



The Insurance Industry's Response to Superstorm Sandy: *Putting the Northeast on the Road to Recovery*

Press Briefing

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Hurricane Sandy Summary

**Sandy Will Become One of the
Most Expensive Events in
Insurance History**

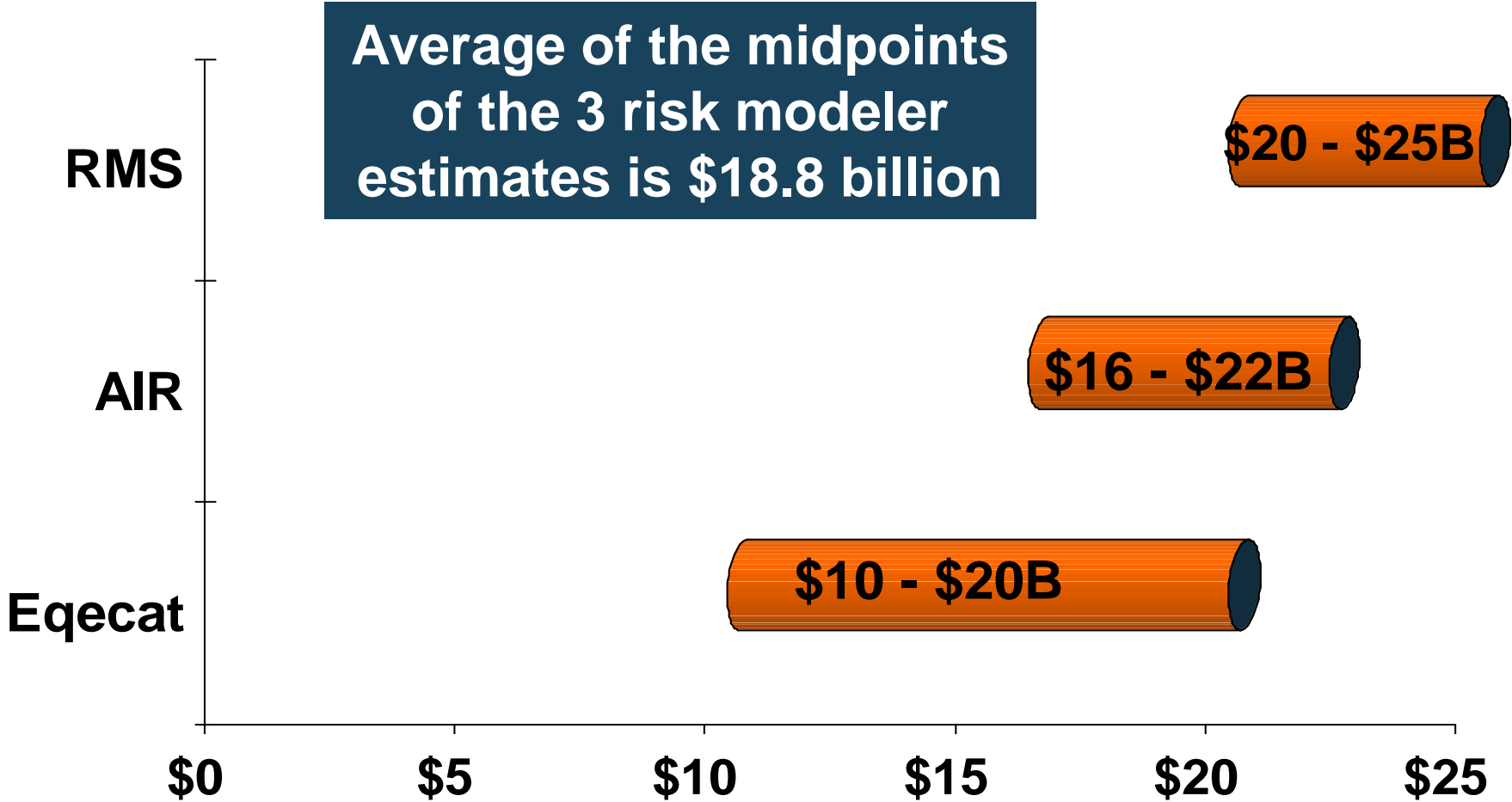
Summary of Key Claims Statistics Related to Hurricane Sandy

- **Sandy Will Likely Become the 3rd Most Expensive Hurricane in US History in Terms of Insured Losses—With Up to \$25 Billion in Claims Paid**
 - ◆ Ranks only behind 2005's Katrina (\$48.7B) and 1992's Andrew (\$25.6B) *[in 2012 \$]*
- **Insurers Expect to Pay an Estimated 1.38 Million Claims to Homeowners, Business Owners and Vehicle Owners**
 - ◆ Second only to Hurricane Katrina which produced 1.743 million claims in 2005
- **Insurers Will Pay Claims on Nearly 1 Million Homes, Quarter Million Vehicles and More than 150,000 Businesses**
- **2012 Could Become the 3rd Costliest Year in US History for Claims Paid to Policyholders—Totaling Approximately \$33-\$35 Billion as of Late 2012**
 - ◆ Ranking behind 2005 (\$71.7B) and 1992 (\$36.9B) *[both stated in 2011 dollars]*
- **2012 Will Likely Be the 2nd Costliest Year for the NFIP (~\$7B+), Likely Exhausting the Flood Program's Remaining Borrowing Authority**
 - ◆ Record was \$17.74B in 2005 (original dollars), the year of Hurricane Katrina
- **P/C Insurance Industry Entered 2012 Hurricane Very Strong Financially, with More than \$550 Billion in Claims Paying Capital**
 - ◆ Industry remains very strong in the wake of Sandy, despite near record catastrophe activity in 2011 and 2012

Summary of Key Claims Statistics Related to Hurricane Sandy (cont'd)

- **The Claims Process is Proceeding Smoothly and Expeditiously Despite the Enormity of the Event and Broad Geographic Area Impacted**
 - ◆ Insurers brought in thousands of adjusters from across the country
 - ◆ Of the 22 insurers reporting to the NY DFS , a total of 6,575 adjusters were working in the state on Sandy issues as of Nov. 30 (actual total is much higher)
 - ◆ Entry was restricted for days in some badly damaged areas, esp. in coastal NJ
- **Policyholders Are Generally Satisfied with Service from their Insurers**
 - ◆ Complaint ratio is very low—a fraction of 1 percent
 - ◆ In NY State, ratio was 0.28% as of Nov. 30
 - ◆ Many complaints actually involve flood insurance
- **Insurers Are Very Responsive to Policyholders Who Filed Claims**
 - ◆ Median response time of insurers in NY was 7.5 days as Nov. 30, half the required 15 days (response time = no. days from date of claim report to date of inspection)
- **Billions of Dollars Have Already Been Paid to Hundreds of Thousands of Policyholders**
 - ◆ Claim dollars will not only help rebuild homes, businesses and purchase new vehicles, but will also create thousands of jobs and generate millions in much-needed tax revenue for impacted communities

Hurricane Sandy Insured Loss Estimates: Late Season Large Loss* (\$ Billions)

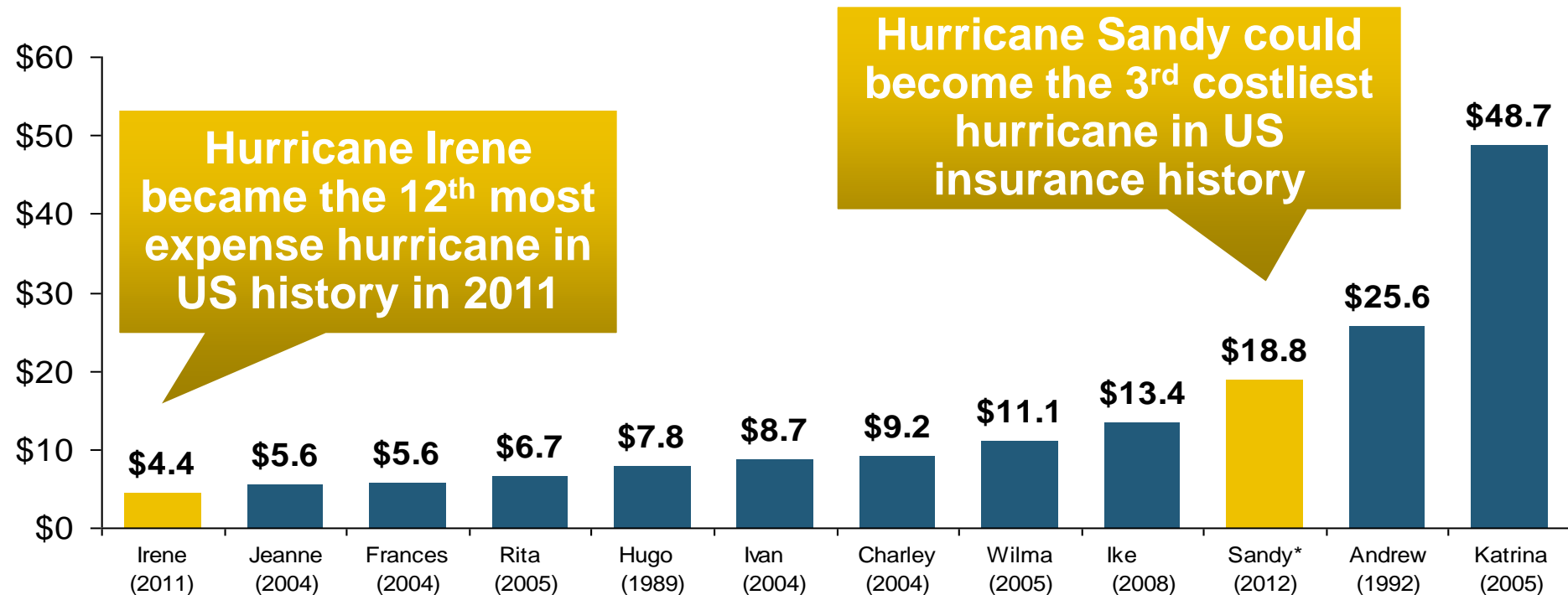


*US insured property and business interruption losses only. Sandy's landfall in the northeast US occurred Oct. 29, 2012.
Sources: RMS (11/14/12 est.), AIR (11/26/12 est.), Eqecat (11/1/12 est.); Compiled by the Insurance Information Institute.

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 8 years (2004—2012)

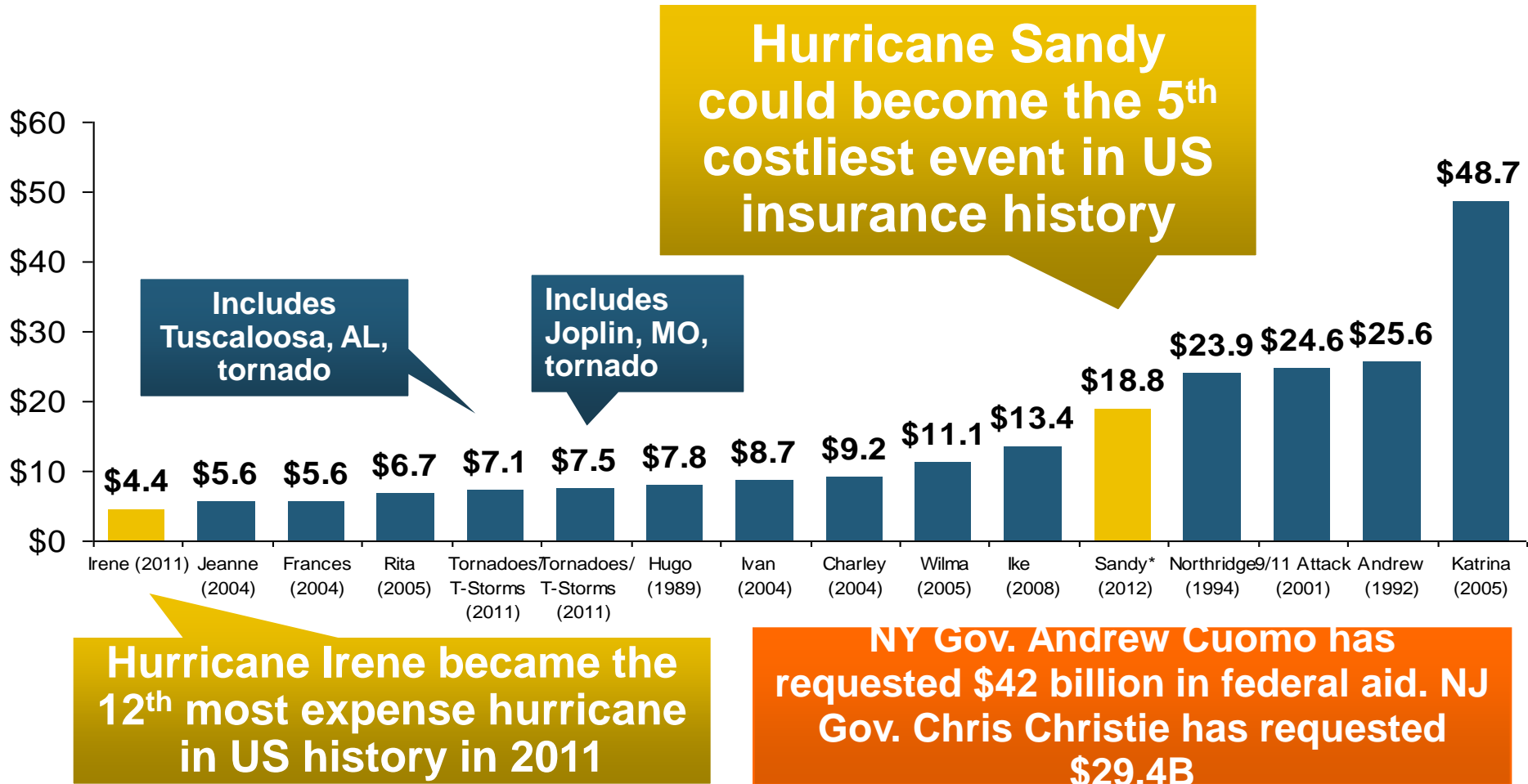


*Estimate as of 12/09/12 based on average of current range estimate midpoints from AIR, Egecat and RMS..

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

Top 16 Most Costly Disasters in U.S. History

(Insured Losses, 2012 Dollars, \$ Billions)

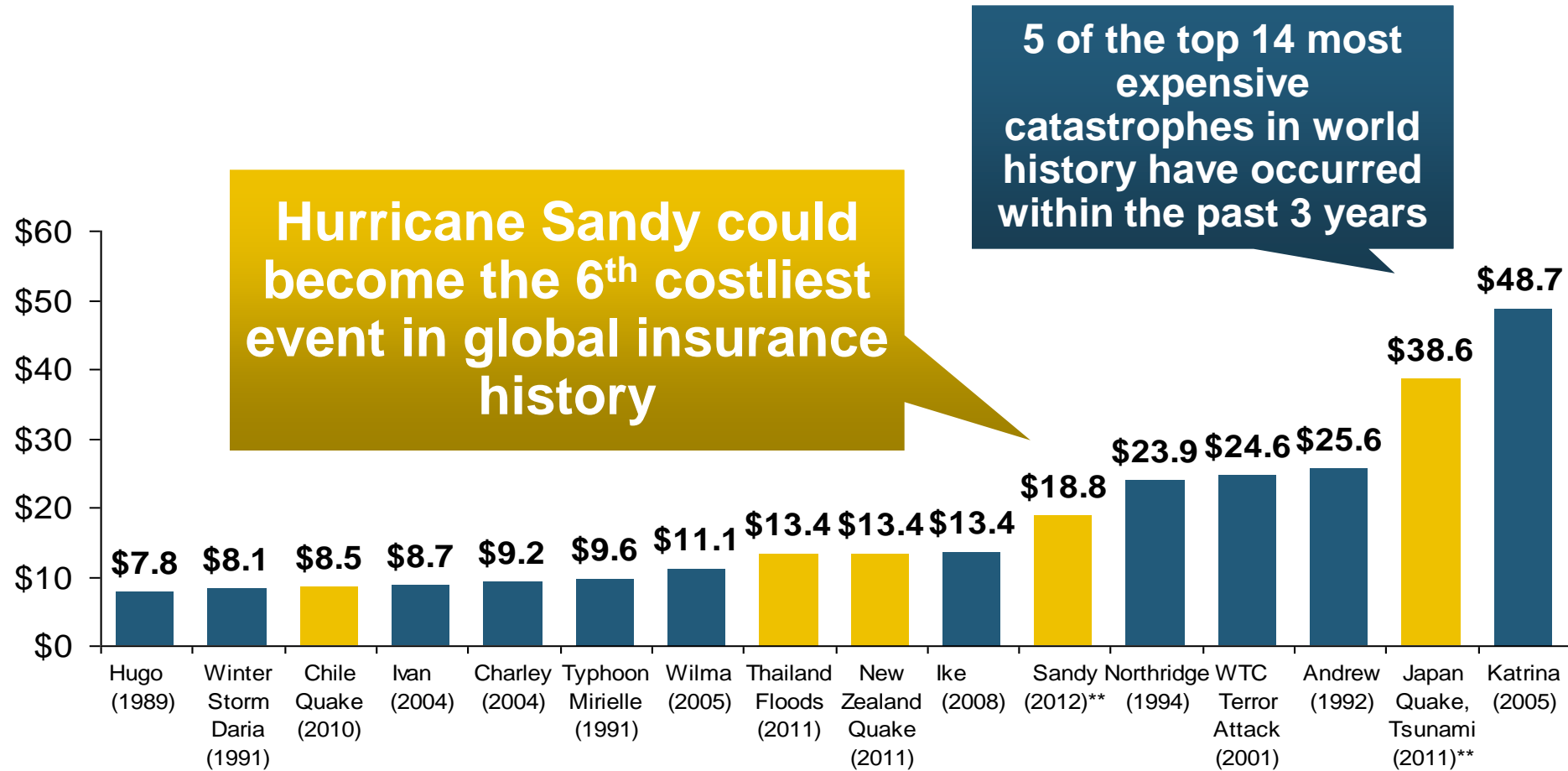


*Estimate as of 12/09/12 based on average of range midpoints from AIR, RMS and Eqecat..

Sources: PCS; Insurance Information Institute inflation adjustments.

Top 16 Most Costly World Insurance Losses, 1970-2012*

(Insured Losses, 2012 Dollars, \$ Billions)



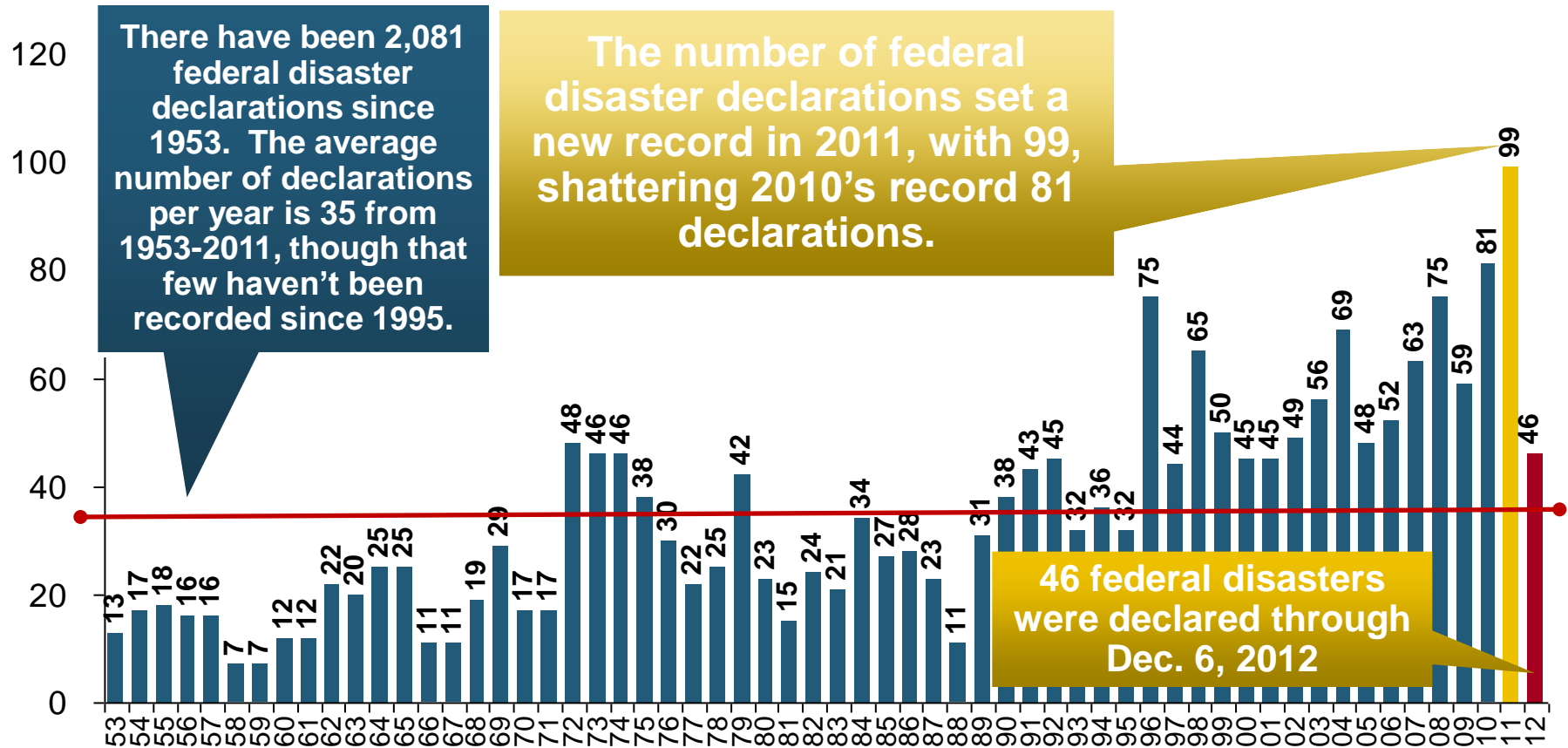
*Figures do not include federally insured flood losses.

**Average of range estimates of \$35B - \$40B as of 1/4/12 adjusted to 2012 dollars; Privately insured losses only.

***Estimate as of 12/09/12, based on average of midpoints from range estimates from AIR, RMS and Eqecat.

Sources: Swiss Re *sigma* 1/2011; Munich Re; Insurance Information Institute research.

Number of Federal Disaster Declarations, 1953-2012*



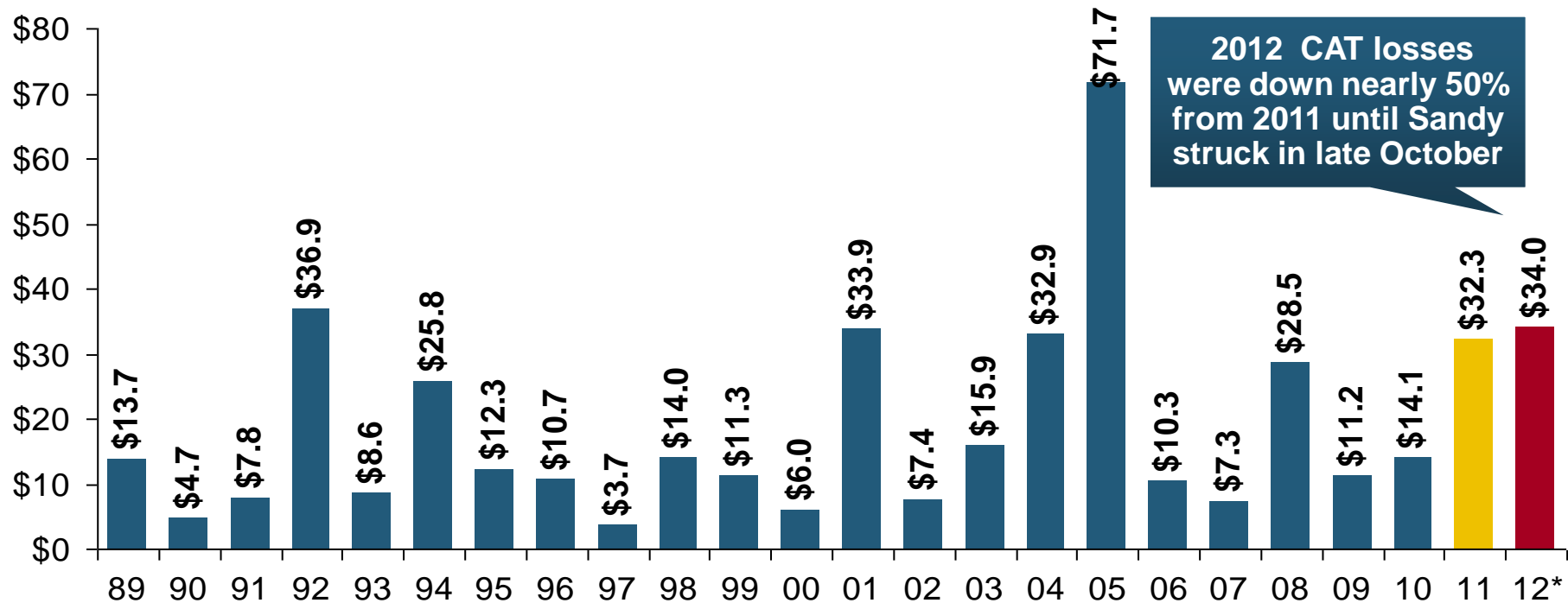
The Number of Federal Disaster Declarations Is Rising and Set New Records in 2010 and 2011. *Hurricane Sandy Produced 9 Declarations in 2012.*

*Through Dec. 6, 2012.

Source: Federal Emergency Management Administration; <http://www.fema.gov/disasters>; Insurance Information Institute.

US Insured Catastrophe Losses

(\$ Billions, 2011 Dollars)



2012 CAT losses were down nearly 50% from 2011 until Sandy struck in late October

US CAT Losses in 2012 Could Become the 3rd Highest in US History on An Inflation-Adjusted Basis. 2011 Losses Were the 5th Highest

Record Tornado Losses Caused 2011 CAT Losses to Surge

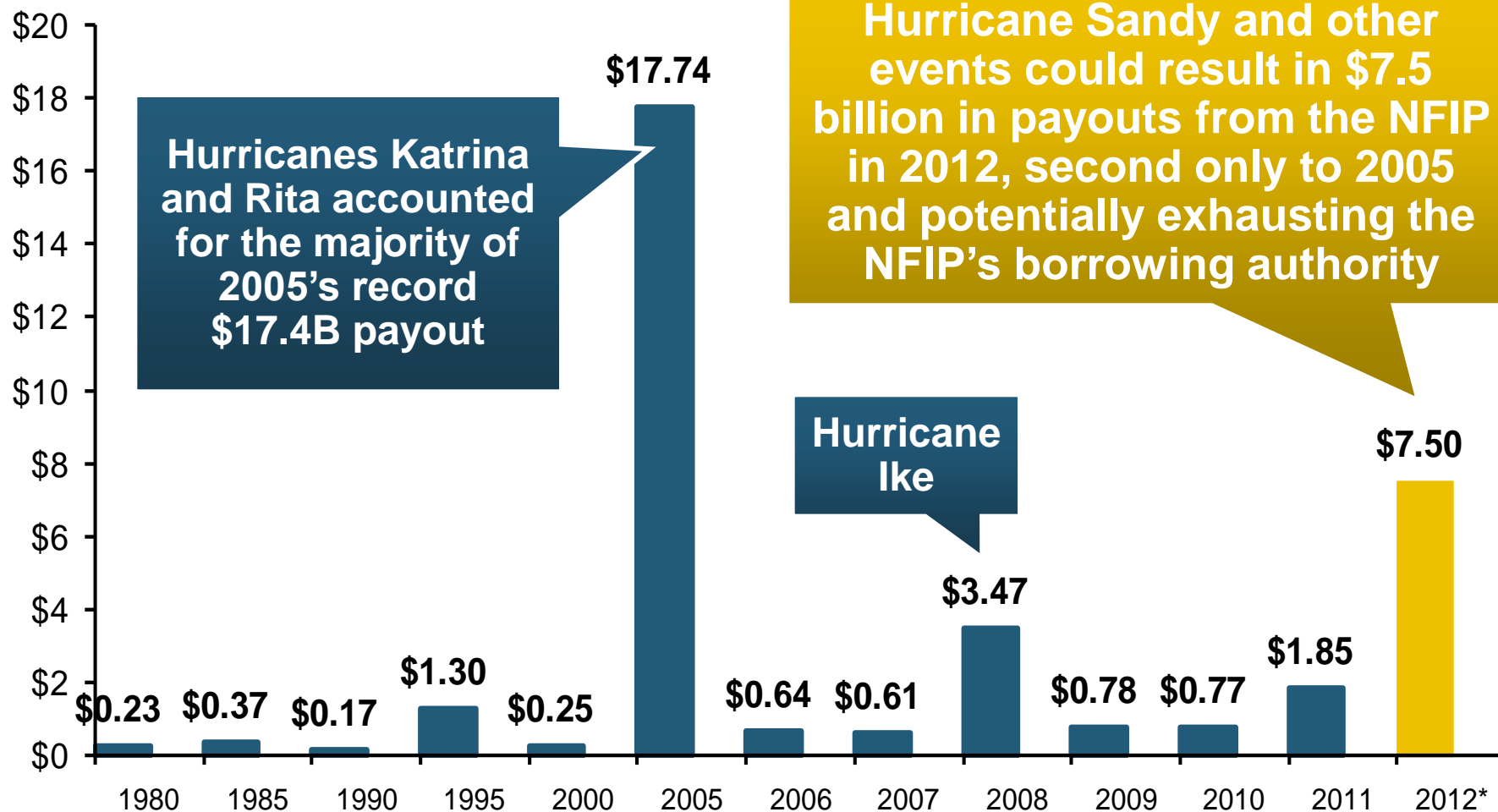
*As of 11/26/12 in 2012 dollars. Includes \$18.8B gross loss estimate for Hurricane Sandy.

Note: 2001 figure includes \$20.3B for 9/11 losses reported through 12/31/01 (\$25.9B 2011 dollars). Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = \$12.2B (\$15.6B in 2011 dollars.)

Sources: Property Claims Service/ISO; Insurance Information Institute.

Flood Loss Paid by the National Flood Insurance Program, 1980-2012E

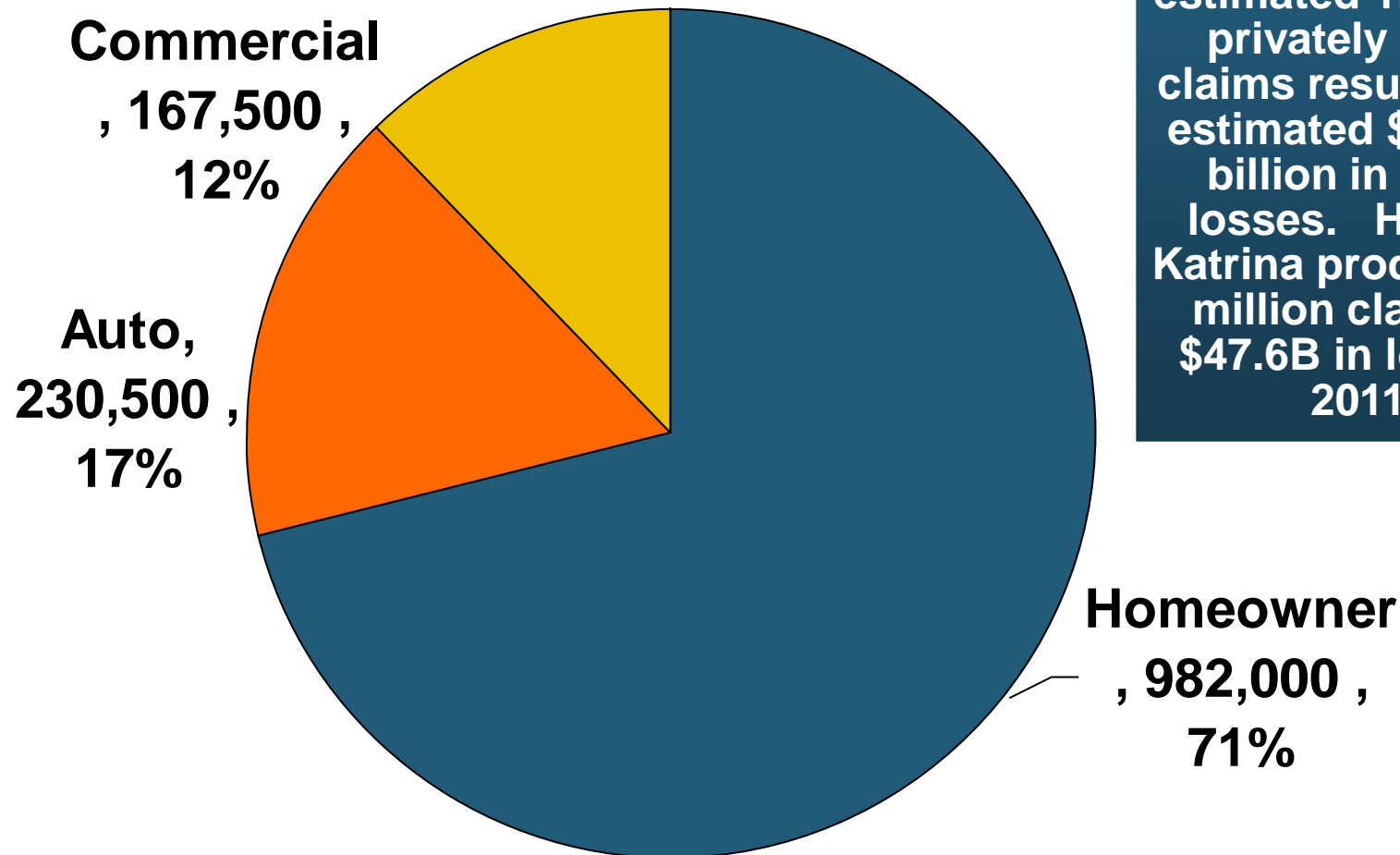
Billions (Original Values)



*Estimate as of 11/25/12.

Sources: Department of Homeland Security, Federal Emergency Management Agency, NFIP; Insurance Information Institute.

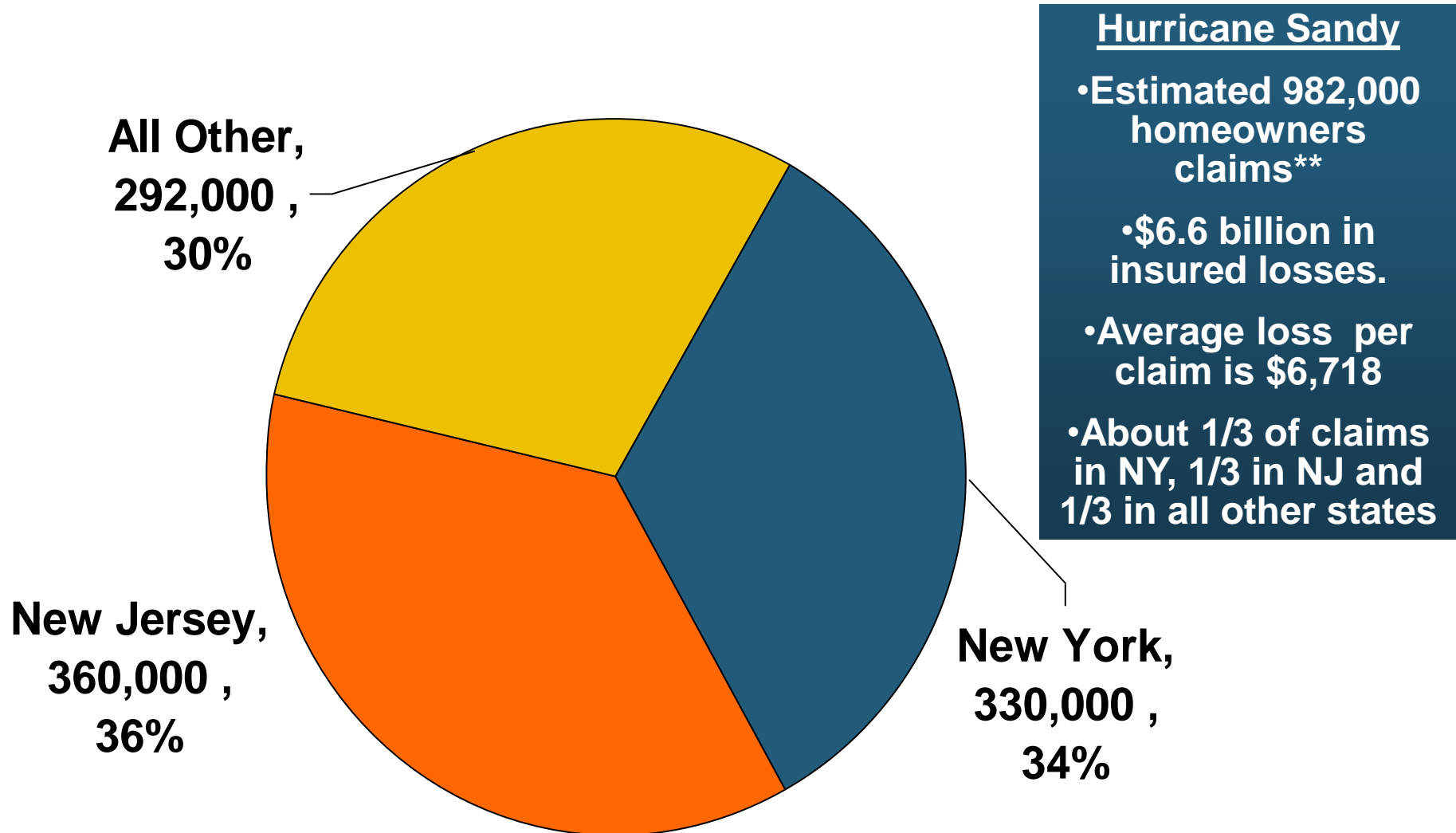
Hurricane Sandy: Number of Claims by Type*



Hurricane Sandy resulted in an estimated 1.38 million privately insured claims resulting in an estimated \$10 to \$25 billion in insured losses. Hurricane Katrina produced 1.74 million claims and \$47.6B in losses (in 2011 \$)

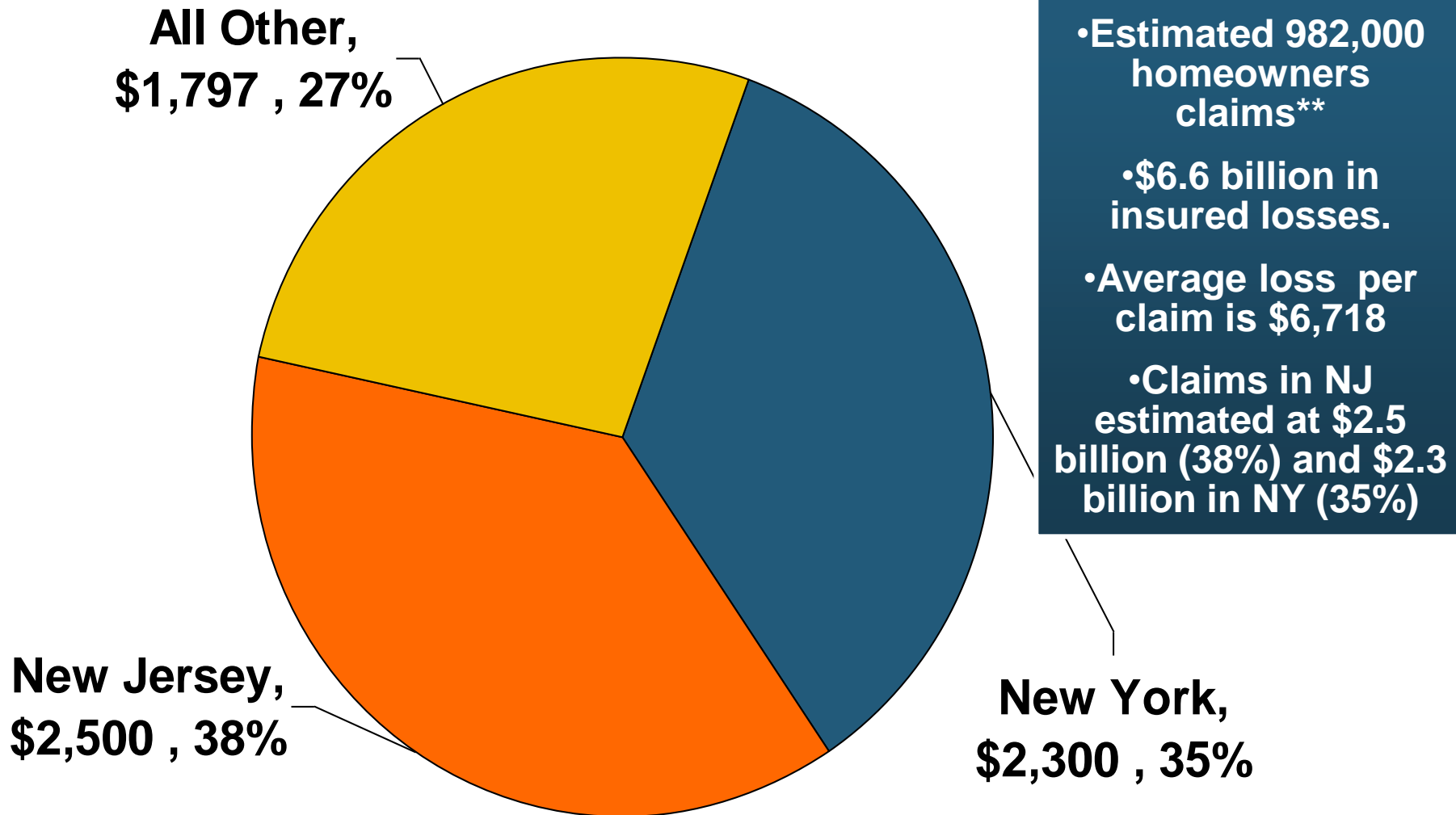
*PCS claim count estimate as of 11/26/12. Loss estimate represents high and low end estimates by risk modelers RMS, Eqecat and AIR. PCS estimate of insured losses as of 11/26/12 \$11 billion. All figures exclude losses paid by the NFIP.
Source: PCS; AIR, Eqecat, AIR Worldwide; Insurance Information Institute.

Hurricane Sandy: Number of Homeowners Claims by State*



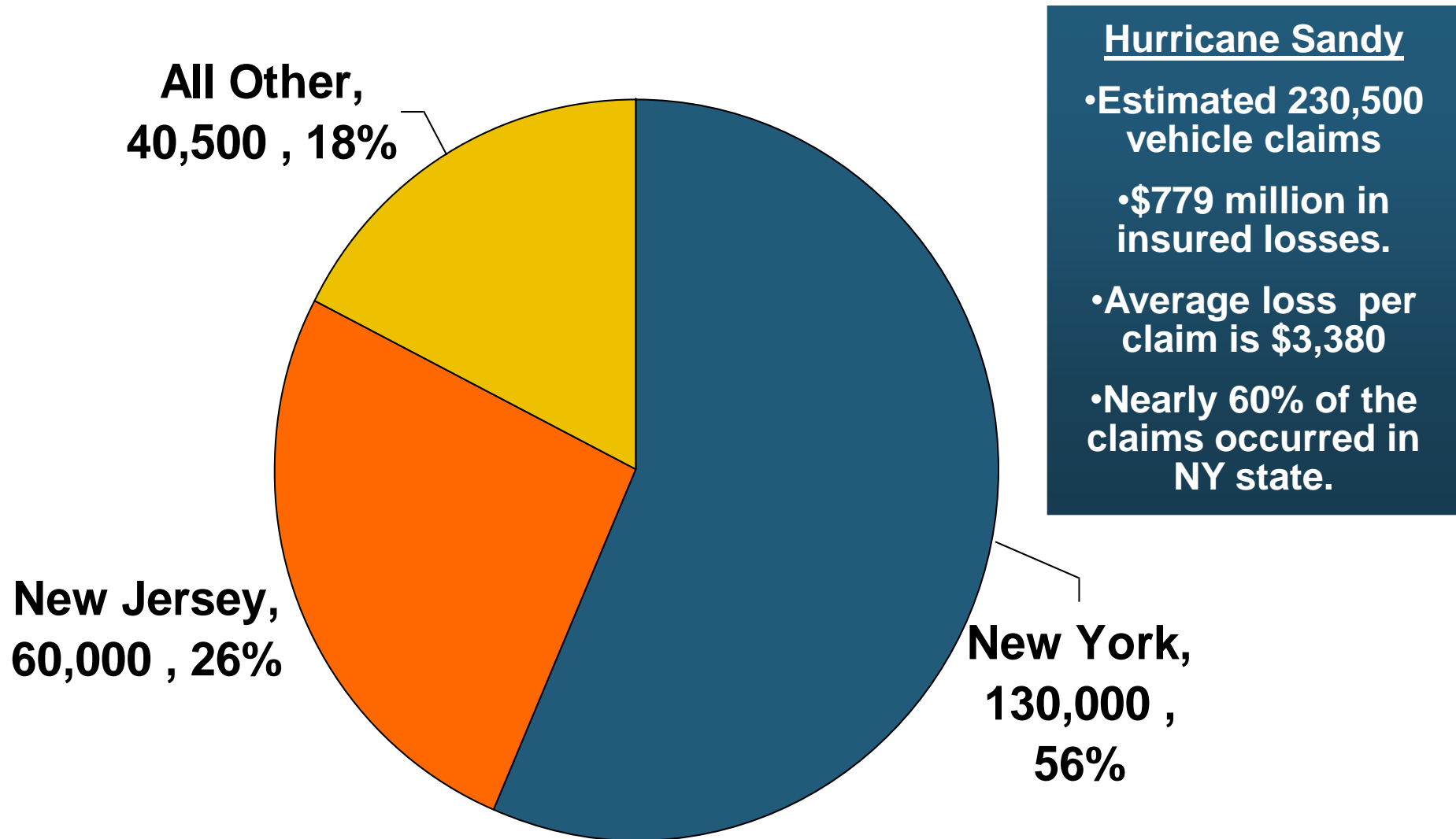
*Preliminary as of 11/26/12.
Source: PCS.

Hurricane Sandy: Value of Homeowners Claims Paid, by State* (\$ Millions)



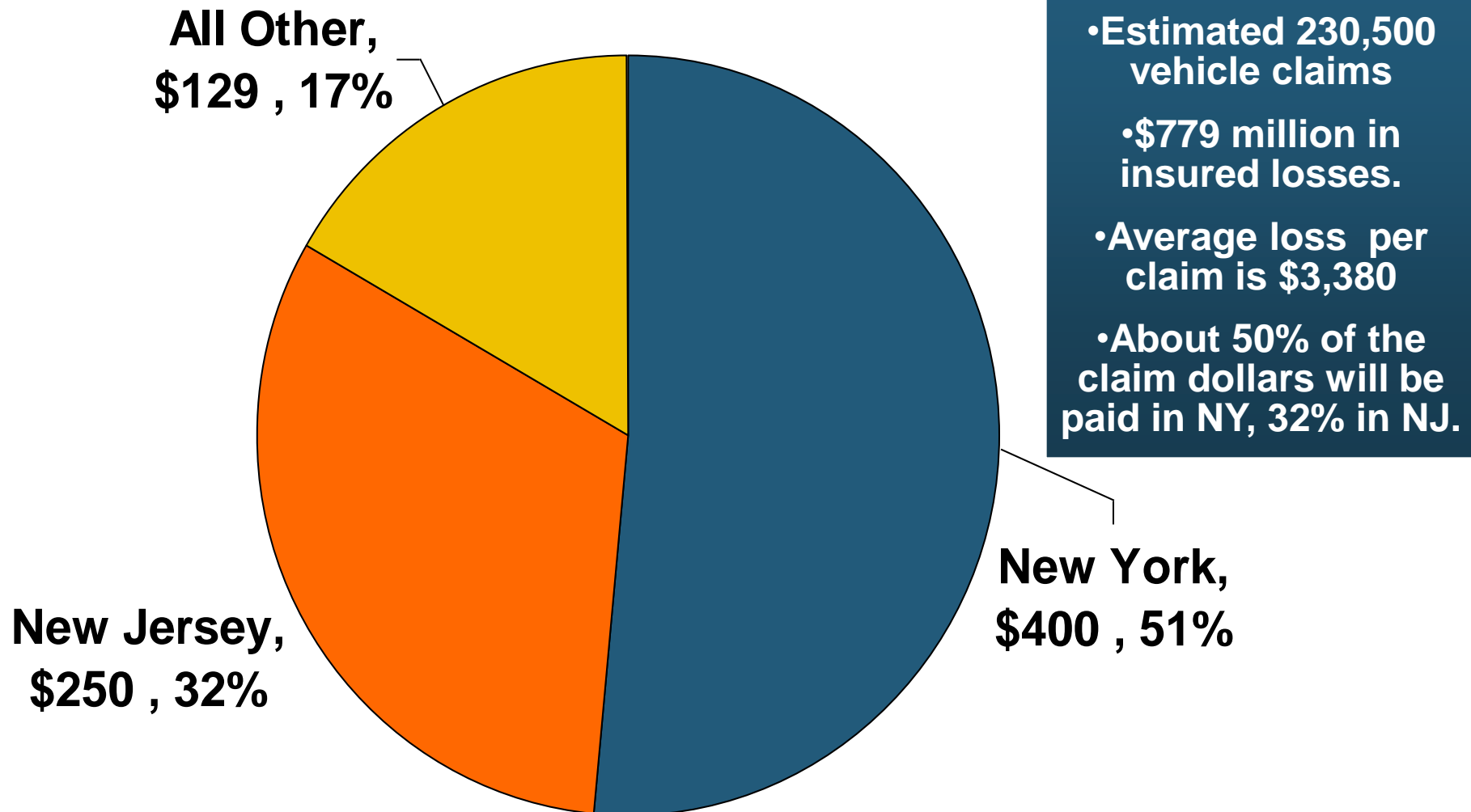
*Preliminary as of 11/26/12.
Source: PCS.

Hurricane Sandy: Number of Auto Claims by State*



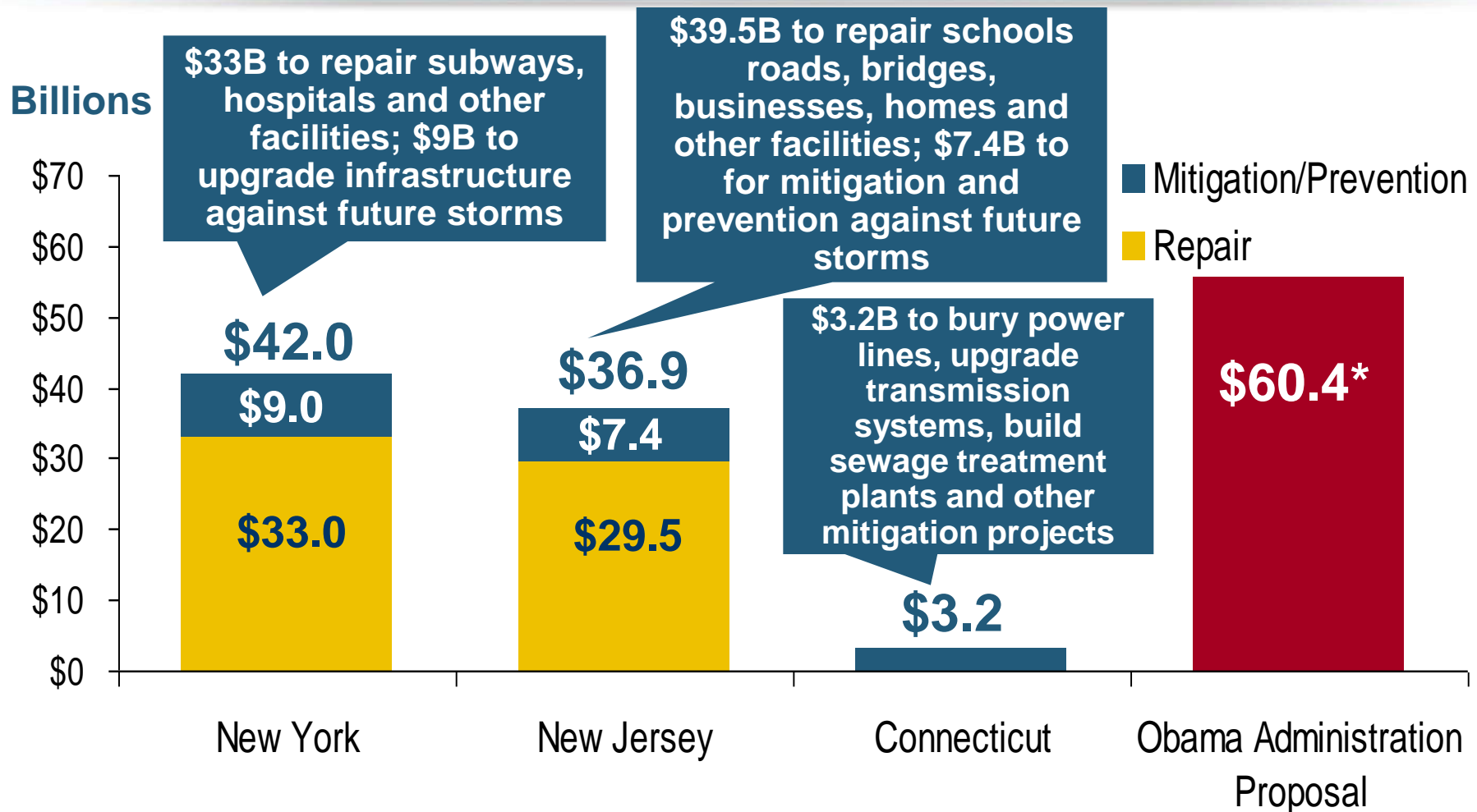
*Preliminary as of 11/26/12.
Source: PCS.

Hurricane Sandy: Value of Auto Claims Paid, by State* (\$ Millions)



*Preliminary as of 11/26/12.
Source: PCS.

Federal Aid Requests by States With Greatest Sandy Impact (as of 12/10/12)



State Aid Requests Come at a Challenging Time in the Nation's Fiscal History

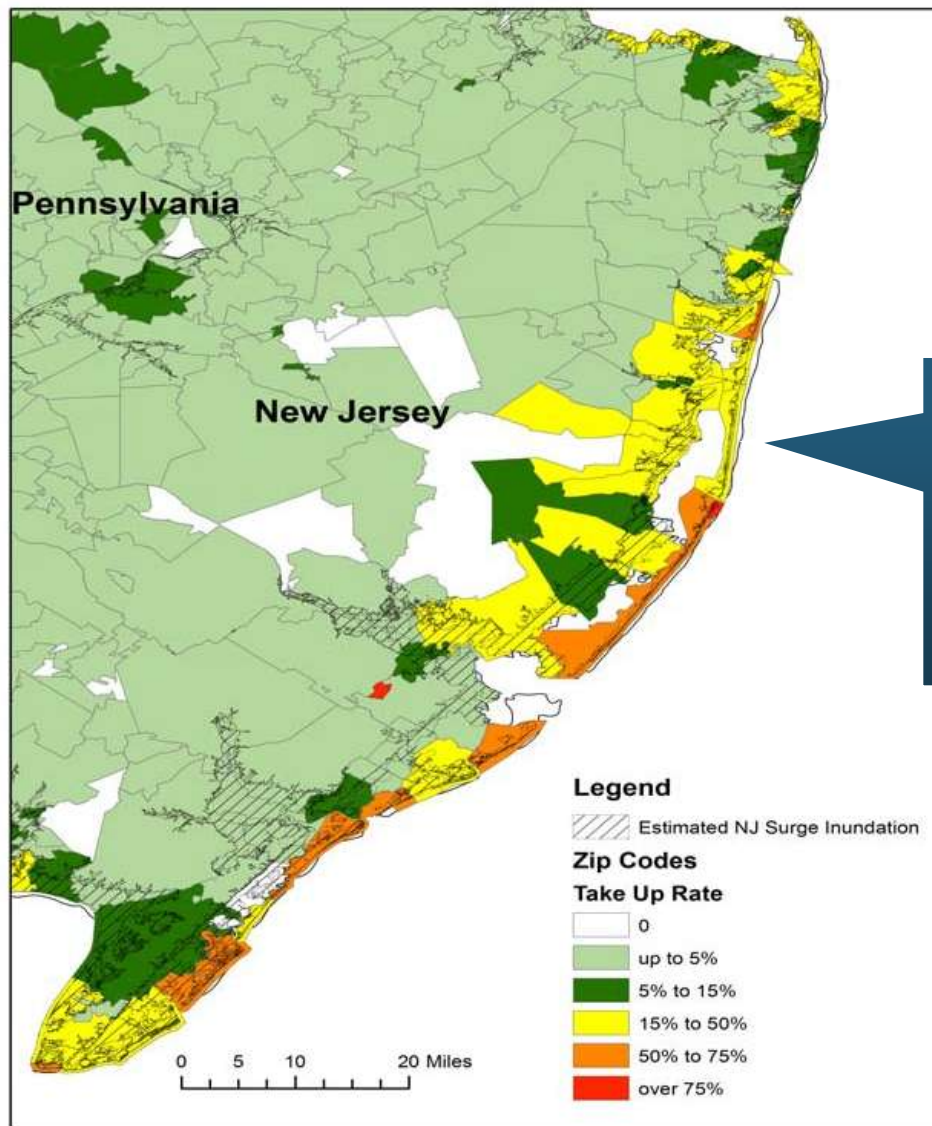
*As of Dec. 10, 2012.

Source: *New York Times*, Dec. 6, 2012; Insurance Information Institute.

Flood Insurance Program: 2012 Reforms

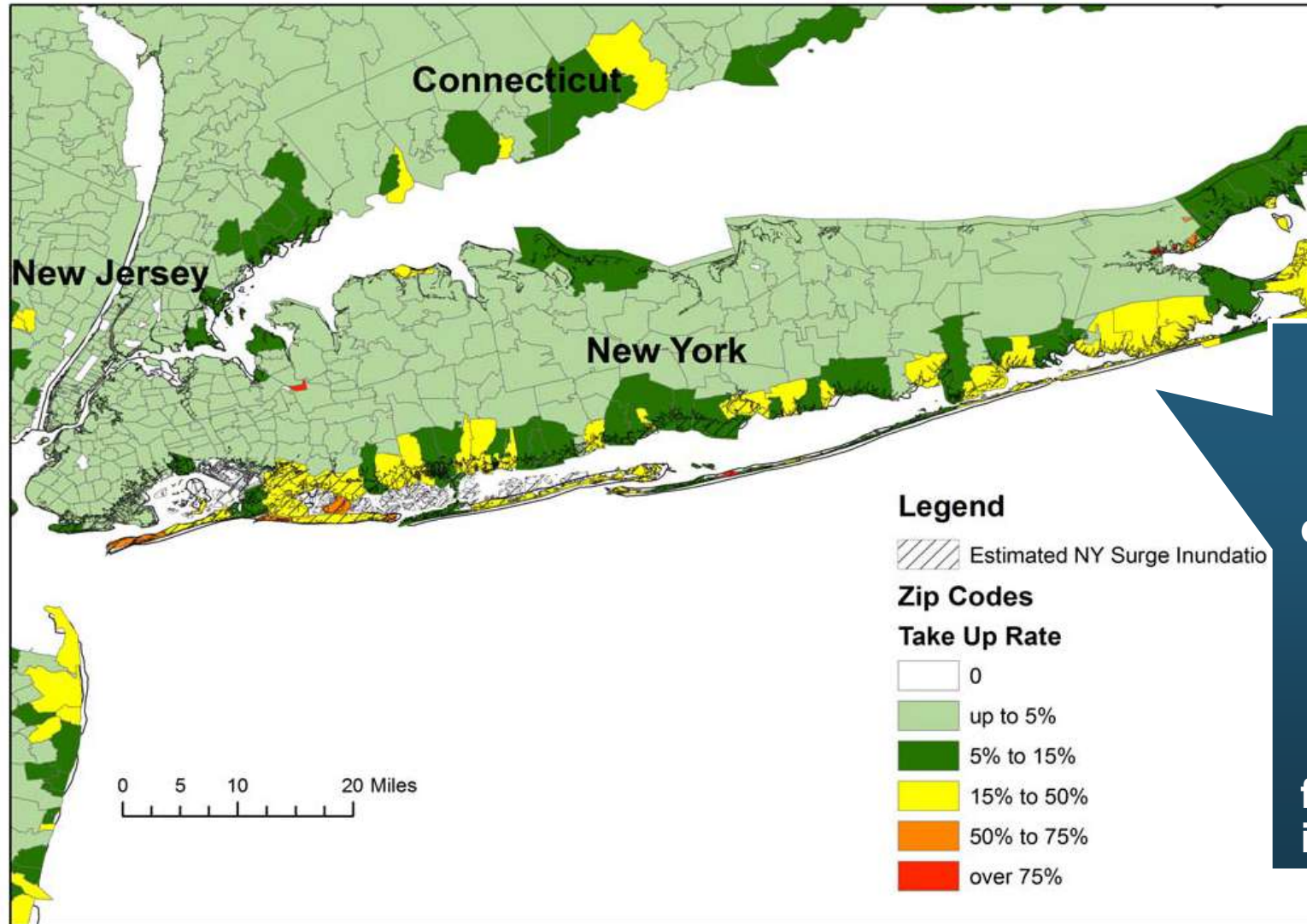
**2012 Reforms Were a Step in the
Right Direction—But Too Late to
Help With Sandy Shortfall**

Residential NFIP Flood Take-Up Rates in NJ (2010) & Sandy Storm Surge



Flood coverage penetration rates were extremely low in many very vulnerable areas in NJ, with take-up rates far below 50% in many areas

Residential NFIP Flood Take-Up Rates in NY, CT (2010) & Sandy Storm Surge



Flood coverage penetration rates were extremely low in many very vulnerable areas of NY and CT, with take-up rates far below 50% in many areas

Flood Insurance Reform & Modernization Act of 2012: Key Provisions



- **Reauthorized NFIP and Its Financing Through 9/30/17**
- **Increase in Average Annual Limit on Premium Increase**
 - ◆ Increases annual limit on premium increase from 10% to 20%
- **Phase-in of Actuarial Rates for Certain Properties**
 - ◆ Applies to non-primary residences, severe repetitive loss properties, properties where flood losses have exceed property value, business property, property that has sustained damage > 50% of fair market value
- **Actuarial Sound Rates for Certain Severe Repetitive Loss Properties**
 - ◆ Charge actuarially sound rates to any prospective or repetitive loss properties that refused to accept offers of mitigation assistance after a major disaster
- **Prohibition of Premium Rate Subsidy on New or Lapsed Policies**

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