Howden Re

2025 Natural catastrophe snapshot

Introduction

In 2025, peak perils, typically the headline of a year in review, accounted for only a small share of overall losses. In the U.S., an active but largely low-impact hurricane season and below-average severe storm losses, contrasted sharply with the previous five years, all of which exceeded $60bn in severe storm losses. Outside of the U.S., losses were driven by a series of notable, but localised events across Asia and Europe, producing moderate insured losses amid significant human and economic impacts.

The defining story of the year unfolded in the initial weeks, when multiple wildfires ignited in Southern California under extreme fire weather conditions, ultimately damaging or destroying more than 15,000 structures.

After 2025, it is clear that catastrophes happen, and large losses are no longer anomalies. While the timing, location, and nature of these events remain uncertain, they underscore the need for robust, multifaceted approaches to risk transfer and portfolio management. As increasingly novel catastrophe scenarios emerge, such as the largest loss-causing wildfire occurring in January, the entire risk chain will continue to adapt. These challenges drive ongoing innovation at Howden Re, enhancing the service delivered to clients.

This review captures the key events, market impacts, regulatory developments, and other factors that shaped the conversation in 2025.

Page 4
January 7
Palisades &
Eaton fires

Page 8
January 21
Windstorm
Éowyn

Page 10
March 13-16
US
severe weather

Page 12
March 28
Myanmar
earthquake

Page 14
Oct 21-Nov 4
Hurricane
Melissa

Page 16
September 18-24
Super
Typhoon Ragasa

Wildfires: Palisades and Eaton

The Palisades and Eaton fires ignited within hours of each other on 7 January under some of the worst fire conditions on record: drought paired with red-flag conditions (hot, dry, and windy weather), and an extreme Santa Ana event that pushed winds up to 100 miles per hour, fanning the flames and hampering suppression efforts.

The Palisades fire encroached on the neighbourhoods of Pacific Palisades, Topanga and Malibu, resulting in substantial insured losses driven by high property values. While the Palisades fire is under investigation for potential arson related to a fire that was initially put out on 1 Jan 2025, subrogation is considered unlikely, providing some relief to California utility companies after being implicated in several events in recent years. On the other hand, the Altadena fire ignition is suspected to be transmission line related.

Although the Eaton fire destroyed more structures than the Palisades fire, overall insured losses were lower in the Eaton fire due to comparatively modest property values. The Altadena neighbourhood was the most impacted as closely constructed homes interspersed with vegetation allowed flames to quickly spread from one building to another.

100mph

Winds during the Santa Ana event

Capturing wildfire accumulations with PATH by Howden

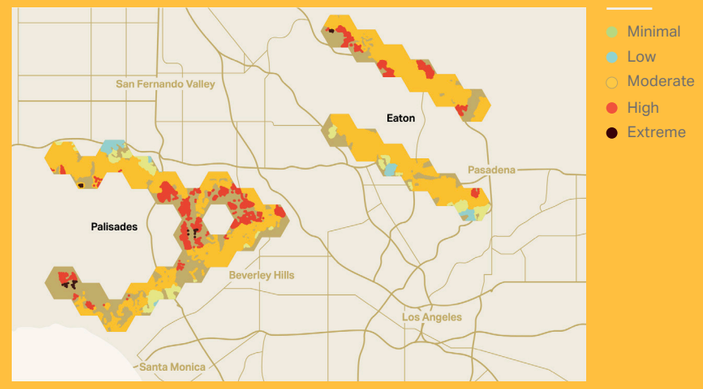
Although predicting any single event is not realistic, steps can be taken to understand the contributing factors. Howden Re PATH (Portfolio Accumulation Tail Hazard) empowers insurers to navigate wildfire risk with precision—before the sparks fly. From identifying peak accumulations, to real-time underwriting, its wildfire intelligence is built for portfolio resilience.

As shown in Figure 1, PATH identifies some of the most hazardous high-value concentrations in California. The second- and fifth- highest ranked concentrations of insurable properties in California identified by PATH in 2024 overlap with the Eaton and Palisades fire footprints, and three other top-ten concentrations are in their immediate vicinity.

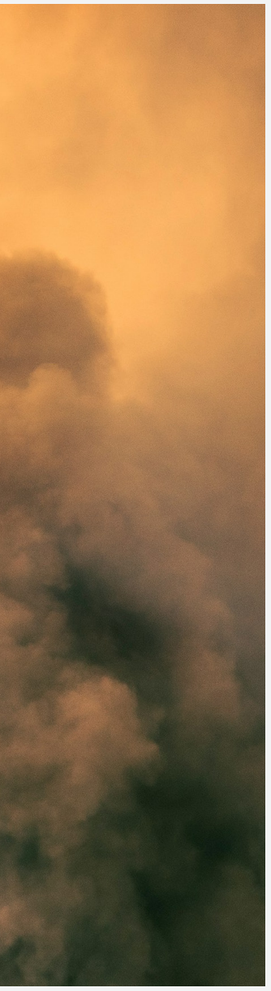
PATH solves the unique issue of concentration management along the boundary of the 'fuels layer' by identifying those risks most likely to be involved in a single event and suffer fire damage.

Working alongside PATH, the Howden Re Blaze Index delivers a location-specific wildfire hazard score designed to address the spatial complexity of wildfire risk - particularly along the Wildland-Urban Interface (WUI), where traditional accumulation management strategies often fall short.

Figure 1: High Risk PATHs identified in the region of Palisades and Eaton Fires



Changes in subrogation practices and post-event recovery in California



Many insurers sold their subrogation rights related to Eaton and Palisades to hedge funds, a practice that is likely to decline in the California market over time based on recent regulatory changes. In publicly disclosed transactions, Eaton recoveries sold for approximately 40 to 50 cents on the dollar, while Palisades sold for pennies. Historically, hedge funds have assumed subrogation risk from cedents, removing uncertainty from reinsurers in exchange for perceived upside. A newly approved law signed by California Governor Gavin Newsom introduces a structural shift in this market by granting utility funds a right of first refusal when cedents seek to sell subrogation rights. While this change may reduce cedents' willingness to sell and constrain post-event liquidity, higher system-wide rates and California's commitment to allowing catastrophe models to inform pricing have encouraged cedents that previously pulled back to recommit and expand in the state.

Across California, homeowners have taken divergent paths. Some accepted insurance proceeds and relocated, while others chose to rebuild. Following the 2025 events, officials pledged rapid rebuilding, but progress has been limited. Nearly a year later, only about 16 percent of rebuild permits have been issued. Delays reflect homeowners' uncertainty about committing to a lengthy reconstruction process, particularly for high-value properties that require custom materials, scarce skilled labour, and complex permitting. These challenges can be seen even today in the ongoing reconstruction from the Tubbs and Camp fires of 2017 and 2018, respectively.

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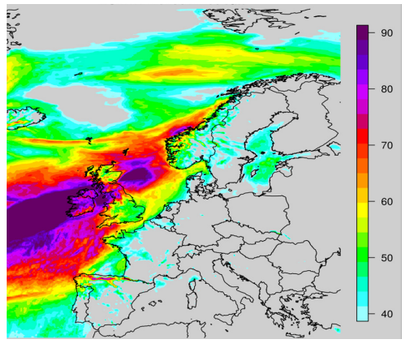
Storm Éowyn

Storm Éowyn was the UK's most powerful windstorm in the past decade, bringing red warnings, severe impacts and, tragically, fatalities. A 100mph gust was recorded in Northern Ireland, while 15 UK stations with more than ten years of history recorded their own respective highest January wind gust.

The gust speeds were significantly higher than recent storms albeit located more to the north of the UK compared with storms Kyrill (2007), Jeanette (2002), Daria (1990), with clear implications for much more limited insured losses. Nonetheless, exceptionally strong wind speeds characterising the storm resulted in higher average costs per claim relative to other recent windstorm events.

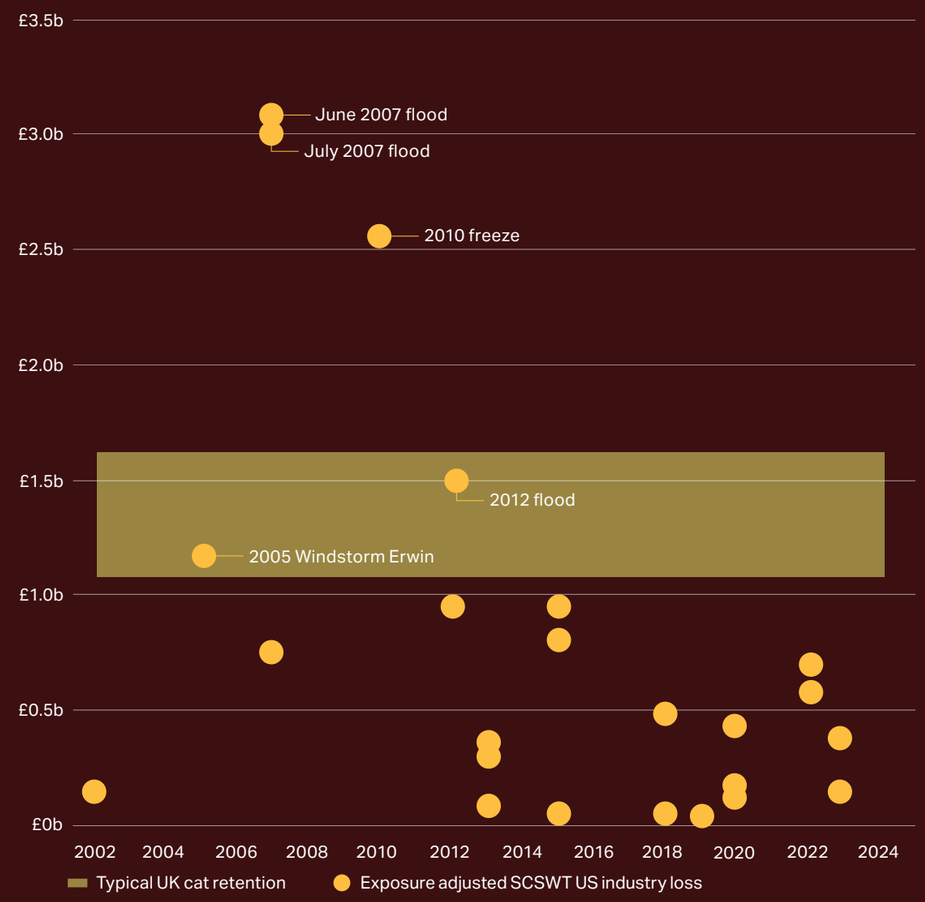
Based on historical reconstructions of European windstorm events from reanalysis records, Éowyn was the strongest storm in Ireland since the Boxing Day storm of 1998. It is one of the strongest windstorms in Ireland in the last 50-years.

Figure 3: Forecast max gusts (mph) 00UTC 22-01-2025 to 00UTC 27-01-2025



The recent UK nat-cat landscape has been benign from a major loss 'event' perspective: not since the 2010 freeze event has there been, what may be deemed, a major nat-cat loss event, as defined by resulting in a reinsurance recovery ('as if' loss basis).

Figure 4: 2007-2014 UK industry loss nat-cat event estimates (source: PERILS, ABI)



US Severe Weather

After two years of elevated severe convective and winter storm losses, 2025 aggregate losses regressed towards the mean. In March, the US experienced its costliest severe weather event since the Christmas freeze (winter storm Elliot) event of 2022. The March event impacted most of the Eastern US, however no one part of the storm served up intense hazards, reports were mostly of 1" hail and EF-1 tornados. Instead, damage arose from the sheer quantity of reports from Austin, TX stretching up to Lake Ontario.

Against this backdrop of reduced realised losses, model vendors have begun overhauling their views of convective storm losses, responding to market feedback that models consistently produced losses lower than observed experience. Carriers and markets are still in the process of digesting these updated models and will surely be comparing modelled results to recent history as one benchmark.

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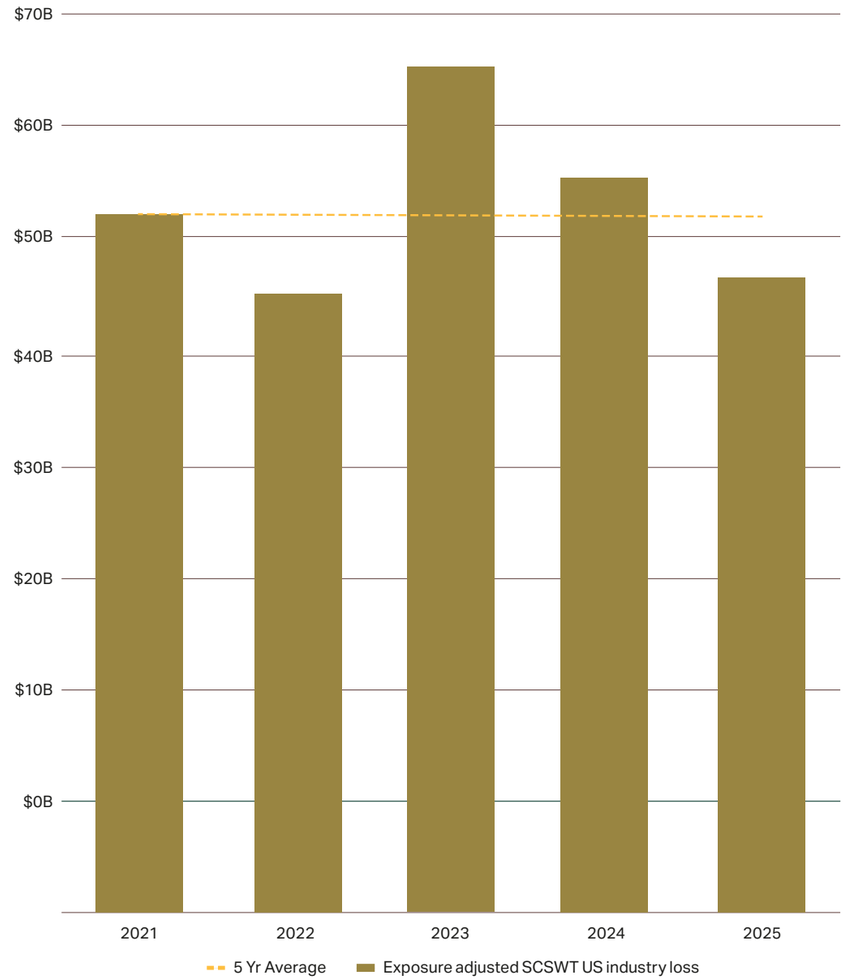
Figure 2: Industry SCSWT loss 2021-2025



Myanmar Earthquake

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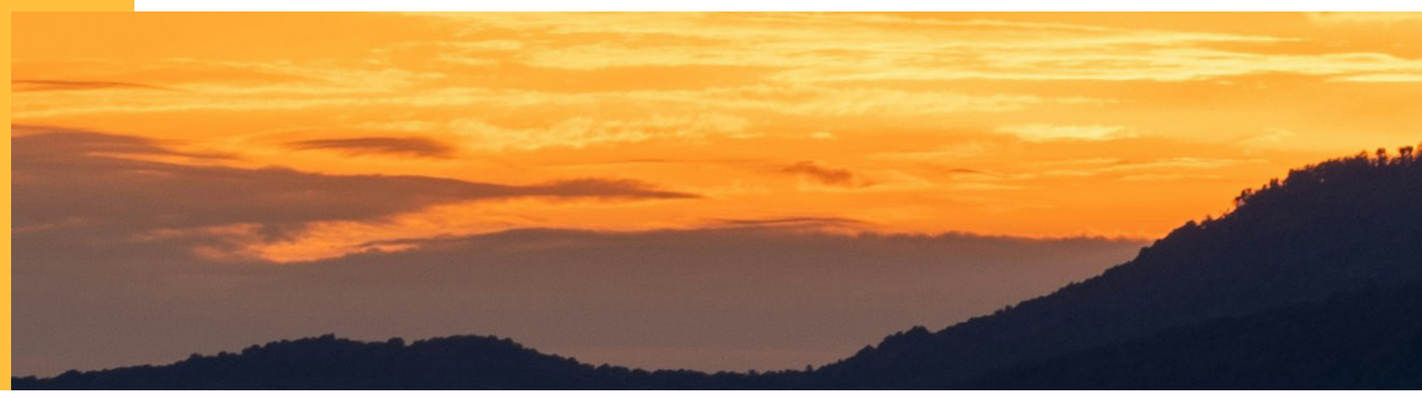
On 28 March, a Mw 7.7 earthquake struck central Myanmar near Sagaing, just outside Mandalay, causing more than 5,300 fatalities and over 11,000 injuries. The earthquake ruptured approximately 500 km of the Sagaing Fault, greatly extending the damage footprint, particularly south of the epicentre. The region has experienced repeated large earthquakes, with six magnitude 7 or greater events occurring within 250 km since 1900.

Despite being nearly 1,000 km from the epicentre, Thailand was affected when a high-rise building under construction collapsed, killing 45 people. Insured losses in Myanmar were minimal due to very low insurance penetration, estimated below 5 percent even in urban areas. In Thailand, insured losses were estimated between USD 600 million and USD 900 million, well below losses from the 2011 floods of approximately USD 15 billion and COVID-19 claims of around USD 4.5 billion. The largest single insured loss was a Contractor All Risk policy on the collapsed tower.

The event highlights the earthquake protection gap and the importance for cities such as Singapore, Hong Kong, and Bangkok to model distant seismic sources and detailed local soil conditions. While parametric solutions and earthquake pools have helped address protection gaps, uptake remains limited, underscoring the role of the insurance industry in building long-term resilience.



Hurricane Melissa

In a relatively quiet Atlantic hurricane season, Hurricane Melissa stood out. The fourth storm to reach major hurricane status and the third Category 5 storm of the year Melissa tied historical records for both wind and pressure intensities in the Atlantic basin.

The forecasting for this storm was particularly successful based on post event analyses. The storm made landfall only 13 miles from the NHC forecast position 4 days out. Furthermore, it was the first time the NHC issued a forecast for a storm to reach category 5 while it was still at category 1 strength and this forecast ultimately came to fruition.

Melissa became the strongest storm to make landfall in Jamaica, a record previously held by Gilbert which made landfall in 1988. Although the storm affected areas of Jamaica and Cuba, impacts to the re/insurance market are expected to be limited with an industry loss of <5bn according to the modelling vendors. The economic toll will far outweigh the insured at an estimated $10B in damage to Jamaica alone. Jamaica's financial preparations for such an event included a climate relief fund, a cat bond, and a parametric product, all of which will cover less than $1B of the damages leaving the country with a significant gap to finance recovery.

Super Typhoon Ragasa

Super Typhoon Ragasa was the strongest storm of the 2025 Pacific typhoon season. It brought extreme rainfall and winds to eastern Taiwan and Hong Kong, causing catastrophic flash flooding in Taiwan after a lake barrier failure, with fatalities and mass evacuations. Although the storm's core remained offshore, wind gusts of 220 to 230 km/h caused widespread damage and power outages.

Hong Kong issued the highest tropical cyclone warning signal as storm surges reached approximately 3.5 to 3.8 metres in eastern waters and 2.5 to 3.0 metres in Victoria Harbour, levels comparable to Typhoon Mangkhut in 2018. The surge peaked just after high tide, limiting worst-case inundation in low-lying coastal districts. Ragasa later made landfall near Hailing Island in Guangdong at roughly Category 2 intensity. While matching Mangkhut's warning level, early indications suggest lower overall damage due to improved forecasting, preparedness, and resilience.

Hong Kong's typhoon risk profile has shifted from historically high-fatality events such as the 1937 Great Typhoon and Typhoon Wanda in 1962 to increasingly large economic and insured losses driven by urbanisation and asset concentration. Recent storms including Haikui, Saola, and Doksuri in 2023 caused multi-billion-dollar losses despite improved defences. Historical analysis shows no clear trend in severe typhoon frequency affecting Hong Kong, underscoring the growing importance of risk modelling and financial resilience.

~$1.3b

Super typhoon Ragasa

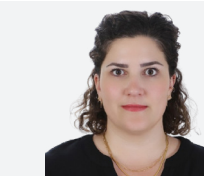
<$0.5b

Myanmar EQ

Meet the experts

Anna Pergerson

Managing Director,
Head of Catastrophe R&D
anna.pergerson@howdenre.com



Myrto Papaspiliou

Director,
Head of Model Research & Evaluation
myrto.papaspiliou@howdenre.com

About Howden Re

At Howden Re, we add value beyond the placement. We understand the major strategic themes affecting our clients and whether we are engaged in strategy sessions, consulting arrangements or executive ad-hoc requests, Howden Re is a trusted partner to our clients and a thought leader in the industry.

Our dedicated risk teams provide a combination of specialised reinsurance brokerage services and analytical expertise for our clients worldwide.

Our unique ability to navigate an ever-changing market with precision while steadily executing the most valuable solutions sets us apart and demonstrates our overarching commitment to helping our clients succeed.

Howden Re Provides a differentiated and holistic approach to reinsurance, capital markets and strategic advisory.

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To discuss this report in more detail, contact our team of experts today at catwatch@howdenre.com

One Creechurch Place, London, EC3A 5AF

T +44 (0)20 7623 3806
F +44 (0)20 7623 3807
E catwatch@howdenre.com

howdenre.com