



## **Superstorm Sandy: Lessons Learned and the Changing Landscape of the Homeowners and Commercial Insurance Markets**

**The Insurance Council of New Jersey (ICNJ)  
36<sup>th</sup> Annual Meeting & Conference  
The Hamilton Manor, Hamilton, New Jersey  
Friday, October 18, 2013**

**Jeanne M. Salvatore, SVP, Public Affairs**

**Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038**

**Tel: 212.346.5520 ♦ Fax: (212) 732-1916 ♦ [jeannes@iii.org](mailto:jeannes@iii.org) ♦ [www.iii.org](http://www.iii.org)**

# Presentation Outline

1. Economic Overview of Sandy
2. New Jersey-Specific Hurricane Losses
3. Lessons Learned from Sandy
4. Media News Cycle and Current Media Environment
5. Key I.I.I. Consumer Resources

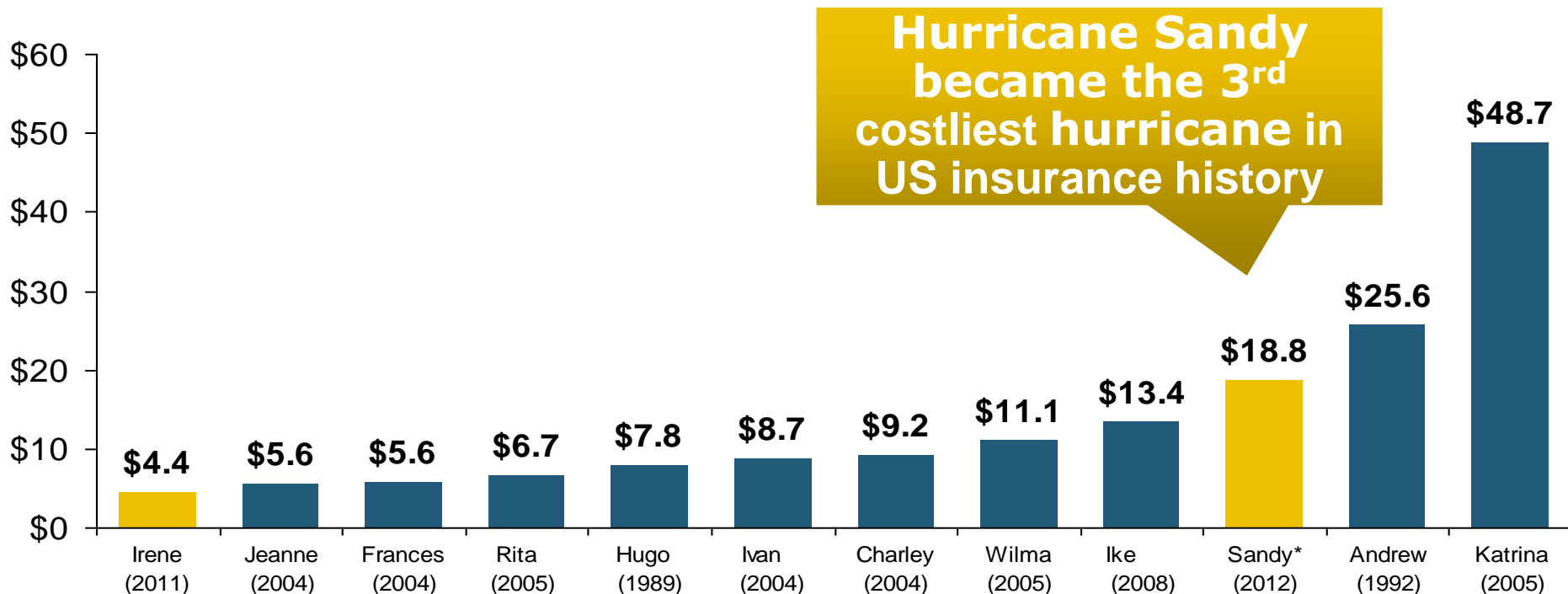
# Economic Overview: Sandy Facts and Statistics

- 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.

# 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)**



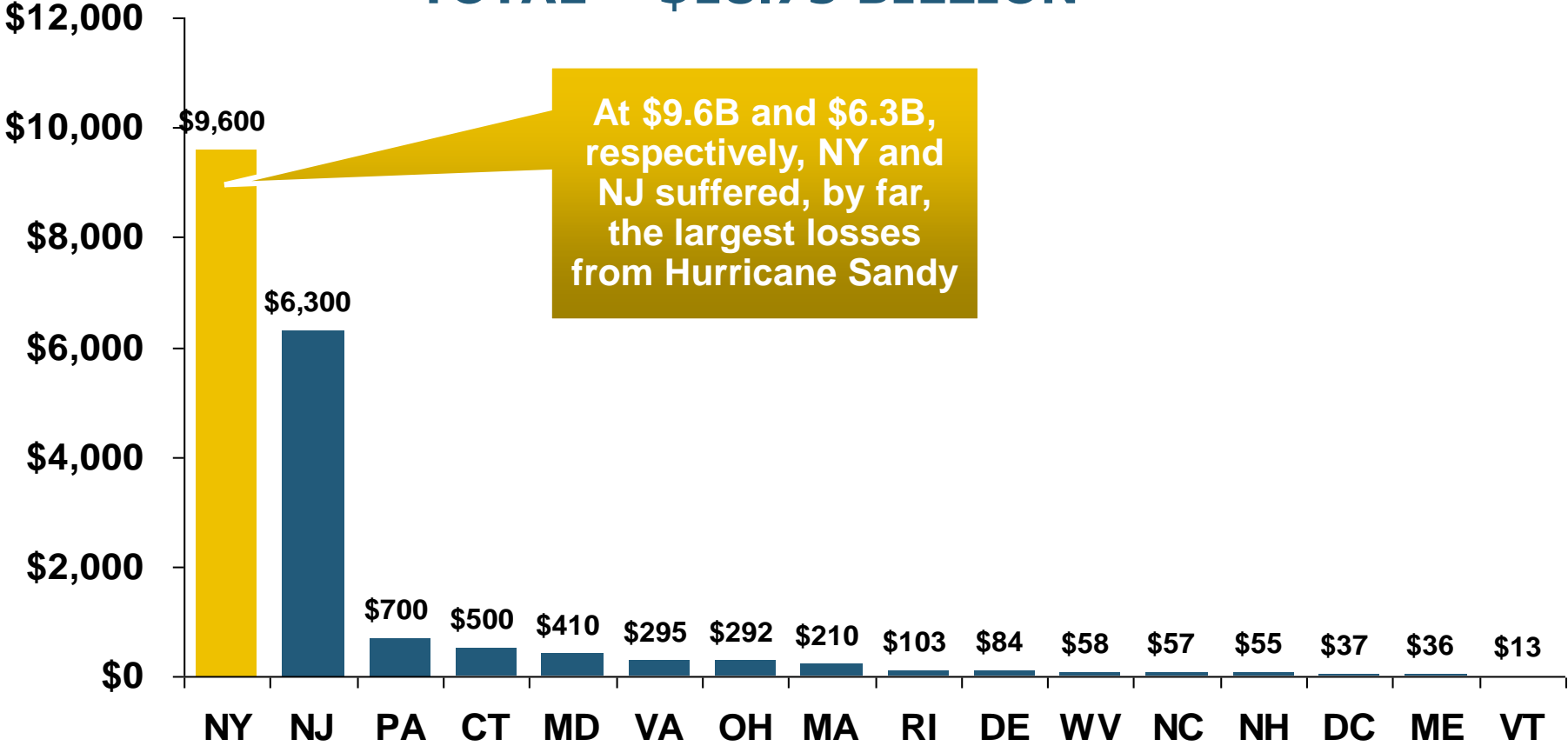
\*PCS estimate as of 4/12/13.

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

# Hurricane Sandy: Claim Payments to Policyholders, by State

(\$ Thousands)

**TOTAL = \$18.75 BILLION**

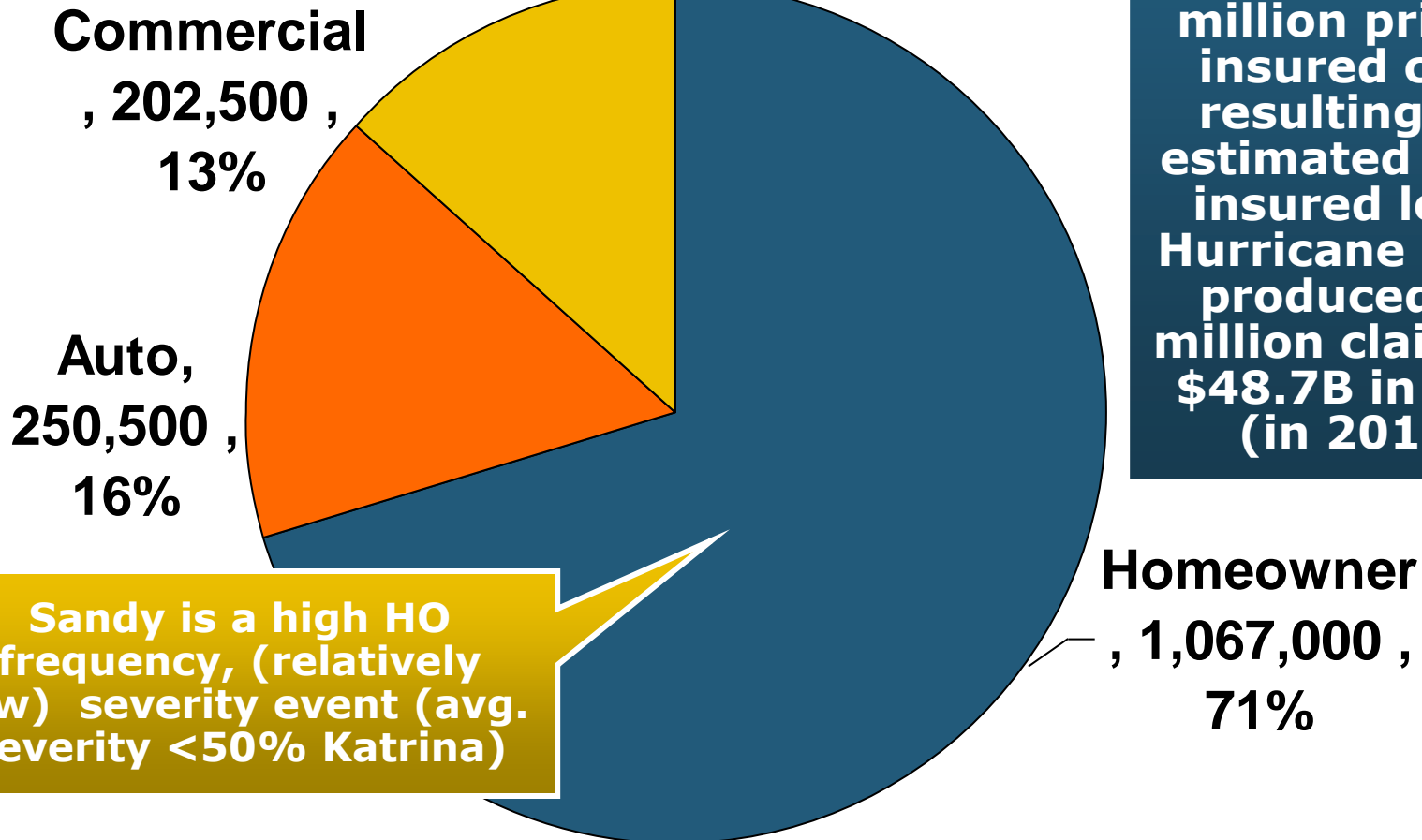


Sources: Catastrophe loss data is for Catastrophe Serial No. 90 (Oct. 28 – 31, 2012) from PCS as of Jan. 18, 2013; Insurance Information Institute .

# 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 \$)**

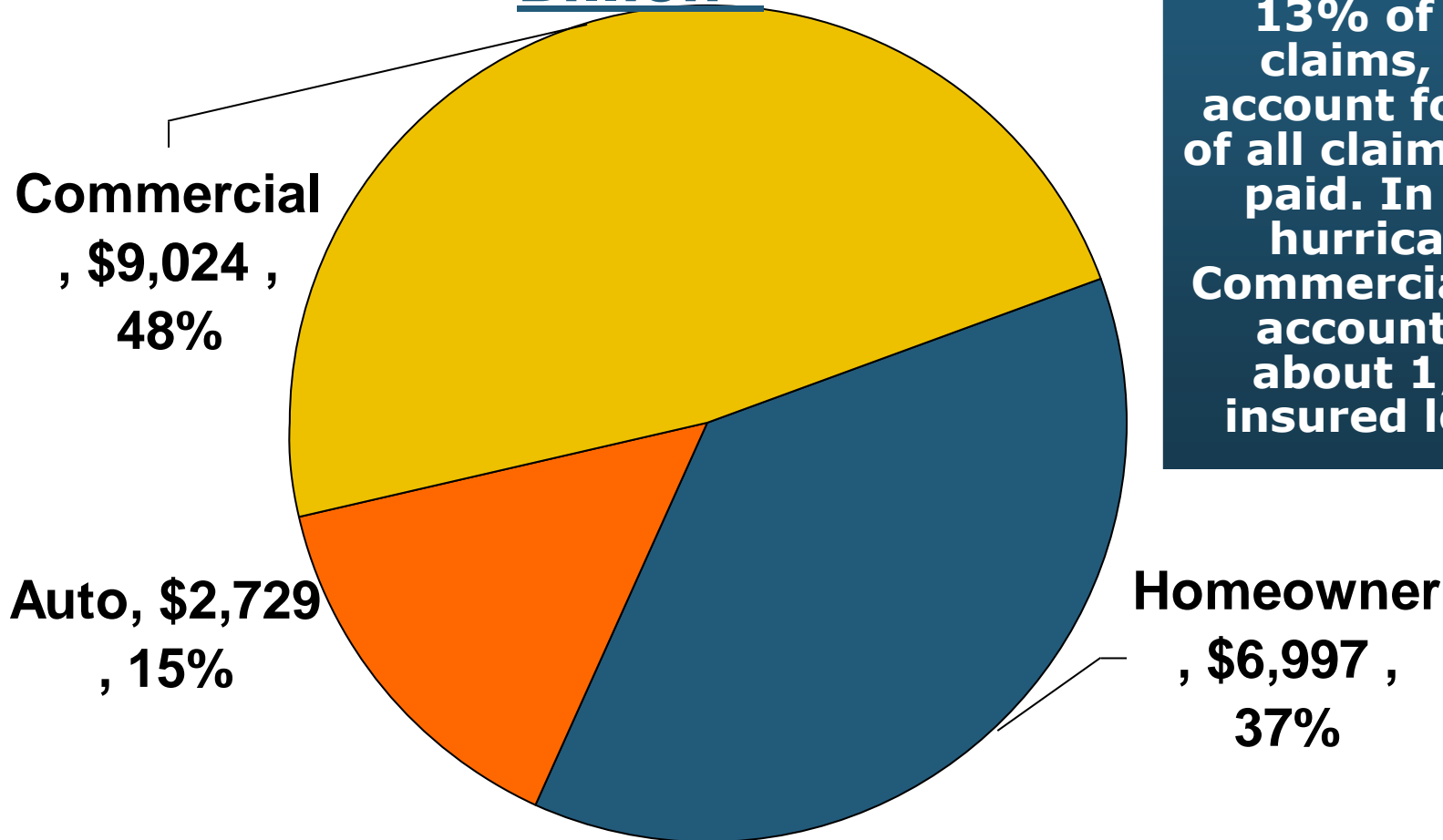


**Sandy is a high HO frequency, (relatively low) severity event (avg. severity <50% Katrina)**

\*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\***

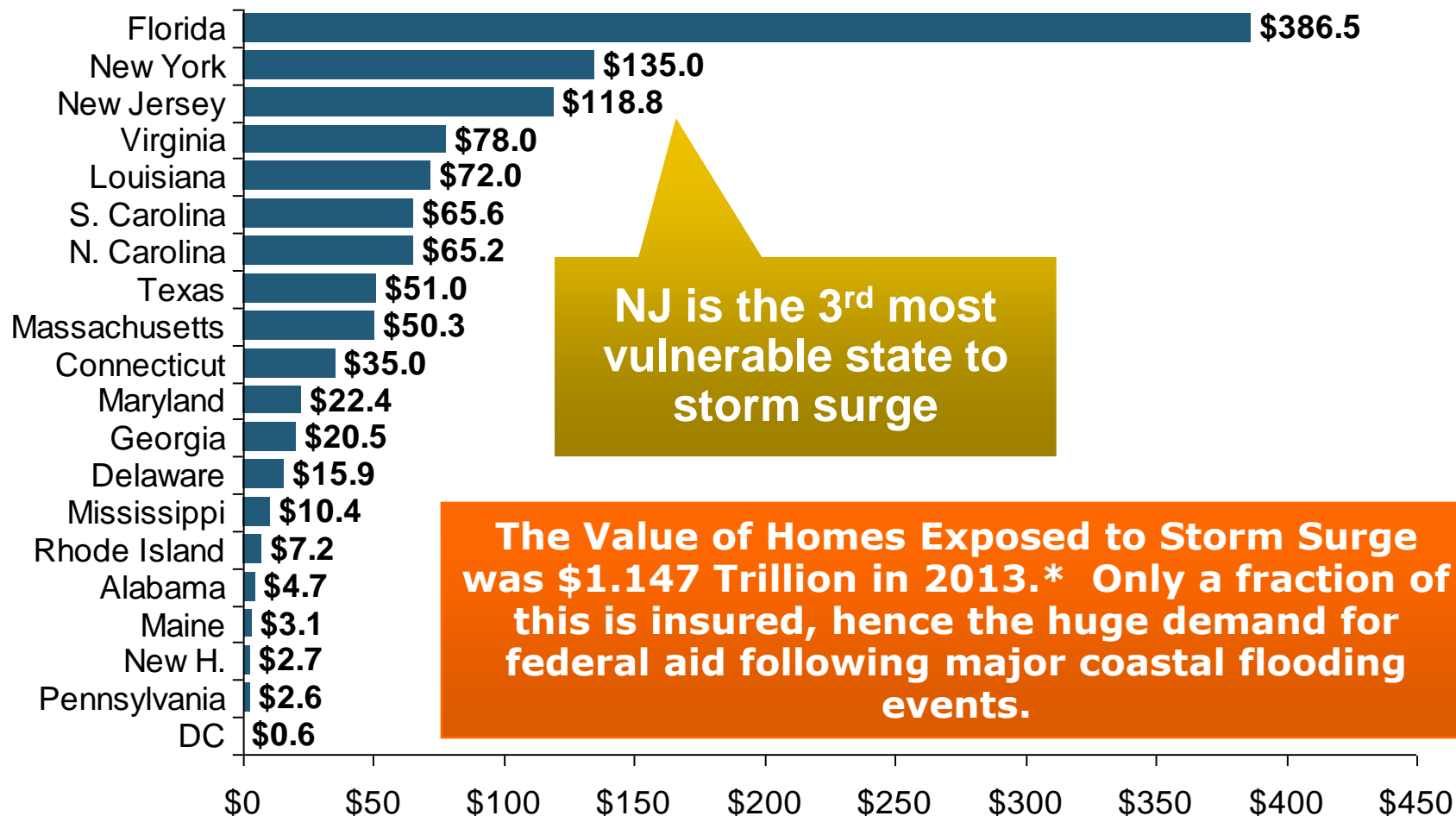


Although Commercial Lines accounted for only 13% of total claims, they account for 48% of all claim dollars paid. In most hurricanes, Commercial Lines accounts for about 1/3 of insured losses.

\*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.

# 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.



# New Jersey Hurricane Losses

- Private insurance losses in New Jersey from Sandy totaled \$6.3 billion, second only to New York's \$9.6 billion, according to ISO.
- New Jersey was one of 14 states impacted by Hurricane Irene in August, 2011. Irene caused a total of \$4.3 billion in insured property damage, not including flood losses covered under NFIP, according to ISO. The NFIP puts its claims payouts from Irene at \$1.3 billion (in all states).
- Two of the costliest hurricanes to hit the U.S., based on insured property losses, caused damage in New Jersey: Hurricane Ivan in 2004 and Hurricane Sandy in 2012.
- There were 230,708 flood insurance policies in force in New Jersey as of September 30, 2011, unchanged from the previous year.

# Two of the Top Ten Most Costly Hurricanes Hit NJ – Sandy 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.

# Key Sandy-Related Lessons Learned

- Demonstrated what the industry and others have warned: that the Northeast is at risk for a hurricane. Sandy hit a dozen states that are amongst the most densely populated in the nation with some of the most expensive property values.
  
- Highlighted a lack of understanding on the part of consumers about:
  - ◆ The need for flood insurance
  - ◆ The differences between a home insurance policy and an NFIP policy
  - ◆ The existence of hurricane and windstorm deductibles and how they work
  - ◆ How business interruption insurance works
  - ◆ The need for renters insurance

# Hurricane Sandy: News Cycle

- **Before the Storm** – There were two key questions: 1. What is this storm going to cost? 2. What is covered and what is not covered?
- **During the Storm** – Media had specific coverage questions especially about flood insurance. Hurricane deductibles were also a prominent topic, as well as the financial strength of the industry and its ability to pay claims. There was also keen interest in historical data about other storms/disasters.
- **Immediately After the Storm** – There was intense media interest in the claims process, especially how long it will take for an adjuster to visit. Lastly, there were questions on the impact of Sandy on the cost of coverage.






- Media interest has died down considerably.
- The one year anniversary has created renewed interest in both consumer education about insurance and disaster preparedness.
- The negative insurance stories are focused on claim disputes mostly related to flood insurance. Many negative news reports are focused on the human drama and don't explain the difference between private home and business insurance claims and versus those of the NFIP.
- A major focus on the increasing cost of NFIP flood insurance.
- Lastly, media is focused on broad public policy issues that the storm has raised. Private insurance is generally not part of this discussion.

# I.I.I. Toolkit – Sharing and Distribution



# The I's on Insurance: Your Homeowners Coverage

INSURANCE TOPICS

PRINT EMAIL      19

Coverage

- + Business
- + Consumer
- Annuities
- Auto Insurance
- Claims Filing
- Credit
- Disability Insurance
- Health Insurance
- Homeowners and Renters Insurance
- Life Insurance
- Life Stages
- Long-term Care Insurance
- Safety and Mitigation
- Specialty Insurance


Disasters and Risks

Insurance Industry

Features

Multi Coverage En Español

## The i's on Insurance: Your Homeowners Coverage



**THE I'S ON INSURANCE: YOUR HOMEOWNERS COVERAGE**

The Insurance Information Institute is all about helping consumers understand what insurance is and how it works. If you're a homeowner, or are considering buying a home, you'll want to know the basics of homeowners insurance. "The I's on Insurance: Your Homeowners Coverage" explains what most policies cover (and don't cover). Watch and learn about liability, additional living expenses and other coverages in your insurance policy. And discover that protecting your family's home and belongings with a policy that balances your needs and budget doesn't have to be a chore.

[GET EMBED CODE](#) [YOUTUBE](#)

<http://www2.iii.org/video/the-i-on-insurance-your-homeowners-coverage.html>

- Jeanne Salvatore, [Reducing Insurance Cost](#)
- Jeanne Salvatore, [Biggert Waters 2012 Overview for Agents](#)
- Jeanne Salvatore, [Elevation Ratings](#)
- Jeanne Salvatore, [Managing Flood Risks](#)
- Jeanne Salvatore, [Moving Away From Subsidized Rates Part 1](#)
- Jeanne Salvatore, [Moving Away From Subsidized Rates Part 2](#)
- Robert Hartwig, [Protecting Your Home with Flood Insurance](#)
- Robert Hartwig, [Understanding Your Flood Policy](#)



# Insurance Information Institute

**www.iii.org**

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



<http://twitter.com/JeanneSalvatore>