves, severe hailstorms, intense thunderstorms, rapid runoff, storms and wildfires, the French compensation system is evolving. One of the major levers has been the increase in the Cat Nat surcharge, effective 1 January 2025 (decree of 22 December 2023). This measure, intended to strengthen the system's resources in a context of accelerating climate impacts, is beginning to have a positive effect in terms of resilience by its capacity to build reserves.

Germany

JUNE STORMS, EXTREME HEAT—YET BELOW-AVERAGE INSURANCE CLAIMS

In 2025, Germany experienced several significant extreme weather events that reflected the country's growing exposure to climate-related hazards, even though the financial impact of the year's natural disasters remained below the long-term average. According to the German Insurance Association (GDV), 2025 resulted in approximately EUR 2.6 billion in insured losses from storms, hail, lightning, heavy rainfall and flooding.

Property insurance accounted for around EUR 1.4 billion of that total, with another EUR 500 million from floods and torrential rain; motor vehicle insurance recorded roughly EUR 700 million in storm and flood damages. Absent major autumn and winter storms, insurers expected a below-average total for the year—about EUR 2.6 billion. Still, they emphasised that this temporary dip does not offset the broader trend of increasingly frequent and intense extreme weather events driven by climate change.[48]

The most important and impactful event of the year was the storm system in late June associated with Sturmtief Ziros, which coincided with one of Germany's earliest and strongest heatwaves. Before the storm arrived, high-pressure system Zora brought exceptional heat across the country. Between 20 and 22 June, temperatures surged above 30°C nationwide, reaching up to 37°C in parts of the southwest. This early heatwave was part of a wider, record-breaking warming pattern: By August 2025, Germany had experienced 23 consecutive months with temperatures above the long-term climatic averages. Early July reinforced this trend with peak temperatures of 39.3°C in Andernach and 39.6°C in Wunstorf.

The arrival of Sturmtief Ziros on 22–23 June brought an abrupt end to the heat. As the cold front moved across western and northern Germany, temperatures dropped by more than 10 degrees within hours. The storm triggered severe thunderstorms, heavy rainfall and widespread damaging winds. Berlin recorded gusts up to 108 km/h at the Dahlem weather station, and similarly strong values were seen in Tempelhof and Brandenburg an der Havel. These conditions disrupted transportation, caused localised flooding and led to tree damage and power outages in several regions.[49]

Just a few days later, on 26 June, another line of thunderstorms hit parts of Germany, including Berlin, with wind gusts again reaching around 100 km/h. The repeated storms caused considerable operational disruption: Berlin's S-Bahn had to suspend service twice within a single week due to fallen trees and debris, while forest areas including Spandauer Forst and Tegeler Forst suffered significant damage and required closures for safety and cleanup.[50]

These events highlighted the increasing volatility of Germany's weather patterns, where rapid shifts between extreme heat and severe storms are becoming more common. Despite lower overall insured losses in 2025,[51] in total EUR 3 billion less compared to 2024, insurers stressed the need for a comprehensive national strategy to improve climate adaptation, expand preventive measures and strengthen natural hazard insurance coverage. Only about half of German buildings are currently protected against all major natural hazards, leaving millions of households vulnerable to future extreme events.[52]

In essence, 2025 demonstrated that even years with comparatively moderate damage can include highly disruptive weather extremes, with Sturmtief Ziros and the accompanying heatwave standing out as the dominant climatic events shaping Germany's risk landscape.[53]

IMPACT OF THESE EXTREME WEATHER EVENTS

Extreme heat and escalating natural hazards in Germany are increasingly exposing a structural vulnerability in the country's insurance landscape. Despite rising climate risks, a significant share of economic losses remains uninsured. In 2024, natural

disasters caused approximately EUR 6.28 billion in overall damages, yet only EUR 2.32 billion of these losses were covered by insurance—leaving a protection gap of 63%. This gap is not an anomaly: Over the 10-year period from 2015 to 2024, only 43% of total natural-catastrophe losses (EUR 72.4 billion) were insured. As extreme weather intensifies—through heatwaves, heavy rainfall, flooding and storms—this widening gap directly affects clients across the insurance and regulatory sectors.[54]

A particularly critical issue highlighted by recent findings is the insufficient coverage of municipal buildings such as schools, town halls, kindergartens, sports halls and fire stations. A study by the University of Hohenheim, commissioned by the GDV, shows that many municipalities still lack adequate natural hazard insurance despite being increasingly exposed to floods and severe rainfall. Coverage levels vary sharply by region: While 70% of municipalities in Baden-Württemberg report having purchased natural hazard insurance for their buildings, the share drops to 55% in Thuringia and 50% in Hesse. Baden-Württemberg's relatively high uptake is likely the result of a historical insurance mandate no longer in place elsewhere.[55]

The regulatory challenge is compounded by the fact that many municipalities continue to rely on federal or state emergency aid to cover uninsured losses. In Hesse, 31% of surveyed municipalities indicated that they expect government support should damage occur without insurance coverage. This share rises to 48% in Baden-Württemberg and 60% in Thuringia.[56] However, such aid is only granted in exceptional disaster situations, meaning that reliance on it introduces significant financial risk and potential delays in rebuilding essential community infrastructure. Furthermore, the study shows that even municipalities aware of insurers' faster claims processing and advisory services do not consistently translate that knowledge into the decision to buy coverage.[57]

For insurers, these trends signal growing market, operational and reputational risks. Increasing natural hazard exposures—heat-driven storms, flash floods and heavy precipitation—will likely lead to higher claims volatility, rising loss ratios and the need for more sophisticated risk modelling. The persistent protection gap limits premium volume growth while increasing the probability of political intervention, including debates about mandatory insurance schemes, opt-out models or state-backed reinsurance solutions.

To address Germany's growing climate risks and insurance protection gap, the GDV proposes a comprehensive strategy with three key elements:[58]

1. Comprehensive, voluntary insurance with opt-out: The GDV recommends that natural hazard (elementary) insurance should become the standard for all property owners, with coverage automatically included but also the option to opt out. This approach would significantly increase the proportion of insured buildings, reducing the financial vulnerability of both households and municipalities.
2. Binding prevention and climate adaptation: The concept calls for legal requirements to ensure risk-aware planning and construction. Key measures include a building ban in flood-prone areas, a nationwide natural hazard certificate, targeted de-sealing of land and mandatory climate risk assessments for building permits. These steps would help minimise future losses and increase resilience to climate change.
3. Public-private partnership for extreme risks: For rare, catastrophic events that could destabilise the insurance market, a safeguarding mechanism is necessary. The GDV suggests a public-private partnership model that provides a financial backstop for extreme scenarios, supporting market stability without crowding out private insurance solutions.

Only the interplay of these components can keep natural hazard insurance both affordable and widely available, helping insurers and regulators close the protection gap and build resilience.[59]

For regulators, the implications are equally significant. Extreme weather amplifies the urgent need for climate adaptation frameworks, including stricter zoning rules, construction prohibitions in high-risk flood zones, mandatory hazard disclosures (such as a national natural hazard certificate) and more rigorous risk assessments in the building-permit process. Regulators also face mounting pressure to enhance the resilience of public infrastructure and address the systemic risk posed by underinsured municipal assets.

Overall, extreme heat and other weather events will intensify the financial and operational strain on both insurers and regulators. The combination of a large and persistent protection gap, underinsured public buildings and rising climate volatility underscores the need for a coordinated approach that integrates insurance coverage, climate adaptation and risk-informed planning to protect communities and ensure financial stability.

Ireland

WINDS DESTROY TIMBER, CAUSE MILLIONS IN INSURED LOSSES

Ireland kicked off 2025 with January's Storm Éowyn, which proved to be one of the most severe storms experienced in the country in living memory. Storm Éowyn set a new national wind-speed record of 183 km/h, breaking a record that had stood since 1945. The storm was a nationwide event, with multiple weather stations recording wind speeds exceeding 130 km/h.[60]

The storm has been described as a "once in a generation" event in Ireland. It marked the first time a status red wind warning was issued simultaneously for the entire country, resulting in a nationwide lockdown that closed schools and offices and brought public transport to a halt. The financial impact of the storm was immense: With insurance losses exceeding EUR 300 million, it became one of the costliest weather-related insurance events in Irish history.[61]

Storm Éowyn exposed major vulnerabilities in national infrastructure and preparedness. More than 768,000 homes and businesses were left without power, with some customers waiting more than two weeks for reconnection. A record number of trees were blown down, with more than 23,000 ha of forest worth an estimated value of EUR 500 million destroyed.[62] Most of the impacted area consisted of commercial forestry, though some natural woodland was also badly damaged. The volume of timber lost was equivalent to almost 2.5 times the country's annual timber harvest. The long-term ecological impacts are still being assessed, including concerns about soil erosion and biodiversity loss in storm-hit regions.

The storm resulted in 33,768 insurance claims, with household damage accounting for 67% of claims and business claims making up 29%. However, business claims represented 55% of the overall cost, with an average claim of EUR 17,000 compared to EUR 5,745 for households. Motor claims comprised the remaining 4%, representing 2% of the total cost.[63] During the storm and its immediate aftermath, insurance companies took a number of actions to support affected customers. This included extensive communication through direct and public channels, the deployment of emergency claims teams and significant overtime to ensure timely, tailored support that minimised disruption to customers.

After the destruction of Storm Éowyn, Ireland moved into an unusually warm spring. Spring 2025 became the warmest and sunniest ever recorded, with an average temperature of 10.62°C.[64] This trend continued into the summer: By the end of August, it was confirmed that summer 2025 was the warmest in Irish history, with an average temperature of 16.19°C, which is 1.94°C above Ireland's long-term average.

Several factors contributed to the heat felt across June, July and August. Prolonged dry spells left the soil drier than usual, resulting in less evaporative cooling and allowing heat to accumulate and linger for longer. Warm air masses to the south, from western and central Europe, occasionally pushed north over Ireland, bringing short hot periods during August.[65] The seas around Ireland were unusually warm too, with a marine heatwave off the coast in May and significantly higher sea surface temperatures than average for that time of year;[66] sea surface temperatures remained elevated throughout the summer.

Despite the record-breaking warmth, Ireland did not experience extreme heat events comparable to those seen elsewhere in Europe. Although temperatures remained below thresholds associated with acute heat stress, sustained periods of mild but persistent heat can still have significant environmental and economic impacts.

In October, Ireland was hit by Storm Amy, which brought strong winds and heavy rain mainly to the northwest of the country. While not as extreme as

Storm Éowyn, Amy still caused widespread power outages and damage to buildings, roads and farmlands.

In November, Storm Claudia brought widespread rain that led to localised flooding in several regions. Rivers overflowed, roads were blocked and a number of homes and farms were hit by repeated flooding.

IMPACT OF THESE EXTREME WEATHER EVENTS

The losses from Storm Éowyn highlighted ongoing issues and concerns about underinsurance. Several insurers noted that a portion of policyholders, particularly small businesses and older properties, were underinsured relative to reconstruction costs.[67] The Central Bank of Ireland's most recent review found that underinsurance in home policies rose sharply in recent years, with an average 19% reduction applied to claims where sums insured were below rebuild costs.[68] This gap is likely to widen as construction inflation, climate-related losses and ageing homes continue to increase replacement costs.

The events of 2025 underscore the critical importance of appropriate insurance coverage in supporting recovery and preparing for a future marked by more frequent and more severe weather-related events.

While storm damage has been the key driver of weather-related claims in 2025, flood and coastal erosion events are projected to increase in frequency and severity. This is expected to have a significant impact on buildings and transport infrastructure. In the longer term, extreme heat is expected to become a material risk in Ireland, although there have been limited extreme heat events in Ireland to date.[69]

Italy

SEVERE RAIN AND THE OTHER EXTREME: DROUGHT LEADING TO CROP LOSS

In recent years, Italy has experienced a marked intensification in extreme weather events, with 2025 standing out as one of the most critical years of the past decades. National assessments report approximately EUR 6.8 billion in economic losses attributable to drought, EUR 4.5 billion linked to flooding and EUR 494 million resulting from extreme heat.[70] These figures underscore the increasing frequency and severity of climate-related disruptions affecting the country's socioeconomic systems and highlight the vulnerability of critical sectors such as agriculture, infrastructure and public health.

The summer was particularly noteworthy, with prolonged heat and drought that slashed agricultural yields and strained energy systems. These shocks are expected to drive up long-term food and energy prices, fuelling further inflation—and current estimates likely understate the true economic burden, as they do not fully capture compounded effects such as simultaneous drought, wildfires and labour productivity losses caused by extreme temperatures.[71] Taken together, the 2025 climate anomalies signal a structural shift in how climate change is reshaping public finance, agricultural policies and monetary stability in Italy.

In Italy, heatwaves especially have become increasingly severe, with temperatures in many Italian cities consistently exceeding 40°C for several consecutive days,[72] leading to millions of euros in economic losses.[73] The widespread presence of impermeable surfaces, scarcity of green spaces, dense construction patterns and heat released by air-conditioning systems contribute to increasingly hostile urban environments. Although heatwaves cause relatively little direct physical destruction, they substantially reduce labour productivity in sectors such as construction and hospitality. Losses can only be estimated by establishing a counterfactual scenario of what economic activity would have been in the absence of extreme temperatures; according to this approach, in 2025 heatwaves led to significant losses in Imperia (EUR 67.8 million), Lucca (EUR 176.8 million), Grosseto (EUR 85.9 million) and Frosinone (EUR 163.5 million), where the urban heat island effect amplified perceived temperatures by up to 4°C compared with surrounding rural zones.[74]

Alongside extreme heat, 2025 was marked by severe drought conditions. Northern Italy experienced a sharp decline in water availability, with the Po River basin under significant stress and pre-Alpine lakes often falling below seasonal averages. This situation created major disruptions for agriculture, particularly in Lazio, Campania and Sicily, where water-intensive crops, such as maize, rice and soy, recorded substantial production losses.[75] In central and southern Italy, drought exacerbated long-standing structural weaknesses, such as limited water storage capacity and outdated hydraulic infrastructure. Several major cities recorded substantial economic impacts: Naples (EUR 748.2 million), Rome (EUR 2.1 billion), Bari (EUR 351.7 million) and Palermo (EUR 298 million).[76]

At the same time, other areas of the country confronted the opposite phenomenon: sudden, intense rainfall that triggered flooding, landslides and extensive damage to infrastructure. Regions in central and northern Italy—including the Marche, Tuscany, Veneto and Emilia-Romagna—experienced violent cloudbursts with destructive outcomes that overwhelmed urban drainage systems and affected territories already prone to hydrogeological instability. For example, Milan typically receives 1.5 billion cubic metres of rain per year and an average summer rain amounting to 23.6 million cubic

metres of water, of which 84% runoffs, in 2025 saw peaks of 126 mm of rainfall in a day and 1,240 mm total in some areas; this could lead to EUR 1.9 billion in losses.[77]

Between 15 and 17 April, Piedmont experienced extreme precipitation similar to what caused the 1994 and 2000 floods.[78] Some cities received more than 500 mm of rain in 48 hours, which could lead to almost EUR 700 million in economic damages. The region declared an emergency state and allocated EUR 18 million to address the initial damages.[79]

IMPACT OF THESE EXTREME WEATHER EVENTS

According to Swiss Re, Italy faces a 78% protection gap against natural disasters,[80] and insurers operating in Italy will face mounting pressure due to the growing frequency and severity of climate-related events. Heatwaves, droughts, floods and coastal storm surges—such as those documented in 2025—will drive higher claim frequency and escalating claim severity. Flooding in medium-sized cities such as Ancona or Agrigento, windstorm damage in exposed inland areas and coastal storm impacts in municipalities like Fiumicino illustrate that a broader set of territories—not only major metropolitan centres—are increasingly at risk. This widens insurers' geographic risk footprint and complicates pricing strategies for climate-sensitive product lines.

The impact of extreme weather on all insurer portfolios

Heat-related mortality and morbidity are expected to increase and affect life, health and disability insurance portfolios. Higher rates of hospital admissions during peak heat periods, alongside the long-term health effects of chronic exposure to high temperatures,[81] will place additional pressure on medical claims. At the same time, excess mortality during heatwaves introduces volatility in life insurance results. Reduced labour productivity during prolonged heat spells may also lead to increases in workers' compensation claims and business interruption losses, especially in sectors reliant on outdoor labour or temperature-sensitive environments.[82]

Property insurers will face growing exposure as infrastructure ages and becomes less capable of withstanding extreme temperatures, soil subsidence linked to drought or intense rainfall events. The EUR 11.9 billion in climate-related damages recorded in 2025 illustrates the current scale of losses, while projections reaching EUR 34.2 billion per year by 2029 underscore the likelihood of progressively more severe claims environments.[83] In such a scenario, insurers may need to redesign products, adjust premiums substantially or withdraw from high-risk markets if losses escalate faster than premiums can be raised to compensate, and support their clients in strategy adaptation implementation.

Regulatory scrutiny of climate-related financial risks

Regulators, both in Italy and across Europe, will intensify scrutiny of climate-related financial risks. Supervisory frameworks—such as those promoted by the European Insurance and Occupational Pensions Authority (EIOPA)—are increasingly emphasising the need for robust climate-risk stress testing, stronger capital requirements and enhanced transparency in insurers' exposure to climate-related perils. Regulators may also strengthen consumer-protection measures, particularly for vulnerable populations such as older adults or low-income households, who are disproportionately affected by extreme temperatures and often reside in less-resilient housing.

Urban planning and adaptation policies will represent an additional area of regulatory focus. As medium-sized cities—neither endowed with the resources of major metropolitan areas nor small enough to avoid significant exposure—experience mounting climate impacts, regulators may require municipalities to adopt updated resilience plans, improve drainage and stormwater systems, expand heat-alert networks and invest in green infrastructure. These requirements may create new compliance obligations or capital investment needs for insurers, particularly within the framework of sustainable finance and resilience-building initiatives.

Ultimately, the intensification of extreme heat and climate events in Italy will reshape both insurance markets and regulatory structures. Insurers will need to innovate, adapt pricing models and strengthen risk assessments, while regulators will work to ensure systemic stability and long-term resilience in a rapidly evolving climate landscape.

Luxembourg

SWINGS BETWEEN EXTREME RAINFALL AND PROLONGED DROUGHT

In Luxembourg, as in other countries, the spring and autumn of 2025 showed weather-related measurements that significantly differed from long-term averages.

Notably, between March and May and into the summer, a combination of above-average temperatures, severe rainfall deficit and exceptionally high sunshine hours were recorded. According to MeteoLux, spring 2025 had a seasonal average temperature that reached approximately 10.6°C, about 1.0°C higher than the 1991–2020 climatological norm, making it one of the warmest springs in recent decades. All three months contributed to this warmth, with March averaging 7.3°C, April 10.8°C and May 13.7°C.[84]

Also, during the summer, temperatures were above the long-term 1991–2020 average, with early summer (especially June) showing a strong warm anomaly: In June, the average temperature reached about 18.9°C, which scores 2.2°C above normal.

During spring, rainfall was significantly below normal, while for summer the overall cumulative rainfall was slightly above the long-term average. For the months of March, April and May, total precipitation measured approximately 105.7 l/m2, representing a 41% deficit compared to the long-term seasonal average. March and May were particularly dry, with, respectively, only 12.4 l/m2 (compared to the long-term average of 56.6 l/m²) and 43.1 l/m² (compared to the long-term average of 73.3 l/m²) of rainfall. The number of days with measurable precipitation was also reduced during spring, contributing to widespread soil dryness. Ultimately, this could pose a risk to agriculture and water resources.

Sunshine levels were extraordinarily high, totalling about 775 hours for the spring season, which places spring 2025 among the sunniest on record. Following the same pattern, June recorded about 280 hours of sunshine, which also made it among the sunniest Junes ever recorded (16% more than the long-term average).

The combination of abundant sunshine and reduced rainfall further accentuated drought conditions, contributing to a cumulative effect of soil moisture reduction. Yet despite these conditions, the agricultural sector did not suffer any significant damage.

In contrast to the dry spring and summer, September 2025 stood out with record-breaking rainfall: The month saw 265 l/m², 298% more than the long-term average for that month, making it the wettest September on record since measurements began in 1947. The persistent rainfall contributed to a substantial surplus of precipitation over the early autumn period.[85]

During this period, southern Luxembourg faced a red flood alert, while the north of the country was placed under an orange alert. Within just 24 hours, the country received almost twice the average rainfall typically recorded for the entire month. As a result of strong rainfall, floods caused damages to homes, vehicles and infrastructure, for an amount that exceeded EUR 8 million[86] but could have been much worse according to the Luxembourg Institute of Science and Technology (LIST).[87]

This alternation between periods of intense rainfall and prolonged drought poses increasing risks to infrastructures, hydrological and agricultural systems, and ultimately to the socioeconomic interests of the country.

IMPACT OF THESE EXTREME WEATHER EVENTS

Extreme heat and drought but also extensive rainfall pose risks to Luxembourgian farmers. Heat and drought also increase the risk of wildfire. Even though Luxembourg has not yet experienced significant wildfires, the forests of the country are deemed at extreme risk, and multiple initiatives have been launched in recent years to help prevent and mitigate this peril.[88]

To strengthen the country's preparedness for extreme weather events in general, the government updated its crisis management plan in January 2025. The revised plan outlines emergency response measures, communication procedures for issuing alerts to the population and the roles and responsibilities of key institutions during a crisis. A Joint Operational Command Post was also established to improve coordination among stakeholders.

The overarching goal of this plan is to safeguard citizens and the country as a whole, including—but not limited to—its economic stability.[89]

The Netherlands

HIGH HEAT AND LOW RAINFALL RAISE WILDFIRE AND SUBSIDENCE RISKS

In the Netherlands, 2025 was characterised by above-average temperatures, lack of precipitation and increased water evaporation, which led to drought.

KNMI, the Dutch meteorological office, recorded an average temperature of 18.5°C during the summer, compared to the overall average of 17.5°C. Similarly to some other European countries, the summer of 2025 was the fourth-warmest Dutch summer since temperature measurements started in 1901. There were two heatwaves and very few cooler days. In particular, June was the second-warmest since 1901, while July and August were both characterised by heatwaves. KNMI also recorded the lowest level of rain in the first three months of the year since 1997.[90]

Drought has several consequences, including an increased number of wildfires. Wildfires have not yet had major effects on the population and on the economy, but their increasing intensity threatens the flora and fauna and the social and economic interests of the country. In just the first months of 2025, the Netherlands experienced more than twice the number of wildfires reported throughout all of 2024. In particular, April saw an average of seven reports per day.[91]

As conditions were considered to be at very high risk, some natural reserves were closed, and in other locations vehicles were banned. Because nature and human activities are very interconnected in the Netherlands, small wildfires may result in major consequences, such as the evacuation of campsites, the closure of highways and impacts on the healthcare system.[92]

Moreover, the average groundwater level is decreasing in many parts of the country as a consequence of long-term drought. This has a damaging effect on infrastructures and housing foundations, as described in the next section.

IMPACT OF THESE EXTREME WEATHER EVENTS

Lack of rainfall might possibly cause harm to the natural environment, leading to an increase in plant and animal deaths. As a result, the agricultural sector might suffer due to damage to crops and lower yields. In addition, the reduced navigability of rivers and canals can create issues with transportation and might lead to increased costs, further damaging the economy.[93] Although warnings have been issued, effects have been limited during 2025. In particular, the harvest for ware potatoes and seed onions has been higher compared to previous years.[94]

On the other hand, damage to housing foundations is escalating into a national crisis in the Netherlands. This is caused by climate change, the resulting decrease in average groundwater levels and an increase in soil subsidence.

Building foundations were largely made of wooden piles until the 1970s. As long as they remained below groundwater level, these foundations stayed in good condition. More recently, however, foundations are being damaged as prolonged drought increasingly exposes them to oxygen. In addition, many buildings and infrastructure stand on shallow foundations, which construction companies also used widely until the 1970s. These are very sensitive to soil subsidence and are therefore being negatively affected by the current climate.[95]

The Dutch Council for the Environment and Infrastructure issued a warning about these trends in 2024, but few concrete changes have been made to address them. As action is delayed, the cost for repairs, which might already exceed EUR 70,000 per house,[96] is likely to further increase. These costs will have to be sustained by households and by housing corporations, which will also need to balance the goal of offering more affordable housing. Mortgage providers are also likely to experience the negative effects of the decrease in value of the collateral due to foundation damage.[97]

As foundation damage is not an uncertain event, insurers do not provide coverage for such problems. Therefore, the Dutch Association of Insurers is making an appeal to local authorities to take action to prevent further damage.

A national intervention is also needed to avoid fragmentation in policy and to clearly distribute responsibility among municipalities and the government. A central database, a dedicated well-structured financing system and clear procedures are also needed according to the Council for the Environment and Infrastructure (Goed Gegrondeerd).[98]

Poland

COEXISTENCE OF DROUGHTS AND PLUVIAL FLOODS

According to the Institute of Meteorology and Water Management (IMGW-PIB), 2025 continued the warming trend observed over the last decade, with average monthly temperatures consistently exceeding the 1991–2020 reference period. However, 2025 did not reach the same monthly extremes as those recorded in 2024.[99]

In 2025, Poland continued to exhibit hydrological duality, or the coexistence of droughts and flash floods. According to the 14th drought assessment issued by the System of Agricultural Drought Monitoring (SMSR),[100] drought conditions persisted in several regions despite late-summer rainfall. Between 1 August and 30 September, drought was confirmed in 20 municipalities, primarily in the Mazovia and Łódzkie regions. Significant agricultural areas experienced moisture stress during the growing season. And about 16% of all municipalities in Poland experienced drought conditions (3.6% of agricultural land) for spring cereals; winter cereals were similarly impacted, with drought observed in nearly 2% of agricultural land.

Although seasonal rainfall improved soil moisture levels across most of the country, some areas, such as parts of Mazovia, received only about 40% of normal September precipitation levels. Temperatures remained elevated, exceeding long-term averages by roughly 1.0°C –1.5°C and potentially limiting the full recovery of soil moisture levels.

FIGURE 3: AVERAGE TEMPERATURE IN POLAND OBSERVED IN EACH MONTH, EXPRESSED AS QUANTILE RANGES RELATIVE TO THE 1991–2020 REFERENCE PERIOD

MONTH\YEAR	2023	2024	2025
January	>0.95	0.60 – 0.70	0.90 – 0.95
February	0.60 – 0.70	>0.95	0.40 – 0.60
March	0.70 – 0.80	>0.95	0.90 – 0.95
April	0.20 – 0.30	0.90 – 0.95	0.90 – 0.95
May	0.30 – 0.40	>0.95	<0.05
June	0.70 – 0.80	>0.95	0.70 – 0.80
July	0.60 – 0.70	0.80 – 0.90	0.40 – 0.60
August	0.80 – 0.90	0.90 – 0.95	0.30 – 0.40
September	>0.95	>0.95	0.80 – 0.90
October	0.90 – 0.95	0.70 – 0.80	0.40 – 0.60
November	0.40 – 0.60	0.30 – 0.40	0.40 – 0.60
December	0.70 – 0.80	0.80 – 0.90	0.80 – 0.90

LEGEND:

QUANTILE	CHARACTERISTICS
>0.95	extremely warm
0.90 – 0.95	anomalously warm
0.80 – 0.90	very warm
0.70 – 0.80	warm
0.60 – 0.70	slightly warm
0.40 – 0.60	normal
0.30 – 0.40	slightly cold
0.20 – 0.30	cold
0.10 – 0.20	very cold
0.05 – 0.10	anomalously cold
<0.05	extremely cold

Source: IMGW-PIB, Polish Climate Monitoring Monthly Bulletins

Unlike the river floods of 2024, the 2025 flood risk was pluvial (rain-driven) rather than fluvial (river-driven). An illustrative and exceptionally extreme case in 2025 occurred in the Lower Vistula water region, where the equivalent of a month's average precipitation was recorded within a single 24-hour period. Notable instances include Gdańsk-Świbno, which recorded 136.8 mm of rainfall—setting a new daily record for the station; Elbląg, with 70.2 mm, exceeding its previous record by more than double; and Tolkmicko, registering 83.2 mm, nearly matching its historical maximum.[101]

FIGURE 4: SEVERE WEATHER EVENTS REPORTED FOR POLAND IN 2024 AND 2025

EVENT TYPE	2024	2025
Severe wind	3,393	1,477
Large hail	622	594
Heavy rain	1,234	387
Tornado	20	35
Damage lightning	170	31
Ice accumulation	42	-
Avalanche	4	-
Heavy snowfall	2	-
Lesser Windwirl	2	-
TOTAL	**5,489**	**2,524**

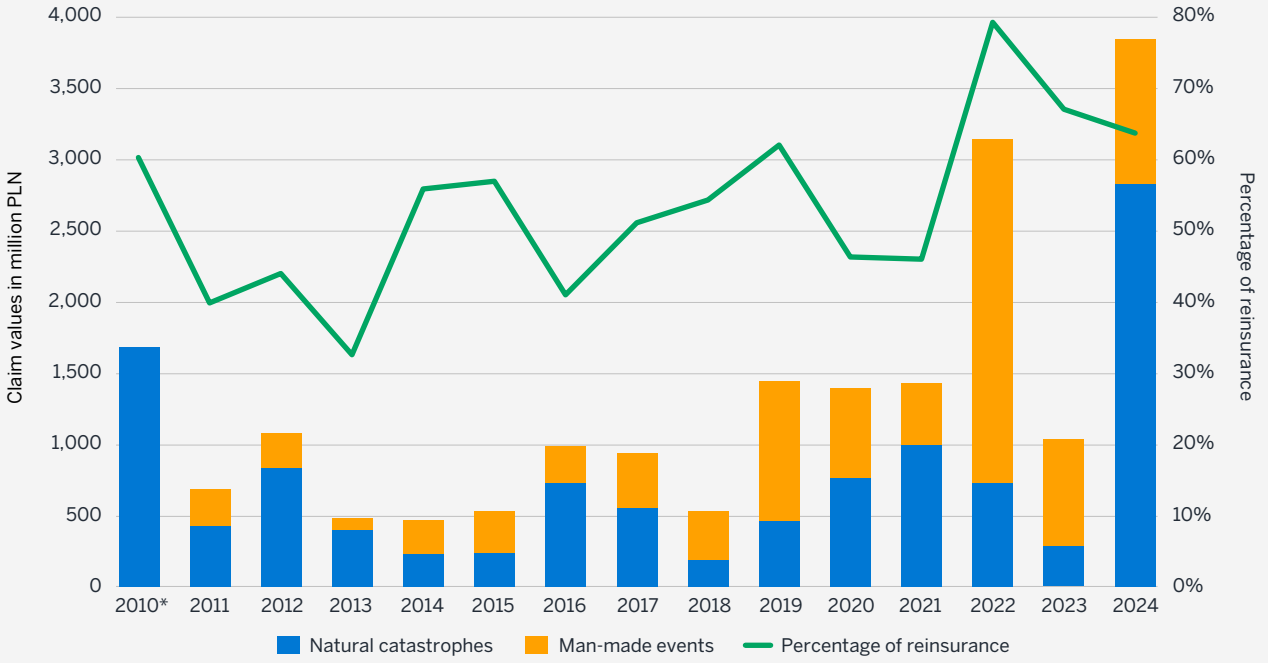
Source: European Severe Weather Database

Based on data from the European Severe Weather Database (ESWD),[102] which aggregates reports of extreme events across Europe, a total of 2,524 extreme weather events were reported in Poland in 2025. For comparison, 5,489 events were reported in 2024. These included severe wind, heavy rainfall, large hail, ice accumulation and damaging lightning.

It should be noted that the ESWD dataset is event-report based and may include multiple records for the same extreme event. It also refers to damage affecting non-insured public infrastructure. Thus, ESWD might be used for frequency and typology of severe phenomena but with careful interpretation of the event counts.

For comparison, data from the national insurance supervisor for 2024[103] indicate that 68 independent disasters were officially recognised by non-life insurers,[104] including nine natural and 59 man-made events. For natural disasters, the reported claim values were PLN 2.8 billion (EUR 661 million).[105] The amounts reported for 2024 were 10 times higher than in 2023 due to the flood that occurred in the southern part of Poland in September 2024, generating total claims of PLN 2.129 billion (EUR 498 million).

FIGURE 5: HISTORICAL CATASTROPHIC LOSSES



Source: Polish Financial Supervision Authority. (September 2025). Information regarding catastrophic events in 2024. Retrieved 14 February 2026 from https://www.knf.gov.pl/knf/pl/komponenty/img/Informacja_dotyczaca_zdarzen_katastroficznych_w_2024_roku_95230_95234.pdf.

IMPACT OF THESE EXTREME WEATHER EVENTS

Considering the reported severe weather events and historical natural-disaster claim patterns, and excluding the 2024 flood, the total value of natural catastrophe losses in 2025 is unlikely to exceed approximately PLN 850 million (EUR 200 million), subject to revision as late claims are recorded.

In the latest stress-testing requirements, the insurance supervisor explicitly incorporated climate-related risk into the framework applied to insurers.[106] The scenario assumes projections contained in the Climate Impact Explorer database, provided by the Potsdam Institute for Climate Impact Research; ETH Zurich; and Climate Analytics, namely an increase in Poland's average annual temperature to around 10.9°C in the years 2030 to 2035 and nearly 12.5°C by 2050. Considering the average national temperature recorded in 2023—10°C—this corresponds to an increase of 9% and 25%, respectively.[107]

Going forward, it is expected that the probability of extreme atmospheric phenomena, such as hailstorms, tornadoes and cloudbursts, will rise, together with the cost of reinsurance. However, all such projections should be regarded solely as elements of an extreme scenario for capital assessment purposes and not as a forecast to be translated into short-term operational adjustments.

The extreme stress-test scenario assumes that an x% increase in temperature results in an x^2 increase in the frequency of hailstorms, tornadoes and cloudbursts. Thus, a 9% rise in average temperature is projected to result in an 81% increase in claim frequency of hailstorms, tornadoes and cloudbursts between 2030 and 2035. If temperatures were to rise by 25% by 2050, the frequency of these claims could increase by 625% of its current level.[108] The retention limits in CAT XL programs are assumed to grow relative to 2024 levels by 150% in 2030 and by 225% in 2050, reflecting an increase in the price of reinsurance for natural catastrophe risks.

In addition, stress-testing methodology includes hail risk assessment, which is expected to be incorporated into the Solvency II standard formula for Poland in 2027.

Portugal

SIGNIFICANT WILDFIRES FOLLOWED BY AUTUMN STORM

For Portugal, 2025 will likely go down as one of the most dramatic years in terms of climate-driven disasters. After a brutal summer of heat and drought triggered massive wildfires, a powerful late-autumn storm—Storm Cláudia—flooded and battered large parts of the country. Together, these events exposed how fragile the balance can be when climate extremes hit back to back.

In early August the authorities declared a nationwide "state of alert" due to heightened wildfire risk. Because high temperatures and dry conditions persisted, the government extended the alert beyond its initial period, maintaining the same restrictions. Under this alert, strict preventive measures were mandated: Access to forest areas was restricted, burning (including agricultural or residue burn-offs) was prohibited and use of machinery in risky rural and forest zones was suspended.[109, 110]

At the same time, emergency services—firefighting brigades, civil protection and other security forces—were mobilised nationwide. As the fires spread rapidly, several large incidents triggered the activation of the EU Civil Protection Mechanism for international assistance, including the deployment of Canadair water-bombing aircraft.[111]

Because of the scale and severity, many of the burned fires were described as "mega-fires," with some alone consuming tens of thousands of hectares.[112]

By late summer, official figures indicated the wildfire season was among the worst in Portugal's recent history. Later in the year, official numbers confirmed

that Portugal had suffered an extremely severe wildfire season: In 2025, there were 200 fires mapped and a total of 278,917 ha burned.[113]

This figure significantly exceeds earlier national estimates and underscores how 2025 became one of Portugal's most destructive years on record for wildfires. The large, burned area reflects not only frequent ignition events but also fires of extraordinary size and intensity, many of which affected large forested and rural zones across the country.

Just as the country began to emerge from the wildfire crisis, a powerful storm—Storm Cláudia—struck Portugal in mid-November, adding flooding and wind damage to an already hard-hit landscape. The national civil protection authority, Autoridade Nacional de Emergência e Proteção Civil (ANEPC), reported 4,017 incidents between Wednesday and Sunday linked to the storm, more than half of them floods.[114] Areas most affected included the Setúbal Peninsula, Greater Lisbon, the Porto metropolitan area and the Algarve. The emergencies ranged from flooded homes and roads and fallen trees and landslides to structural damage from wind.[115,116]

In a single night, ANEPC recorded 86 separate incidents—including 68 floods, six tree falls and four landslides—which led to the mobilisation of hundreds of personnel and dozens of emergency vehicles and other assets. As rainfall and wind intensified, the authorities expanded warnings, including red alerts from the national meteorological agency, Instituto Português do Mar e da Atmosfera (IPMA), for persistent heavy rain and coastal agitation. At least two fatalities were reported, and there was significant damage to homes and infrastructure.[117]

Combined, the 2025 wildfire and storm seasons illustrate the cascading nature of climate extremes: a dry, fire-prone summer followed by a wet, flood-prone autumn, a pattern that experts warn may become more frequent in a changing climate.

IMPACT OF THESE EXTREME WEATHER EVENTS

Despite the dramatic scale of destruction, no credible public figure has yet been published estimating the total economic cost of the 2025 disasters—whether insured losses, reconstruction costs or broader socioeconomic damages. However, the government and civil protection authorities have implemented concrete measures to help protect the country, including declaring and extending national fire alerts, banning risky activities during the alert, mobilising national and international firefighting resources, and responding to flood/wind emergencies during Storm Cláudia with incident registration, rescue efforts and public warnings.

Romania

HEAT, DROUGHT AND CROP LOSS—BUT INSURANCE AND STATE AID HELPED FARMERS

The countrywide average temperature for the summer of 2025 was 22.7°C, 1.4°C higher than the median of the standard reference period (1991–2020). As a result, the summer of 2025 ranks fourth among the warmest summers (similar to other European countries) in the 1901–2025 period, after those of the years 2024, 2022 and 2012.[118]

The deviation of the mean air temperature in the summer of 2025 from the median of the standard reference interval (1991–2020) was positive at all meteorological stations. It exceeded 1.5°C at 65 meteorological stations. The largest positive anomalies, above 2.0°C, were recorded at stations in the southwest of the country, while at 90 meteorological stations, mostly located in the central and eastern regions, the positive deviation ranged between 1.0°C and 2.0°C. At 35 meteorological stations, mostly situated in the north and northwest of the country, the positive deviation ranged between 0.5°C and 1.0°C. The maximum deviation value was 2.8°C, which was recorded in the south of Romania with the maximum temperature recorded being 43.4°C. There were more than 70 tropical days—defined with temperature over 30°C—and more than 30 canicular days, defined with temperatures over 35°C. Similarly, there were more than 30 tropical nights throughout the year.

The countrywide average precipitation amount for the summer of 2025 was 122.0 mm, which is 43.2% lower than the reference period (1991–2020). Thus, the summer of 2025 ranks fifth among the driest summers in the 1901–2025 period, based on the countrywide average (a little more than 200 mm). The deviation of the precipitation amount in the summer of 2025 from the median of the standard reference interval (1991–2020), calculated in percentages, was negative at most meteorological stations in the national observation network. These combined patterns of warmer-than-normal temperatures and substantially reduced precipitation increased agricultural moisture stress across large areas. Such drier-than-average conditions were reported across much of southeastern Europe during the summer of 2025.

Another characteristic of the summer season was atmospheric instability, which manifested through phenomena such as squalls, thunderstorms and convective rain showers accompanied by hail (nationally, during the summer of 2025, there were 174 areas where hail occurred). These phenomena occurred throughout the year. These short-duration convective extremes caused localised flooding, crop damage and many of the insurance notifications recorded in the first half of the year.

IMPACT OF THESE EXTREME WEATHER EVENTS

Insurance for climate risks in Romania

Romanian insurers cover climate risks including drought in their policies, and in 2022 a Drought Index – Soil Relative Moisture parametric insurance product was also introduced by one private insurer.[119] It covers losses caused by the average deficit of relative soil moisture for spring crops (corn, soybeans, sunflower) and winter wheat. Damage assessment is based on the soil moisture index, which is calculated from daily measurements of relative water content in the topsoil layers. Data is collected via satellites, providing precise coverage of all arable land without the need for on-site sensors.

Daily moisture index values are available for each administrative-territorial unit (ATU) at a 500 m-by-500 m grid resolution, independent of weather conditions. Weighted values at the ATU level determine the daily reference and actual moisture index. Soil relative moisture indicates the water content of the topsoil, expressed as a percentage: Zero percent

represents completely dry soil with no water available to crops, while 100% indicates fully saturated soil unable to absorb more water. Compensation is paid for all areas of a crop within the selected ATU when the soil moisture index reaches or exceeds the trigger threshold during the relevant growth stage.

Farmers can insure their land with 70% of the gross written premium subsidised by the Agency for Financing Rural Investment under measure 17.1 (Insurance premiums for crops, animals, and plants).[120] The goal is to encourage farmers to participate in private insurance schemes for the proper management of risks that may affect their agricultural production, motivating them to benefit from insurance as well as expanding the range of insurable risks offered by insurance companies. Yet agricultural insurance represents only 0.8% of the entire national insurance portfolio, as stated in 2024 by the president of the Financial Supervisory Authority.[121]

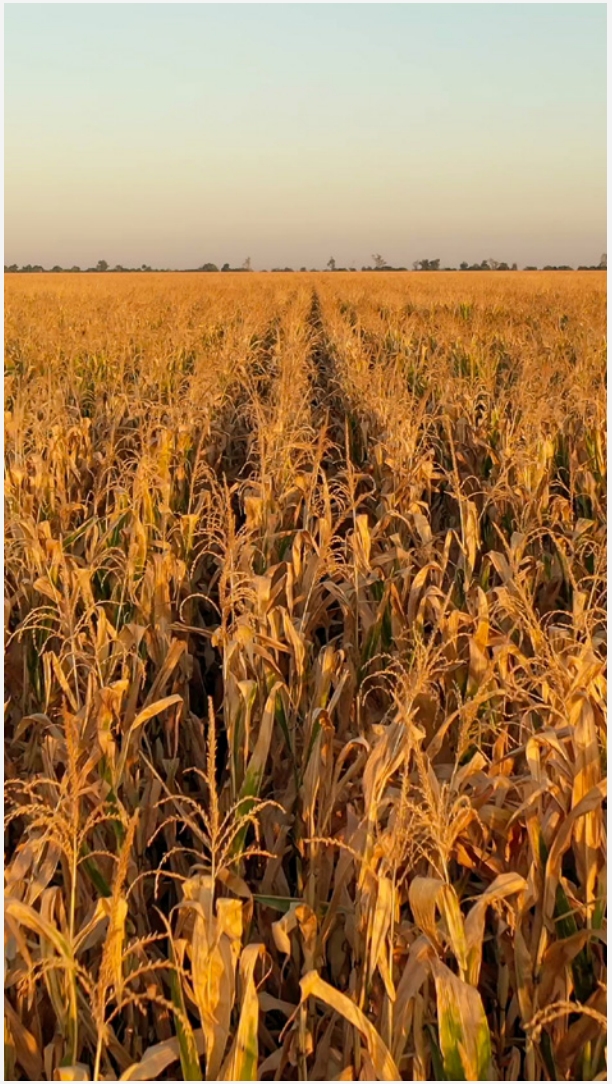
At the same time, the agricultural insurance leader in Romania, which insures more than 1.6 million ha nationwide and covers 15 agroclimatic risks, announced record damage notifications in the first six months of 2025. By 20 June, more than 3,300 damage notifications had been registered due to extreme weather events nationwide, marking an increase of nearly 50% compared to the entire year of 2024.[122] Of the approximately 7,000 policies issued, nearly half have registered damage notifications. Nationwide, 60% of all notifications were for hail. Additionally, more than 30% of the insured area was notified for hail risk and more than 100,000 ha have been affected compared to the 1 million nationwide.

Support for farmers

In 2024, as per Emergency Ordinance (OUG) nr. 120/9.10.2024 (regarding the establishment of a state aid scheme in the form of grants to agricultural producers for crops affected by soil drought during the period from September 2023 to August 2024), state aid in the form of a grant amounted to RON 1,000 (circa EUR 200) per hectare. Aid is granted for the area affected by calamity with a damage degree of more than 30% and up to 100%, as specified in the official report of damage assessment and evaluation.

Starting in 2025, Romanian farmers affected by adverse weather conditions may receive drought compensation. But unlike in previous years, when the Romanian state provided drought compensation from the national budget, the head of the Ministry of Agriculture (MADR) intends to work with several EU member states to create a support mechanism at the European level.[123]

Extreme weather conditions pose a serious threat to Romanian agriculture, and providing aid to farmers would help mitigate the impact. State support, in the form of grants or subsidies, complements crop insurance by providing financial assistance when losses exceed certain thresholds. Combining insurance payouts with targeted government aid better protects farmers against catastrophic losses while minimising the risk of double compensation. This integrated approach encourages proactive risk management, ensures agricultural stability and helps safeguard food security in the face of increasingly volatile weather conditions.



Spain

UNPRECEDENTED WILDFIRES AND WIDESPREAD FLOODING

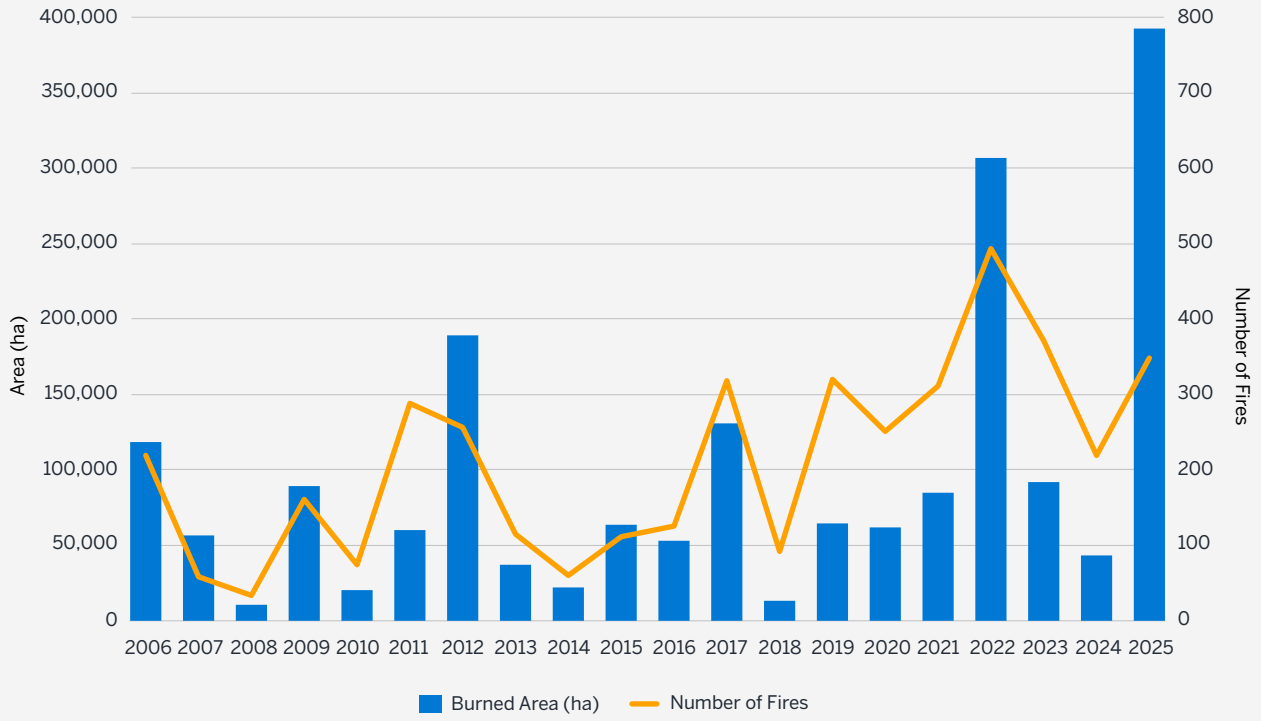
Following the catastrophic floods of 2024, which exposed Spain's acute vulnerability to extreme precipitation, the country faced another year of significant climate-related hazards during 2025, including unprecedented wildfires and widespread flooding.

During the summer, extreme heat and prolonged drought triggered one of Spain's most severe wildfire seasons in decades, with widespread landscape impacts. According to official Copernicus Emergency Management Service (EMS)/European Forest Fire Information System (EFFIS) data, a total of 393,079 ha burned across Spain in 2025, with 350 individual fires recorded in 2025.[124]

AEMET (the Spanish Meteorological Agency) reported that the summer of 2025 was the warmest on record. Average temperatures were 2.1°C above the 1991–2020 climatological mean, and August saw a 16-day heatwave during which temperatures exceeded 45°C in some southern regions.[125]

However, a significant portion of the year's wildfires occurred in northwestern Spain, notably Galicia and Castilla y León. While June and July saw relatively limited wildfire activity (~10,000 ha burned nationwide), the vast majority of destruction occurred during early to mid-August (3–18 August), when large fire complexes burned tens of thousands of hectares, contributing to more than 380,000 ha destroyed within roughly two weeks. The combination of prolonged heat, low humidity, drought and strong winds created highly flammable conditions,

FIGURE 6: ANNUAL WILDFIRE STATISTICS – SPAIN



Source: Based on data from Copernicus (EFFIS).

exacerbated by accumulated dry vegetation and limited land-management capacity.[126]

Authorities responded with large-scale national operations, deploying regional firefighting units and the Unidad Militar de Emergencias (UME). In addition, Spain requested assistance through the EU Civil Protection Mechanism, which provided logistic and aerial firefighting support.[127] Evacuations were carried out in rural and peri-urban areas, and road and rail transport networks were temporarily suspended to ensure safety.[128] The Ministerio de Transición Ecológica y Reto Demográfico (MITECO) mobilised EUR 34.5 million to support post-fire ecological restoration, reforestation and rural landscape management in affected areas.[129]

Later in the year, the DANA Alice system—Depresión Aislada en Niveles Altos, or an isolated high-altitude depression—triggered torrential rains and widespread flooding across eastern and southern Spain from 9 to 14 October 2025, severely affecting Catalonia's Terres de l'Ebre, the Comunidad Valenciana, the Balearic Islands (particularly Ibiza and Formentera) and the Región de Murcia.[130] The event caused hundreds of rescues, mass evacuations and extensive disruption to transport, education and infrastructure networks.[131]

The Región de Murcia was particularly affected, with precipitation concentrated on the Mar Menor area, reaching 180 mm in San Javier. This led to 973 emergency calls, contamination of municipal water supplies due to runoff infiltration and the activation of Plan Inunmur (Nivel 2), a special civil protection plan for flood risks, before conditions normalised.[132]

In Valencia, heavy and persistent rainfall associated with DANA Alice caused accumulations approaching 300 l/m² in municipalities including Carcaixent and Sollana. The episode also triggered barranco overflows; local flooding; transport disruptions, including Metrovalencia service interruptions; and closures on sections of the AP-7 highway, while authorities carried out preventive evacuations in vulnerable zones, such as Pilar de la Horadada.[133] These events highlighted the vulnerability of the region's infrastructure to extreme precipitation, echoing patterns observed during the 2024 DANA episodes, and underscored the importance of early-warning systems and coordinated emergency responses.

In the Balearic Islands, Ibiza and Formentera saw activation of Plan Meteobal (IG1) and Plan Inunbal (SO2), temporary airport closures, power cuts and deployment of 150 UME personnel.[134]

The storm's peak intensity struck Terres de l'Ebre in Catalonia, where rainfall reached 280 mm in Mas de Barberans. The heavy rain caused river overflows, trapping 2,000 vehicles on the AP-7. The INUNCAT plan was activated, with three successive ES-ALERT warnings to residents.[135]

The Catalan Government responded rapidly, allocating EUR 10 million in direct recovery grants and EUR 50 million in preferential credits for

infrastructure and agricultural rehabilitation.[136] Comparable responses were observed in Murcia and the Balearic Islands, where authorities coordinated inspection visits and emergency aid.

The episode generated substantial freshwater inflow into the Mar Menor, with superficial runoff estimated between 7.21 hm^3 and 11.54 hm^3, combined with direct precipitation over the lagoon between 10.1 hm^3 and 12.2 hm^3, highlighting ecological stress on the lagoon.[137] A full assessment of the financial cost of DANA Alice is still pending as of early 2026.

IMPACT OF THESE EXTREME WEATHER EVENTS

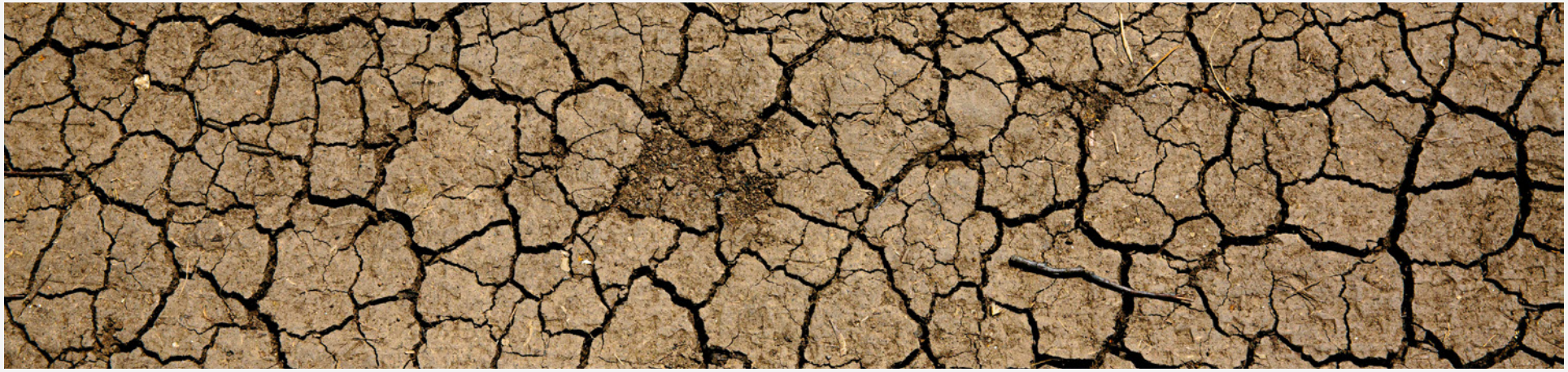
The 2025 floods demonstrate that Spain's Mediterranean littoral remains exposed to extreme rainfall events intensified by changing climatic dynamics. In response to last year's catastrophic floods in the Valencian region, improved early-warning systems and more coordinated emergency plans helped mitigate casualties during the 2025 storm, yet DANA Alice underscores the persistent challenge of adapting Spain's coastal regions to recurrent, high-impact hydrometeorological crisis.

The scale and intensity of the 2025 wildfire season highlight the growing fire risk in the country's forested and rural landscapes. While suppression and restoration measures mitigated the 2025 fires' immediate impacts, the full ecological, social and economic consequences remain under evaluation.

In response to escalating risks from climate-driven heatwaves, prolonged droughts, and increased forest fuel loads, Spain has reinforced its climate resilience framework through the Plan Nacional de Adaptación al Cambio Climático (PNACC), led by MITECO. This coordinated effort involves key agencies such as AEMET, which is responsible for improving the climate observation networks and early-warning systems, and the Dirección General de Agua (Directorate General for Water), tasked with integrating climate risks into water management and drought planning.

The PNACC outlines specific measures, including enhanced forest fuel management and wildfire prevention, restoration of degraded ecosystems, development of advanced forecasting and monitoring, and cross-regional emergency preparedness tools. These initiatives are closely aligned with the EU's Adaptation Strategy, emphasising integrated risk assessment, nature-based solutions and the protection of vulnerable populations. Through interdepartmental collaboration and EU-funded programmes, Spain's approach aims to strengthen resilience to climate impacts across sectors such as health, agriculture, forestry and urban planning, ensuring a comprehensive, forward-looking response to the challenges of climate change.

Combined, the extreme weather events that hit Spain in 2025 demonstrate that the country's climate risk is no longer unidimensional. Rather, the nation is confronting a multifaceted risk landscape in which coastal flooding, inland droughts and wildfire hazards increasingly interact with the socioeconomic systems, critical infrastructure and ecological assets.



United Kingdom

STORMS, RECORD HEAT—AND A SURGE IN INSURANCE CLAIMS

The United Kingdom experienced two named storms during the 2024–2025 storm season. (The UK measures storm seasons from September to the following August.) Storm Éowyn, which hit on 24 January 2025, was the most powerful windstorm in the country in more than a decade, with gusts in the UK measuring up to 100 mph. Red weather warnings were issued across Scotland and Northern Ireland, leaving more than 1 million people without power and causing significant damage to homes and businesses. In July 2025, PERILS revised its initial estimate of industry losses upwards from EUR 619 million to EUR 747 million.[138]

Storm Floris was the sixth and final named storm of the 2024–2025 season, hitting the UK in August 2025. Scotland was the hardest hit, with wind speeds reaching over 100 mph in certain areas, causing significant travel disruptions and leaving more than 40,000 homes without power. Storms hitting the UK in August have become more frequent in recent years, with six named storms in the past six years (Antoni, Betty, Ellen, Floris, Francis and Lillian).

The 2025–2026 storm season began in September 2025 and will run through August 2026. Storm Amy, the first named storm of the season, hit the UK in October 2025, bringing heavy rain and wind speeds close to 100 mph and leaving thousands of homes in Scotland and Northern Ireland without power. The Met Office highlighted that the event was a "once in a year" occurrence, stating that its early timing in the autumn made it even more unusual.[139]

Storm Claudia hit the UK in November 2025, bringing heavy downpours and flooding. Monmouth, in Wales, experienced its worst flooding in 30 years, with much of the town under water after the River Monnow burst its banks.[140, 141]

The spring and summer of 2025 were the warmest on record in the UK.

- The mean temperature from 1 March to 27 May was 9.5°C. This was 1.4°C higher than the long-term meteorological average.[142]
- The mean temperature from 1 June to 31 August was 16.1°C. This was 1.34°C higher than the previous record in 2018 and 1.51°C higher than the long-term meteorological average.[143]

The drivers behind the record warmth included atmospheric circulation, marine heatwaves and climate change. The head of climate attribution at the Met Office commented that in a natural climate, you would expect to see a summer like 2025 with an approximate return period of 340 years, but in the current climate this would reduce to approximately once every five years.[144]

The three warmest springs have occurred since 2017, and the five warmest summers have occurred since 2000. The State of the UK Climate in 2024 report[145] highlighted that the UK is warming at a rate of approximately 0.25°C per decade, with the 2015–2024 decade being 0.41°C warmer than the 1991–2020 decades and 1.24°C warmer than the 1961–1990 decades.

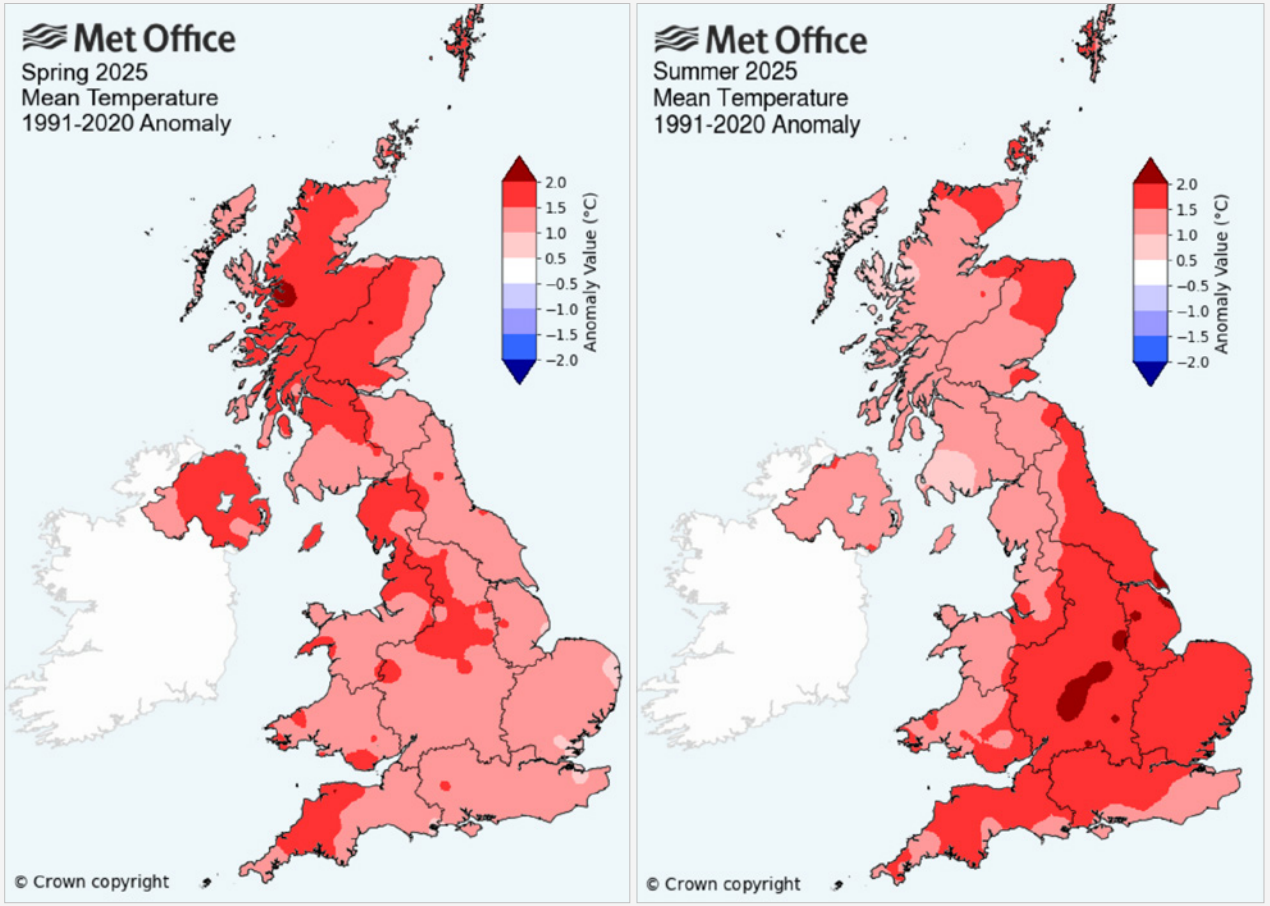
Increased wildfires amid dry conditions and heatwaves

The recent dry conditions and summer heatwaves experienced in the UK have meant that wildfires are becoming more common. As of September 2025, data from the National Resilience shows that in England and Wales, fire services had responded to 996 wildfires during 2025.[146] This is higher than the 994 incidents across the whole of 2022, which was previously the worst year for wildfires. In 2022, 19 incidents took place in the final quarter, so the total number of wildfires in 2025 is expected to rise to a figure above 1,000.

Meanwhile, the UK experienced below-average rainfall during the spring and summer, with spring 2025 being the sixth-driest spring since records began in 1836 and the driest in more than 50 years, with rainfall 40% below the long-term average.

However, flash flooding, caused by more intense, shorter bursts of extreme rainfall, has hit numerous parts of the UK throughout 2025. This occurred, for example, in Dover, in Kent, in June 2025[147] and on the Isle of Wight in July 2025.[148]

FIGURE 7: MEAN UK TEMPERATURES, SPRING AND SUMMER OF 2025



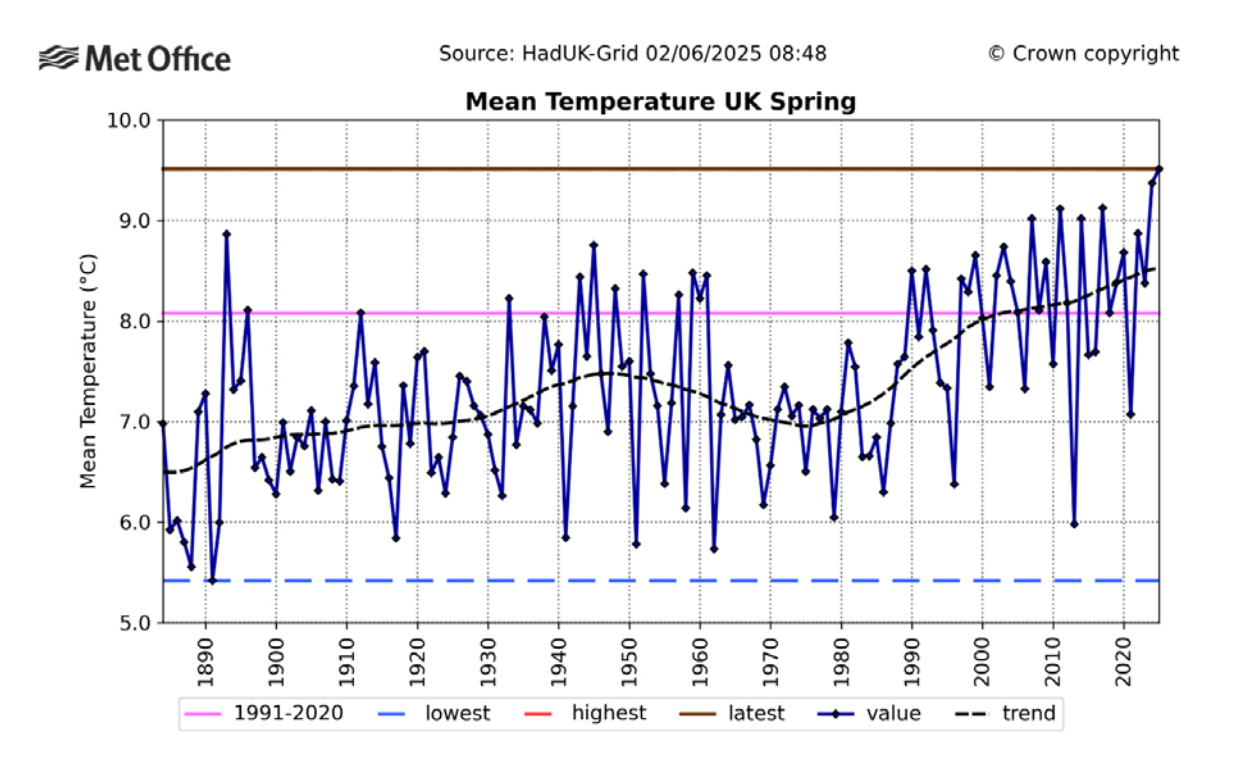
Sources: (left) Met Office. (2 June 2025). Double record breaker: Spring 2025 is warmest and sunniest on UK record. Retrieved 16 February 2026 from https://www.metoffice.gov.uk/about-us/news-and-media/media-centre/weather-and-climate-news/2025/double-record-breaker-spring-2025-is-warmest-and-sunniest-on-uk-record; (right) Met Office. (1 September 2025). Summer 2025 is the warmest on record for the UK. Retrieved 16 February 2026 from https://www.metoffice.gov.uk/about-us/news-and-media/media-centre/weather-and-climate-news/2025/summer-2025-is-the-warmest-on-record-for-the-uk.

IMPACT OF THESE EXTREME WEATHER EVENTS

As extreme weather becomes more frequent in the UK, it is essential that climate resilience is built into new housing developments so they can withstand subsidence, storms, extreme heat and flooding. Insurers can also help provide guidance to existing homeowners on measures they can take to protect their homes against extreme weather.

Figures released from the Association of British Insurers (ABI) in November highlight the need for action, as a record GBP 4.6 billion was paid out in property insurance claims in the first three quarters of 2025—GBP 155 million higher (or equivalently 3% higher) than during the same period in 2024.[149] Damage resulting from bad weather totalled GBP 936 million—GBP 143 million higher than the same period in 2024. That puts 2025 on track for a record-high year of claims. (Full-year data had not yet been released at the time of writing.) An ABI spokesperson commented in July 2025 that "as the drive to build 1.5 million new homes gets underway, the government needs to carefully consider where and how these homes are built. Every house needs to be able to withstand flooding, extreme heat, stronger winds and subsidence, and must not be built in flood-risk areas."[150]

FIGURE 8: MEAN UK TEMPERATURES, SPRING 2025



Source: Met Office. (2 June 2025). Double record breaker: Spring 2025 is warmest and sunniest on UK record. Retrieved 16 February 2026 from https://www.metoffice.gov.uk/about-us/news-and-media/media-centre/weather-and-climate-news/2025/double-record-breaker-spring-2025-is-warmest-and-sunniest-on-uk-record.

The increasing need for flood insurance

Flood Re, a joint industry and government initiative that provides flood cover for properties in high-risk areas in the UK, indicated in its 2025 annual report that it had so far helped more than 660,000 households secure cover, with the number of policies ceded to the scheme increasing by 20% to 346,200 during the 2024–2025 financial year alone.[151] The rise has been attributed to climate change, and Flood Re notes that it needs to evolve to remain sustainable. Flood Re also states in its annual report that it "must continue to work collaboratively and perhaps more intensively with the wider insurance industry to maintain and accelerate a sustainable equilibrium."[152]

Going forward, as the UK is projected to experience more frequent heavy rainfall, investment in flood defences is essential. In October 2025, the UK government announced a record GBP 10.5 billion investment in flood defences, which will protect 900,000 properties in England.[153]

Planning for subsidence and heat-related crop loss

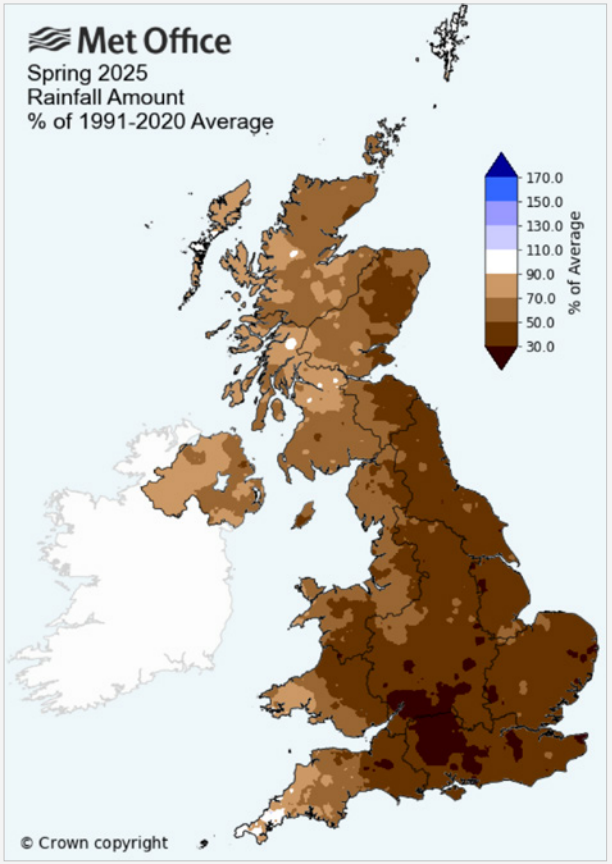
The exceptionally warm spring and summer of 2025 led to a worsening of soil moisture deficits in vulnerable regions in the UK, resulting in an increase in subsidence-related damage. According to the ABI, payments made on subsidence-related insurance claims during the first half of 2025 amounted to GBP 153 million, with the average payout per claim standing at GBP 17,264.[154] The ABI quoted that "climate change is significantly increasing the risk of subsidence in the UK, particularly in areas with clay-rich soils that sink and swell in response to changing moisture levels caused by hot temperatures." As global temperatures rise, the frequency and severity of subsidence events is likely to increase, particularly in areas with susceptible soils, as climate projections suggest the UK will experience more frequent and intense periods of drought and heavy rainfall in the future. Modelling subsidence risks is important, as insurers will want to try and increase their understanding of potential vulnerabilities. Soil moisture monitoring, historical claims data and advances in both data analytics and climate science will assist insurers with this process. A more detailed look at the subsidence impact on the UK property insurance market can be found **in this Milliman report**.[155]

The record heat and dry weather experienced in the UK in the summer of 2025 resulted in drought, which adversely affected farmers in the UK, costing them more than GBP 800 million in lost production.[156] The Energy and Climate Intelligence Unit (ECIU) highlighted that the production of wheat, oats, oilseed rape and winter barley were down 20% compared with the 10-year average. The ECIU also noted that, since 2020, farmers in the UK have lost more than GBP 2 billion in revenue due to extreme weather. Insurers covering agriculture, crops and livestock will be impacted by the rising temperatures and other extreme weather, as the frequency and severity of claims are likely to rise.

In April 2025, the Prudential Regulation Authority (PRA) issued a consultation paper (CP) titled CP10/25 – Enhancing banks' and insurers' approaches to managing climate-related risks – Update to SS3/19.[157] The consultation paper provided an update on the PRA's expectations for how banks and insurers should manage climate-related risks. It built on the guidance set out in the supervisory statement (SS) from 2019, incorporating lessons learned, feedback from industry and new international standards. The proposed expectations intended to provide more detailed help to insurers to manage the effects of climate change on their businesses and maintain the essential services they provide. The final policy (SS4/25) took effect on 3 December 2025 and covers supervisory expectations related to governance, risk management, climate scenario analysis, data and disclosures.[158]

The PRA expects firms to conduct an internal gap analysis over the first six months of 2026 to identify gaps against their ability to comply and to produce a "credible and ambitious" plan on how they will address these gaps. A summary of the consultation paper can be found **here**[159] and a summary of the key issues and implications for insurers can be found **in this Milliman report**.[160]

FIGURE 9: AVERAGE UK RAINFALL, SPRING 2025



Source: Met Office. (2 June 2025). Double record breaker: Spring 2025 is warmest and sunniest on UK record. Retrieved 16 February 2026 from https://www.metoffice.gov.uk/about-us/news-and-media/media-centre/weather-and-climate-news/2025/double-record-breaker-spring-2025-is-warmest-and-sunniest-on-uk-record.

Conclusion and actionable steps for insurers

AFTER A YEAR OF HEAT AND DROUGHT, TIPS TO HELP STAKEHOLDERS ACROSS EUROPE ADAPT

The year 2025 marked a shift in the European insurance industry, as the dominant climate-related risks across the continent turned from the flood-driven losses of 2024 to widespread, economically disruptive extreme heat and drought. These events highlighted vulnerability across agriculture, energy systems, public health and infrastructure and intensified pressure on insurers, governments and households.

Adapting to this evolving risk landscape requires not only continued transformation and innovation within insurance companies but also collaboration with governments and policyholders to strengthen Europe's long-term resilience and sustainability in the face of accelerating climate change. Key strategies for insurers and other stakeholders include the following:

Advanced and dynamic risk modelling

Increasing impacts from heat-driven storms, flash floods and heavy precipitation will likely lead to higher volatility in insurance claims and rising loss ratios, highlighting the need for more sophisticated risk modelling.[161] Upgraded catastrophe models across Europe and actuarial projects will be necessary to capture the increasing severity and frequency of extreme weather events driven by climate change.

Product innovation

Insurers must work to develop and scale insurance solutions tailored to the segments of the population disproportionately affected by climate change, including farmers, low-income communities and residents of high-risk zones. Some of the innovative solutions that can respond to heat, drought and flood-related risks include parametric products,[162] public-private risk-sharing mechanisms and coverage structures that maintain affordability while reducing protection gaps.

Investments in climate mitigation and adaptation

The InsuResilience Global Partnership notes that financing for disaster recovery has historically only been arranged after an event, which raises the costs of repairs while prolonging the event's impact on communities.[163] This strategy will not be sustainable as climate change makes extreme weather events more common. Instead, a more proactive approach will be vital, and governments must invest in stronger defences against floods, wildfires and other risks to ensure stability in infrastructure, agriculture and other key sectors. On a smaller scale, communities and homeowners must prioritise spending on hardening measures, such as landscaping changes that help prevent the spread of wildfire. The World Bank's Disaster Risk Financing and Insurance Program, among other resources, can help countries prepare for and reduce the financial effects of extreme weather.[164]

Cooperation between insurers and government

By strengthening collaboration with national and EU-level authorities, insurers can help support resilient infrastructure investment, climate adaptation strategies and more sustainable insurance frameworks. Actively engaging with government policymakers to advocate for forward-looking policies gives these companies a role in shaping regulatory frameworks to better support industry resilience amid climate challenges.

Education, transparency and public awareness

Insurers can also benefit from enhancing their communication with citizens and businesses about climate risks, insurance limitations and adaptation responsibilities. Such transparency and educational efforts help manage expectations and build trust with policyholders in a changing risk landscape.

With the intensification of extreme heat and climate events across Europe, insurers are increasingly taking on the dual role of risk mitigators and leaders of climate resilience efforts. For support in these roles, many are turning to actuaries to help design insurance and risk-financing frameworks with the capacity to absorb the risks linked to the changing climate.

The Milliman Climate Resilience Initiative

Milliman has a unique view into our climate future and its cascading effects on insurers, governments and communities. Through the Milliman Climate Resilience Initiative (MCRI), a multidisciplinary team from around the world works together to measure the most pressing risks and drive effective responses. Learn more and join our mailing list to receive updates of our latest reports at www.milliman.com/mcri.

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