Swiss Re

Claims Perspectives

Issue 1 | July 2025

Welcome to the inaugural issue of **Claims Perspectives** – a biannual magazine created specifically with you in mind. Our goal is simple yet ambitious: to deliver timely, thought-provoking insights that spark meaningful conversations about the evolving landscape of insurance claims today and in the future.

In this first issue, we take you inside the trends shaping the claims environment across a range of different Lines of Business. You'll find perspectives rooted in both global outlooks and local realities, with several articles providing a country-specific lens on emerging challenges and opportunities.

For those who want to dive deeper, we also highlight two recent **Trend Spotlight** features:

- *Navigating the Electric Vehicle (EV) Battery Landscape ↗*
- *Social Media Addiction: A modern malady in US Courts ↗*

These articles underscore our commitment to examining complex topics that sit at the crossroads of technology, society, and risk.

As we launch this new Claims focused publication, my ask to you is to **Enjoy** reading the first issue of Claims Perspectives, **Share** it with colleagues who may also benefit from the content and **Tell** us what you think. Your insights will shape future editions.

Continued Success,

Leo Dixon
Global Head Claims P&C Reinsurance
Leo_Dixon@swissre.com

Content

The 2025 Los Angeles Wildfires: A Global Wake-Up Call

An Unprecedented Disaster

In early January 2025, Los Angeles County suffered one of the most devastating wildfire outbreaks in recorded history. Between 7–9 January, seven major wildfires ignited almost simultaneously, resulting in tragic fatalities and widespread destruction. At least 30 people lost their lives, over 200 000 residents were forced to evacuate, and thousands of homes were destroyed.

The Palisades and Eaton fires alone scorched more than 30 000 acres and razed over 16 000 structures in just a few hours. With insured losses estimated at USD 40 billion – nearly matching the combined cost of Hurricanes Helene and Milton in 2024 – these fires now stand as the most severe wildfire event ever recorded worldwide.

How Did the Fires Escalate so Quickly?

While California has long faced wildfire threats, the scale and intensity of recent events have escalated dramatically. A convergence of climatic, geographical, and human-driven factors created the perfect conditions for disaster.

A major contributor is the rapid expansion of wildland-urban interfaces (WUI) – areas where residential development meets wild vegetation. In Los Angeles County alone, housing in WUIs grew by 23% from 1990 to 2020, significantly increasing both fire risk and proximity of fuel to homes.

Climatic conditions are also amplifying wildfire risk. Erratic rainfall patterns are promoting cycles of dense vegetation growth followed by prolonged phases of drought, creating dry, flammable landscapes. Meanwhile, Santa Ana winds – hot, dry, and capable of reaching hurricane force – act as natural accelerants, pushing fires to spread with terrifying speed.

In January's event, simultaneous ignitions, steep terrain, and strong winds preventing airborne fire suppression methods, overwhelmed firefighting efforts. A lack of early containment capacity allowed flames to advance rapidly into dense urban areas.

The human driven factors are secondary to the above, but involve decisions taken regarding the levels of water in local reservoirs and consequential impact on firefighting helicopter flight patterns.

Is This Just California's Problem?

Put simply, no. From Canada to Southern Europe, from Australia to South Africa, many regions around the world are facing similar fire-prone conditions. Continued urban expansion into flammable terrain, combined with changing weather patterns, is making large-scale wildfires, like the ones we saw in Los Angeles County in January a global risk.

An Unprecedented Disaster

USD 40 billion

estimated insured losses

16 000

structures lost

Housing policy is a further factor, as the trend towards compact housing developments with minimal structural separation is now common globally, increasing the likelihood that once-contained fires could become unstoppable urban infernos.

What Can Be Done to Prepare?

Temporary factors, such as strong winds or initially overloaded firefighting resources, suggest that there is a time limit for these events. When strong winds ease down, and more firefighting resources are brought in, the fire should cease its expansion. Time is hence of critical importance and effective measures can be implemented to gain this valuable time early on in an event. Resilience building must begin before the flames appear.

- Homeowners can reduce risk by creating defensible spaces around properties, using fire-resistant construction materials, and limiting connective fuels between structures.
- Policymakers can implement stronger zoning laws, enforce power line safety, and invest in early detection and response systems.
- Utilities must maintain infrastructure in high-risk areas to prevent ignitions.
- Local councils – ensure reservoirs remain at sufficiently high level to enable a robust firefighting response.
- Communities can benefit from public awareness campaigns, evacuation planning, and active forest management strategies like controlled burns.

No single measure can eliminate wildfire risk – but taken together, they can slow a fire's advance, reduce losses, and save lives.

What can we do now to be better prepared for the next wildfires?

Now is the time to challenge assumptions, invest in resilience, and act collectively – before the next disaster strikes.

Martin Bühler
Head Large Loss Management
Global Claims P&C Reinsurance

Source: *https://www.fire.ca.gov/incidents*

To Regulate or Not to Regulate? A Question of Consumer Protection

A question of consumer protection – a focus on Litigation Funding in the UK and the European Union

For centuries, the English legal doctrines of maintenance and champerty prohibited third parties from funding, controlling or benefitting from litigation[1]. These doctrines were developed for good reason – to protect claimants from powerful influencers and to guard against a claimant being forced to share the proceeds of litigation.

Over time, these protective doctrines have become largely obsolete, and commercial litigation funding has rapidly developed in England and Wales and in the European Union. Commercial entities, wholly unconnected with the underlying claim, agree to fund litigation in return for a share of returns.

This begs the question, should we be concerned and if so, what can we (the International Insurance & Reinsurance industry) do to stop/mitigate it?

Lack of uniform regulation in Europe means it is often unclear whether a claim is funded at all, so assessing how the litigation funding business is working is challenging.

From the viewpoint of a funded party, there are both positives and negatives. On the plus side funders point to;

Access to Justice

Financial cost of litigation mitigated

Co-ordinated case management

Stronger negotiating position

Reduction in the burden on public purse for the funding of civil litigation

However, there are downsides, including and not limited to:

Who controls litigation and settlement strategy?

- **Uncertainty as to whether the funding will be maintained,** or may it be withdrawn (if the funder doesn't have the capital adequacy/appetite for a long case)?
- **Adverse costs orders:** Who will be responsible for these if the case is lost? What if the funder enters insolvency and there is no After-The-Event insurance in place?
- **Excessive and prioritised returns for funders** at the expense of claimants. See the *Mr Bates v Post Office* case below
- **Conflicts of interest:** Lawyers' obligations are to the claimant but are their loyalties divided if their paymaster is a funder (perhaps on a portfolio basis?)

Without regulation, the terms of the funding being offered to claimants are often heavily weighted to and in the hands of the funders. Claimants beware; "all that glitters is not gold".

However, it is not just a question of consumer protection. Defendants are also questioning why they do not have access to information around funding. Are there competitors, bad actors, foreign agents, even money launderers on the other side of a case? A defendant may well have a legitimate concern that information sought during the litigation process may be helpful for a competitor.

Examples from the UK highlight some of the problems. Excessive returns/paid first: in the Postmasters' case, a group claim backed by Third Party Liability Funding ('TPLF'), the Postmasters were awarded compensation of circa GBP 58 million (including costs) and yet recovered GBP 12 million or so (approx. 20% of the total compensation), after the lawyers' and funding costs. The funder reportedly earned a return of GBP 24 million. Conflicts of Interest: *Merricks v Mastercard* competition case secured a settlement of GBP 200 million. A huge amount, and yet the funder is reportedly suing the claimant for failing to recover a large enough amount. Meanwhile, if one considers the level of recovery by claimants, it amounts to around GBP 3, or GBP 70 each, depending on whose press you read.

In *Merricks* also, no doubt the lawyers and funders recovered considerably more than the individual claimants.

What are Governments doing?

European Union: The EU Parliament resolved in September 2022 for the regulation of Third Party Liability Funding ('TPLF'). However, having conducted a detailed study into TPLF activities in Europe[2], it is unclear whether the EU Commission will favour regulation. This is despite the Commission's own finding that close to 300 litigation funders are active in the EU. It seems more likely that the Member States will be left to consider regulation in their own jurisdictions.

While most commentators see issues with TPLF, there seem to be few answers regarding how to regulate. Who should be responsible for policing TPLF contracts, the returns, and transparency? It appears easier to do nothing.

UK: The UK Civil Justice Council ('CJC') published its Review of Litigation Funding Final Report on 2nd June 2025. The CJC opted to recommend what it calls a light-touch regulatory regime, but it makes far-reaching recommendations to ensure that TPLF can continue, but with sufficient guardrails to protect consumers and defendants alike. There is focus on the avoidance of conflicts of interest, identification of funders including the source of funds, anti-money laundering provisions, and capital adequacy requirements. The CJC did not, however, favor a particular cap on TPLF returns and excluded arbitration from the scope of the recommendations. Furthermore, the recommendations distinguish consumers and those in collective actions from protections required by corporate plaintiffs. The Government will now consider how to move forward with the proposals, some of which would require legislation.

From an insurer point of view, there were two distinct points of note: 1) The CJC recommended that After-The-Event insurance policies be subject to robust anti-avoidance provisions (*quaere* what if the premium has not been paid?) and 2) encourages the UK Government to promote Legal Expenses Insurance, potentially as an offering from employers to employees. Of course, it remains to be seen whether the market for these two coverages is available, or affordable.

Litigation should be the last resort but with TPLF fueling collective actions, it is fast becoming the preferred option. The CJC report recommends the UK Government encourage other forms of redress. Europe and the UK have models of public enforcement. The additional layer of private enforcement, backed by commercial funding will have a substantial impact on European and UK economies. It is clear there is a place for commercial litigation, but without regulation, the risk to consumers of activities previously proscribed by the ancient legal doctrines of champerty and maintenance reemerging is high.

> Now is the time for the industry and insurers to be involved in supporting the calls for regulation across Europe. This critical moment to drive positive change and ensure regulatory changes advance in the right direction cannot be underestimated.

Moya Stevenson
Senior Claims & Key Case Expert
Global Claims P&C Reinsurance

Hybrid War and Insurance: Navigating the Grey Zones of Modern Conflict

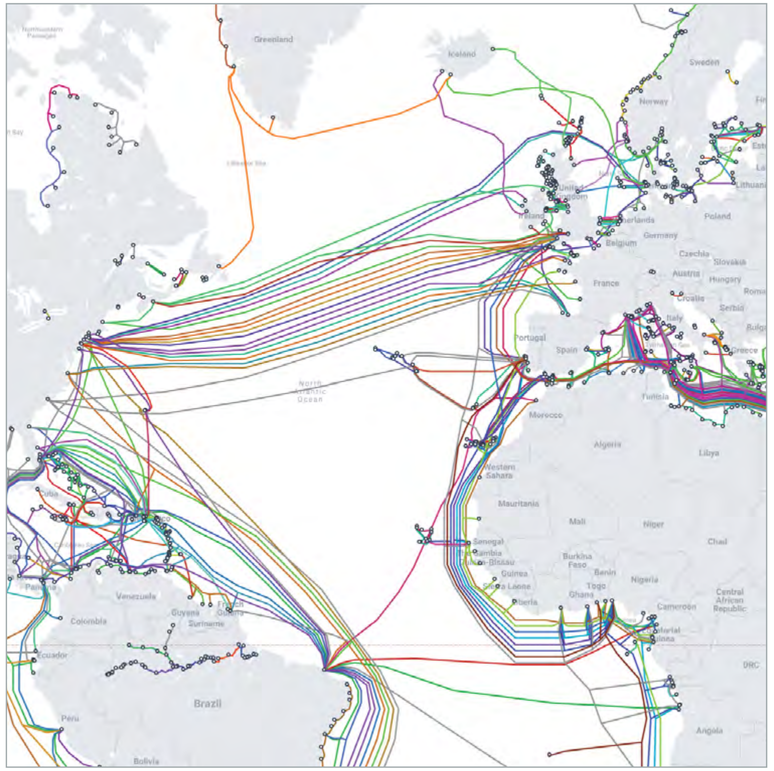
As geopolitical tensions rise, the press and intelligence services continue to report instances of hybrid warfare on the High Seas, leading to the following pressing questions:

- Relevance of these developments to Shipowners, their Hull & Machinery Insurers and P&I Clubs?
- In the last three years (2022 – 2025), there have been at least six possible Baltic sabotage incidents that have damaged 11 undersea cables. These undersea cables carry over 90% of the world's communications and data.
- These instances are in addition to the highly publicized sabotage of the Nord Stream 2 pipeline running between Germany and Russia.[3]

Beyond subsea cable damage, more scenarios causing disruption to Western infrastructure as part of Hybrid Warfare are indeed suspected and conceivable:

- Collision of MV Solong and Stena Immaculate: On 12 March, 2025, the MV Solong directly hit the Stena Immaculate mid-ship. As the Stena Immaculate was operating as part of a group of commercial vessels carrying fuel for the U.S. military, there were suspicions of political motives leading to a targeted impact. Charges of gross negligence manslaughter were pressed by the Humberside Police against the Russian Captain of the MV Solong.
- Dereliction of ships in ports that are strategically important to NATO operations, serving as a basis to spy or pose a threat to operations otherwise.[4]
- Pollution or a risk of pollution: The "Eventin" – suspected to be part of the Russian "shadow fleet", was seized, detained and ultimately confiscated by the German authorities off the Rügen island after having initially been anchored for several months in the Baltic Sea after an engine breakdown (March 2025).
- GPS Spoofing and deployment of spoofed mobile antennas accessing data from mobile phones of users of the antennas (e.g. in Gdansk).[5]
- Sub-sea mines targeting sub-sea infrastructure.[6]

Numerous other insurance-relevant-scenarios are also conceivable, most obvious examples being collisions with bridges or damage or blockage of other infrastructure-relevant structures i.e. a premeditated blockage of the Suez Canal akin to the blockage caused by the "Ever Given". Damages caused will largely surpass limitation of liability or available assets of tortfeasors.



Source: *www.submarinecablemap.com*

The following complications may result from the threat-scenarios outlined:

- **Exposure of first-party property insurers** to actions of third parties through tortious/criminal intent.
- **Limited potential for subrogation against uninsured tortfeasors,** perhaps single-ship-owning carriers ("singletons"), leading to multi-jurisdictional disputes and asset hunts.
- **Securing of evidence** and complex questions on intent/willful conduct in the context of limitation of shipowner's liability.
- **Availability of repair vessels:** As there are only a few dozen cable-laying ships in the world, of which about 20 are dedicated to repairs and as the expansion into offshore renewables is prominent, dispatching cable-laying ships onto repair-works can prove challenging.
- **Salvage** of a sanctioned vessel, forming part of the "shadow-fleet" such as the "Eventin" may result in complicated requirements to obtain sanctions-clearing when indemnifying salvors.
- **Jurisdiction:** For incidents outside of Territorial Water or Exclusive Economic Zones, incident response may result from unclarity of responsibility/lack of accountability of national governments. For example Yi Peng and Eagle S have shown, the above may lead to delayed response from authorities against the suspected tortfeasor. The flag state may de-facto not be interested in pursuing incidents at all.
- **Blocking and Trapping of ports,** leading to potential exposure for cargo (transshipment/general average), hull and machinery (blocking and trapping) as well as P&I exposure (crew repatriation).

> Comprehensively assessing and gauging exposure resulting from the geopolitical tensions outlined is now an imperative step for specialty insurers.

Andreas Bach
Senior Claims & Key Case Expert
Global Claims P&C Reinsurance

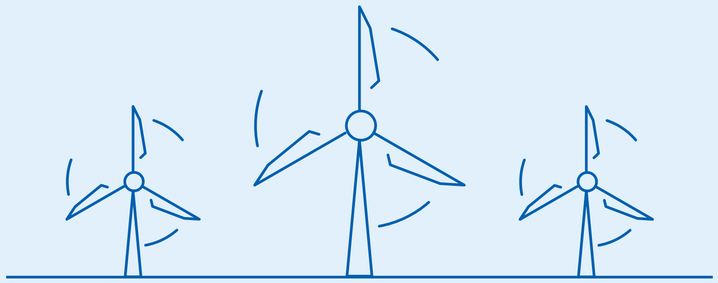
Wind Turbine Claims Activity: A Gusty Experience

Introduction

Wind energy is a cornerstone of sustainable power generation. Clean, renewable, and increasingly scalable, wind offers a viable alternative to fossil fuels. But behind the spinning blades of wind turbines lies a complex web of design, construction, and insurance risk. This article explores how wind farms function, where vulnerabilities arise, and what lessons are revealed by recent claims.

What is a Wind Farm?

A wind farm is a designated area on land or sea where multiple wind turbines are installed to harness wind and convert it into electricity.



Types of Wind Farms

- **Onshore wind farms:** Built on land, these are easier and more cost-effective to install and maintain than their offshore based counterparts, though limited by space and wind variability.
- **Offshore wind farms:** Located at sea, they benefit from stronger, more consistent winds but pose greater technical and financial challenges in installation and maintenance.

How Wind Turbines Work

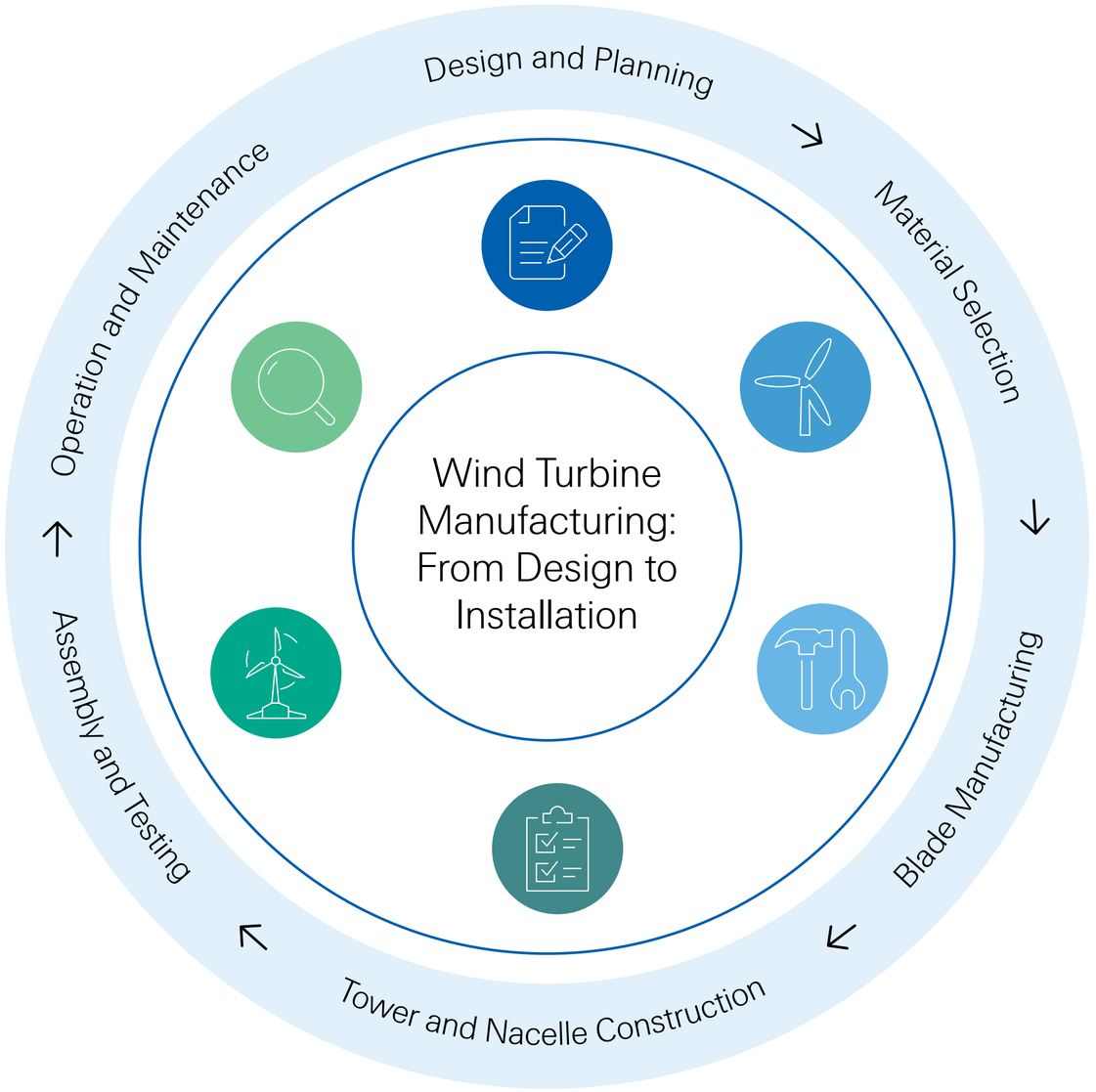
- **Wind capture:** Turbine blades spin as wind passes over them, turning a rotor shaft.
- **Energy conversion:** The rotor's motion drives a generator that converts mechanical energy into electricity.
- **Transmission:** Electricity flows through underground cables to a transformer.
- **Distribution:** The transformer adjusts voltage for delivery to the power grid.

Why Wind Energy?

- **Clean energy:** No greenhouse gas emissions during operation.
- **Renewable resource:** Wind is abundant and inexhaustible.
- **Lower operating costs:** After installation, maintenance and energy production are relatively inexpensive.

However, wind generation also presents challenges:

- **Intermittent production:** Wind is not constant, making energy generation unpredictable and therefore not be relied upon to supply a country's baseload electricity supply
- **High upfront costs:** Installation requires significant capital investment.
- **Technology:** rapid increase of bigger/newer turbines



1. Design and Planning

Engineers use advanced 3D modeling and simulations to design turbines optimized for wind speed, mechanical stress, and energy yield.

Site feasibility studies assess environmental impact, proximity to grid infrastructure, and financial viability.

2. Material Selection

Key materials include structural steel (used in towers), fiberglass and epoxy resin (used in turbine blades), and composite materials for durability. Environmental factors – such as recyclability and carbon footprint – are increasingly influencing material choices.

3. Blade Manufacturing

Blades are molded with composite layers and cured in high-temperature ovens. Rigorous quality checks, including ultrasonic and mechanical testing, ensure resilience under extreme stress and environmental conditions.

4. Tower and Nacelle Construction

Towers are built with high-strength steel and reinforced for weather resistance.

Nacelles house essential electrical components, including the generator and gearbox, and are customized per turbine model.

5. Assembly and Testing

All components are precisely assembled, tested for functionality, and transported – often with specialized logistics – before final on-site installation.

6. Operation and Maintenance

Routine inspections, remote monitoring, and preventative maintenance ensure turbines operate at peak efficiency. Sensors track vibrations, temperatures, and fault conditions to prevent costly failures.

When Claims Arise: Learning from Losses

Despite rigorous design and manufacturing processes, wind turbines are not immune to defects.

- **Gearbox failure:** In one incident, fractures in the gearbox housing were discovered during routine maintenance. The manufacturer acknowledged the defect and replaced the component under warranty, avoiding costs for both the insured and the insurer.
- **Blade detachment:** At another site, a turbine blade detached unexpectedly – despite no adverse weather. Investigation revealed a manufacturing flaw in the blade's internal structure. Again, the manufacturer replaced the part at no cost to the insured.

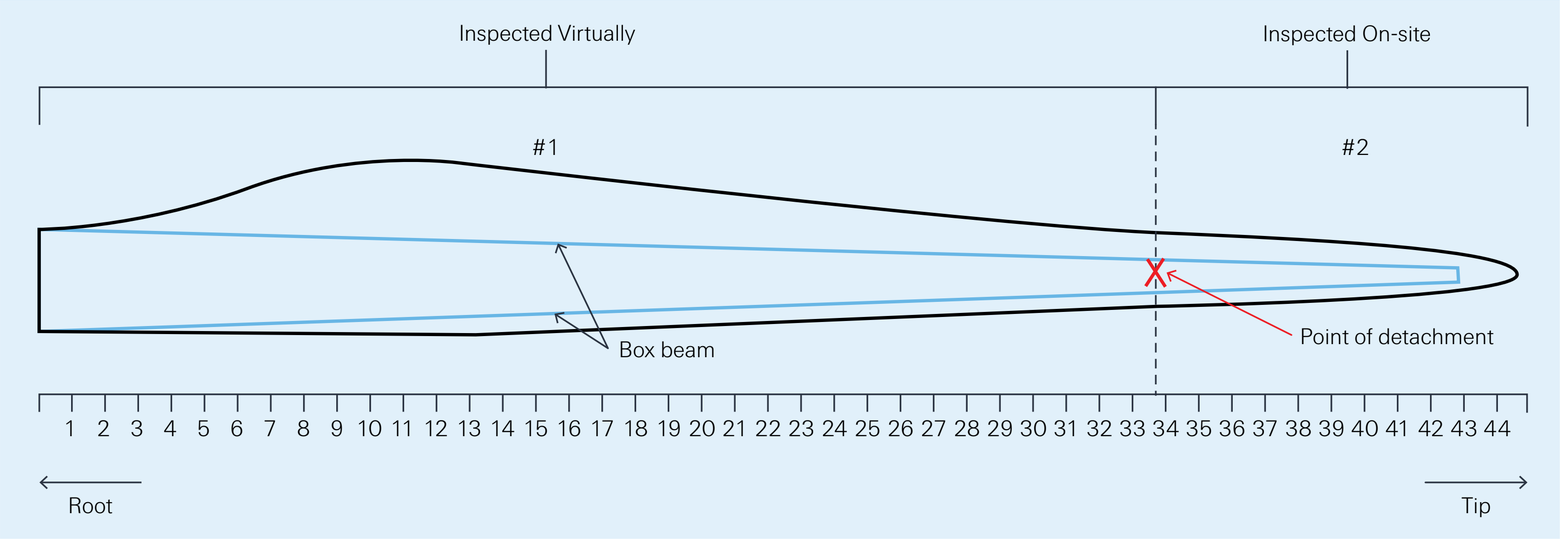
In both cases, warranty periods were still active, and the manufacturers assumed full responsibility. However, these cases still required close coordination with brokers, underwriters, and ceding companies – efforts that, while successful, were time-intensive and could have strained relationships.

Underwriting Insights: Proactive Risk Management

Even when manufacturers accept liability, claims handling can become complex. To minimize friction and maintain transparency, underwriters should:

- **Review contracts** between insureds and OEMs (Original Equipment Manufacturer) to assess liability allocation and warranty terms. Where a wide scope exists, long term service agreements with OEMs can improve maintenance quality.
- **Understand exclusions** in project insurance that might apply when OEM-related failures occur.
- **Preserve subrogation rights** to recoup costs from responsible third parties.
- **Strengthen defects exclusions** to ensure policies don't unintentionally cover issues already addressed by OEM warranties.

Proactive underwriting and contract analysis can streamline claims and reduce coverage ambiguity when manufacturing defects emerge.



Are we building turbine resilience as fast as we're scaling capacity?

As the global energy transition accelerates, wind power is becoming a mainstay of the renewable energy mix. But with rapid expansion comes new risks. Insurers must remain vigilant – not only in managing claims, but in anticipating exposures, strengthening contracts, and maintaining clear lines of communication across all stakeholders.

Milton Gutierrez
Claims Expert
P&C Reinsurance

Liability in the Psychedelic Era: Rising Claims and Risk Considerations

Introduction

The use of psychoactive substances is on the rise – driven by growing reports of mental and physical health benefits, easier access, and reduced social stigma. However, these substances carry significant risks, not just for the users themselves but also for others who may be harmed by their behavior. As a result, we are seeing a steady increase in psych-related litigation and anticipate a continued uptick in related claims activity.

Both substances are easily available online, at gas stations, and in smoke shops. Nitrous oxide is federally legal but state-regulated, while kratom's legal status varies by state. Despite their legal accessibility, both pose health risks – especially when consumed in excessive amounts or habitually, leading to addiction.

Litigation is already mounting. Dozens of lawsuits have been filed against manufacturers and retailers for failure to warn users about dosage or addiction risks, with some resulting in multi-million-dollar verdicts. The liability may extend beyond the user, as in a 2023 case where a jury awarded USD 745 million to a victim's family after a driver high on nitrous oxide caused a fatal accident. The smoke shop and distributor were found largely responsible.[7]

Jury awarded

USD 745 million

to a victim's family

What Are Psychedelics?

Psychoactive substances like nitrous oxide and kratom alter brain function and can induce short-term euphoria and sedation. Nitrous oxide, commonly used in medical settings, is now increasingly being inhaled recreationally via whipped cream chargers or small canisters. Kratom, derived from dried tree leaves, is consumed as a powder in drinks or food and can act as either a stimulant or a sedative, depending on the dose.

What Are Psychedelics Taken For?

Psychedelics like ketamine and psilocybin are known for inducing altered states of consciousness. Ketamine, approved by the FDA as an anesthetic, is now widely used off-label for treatment-resistant depression, PTSD, chronic pain, and anxiety. Its dissociative effects can include hallucinations and distorted perception.

The rise of for-profit ketamine clinics has made access easier – even casual. This ease of availability raises risk, particularly when improper dosing occurs. Emergency responders have also used ketamine to subdue individuals, but poor training or dosage miscalculations have tragically led to fatalities.

Legal Actions

The legal implications are growing. Municipalities have faced lawsuits from families of individuals who died following inappropriate ketamine use by responders. Medical professionals and compounding pharmacies have also become targets.

In one current lawsuit, a man alleges that a prescribed dose of ketamine caused him to become violent, leading to injury and criminal charges. He is suing his physician and the pharmacy for failing to warn him of the potential for hallucinations and for not securing his informed consent – particularly since his use was off-label and not FDA-approved.[8]

What is Psilocybin?

Psilocybin, the psychoactive compound in certain mushrooms, is a hallucinogen that can deeply alter mood, thought, and perception. Though illegal at the federal level, it has been legalized in states like Oregon, Colorado, and New Mexico with certain restrictions.[9] Clinical studies suggest it may be useful in treating anxiety, OCD, and PTSD, and some users describe profound emotional or cognitive breakthroughs.

Employer Liability Concerns

Psychedelic use is increasingly raising questions in the workplace. In 2023, an off-duty pilot – who had taken psilocybin in the 48 hours prior – attempted to cut the engines during a flight. Though the airline was mostly shielded from liability due to federal preemption, passengers sued, arguing the incident was reasonably foreseeable and should have been preventable.[10]

Employers need to think proactively about psychedelic use by employees. For example:

- Should employers test for psychedelics, given the lasting effects of these substances?
- Must they accommodate medical use, particularly for mental health conditions?
- How should they address use in safety-sensitive roles?

While many organizations remain wary, others are more open – believing psychedelics can boost creativity or executive performance. Several high-profile executives have publicly endorsed substances like ketamine and psilocybin. However, if company performance falters, such admissions may invite shareholder litigation, especially if impairment is suspected.

Preparing for Emerging Risks

The market for psychedelics and psychoactive substances is expected to grow significantly in the coming years. Insurers must act now to understand the implications, identify where exposures may exist, and review policy wordings to determine whether current exclusions offer sufficient clarity.

Some insurers are arguing existing provisions – such as the Products Exclusion, Psychotropic Substances Exclusion, Total Pollution Exclusion, and Harmful Materials Exclusion – already limit liability. Others, however, may see this as a growth market and explore affirmative coverage options.

A Final Thought

Whether insurers choose to step back or lean in, one thing is certain: the intersection of psychedelics, liability, and insurance is no longer a theoretical issue – it's already here.

Is your organization ready to evaluate its exposure and respond to the next wave of psychedelic-related claims?

Lisa Simon
Claims Expert
P&C Reinsurance

Severe Convective Storms: Preparing for the New Normal

Introduction

As extreme weather events increase in frequency and severity, governments, insurers, and communities must take coordinated action. This article outlines a strategy for building financial, physical, and social resilience in response to the escalating challenges posed by severe convective storms.

The Rising Threat of Severe Convective Storms

Each year, natural disasters cause hundreds of billions of dollars in damage worldwide. In 2024 alone, insured losses from natural catastrophes reached USD 137 billion, continuing an upward trend of 5–7% annually in inflation-adjusted terms. While tropical cyclones and earthquakes remain the largest loss drivers, severe convective storms (SCS) were the dominant peril in 2024, accounting for USD 53 billion in insured losses – most of this in the United States.

These storms are not limited to the USA. In both Europe and North America, spring and summer now routinely bring hundreds of lightning events, large hailstorms, damaging winds, tornadoes, and flash floods. Unlike hurricanes or earthquakes, SCS events are more frequent, increasingly intense, and responsible for a growing number of insured losses. Their escalating impact is being driven by urbanization, rising property values, inflation, and climate change.

Europe has faced repeated SCS shocks in recent years:

- **France (2022):** EUR 6 billion in insured losses from multiple storm events.
- **Italy (2023):** Initial estimates of EUR 2.2 billion ballooned to EUR 6 billion due to high-value urban exposure.
- **Spain (2024):** The storm in Valencia was the costliest SCS event globally, with USD 5 billion in insured losses.

In many cases, these loss events were unprecedented in scale, overwhelming national expectations and highlighting vulnerabilities across infrastructure, insurance coverage, and public preparedness.

Building Resilience: A Collaborative Approach

To reduce exposure and vulnerability to SCS events, resilience must become a shared priority – integrating public policy, insurance innovation, and individual awareness.

USD 137 billion
insured losses from natural catastrophes

USD 53 billion
insured losses from severe convective storms

1. Invest in Risk Prevention and Mitigation

Insurers need to rethink their approach across underwriting, claims, and portfolio management. Key actions include:

- **Portfolio risk assessment:** Avoid overconcentration in high-risk zones.
- **Model enhancement:** Update models to reflect shifting storm frequency and intensity.
- **Policy design:** Encourage adaptation through risk-sharing mechanisms like higher deductibles and retentions.
- **Data management:** Improve property valuations and exposure tracking – such as capturing newly installed solar panels, as seen in Italy.
- **Claims preparedness:** Ensure scalable claims protocols, including automation and AI tools, are in place to manage post-storm claim surges.

2. Improve Market Accessibility

In 2024, only 42% of global catastrophe losses were insured – leaving USD 181 billion uninsured.

Some insurers retreat from high-risk markets, widening the protection gap and increasing reliance on government relief.

3. Develop Collaborative Risk-Sharing Solutions

Public-private collaboration is essential to closing this gap:

- **Mandatory insurance:** Governments can mandate coverage, as Italy did in 2023 by requiring businesses to carry natural catastrophe insurance.
- **Public-private partnerships (PPPs):** Risk pools can improve coverage in high-risk areas and accelerate recovery.

Examples of effective PPPs:

- **France (CCR):** Offers reinsurance for natural disaster risks through private insurance networks.
- **Spain (CCS):** Ties catastrophe coverage to private insurance policies in specific lines of business, ensuring broad participation and fast response.

4. Promote Awareness and Proactive Planning

Building long-term resilience also depends on proactive public engagement and forward-thinking infrastructure:

- Stronger building codes: Improve construction standards to withstand high winds and hail.
- Urban planning: Avoid placing new developments in high-exposure zones.
- Public education: Help communities understand the risk and act accordingly before disaster strikes.

Closing the protection gap and strengthening resilience before the next severe convective storm hits has become vital.

The increasing frequency and harshness of severe convective storms signal a shift from occasional catastrophe to systemic, climate-driven risk. Innovation in risk transfer, public-private cooperation, and resilience planning is no longer optional.

Sevcan Schieb
Claims Expert
P&C Reinsurance

Fire-Fighting Facilities Clause – Protecting High-Tech Plant Insurers

Introduction

Fire is one of the most common risks to manufacturing companies, and an even more serious problem for the semiconductor industry. Excluding inflation, the insurance industry has experienced multiple semiconductor factory claims with single event losses exceeding USD 100 million in the past 30 years. These factory claims include: Winbond Electronics (1996), UMC (1997), Philips (2003), ASE (2005), SK Hynix (2013), Asahi Kasei (2020), Renesas Electronics (2021), and JinkoSolar (2024). The SK Hynix fire in 2014 ranks as the largest single claim based on insured Property Damage & Business Interruption. Including Contingent Business Interruption elevates Renesas Electronics in 2021 as the larger total loss to insurers.

> the value of machines and inventory can even account for more than
>
> **70%**
>
> of the total value of the factory

What Causes Fires at Semiconductor Factories?

There are many causes, including;

- short circuits and overheating due to manufacturing defects in electronic equipment;
- residual silane in the ventilation system being ignited during welding;
- incorrectly connecting nitrogen pipelines to explosive hydrogen pipelines;
- power outages that prevent high-temperature equipment from being cooled in time;
- overheating of electroplating lines;
- boiler explosions;
- equipment used for chemical vapour deposition, diffusion, photolithography, etching;
- chemical mechanical grinding and physical vapour deposition in clean rooms.

The Characteristics of Fire Prone Areas

1. The fire source is widely distributed.
Various wires and electrical equipment, highly flammable/explosive gases and liquids, and high-temperature and high-voltage processes may become the source of fire in a plant.

2. The plant has a high fire load.
The large quantity of electronic equipment, cables, plastics, and flammable and explosive chemical raw materials in semiconductor plants are all potential sources of fire.
For example, plastics are popular in the semiconductor industry because they are easy to clean, reduce the possibility of wafer contamination, and meet the needs of transmission using discharging corrosive gases/liquids during production.
Unfortunately, most plastics are combustible and will release heat to support burning.

3. The layout of the workshop is often not conducive to fire control.

As the main production area, the clean room contains most of the high-value assets (the value of machines and inventory can even account for more than 70% of the total value of the factory), and the lack of fire barriers in an area of tens of thousands of square meters turns the entire clean room into a very large fire zone. Even if some plants have multiple clean rooms, there are often physical traffic connections between the clean rooms in the same clean space for production convenience. In addition, miles of cables and pipe systems run through various areas and floors, allowing fire and smoke to spread along these flammable lines to other areas, while flammable chemicals in the pipes (such as hydrogen and silane) can accelerate the fire. In some cases, the connections between floors may also form a chimney effect.

4. The semi conductor components are vulnerable to both fire and fire fighting.

In addition to the high temperatures in a fire that can damage equipment, the fire extinguishing media, such as water from sprinklers, dense smoke (suspended particles), and corrosive mists generated by the fire can also contaminate the precision equipment. Many fire claims show that the proportion of damaged property due to water, smoke, and mist is as high as one third of the claim or more.

Keeping up With Protection Standards

Fire protection in semiconductor plants is complex and challenging and becomes the primary issue of safe operation for plant operators. As the semiconductor industry grows, fire protection standards are steadily improving. Semiconductor Equipment and Materials International (SEMI), FM Datasheet, NFPA, and the leading companies in the industry have jointly developed fire protection best practices to meet the requirements of semiconductor production processes. These best practice codes cover factory design, production tools and building materials, firefighting facilities, and on-site management.

Negligence and omissions however occur and many lessons have been learned by the industry. In the 1990s, a fire caused significant property losses in an operating wafer plant where the firefighting system failed to put out the fire in time because the fire sprinkler system was temporarily shut down due to the need for a small construction job on site. A more recent case is a photovoltaic panel manufacturing plant which was almost destroyed by a fire that spread rapidly and out of control. The subsequent survey found that while the plant had been partially put into production, the firefighting system was not fully operational when hot work on the site ignited surrounding flammable materials.

How Can Fires Be Prevented More Effectively?

Fire-fighting facilities and on-site operation management are the critical issues. Relying solely on the risk mitigants of the insured is not enough and exposes the interests of the insurer. Insurers should be striving for more effective ways of ensuring the firefighting facilities remain of critical importance in the insurance contract.

This is achieved by the use of Fire-fighting Facilities Clauses. A typical clause for semiconductor plant insurance policies will:

Specify the fire protection conditions/equipment that the insurer expects for the plant:

- The complete fire protection systems and private hydrants shall be tested and activated, and any disablement or disarming thereof shall be notified to the leading insurer in writing in advance.
- The proprietary alarm system and station for Smoke Detection and Sprinkler Flow Alarms shall be tested and activated. The very early smoke detection apparatus (VESDA) shall be installed in the return air plenum or shaft area of clean rooms, and portable fire extinguishers shall be easily accessible.
- Plastic exhaust pipes shall be sprinklered, and wet benches containing flammable and/or combustible liquid(s) shall be equipped with internal CO_2 extinguishers and meet relevant FM and/or SEMI safety requirements (for example FM4910 compliant flame retardant material).
- The Emergency Response Center (ERC) personnel shall be on duty around the clock and must be able to ascertain the position and status of the on-premises Emergency Response Team (ERT). They shall mobilize the ERT, particularly during the operational testing of tools and equipment.
- All contractors and operators on site shall be familiar with the emergency response procedure; the formal contractor control procedures implemented should encompass fire training, and access and hot work permits.

Establish a precedent warranty that takes precedence over exclusion clauses, starting with the first placement of manufacturing tools in the plant.

Failure to comply will void the policy regarding fire and smoke damage perils. In certain legal situations, examining the proximate cause between the loss and breach is unnecessary.

Implementing Fire-fighting Facilities Clauses and emphasizing the Fire Protection Facilities Clauses to the insured during underwriting can help assess the risks of the insured asset and improve the risk status post-underwriting.

In the event of a fire, the insurer can review the status of relevant devices and systems before and during the incident. This assessment can determine if non-compliance with these conditions led to the fire or increased losses, or if adherence to these conditions helped mitigate the losses.

Jerry Sun
Claims Expert
P&C Reinsurance

Digging Deeper: Insurance Archaeology and Long-tail Exposure

Introduction

Unlocking historic coverages while navigating the fine line between legitimate recovery and opportunistic discovery.

When thinking of archaeologists, images of ancient artifacts and lost civilizations come to mind. The last thing that we would associate with archaeology is insurance; however, the role of insurance archaeologists is becoming more prominent and frequent as litigation continues to grow. Understanding what insurance archaeology is and how it works helps to better understand both its usefulness and to be aware of ulterior motives of its use.

What is Insurance Archaeology?

Insurance archaeology refers to the practice of locating and restoring lost or unknown insurance assets in order to prove or affirm coverage. This is especially relevant in finding coverage in long-tail claims such as environmental damage, asbestos exposure, sexual abuse, and forever chemicals.

Insurance archaeology is not only limited to policy coverage documents; it can encompass court filings, memos, claims, correspondence, contracts, and accounting records. In today's digital age, the idea of "losing" a document seems nearly impossible. While retaining documents digitally is standard practice now, it has only been a few decades since companies still worked off paper files and documents. Beyond that, many other factors contribute to lost documents, like document destruction, mergers, system migrations, natural disasters, and organizational turnover.

In practice, insurance archaeology has become a powerful tool in litigation, especially in mass tort and asbestos cases. However, it has also raised concerns about its potential misuse. Plaintiffs' attorneys and litigation funders may use the discovery of historical insurance coverage to "farm" litigation – essentially identifying deep-pocketed defendants based on their past insurance rather than their actual involvement in the alleged harm. This is particularly evident in asbestos litigation, where over-naming is common:

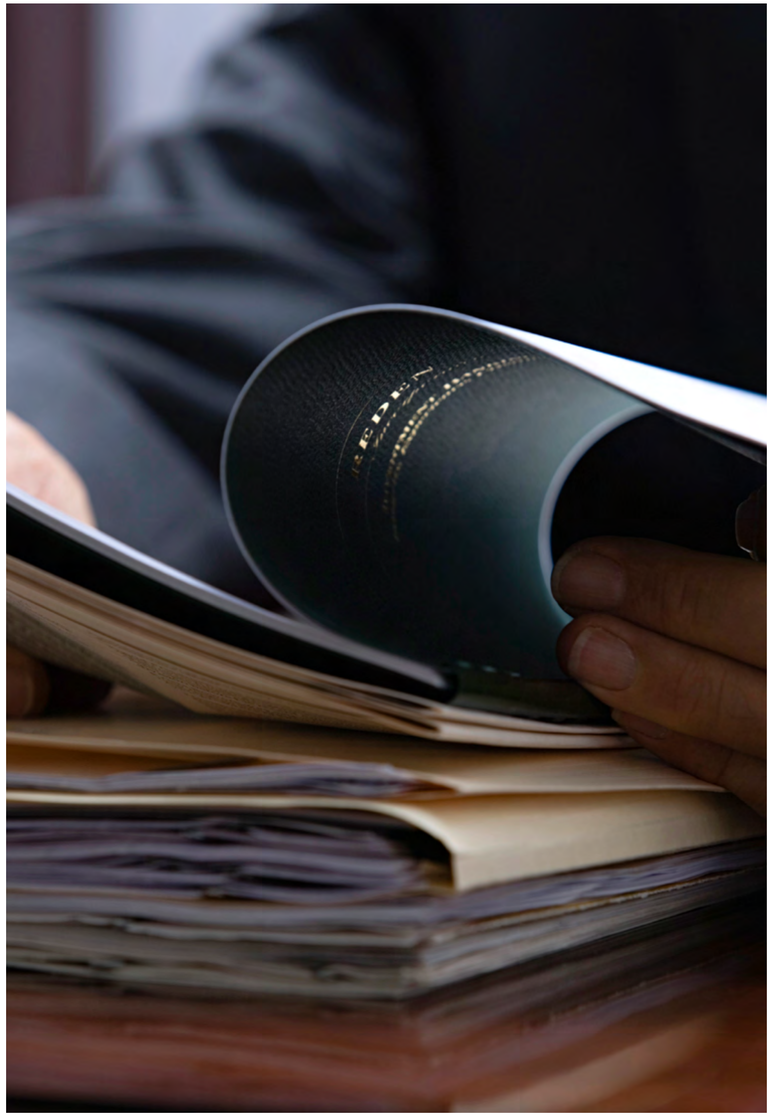
companies with tenuous or no connection to asbestos products are included in lawsuits simply because they have historical insurance coverage that could be tapped for settlements. This is just another example of litigation abuse.

Furthermore, insurance archaeology can be utilized as a "fishing expedition" by vendors or third parties that have not been duly authorized or retained. Such parties may begin investigating and requesting information under the guise of discovery, when in reality there is no formal engagement or clear scope of work. This raises ethical and legal issues, as these vendors might be attempting to reveal insurance assets that could be used to support litigation and/or settlement, without the knowledge or consent of the policyholder (insured) or their insurer(s).

Preventing privacy violations is also a key consideration. Most concerningly, this activity can expose sensitive and confidential information. Given the multitude of statutory requirements for safeguarding privacy, insurers must be particularly sensitive to this danger as the consequences can be significant both in terms of legal costs and, reputational risk. In the digital era, data protection is more important than ever, especially when giving access to third-party entities. Moreover, releasing policy information to unassociated third parties, can expose insureds to unnecessary and unanticipated legal exposure, which can lead to inflated litigation, increased defense costs, and place pressure on their insurers to settle even dubious claims to avoid protracted legal battles.

How should Insurers respond?

Considering these risks, how should insurers respond? Initially, insurers should always ask for a "Records Release" signed by a duly authorized and verifiable representative of the "Insured" to protect their information and their privacy rights. Such releases should be specific to each purported insured entity. Transparency and consent are vital when balancing privacy. Requests should be reasonably described and reasonably locatable and searchable. If the request is overreaching, ask for specifics to narrow the search focus to a manageable level.



Start with requesting what evidence they have indicating a policy was written through the insurance company they are requesting information from. At a minimum, they should be able to provide the Named Insured, principal address, type of policy/cover, specific policy year(s), and the specific company entity they believe the policy was written by before a search can even begin. If the search provides useful clues or information, you can always expand the parameters based upon your findings.

Within insurance companies, internal stakeholders will also need to determine where does the responsibility lie to respond to these requests. They will need to decide:

- Where the system or records management knowledge resided within the organization
- Whether there are systems or processes already in place, such as e-discovery, that can be deployed to streamline searches
- If standards are in place addressing how searches are conducted
- What constitutes evidence (even extrinsic) of a policy, and
- How far efforts need to go if searches are not yielding positive results to be considered a good faith effort.

There is always the chance that the search does not produce any evidence of a policy despite making a good faith effort. Rather than treating this as a finite stopping point, leave the door open to continue a search if provided with additional information. Ultimately, you will need to develop a process which will likely start with who should respond, how searches are conducted, and what can be released to whom and in what format.

> As latent claims continue to develop, it's unlikely the frequency of these requests will diminish, indeed we anticipate the opposite is true.

Sofia Murphy
Claims Expert
P&C Reinsurance

References

1 These doctrines were also prevalent in other common law jurisdictions e.g. Australia

2 EU Commission Mapping Study on TPLF published 21st March 2025

3 Noteworthy incidents are the following:
– Yi Peng 3: Baltic governments attributed damage to at least two subsea cables and possibly a power cable in the Baltic Sea last November to deliberate actions by the Yi Peng 3, a Chinese vessel, likely induced by Russian intelligence.
– Eagle S: One month later, Finnish authorities detained the Eagle S, a tanker believed to be part of Russia's "shadow fleet" after it allegedly damaged the Estlink 2 power cable between Finland and Estonia.
– In Taiwan, officials have already reported more cable disruptions in 2025 than in each of 2023 and 2024, most notably accusing the Chinese-crewed Shunxin 39 of deliberately damaging a subsea cable off Taiwan's north coast on 3 January.
Source: eurasia group, research paper April 15, 2024 and other publicly available sources.

4 *https://maritime-executive.com/article/poland-sells-derelict-russian-tanker-for-scrap-after-seven-years-in-gdynia*.

5 *Hybrider Krieg in der Ostsee: eine Woche im Manöver mit der Nato*.

6 Idem footnote 5.

7 *Missouri jury awards USD 745 million in death of woman struck by driver who used inhalants | AP News*

8 *Ketamine Litigation: Oregon Hospital and Pharmacy Face USD 8.2 Million Medical Negligence Lawsuit – Harris Sliwoski LLP*

9 *Nex Mexico Legalizes Psilocybin for Medical Purposes*

10 *Alaska Airlines Passengers' Safety Suit Claims Are Trimmed – Law360*

Swiss Reinsurance Company Ltd
Mythenquai 50/60
P.O. Box
8022 Zurich
Switzerland

Telephone +41 43 285 2121
www.swissre.com