

Climate Change, Migration & Risk Mitigation

The Impact on Commercial Real Estate and Title Insurance

What's it like outside?

If I had a dollar for every time that someone asked me what the weather was like in Chicago, I'd probably be permanently vacationing somewhere warmer



I come by it naturally



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2025 Title Tenets Webinar Series

Why are we all here today?

Here's a quick outline so you know what to expect

- Examples of industries affected by climate change
- Climate change overview
- Brief history of climate change
- Climate migration
- Climate havens
- Property Liability Insurance
- Climate Resilient Construction
- Municipal Infrastructure
- Title Insurance – Mechanic Lien Coverage
- Title Insurance – Energy
- Title Insurance – Distressed Properties

Some of the sources:

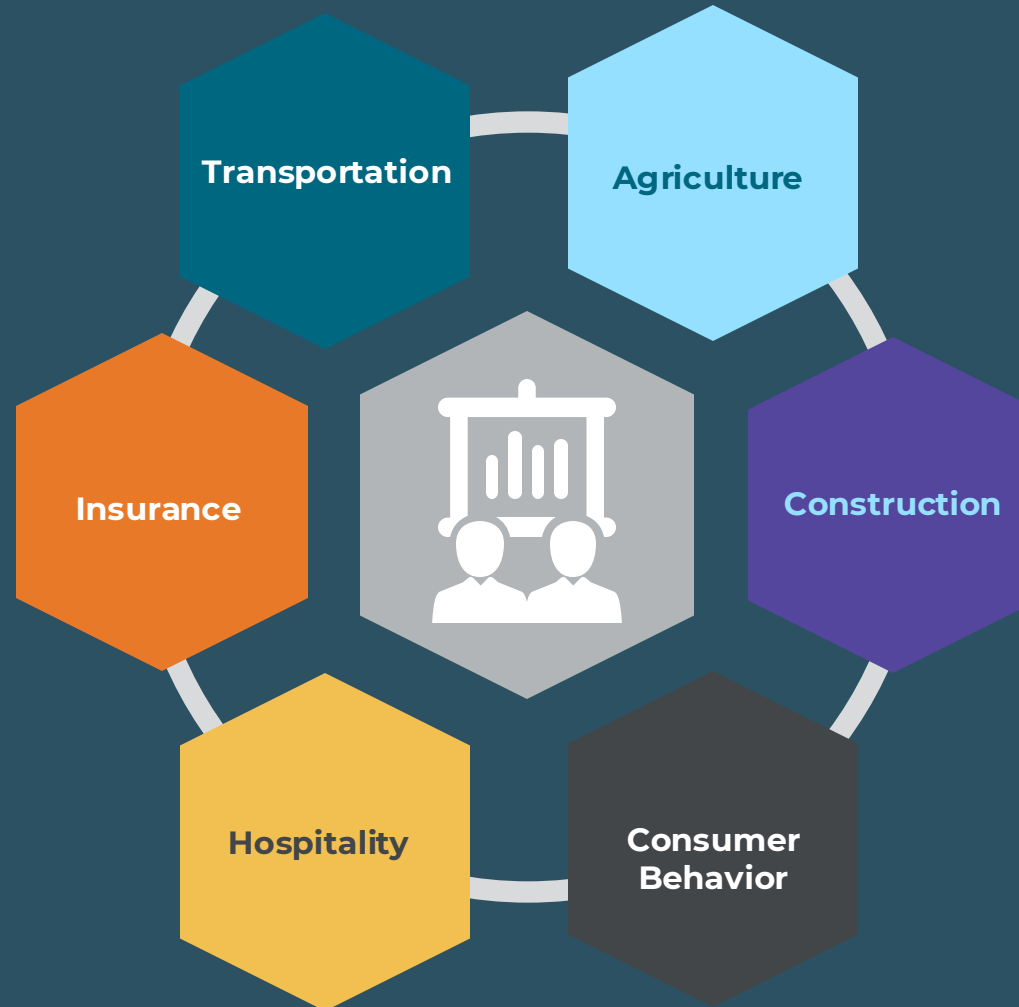
- Tyler Brevick, VP, Commercial Lines Leader – IMA Corp
- National Oceanic and Atmospheric Administrations
- Department of Commerce
- Environmental Protection Agency
- United States Geological Survey
- Rutgers University
- Science Magazine – authors M. Oppenheimer & R. Alley
- My dad
- Nature Reviews Earth & Environment
- Global Migration Data Analysis Centre
- UN International Organization for Migration
- World Bank
- Propublica
- New York Times
- PBS News
- Environmental Law & Policy Center
- BBC
- US Census Bureau
- First Street Foundation
- Collin Chlebak, Partner, Real Estate – Virtus Insurance
- Allstate, State Farm, AON, Berkshire Hathaway, USAA
- Moody's Analytics CRE
- Bankrate
- My mom
- Miami Herald
- CBS News
- 60 Minutes
- Bloomberg
- Rebuild by Design at New York University's Institute for Public Knowledge
- The Guardian
- Springer
- The Center for Climate and Energy Solutions
- National Institute of Building Sciences
- UN's Environment Programme
- Intergovernmental Panel on Climate Change
- World Green Building Council
- Global Commission on Adaptation
- Forbes

Why should you care?

“Scenarios do not predict future changes but describe future potential conditions in a manner that supports decision-making under conditions of uncertainty. Scenarios are used to develop and test decisions under a variety of plausible futures. This approach strengthens an organization’s ability to recognize, adapt to, and take advantage of changes over time.”

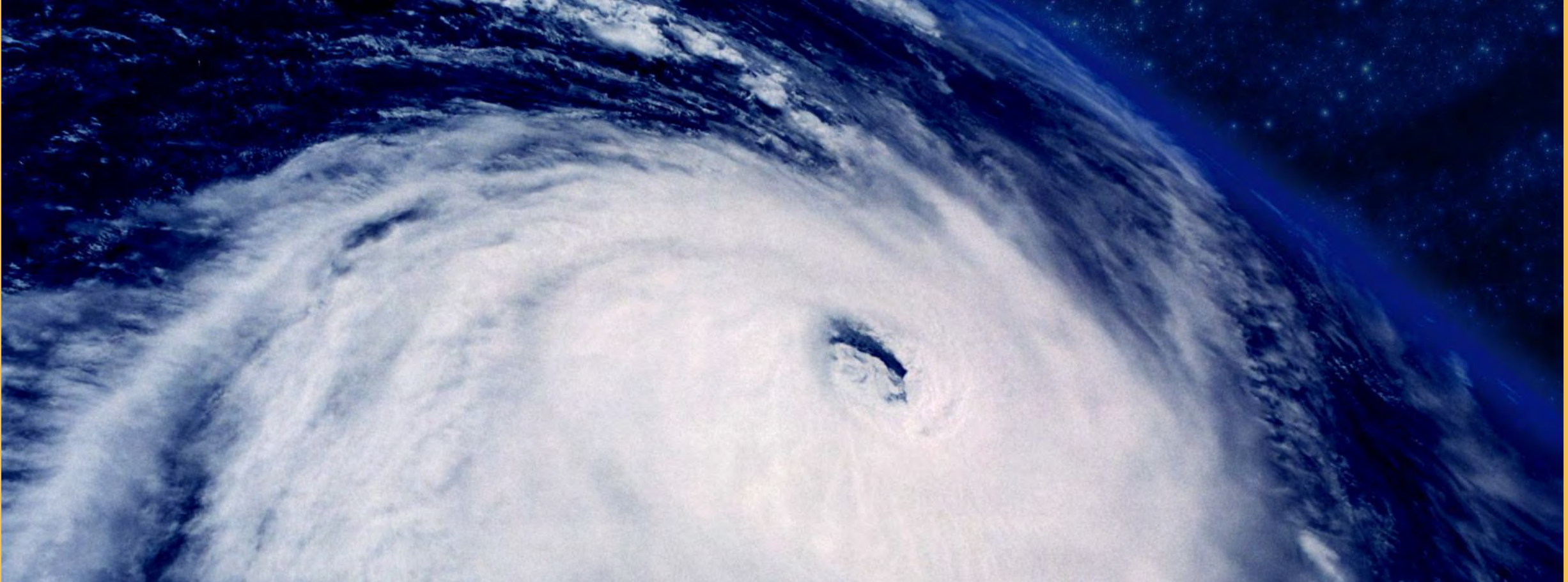
Global Sea Level Rise Scenarios for the US National Climate Assessment – NOAA Tech memo

Examples of Industries Affected by Climate Change



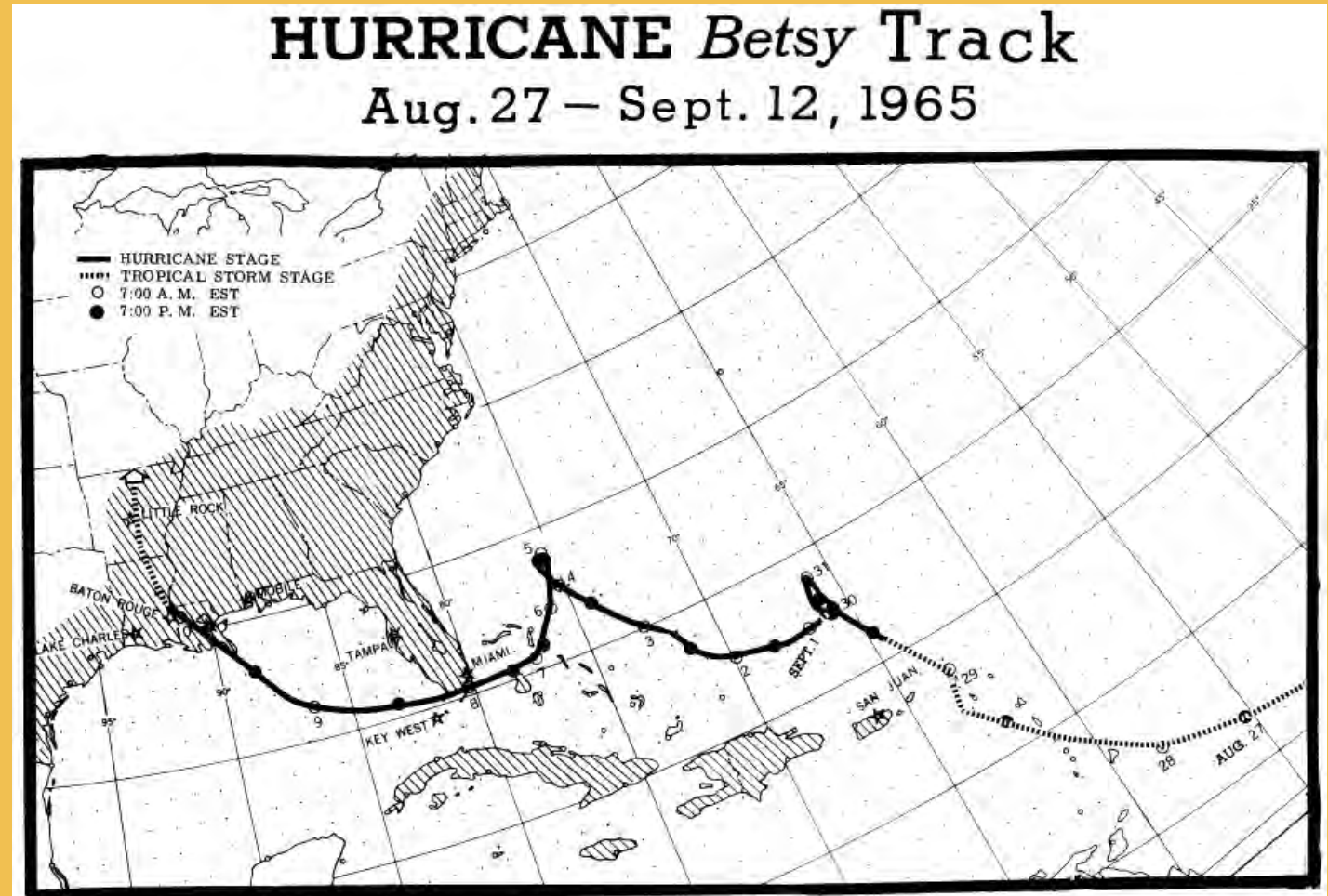
Climate Overview

The eye of the storm



Hurricane Betsy

In 1965, Hurricane Betsy made landfall in Grand Isle, Louisiana as a Category 4 hurricane. It was a powerful storm with winds exceeding 130 miles per hour and a storm surge that caused major flooding in New Orleans. There was a failure of the levees, and the storm caused approximately \$1.2 billion in damages – the first Atlantic hurricane to do so.

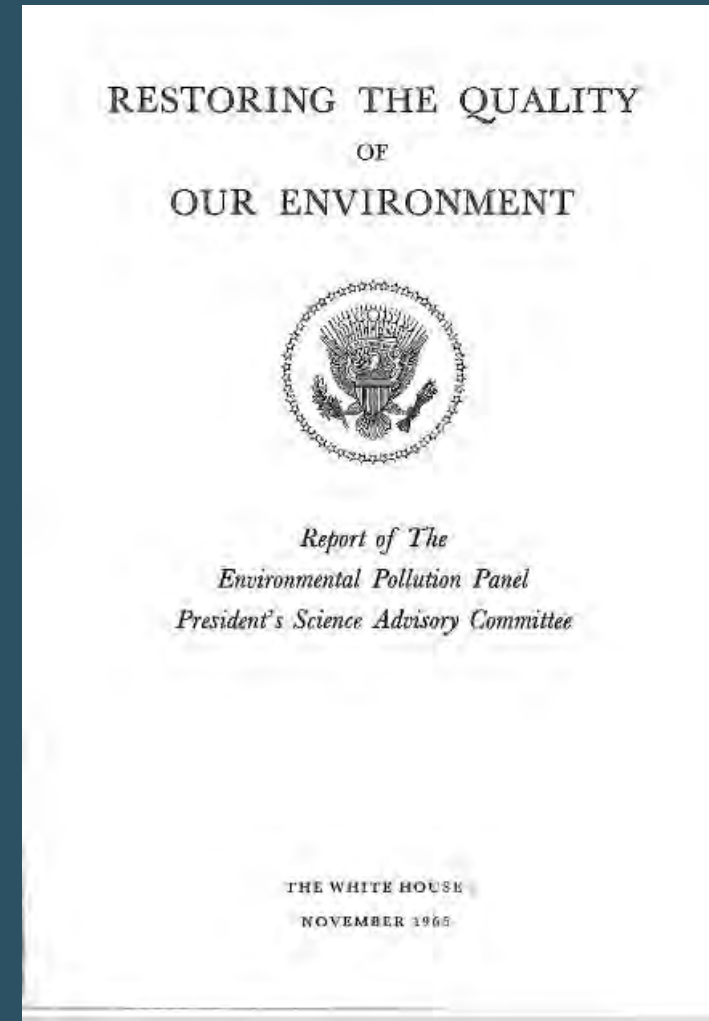


1965 was a busy year

That same year, scientists created a report for President Lyndon B. Johnson titled “Restoring the Quality of Our Environment”.

In it, they predicted that Americans would face both physical and economic consequences due to a changing climate.

Despite those early warnings, it was the real estate and insurance industries that took initial action to address the issue.



The Ps

Prior
Preparation
Prevents
Poor
Performance
Probably



It's not just hurricanes and flooding

Los Angeles, CA



Also Los Angeles, CA



Climate Migration and Havens

What is climate migration?

Definition

According to the Global Data Portal which is managed by the Global Migration Data Analysis Centre (GMDAC) of the International Organization for Migration (IOM), climate migration is the movement of a person or groups of persons, who predominantly for reasons of sudden or progressive change in the environment due to climate change are obliged to leave their habitual place of residence, or choose to do so, either temporarily or permanently, within a State or across an international border.

Possible effects on CRE and Title

The World Bank found that most people who are forced to migrate try to stay in their home and countries of origin. Those who leave tend to migrate to cities.

Experts state that the solution to the problem of climate migration centers around helping people remain in place, doing planned migrations, and better structural and city planning to handle increased disasters. From a title perspective, it's important to watch for regulatory changes setting out building requirements, zoning revisions changing height or setback requirements, local ordinances that may affect build areas, and other municipal rulings that may affect coverage available.

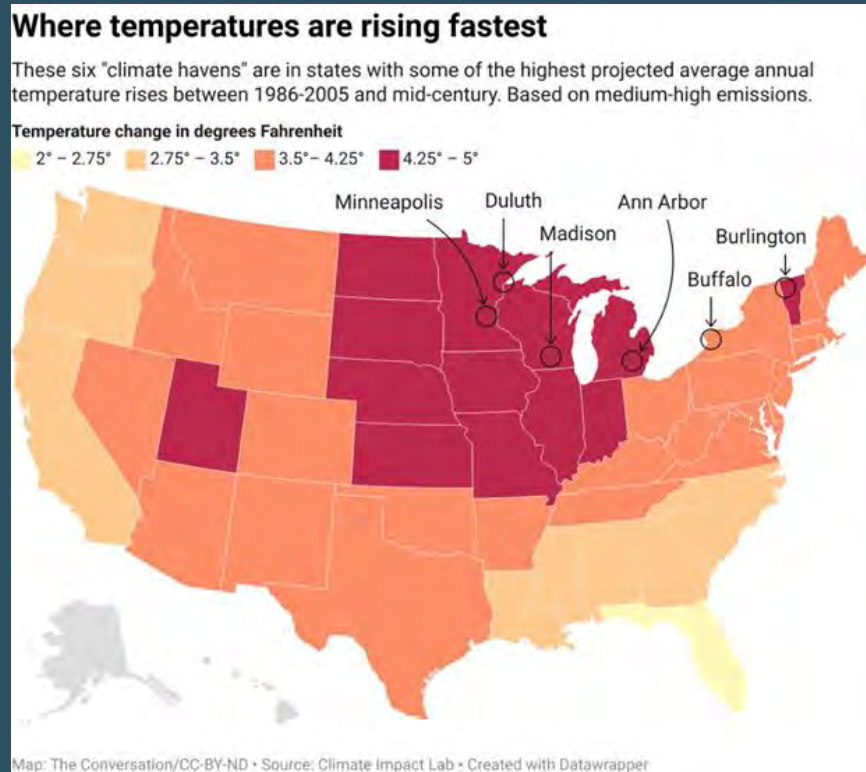
Climate haven?



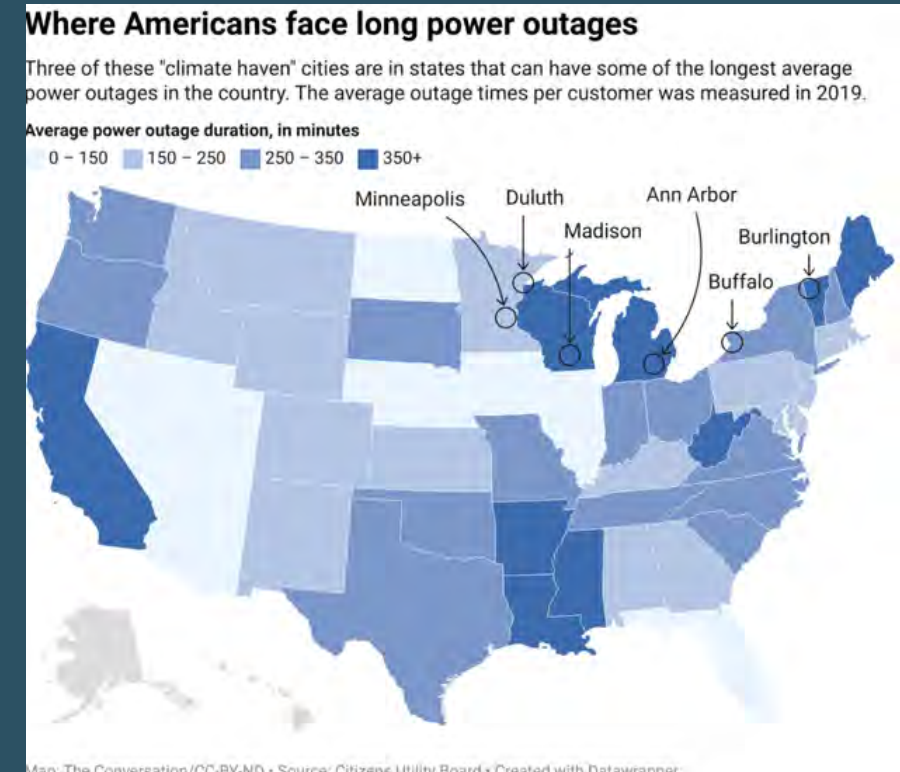


Why “climate havens” maybe aren’t

Rising Temperatures



Long Power Outages



Nowhere to run

Asheville NC is an
unfortunate
example of why
climate havens
aren't always
what's promised



Increasing populations

Houston, TX



Miami, FL



Climate Effects on Property Liability Insurance

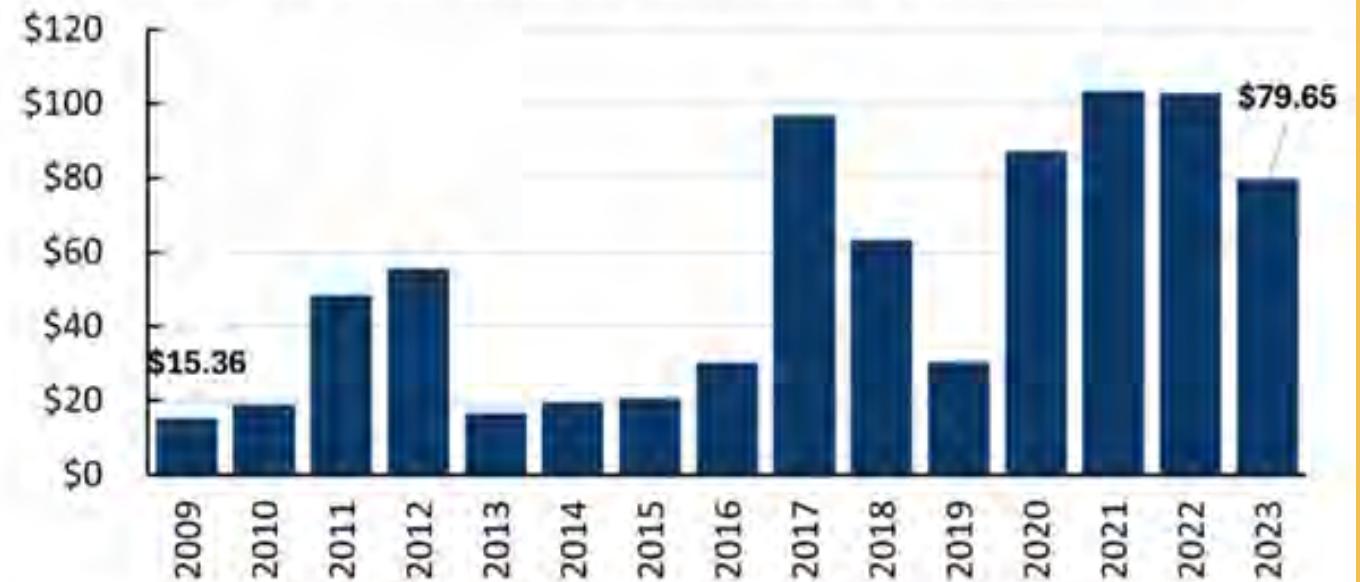
Insured Losses

Every major property liability insurance company has seen an increase in losses due to climate related disasters.

According to the Insurance Information Institute with the National Oceanic and Atmospheric Administration, insured losses since 2009 have **QUINTUPLED**.

Insured Losses in the United States Have More Than Quintupled Since 2009

Total insured losses from natural disasters, billions of 2023 dollars.



Source: Insurance Information Institute, National Oceanic and Atmospheric Administration

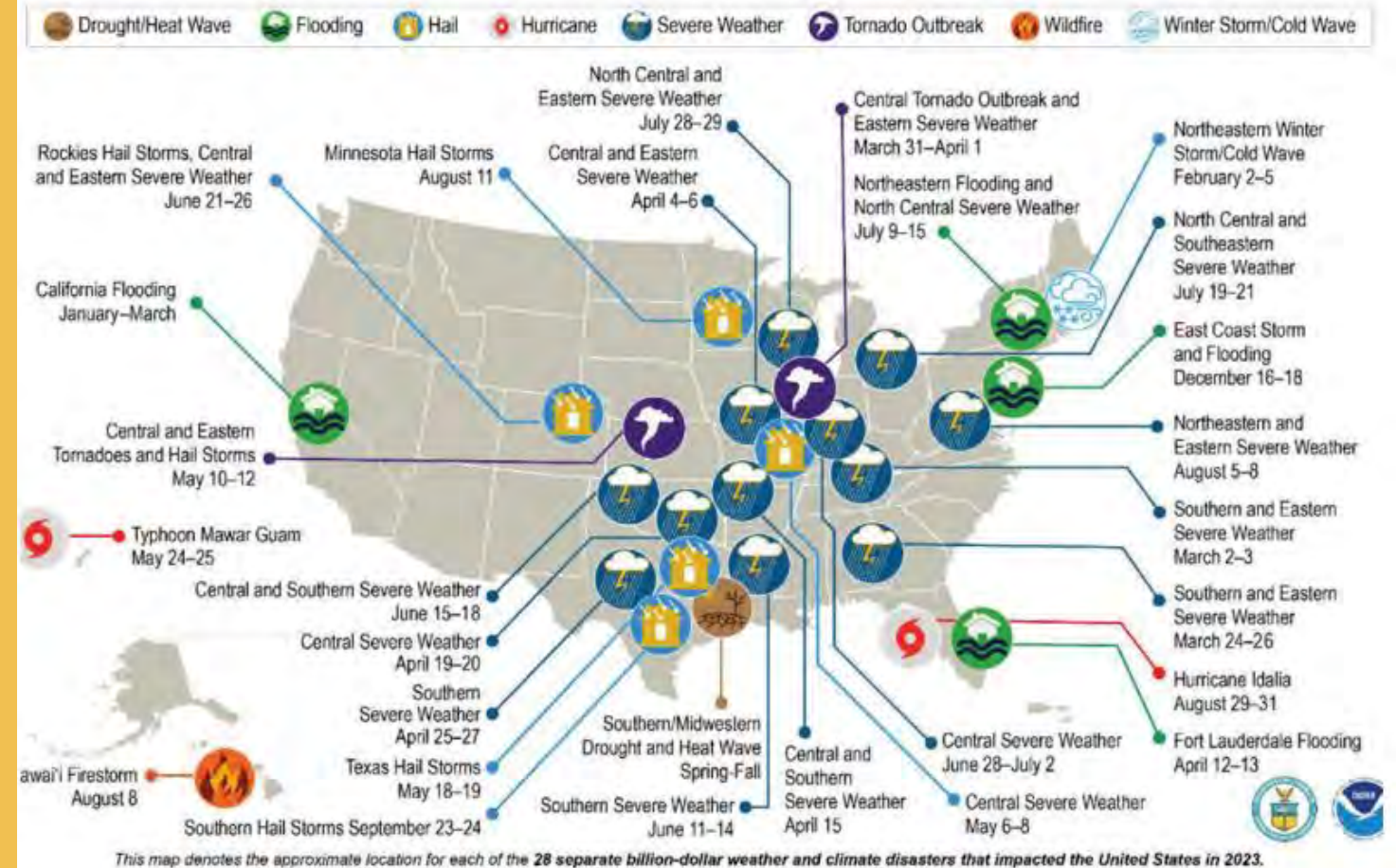


Statement from Tyler Brevik, Vice President and Commercial Lines Leader IMA

“While we are seeing a softening of the property insurance market for those clients who are participating in the non-admitted insurance space, we are still seeing admitted carriers press for rates in specific demographics. While the property market has received enough capacity to weather some of the losses that the country has suffered, the casualty insurance marketplace is under continued scrutiny from underwriters as social inflation continues to be a problem.”

The image to the right shows the losses due to climate disaster that Tyler speaks about above.

Figure 6: U.S. Billion-Dollar Weather and Climate Disasters



Source: NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2024).
<https://www.ncei.noaa.gov/access/billions/>, DOI: 10.25921/stkw-7w73

Insurance Losses due to Climate Disasters

ALLSTATE

- Sept 2024 - \$889 million
- Aug 2023 - \$641 million
- 2020 – annual loss of \$2.8 billion

STATE FARM

- \$20 billion in net underwriting losses for 2023 and 2024
- Jan 2020 - \$1.75 billion from 9,500 claims

Insurance Losses due to Climate Disasters (cont.)

AON

- 2024 - \$368 billion economic loss
- 2024 - \$145 billion in insured losses
- 78% of insured losses were in the United States

BERKSHIRE HATHAWAY

- Jan 2025 - \$1.3 billion est from LA wildfires
- 2023 - \$1.3 to \$1.5 billion from Hurricane Milton
- 2022 - \$554 million from Hurricane Ian

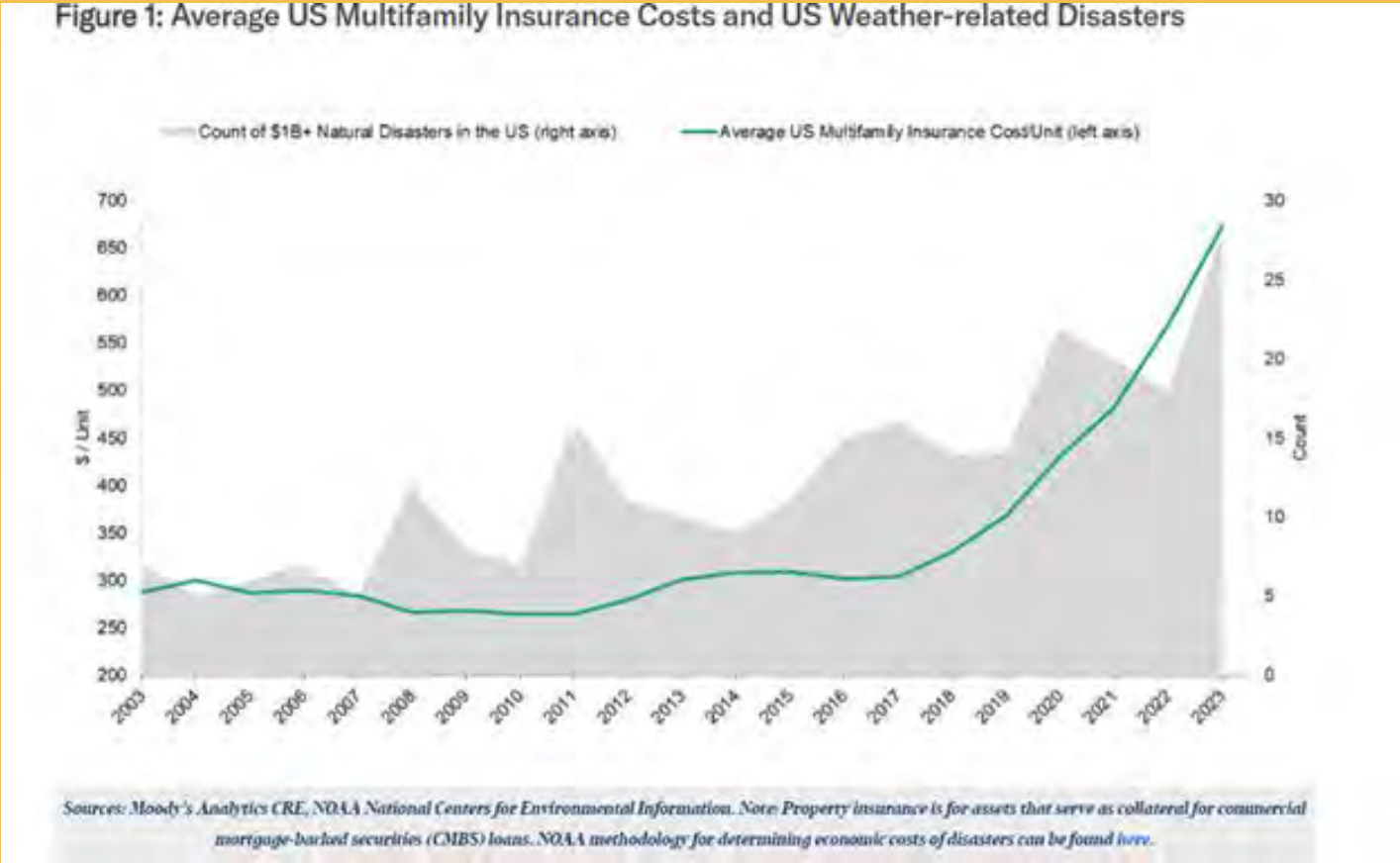
Insurance Losses due to Climate Disasters (cont.)

USAA

- Had the largest losses of insurers for Hurricane Helene in 2024
- Over 80,000 claims filed
- \$1.15 billion in insured losses for one climate related event

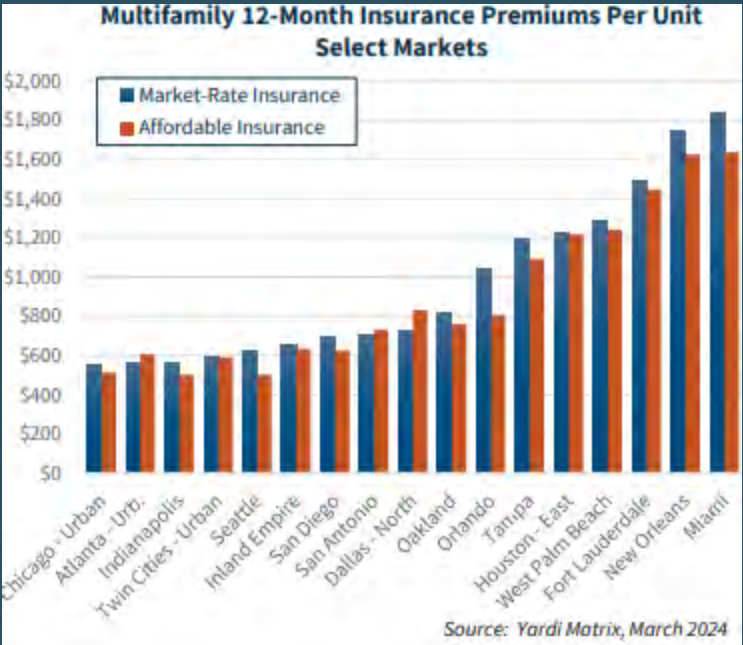
How do significant weather-related disaster claims affect you?

Steep increases in property liability insurance premiums

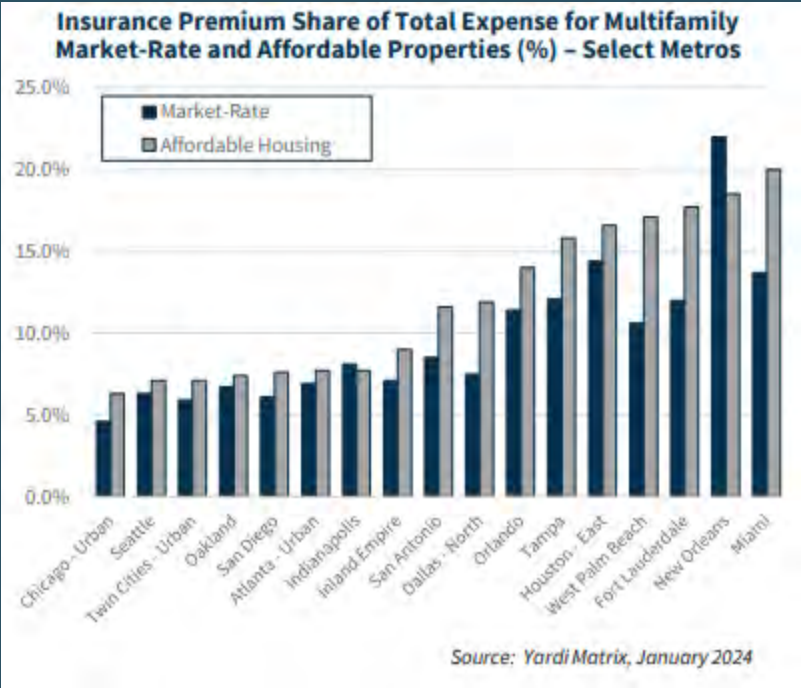


Multifamily Insurance Premiums

12-month Insurance Premiums per unit



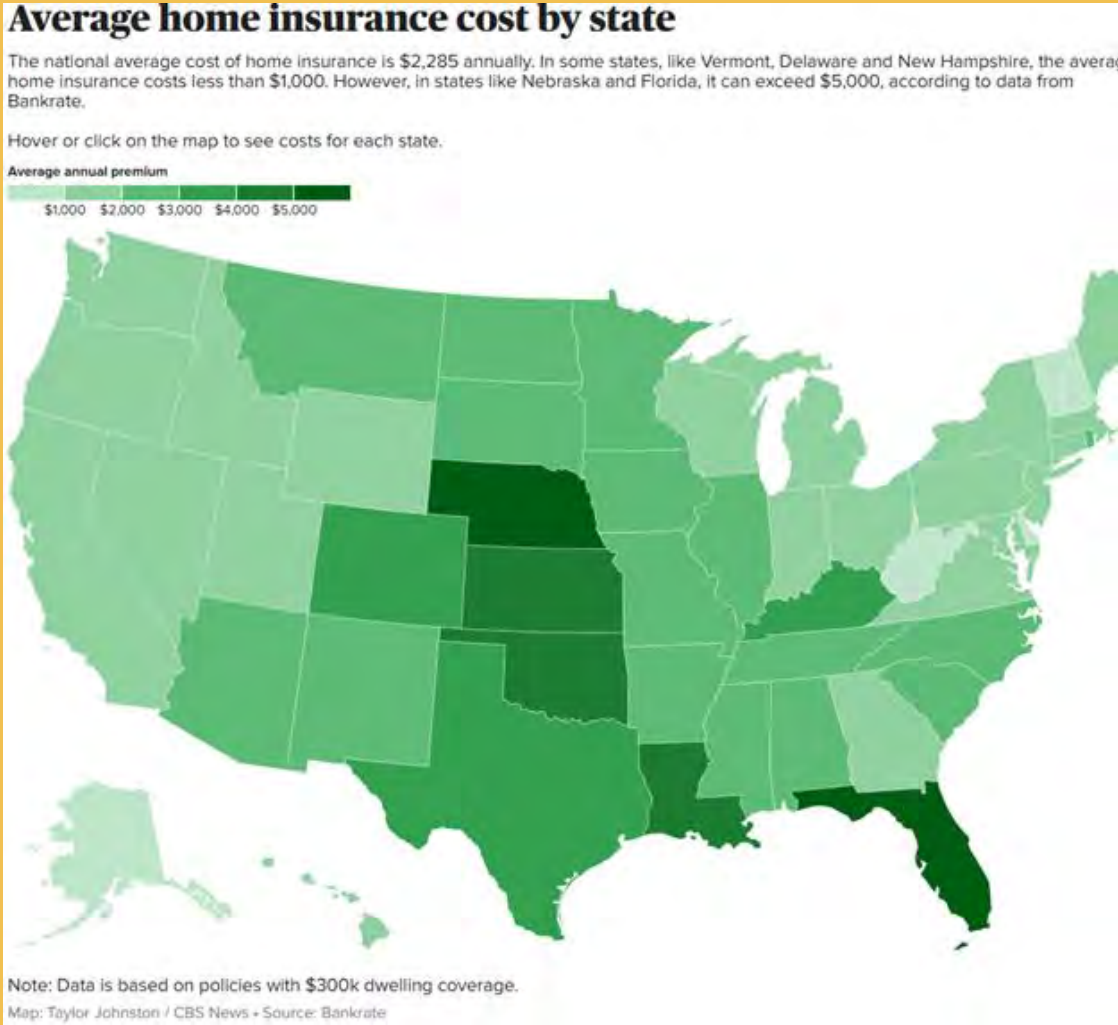
Insurance Premium Share of Total Expense for Multifamily



Average Home Insurance Costs

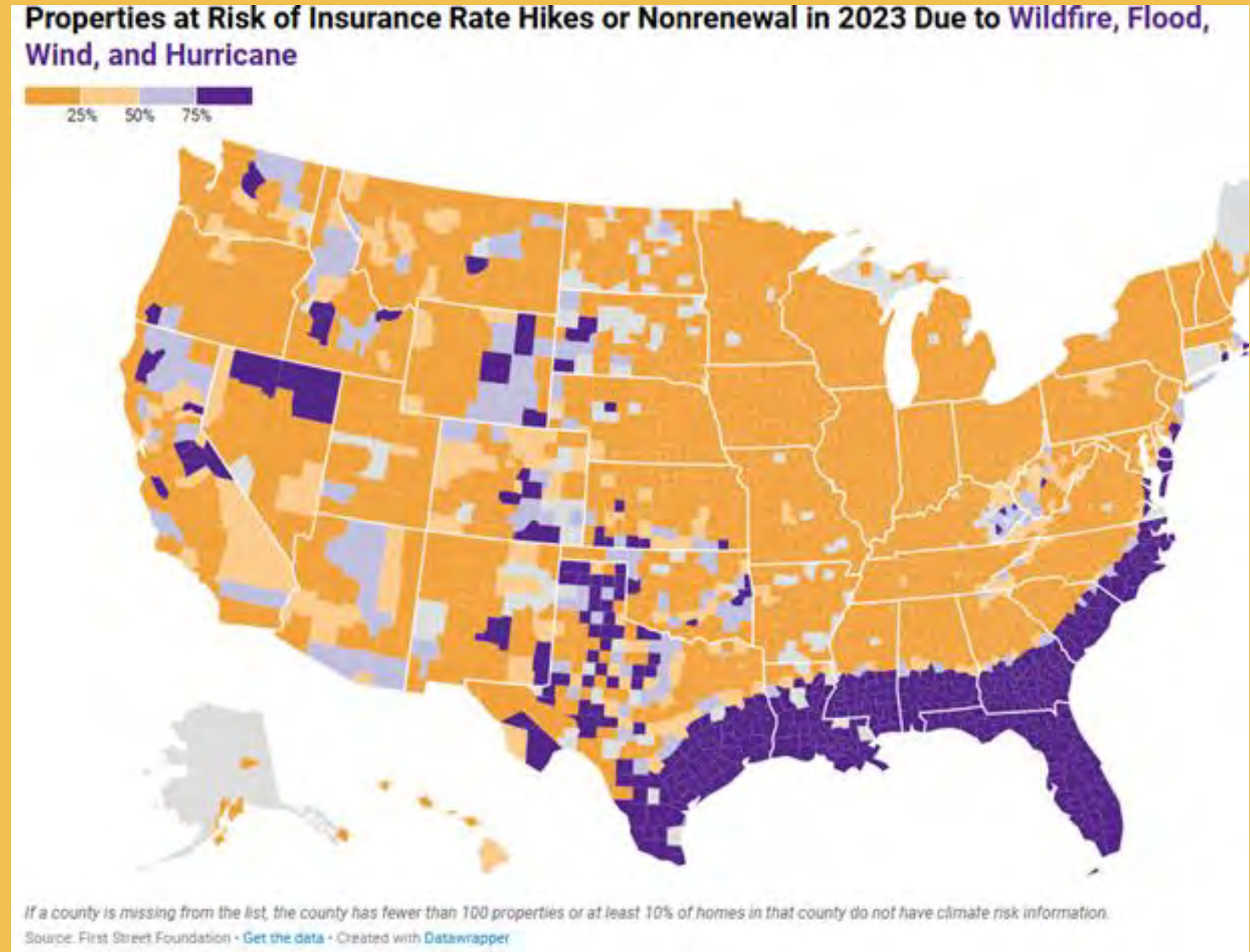
Florida can exceed \$5,000 annually.

While Delaware is less than \$1,000.



Premium Hikes and Nonrenewal Risks

Southeastern coastal areas are particularly at risk due to significant losses insurance companies have sustained due to hurricanes and flooding in those areas



Last Resort

When insurers pull out of a state or refuse to renew policies, business and homeowners are left with “last resort” lenders

Figure 2: Increase in Policies Covered by Insurers of Last Resort

Premiums written in \$ millions



Note: Premiums written for habitation business only, which includes the combined written premium for all Homeowners and Dwelling Fire policies written by the plan in a given year. There are 33 FAIR plans in the US of varying sizes. The five largest states for FAIR Plans shown above exclude Beach Plans. If the Beach Plans were included, the top five states would be Florida, California, Louisiana, Texas and North Carolina.

Source: Moody's Ratings report, *Homeowners insurers aim to boost profits as weather-related losses, inflation take toll*

Abuse and Fraud

In addition to premium increases or nonrenewal, climate disasters create opportunities for abuse and fraud in the real estate market. 60 Minutes in a report from October of 2024 states that after Hurricane Sandy caused widespread damage to residential and commercial properties in the southern state, insurers paid out claims to affected policyholders. However, 60 Minutes uncovered evidence that some insurers falsified their numbers to avoid payouts, effectively cheating policyholders out of compensation. Because of this, while Florida accounts for 9% of home insurance claims, they account for 79% of lawsuits over filed claims.

It's not just the insurance companies that commit fraud. It's individual bad actors who take advantage of disarray caused by climate disasters and fraudulently try to sell or finance property they don't own. As a company, Stewart has very stringent procedures in place to verify ownership of properties, but everyone should be vigilant when it comes to dealing in hard hit areas with a lot of displacement.

Reinsurance

It's not just business and homeowners that are feeling the pain; insurance companies themselves are as well due to the reinsurance market. Reinsurers raised prices by 37% on insurers in 2023. That increase was then passed on to the consumer.

With some good news, Collin Chlebak, a Partner with Virtus Insurance who specializes in multifamily property liability insurance, said that that has changed as of Jan 1, 2025, and so insurers and consumers should start to see some relief.

Climate Resilient Construction

The Importance of Municipal Infrastructure Efforts

A local government actively working to address climate change issues is a good first step



The Center for Climate and Energy Solutions agrees. They posit that even as we work to avert the worst potential impacts of climate change, we must become more resilient to those impacts as they are becoming more unavoidable. The need for equitable and proactive resilience in planning is becoming ever more necessary. It also makes good business sense.

According to the National Institute of Building Sciences, mitigation saves **\$13 per every \$1 invested.**

Between 2000 and 2019, economic losses attributed to weather and climate-related disasters reached an alarming **\$2.98 trillion dollars**.

On a plus, climate adaptation measures over the next decade could generate **\$7.1 trillion** in net benefits by 2030, per a 2019 report from the Global Commission on Adaptation.

Finance, investment, and development firms need to recognize that supporting climate-resilient buildings offers opportunities to mitigate risks, safeguard assets, and secure returns over the long term.

Stewart NCS Chicago Construction Escrow Team

Back row, from left to right:

Nick Fraid, Jessie Ellis, Brigitte Patterson,
Patty Elster

Front row, from left to right:

Elise Hidalgo, Megan Toborg, Michele
DiCanio

Not pictured:

Jordan Hayes, Caleb Smith

The team can be reached via email at
constructiondraws@stewart.com



Construction

Construction is a sector that can be particularly affected by the weather due to things like work stoppage, structural damage, and supply and labor delays.

There are many ways that developers and builders can positively affect our future. Like the building on the right, it could be by incorporating greener spaces that help cool properties and reduce energy usage and utility costs or it could be by adding rainwater collectors for reuse in the building's plumbing or it could be by using climate resilient construction materials.



Climate Resilient Construction Materials

ICFs

Insulated Concrete Forms

Consist of foam insulation that is placed on both sides of concrete

Allows for better temperature regulation

Excellent resistance to flooding, fire, and high winds

Hempcrete

Innovative construction material made from the hemp plant

Highly insulating and regulates temperature and moisture

High degree of flame resistance

Bamboo

Both environmentally friendly and climate resilient

Fast-growing, renewable resource with high strength

Naturally resistant to moisture

Climate Resilient Construction Materials

Clay and Stone

Used for centuries

Incredibly durable and resistant to fire and moisture

Non-combustible and low-maintenance

Fire-Resistant Cladding

Especially important for wildfire-prone areas

Uses non-combustible materials

Provides durability and low repair needs

Recycled Steel

Versatile, strong, long-lasting

High strength-to-weight ratio

Environmental sustainability

Title Insurance

How can we help?

Like volunteers passing out water after a disaster, Stewart is here to help you.

How do we do that?



Alternative Energy Sources



Distressed Properties

Another way that climate change can affect commercial real estate again deals with climate migration. Whether it's across the country or across town, when people move from one place to another to avoid climate disasters that migration could affect many types of properties in the area left behind. For example, office buildings may end up with high vacancy rates, retailers may have to close their doors from lack of business, and multifamily rentals may suffer from low tenancy.

Most of these properties have commercial loans for which property owners may face default when their income drops due to the scenarios just mentioned. When this happens, lenders then find themselves looking for title insurance products that can save them money and avoid full foreclosure or loss of collateral.

Whether you are the existing lender or a buyer looking at a distressed property, obtaining title insurance is extremely important. Title defects, defective foreclosure proceedings, liens, unknown ownership rights, breaks in the chain of title, title search errors, falsified documents, disputes, etc. can all lead to issues for the lender and potential new owners.

Again, finding a need for specialized services, Stewart NCS created a Distressed Assets Team with a group of dedicated, experienced professionals that can help navigate the complexities of the multi-billion-dollar distressed property market.

Thank you. Questions?



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