

Private Insurance Market in Haiti Is Very Small; Caribbean Risk Insurance Facility to Offer Coverage to Earthquake Stricken Country

January 14, 2010

IN THIS PRESS RELEASE

- I.I.I. Has Facts and Statistics on Earthquakes; Only 12 percent of Californians Have Earthquake Coverage
 - U.S. Earthquakes and Insurance
-

SHARE THIS

- [EN ESPAÑOL](#)
- [DOWNLOAD TO PDF](#)

SPONSORED BY

I.I.I. Has Facts and Statistics on Earthquakes; Only 12 percent of Californians Have Earthquake Coverage

NEW YORK, January 14, 2010—Haiti's private insurance market is very small but its government did provide a level of insurance coverage to its citizens by being a member of the Caribbean Catastrophe Risk Insurance Facility (CCRIF), the Insurance Information Institute (I.I.I.) reported.

"Haiti is the poorest country in the Western Hemisphere and poor countries tend to purchase very little property insurance coverage," said Dr. Robert P. Hartwig, president and economist for the I.I.I. "The fact that there is very little information about Haiti's private insurance market suggests that the market is very small—likely not more than a few tens of millions of dollars," added Hartwig. "Consequently, private insurer losses from the 7.0 temblor on Tuesday, January 12, will be modest and will not have a material impact on global insurance and reinsurance markets."

Beyond earthquakes, Haiti's insurance markets face a litany of challenges including frequent hurricanes, severe floods, landslides and mudslides, poor public safety infrastructure and the fact that the country has a history of political and civil unrest, noted Hartwig. He added that some multinational firms with facilities in Haiti may be insured for losses under blanket policies that respond to losses wherever in the world they occur.

A December 2009 report by Axco Insurance Information Services on Haiti's non-life (property/casualty) market, said, "Some 90% or more of Haiti's insured risks are situated in Port-au-Prince, but no information is available about aggregate sums insured." In the absence of official data, Axco estimated the total non-life premium income written in Haiti at \$19 million in 2008, with the non-life category consisting primarily of P/C policies for auto, homeowners and commercial insurance.

The extraordinary loss of life and property damage in Haiti this week is already drawing comparisons to earthquake in southwestern China in May 2008, a natural disaster that killed 87,449 people, according to Swiss Re. As is the case with Haiti, China had little private insurance coverage to offset the severe economic damage the nation incurred. Swiss Re estimated that the Sichuan Province quake generated \$366 million in insured losses, even though the overall economic damages to China as a whole were equal to \$125 billion.

The Caribbean Catastrophe Risk Insurance Facility is offering support to the people of Haiti. Haiti's government, as one of 16 nations in the CCRIF, will receive just under \$8 million from the CCRIF based on its initial assessment of the earthquake's location and severity.

The I.I.I. has online content about the CCRIF's origins near the end of its January 2010 Reinsurance Issues Update paper. It was created to limit the financial impact of catastrophic hurricanes and earthquakes to Caribbean governments by quickly providing short term liquidity when a policy is triggered.

Besides Haiti, there are 15 other members of the CCRIF: Anguilla, Antigua & Barbuda, Bahamas, Barbados, Belize, Bermuda, Cayman Islands, Dominica, Grenada, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago, and the Turks and Caicos Islands.

U.S. Earthquakes and Insurance

Earthquakes are *not* covered under standard U.S. homeowners or business insurance policies. Coverage is usually available for earthquake damage in the form of a supplemental policy. Standard homeowners and business insurance policies may, however, cover losses from a fire following an earthquake, which would include additional living expenses and business interruption coverage. Cars and other vehicles are covered for earthquake damage under the optional comprehensive portion of an auto insurance policy.

In California, homeowners can also secure property coverage from the California Earthquake Authority (CEA), a privately funded, publicly managed organization. Californians are able to buy CEA coverage through the company that provides their homeowners insurance coverage provided it is a CEA-participating insurance company. Nevertheless, only 12 percent of California homeowners have earthquake coverage, down from about 30 percent more than a decade ago.

Earthquake insurance policies often carry a deductible, generally in the form of a percentage rather than a flat dollar amount. The CEA, for instance, offers homeowners dwelling coverage deductibles of either 10 or 15 percent. The CEA coverage limit is the insured value of the home as stated on the companion homeowners insurance policy.

The I.I.I. is a nonprofit, communications organization supported by the insurance industry.

[Back to top](#)