Perspectives on Extreme Weather

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Summary of Key Claims Statistics Related to Hurricane Sandy

1. Sandy Will Likely Become the 3rd 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 3rd 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.

Average of the midpoints of the 3 risk modeler estimates is $18.8 billion.
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)

Hurricane Irene became the 12th most expensive hurricane in US history in 2011

Hurricane Sandy could become the 3rd costliest hurricane in US insurance history

*Estimate as of 12/09/12 based on average of current range estimate midpoints from AIR, Eqecat 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 5th costliest event in US insurance history

Hurricane Irene became the 12th most expense 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)

*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.

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

Hurricane Sandy could become the 6th costliest event in global insurance history.
US Insured Catastrophe Losses

($ Billions, 2011 Dollars)


*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

Number of Events, Annual Totals

2011 Total
171 Events

Source: MR NatCatSERVICE
National Flood Insurance Program
Total Number of Policies in Force
As of September 30, 2011

Policies in Force Small States
- 1,734: District of Columbia
- 3,719: Vermont
- 9,225: New Hampshire
- 16,070: Rhode Island
- 24,820: Delaware
- 41,094: Connecticut
- 55,398: Massachusetts
- 70,200: Maryland
- 230,708: New Jersey

Source Report: PIFW0902
Flood Loss Paid by the National Flood Insurance Program, 1980-2012E

*Estimate as of 11/25/12.

Hurricanes Katrina and Rita accounted for the majority of 2005’s record $17.4B payout

Hurricane Sandy and other events could result in $7.5 billion in payouts from the NFIP in 2012, second only to 2005 and potentially exhausting the NFIP’s borrowing authority

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”

$33B to repair subways, hospitals and other facilities; $9B to upgrade infrastructure against future storms

$39.5B to repair schools roads, bridges, businesses, homes and other facilities; $7.4B to for mitigation and prevention against future storms

$3.2B to bury power lines, upgrade transmission systems, build sewage treatment plants and other mitigation projects

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?