

Natural catastrophes and climate risk

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Natural catastrophe risk has always been central to the SST, which requires insurers to model losses from storms, floods, hail and earthquakes. In Switzerland, insurance against natural hazards other than earthquakes is compulsory for buildings in most cantons. In nineteen cantons, including Basel-Stadt and Basel-Landschaft, it is provided by cantonal building insurers with a monopoly, while private insurers cover buildings in the remaining cantons through a pool with uniform premiums and conditions.¹ The cantonal building insurers fall outside FINMA's remit and are supervised by their cantons. Earthquake risk is largely uninsured in Switzerland, a gap that Basel, which suffered one of the most destructive earthquakes in Central European history in 1356, feels particularly keenly. The political debate on this gap, which includes recurrent attempts at a federal solution and a contingent liability model debated since 2023, is discussed in Chapter I.

Climate change has added a new dimension to natural catastrophe risk. FINMA expects insurers to identify, assess and manage climate-related financial risks, both physical risks, such as more frequent and severe weather events, and transition risks, such as losses on investments in carbon-intensive industries. Since 2021, the larger insurers have been required to disclose climate-related financial risks.² The new circular on nature-related financial risks extends these requirements to the integration of climate and other nature-related risks into governance, risk management and scenario analysis. Status to be verified. For reinsurers such as Swiss Re, which publishes extensive research on natural catastrophes through its *sigma* series, climate risk is both a business opportunity and a challenge to the models on which pricing and capital requirements depend.³

1 Notes

1. On the system of cantonal building insurance (kantonale Gebäudeversicherungen) in nineteen cantons and the private Elementarschadenpool in the other cantons (the so-called GUSTAVO cantons), see the Association of Cantonal Fire Insurers (VKG) and the Swiss Insurance Association. Number of cantons to be verified. ↩
2. FINMA Circular 2016/2 as amended with effect from 1 July 2021 (climate-related disclosure for insurers of supervisory categories 1 and 2); FINMA Circular 2025/3 "Nature-related financial risks", in force from 2025/2026 with transitional periods. Numbering and dates to be verified. ↩
3. Swiss Re Institute, sigma reports on natural catastrophes (annual), and Swiss Re's climate-related disclosures. To be verified. ↩

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