

Climate change, catastrophes and the macroeconomic benefits of insurance

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This article considers the protective role that insurance can play in mitigating the negative macroeconomic and welfare impact of catastrophes, and the interplay between climate change and insurance coverage. The article first develops a theoretical model of insurance, climate change, catastrophes and the macroeconomy as a basis for the analysis. Predictions from this model are then empirically tested to explore how insurance has mitigated the impact of catastrophes in the past. Finally, we use these empirical results to explore the potential future impact of catastrophes using a range of climate-change related scenarios.

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