

The Financial Impact of Natural Disasters

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Robert P. Hartwig, Ph.D., CPCU, President & Economist Insurance Information Institute 110 William Street New York, NY 10038 Tel: 212.346.5520 Cell: 917.453.1885 bobh@iii.org www.iii.org



Catastrophe Losses Trends Are Trending Adversely in the US and Globally

The Trend is Continuing in 2010

Global Natural Catastrophes 1980–2009 Overall and insured losses with trend



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Source: Munich Re NatCatSERVICE; Insurance Information Institute.

Natural catastrophes 2009- Jan 2010 Worldmap



2010: Catastrophe losses were relatively light due to the lack of hurricane activity Longer-run: An increasing share of insured catastrophe losses will come from the developing world, especially China, India Fast growing India is exposed to many largescale natural catastrophes, though still a "small" insurance market China is also exposed to many largescale natural catastrophes, but still has relatively low levels of insurance penetration

Source: Munich Re NatCatSERVICE; Insurance Information Institute.

Natural Catastrophes: Jan – Mar 2010 Worldmap





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Natural Catastrophes: January – March 2010

Selection of Significant Events

No	Period	Event	Affected Area	Overall losses*	Insured losses*	Fatal-
NO.				US\$ m, original values		ities*
1	7–12 January	Winter damage, cold wave	United States: Midwest (MO, IA); South (AR, LA, OK, TX); Southeast (FL, AL, GA, MS, NC, SC, TN)	800	160	5
2	12 January	Earthquake	Haiti: South (esp. Port-au-Prince)	>8,000		222,500
3	18–22 January	Severe storms	United States: Southwest (CA, AZ, UT)	180	120	20
4	4–6 February	Winter storm, blizzards	United States: Northeast (DC, DE, MD, NJ, PA); Southeast (NC, VA, WV)	180	135	2
5	9–14 February	Winter storm, blizzards, winter damage	United States. Canada	800	560	
6	26–28 February	Winter storm Xynthia, storm surge	Belgium. France. Germany. Netherlands. Portugal. Spain. Switzerland. United Kingdom	4,500	>2,000	63
7	27 February	Earthquake, tsunami	Chile: Central; South	>20,000	>4,000	507
8	6–7 March	Hailstorm, severe storms	Australia: Southeast (Victoria)	1,200	780	

*Preliminary figures

First Quarter 2010 Insured Major Catastrophe Losses Were Among the Highest on Record for Q1, Totaling at least \$7.755 Billion. Economic Losses Total at Least \$35.66. More than 223,000 People Were Killed in These Events.

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Historical Review of Recent US CAT Losses

2009 Was a Quiet Year in a Loud Decade

US Insured Catastrophe Losses





2009 CAT Losses Were Less than Half of 2008. 2005 Was by Far the Worst Year Ever for Insured Catastrophe Losses in the Decade of the 2000s Were More than Double the 1990s, But the Worst Has Yet to Come

Note: 2001 figure includes \$20.3B for 9/11 losses reported through 12/31/01. Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = \$12.2B. Sources: Property Claims Service/ISO; Insurance Information Institute.

States with Highest Insured Catastrophe Losses in 2009





*As of February 22, 2010. Source: PCS/ISO

As of January 2010	Fatalities	Estimated Overall Losses (US \$m)	Estimate Insured (US \$m)	ed Losses	
Tropical Cyclones	8	Minor	Minor		
Severe Thunderstorms	21	13,710	9,625†		
Winter Storms	70	1,600	770†	2009 was a near record year for thunderstorn losses	
Wildfires	6	280	185		
Floods	22	1,600	232		

U.S. Significant Natural Catastrophes in 2009



\$1+ billion economic loss and/or 50+ fatalities (as of Jan. 2010)

Date	Event	Est. Economic Losses (US \$m)	Estimated Insured Losses (US \$m)
January 26 - 28	Winter Storm	1,100	565†
February 10 - 13	Thunderstorms	2,500	1,350 [†]
March 25 - 26	Thunderstorms	1,500	995†
March – April	Flood	1,000	75
April 9 -11	Thunderstorms	1,700	1,150 [†]
June 10 -18	Thunderstorms	2,000	1,100†
July 20 -21	Thunderstorms	1,000	800†

U.S. Significant Natural Catastrophes, 1950 – 2009



Number of Events (\$1+ Bill economic loss and/or 50+ fatalities)



Losses from U.S. Significant Natural Catastrophes 1950 – 2009



(\$1+ billion economic loss and/or 50+ fatalities)



Insured Losses Due to Weather Perils in the U.S.: 1980 – 2009



(Tropical Cyclone, Thunderstorm, and Winter Storm only)



Distribution of US Insured CAT Losses: TX, FL, LA vs. US, 1980-2008*





Florida Accounted for 19% of All US Insured CAT Losses from 1980-2008: \$57.1B out of \$297.9B

* All figures (except 2006-2008 loss) have been adjusted to 2005 dollars. Source: PCS division of ISO.

Inflation Adjusted US Insured CAT Losses by Cause of Loss, 1989-2008*



Hurricanes Account for Nearly Half of All Insured Catastrophe Losses Over the Past 20 Years NSURANCE

Top 12 Most Costly Disasters in US History

INSURANCE INFORMATION INSTITUTE

(Insured Losses, 2009, \$ Billions)



8 of the 12 Most Expensive Disasters in US History Have Occurred Since 2004; 8 of the Top 12 Disasters Affected FL

Sources: PCS; Insurance Information Institute inflation adjustments.

Total Value of Insured Coastal Exposure

(2007, \$ Billions)



US Residual Market Exposure to Loss





In the 19-year Period Between 1990 and 2008, Total Exposure to Loss in the Residual Market (FAIR & Beach/Windstorm) Plans Has Surged from \$54.7B in 1990 to \$696.4B in 2008



Capital/Capacity & Profitability

Historically Volatile & Catastrophes are a Leading Cause of Volatility

US Policyholder Surplus: 1975–2009*





The Premium-to-Surplus Ratio Stood at \$0.82:\$1 as of 12/31/09, A Record Low (at Least in Recent History)

* As of 9/30/09

Source: A.M. Best, ISO, Insurance Information Institute.

Ratio of Insured Loss to Surplus for Largest Capital Events Since 1989*



* Ratio is for end-of-quarter surplus immediately prior to event. Date shown is end of quarter prior to event

** Date of maximum capital erosion; As of 9/30/09 (latest available) ratio = 5.9%

Source: PCS; Insurance Information Institute

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ROE: P/C vs. All Industries1987–2009*





*2008 and 2009 figures exclude mortgage and financial guaranty insurers. Sources: ISO, *Fortune*; Insurance Information Institute.

Reasons for US P/C Insurer Impairments, 1969–2008



Deficient Loss Reserves and Inadequate Pricing Are the Leading Cause of Insurer Impairments, Underscoring the Importance of Discipline. Investment Catastrophe Losses Play a Much Smaller Role



Source: A.M. Best: 1969-2008 Impairment Review, Special Report, Apr. 6, 2008



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