

# RAA



## *Perspectives on Extreme Weather*



**December 14, 2012**

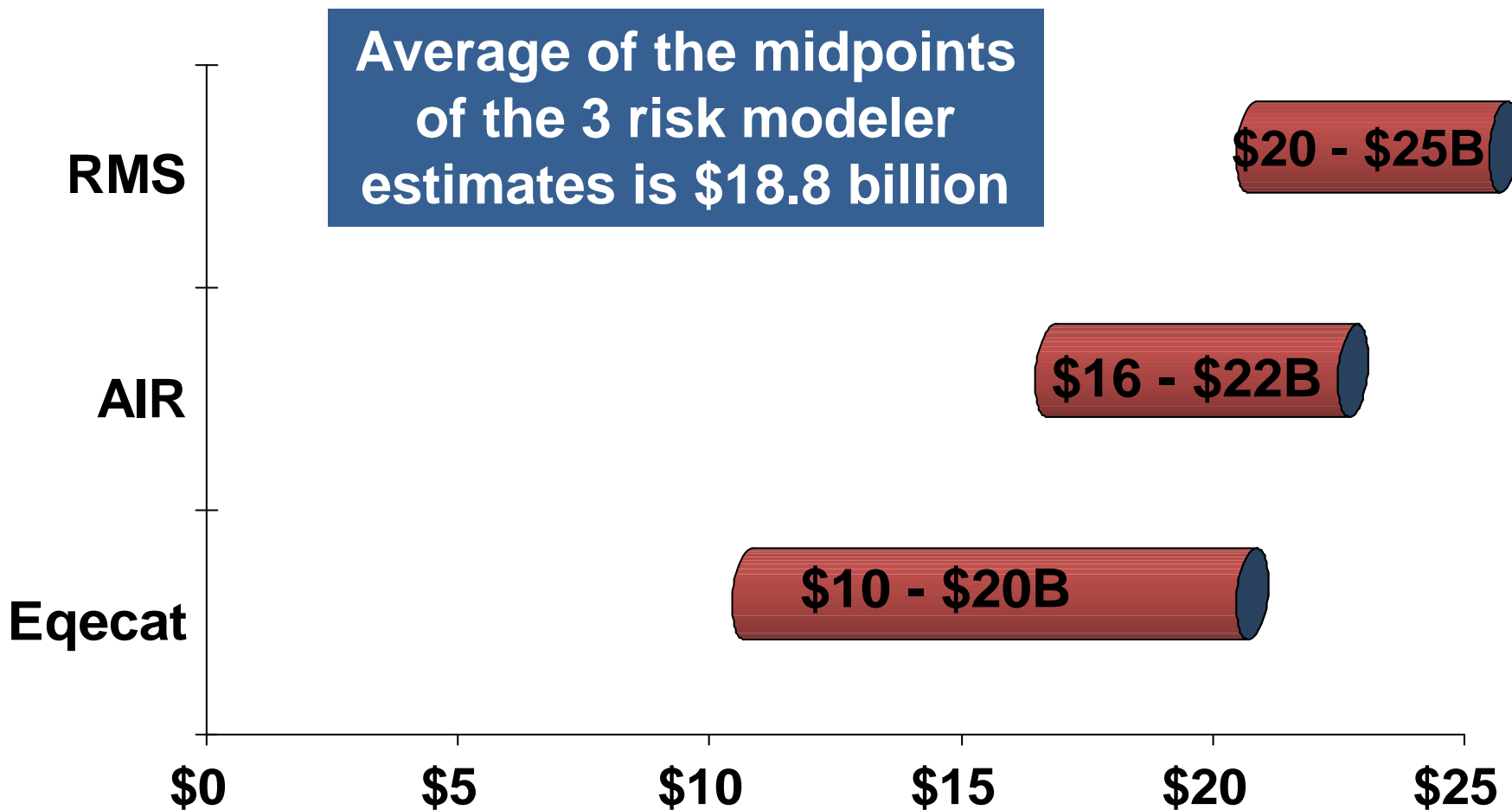
**Frank Nutter**

**President, Reinsurance Association of America**

# Summary of Key Claims Statistics Related to Hurricane Sandy

- 1. Sandy Will Likely Become the 3<sup>rd</sup> Most Expensive Hurricane in US History in Terms of Insured Losses—With Up to \$25 Billion in Claims Paid**
  - Ranks only behind 2005’s Katrina (\$48.7B) and 1992’s Andrew (\$25.6B) *[in 2012 \$]*
- 2. Insurers Expect to Pay an Estimated 1.38 Million Claims to Homeowners, Business Owners and Vehicle Owners**
  - Second on to Hurricane Katrina which produced 1.743 million claims in 2005
- 3. Insurers Will Pay Claims on Nearly 1 Million Homes, Quarter Million Vehicles and More than 150,000 Businesses**
- 4. 2012 Could Become the 3<sup>rd</sup> Costliest Year in US History for Claims Paid to Policyholders—Totaling Approximately \$33-\$35 Billion as of Late 2012**
  - Ranking behind 2005 (\$71.7B) and 1992 (\$36.9B) *[both stated in 2011 dollars]*

# Hurricane Sandy Insured Loss Estimates: Late Season Large Loss\* (\$ Billions)

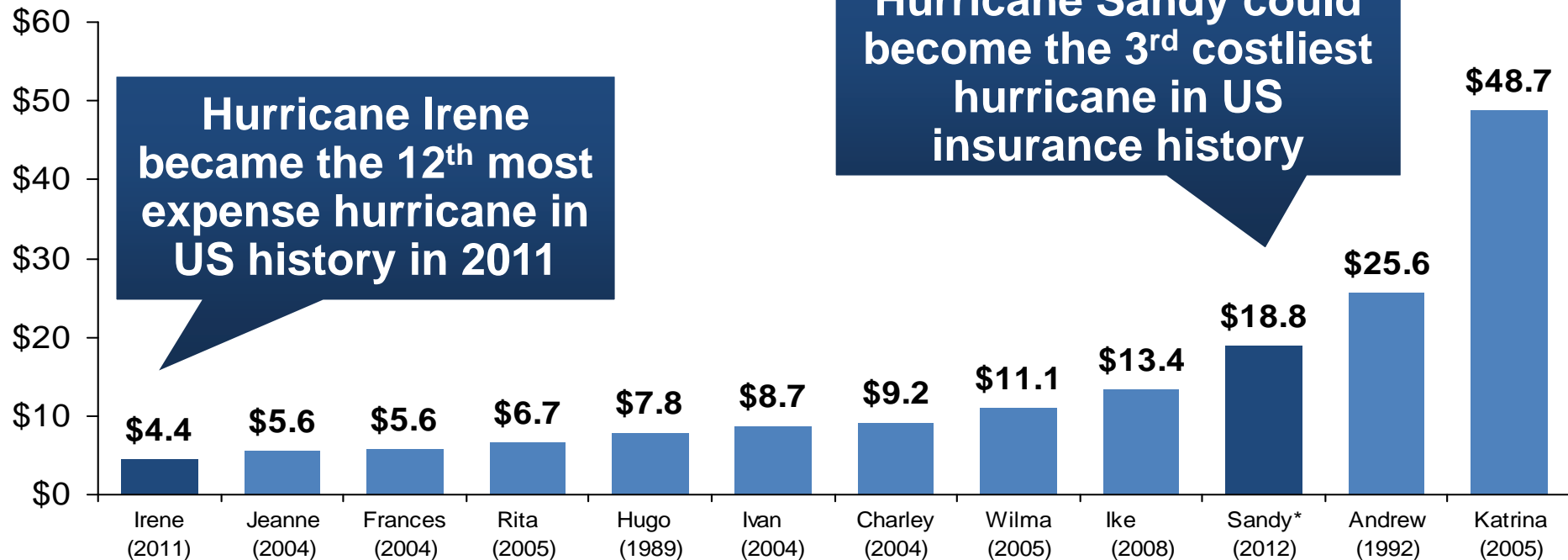


\*US insured property and business interruption losses only. Sandy's landfall in the northeast US occurred Oct. 29, 2012. Sources: RMS (11/14/12 est.), AIR (11/26/12 est.), Eqecat (11/1/12 est.); Compiled by the Insurance Information Institute.

# Top 12 Most Costly Hurricanes in U.S. History

(Insured Losses, 2012 Dollars, \$ Billions)

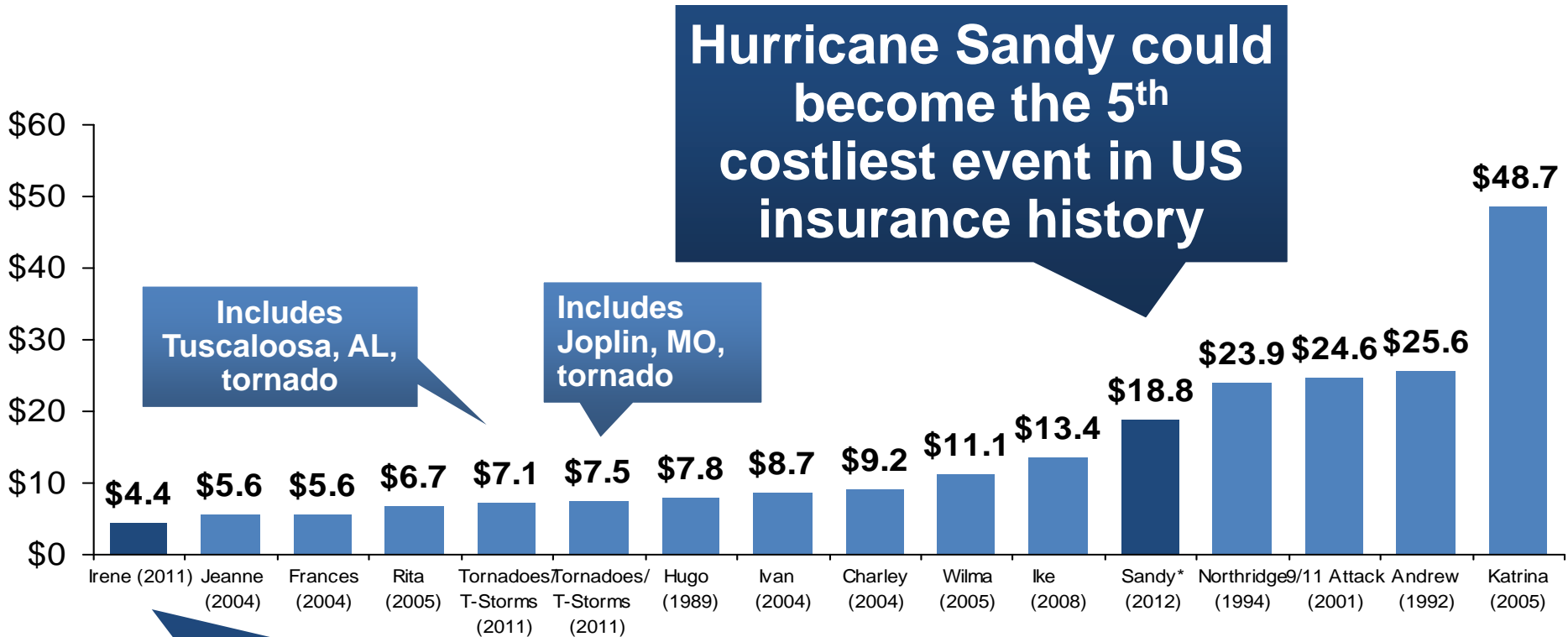
10 of the 12 most costly hurricanes in insurance history occurred over the past 8 years (2004—2012)



\*Estimate as of 12/09/12 based on average of current range estimate midpoints from AIR, Egecat and RMS..  
Sources: PCS; Insurance Information Institute inflation adjustments to 2012 dollars using the CPI.

# Top 16 Most Costly Disasters in U.S. History

(Insured Losses, 2012 Dollars, \$ Billions)



**Hurricane Sandy could become the 5<sup>th</sup> costliest event in US insurance history**

**Includes Tuscaloosa, AL, tornado**

**Includes Joplin, MO, tornado**

**Hurricane Irene became the 12<sup>th</sup> most expensive hurricane in US history in 2011**

**NY Gov. Andrew Cuomo has requested \$42 billion in federal aid. NJ Gov. Chris Christie has requested \$29.4B**

\*Estimate as of 12/09/12 based on average of range midpoints from AIR, RMS and Eqecat..  
Sources: PCS; Insurance Information Institute inflation adjustments.

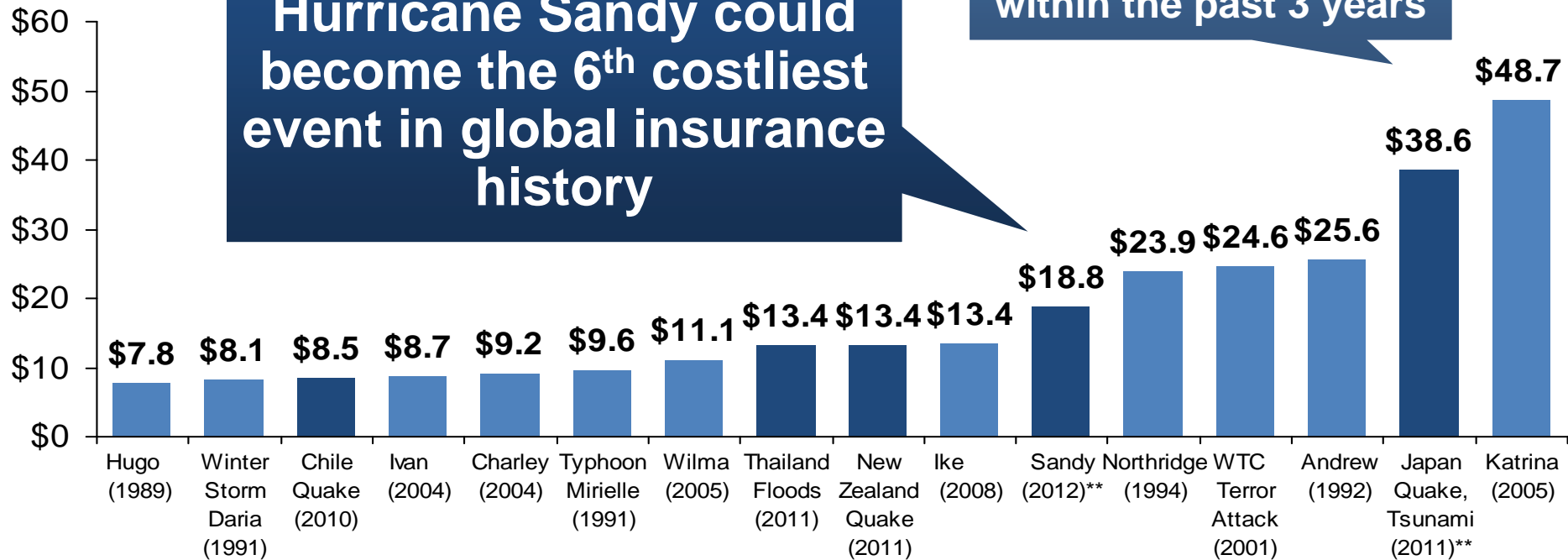


# Top 16 Most Costly World Insurance Losses, 1970-2012\*

(Insured Losses, 2012 Dollars, \$ Billions)

**Hurricane Sandy could become the 6<sup>th</sup> costliest event in global insurance history**

**5 of the top 14 most expensive catastrophes in world history have occurred within the past 3 years**



\*Figures do not include federally insured flood losses.

\*\*Average of range estimates of \$35B - \$40B as of 1/4/12 adjusted to 2012 dollars; Privately insured losses only.

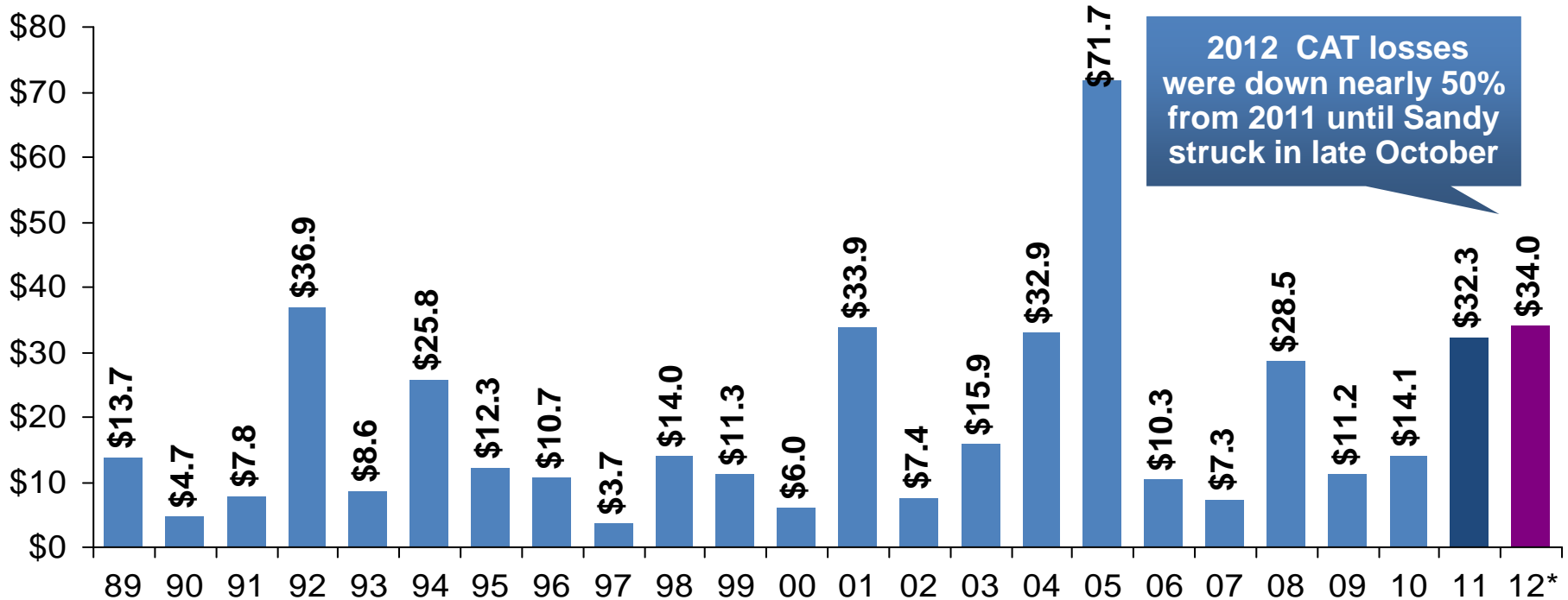
\*\*\*Estimate as of 12/09/12, based on average of midpoints from range estimates from AIR, RMS and Eqecat.

Sources: Swiss Re *sigma* 1/2011; Munich Re; Insurance Information Institute research.



# US Insured Catastrophe Losses

(\$ Billions, 2011 Dollars)



**US CAT Losses in 2012 Could Become the 3<sup>rd</sup> Highest in US History on An Inflation-Adjusted Basis. 2011 Losses Were the 5<sup>th</sup> Highest**

**Record Tornado Losses Caused 2011 CAT Losses to Surge**

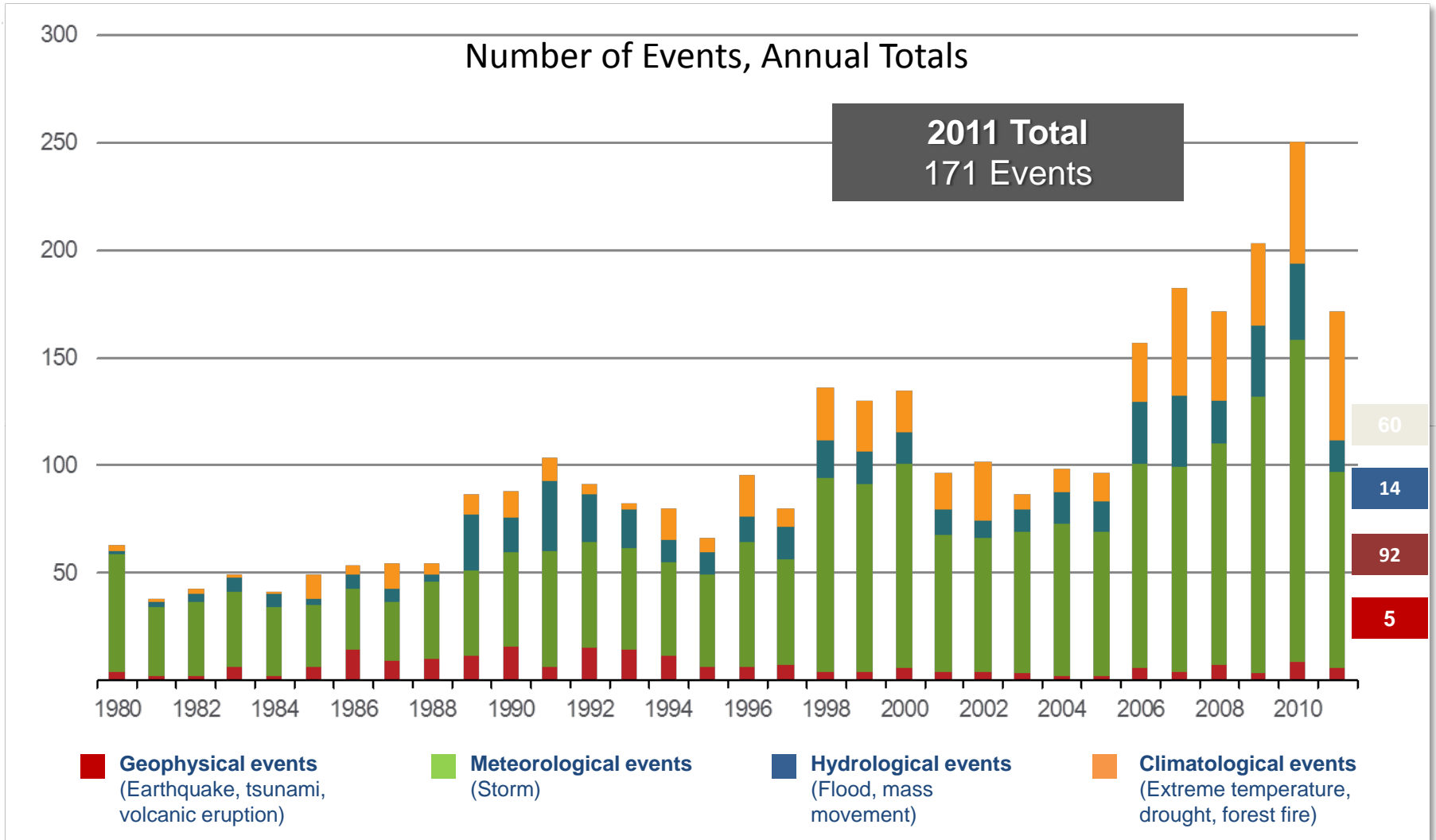
\*As of 11/26/12 in 2012 dollars. Includes \$18.8B gross loss estimate for Hurricane Sandy.

Note: 2001 figure includes \$20.3B for 9/11 losses reported through 12/31/01 (\$25.9B 2011 dollars). Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = \$12.2B (\$15.6B in 2011 dollars.)

Sources: Property Claims Service/ISO; Insurance Information Institute.



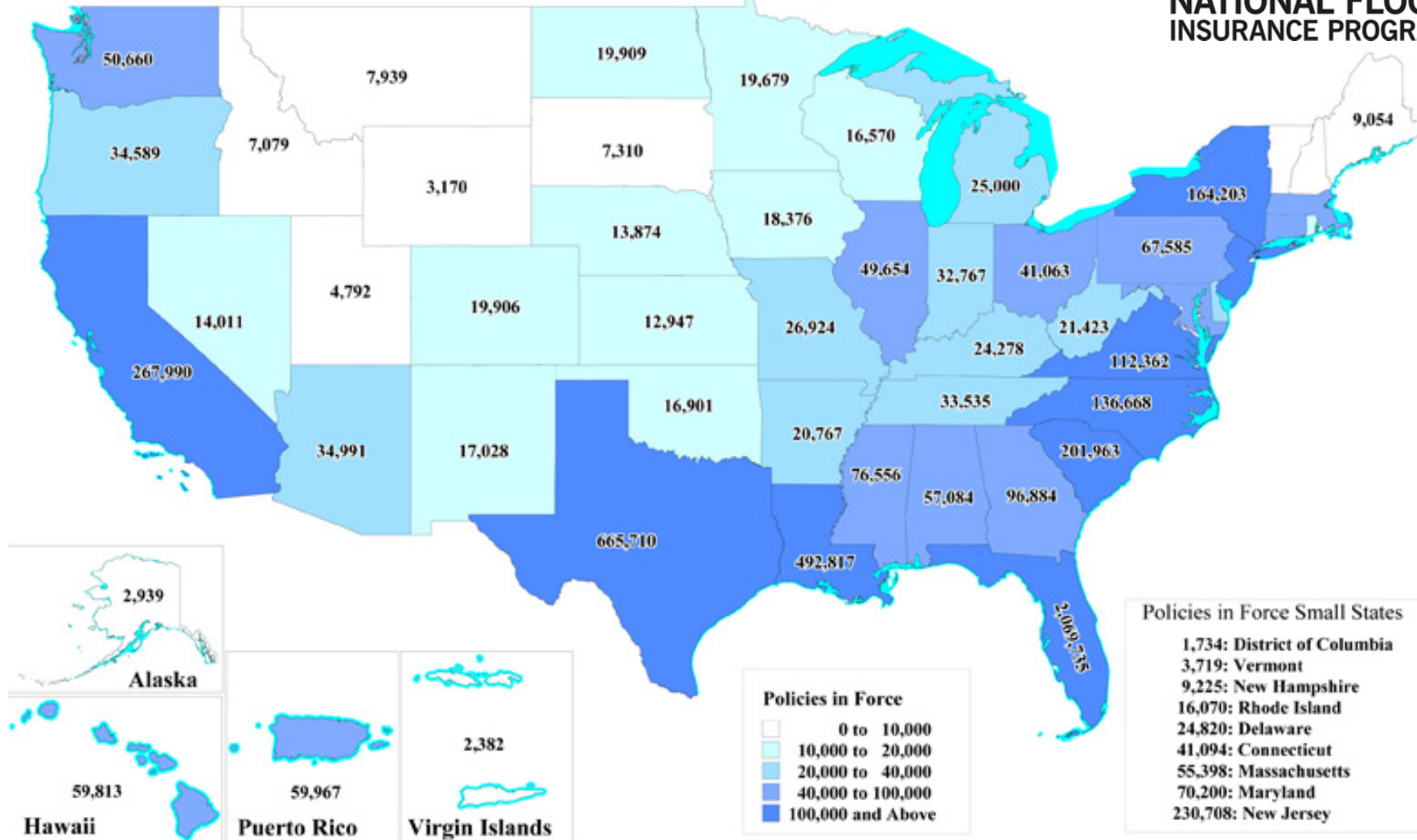
# Natural Disasters in the United States 1980 – 2011





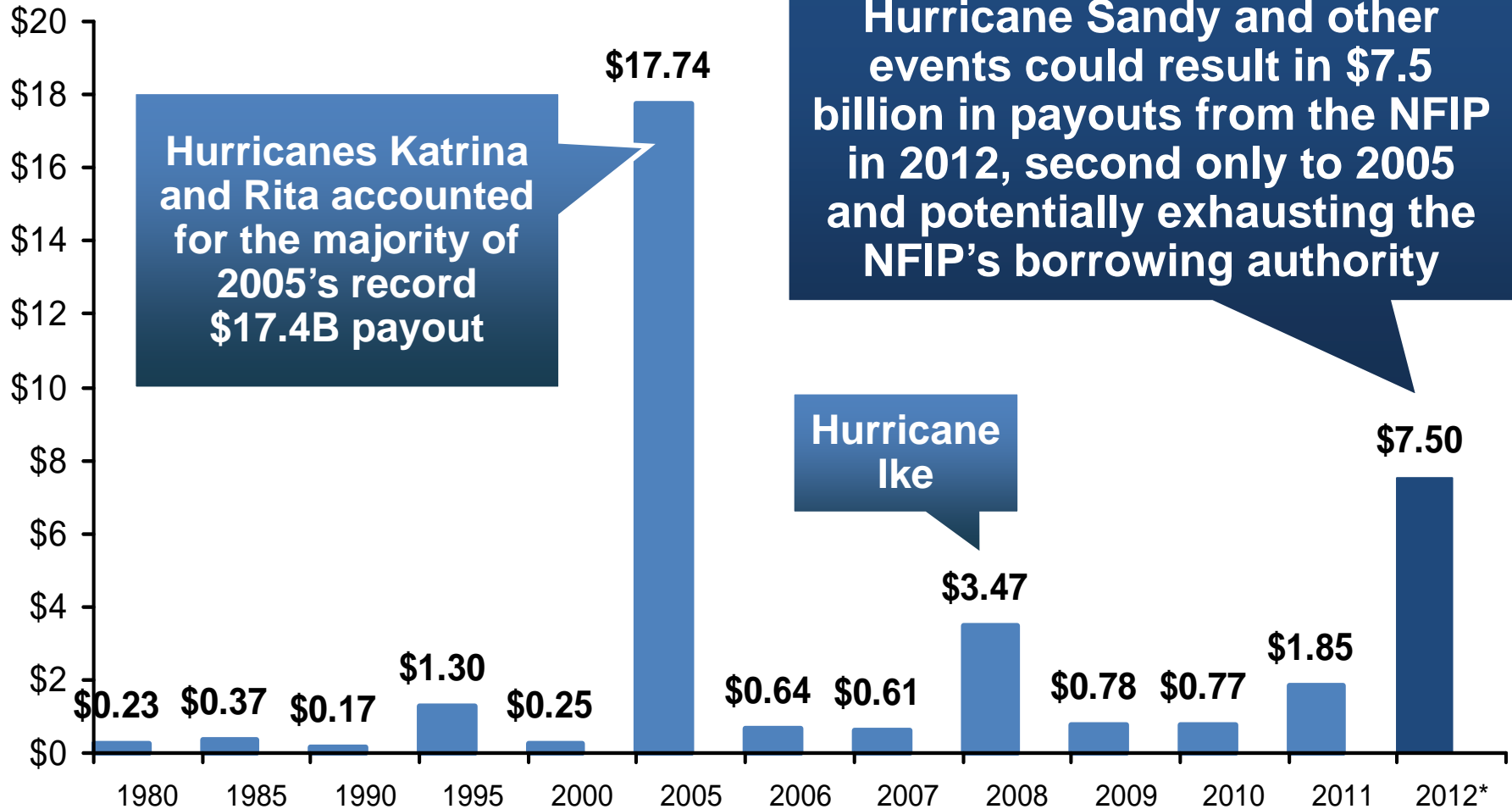
# National Flood Insurance Program Total Number of Policies in Force

AS OF SEPTEMBER 30, 2011



# Flood Loss Paid by the National Flood Insurance Program, 1980-2012E

Billions (Original Values)

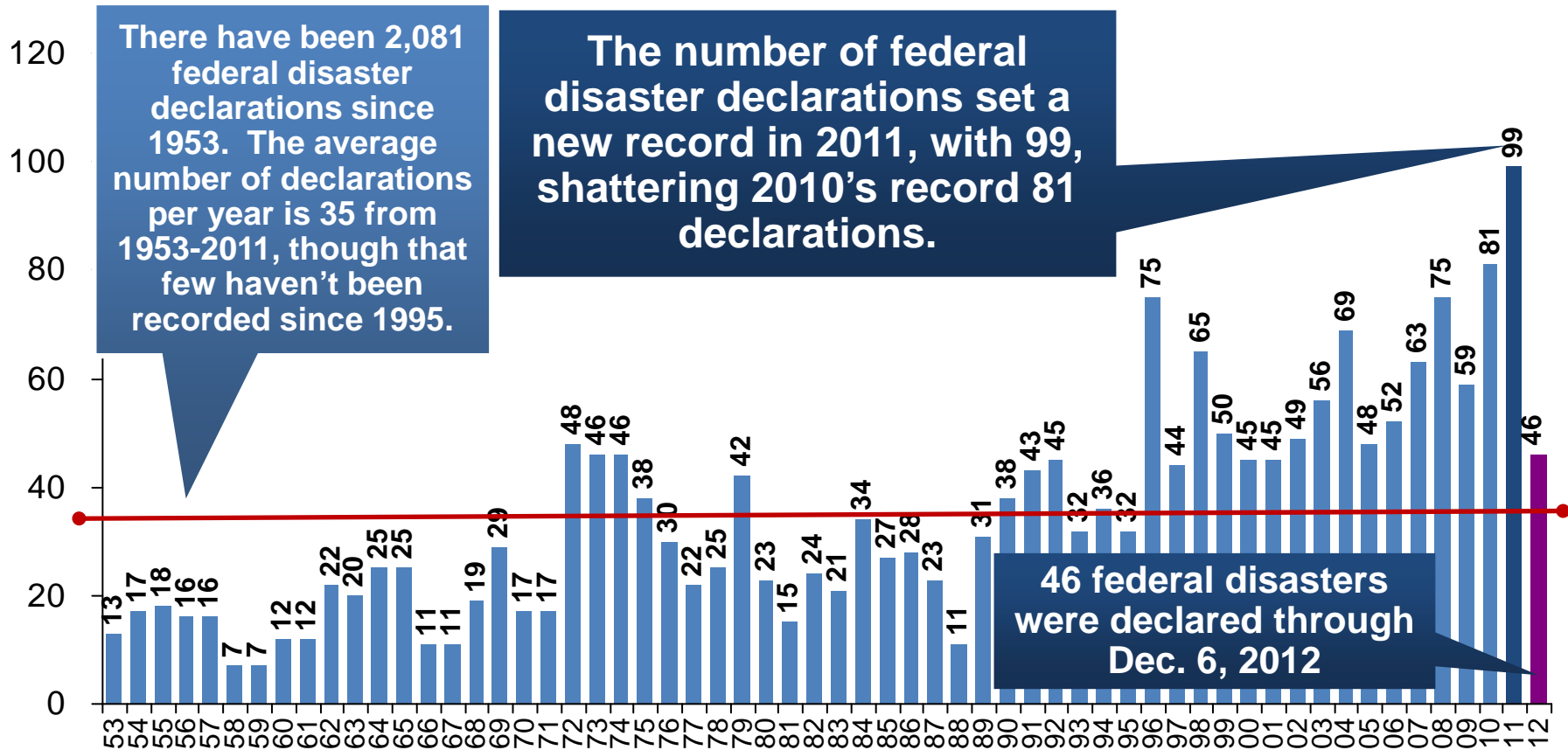


\*Estimate as of 11/25/12.

Sources: Department of Homeland Security, Federal Emergency Management Agency, NFIP; Insurance Information Institute.



# Number of Federal Disaster Declarations, 1953-2012\*



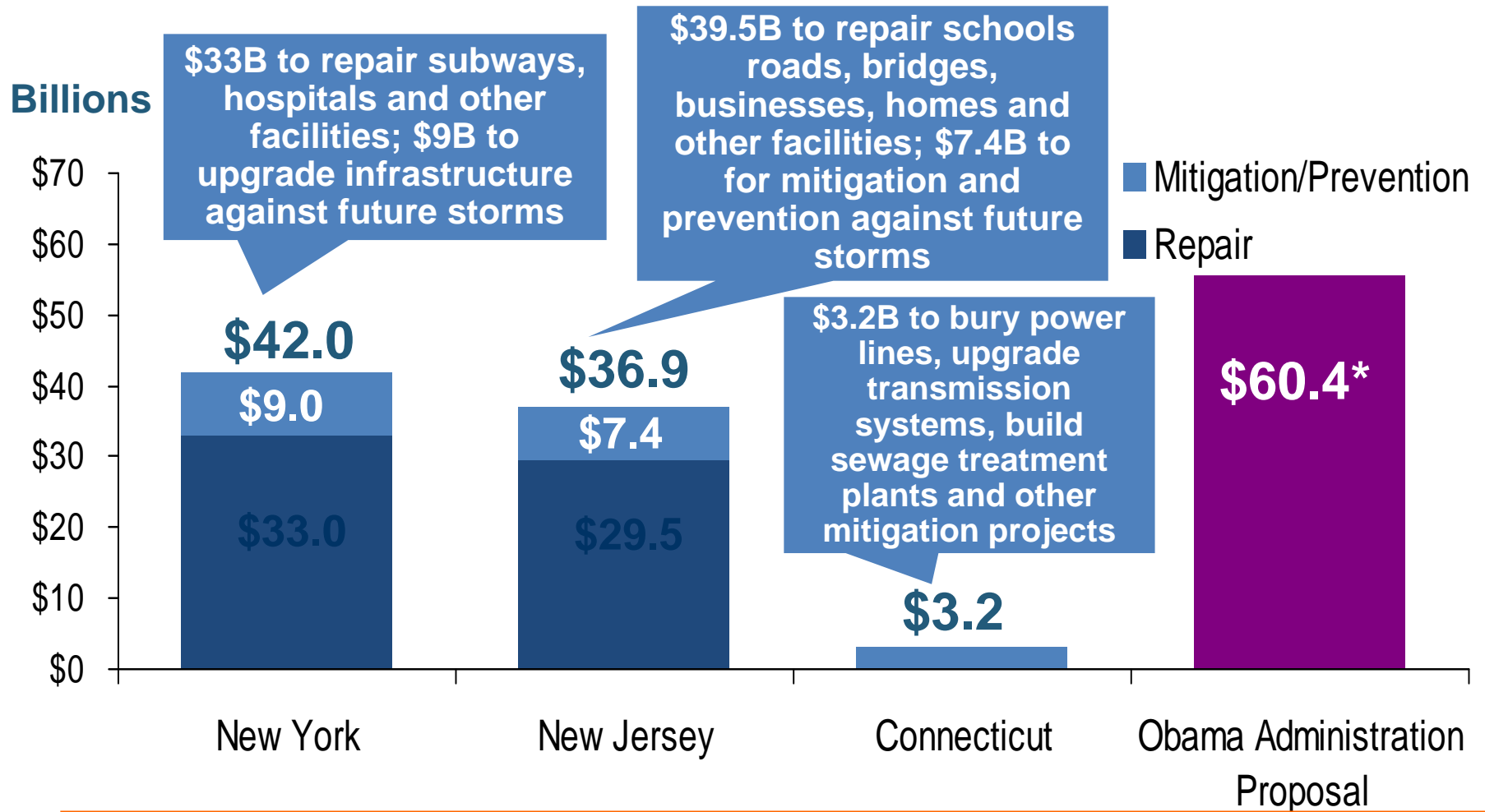
**The Number of Federal Disaster Declarations Is Rising and Set New Records in 2010 and 2011. Hurricane Sandy Produced 9 Declarations in 2012.**

\*Through Dec. 6, 2012.

Source: Federal Emergency Management Administration; <http://www.fema.gov/disasters>; Insurance Information Institute.



# Federal Aid Requests by States With Greatest Sandy Impact (as of 12/10/12)



**States Are Requesting Enormous Sums in Sandy Aid in the Middle of a Massive Budget Struggle at the Edge of the "Fiscal Cliff"**

\*As of Dec. 10, 2012. Source: *New York Times*, Dec. 6, 2012; Insurance Information Institute.

# Resiliency Strategies

- Incorporate extreme weather risk in development, building codes, insurance risk pricing and assessment.
- Eliminate subsidies associated with insurance.
- Risk-based pricing of insurance
- State sponsored program for low income consumers
- Insurance coverage flexibility for consumers
- Insurers credit hazard mitigation.
- Reform the NFIP.
  - Reflect extreme weather risk
  - Risk-based pricing
- Use nature to mitigate damage and protect lives and property.
- Provide tax credits for specified mitigation and resiliency.

# Strategies, cont'd

- Federal standards for state / local building codes
- Create revolving fund to offer loans to homeowners who want to strengthen their property.
- Limit the number of times coastal residents receive insurance reimbursement / disaster assistance.
- Purchase or relocate properties near coastal or river areas at repeat risk.
- Transfer development rights from coastal and river properties to areas inland. (Coastal Barrier Resource Act)
- Remote sensing is a critical asset that needs new funding.
- Role/utilization of the Army Corps and Congressional interests.





**Is the NTSB a prototype for resiliency assessment?**

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[www.reinsurance.org](http://www.reinsurance.org)