Insurers Boosted Their Bottom Lines amid 2013's Quiet Hurricane Season

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New York Press Office: (212) 346-5500; media@iii.org

NEW YORK, January 17, 2014? In 2013 United States property/casualty (P/C) insurers achieved their strongest financial performance since the 2007?2009 recession, according to a panel of insurance industry experts who convened this week at the *Property/Casualty Insurance Joint Industry Forum*.

One of the primary reasons for this development, the panelists agreed, was that 2013 was the sixth-least active Atlantic hurricane season since 1950. According to the federal government?s National Oceanic and Atmospheric Administration (NOAA), there were 13 tropical storms last year and only two of them, Ingrid and Humberto, became hurricanes. Tornado activity also ran far below long-run U.S. averages, notwithstanding May 2013?s multiple tornadoes in Oklahoma.

?2013 will be the best year for the industry since the financial crisis,? said Matthew Mosher, senior vice president & chief rating officer, A.M. Best Company, ?I wouldn?t necessarily expect that 2014 is going to be as good as 2013, just based on a return to more normalized catastrophe losses but, overall, what we?ve seen is an industry that?s done very well in terms of managing its business.?

Insured losses in the U.S. in 2013 totaled \$12.8 billion?far below the 2000?2012 average loss of \$29.4 billion (in 2013 dollars), according to Munich Re.

?The industry has already achieved peak cyclical earnings, so they are unlikely to get much better,? stated Jay Gelb, managing director and senior equity analyst, Barclays, after being asked why his institution had changed its assessment of the publicly traded insurance companies Barclays tracks to neutral from positive. ?Commercial insurance pricing is poised to weaken, and stock valuations are becoming full,? he added.

?Our interests as insurance regulators really stem less from profitability and more around solvency, availability and affordability,? said Robert Easton, executive deputy superintendent of the Insurance Division, at New York State?s Department of Financial Services. ?From our vantage point, the markets are very competitive, which is very good because that does drive down pricing.?

?The investment yield issues have really created greater underwriting discipline,? said John Huff, director, Missouri Department of Insurance, when the conversation turned to how insurers have struggled to generate investment income amid a prolonged low interest rate environment. P/C insurers derive much of their investment income from high quality corporate and municipal bonds.

Sandy, the hot topic at January 2013?s *Joint Industry Forum*, was still top of mind for a number of the 2014 panelists.

?There are just more people living in places that are exposed to different kinds of catastrophe risk,? said Brandie Andrews, senior manager, AIR Worldwide, a catastrophe risk modeling firm that provides software and consulting services to insurers, reinsurers, corporate and government clients.

?The intensity of events are likely to rise,? stated Stephen Flynn, a professor of political science and the founding director of the Center for Resilience Studies at Northeastern University (NEU) in Boston, pointing to evidence of rising sea levels along the Atlantic seaboard and, later in the session, the aging infrastructure in major U.S. cities. ?We really saw this in the aftermath of Sandy,? said Flynn, who is also co-director of the George J. Kostas Research Institute for Homeland Security at NEU.

Julie Rochman, president and CEO of the Insurance Institute for Business & Home Safety (IBHS), moderated the six-member *Experts Panel: A View from the Outside Looking In*.

The *Property/Casualty Insurance Joint Industry Forum* was created to provide leaders from the widest spectrum of the industry with an opportunity to meet with each other in discussion of topics of general interest. Participants included nearly 250 representatives from property and casualty insurance and reinsurance companies and organizations.

The sponsoring organizations of the Forum represent a wide spectrum of insurance interests and audiences. They include: ACORD, American Insurance Association, the Association of Bermuda Insurers and Reinsurers, The Geneva Association, Insurance Institute for Business & Home Safety, Insurance Information Institute, Insurance Institute for Highway Safety, International Insurance Society, ISO, National Association of Mutual Insurance Companies, National Council on Compensation Insurance, National Insurance Crime Bureau, Property Casualty Insurers Association of America, Property Loss Research Bureau, Reinsurance Association of America and The Institutes.

Reporters who have an interest in photos from the *Forum* can contact Loretta Worters at 212-346-5545; lorettaw@iii.org

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