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Spotlight On

Parametric Insurance & Extreme Temperatures

EXTREME TEMPERATURES HAVE SIGNIFICANT IMPACTS ON BOTH BUSINESSES AND INDIVIDUALS, CREATING A RANGE OF RISKS THAT ARE BECOMING MORE PRONOUNCED WITH CLIMATE CHANGE.

Impact on Businesses

1. **Infrastructure Strain and Failures:** Extreme heat can cause critical infrastructure to fail, including power outages, and damage to roads, rail lines, and cooling systems. For example, during heatwaves, electrical systems face higher operating costs and increased risk of outages, while road materials and rail lines can buckle under high temperatures.
2. **Operational Disruptions:** Businesses may experience disruptions due to extreme temperatures, necessitating changes in infrastructure and processes, which can be both sudden and expensive. This includes potential blackouts affecting productivity and increasing operational costs. Companies must develop climate risk strategies to adapt and remain resilient.
3. **Health and Safety of Workers:** Workers in sectors like construction, transportation, and utilities are particularly vulnerable to heat stress, leading to decreased productivity and increased health risks. Ensuring proper cooling systems and adapting work schedules can help mitigate these risks.

Impact on Individuals

1. **Health Risks:** Extreme heat is a leading cause of weather-related deaths and can exacerbate underlying health conditions such as cardiovascular diseases, diabetes, and respiratory illnesses. Vulnerable populations, including the elderly and those with pre-existing conditions, are at higher risk of heat-related illnesses like heatstroke. The majority of outdoor fatalities (between 50% and 70%) occur in the first few days of extreme outdoor working conditions, given the human bodies need to acclimate to extreme changes in temperature.
2. **Economic Impact:** Heatwaves can lead to lost work capacity and reduced labor productivity, particularly in outdoor and manual jobs. This economic impact is felt more acutely in lower-income communities where access to cooling and healthcare may be limited.
3. **Increased Mortality:** Heatwaves result in high acute mortality rates, especially during prolonged events. For instance, Europe experienced significant excess mortality during heatwaves, with tens of thousands of deaths attributed to extreme heat events in recent years.

The escalating risks posed by extreme heat in several critical industries (i.e. construction) demand innovative risk management solutions and strategies. Parametric solutions for extreme heat can provide the following benefits for various stakeholders:

1. Enablement of worker/employee well-being
2. Facilitates timely access to capital to keep projects and/or operations on schedule
3. Mitigates income loss from delays on commercial operations
4. Mitigates the impact of cost-overruns for delays occurring because of extreme heat events

As we face increasingly frequent and severe extreme temperatures, it is clear that traditional risk management strategies must evolve. Parametric insurance offers a forward-thinking approach to address these challenges, providing tangible benefits such as enhanced worker well-being, timely access to capital, and protection against income loss and cost overruns. By adopting these innovative solutions, businesses and individuals alike can better navigate the impacts of extreme heat and build resilience against future climate-related risks.

To explore how parametric insurance can be a game-changer for your organization or community, and to stay updated on more insights and solutions, visit our blog regularly. Together, we can turn these challenges into opportunities for growth and adaptation.

About Platform

Platform is a national employee-owned risk advisor helping Canada’s physical economy turn risk into resilience. Our differentiated value comes from our deep industry expertise, risk intelligence and disciplined execution.

We are a business built on our people and culture. It's at the heart of everything we do.

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