

Legismap Roncarati

Current floods in the south of Brazil: a quick overview of the largest natural catastrophe in the country's history and its implications for the insurance and reinsurance markets



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Torrential rain in the very south of Brazil since the end of April 2024 has caused massive flooding across hundreds of cities in the state of Rio Grande do Sul. In terms of affected area and economic losses, whilst the latter amount cannot yet be calculated, the floods in the State of Rio Grande do Sul are already the most catastrophic event to ever occur in Brazil. This tragic event is putting societal resilience to test and shall intensify the debate over how to manage risks of catastrophic incidents, including through private and public insurances.

Experience of previous large losses in Brazil suggests that claims have the potential to develop adversely over time. Control of claims is an important issue for reinsurers, particularly in the case of government-backed infrastructure projects.

To date, 173 people have died as a result of the floods, many are still missing and almost a thousand are injured, while more than half a million people have been displaced from their homes. Well over a million inhabitants have been affected; hundreds of cities remain under water as the rain continues to fall. Dams have collapsed and basic infrastructure (water supply, energy facilities, etc.) has been dismantled. The few cities in the state that were not hit by the floods are now isolated as the roads leading to them, that allow supplies to come in and out, are still blocked.

INSURANCE SECTORS

The unmatched destruction caused by the floods severely impacted numerous insurance lines including, for example, auto insurance, homeowners' and mortgage insurance, comprehensive business insurance, contractors all risk and rural insurance among others.

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The floodings and heavy rains have not ceased. As a result, insurers and reinsurers do not have an accurate understanding of the covered losses to date, let alone those yet to be incurred. Up until last week, 23.4 thousand claims had been reported to insurers. According to some estimates, such claims alone could lead to payments in excess of BRL 1.67 billion (303 million Euros or USD 334 million). Brazilians are still heavily uninsured – both at the individual level and at the company level.

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