



Clarity and Confidence to Act Now

Connected Perspectives

Better Decisions on
Climate and Catastrophe
for the Construction Industry



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Introduction



Introduction

As climate change affects the frequency and intensity of global natural disasters, how can organizations in the construction industry identify trends to protect people and property?

Our research — and conversations we have with clients and governments around the world — highlights four megatrends impacting business decision making: Trade, Technology, Workforce and, the focus of our latest report, Weather.

Climate and Catastrophe Insight Report

[Aon's Climate and Catastrophe Insight report](#) tells two very important stories about the Weather megatrend. First, that Weather, and particularly climate risk, can affect almost every aspect of business' operations across the other three trends — such as where to locate a new facility or how best to protect employees. Second, to tackle rapidly changing climate risk, the (re)insurance industry must accelerate innovation and access new forms of capital to respond to increasing and evolving risks.

Insured losses reached \$145 billion in the sixth costliest year on record as global events show that adaptation and disaster preparedness can mitigate damage and loss of life in the current and future climate.

Key Findings for the Construction Industry

In this special industry edition we highlight the key findings from the Climate and Catastrophe Insight report that impact the construction industry.



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Key Findings



Key Findings

Key Findings of the Climate and Catastrophe Insight Report for the Construction Industry

01

Stakeholders' Impact

Rising costs of natural catastrophes and extreme weather events are impacting every stakeholder in the construction and infrastructure industry. Contractors, builders, developers, real asset owners, investors, engineers, architects, industry associations and standardization bodies all have a role to play in advancing adaptation and resilience measures to curtail the trend.

02

Key Drivers of Rising Losses

Aon's research finds that key drivers of rising losses include a growing number and value of assets in exposed areas, aging infrastructure, increasing rebuilding costs and other macroeconomic factors. So, while changing climate is a factor in rising losses, where and how we build assets influences losses the most.

03

Considerations to Reduce Losses

Practical considerations to reduce losses include:

- Limiting new development in disaster-prone areas
- Disaster-proofing existing and most vulnerable assets
- Modeling current and future physical climate risks to factor in appropriate risk mitigation approaches from asset design phase, thought to construction and operations
- Conserving and/or restoring natural assets, such as mangroves and wetlands, which provide flood and hurricane attenuation benefits
- Exploring alternative risk transfer solutions to free up capital for proactive investments into disaster risk reduction and resiliency initiatives

04

Best Timing for Resiliency Measures

The most cost-effective time to introduce resiliency measures is at the time of new construction. There are numerous cost-benefit studies that estimate cost-to-benefit ratio of building resiliently in the range of 1:4 to 1:16. These benefits include avoided casualties, property damage, business interruptions, disaster response expenses and insurance costs.

Key Findings of the Climate and Catastrophe Insight Report for the Construction Industry

05

Exposure Mitigation Is Under the Spotlight

Commercial property lenders, private equity firms, infrastructure funds and other institutional investors are increasingly focused on mitigating their exposures to physical climate risk. For example, Aon is assisting several financial sponsor clients as they seek to factor in physical climate risks during deal due diligence for potential acquisition targets. By proactively pursuing climate-resilience measures, asset owners are not only investing in the physical protection of their property, but also into their long-term value.

According to the Global Infrastructure Hub, the world needs to invest \$94 trillion in infrastructure between 2017 and 2040. Every dollar invested must apply a climate resilience lens to ensure we end up with insurable and investible assets down the road.

06

The Risks of Infrastructure Failure

In April 2024, Southern Russia and Kazakhstan faced severe economic losses due to widespread floods. Heavy rainfall and rapid snowmelt caused the floods, which were further exacerbated by dam collapses, highlighting the impact of poorly maintained and outdated infrastructure on extreme weather events.

Flooding was the dominant peril in EMEA and all its subregions, being responsible for more than \$35 billion in losses. This was driven by events in Spain, Central Europe, Germany, United Arab Emirates and elsewhere.



Businesses are increasingly seeing the impact of weather-related risks on their operations and insurance premiums, with the impact of climate change adding uncertainty about the potential volatility of those risks. To understand the full extent of this, businesses need more data to assess, validate and adjust the existing models, building a comprehensive view of their risk experience both now and in the future.

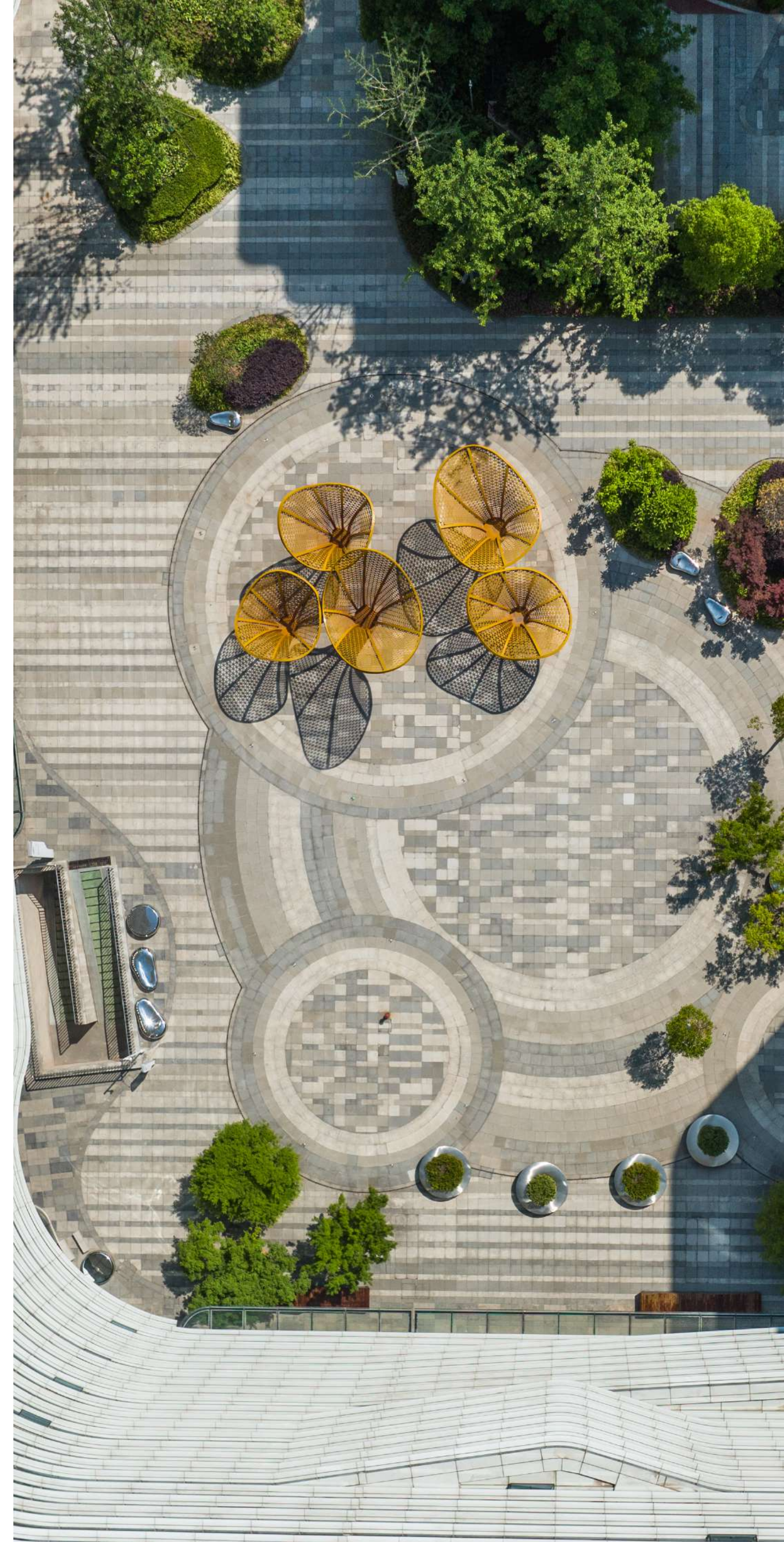
Adrian Champion

Head of Climate Analytics,
EMEA and UK

Aon Climate Risk Advisory

We analyze global natural hazards to better inform organizations on the risk and human impact of catastrophes and climate. Our goal is to connect sectors including insurance, government, academia, construction and finance as we collaboratively build a more resilient future.

To address climate risk – and our new normal of extreme weather events – Aon is investing in data, technology and next generation forecasting models to deliver insights. Driven by our commitment to help businesses and communities make better risk and people decisions, our teams of modellers, data and analytics experts and (re)/insurance professionals are using these insights to develop and deliver solutions that better protect businesses and vulnerable communities.





About Aon

Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues provide clients in over 120 countries with the clarity and confidence to make better risk and people decisions that help protect and grow their businesses.

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