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WHAT THE LAST CRISIS TAUGHT US ABOUT THE NEXT ONE

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Insurers are built to weather large catastrophic losses. That is, after all, the basic premise of insurance. There are numerous instances that demonstrate how insurers absorb large losses, learn, and then move on. Let's take a page from history, the earthquake that shook San Francisco on April 18, 1906 at 5:12 a.m. The earthquake triggered the rupture of gas lines and water mains within minutes. The fire that tore through the city lasted more than three days and ruined almost 80% of San Francisco. While the physical manifestation of the devastation was evident for the world to see, the financial ramifications were equally catastrophic. The claims raised bankrupted 20 US insurance companies and impacted large insurance giants like Lloyds of London and Swiss Re. Not to mention the ripples that shocked the global financial markets. However, the industry was able to bounce back. Yes, it took a while, but lessons were learned and new tools like excess-of-loss insurance were invented.

> ***What is happening now is different and unprecedented.***

The current reality is that insurers have stared down not one but five San Francisco like catastrophes between 2020–2024. According to a report by **Swiss Re**, insured catastrophe losses exceeded $100 billion annually during this period. Insurers faced 142 separate catastrophic events in 2023 that spanned the globe, unlike the San Francisco earthquake. This was followed by 2024 delivering $137 billion in losses, making it the third most expensive year on record. And unlike the geographically contained disasters of yesteryears, the current pattern is of losses that are global, correlated, and relentless. This represents a fundamental shift in the frequency, correlation, and clustering of catastrophic losses. Insurers are not asking, "How do we recover?" anymore. They are asking, "How do we operate profitably when this is the new baseline?"

The answers lie in the lessons the industry learned the hard way over the past few years. Here is a look at three of them.

THE PLAYBOOK THAT FAILED

Liquidity is not boring anymore

In early 2020, a major European insurer faced a nightmarish scenario. Policyholders submitted their COVID claims en masse at the same time that collateral calls came due. In theory, they were good for the crisis, but only on paper. Their balance sheet was filled with high-grade bonds earning steady returns. The problem? Those bonds had plummeted in value and could not be sold without catastrophic losses. The insurer was asset-rich but cash-poor at the worst possible moment. This was not unique. Across the industry, carriers learned that chasing yield without liquidity buffers is dangerous.[1]

> ***The lesson learned? Optimize for resilience under stress, not maximum returns. Sometimes surviving matters more than thriving.***

Growth without discipline destroys value fast

There is a story that does not get told often enough in insurance circles. A business unit offering stop-loss coverage was growing aggressively. And then a wave of adverse claims hit. The losses were monumental.

So, what happened? In the race for top-line growth, pricing discipline had slipped. When inflation started creeping into claims, the underpriced policies from years earlier came home to roost. Social inflation amplified the damage, pushing loss severity beyond anything the models had predicted.

And this is not the story of just one business unit in a random insurance company. Such stories are far too prevalent for comfort.

> ***The lesson learned?*** ***Technical profitability matters more than market share.***

Reinsurance relationships matter more than reinsurance rates

Here is what many insurers discovered the hard way: when you need reinsurance capacity most, it evaporates. During the crisis, reinsurance markets tightened exactly when primary carriers needed support. The insurers that fared best were not those who had spent years shopping for the cheapest reinsurance deals[2]. They were the ones who had built long-term partnerships.

> ***The lesson learned?*** ***There is greater stability in multi-year reinsurance structures and greater use of parametric covers that trigger automatically based on predefined events. In other words, there is greater stability when reinsurance is reimagined as a strategic capability, not a transactional commodity.***

BUILDING RESILIENCE THROUGH COLLABORATION

The greatest lesson of course was that resilience is the core attribute of a healthy insurer. But individual insurers are going to find it difficult to achieve resilience in the current reality. This is because the interconnected, systemic, and fast-moving nature of modern risk demands a different model. The strongest players are becoming ecosystem orchestrators, not just risk takers, and this is how they are doing it.[3]

The shift to a platform model

Traditional insurance ran on bilateral relationships: one insurer and one reinsurer. That model is too slow for today's risk environment. Leading insurers are now creating multi-party platforms that connect reinsurers, brokers, data providers, technology firms, and even regulators in real-time.

The old model meant waiting for loss reports to trickle in after a catastrophic event, but the new platform model reacts differently. New platforms integrate satellite imagery, IoT sensors, weather feeds, and claims data across multiple carriers and reinsurers simultaneously. This results in faster response, better capital efficiency, and dramatically reduced tail risk[4]. When a hurricane hits, everyone in the ecosystem sees the same exposure data at the same time and can coordinate response within hours, not weeks.

Shared risk models are here to stay

No single insurer has enough data. This is perhaps the most humbling realization of this era. It would be fair to say that even large insurers might not have sufficient data to model systemic risks like cyber-attacks, climate change, or AI-driven liability. The solution is collaborative intelligence.[5]

Insurers are partnering with cloud providers, InsurTechs, and industry consortia to build shared risk models using federated learning. This is a technique that allows insights to be shared without exposing proprietary data. For example, one carrier's cyber claims combined with another's underwriting data, and a third's threat intelligence can be used to create a picture no one could see with their own data alone. This allows for better inflation-adjusted loss modeling, more accurate cyber accumulation risk assessment, and climate-driven underwriting signals that actually work.

Prevention beats payout

The most profound shift may be in how insurers define their role. For a century, the model was simple: collect premiums, pay claims, repeat. But what if insurers could prevent losses instead of just paying for them?

Property insurers are partnering with sensor providers and local government bodies to predict and prevent losses from water damage, fire, and hurricanes. For example, HSB (a part of Munich Re) partners with Flume to deploy flow-based water sensors in homes. The sensors detect leaks early and refer the service to insurers to ultimately cut billions in annual claims. Previsico provides real-time flood sensors used by construction firms like Balfour Beatty Vinci on UK sites, partnering with insurers for parametric payouts triggered by sensor data to predict flooding 36 hours ahead. There are other examples too. Fleet insurers work with telematics companies and vehicle manufacturers to prevent accidents.

This is of course good PR too. Policyholders who see insurers who design policies that not only pay for claims incurred but also help them avoid instances that result in claims, become loyal customers. The shift fundamentally improves loss ratios as well.

THE RISKS AND OPPORTUNITIES FOR THE NEXT DECADE

Looking forward, the landscape is defined by convergence. For example, risks that were once separated, like climate, cyber, and geopolitical instability are now cascading into each other. Insurers risk becoming risk accumulators rather than risk diversifiers. Traditional pooling logic gets disrupted when climate events cascade across supply chains, when cyber-attacks occur across industries and geographies, and when AI model failures ripple through multiple sectors. This is the central challenge of the next decade.

But it is also where the biggest opportunities lie.

Prevention is the largest untapped value pool in insurance

IoT devices, wearables, telematics, and AI-driven predictive maintenance can reduce losses before they occur. Insurers who master this shift not only improve their loss ratios, but they also transform the customer relationship from transactional to advisory.

AI can compress decision cycles from weeks to minutes

Think of AI as an insurance company's new nervous system. It can adjust prices instantly when wildfire risk spikes in California. It can predict which claims need expert adjusters and which can be paid automatically within hours. It can spot fraud patterns well before the human eye can. The insurers winning with AI are not replacing humans; they are giving them superpowers[6]. AI handles routine work at machine speed while flagging complex cases for human judgment. The result? Decisions that once took weeks now happen in minutes.

Insurers can become ecosystem connectors

The future of insurance is not just about underwriting risk. It is about orchestrating capital, data, and services.[7] A stellar example of this is embedded insurance that is woven into purchase experiences. Another is open APIs that let brokers, equipment manufacturers, and healthcare providers integrate seamlessly. These create revenue streams beyond premiums and increase competitiveness.

THE THROUGH-LINE

The insurers who emerge strongest from the next crisis will not be those with the biggest balance sheets or the lowest expense ratios. They will be those who learned that resilience is not a defense mechanism, it is a growth strategy.

They will be liquid enough to act when others freeze. Disciplined enough to walk away from bad business. Operational enough to move at the speed of risk. Connected enough to see threats and opportunities before they fully form. And trusted enough that customers, regulators, and partners give them the benefit of doubt when things get chaotic.

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