

**Title: Beyond the Storm: Climate Risk and Homeowners' Insurance**

**Speaker: Prof. Varun Sharma, Indiana University**

**Area: F&A**

**Date: 29.07.2025, Venue: P22 @ 12.00PM**

**Abstract:**

Using detailed policy-level data and natural disasters as our setting, we document that insurers pass on climate risk costs to policyholders through both premiums and claim rejection rates. Consistent with our theoretical model, premiums increase significantly in both disaster-affected and unaffected areas following disaster events, while rejection rates rise only in unaffected areas. Spillover effects are heterogeneous and depend on consumers' price sensitivity: in line with price shrouding, less price-sensitive consumers in unaffected areas face higher premiums, while more price-sensitive consumers bear the costs through increased rejection rates. These effects are further shaped by insurers' financial constraints. During constrained periods, insurers raise premiums in both affected and unaffected areas, whereas during unconstrained periods, they primarily increase rejection rates in unaffected areas. Our findings demonstrate that climate risk has contributed to rising premiums over the past two decades and reveal how insurers' responses redistribute costs and access, impacting homeowners in both high-risk and low-risk areas.

**Speaker Profile:**



Varun Sharma is an Assistant Professor of Finance at the Kelley School of Business, Indiana University. He holds a Ph.D. in Finance from London Business School (LBS) and he is also a CFA charter holder. Varun's research explores financial markets, intermediation, climate finance, and insurance. His work has been recognized with prestigious awards and has featured in leading media outlets. Before academia, Varun had a successful career in management consulting. He served as a Senior Manager/Associate Director at PwC's Risk Advisory practice in London. With over a decade of experience, Varun specializes in risk management and he has provided strategic insights on financial risk, regulatory compliance, and market dynamics to Fortune 500 banks and financial institutions.

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