

Deadly Tornado in Moore, Oklahoma, Prompts Swift Insurance Industry Response

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NEW YORK, May 21, 2013 – Following the devastating tornado on Monday, insurance adjusters are on the scene in Moore, Oklahoma, and nearby areas to begin the initial stages of the claims process, according to the Insurance Information Institute (I.I.I.).

Standard homeowners and business insurance policies cover wind damage to the structure of insured buildings and their contents when caused by tornadoes or thunderstorms.

Homeowners insurance policies also provide for additional living expenses (ALE). ALE coverage pays the added costs of living away from home if you cannot inhabit your house due to damage from an insured disaster. It covers hotel bills, restaurant meals and other living expenses incurred while your home is being rebuilt.

While replacing and repairing damaged properties may not be a high priority at the moment, the insurance industry will play a significant role in rebuilding Moore and other parts of Oklahoma just as it did following the storms in 1999, said Dr. Robert Hartwig, president of the I.I.I. and an economist. Hartwig added that the United States is in the midst of the most expensive period in recorded history for thunderstorm events, which include damage from tornadoes.

The insurance industry was already staged, and ready to begin the claims process in the area because of a May 19, 2013, tornado in Shawnee, Oklahoma, which killed two people.

Yesterday's disaster in Moore, Oklahoma, is drawing comparisons to a tornado that significantly damaged parts of the same area more than 14 years ago.

The May 20, 2013 Moore, Oklahoma tornado caused an even more significant loss of life, and early indications are that it was an EF-4 on the Enhanced Fujita (EF) scale. It will take weeks to calculate the number of claims and insured losses resulting from yesterday's natural disaster.

The tornado that swept through much of the same area on May 3, 1999, killed 41 people, and was deemed to have been an EF-5 on the Enhanced Fujita scale. No tornado can be rated higher on this scale for wind strength and intensity. ISO's Property Claim Services estimated the May 1999 tornado resulted in insured claims payouts of nearly \$1 billion (about \$1.4 billion in today's dollars) in Oklahoma and generated about 146,000 claims.

Severe thunderstorms, including tornado events, caused \$15 billion in U.S. insured losses in 2012, but that number stood at \$25 billion a year earlier because of the two costliest tornado events in U.S. history: the \$7.5 billion in insured damages (in 2012 dollars) arising out of the late April 2011 twisters that struck

multiple states, most notably Alabama, which accounted for nearly \$3 billion of the total damages; and the \$7 billion in insured damages (in 2012 dollars) that resulted from the May 2011 tornado outbreak, which also impacted numerous states. Joplin, Missouri, was the hardest hit community in May 2011, incurring \$2.2 billion of the \$7 billion in damages, making that tornado the single largest insurance event in Missouri's history.

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“Over the past five years, insurers paid some \$75 billion to victims of these events. As the events in Moore tragically demonstrate, this trend toward more violent and destructive weather patterns shows no signs of abating,” Hartwig stated.

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Damage to vehicles from a tornado is covered under the optional comprehensive portion of a standard auto insurance policy. Three out of four U.S. drivers choose to purchase comprehensive coverage.

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Damage to businesses from a tornado is covered under business income (also known as business interruption) insurance, providing the property housing the business was hit directly. These policies cover the revenue a business would have earned, based on its financial records, had the disaster not occurred. The policy also covers additional operating expenses incurred as a result of the disaster, such as the extra expenses involved in operating out of a temporary location.

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