



American Institute for Architects New York Chapter

**Design for Risk and Reconstruction:
Who is Going to Pay for this?**

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**Center for Architecture, Edgar Tafel Hall,
New York, N.Y.**

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2. Basics of Property Insurance: What is covered and what is not?
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What is the Insurance Information Institute?

- The mission of the Insurance Information Institute (I.I.I.) is to improve public understanding of insurance—what it does and how it works.
- For more than 50 years, the I.I.I. has provided definitive insurance information. Today, we are recognized by the media, governments, regulatory organizations, universities and the public as a primary source of information, analysis and referral concerning insurance.

Basics of Property Insurance

Are Acts of God Covered?

What is Covered and What is not?

- The term “Acts of God” is not mentioned in any property insurance policy in the U.S. Instead, business and home insurance policies list disasters that are covered and disasters that are not.
- Standard business and home insurance policies offer insurance protection against fire, lightning, windstorms, theft and other disasters listed in the policy.
- The two big disasters that are not covered are flood and earthquake. But, separate insurance is available for both of these disasters.
- Damage due to flooding is provided by FEMA’s National Flood Insurance Program and from some private insurance companies.
- Earthquake coverage is available from private insurance as an endorsement to a property policy.

Home/Renters

- The NFIP provides coverage for up to \$250,000 for the structure of the home and \$100,000 for personal possessions.
- Some insurers have introduced special policies for high-value properties. These policies may cover homes in non-coastal areas and/or provide enhancements to traditional flood coverage.

Coverage for basements is limited – something that individuals, business owners and designers need to take into consideration!

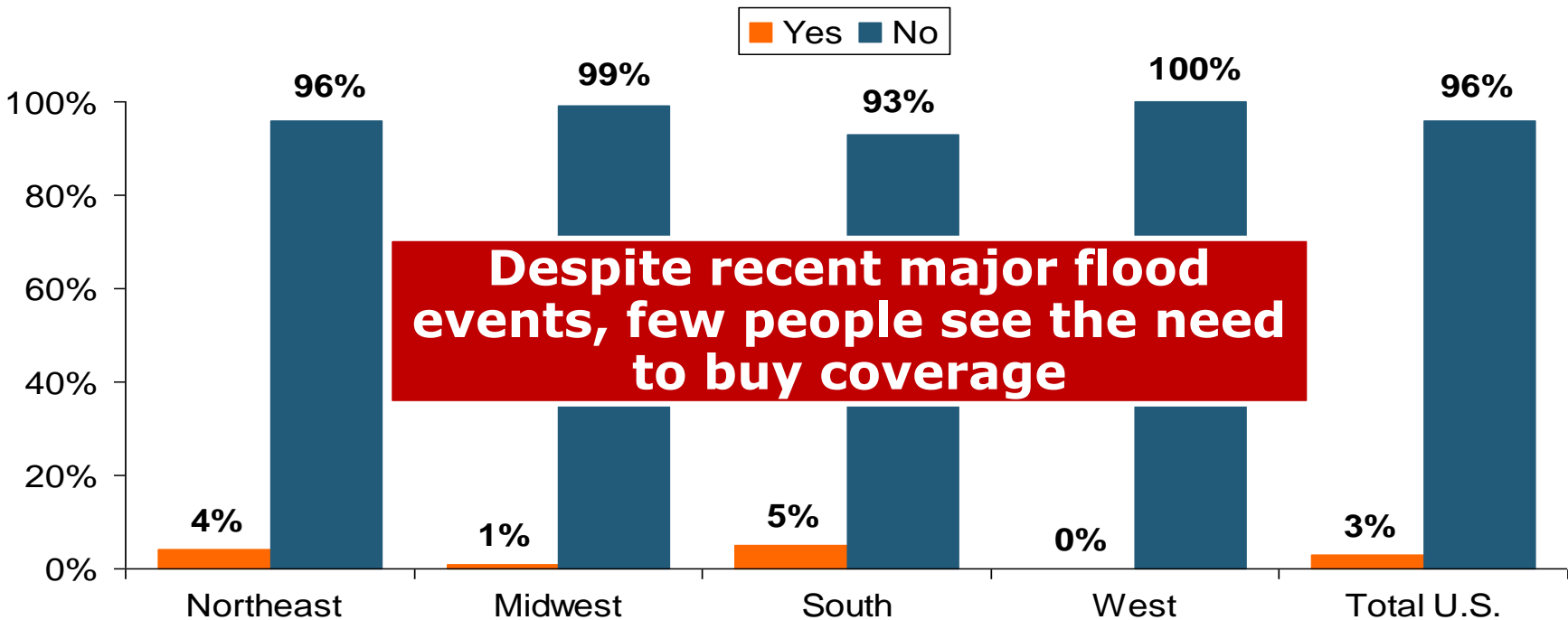
Commercial Insurance

- The NFIP's General Property Form offers commercial policyholders coverage for: Building Property up to \$500,000 and Personal Property up to \$500,000
- A very large business may sometimes purchase flood insurance coverage through private insurance.

Private flood insurance is available for those who need additional insurance protection, known as "excess coverage," over and above the basic policy or for people whose communities do not participate in the NFIP.

I.I.I. Poll: Disaster Preparedness

Q. Have recent flooding events such as Hurricane Sandy or Hurricane Irene motivated you to buy flood coverage?¹

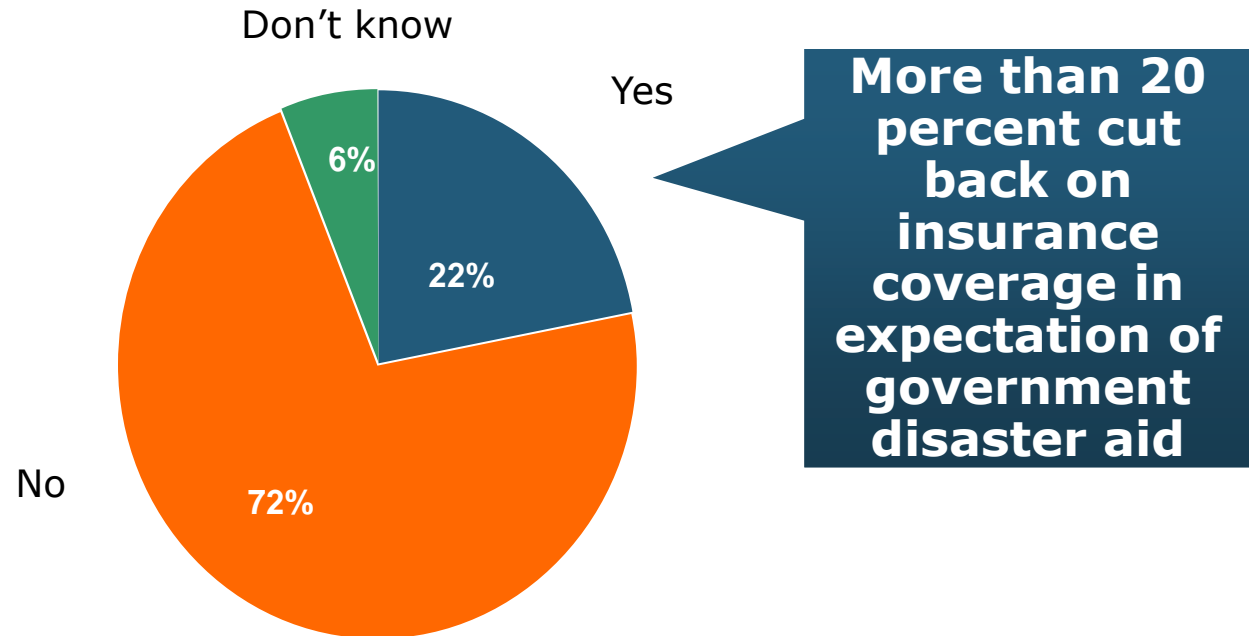


Recent storms have not motivated people to buy flood insurance coverage

¹Asked of those who have homeowners insurance but not flood insurance.

I.I.I. Poll: Disaster Preparedness

Q. If you expect some relief from the government, would you purchase less insurance coverage against these natural disasters than you would have otherwise?



Seventy-two percent of Americans would not purchase less insurance if they expect some relief from the government—but 22% would.

Basics of Property Insurance – Saving Money

- Shopping around for private insurance – it is a highly competitive business.
- Raising the deductible on property insurance, as well as flood insurance.
- Make the home or business disaster-resistant – against wind, fire, flood, theft and other disasters.
- Take advantage of discounts for security devices.
- Consider the cost of insurance when purchasing a property.

Sandy-Related Claims Paid

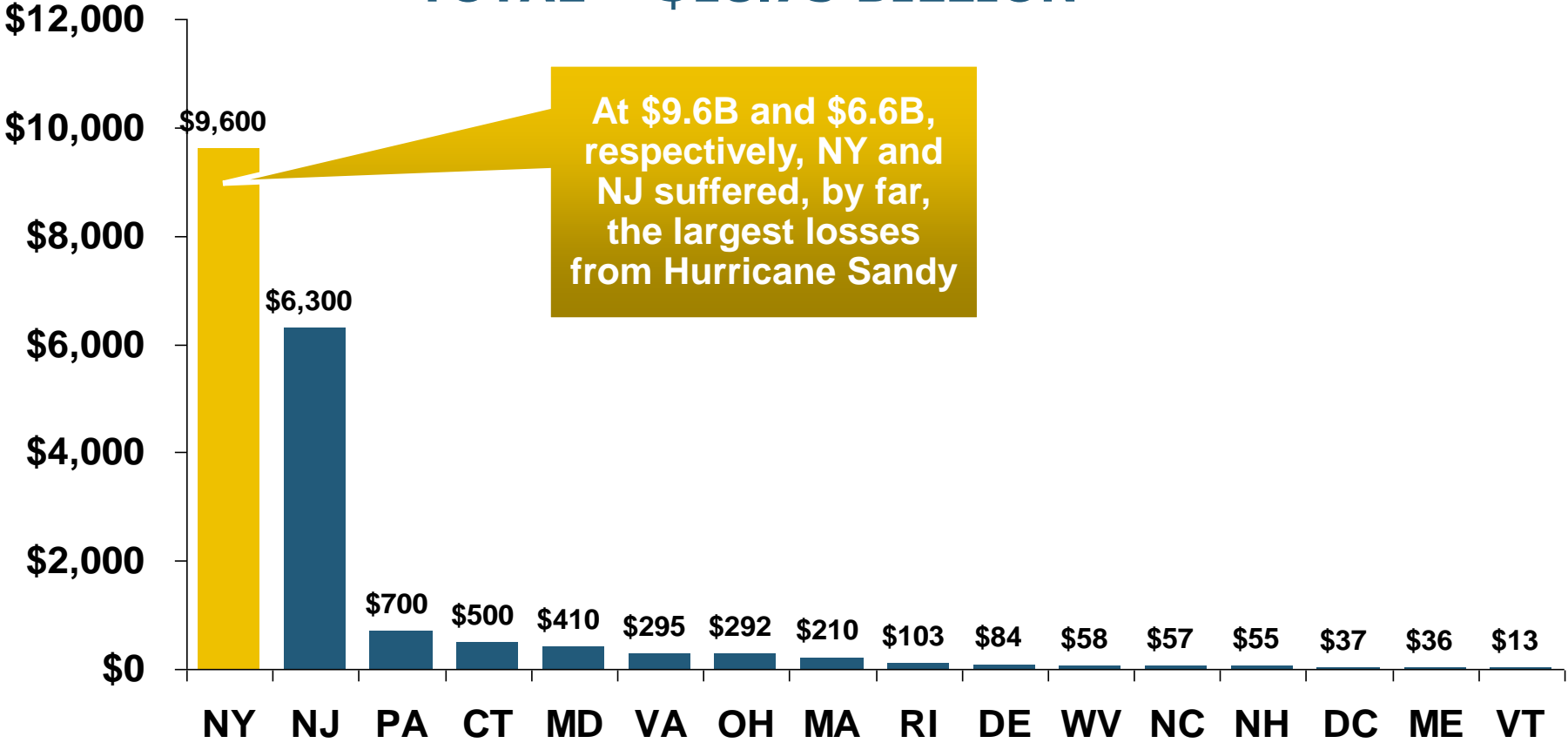
Economic Overview: Sandy Facts and Statistics

- Insurance claim payouts resulting from Hurricane Sandy, which struck the East Coast on October 29, 2012, are expected to total **\$18.8 billion arising from 1.5 million claims**, according to ISO's PCS unit.
- Total damage (**insured and uninsured**) from Sandy is estimated at **\$50 billion**.
- The cost to private insurers might have been higher but much of the damage was due to the storm surge and subsequent flooding, which is not covered by standard homeowners or most commercial insurance policies.

Hurricane Sandy: Claim Payments to Policyholders, by State

(\$ Thousands)

TOTAL = \$18.75 BILLION



At \$9.6B and \$6.6B, respectively, NY and NJ suffered, by far, the largest losses from Hurricane Sandy

Insurers Will Pay at Least \$18.75 Billion to 1.52 Million Policyholders Across 15 States and DC in the Wake of Hurricane Sandy

Sources: Catastrophe loss data is for Catastrophe Serial No. 90 (Oct. 28 – 31, 2012) from PCS as of Jan. 18, 2013; Insurance Information Institute .

Hurricane Sandy: Number of Claims by Type*

**Total Claims = 1.52
Million***

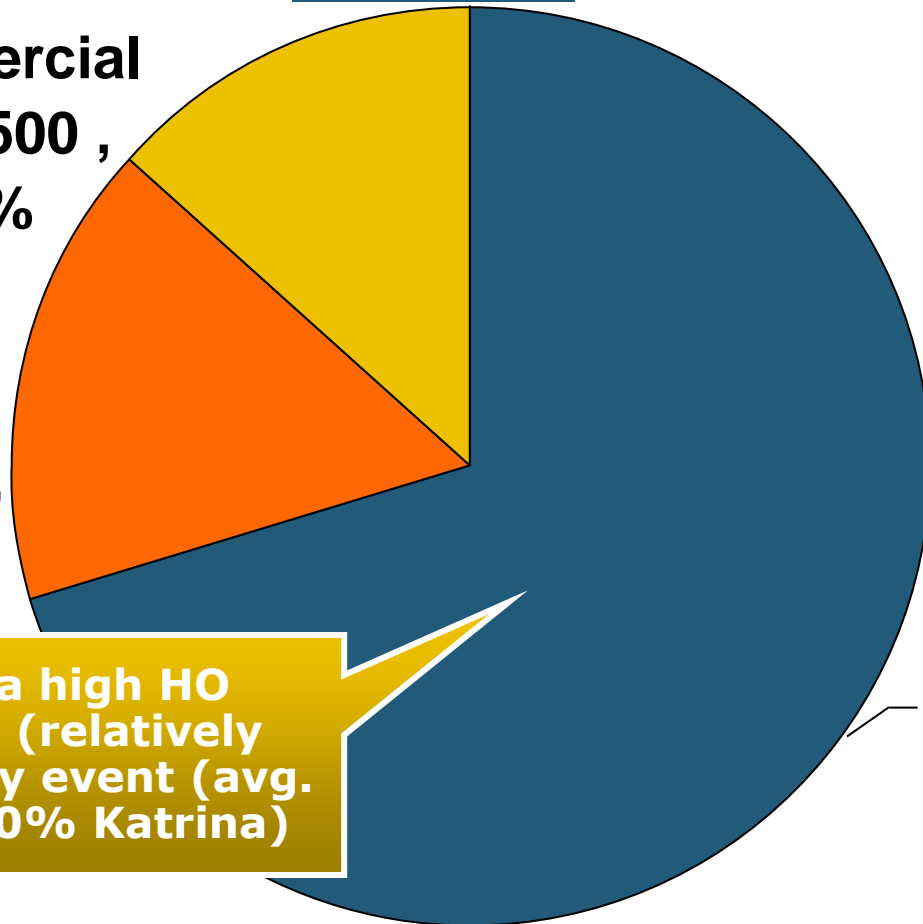
Hurricane Sandy resulted in an estimated 1.52 million privately insured claims resulting in an estimated \$18.75 insured losses. Hurricane Katrina produced 1.74 million claims and \$48.7B in losses (in 2012 \$)

**Commercial
, 202,500 ,
13%**

**Auto,
250,500 ,
16%**

Sandy is a high HO frequency, (relatively low) severity event (avg. severity <50% Katrina)

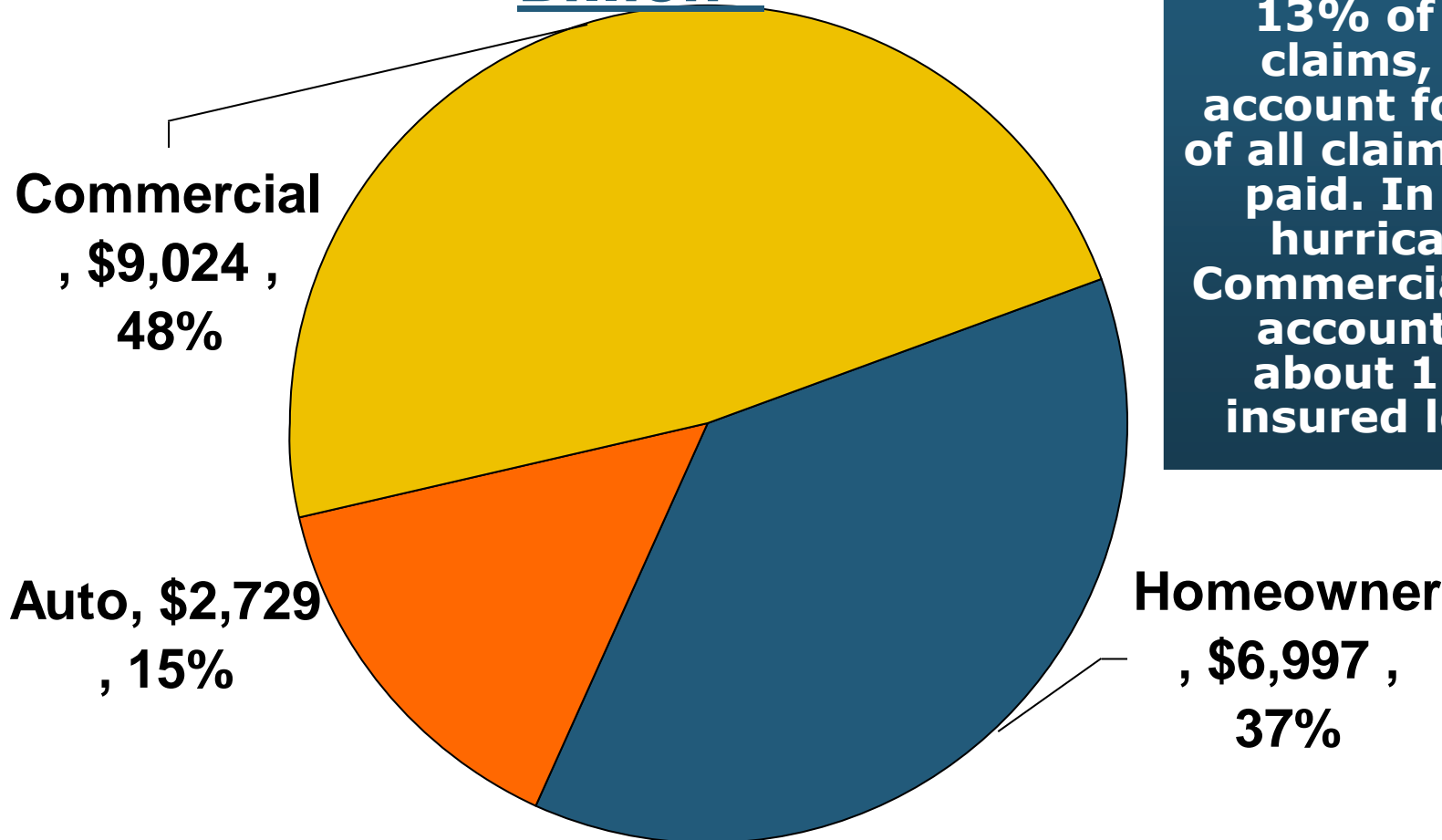
**Homeowner
, 1,067,000 ,
71%**



*PCS claim count estimate s as of 1/18/13. Loss estimate represents PCS total (\$18.75B) and upper end of range estimates by risk modelers RMS, Eqecat and AIR. All figures exclude losses paid by the NFIP. Source: PCS; AIR, Eqecat, AIR Worldwide; Insurance Information Institute.

Hurricane Sandy: Insured Loss by Claim Type* (\$ Millions)

Total Claim Value = \$18.75 Billion*



Although Commercial Lines accounted for only 13% of total claims, they account for 48% of all claim dollars paid. In most hurricanes, Commercial Lines accounts for about 1/3 of insured losses.

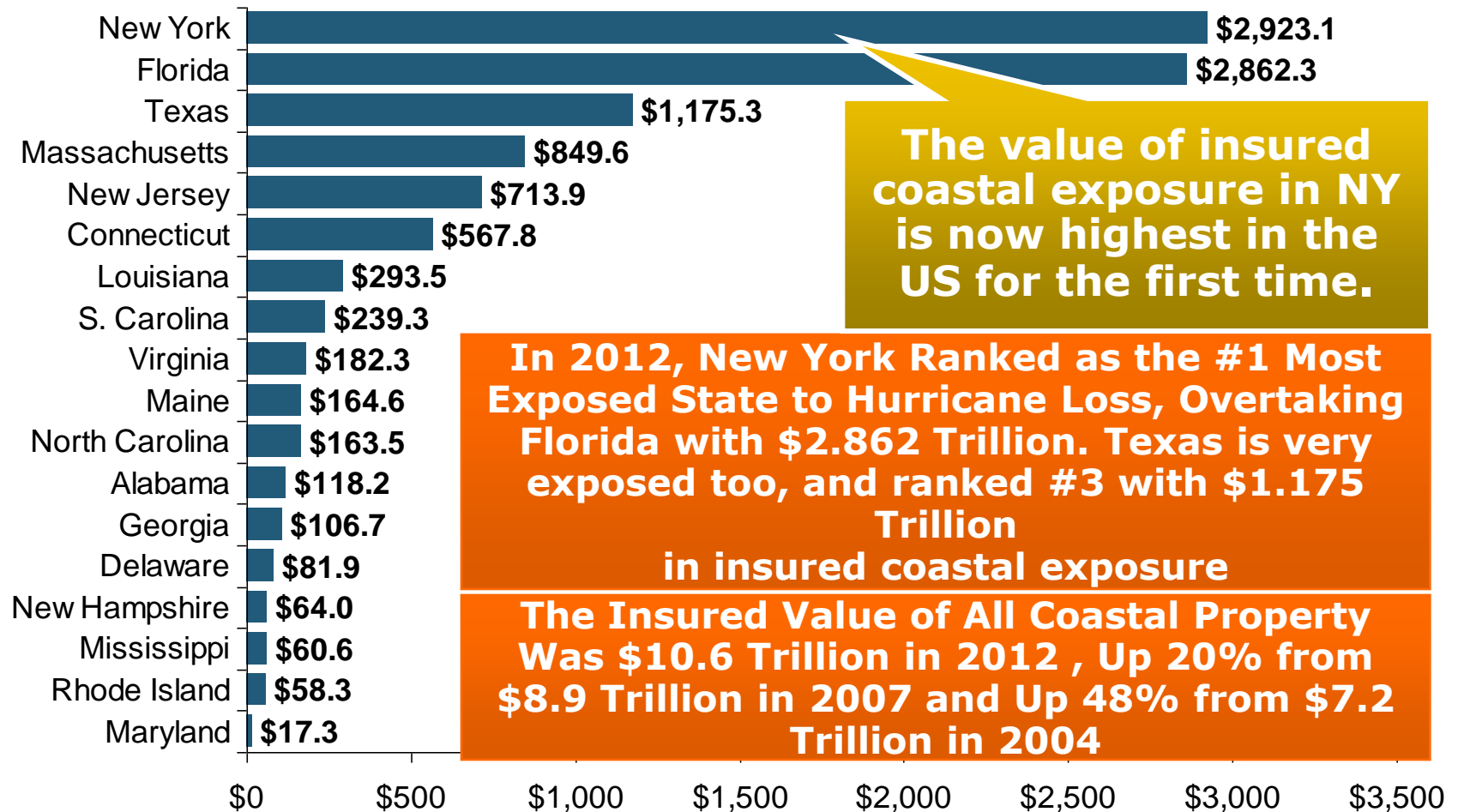
*PCS insured loss estimates as of 1/18/13. Catastrophe modeler estimates range up to \$25 billion. All figures exclude losses paid by the NFIP.
Source: PCS; Insurance Information Institute.



Insured Value of Coastal Property in Northeast

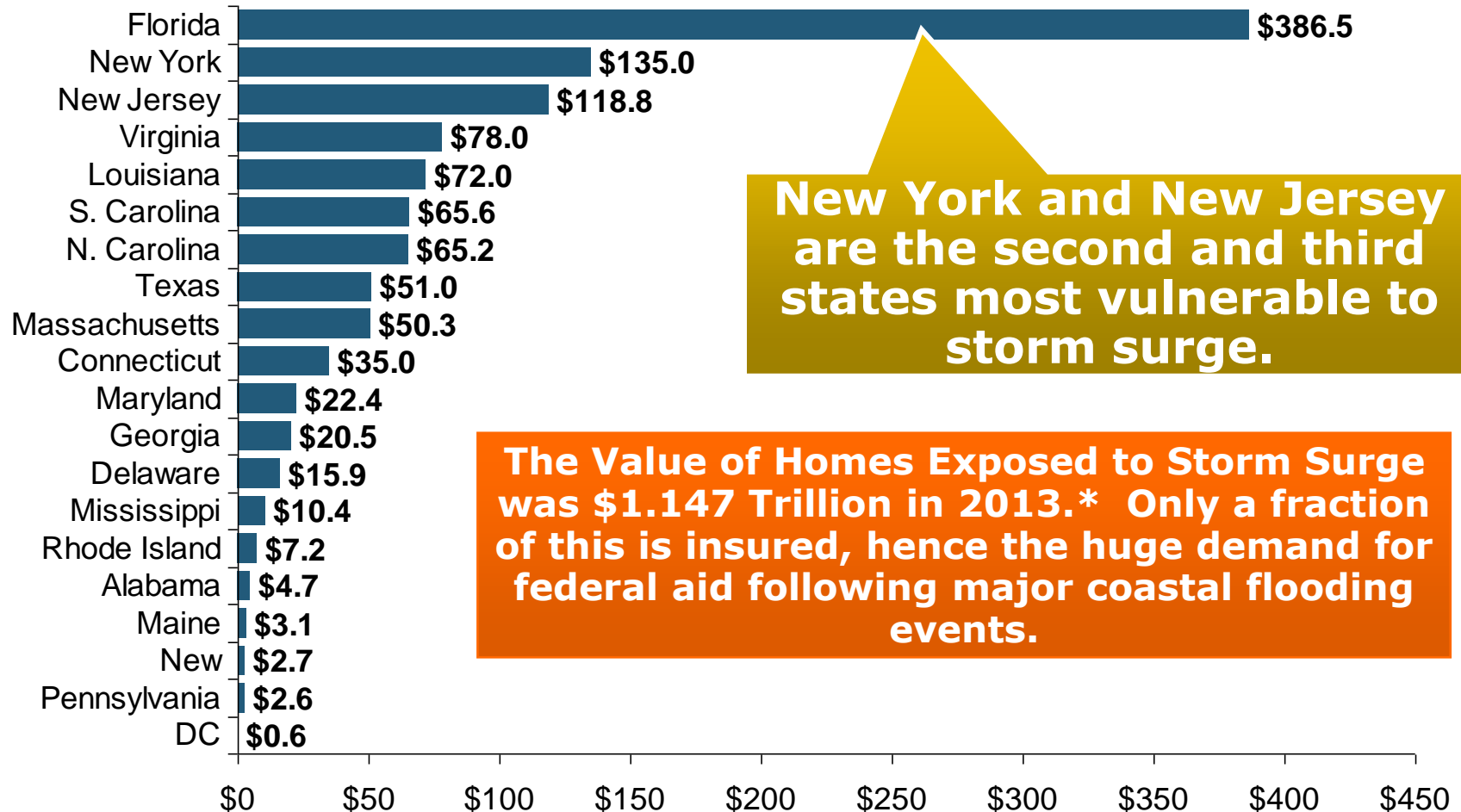
Total Value of Insured Coastal Exposure in 2012

(2012, \$ Billions)



Total Potential Home Value Exposure to Storm Surge Risk in 2013*

(\$ Billions)



*Insured and uninsured property. Based on estimated property values as of April 2013.

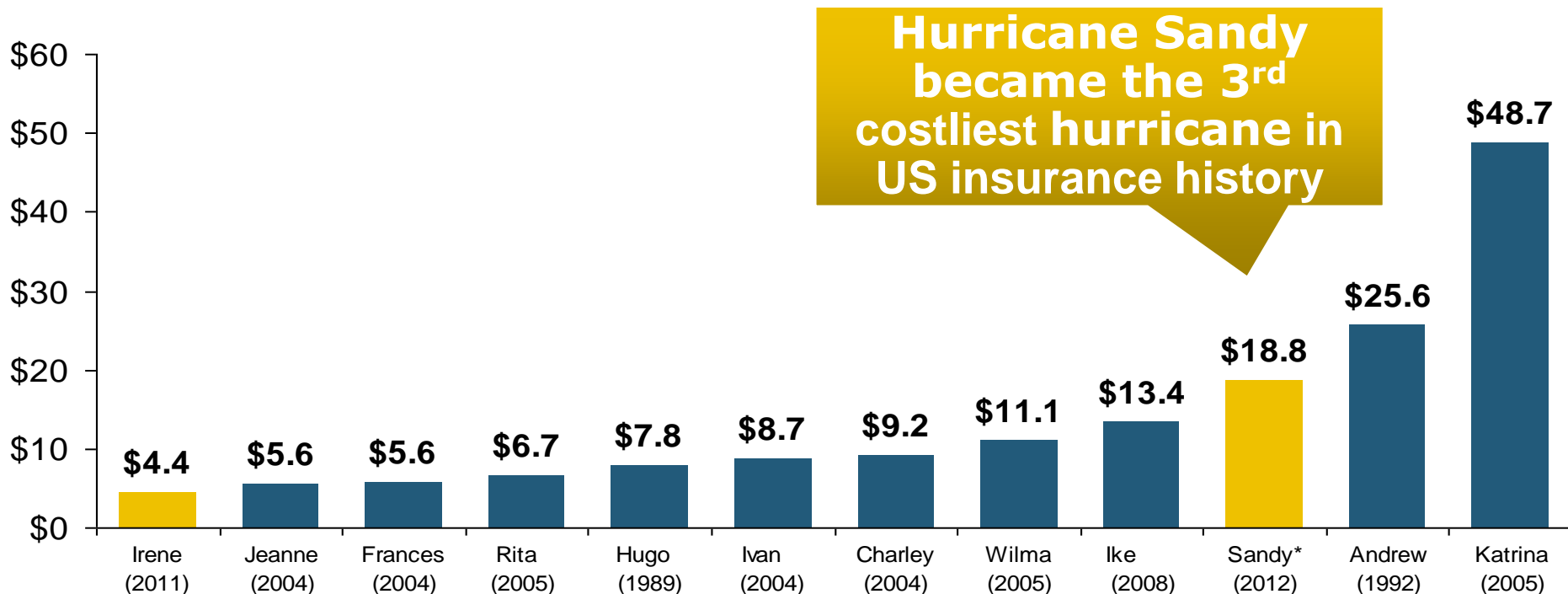
Source: *Storm Surge Report 2013*, CoreLogic.

Catastrophe Trends in the United States and the Northeast

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 9 years (2004–2012)



*PCS estimate as of 4/12/13.

Sources: PCS; Insurance Information Institute inflation adjustments to 2012 dollars using the CPI.

Three of the Top Ten Most Costly Hurricanes Hit NY – Sandy, Frances and Ivan

THE TEN MOST COSTLY HURRICANES IN THE UNITED STATES (1)

(\$ millions)

Rank	Date	Location	Hurricane	Estimated insured loss (2)	
				Dollars when occurred	In 2012 dollars (3)
1	Aug. 25-30, 2005	AL, FL, GA, LA, MS, TN	Hurricane Katrina	\$41,100	\$47,424
2	Aug. 24-26, 1992	FL, LA	Hurricane Andrew	15,500	23,349
3	Oct. 28-31, 2012	CT, DC, DE, MA, MD, ME, NC, NH, NJ, NY, OH, PA, RI, VA, VT, WV	Hurricane Sandy	18,750	18,750
4	Sep. 12-14, 2008	AR, IL, IN, KY, LA, MO, OH, PA, TX	Hurricane Ike	12,500	13,283
5	Oct. 24, 2005	FL	Hurricane Wilma	10,300	11,885
6	Aug. 13-14, 2004	FL, NC, SC	Hurricane Charley	7,475	8,912
7	Sep. 15-21, 2004	AL, DE, FL, GA, LA, MD, MS, NC, NJ, NY, OH, PA, TN, VA, WV	Hurricane Ivan	7,110	8,476
8	Sep. 17-22, 1989	GA, NC, PR, SC, U.S. Virgin Islands, VA	Hurricane Hugo	4,195	6,957
9	Sep. 20-26, 2005	AL, AR, FL, LA, MS, TN, TX	Hurricane Rita	5,627	6,493
10	Sep. 3-9, 2004	FL, GA, NC, NY, SC	Hurricane Frances	4,595	5,478

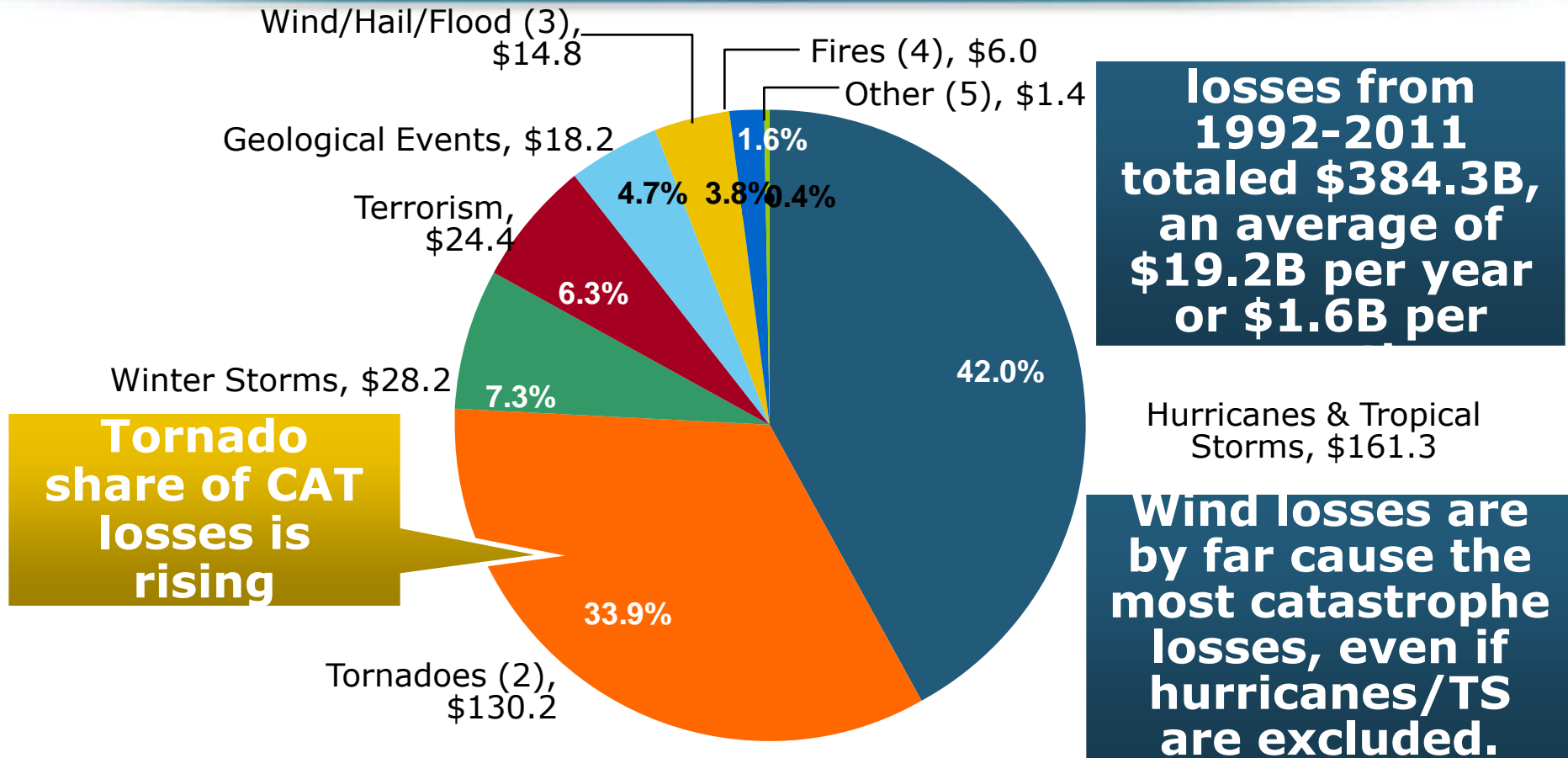
(1) Includes hurricanes occurring through 2012.

(2) Property coverage only. Does not include flood damage covered by the federally administered National Flood Insurance Program.

(3) Adjusted for inflation through 2012 by ISO using the GDP implicit price deflator.

Source: The Property Claim Services (PCS) unit of ISO, a Verisk Analytics company.

Inflation Adjusted U.S. Catastrophe Losses by Cause of Loss, 1992–2011¹



losses from 1992-2011 totaled \$384.3B, an average of \$19.2B per year or \$1.6B per

Hurricanes & Tropical Storms, \$161.3

Wind losses are by far cause the most catastrophe losses, even if hurricanes/TS are excluded.

Tornado share of CAT losses is rising

1. Catastrophes are defined as events causing direct insured losses to property of \$25 million or more in 2009 dollars.
2. Excludes snow.
3. Does not include NFIP flood losses
4. Includes wildland fires
5. Includes civil disorders, water damage, utility disruptions and non-property losses such as those covered by workers compensation.

Source: ISO's Property Claim Services Unit.

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***Thank you for your time
and your attention!***



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