Hannover Re

# When risks converge

**Systemic changes and their impact on (re)insurance**

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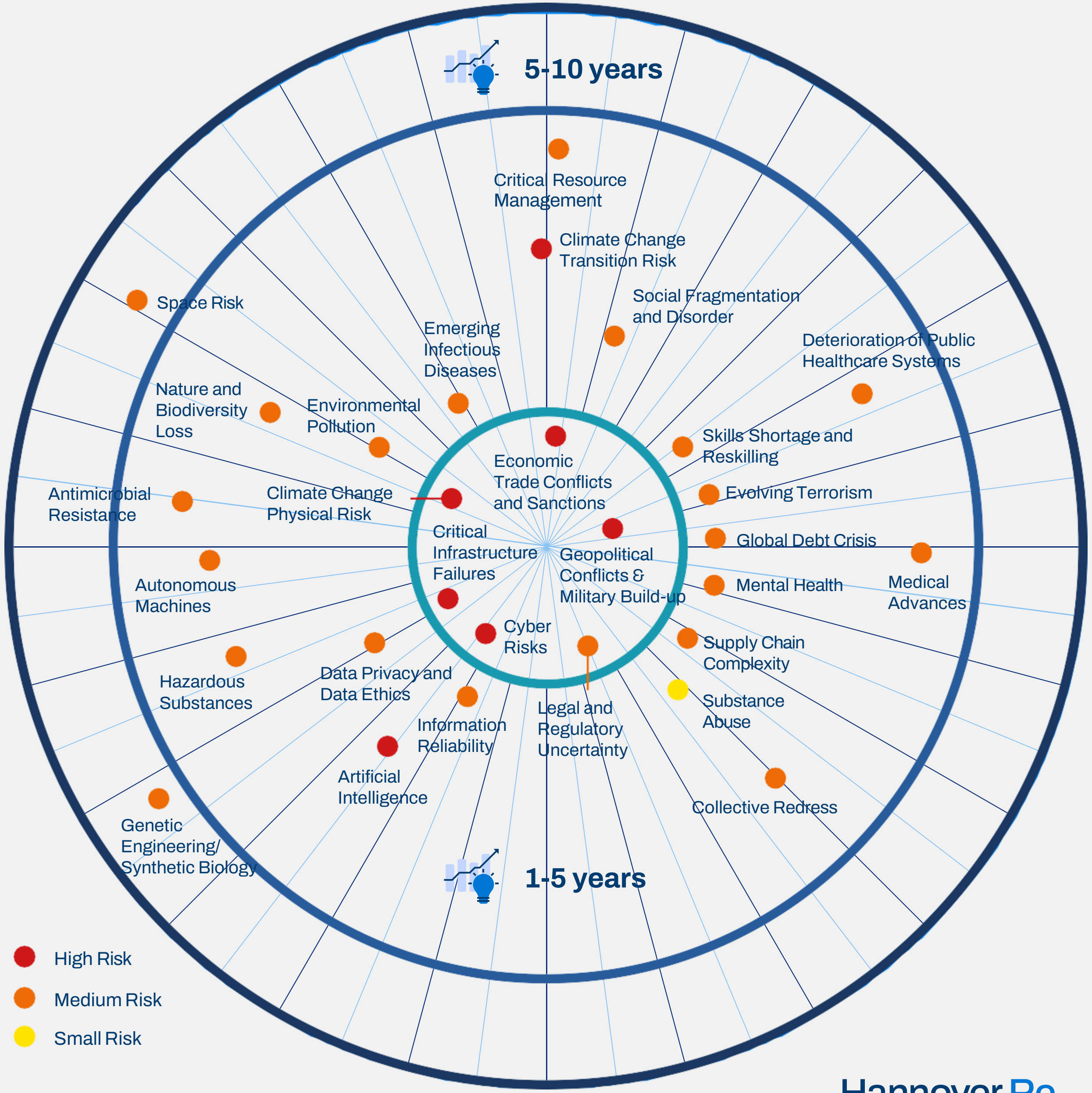
somewhat different

# The global risk landscape

**A broad set of high-impact risks is simultaneously affecting the insurance sector**

- Environmental and climate risks
- Geopolitical and economic risks
- Technological and infrastructure risks
- Social, health and societal risks




Source: CRO Forum Risk Radar 2025



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# A changing risk environment

**Recent years highlighted structural changes**

- Shocks occurred more frequently
- Shocks propagated faster
- Impacts were broader and more correlated
- Policy responses often amplified uncertainty

# Converging systemic risks

**Systemic risks increasingly converge rather than occur independently**

- **Climate change** amplifies physical losses and triggers economic stress, social unrest and political intervention
- **Geopolitical fragmentation** disrupts trade, energy and supply chains, increasing BI, SRCC and inflation-driven claims
- **Digitalisation and cyber dependency** accelerate loss propagation and create single points of failure
- **Economic and social pressures** raise frequency and severity of unrest, litigation and regulatory intervention

# Changing the insurance equation

**Higher correlation**

**Greater uncertainty**

**Weakened diversification**

**Tail risks move closer to the centre**

**Reinforcement loops**

**Faster accumulation**

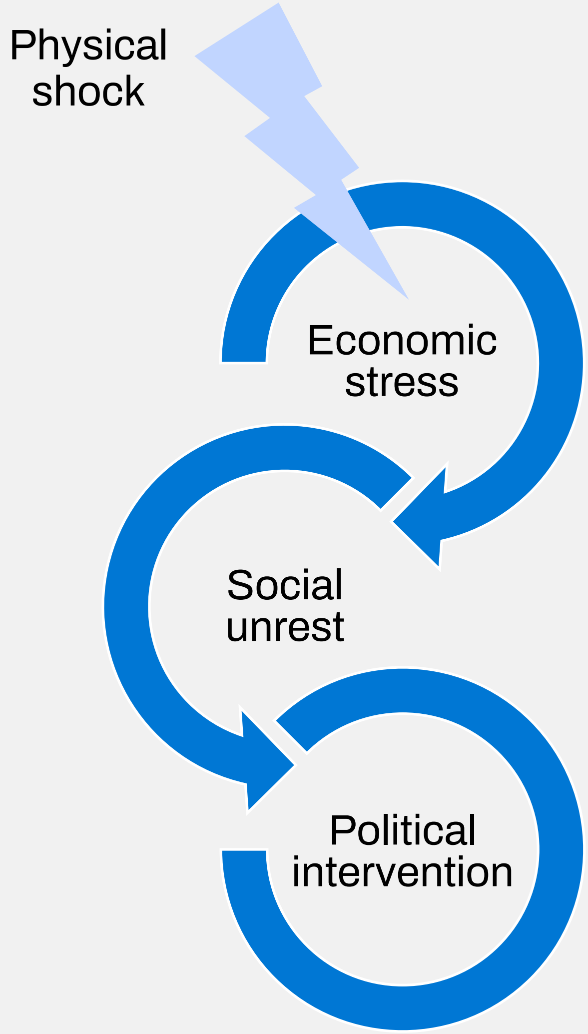
**Loss drivers migrate**

# Interdependency in practice

**Systemic convergence has tangible patterns, e.g.**

- Physical event triggers economic stress
- Economic stress fuels social unrest
- Social unrest leads to political intervention
- Political intervention feeds back into markets

**Technology accelerates every step of this chain**



# Interdependency in practice
# SRCC, from local unrest to systemic impact

**Recent SRCC events illustrate how systemic risks converge**

- Triggered locally, driven globally
- Multiple reinforcing pressures
- Digital acceleration
- Urban concentration of values
- Losses cascade beyond the event
- Portfolio-level impact

SRCC is no longer a local or isolated peril, but a **systemic risk amplifier with global balance-sheet relevance**.

# Interdependency in practice
# Climate as a driver of systemic convergence

**Climate change increasingly acts as a connector across risk dimensions, rather than as a standalone physical peril**

- Physical events trigger broader disruption
- Economic effects amplify losses
- Social stress increases vulnerability
- Political response reshapes risk allocation
- Portfolio effects include higher correlation, faster accumulation and loss migration

Climate change is not only a source of losses: **it amplifies, connects and reshapes risk**.

# The defining task for our industry

**We operate in an environment where risks are more connected, more volatile and less predictable.**

**The relevance of insurance and reinsurance lies in how we respond**

- Providing stability when systems are under stress
- Pricing and structuring risk to signal reality
- Allocating capital with discipline and foresight
- Partnering on prevention, resilience and adaptation

**The future of our industry is not about predicting every event, but about managing risk in a connected system.**

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