



One Year Later: Update on Claim Payouts to Alabama Policyholders

Insurance and Economic Recovery in the Wake of the April 2011 Tornadoes

Insurance Information Institute

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Summary of Key Points

■ Insurers Paid Nearly \$3 Billion to 133,000 Alabama Home, Business and Vehicle Owners in Claims Arising from Tornadoes, Hail and High Winds During the Week of April 22-28, 2011

- ◆ Total claim payouts were nearly 50% higher than early estimates suggested
- ◆ The April 22-28 storm accounted for 93% of all AL catastrophe losses in 2011
- ◆ AL claims paid for the April 22-28 storms accounted for 40% of the US total (\$7.3 bn)

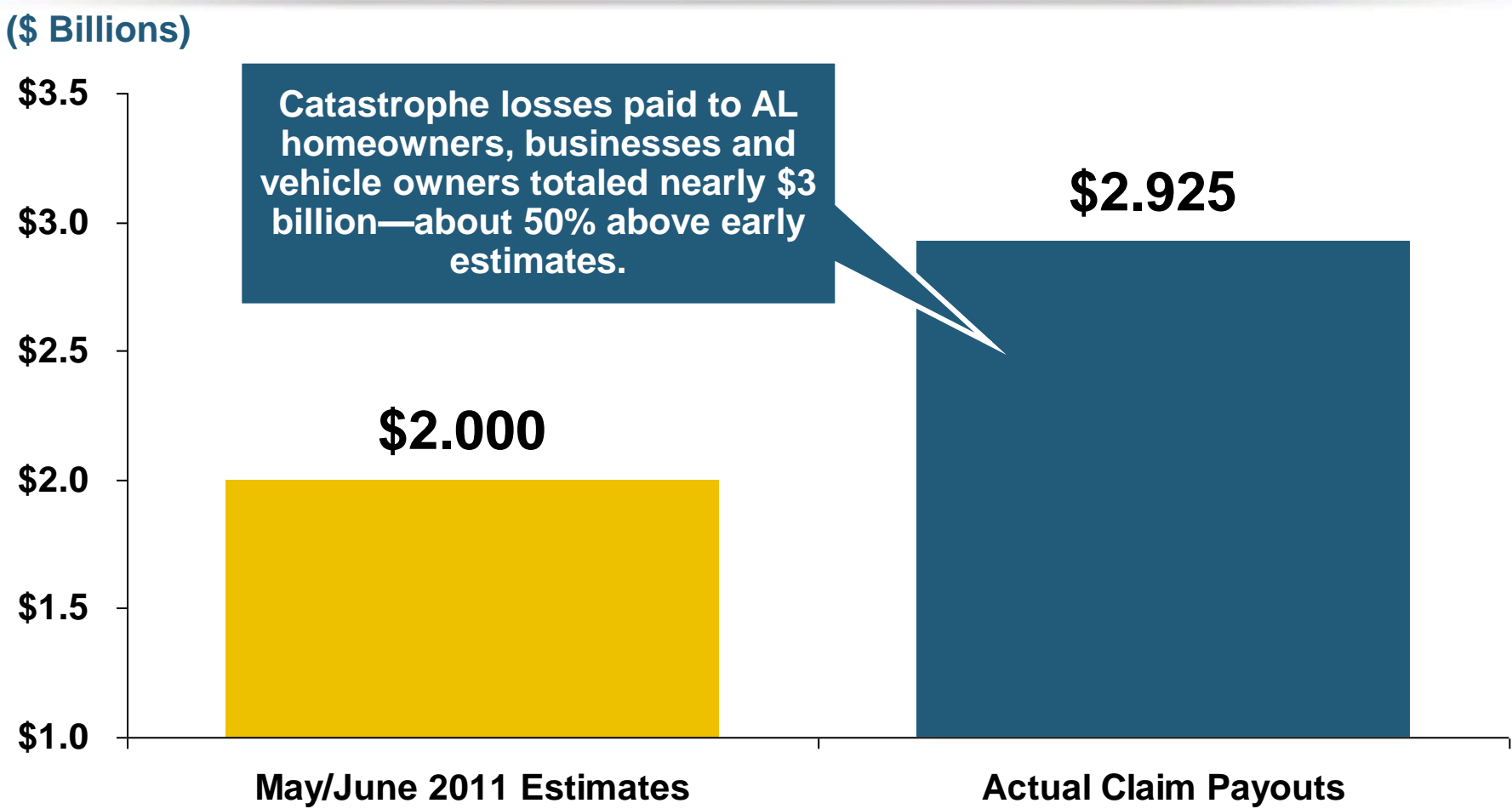
■ 2011 Was the Worst Year in AL History for Catastrophe Losses

- ◆ Insured catastrophe losses totaled \$3.2 bn arising from nearly 175,000 claims
- ◆ Homeowners losses accounted for \$1.826 bn (66%) of the total from 114,200 claims
- ◆ Homeowners losses paid exceeded estimated premiums collected of by more than \$400 million in 2011
- ◆ The average cost of a homeowners catastrophe claim reached a record \$15,989 in 2011

■ Between 1998 and 2011, Insured Catastrophe Losses Across the State of Alabama Totaled \$8.4 Billion Arising from Nearly 1.1 Million Claims

- ◆ Home/Condos/Renters' policies accounted for 67% (\$5.6 bn) of dollars paid and 73% of the total number of claims; Commercial property accounts for the remainder.

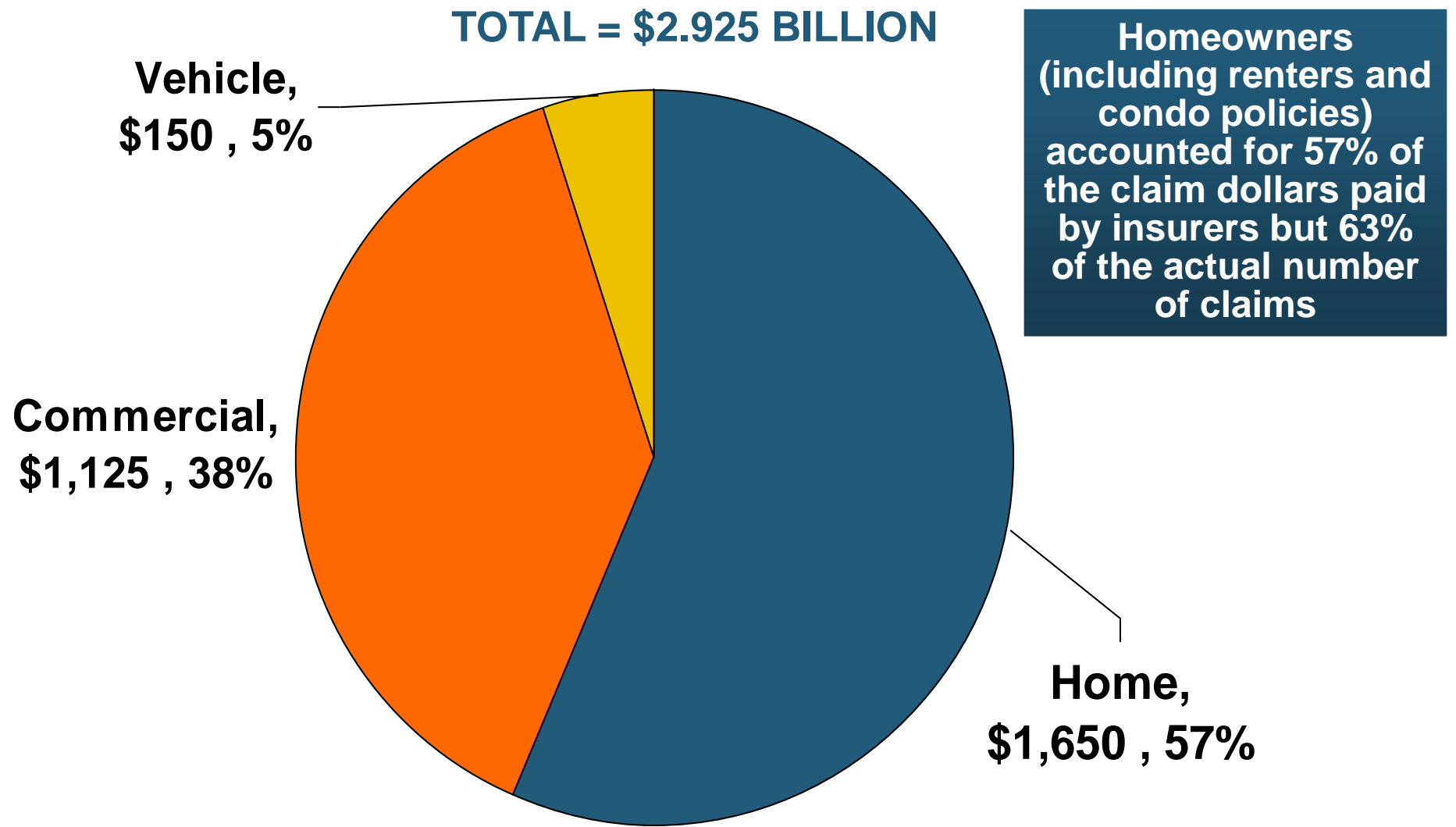
Actual Claim Dollars Paid to Alabama Are Well Above Early Estimates



The April 22-28 Storms in AL Accounted for About 93% of 2011's Record Total \$3.2 Billion in Claims Paid to Policyholders in the State

Sources: Actual catastrophe loss data is for Catastrophe Serial No. 46 (April 22 – 28, 2011) from PCS as of April 13, 2012; May/June 2011 estimates derived from various catastrophe loss model estimates; Insurance Information Institute .

Distribution of Claim Dollars Paid to AL Policyholders for Apr. 22-28 Storms (\$ Mill)

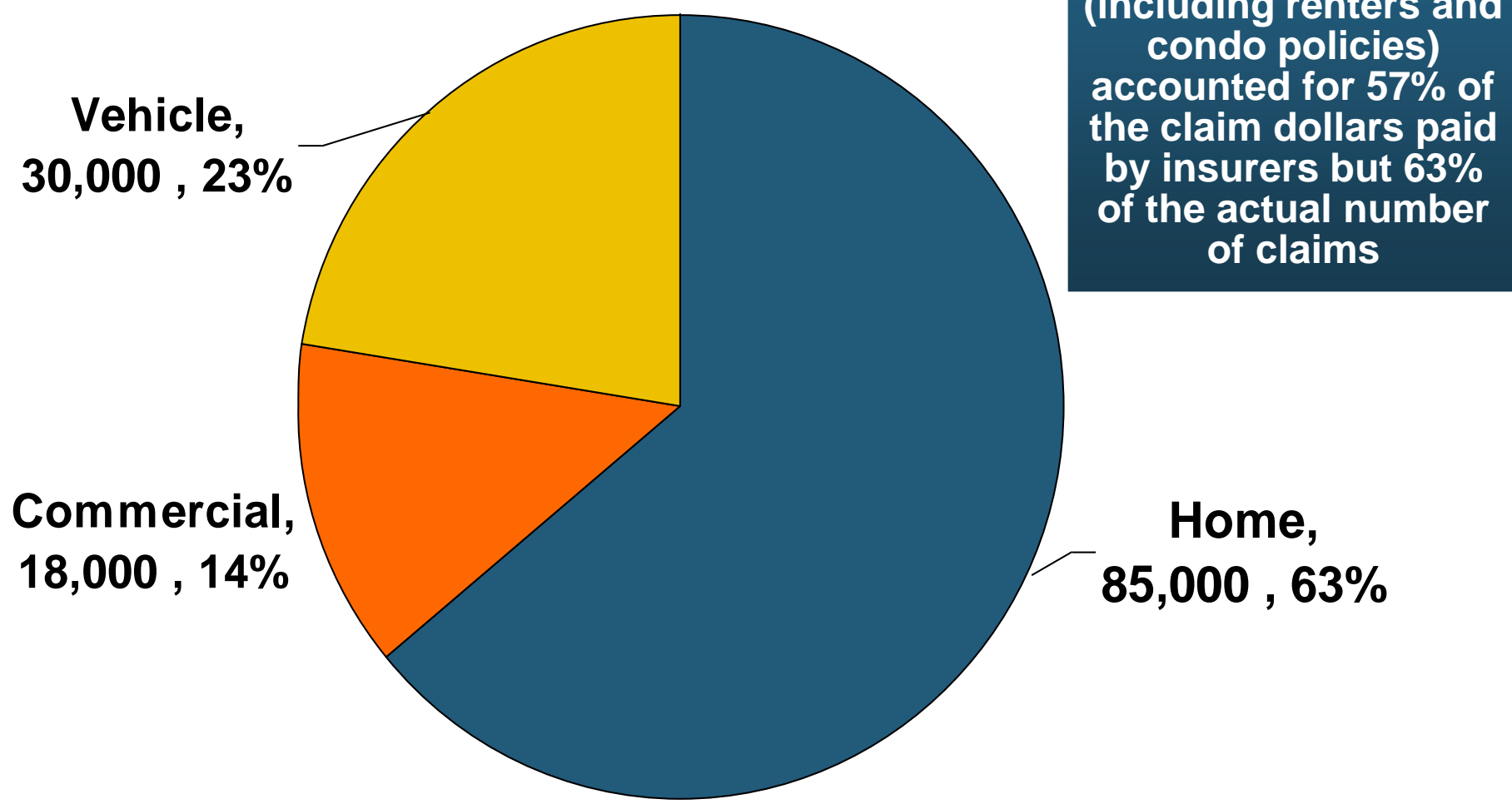


Sources: Catastrophe loss data is for Catastrophe Serial No. 46 (April 22 – 28, 2011) from PCS as of April 13, 2012; Insurance Information Institute .

Distribution of Number of Claims Paid to AL Policyholders for Apr. 22-28 Storms

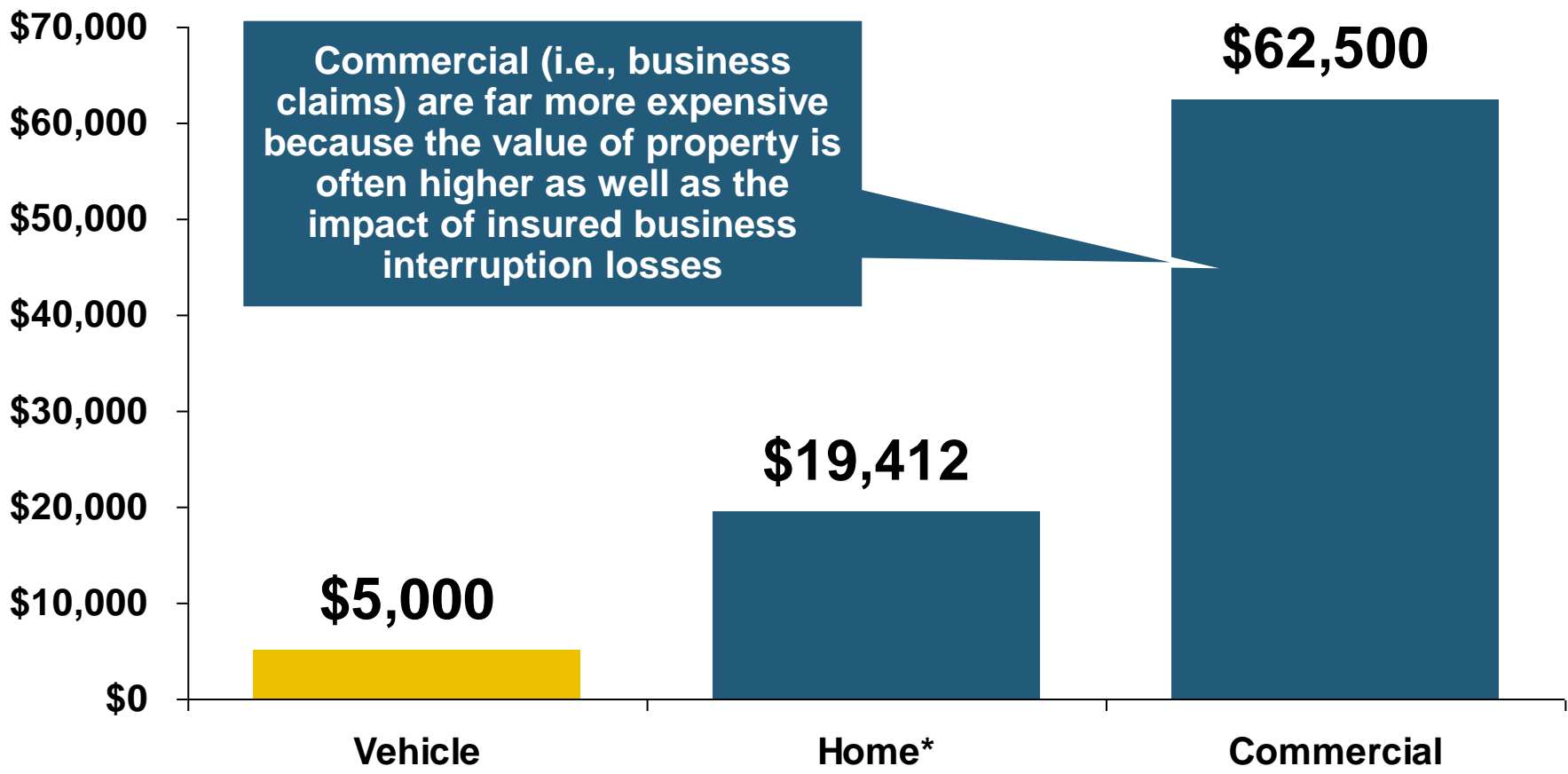


TOTAL = 133,000 CLAIMS PAID



Sources: Catastrophe loss data is for Catastrophe Serial No. 46 (April 22 – 28, 2011) from PCS as of April 13, 2012; Insurance Information Institute .

Average Claim Payment by Type of Claim

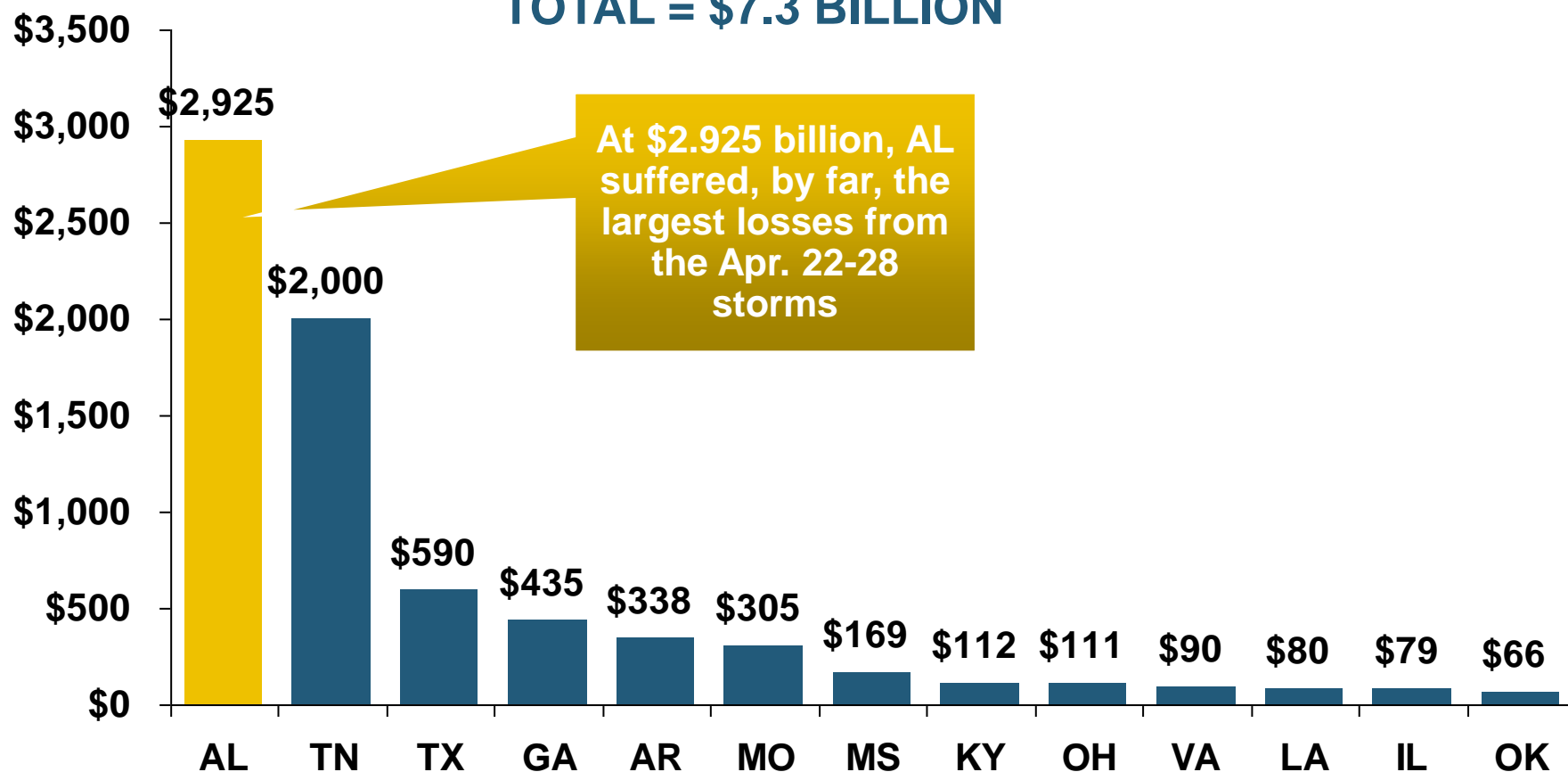


Commercial (Business) Claims Were More than Three Times More Expensive than Homeowners Claims

*Includes rental and condo policies.
Sources: Catastrophe loss data is for Catastrophe Serial No. 46 (April 22 – 28, 2011) from PCS as of April 13, 2012; Insurance Information Institute .

Claim Payments to Policyholders, by State for the April 22-28 Storms

TOTAL = \$7.3 BILLION



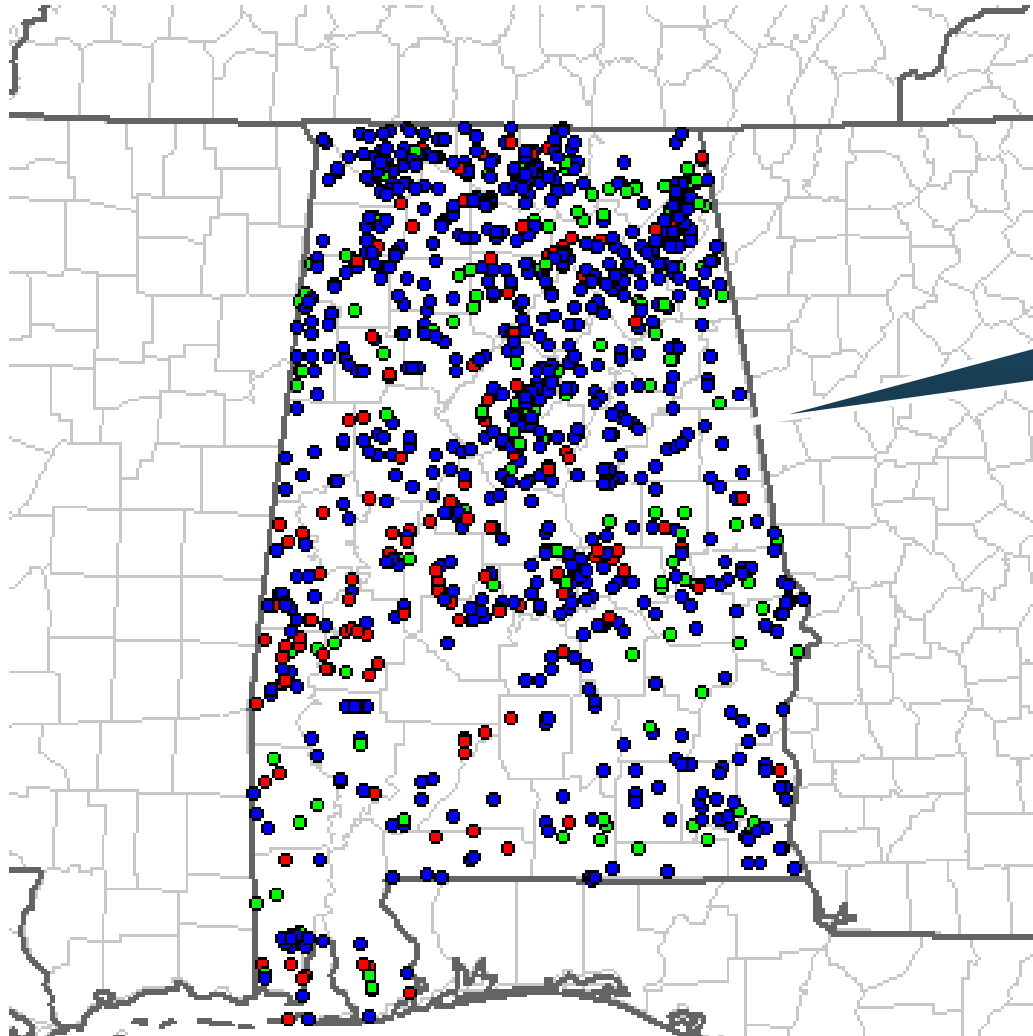
Alabama Claim Payout Accounted for 40% of the \$7.3 Billion US Total for the April 22-28 Tornado and Storm Event, Which Affected 13 States



Alabama's 2011 Severe Storm Loss Summary

**Tornadoes, Hail and Severe
Thunderstorms Took their Toll**

Severe Weather Reports in Alabama, January 1—December 31, 2011



There were 1,311
severe weather
reports in AL in 2011

ALABAMA

Total Reports = 1,311

Tornadoes = 177 (Red)

Hail Reports = 217 (Green)

Wind Reports = 917 (Blue)

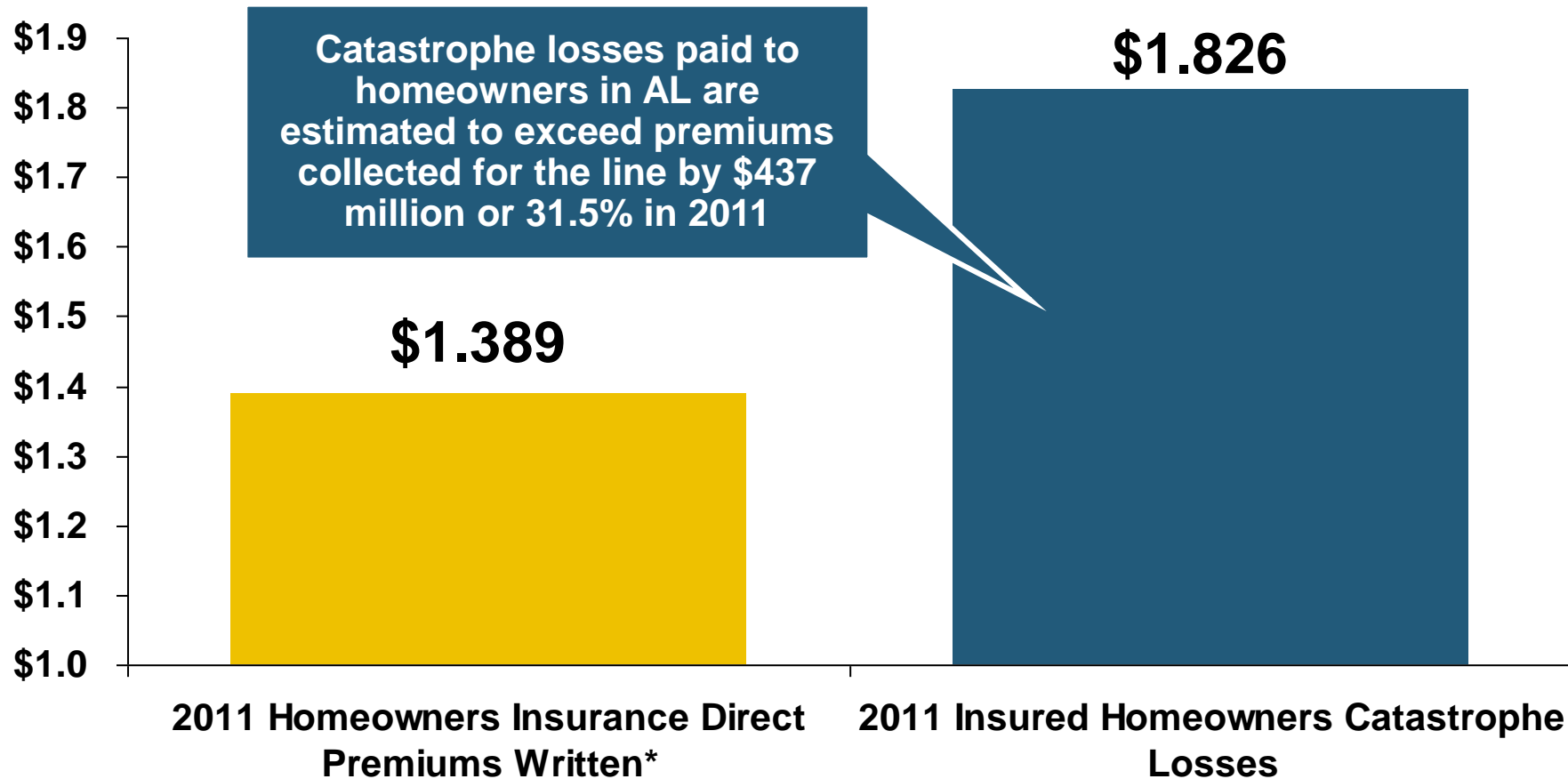


Insured Catastrophe Analysis for Alabama Insurance Markets: *Focus on Homeowners' Claims*

**Alabama Has a Long History
of Experience of
Catastrophic Loss; Loss
Data Are Trending Adversely**

2011 Catastrophe Losses in Alabama's Homeowners Market Dwarf Premiums Paid

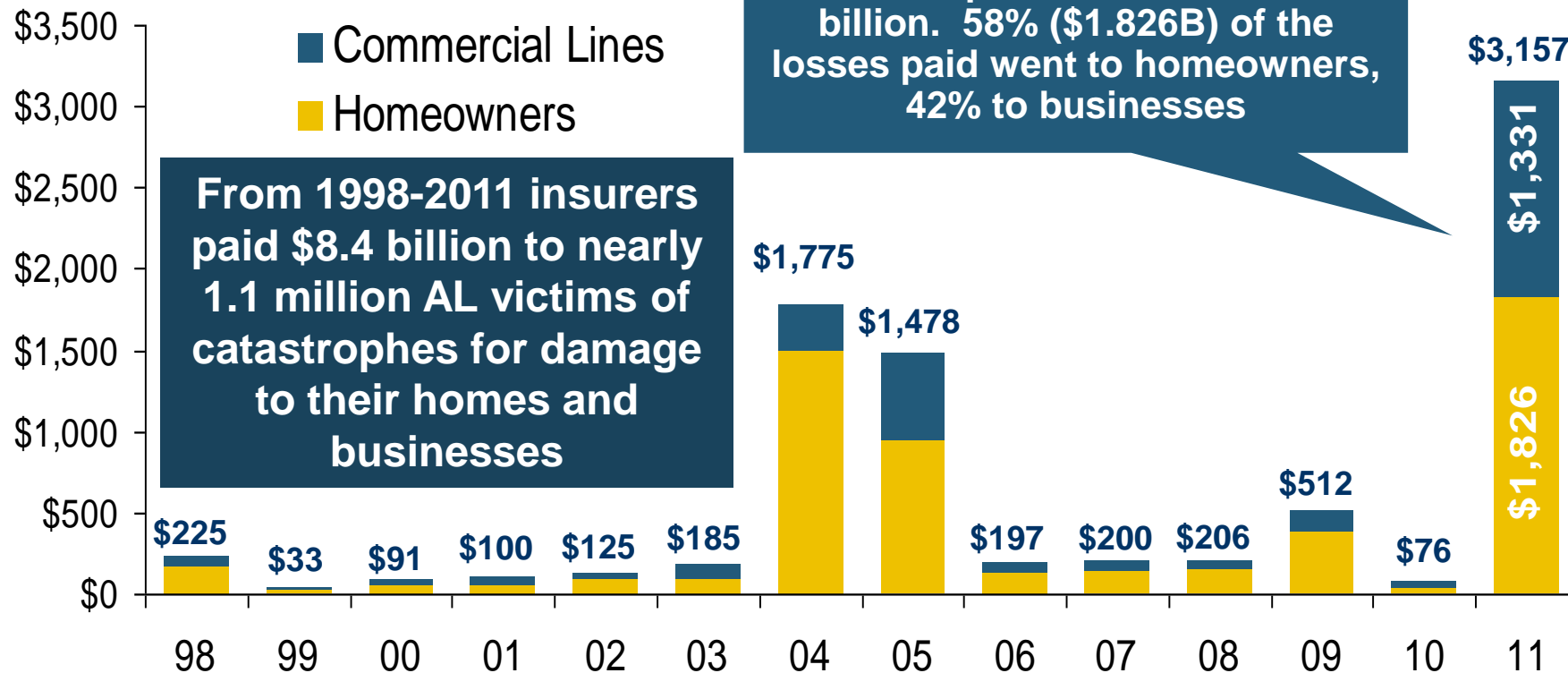
(\$ Billions)



Insurers ROE in the AL Homeowners Line in 2011 Will be Negative by Several Hundred Percent

Value of Insured Catastrophe Losses in Alabama, by Segment, 1998–2011*

(\$ Millions)



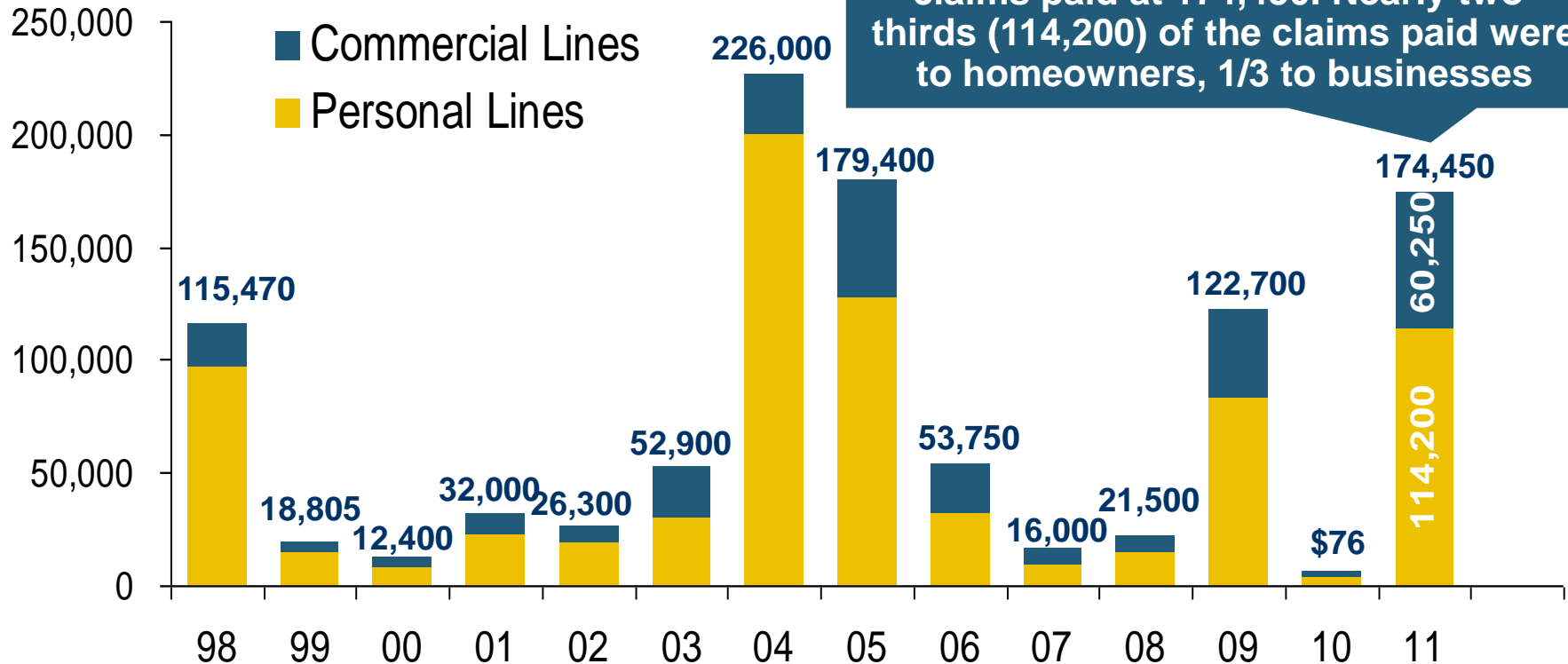
Alabama is No Stranger to Catastrophe, but 2011 Was Far More Devastating Than Any Year in History

*Data are current through Dec. 7, 2011.

Source: PCS unit of ISO; Insurance Information Institute.

Number of Insured Catastrophe Claims in Alabama, by Segment, 1998–2011*

Number of Claims



Insurers in Alabama Paid More than 55,000 Catastrophe Claims on Average Annually Between 1998 and 2011, Most to Homeowners

*Data are current through Dec. 7, 2011.

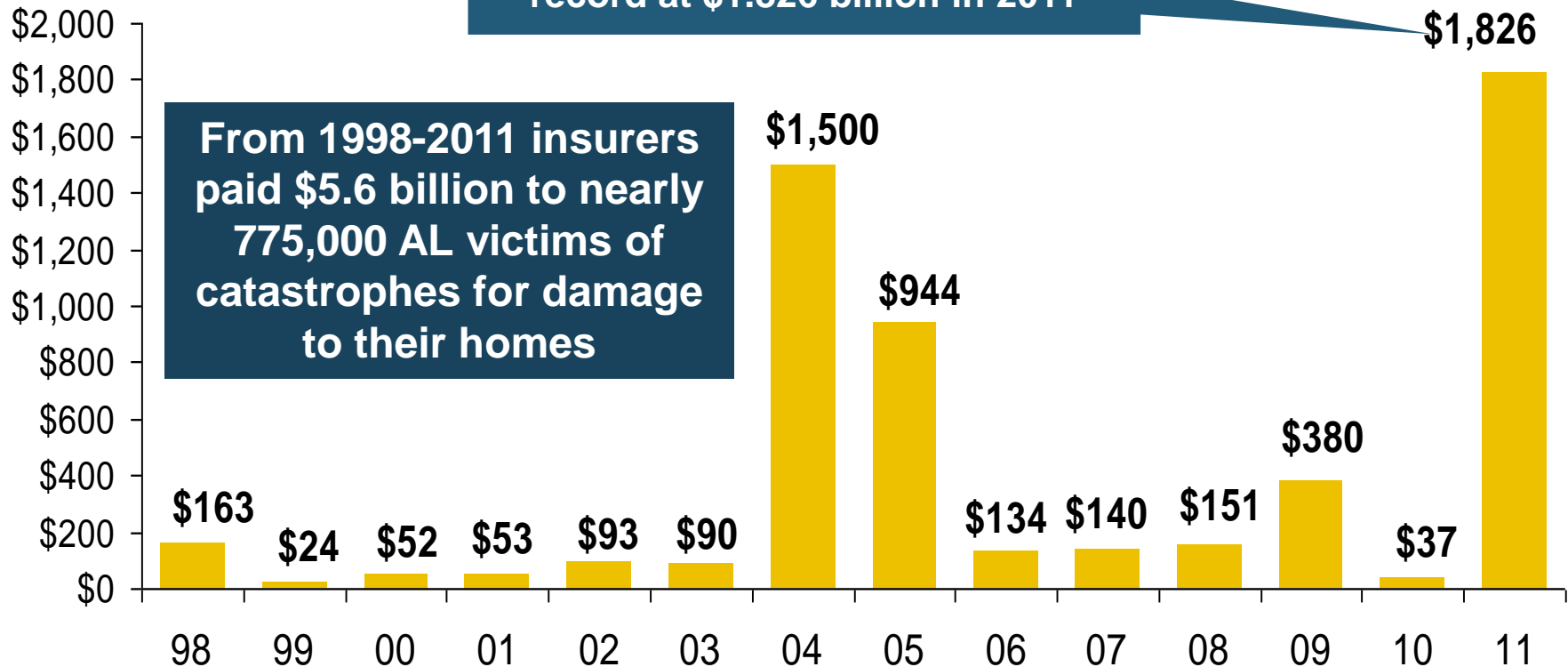
Source: PCS unit of ISO; Insurance Information Institute.

Value of Alabama Insured Catastrophe Losses: Homeowners, 1998–2011*

(\$ Millions)

2011 homeowners claims set a new record at \$1.826 billion in 2011

From 1998-2011 insurers paid \$5.6 billion to nearly 775,00 AL victims of catastrophes for damage to their homes



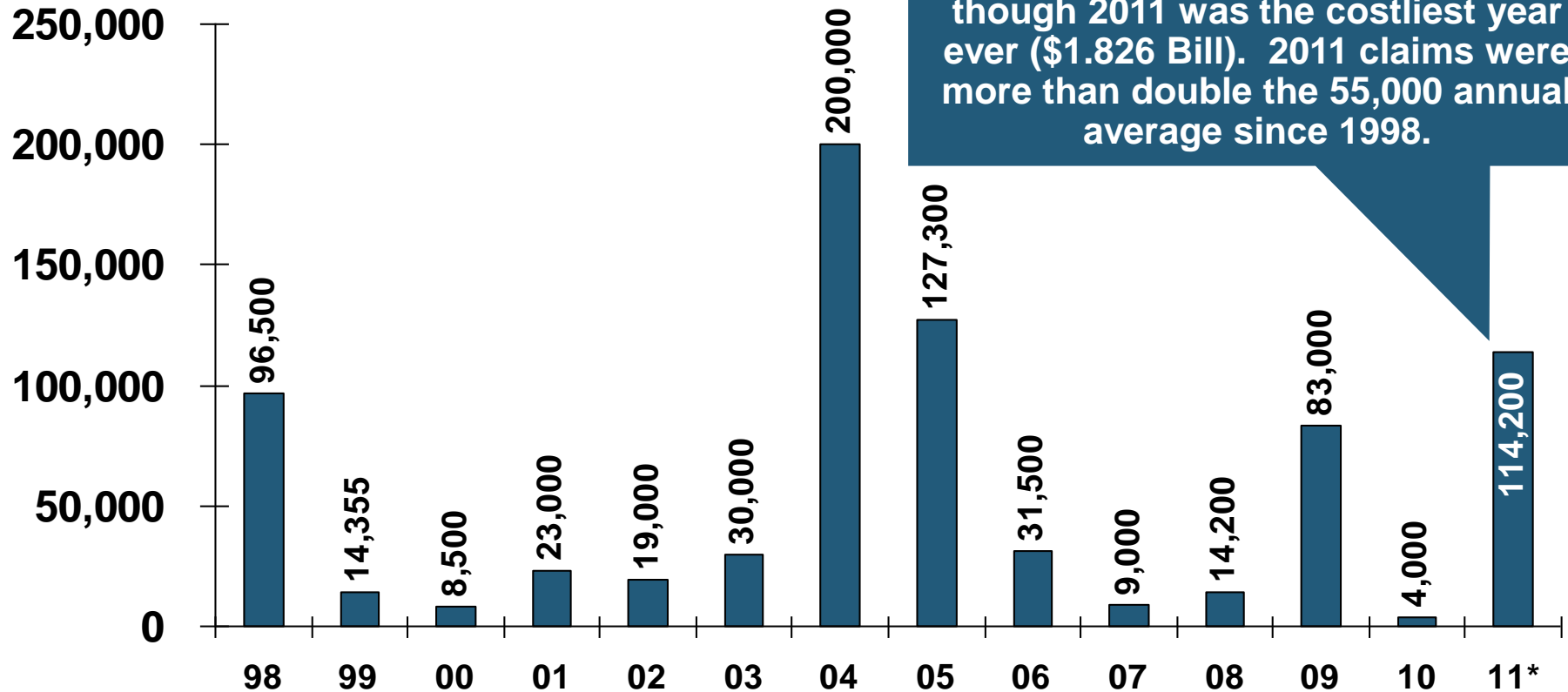
Insurers Paid an Average of \$400 million per Year to More than 55,000 Homeowners in Alabama from 1998-2011

*Data are current through Dec. 7, 2011.

Source: PCS unit of ISO; Insurance Information Institute.

Number of Homeowners Catastrophe Losses Paid by Insurers in AL, 1998-2011*

(Number of
Claims Paid)



2011 saw the 3rd largest number of homeowners claims since 1998 even though 2011 was the costliest year ever (\$1.826 Bill). 2011 claims were more than double the 55,000 annual average since 1998.

Insurers in Alabama Paid Nearly 775,000 Catastrophe Claims Between 1998 and 2011 to Homeowners Across the State

*Data are current through Dec. 7, 2011.

Source: PCS unit of ISO; Insurance Information Institute calculations.

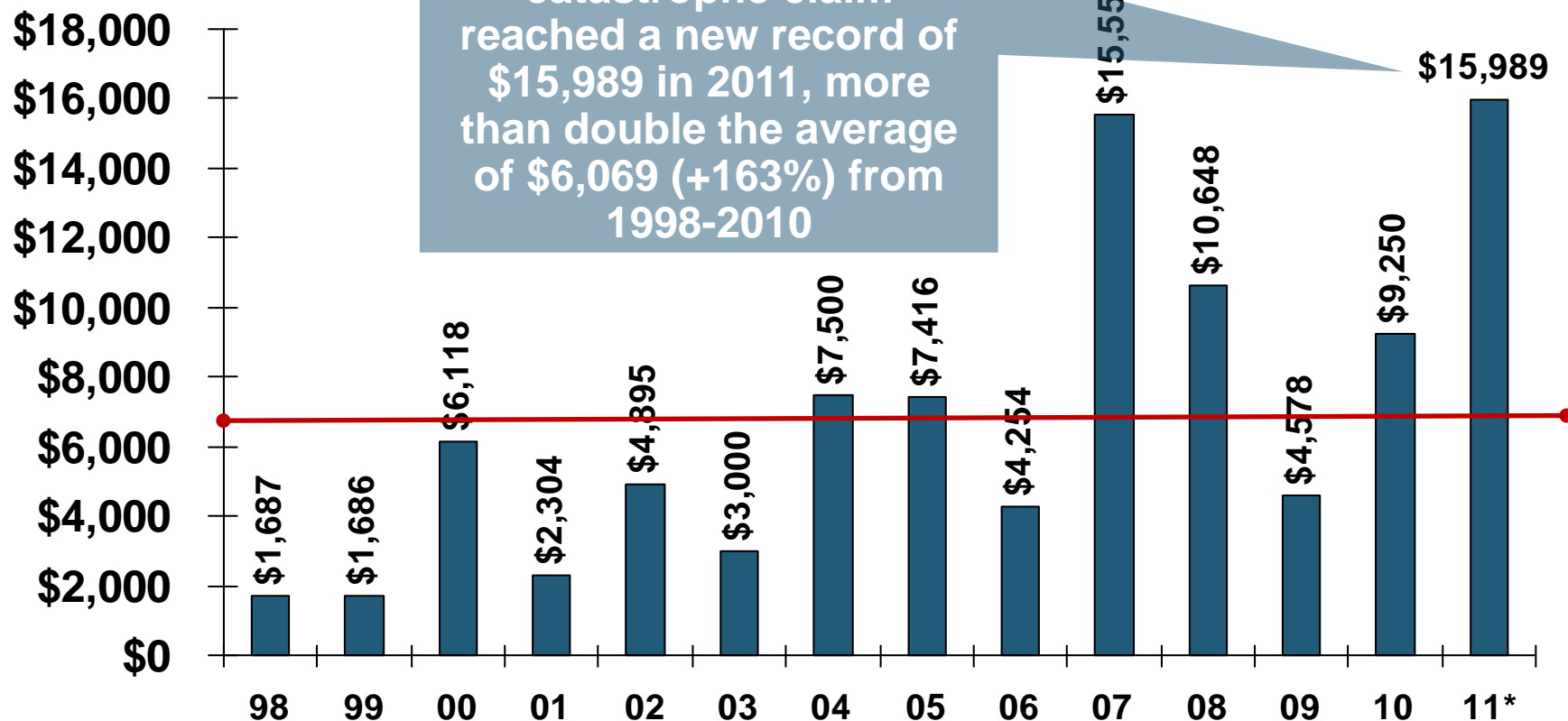
2011 Catastrophic Homeowners* Claim Activity in Alabama, by Event**

<u>Date</u>	<u>Perils</u>	<u>Avg. Pmt \$</u>	<u>Total \$ Pd.</u>	<u># Claims</u>	<u>HO \$ %</u>	<u>HO # %</u>
Mar 26 - 28	Hail, Tornadoes, Wind	6,794	53,000,000	7,800	47.14%	65%
Event Total		6,794	53,000,000	7,800	67.09%	53.42%
2011:Q1 Total		6,794	53,000,000	7,800	67.09%	53.42%
Apr 8 - 11	Flooding, Hail, Tornadoes, Wind	6,250	50,000,000	8,000	87.72%	86.96%
Event Total		6,250	50,000,000	8,000	87.72%	86.96%
Apr 14 - 16	Flooding, Hail, Tornadoes, Wind	8,475	50,000,000	5,900	75.76%	70.24%
Event Total		8,474	50,000,000	5,900	75.76%	70.24%
Apr 22 - 28	Flooding, Hail, Tornadoes, Wind	19,412	1,650,000,000	85,000	56.41%	63.91%
Event Total		19,411	1,650,000,000	85,000	56.41%	63.91%
2011:Q2 Total		17,694	1,750,000,000	98,900	57.41%	65.67%
Sep 3 - 9	Flooding, Tornadoes, Wind	3,067	23,000,000	7,500	76.67%	81.08%
Event Total		3,066	23,000,000	7,500	56.41%	63.91%
2011:Q3 Total		3,066	23,000,000	7,500	76.67%	81.08%
2011 YTD Totals		15,989	1,826,000,000	114,200	57.84%	65.46%

2011 has been the most expensive in history for insured catastrophe losses paid to Alabama homeowners. Payments totaled \$1.826 billion arising from 114,200 claims

Average Value of Insured Homeowners Catastrophe Loss Claims in AL, 1998-2011*

(Cost of Average
Personal Lines Claim



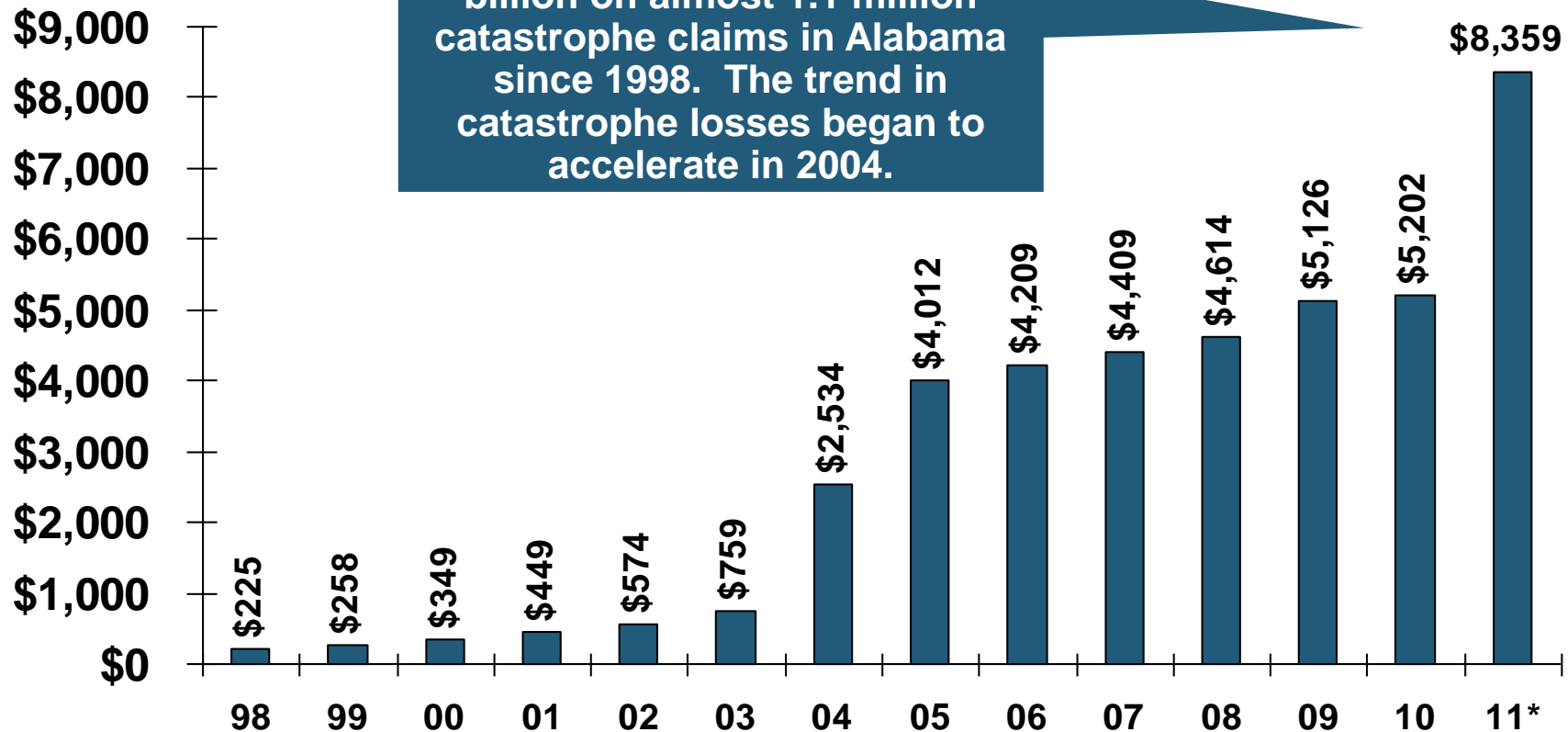
Insured Catastrophe Losses to Homes in Alabama Are Volatile and Are Trending Upward

*Data are current through Dec. 7, 2011.

Source: PCS unit of ISO; Insurance Information Institute calculations.

Cumulative Value of Catastrophe Losses Paid by Insurers in Alabama, 1998-2011*

(\$ Millions)



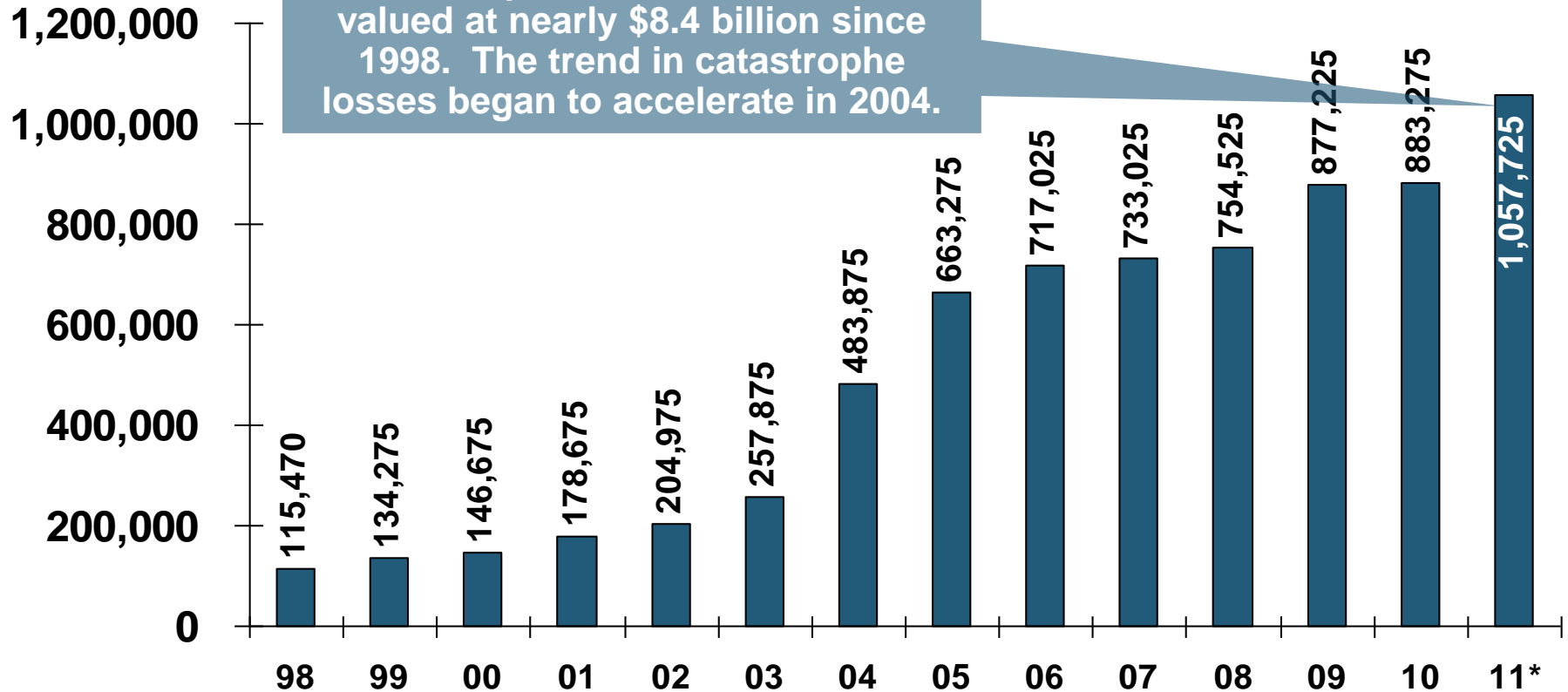
Catastrophe Losses in Alabama Are High Relative to the Size of the State's Economy and Population

*Data are current through Dec. 7, 2011.

Source: PCS unit of ISO; Insurance Information Institute calculations.

Cumulative Number of Catastrophe Losses Paid by Insurers in Alabama, 1998-2011*

(Number of
Claims Paid)



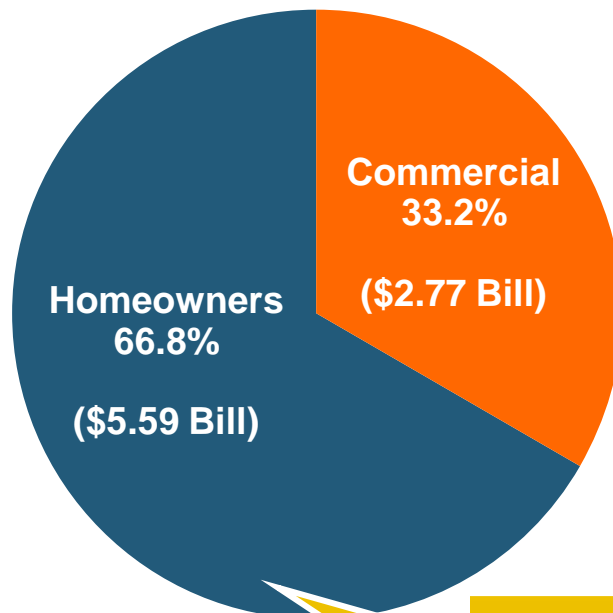
The Number of Catastrophe Losses in Alabama Is High Relative to the Size of the State's Economy and Population

*Data are current through Dec. 7, 2011.

Source: PCS unit of ISO; Insurance Information Institute calculations.

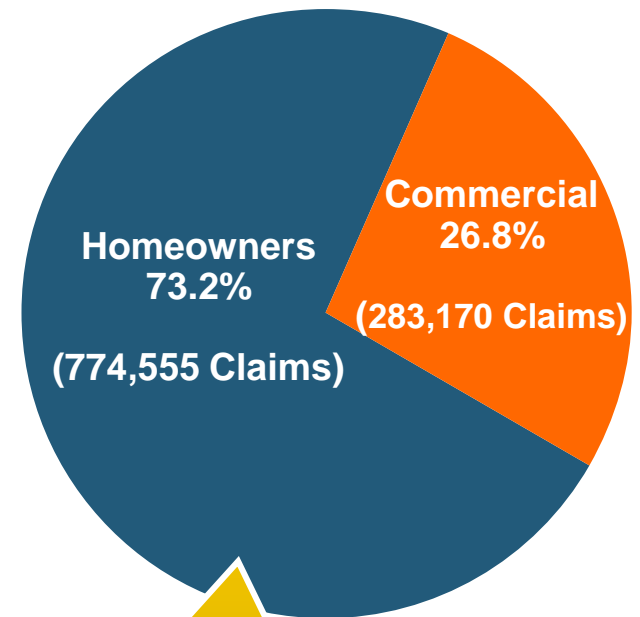
Distribution of Catastrophe Insured Claims in AL, by Segment, 1998–2011*

Value of Claims Paid



**2/3 of the
catastrophe claim
dollars paid since
1998 were for
damage to homes**

Number of Claims Paid



**Nearly 3/4 of the
catastrophe claims paid
since 1998 were for
damage to homes**

*Data are current through Dec. 7, 2011.

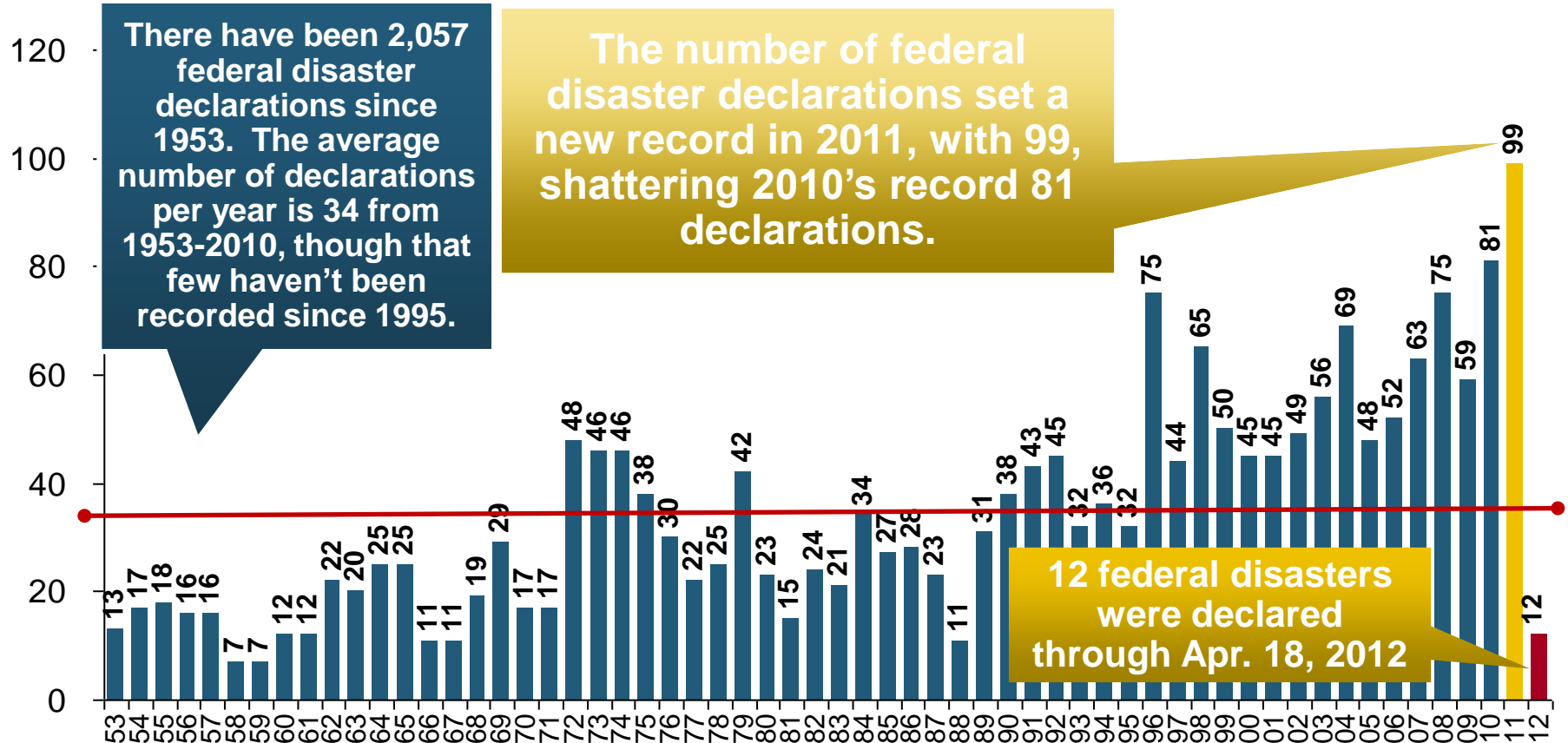
Source: PCS unit of ISO; Insurance Information Institute calculations.



Federal Disaster Declarations: *Trending Adversely*

**Alabama Has the 7th Highest
Number of Federal Disaster
Declarations From 1953 - 2011**

Number of Federal Disaster Declarations, 1953-2012*

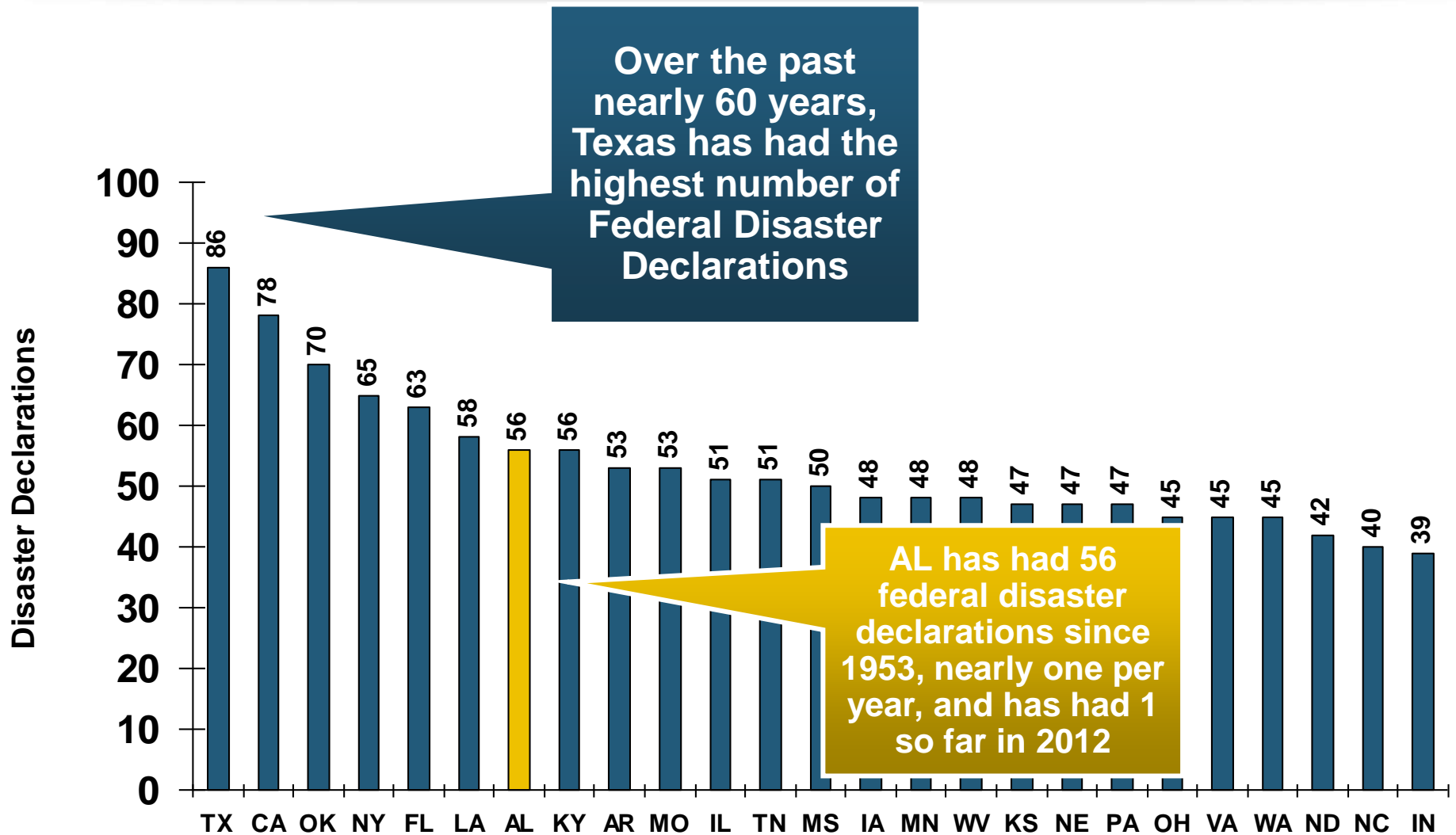


The Number of Federal Disaster Declarations Is Rising and Set New Records in 2010 and 2011

*Through April 18, 2012.

Source: Federal Emergency Management Administration: http://www.fema.gov/news/disaster_totals_annual.fema ; Insurance Information Institute.

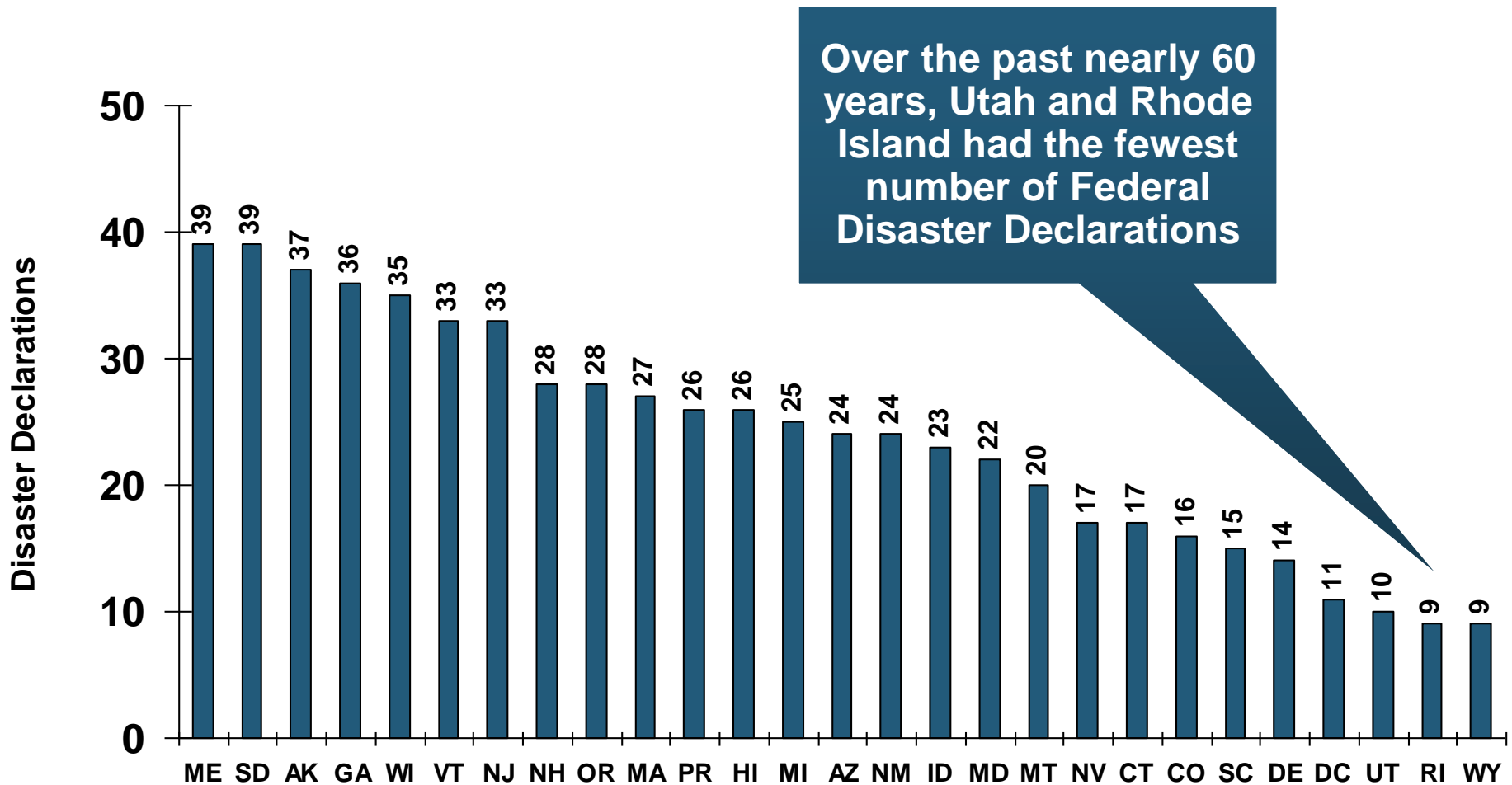
Federal Disasters Declarations by State, 1953 – 2012: Highest 25 States*



*Through Apr. 18, 2012.

Source: FEMA: http://www.fema.gov/news/disaster_totals_annual.fema; Insurance Information Institute.

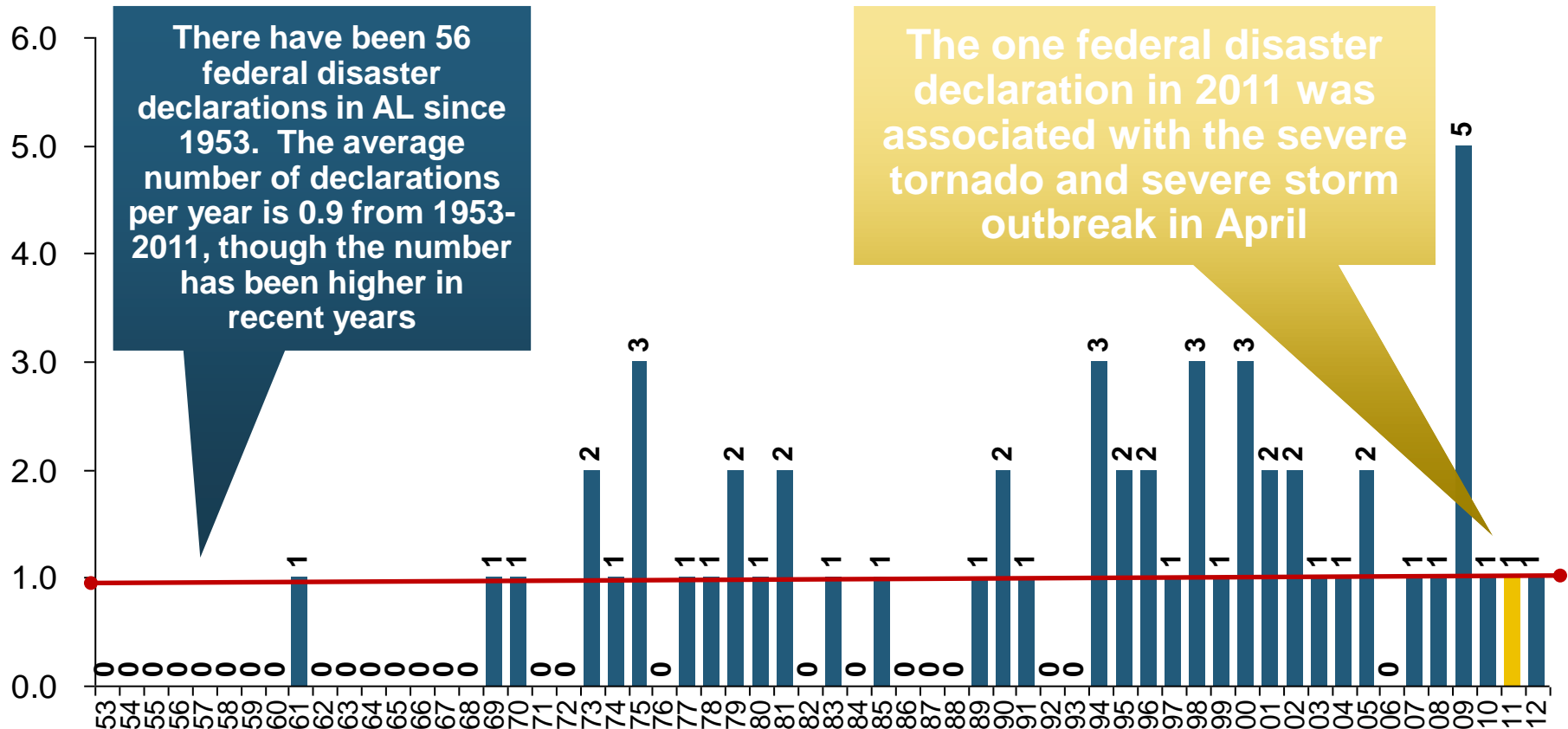
Federal Disasters Declarations by State, 1953 – 2012: Lowest 25 States*



*Through Apr. 18, 2012. Includes Puerto Rico and the District of Columbia.

Source: FEMA: http://www.fema.gov/news/disaster_totals_annual.fema; Insurance Information Institute.

Number of Federal Disaster Declarations In Alabama, 1953-2012*



The Number of Federal Disaster Declarations Spike in 2009 Was the Highest Ever, Mostly Associated with Tornadoes, Severe Storms, Straight Line Winds, Floods and Tropical Storm Ida

*Through April 18, 2012.

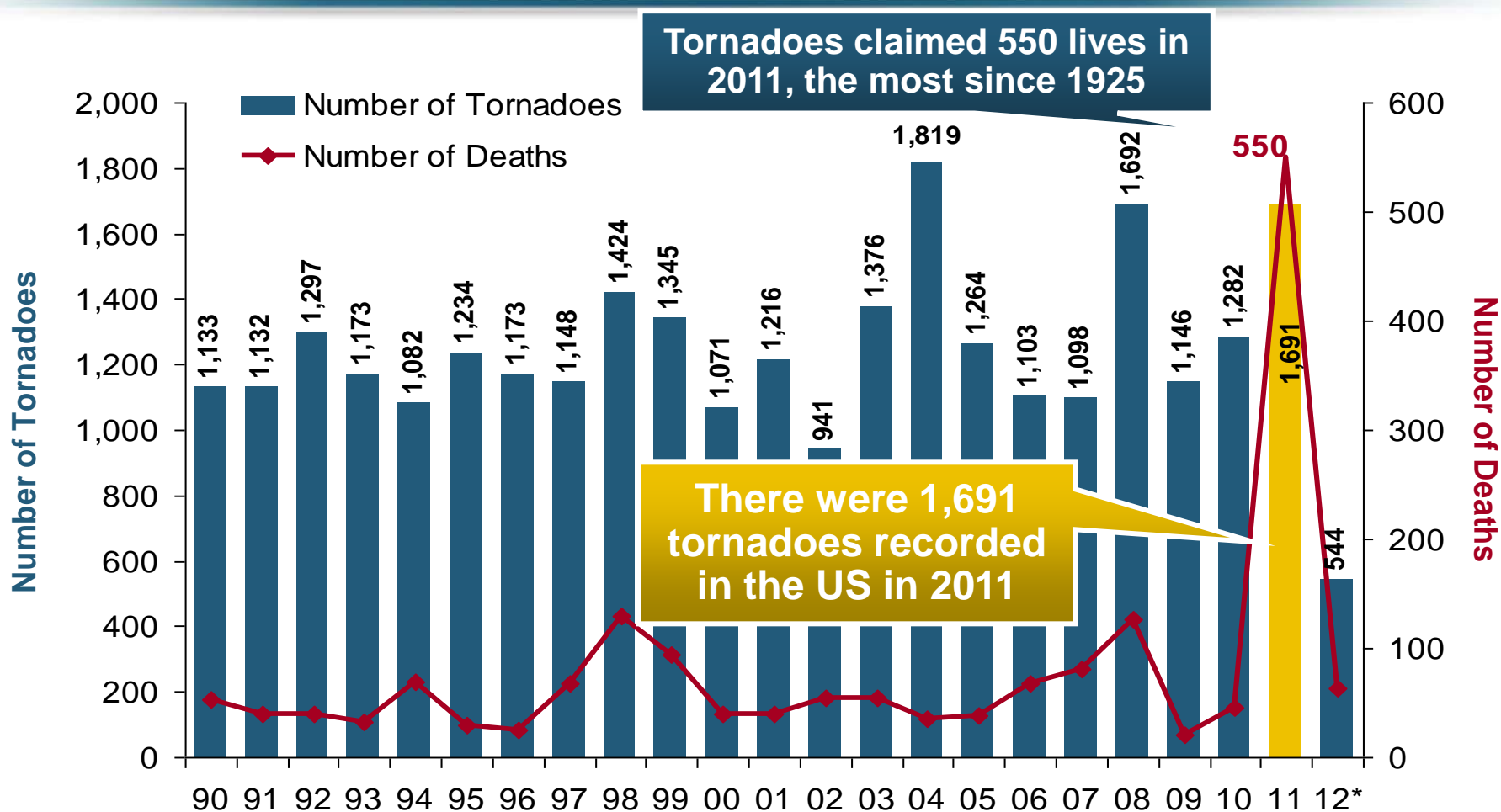
Source: Federal Emergency Management Administration: http://www.fema.gov/news/disaster_totals_annual.fema ; Insurance Information Institute.



SPRING 2012 TORNADO & SEVERE STORM OUTBREAKS

**2012 Is Off to a Worrisome Start, But
a Repeat of 2011 Is Unlikely**

Number of Tornadoes and Related Deaths, 1990 – 2012*

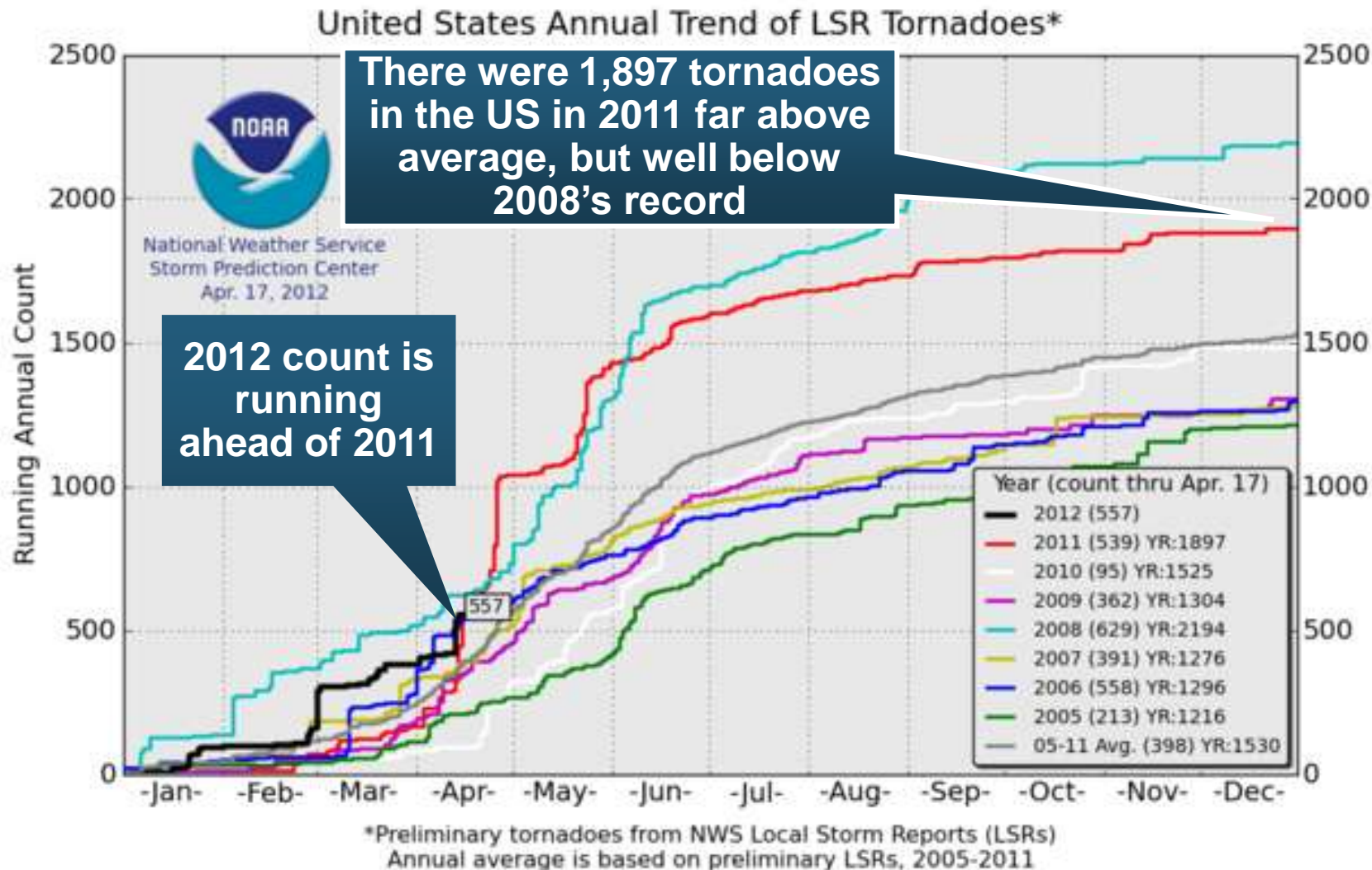


2012 Tornado Losses Is Off to a Ominous Beginning. First Half 2011 Insured Losses from Tornadoes and Thunderstorms Topped \$21B.

*Through April 15, 2012.

Source: U.S. Department of Commerce, Storm Prediction Center, National Weather Service at <http://www.spc.noaa.gov/climo/online/monthly/newm.html>

U.S. Tornado Count, 2005-2012*



*Through April 17, 2012.

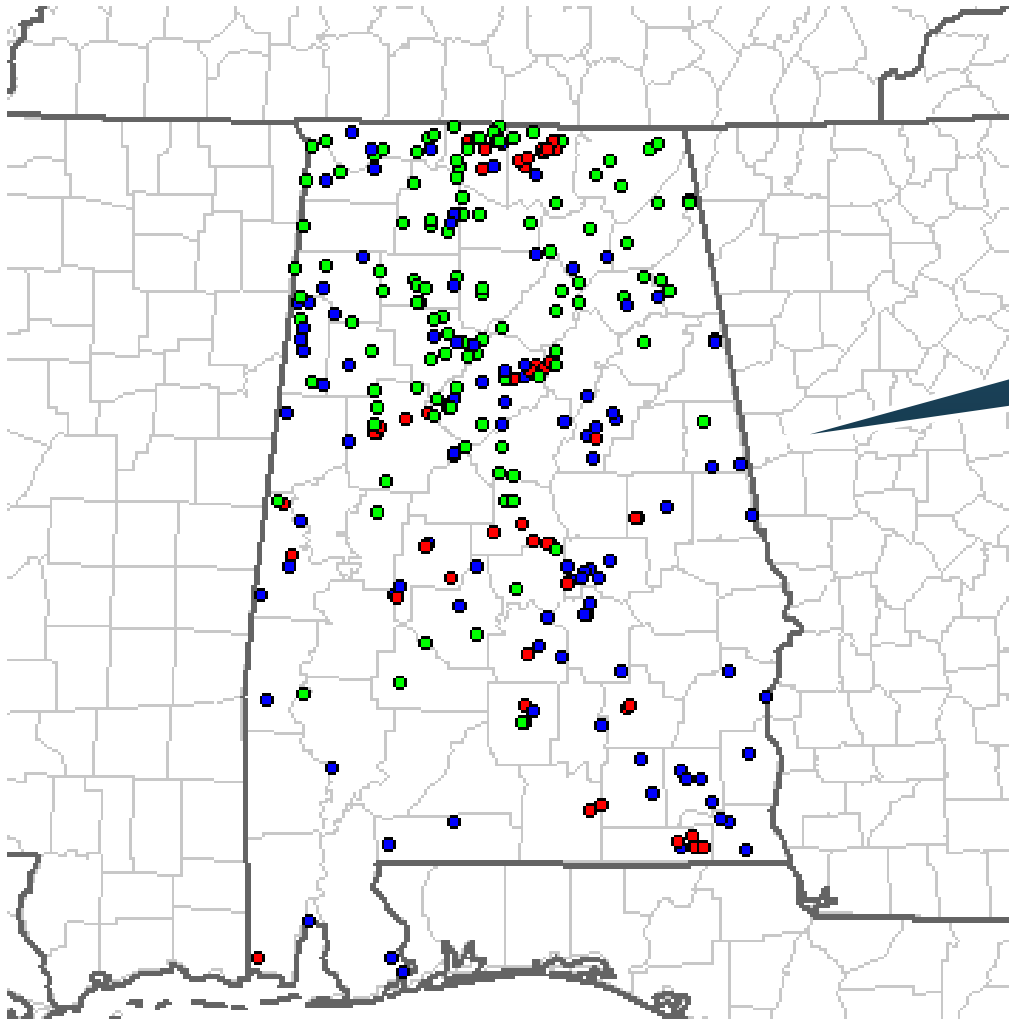
Source: <http://www.spc.noaa.gov/wcm/>



SUMMARY OF TORNADO AND SEVERE STORM ACTIVITY IN ALABAMA IN 2012

**Tornado Season Got Off to an Early
Start in Alabama This Year**

Location of Severe Storms in Alabama, January 1—April 16, 2012



There were 295
severe weather
reports in AL so far
in 2012

ALABAMA

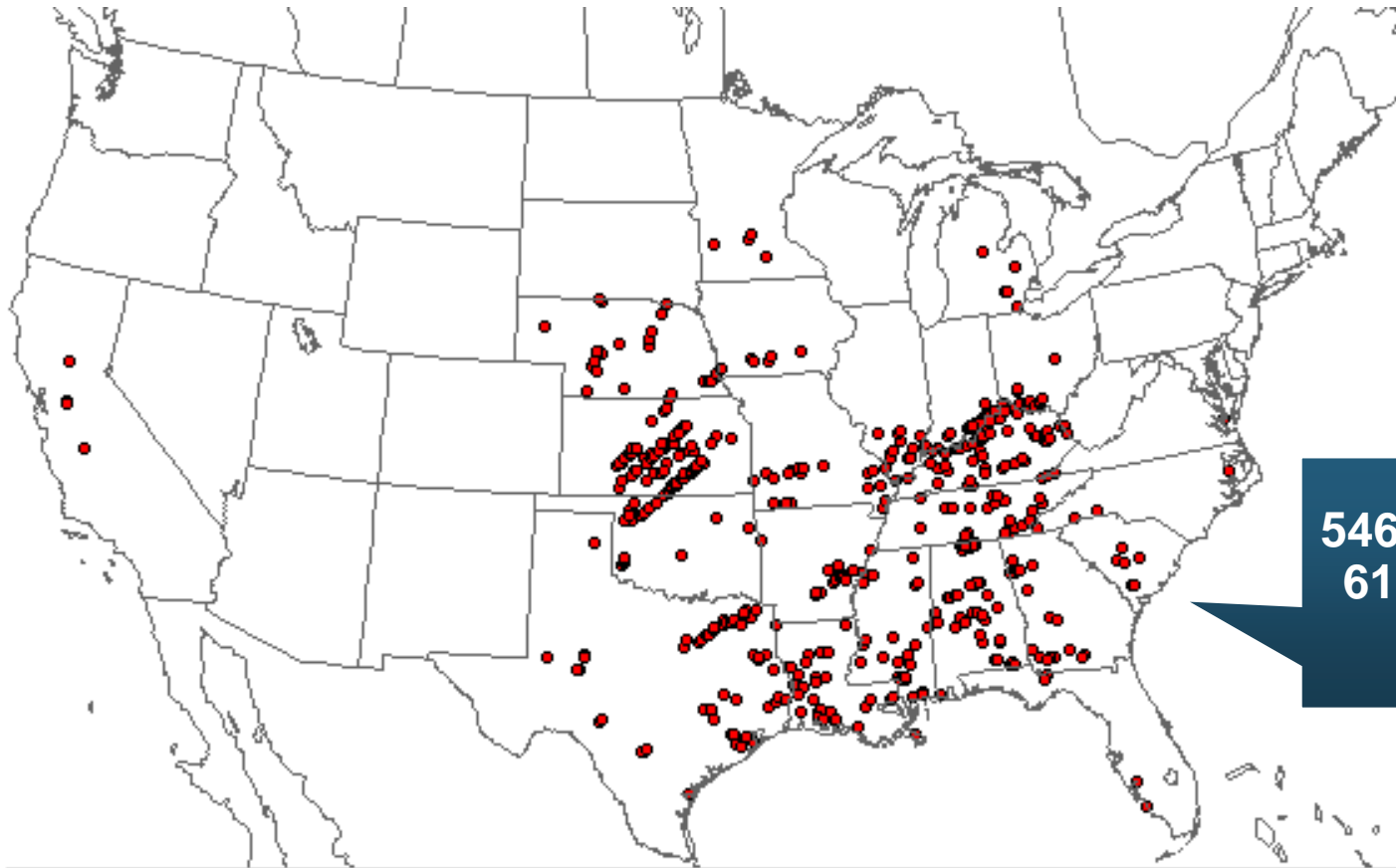
Total Reports = 295

Tornadoes = 52 (Red)

Hail Reports = 129 (Green)

Wind Reports = 114 (Blue)

Location of Tornadoes in the US, 2012*



**546 tornadoes killed
61 people through
April 16**



**PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)**

NOAA/Storm Prediction Center Norman, Oklahoma

**Tornado Reports
January 01, 2012 - April 16, 2012**

Updated: Monday April 16, 2012 09:23 CT

*Through April 16, 2012.

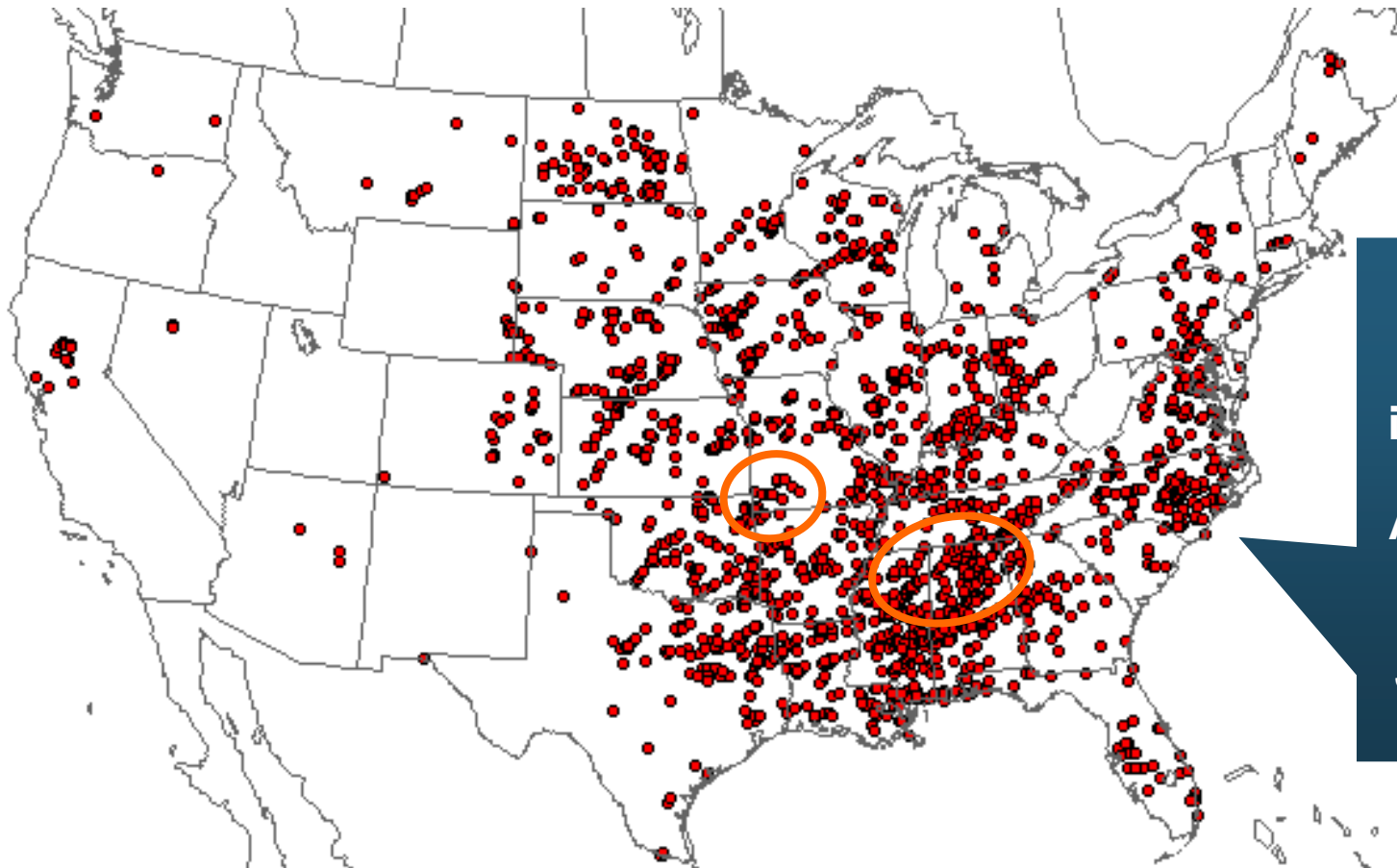
Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2012_annual_summary.html#



RECAP: 2011 TORNADO & SEVERE STORM OUTBREAKS

**2011 Weather Created Near-Record
Claim Payouts**

Location of Tornadoes in the US, 2011



1,894 tornadoes killed 552 people in 2011, including at least 340 on April 26 mostly in the Tuscaloosa area, and 130 in Joplin on May 22



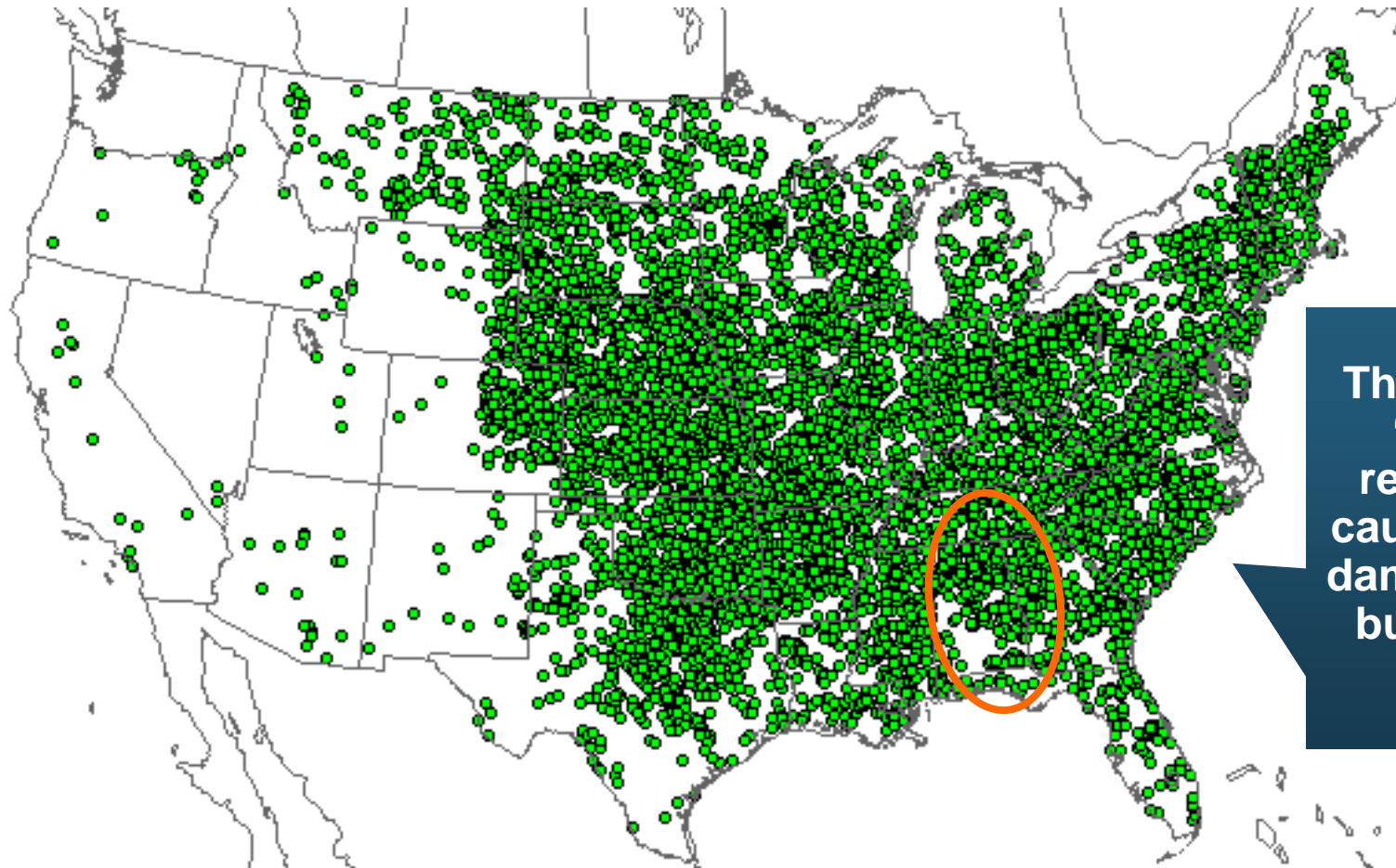
PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Tornado Reports
January 01, 2011 - December 27, 2011

Updated: Tuesday December 27, 2011 16:35 CT

Location of Large Hail Reports in the US, 2011



There were 9,417
“Large Hail”
reports in 2011,
causing extensive
damage to homes,
businesses and
vehicles



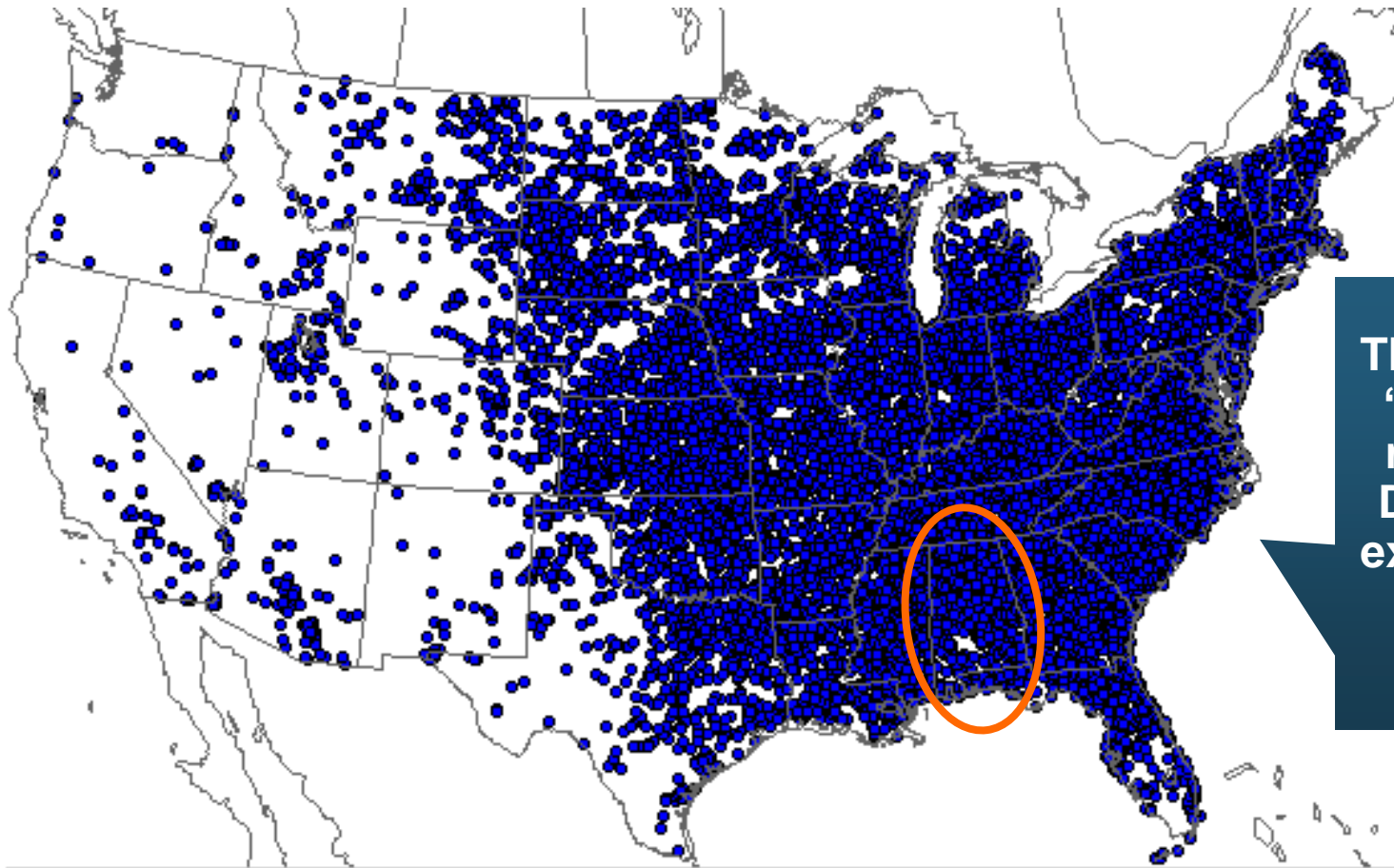
PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Hail Reports
January 01, 2011 - December 27, 2011

Updated: Tuesday December 27, 2011 16:35 CT

Location of Wind Damage Reports in the US, 2011



There were 18,685
“Wind Damage”
reports through
Dec. 27, causing
extensive damage
to homes and,
businesses



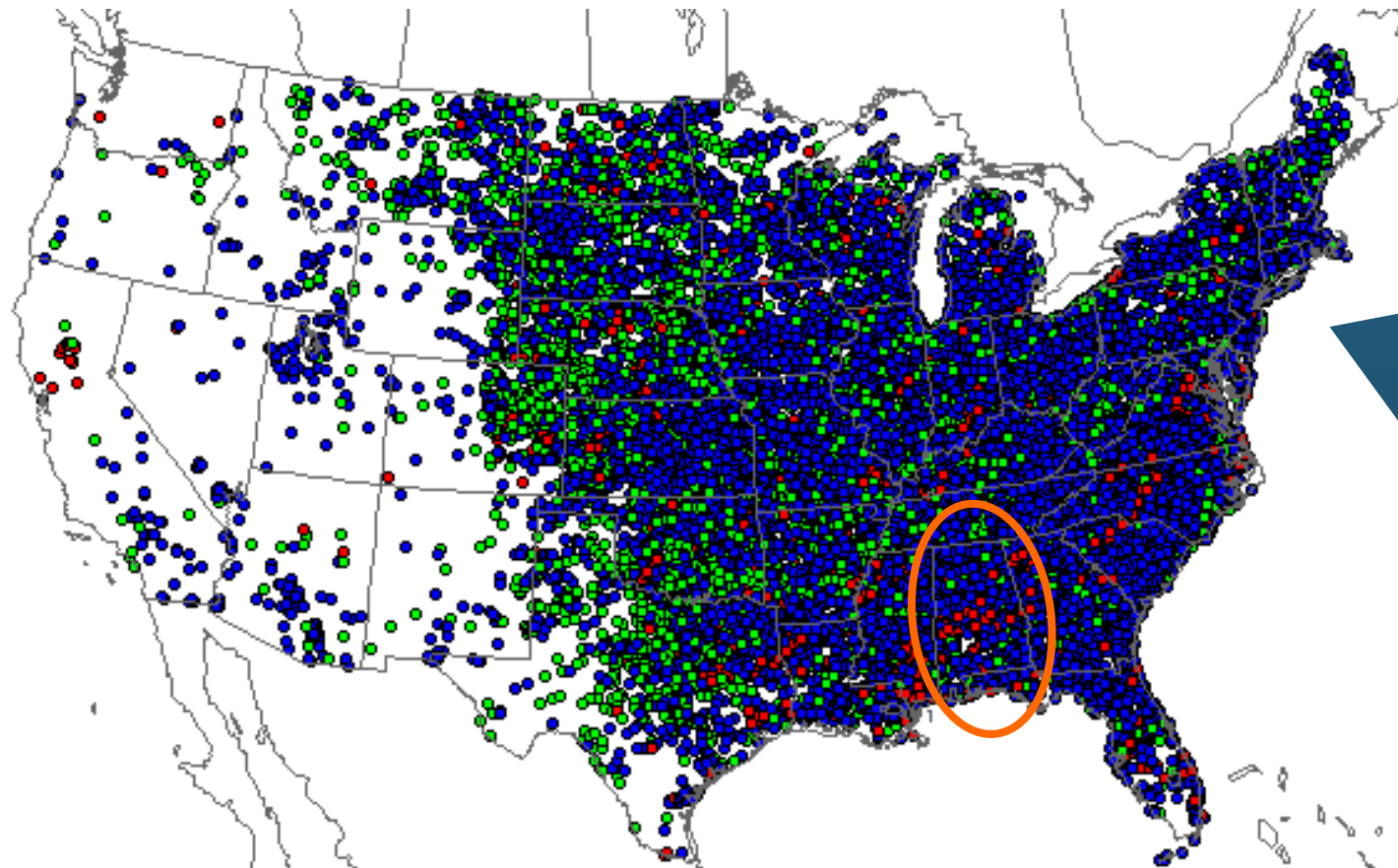
PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Wind Reports
January 01, 2011 - December 27, 2011

Updated: Tuesday December 27, 2011 16:35 CT

Severe Weather Reports, 2011



There were
29,996 severe
weather reports
in 2011;
including 1,894
tornadoes;
9,417 “Large
Hail” reports
and 18,685 high
wind events



PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Severe Weather Reports
January 01, 2011 - December 27, 2011

Updated: Tuesday December 27, 2011 16:35 CT

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and your attention!*

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