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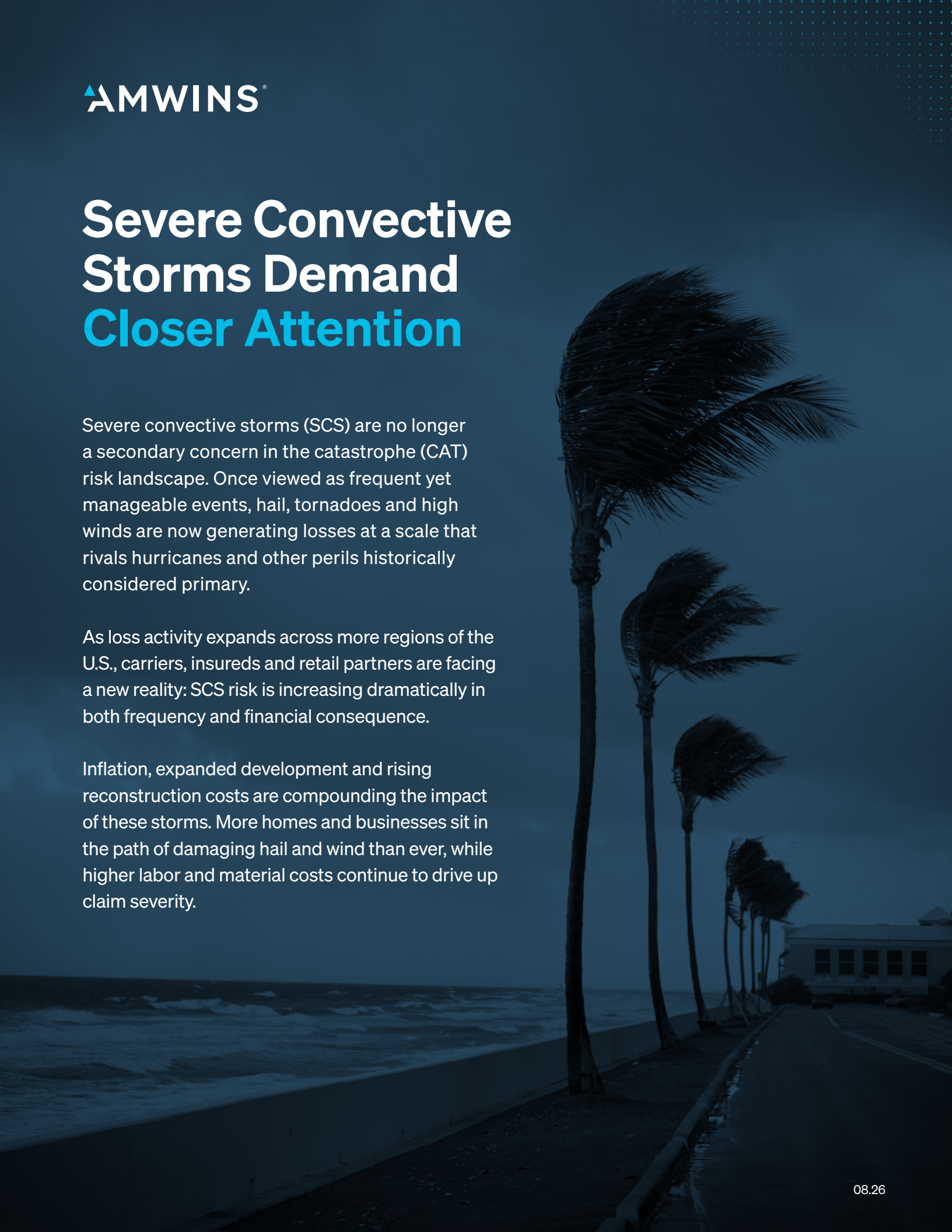
Severe Convective Storms Demand Closer Attention

Severe convective storms (SCS) are no longer a secondary concern in the catastrophe (CAT) risk landscape. Once viewed as frequent yet manageable events, hail, tornadoes and high winds are now generating losses at a scale that rivals hurricanes and other perils historically considered primary.

As loss activity expands across more regions of the U.S., carriers, insureds and retail partners are facing a new reality: SCS risk is increasing dramatically in both frequency and financial consequence.

Inflation, expanded development and rising reconstruction costs are compounding the impact of these storms. More homes and businesses sit in the path of damaging hail and wind than ever, while higher labor and material costs continue to drive up claim severity.



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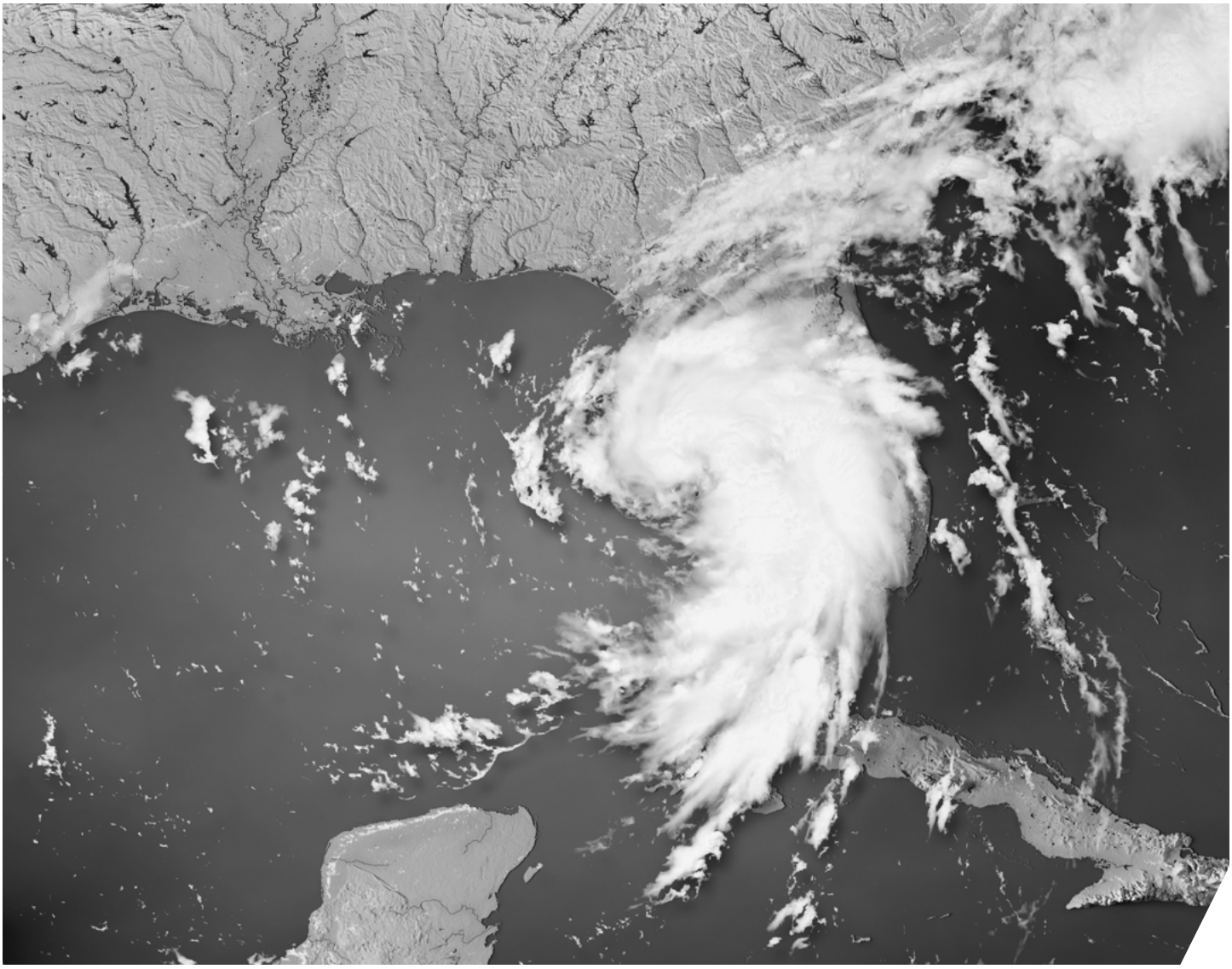


SCS is the highest-cost peril of 21st century

SCS have long been categorized as "secondary perils," a label traditionally used for high-frequency, lower-severity events. But that description no longer reflects the financial impact of these storms on the insurance market.

A single hailstorm can now rival the financial impact of a Category 4 hurricane, underscoring how quickly these events can become capital-intensive for carriers and costly for insureds.

According to Aon's 2026 Climate and Catastrophe Insight Report, **SCS have surpassed tropical cyclones** as the highest-cost insured peril of the 21st century. More than 54% of global economic losses from SCS occurred in the U.S., placing significant pressure on insurance carriers' catastrophe budgets.

The data continue to reinforce the shift. Total economic damages from SCS reached **more than $68B** last year, making 2025 the third-costliest year on record for the peril. And in the first half of 2026, Aon reports that **nine SCS have already caused insured losses of at least $1B** in the U.S.

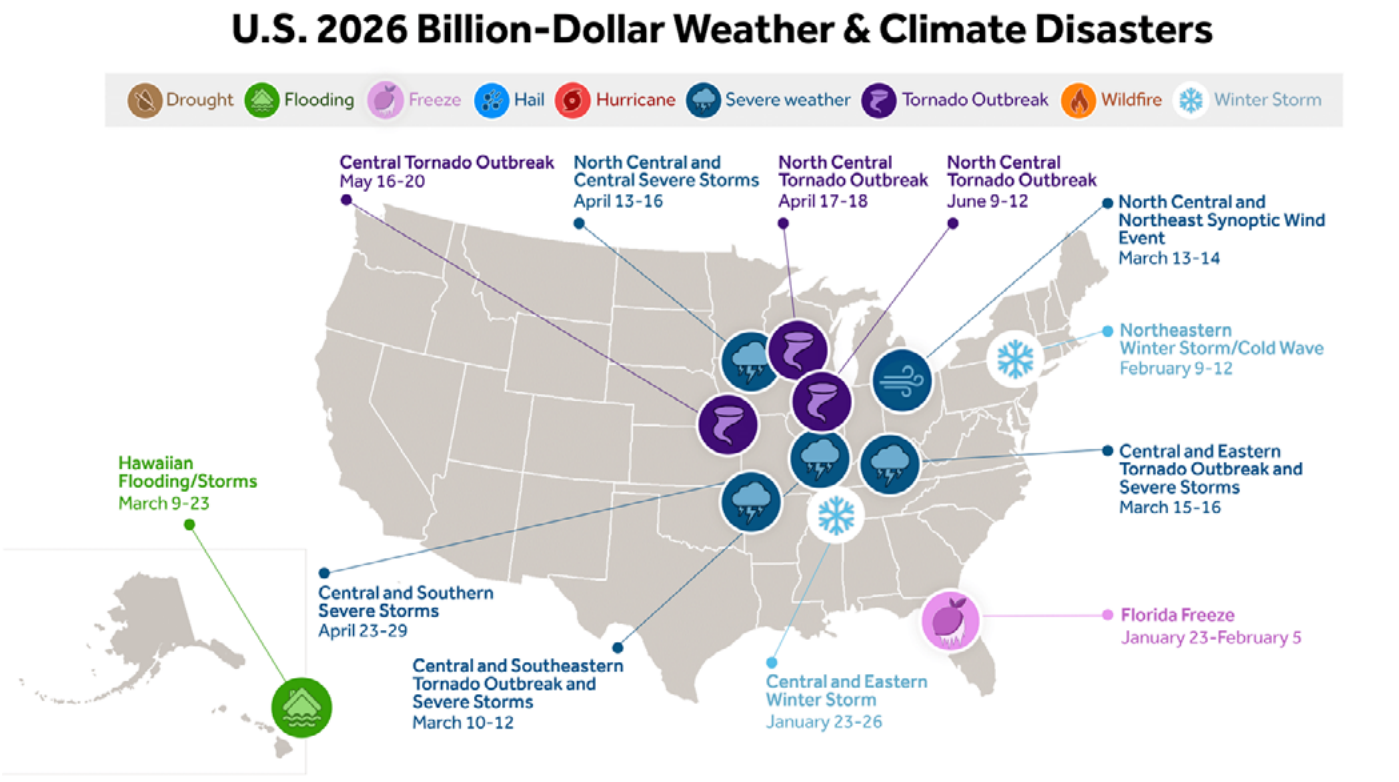
The geography of storm exposure is expanding

The property exposure tied to SCS is substantial. Cotality's 2026 Severe Convective Storm Risk Report found that more than 4**3.5 million properties across the U.S.** fall into moderate or greater hail risk categories, representing $17.8 trillion in reconstruction cost value (RCV).

The top 10 states by number of homes and associated RCV with moderate or greater hail risk include Texas, Illinois, Missouri, Michigan, Georgia, Pennsylvania, Colorado, Wisconsin, Indiana and North Carolina. Several of these states fall outside regions historically viewed as the highest-risk areas for SCS, indicating that the geography of storm exposure is changing.

The annual number of days with hail measuring two inches or more is also on the rise. Cotality Weather VerifyTM captured **142 days of damaging hail across the U.S. in 2025**, seven more than 2024 and 20 more than the 20-year average of 122 days per year.

Tornado exposure is similarly widespread. Cotality estimates that more than **76 million homes**, with a combined RCV exceeding $27 trillion, face moderate or greater risk from EF0 tornadoes.



Why losses are becoming more costly

Changing environmental conditions are undoubtedly contributing to the growing SCS challenge. For instance, **warmer ocean temperatures** are creating a more favorable environment for SCS such as coastal thunderstorms to develop.

However, it's important to note that the increasing cost of SCS is not driven by weather and climate change alone. Expanding urban and suburban development means there are more homes and businesses in harm's way, creating a larger base of property that can be damaged during high-wind, hail or tornado events.

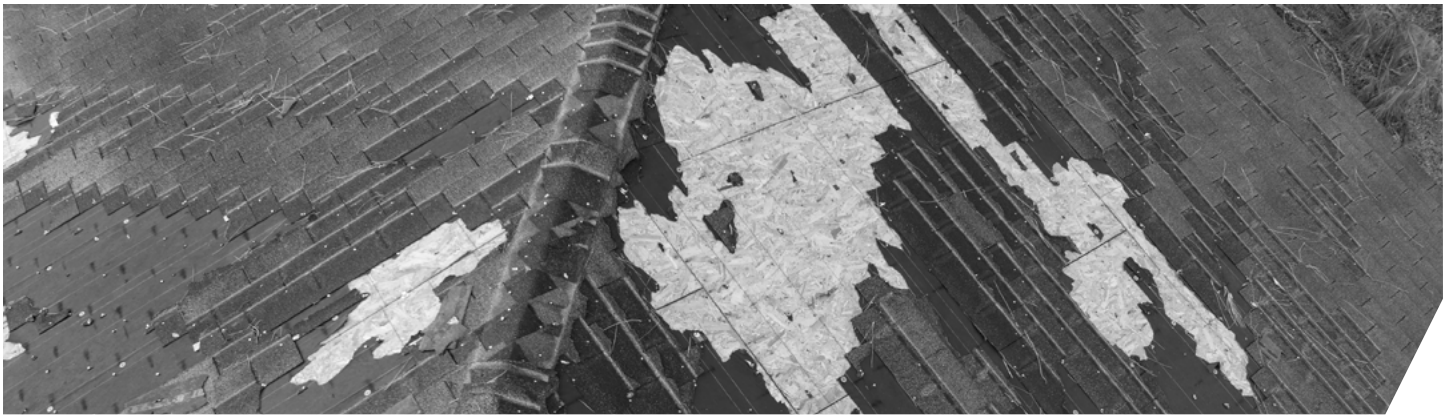
Repair and replacement costs are also rising. According to the **Bureau of Labor Statistics Producer Price Index**, key materials such as lumber and asphalt are about 50% more expensive than they were a decade ago.

Not only are raw materials increasing in cost, but changes in roofing systems themselves are adding complexity post-claim. With rooftop solar panels growing in popularity, as well as changes in ordinances governing new roofing materials and installation methods, clients can find themselves on the hook for repairs if they don't proactively understand the real-time condition of all components of their roof.

Losses can also create localized demand surges. When a region experiences significant storm damage, increased demand for labor and materials drive up repair costs even further.

Social inflation and property owners' increased use of public adjusters are leading to rising costs for carriers and, therefore, insureds as well.

Together, these conditions are contributing to higher premiums and deductibles, reduced limits and additional exclusions for cosmetic damage and other factors.



Market effects for carriers and insureds

As more regions of the U.S. experience SCS activity, carriers' budgets are feeling the impact. Roof damage from hailstorms remains a major driver, while business interruption can add further complexity and cost. And with more SCS occurring earlier in storm season, carriers' annual loss budgets are depleting sooner.

This strain creates pressure across the insurance value chain. Carriers must account for both the frequency and severity of events, while insureds are increasingly asked to retain more risk through higher deductibles or adjusted coverage terms.

One example of these adjusted coverage terms is a cosmetic damage exclusion, where the policy will not pay out for surface-level dents, scratching or marring that alters the appearance of a material but does not impact its functionality. These cosmetic damage exclusions are commonly being extended to the entire building, not just the roof.

Additionally, roof valuation limitations are becoming more prevalent. An actual cash value (ACV) policy will only pay out for the depreciated current value of a roof rather than the full replacement value. Many carriers automatically convert coverage to ACV when a roof hits a particular age, usually around 15 years old. This can prove problematic for insureds because ACV payouts are rarely enough to cover a roof replacement, especially as labor and material costs are on the rise.

Wind/hail (WH) deductibles are typically determined on a percentage basis rather than a flat dollar basis, but pay attention to whether the deductible is "per unit," "per building" or "per location." There can be significant disparity between these values. For example, if a group of buildings on a resort property are valued at a combined $75 million and the policy has a 3% per-location WH deductible, the insured will have to meet a $2,250,000 deductible before coverage may kick in for any affected building on the property.

The reporting timeline for SCS-related claims is also shifting. Carriers are tightening their claim submission windows, with some as narrow as 180 days post-loss. It's essential to read all policy documents carefully and ensure that a loss is reported within the acceptable time frame, as it can vary widely.

The result is a market environment where SCS is no longer treated as background noise within catastrophe portfolios. The combination of higher property values, more exposed structures, costlier materials and more frequent damaging hail days has made these storms a central underwriting consideration.

Understand exposure to help mitigate risk

As SCS losses rise, risk mitigation is crucial. According to the U.S. Chamber of Commerce, **every dollar invested in hazard mitigation can save up to $33** in future disaster costs. And while historical loss patterns remain relevant, they may not fully capture the evolving frequency, geography and impact of future SCS events.

For retail partners and insureds, proactive planning starts with understanding where exposures are concentrated and how those exposures may perform under different catastrophe scenarios. Amwins has in-house **CAT modeling** experts who work closely with retail and carrier partners to deliver actionable guidance.

Amwins DNA, our proprietary comprehensive data and analytics tool, is supported by an in-house team of actuaries and CAT risk professionals to help clients understand their unique loss exposure and make proactive decisions based on each risk profile.

Alternative risk transfer mechanisms can also play a role in strengthening resilience. **Parametric solutions** release funds automatically when specific conditions are met, providing liquidity more quickly than traditional claims processes in certain situations.

Parametric insurance can offer payout flexibility, faster claims payments using real-time data and transparent contracts that define when, how and how much a policy will pay.

Stay ahead of the storm with Amwins

SCS are reshaping the catastrophe risk landscape. What was once viewed as a lower-severity peril is now generating losses that demand greater attention from carriers, brokers and insureds alike.

The path forward requires better data and more disciplined underwriting. As hail, tornado and wind risk expands across the U.S., insureds need partners who can help them understand their exposures, evaluate coverage options and make informed decisions before the next storm hits.

At Amwins, our scale, market access and analytical capabilities help retail partners navigate this shifting environment. From **CAT modeling** to data-driven placement strategy, we help clients move beyond reacting to severe weather and toward proactive risk mitigation.

In a market defined by volatility, preparation matters. SCS may arrive quickly, but the right strategy can help you weather the impact with greater confidence.

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To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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