



# One Year Later: Update on Claim Payouts to Missouri Policyholders

## *Insurance and Economic Recovery in the Wake of the May 2011 Tornadoes*

Insurance Information Institute

May 16, 2012

***Download at [www.iii.org/presentations](http://www.iii.org/presentations)***

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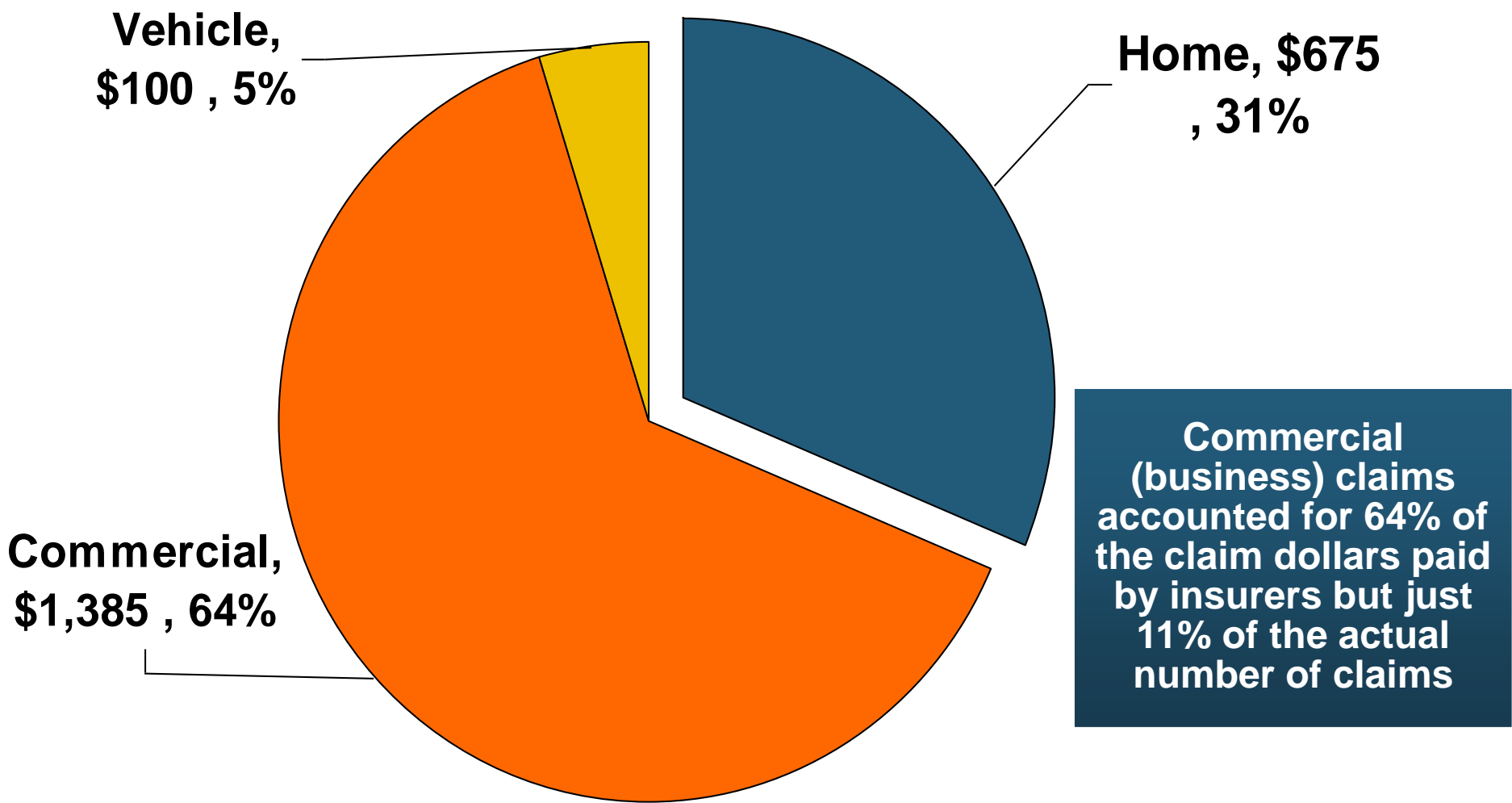
# Summary of Key Points

- **Insurers Paid \$2.2 Billion to 61,000 Missouri Home, Business and Vehicle Owners in Claims Arising from Tornadoes, Hail and High Winds During the Week of May 20-27, 2011 (Mostly from the May 22 Joplin Tornado)**
  - ◆ Homeowners claims accounted for 31% of dollars paid to policyholders
  - ◆ Commercial (business) claims accounted for an unusually high share of losses: 64% of dollars paid by insurers were to businesses even though commercial claims accounted for just 11% of the total *number* of claims filed
  - ◆ The May 20-27 storm accounted for the vast majority of all MO catastrophe losses in 2011
  - ◆ MO claims paid for the May 20-27 storms accounted for 31% of the US total across 19 states (\$6.9 bn)
  
- **The Financial Impact of 2011 Was Extreme**
  - ◆ Claims arising from the May 20-27 (Joplin) event consumed 44% of all homeowners premiums written throughout the entire state of MO for all of 2011
  - ◆ The same event consumer 24% of all property/casualty premiums written in MO in 2011
  
- **The Number of Federal Disaster Declarations in Missouri Is Rising**
  - ◆ From 1953 through 2011, the average number of disaster declarations per year in MO was 0.9, but from 2006 through 2011 that average had nearly quadrupled to 3.2 per year.

# Distribution of Claim Dollars Paid to MO Policyholders for May 20-27 Storms (\$ Mill)



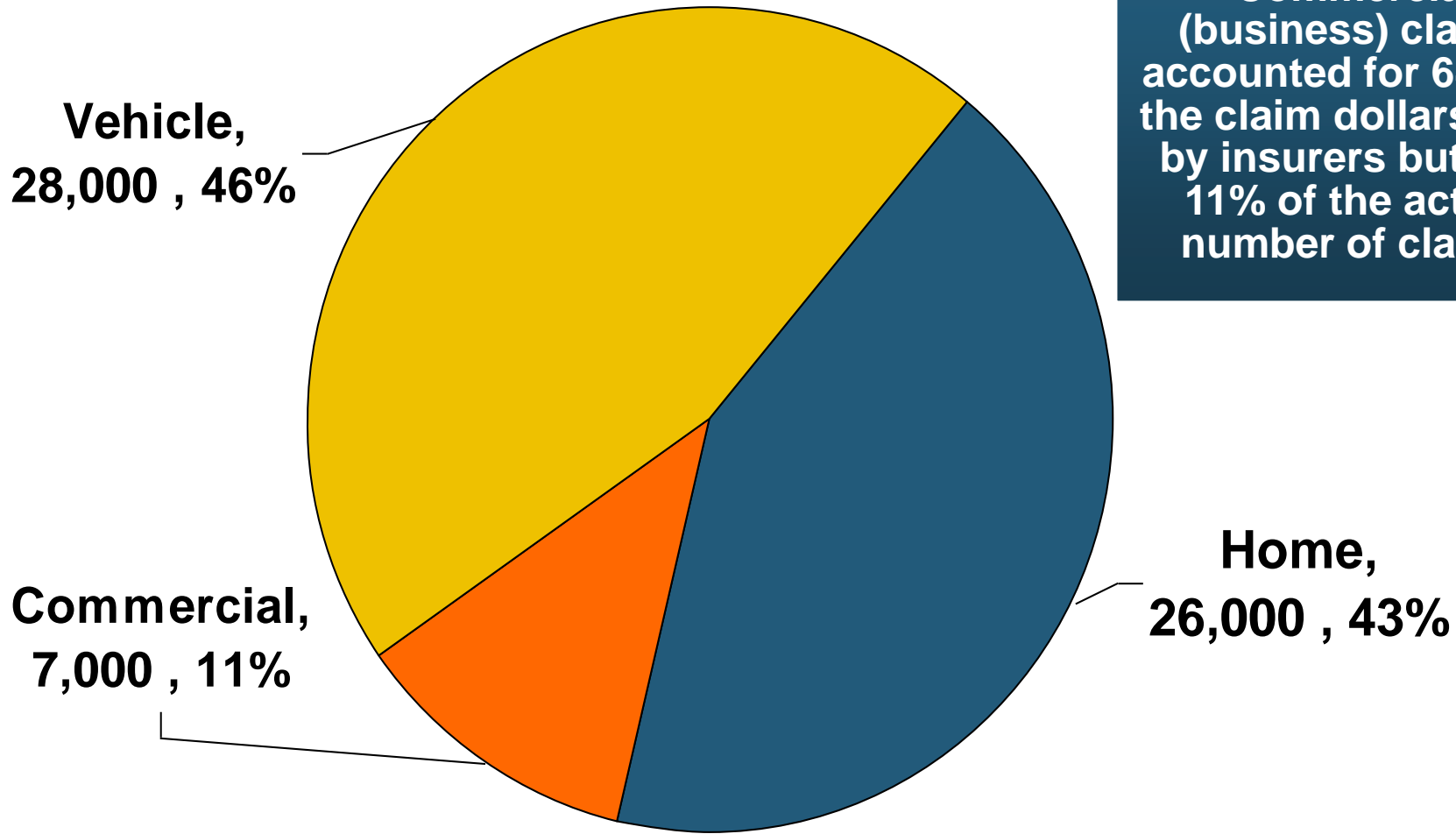
TOTAL = \$2.160 BILLION



Sources: Catastrophe loss data is for Catastrophe Serial No. 48 (May 20 – 27, 2011) from PCS as of May 10, 2012; Insurance Information Institute .

# Distribution of Number of Claims Paid to MO Policyholders for May 20-27 Storms

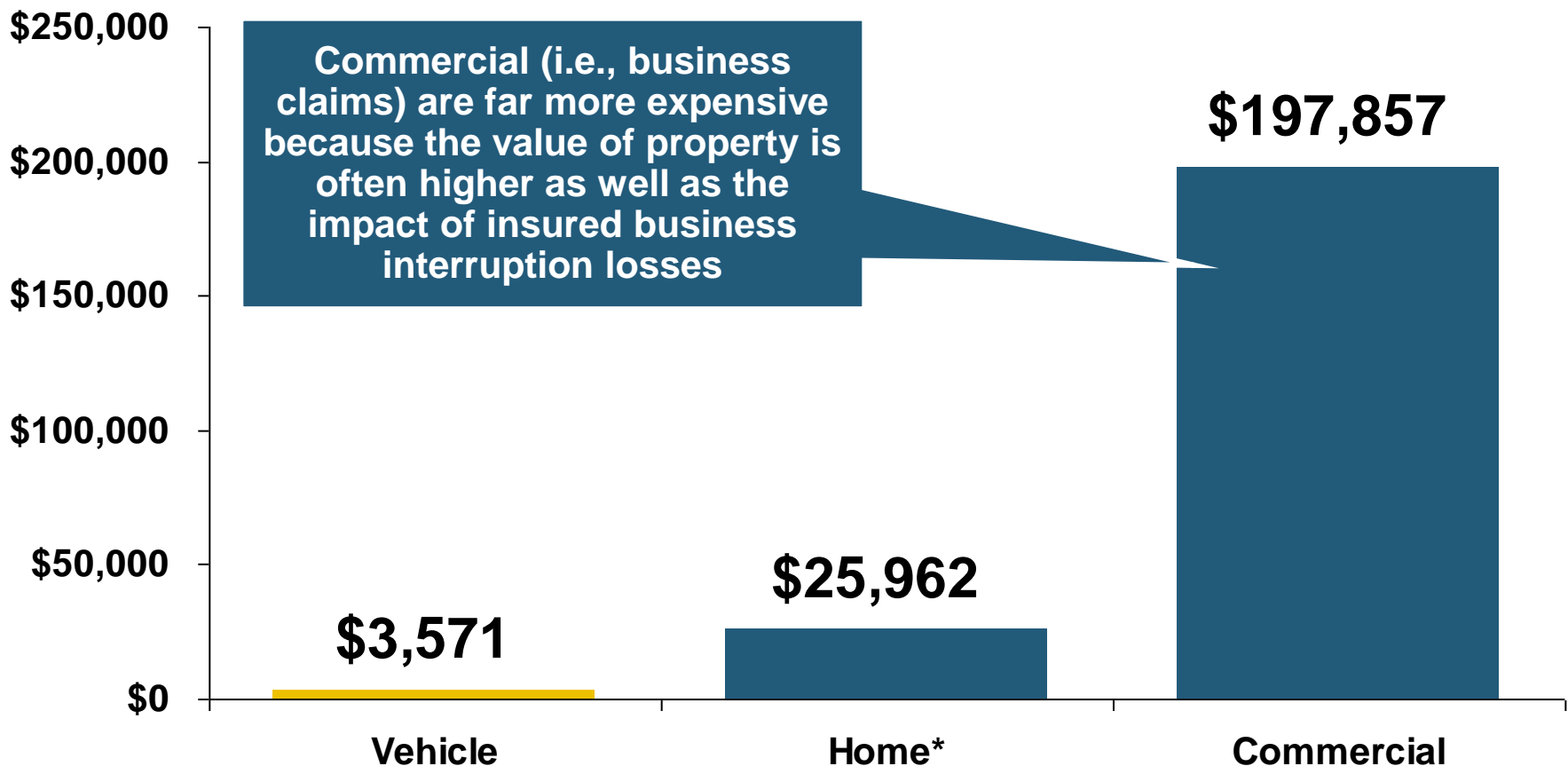
TOTAL = 61,000 CLAIMS PAID



Commercial (business) claims accounted for 64% of the claim dollars paid by insurers but just 11% of the actual number of claims

Sources: Catastrophe loss data is for Catastrophe Serial No. 48 (May 20 – 27, 2011) from PCS as of May 10, 2012; Insurance Information Institute .

# Average Claim Payment by Type of Claim

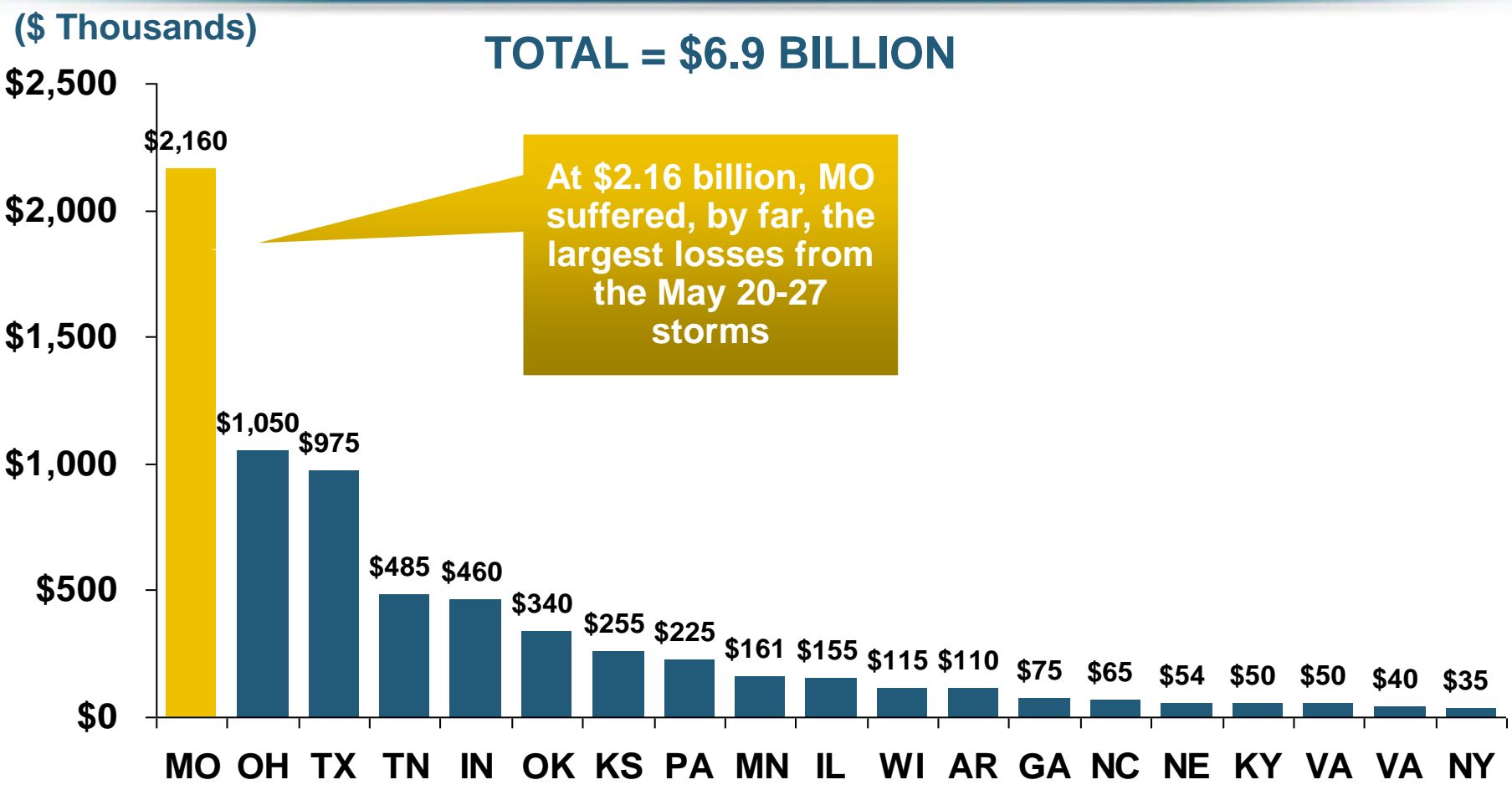


**Commercial (Business) Claims Were Nearly Eight Times More Expensive than Homeowners Claims**

\*Includes rental and condo policies.

Sources: Catastrophe loss data is for Catastrophe Serial No. 48 (May 22 – 27, 2011) from PCS as of May 10, 2012; Insurance Information Institute .

# Claim Payments to Policyholders, by State, for the May 20-27 Storms



**Missouri Claim Payout Accounted for 32% of the \$6.9 Billion US Total for the May 20-27 Tornado and Storm Event, Which Affected 19 States**

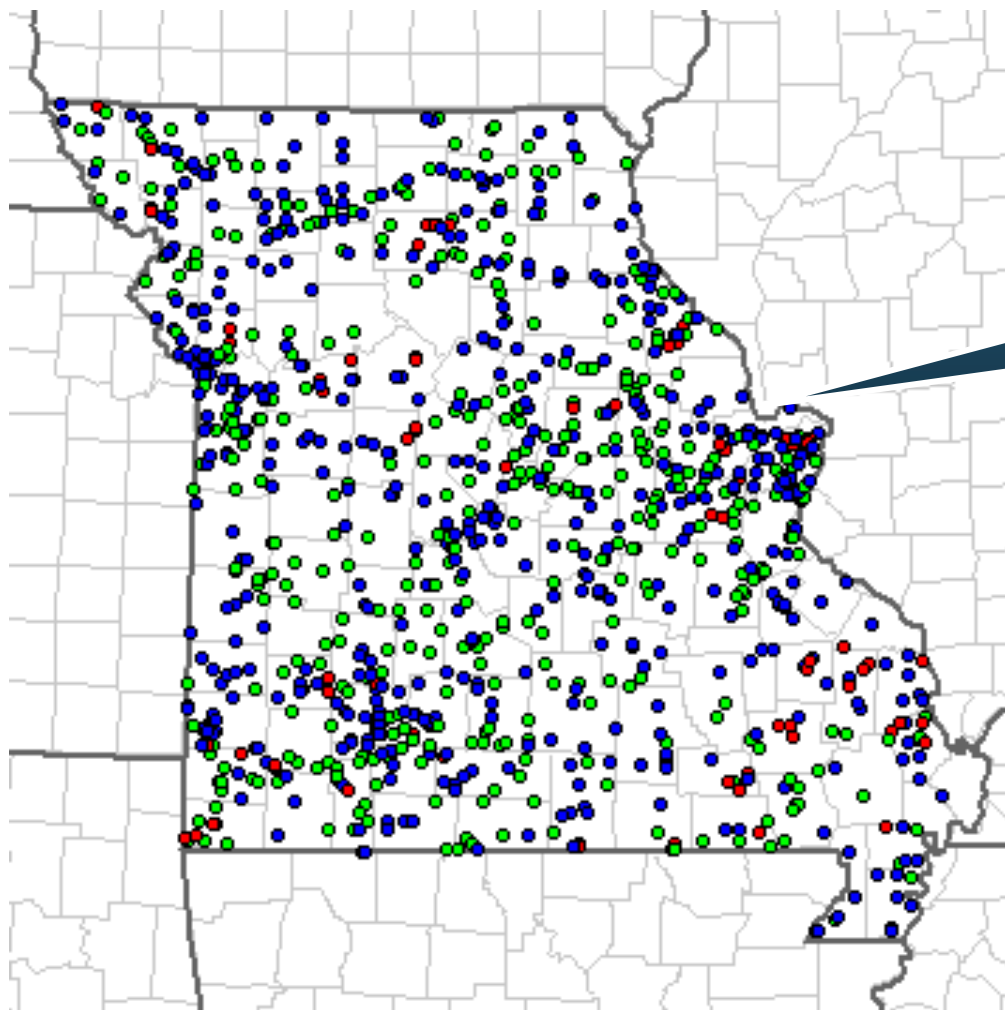
Sources: Catastrophe loss data is for Catastrophe Serial No. 48 (May 22 – 27, 2011) from PCS as of May 10, 2012; Insurance Information Institute .



# Missouri's 2011 Severe Storm Loss Summary

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

# Severe Weather Reports in Missouri, January 1—December 31, 2011



There were 1,351  
severe weather  
reports in MO in 2011

## **MISSOURI**

***Total Reports = 1,351***

Tornadoes = 97 (Red)

Hail Reports = 603 (Green)

Wind Reports = 651 (Blue)





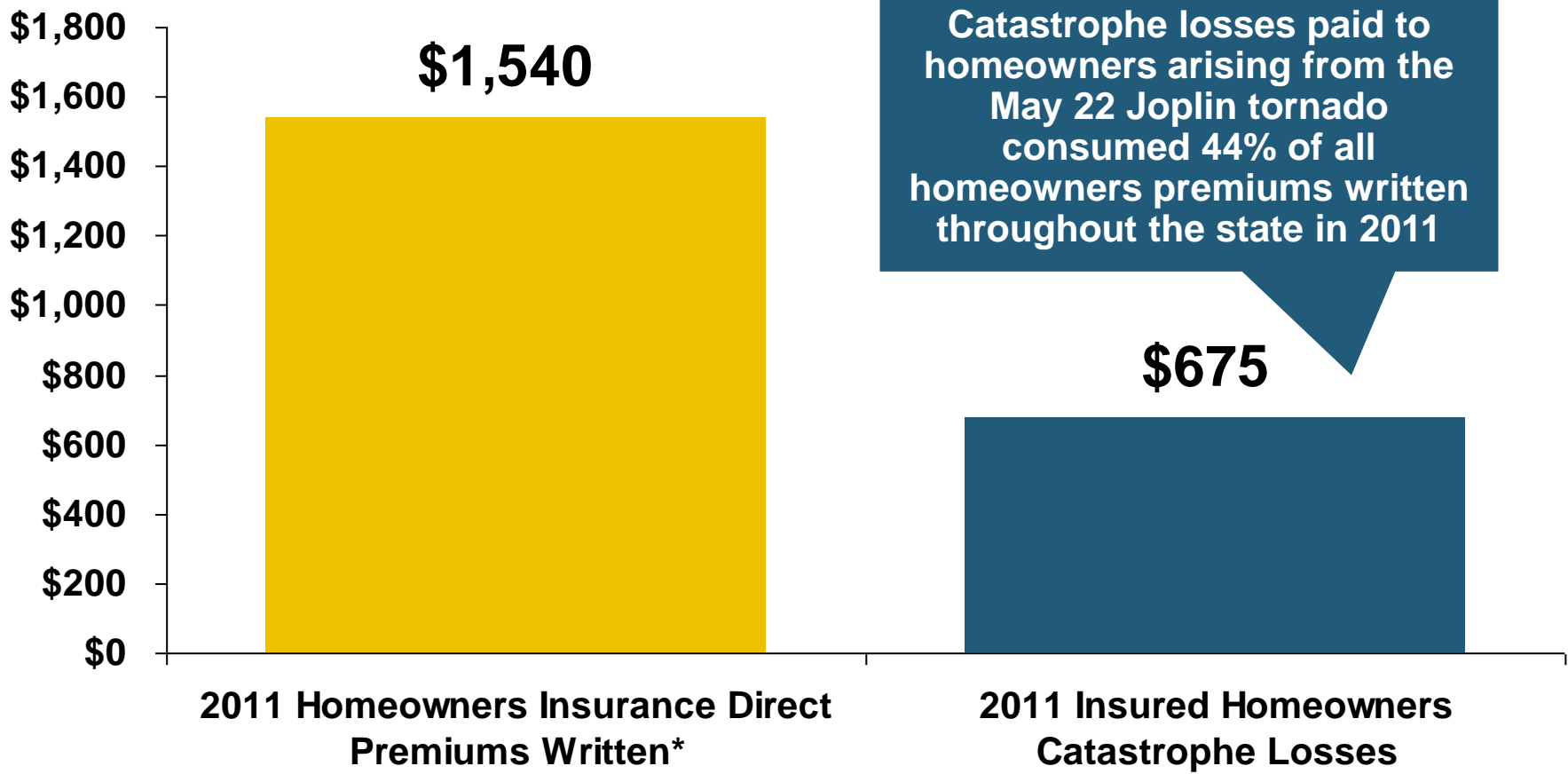
# Insured Catastrophe Analysis for Missouri Insurance Markets: *Focus on Homeowners' Claims*

**Catastrophe Claims Payouts  
Consumed a Large Share of  
All Premiums Written in  
Missouri in 2011**

# Joplin Home Damage Claims Consumed a Large Share of MO's Homeowners Premiums



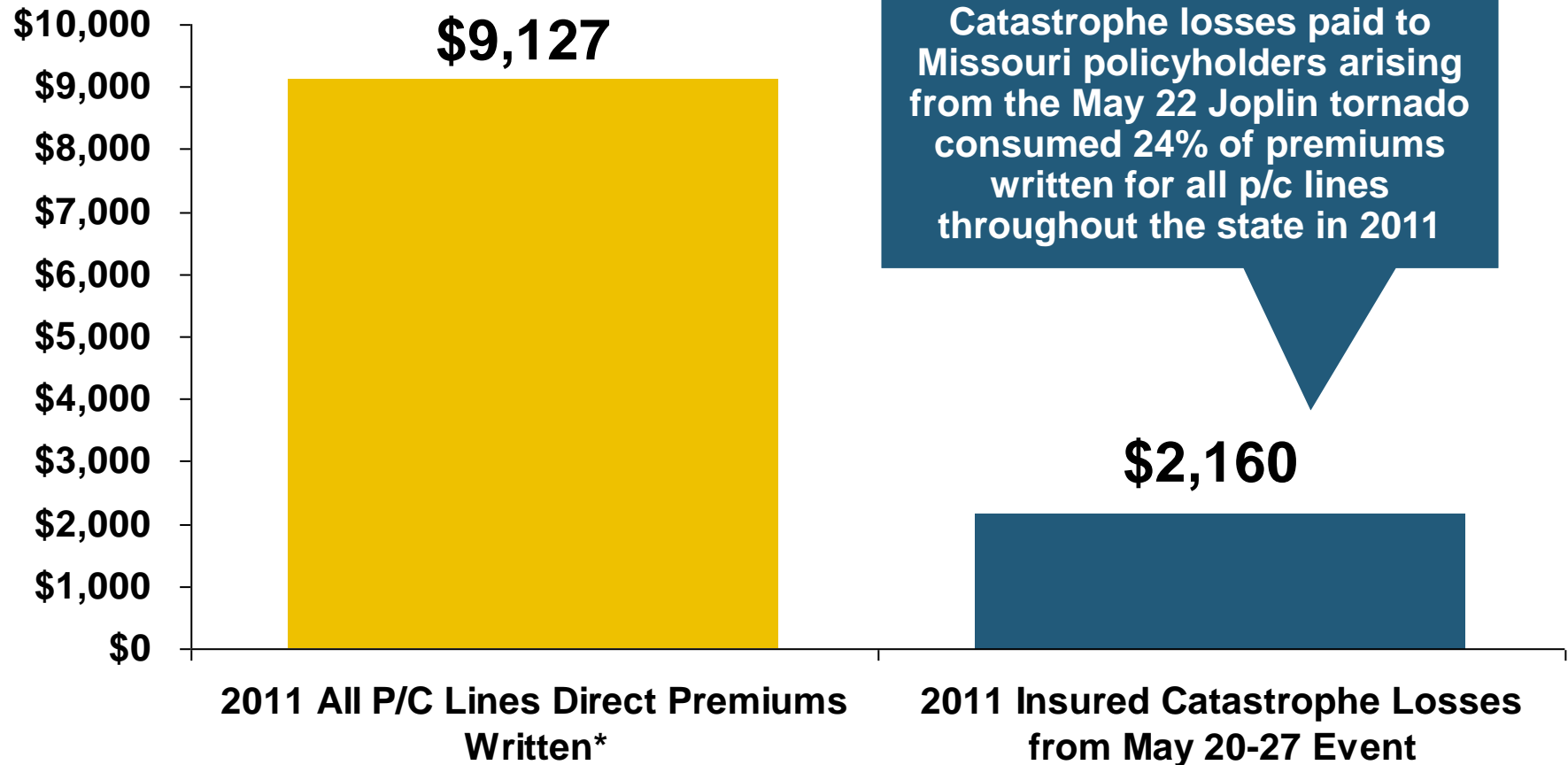
(\$ Millions)



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

# Joplin Tornado Claims Consumed a Large Share of MO's P/C Insurance Premiums

(\$ Millions)



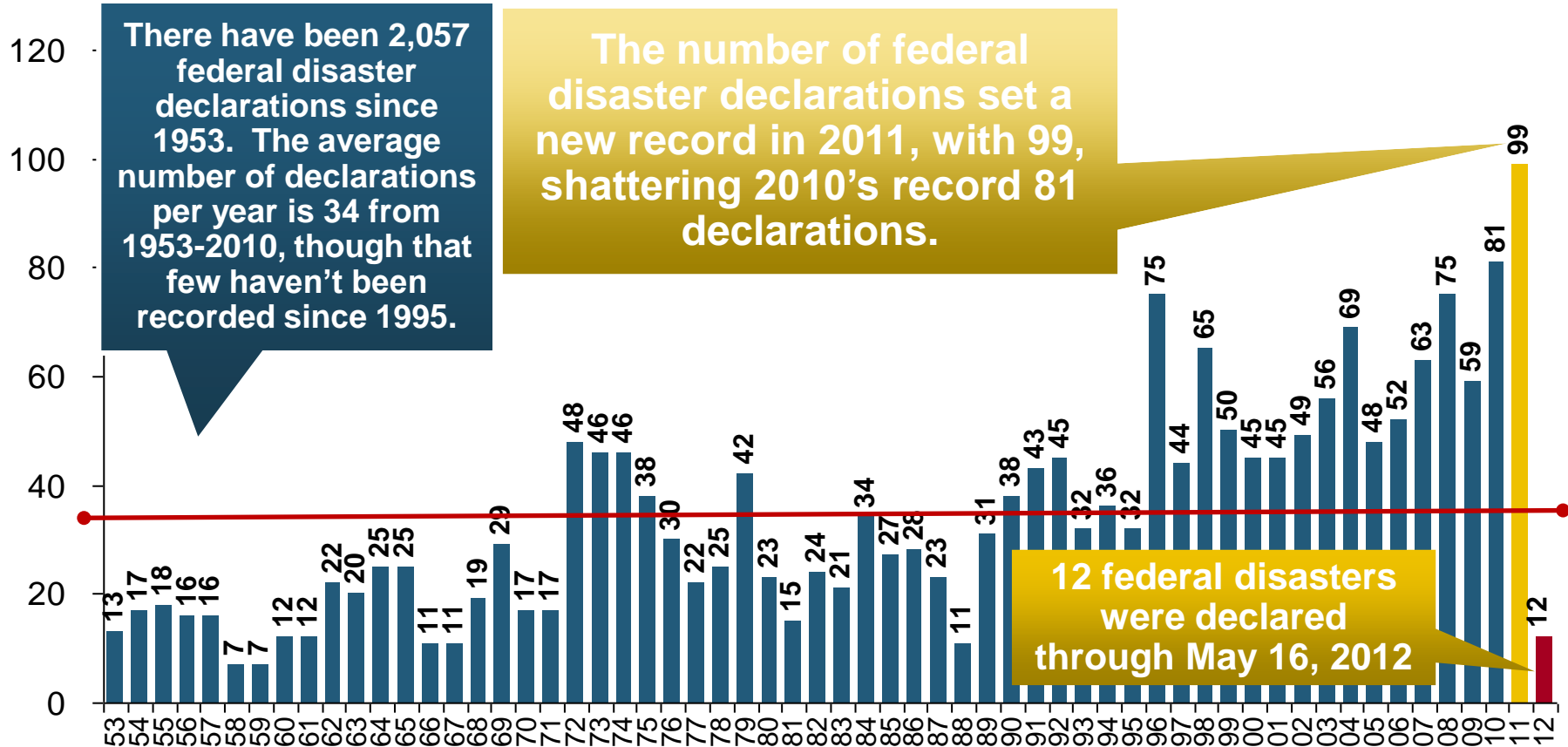
**Insurers ROE in the MO Property/Casualty Insurance Market in 2011 Will be Very Low, If Not Negative**



# Federal Disaster Declarations: *Trending Adversely*

**Missouri Has the 9<sup>th</sup> Highest  
Number of Federal Disaster  
Declarations From 1953 - 2012**

# Number of Federal Disaster Declarations, 1953-2012\*

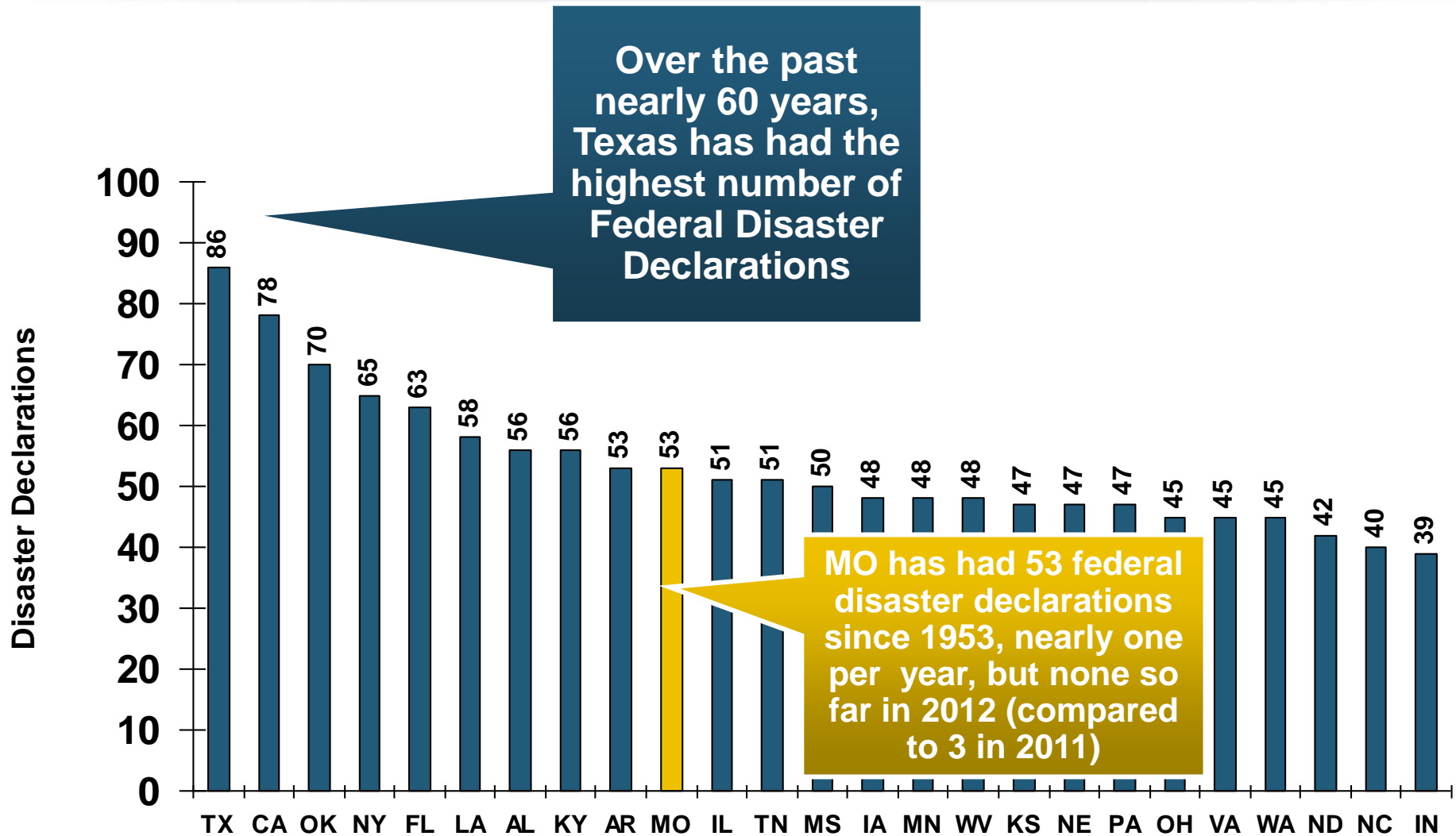


**The Number of Federal Disaster Declarations Is Rising and Set New Records in 2010 and 2011**

\*Through May 16, 2012.

Source: Federal Emergency Management Administration: [http://www.fema.gov/news/disaster\\_totals\\_annual.fema](http://www.fema.gov/news/disaster_totals_annual.fema) ; Insurance Information Institute.

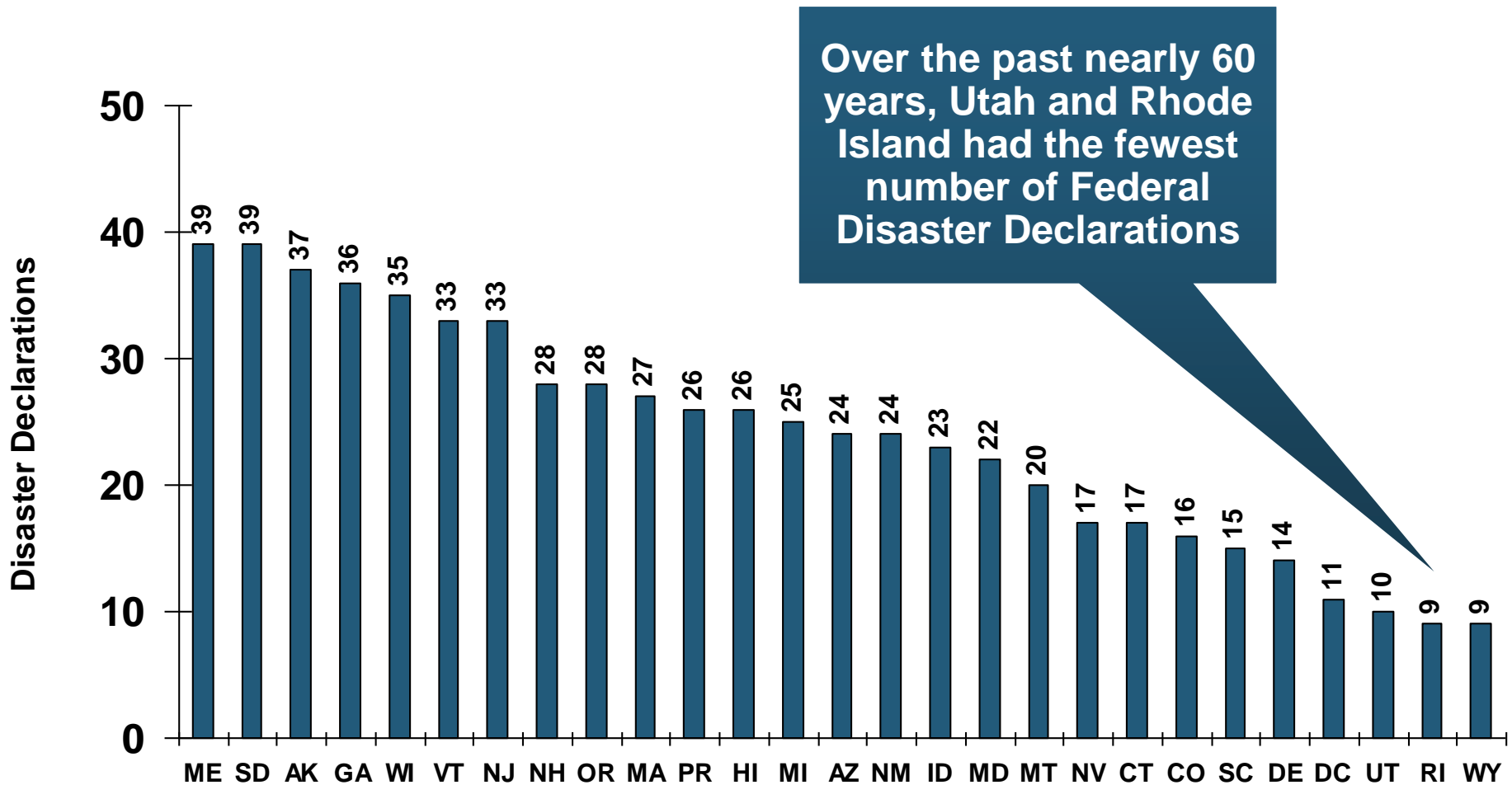
# Federal Disasters Declarations by State, 1953 – 2012: Highest 25 States\*



\*Through May 16, 2012.

Source: FEMA: [http://www.fema.gov/news/disaster\\_totals\\_annual.fema](http://www.fema.gov/news/disaster_totals_annual.fema); Insurance Information Institute.

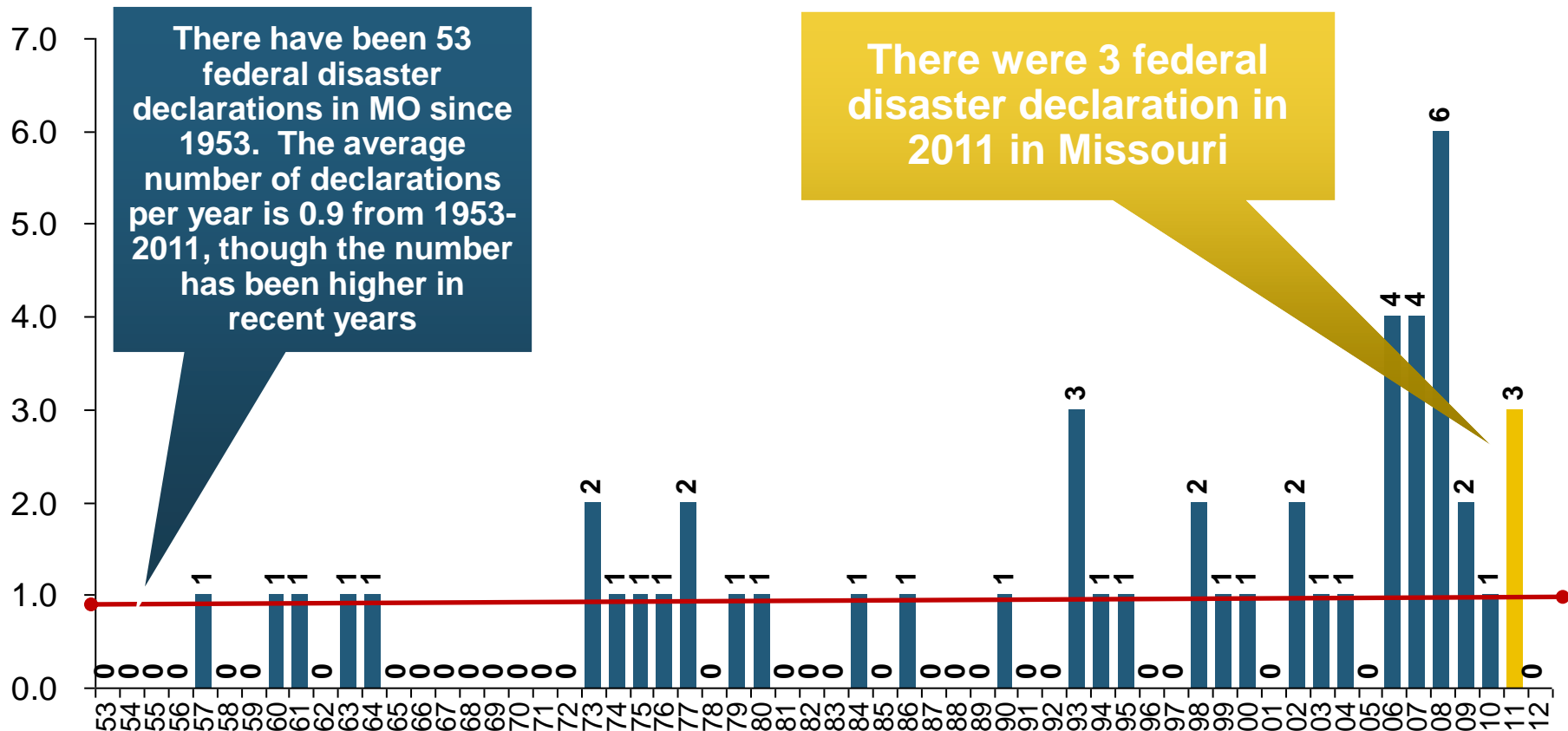
# Federal Disasters Declarations by State, 1953 – 2012: Lowest 25 States\*



\*Through May 16, 2012. Includes Puerto Rico and the District of Columbia.

Source: FEMA: [http://www.fema.gov/news/disaster\\_totals\\_annual.fema](http://www.fema.gov/news/disaster_totals_annual.fema); Insurance Information Institute.

# Number of Federal Disaster Declarations In Missouri, 1953-2012\*



**The Number of Federal Disaster Declarations in Missouri Has Been Elevated Since 2006. Severe Storm, Tornado and Flooding Events Account for the Majority of the Declarations**

\*Through May 16, 2012.

Source: Federal Emergency Management Administration: [http://www.fema.gov/news/disaster\\_totals\\_annual.fema](http://www.fema.gov/news/disaster_totals_annual.fema) ; Insurance Information Institute.

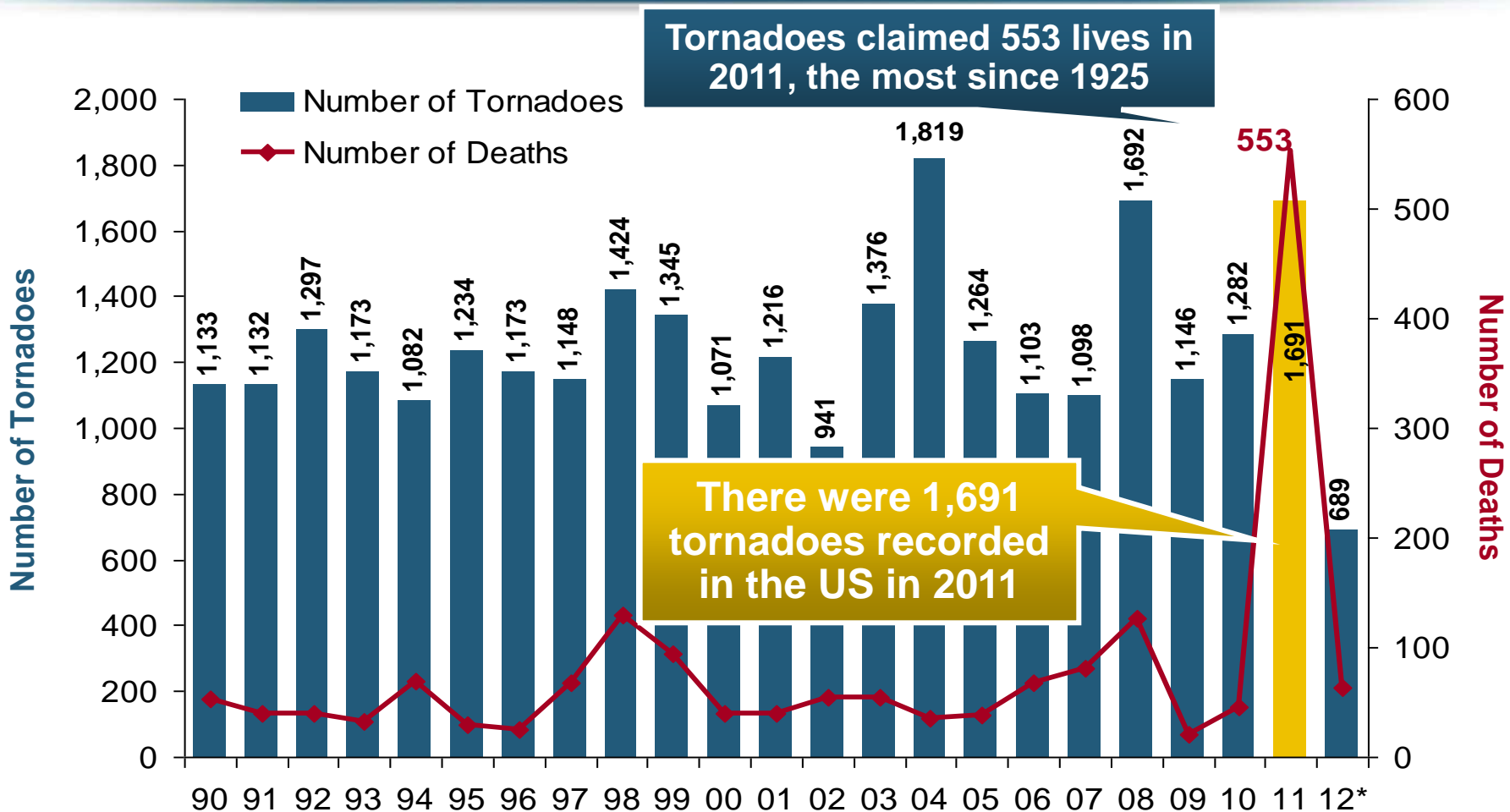




## **SPRING 2012 TORNADO & SEVERE STORM OUTBREAKS**

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

# Number of Tornadoes and Related Deaths, 1990 – 2012\*

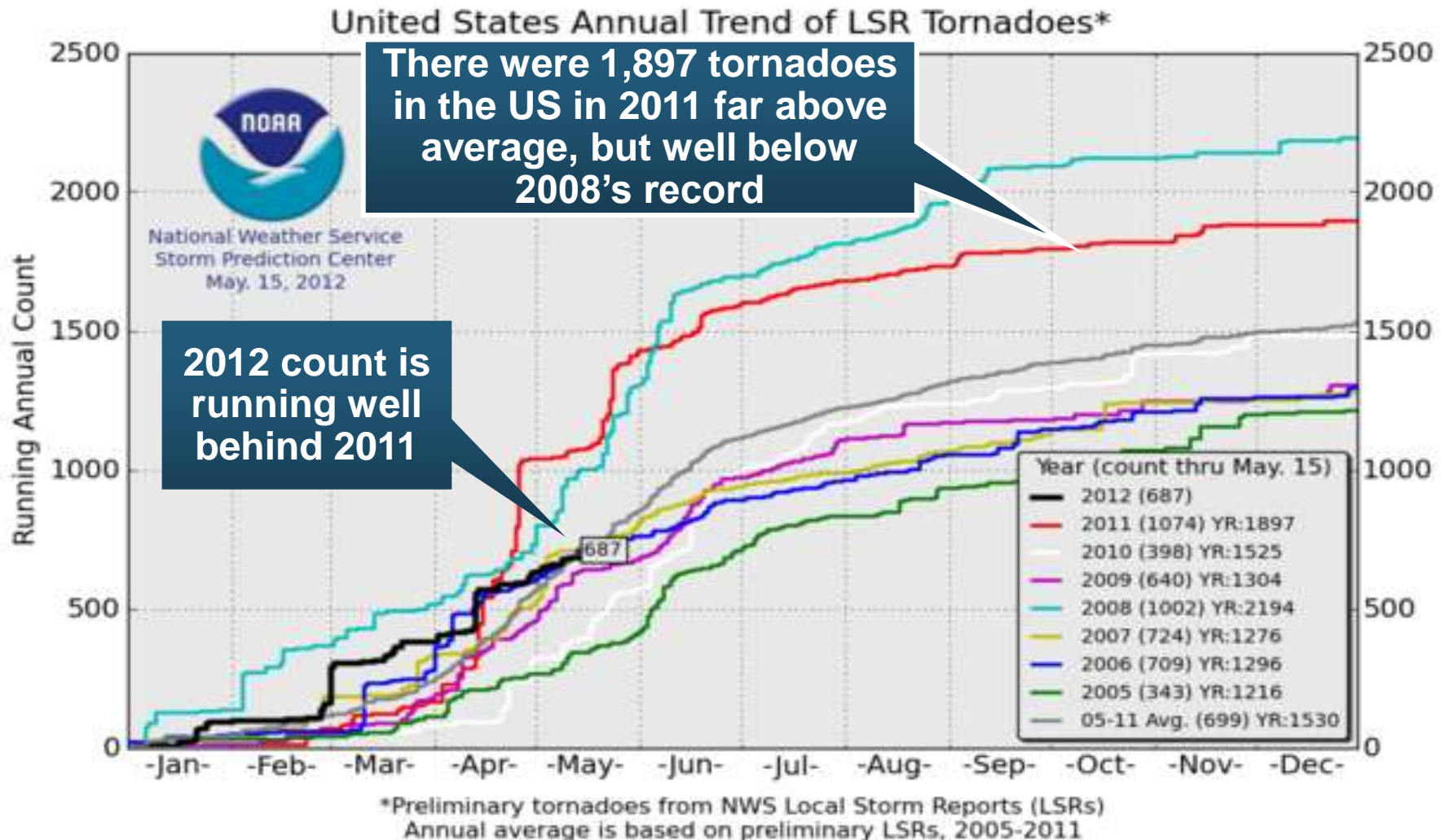


**2012 Tornado Losses Got Off to a Ominous Start, But Slowed. First Half 2011 Insured Losses from Tornadoes and Thunderstorms Topped \$21B.**

\*Through May 16, 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 May 15, 2012.

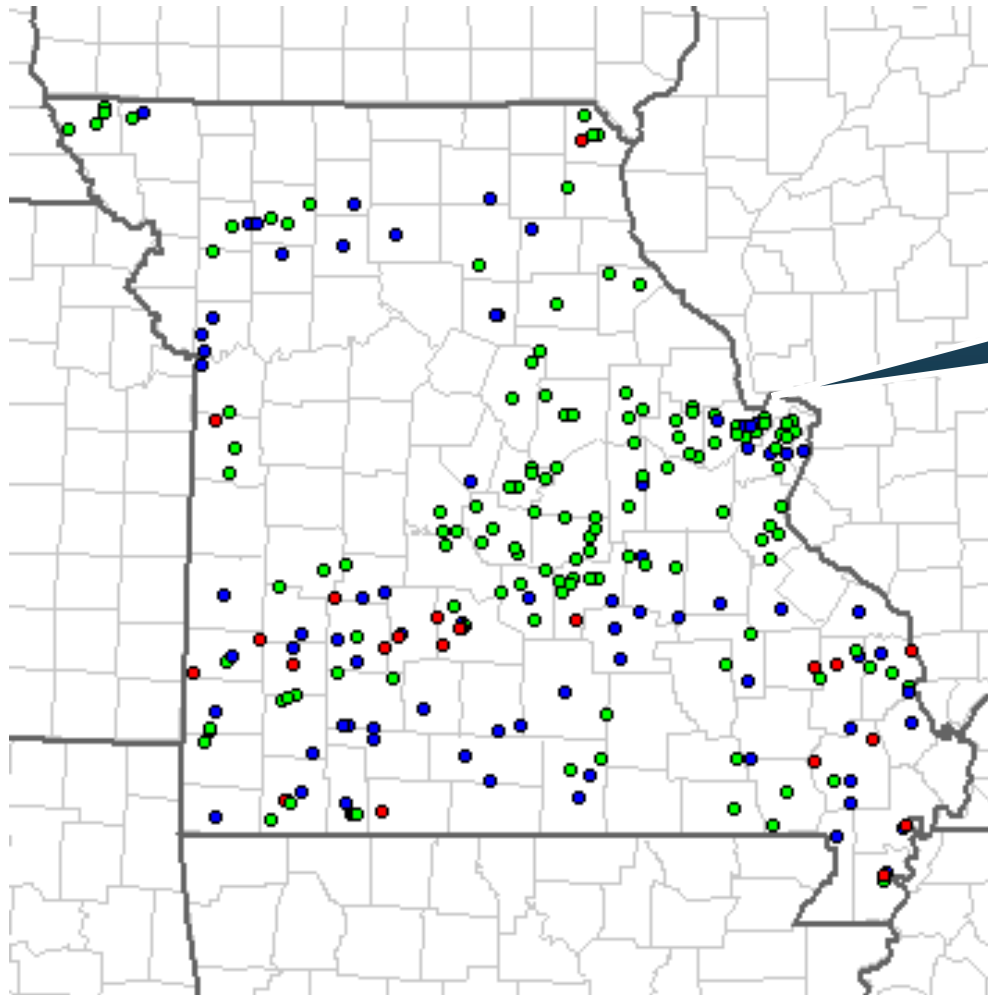
Source: <http://www.spc.noaa.gov/wcm/>



## **SUMMARY OF TORNADO AND SEVERE STORM ACTIVITY IN MISSOURI IN 2012**

**2012 Tornado Season Has So Far  
Been Light in Missouri**

# Severe Weather Reports in Missouri, January 1—May 16, 2012



There were 259  
severe weather  
reports in MO though  
May 16, 2012

## **MISSOURI**

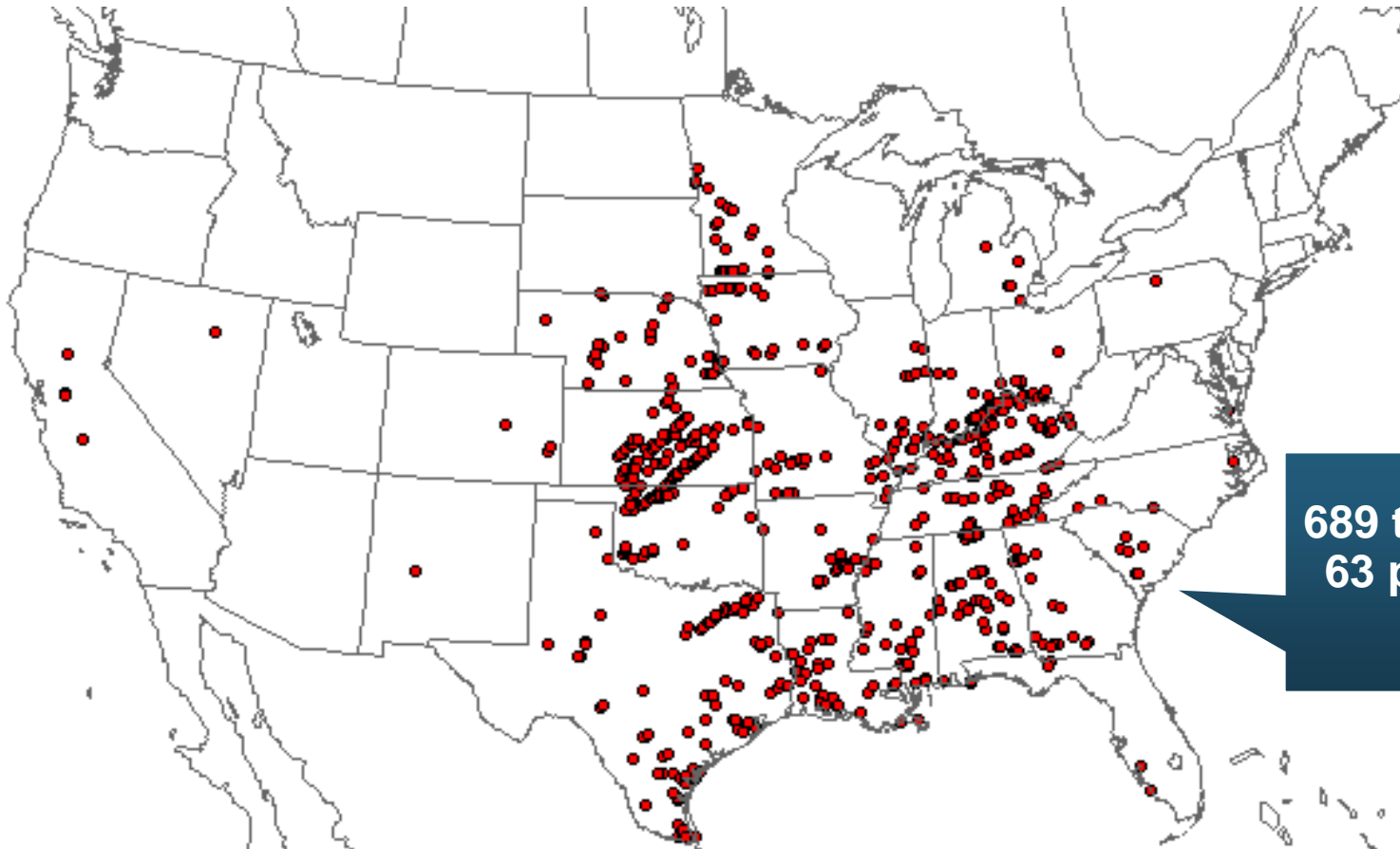
***Total Reports = 259***

Tornadoes = 23 (Red)

Hail Reports = 145 (Green)

Wind Reports = 91 (Blue)

# Location of Tornadoes in the US, 2012\*



**689 tornadoes killed  
63 people through  
May 16**



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

NOAA/Storm Prediction Center Norman, Oklahoma

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

Updated: Wednesday May 16, 2012 05:28 CT

\*Through May 16, 2012.

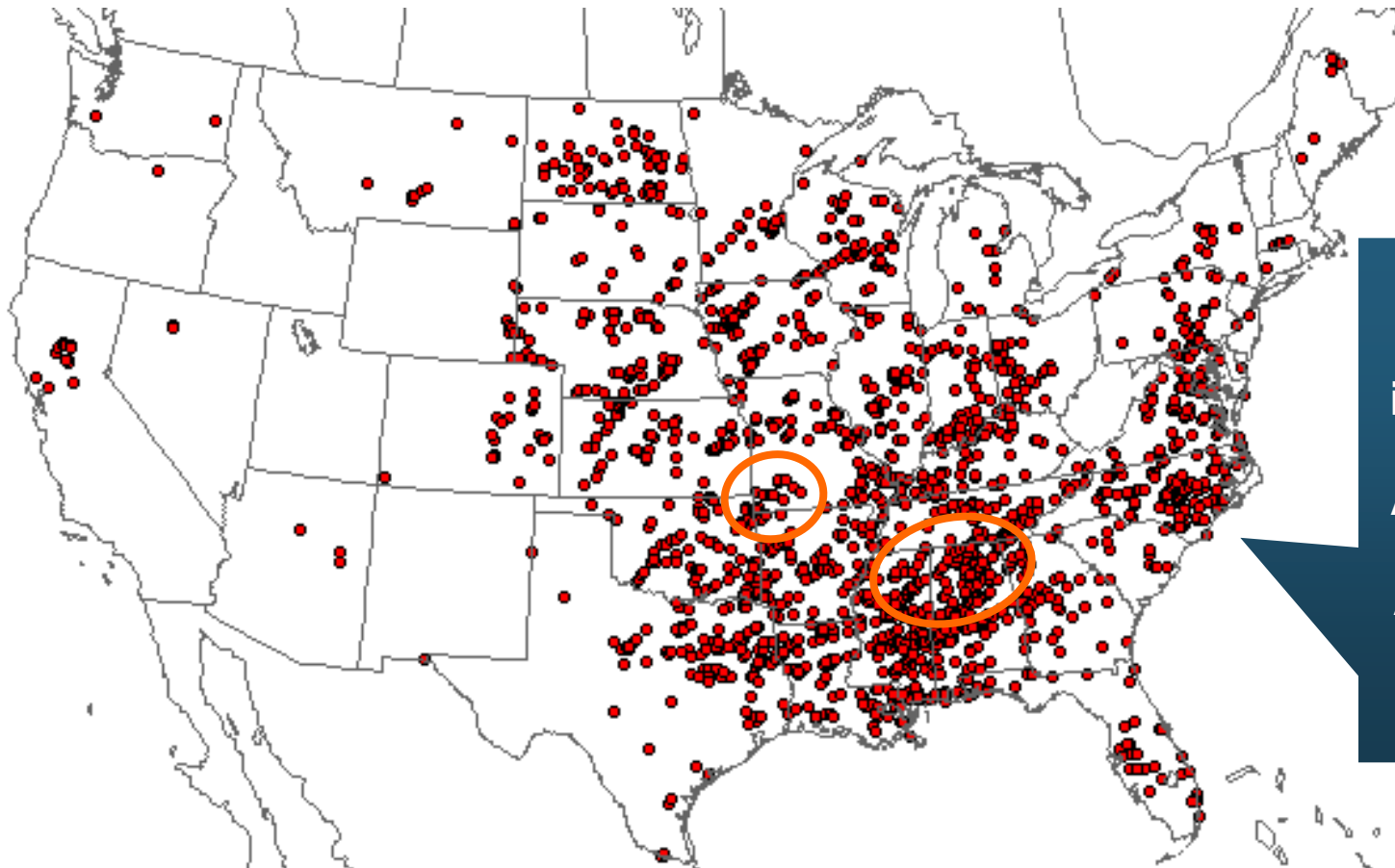
Source: NOAA Storm Prediction Center; [http://www.spc.noaa.gov/climo/online/monthly/2012\\_annual\\_summary.html#](http://www.spc.noaa.gov/climo/online/monthly/2012_annual_summary.html#)



## **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, AL, area, and 130 in Joplin, MO, on May 22



PRELIMINARY SEVERE WEATHER  
REPORT DATABASE (ROUGH LOG)

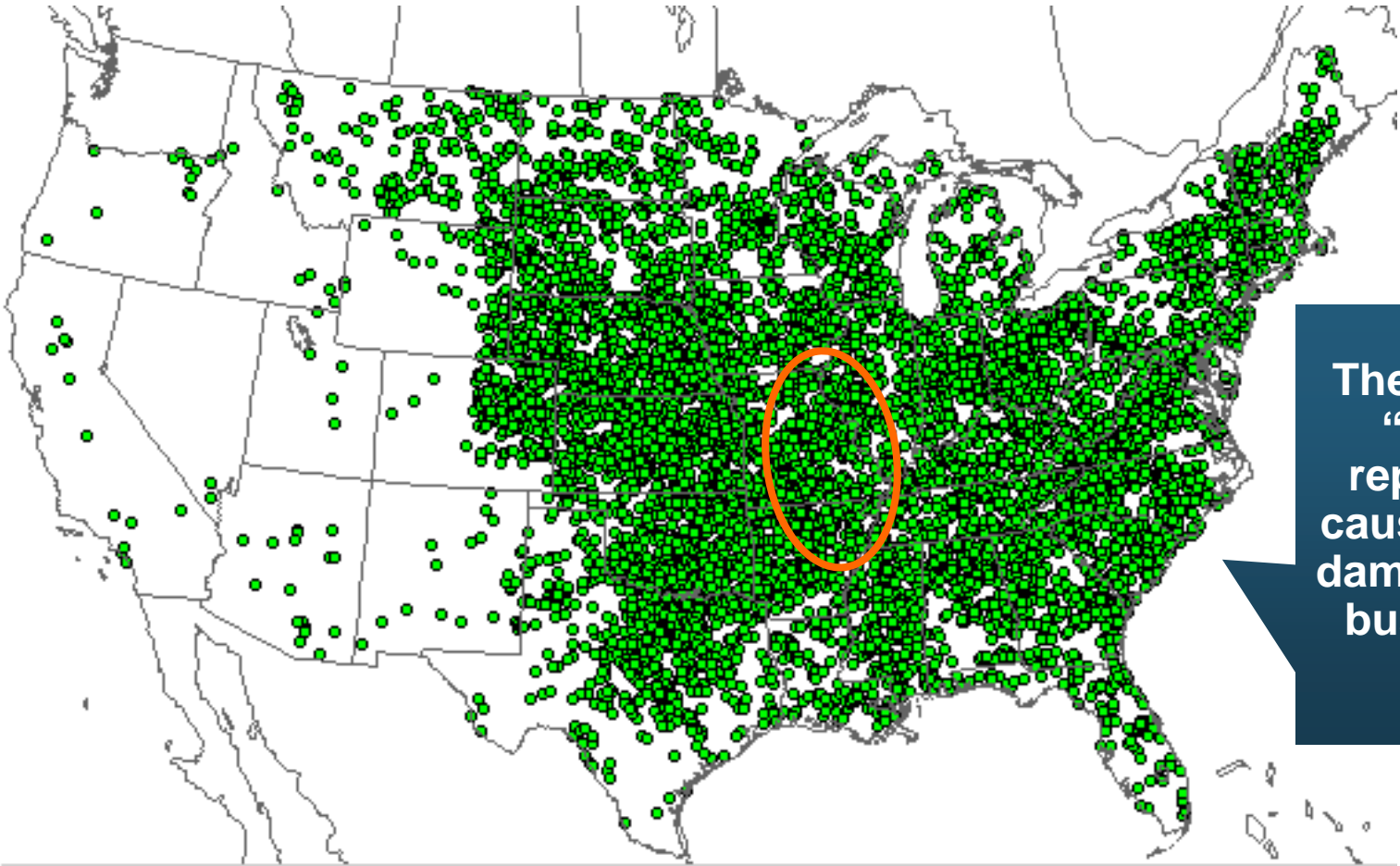
NOAA/Storm Prediction Center Norman, Oklahoma

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



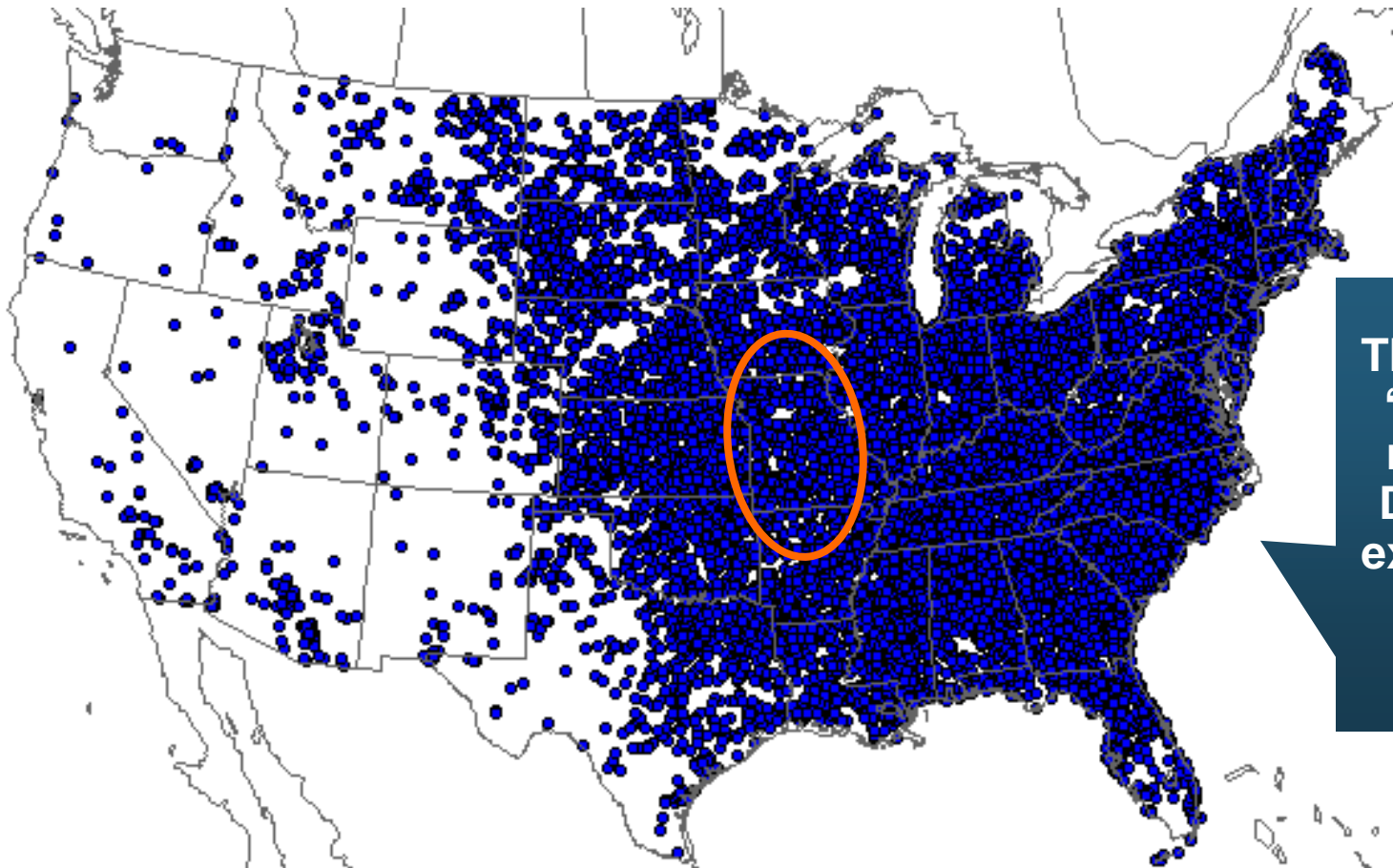
PRELIMINARY SEVERE WEATHER  
REPORT DATABASE (ROUGH LOG)

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



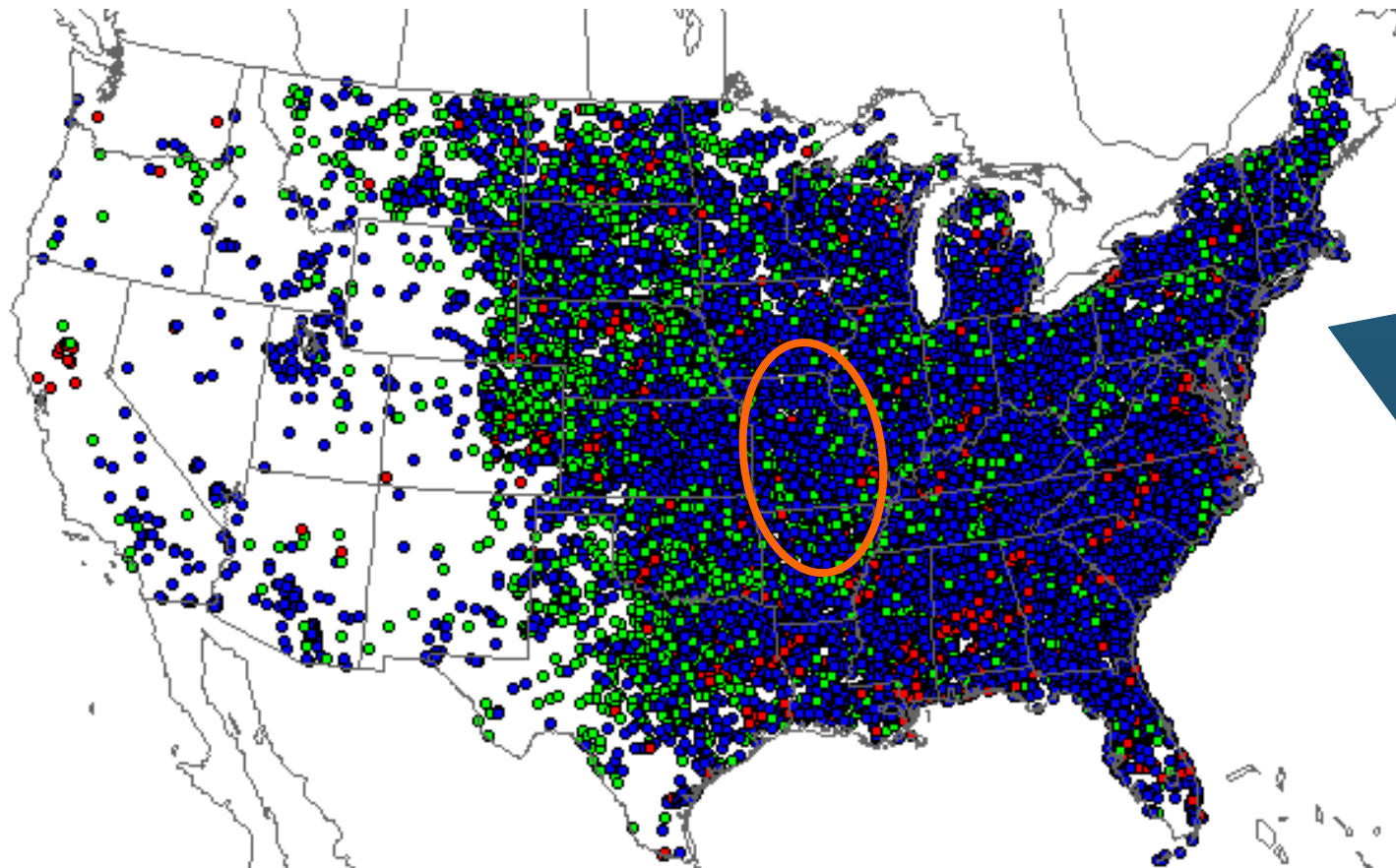
PRELIMINARY SEVERE WEATHER  
REPORT DATABASE (ROUGH LOG)

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

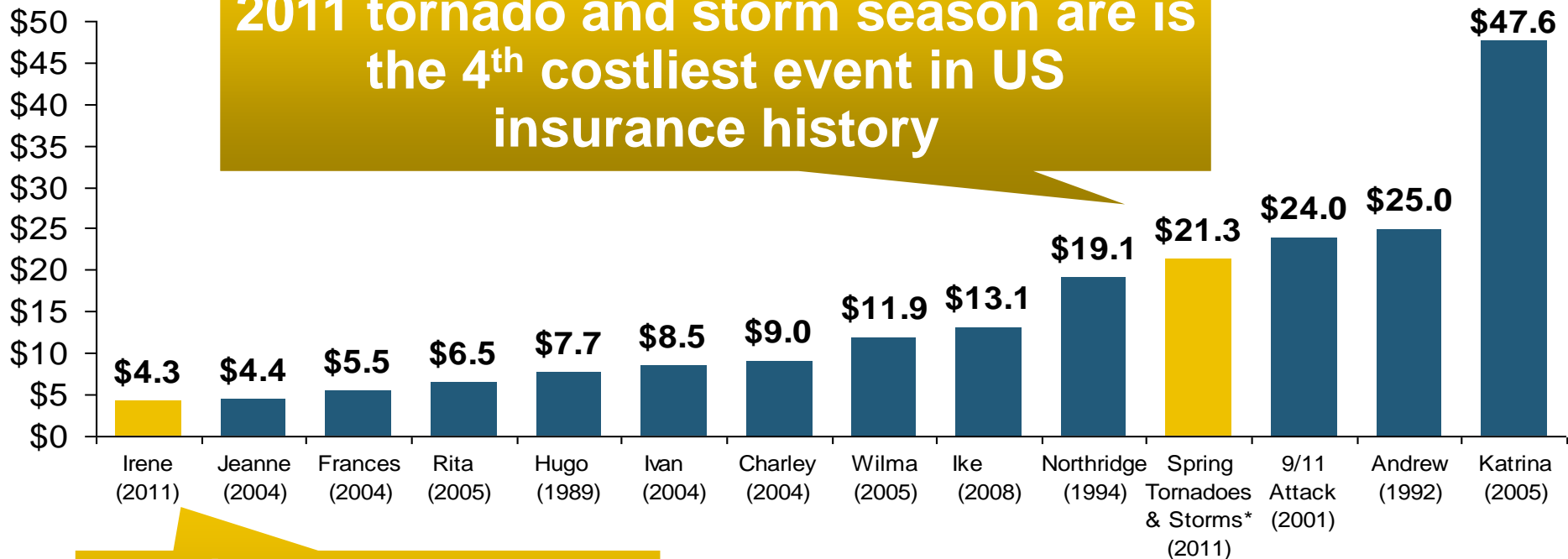
# Summary of 2011 US Catastrophe Losses

**2011 Was the 5<sup>th</sup> Most Expensive  
Year in History for Insured  
Catastrophe Claims Paid**

# Top 14 Most Costly Disasters in U.S. History

(Insured Losses, 2011 Dollars, \$ Billions)

Taken as a single event, the Spring 2011 tornado and storm season are the 4<sup>th</sup> costliest event in US insurance history

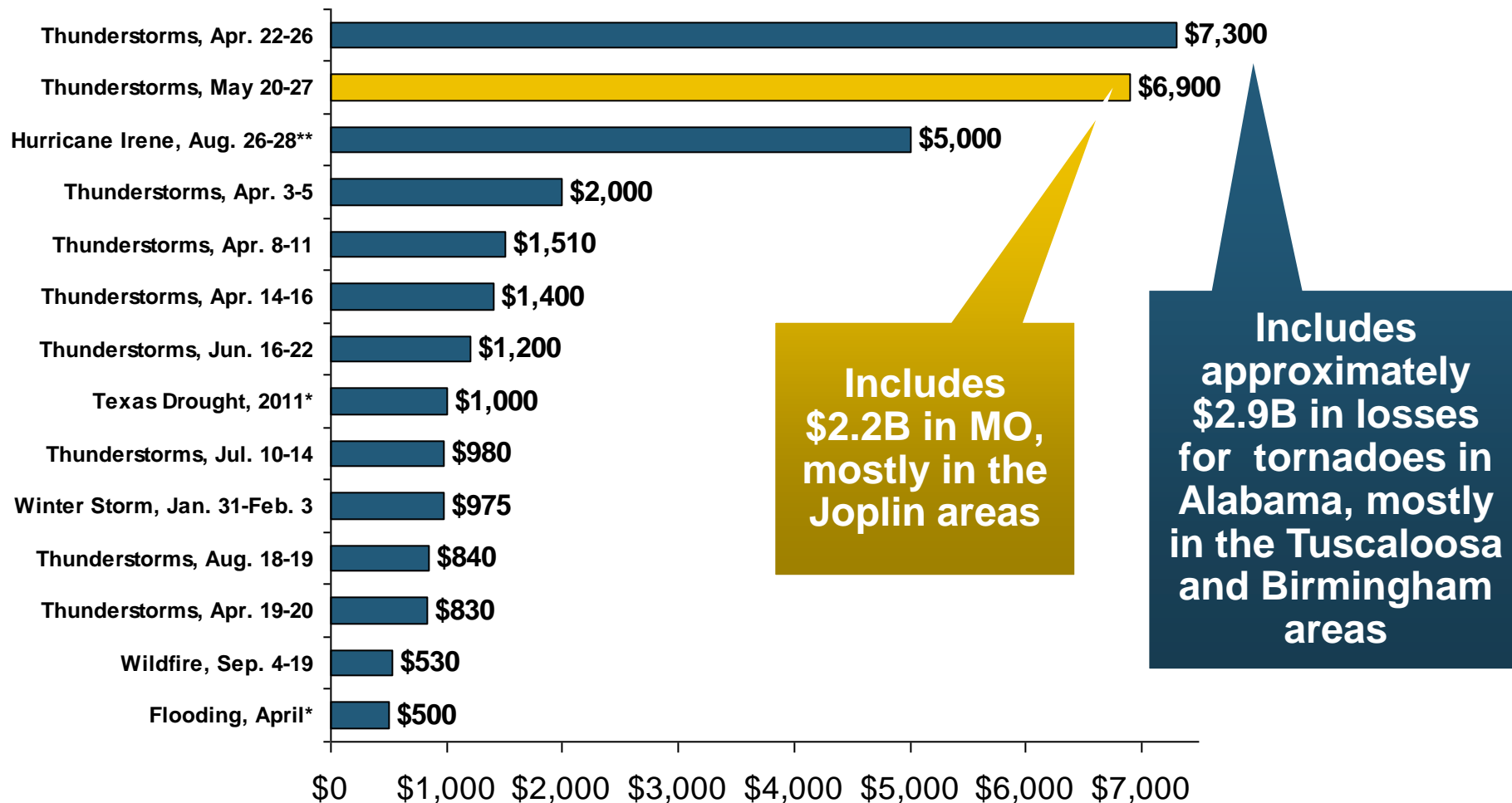


Hurricane Irene became the 11<sup>th</sup> most expensive hurricane in US history

\*Losses will actually be broken down into several "events" as determined by PCS. Includes losses for the period April 1 – June 30.

Sources: PCS; Insurance Information Institute inflation adjustments.

# 2011's Most Expensive Catastrophes, Insured Losses



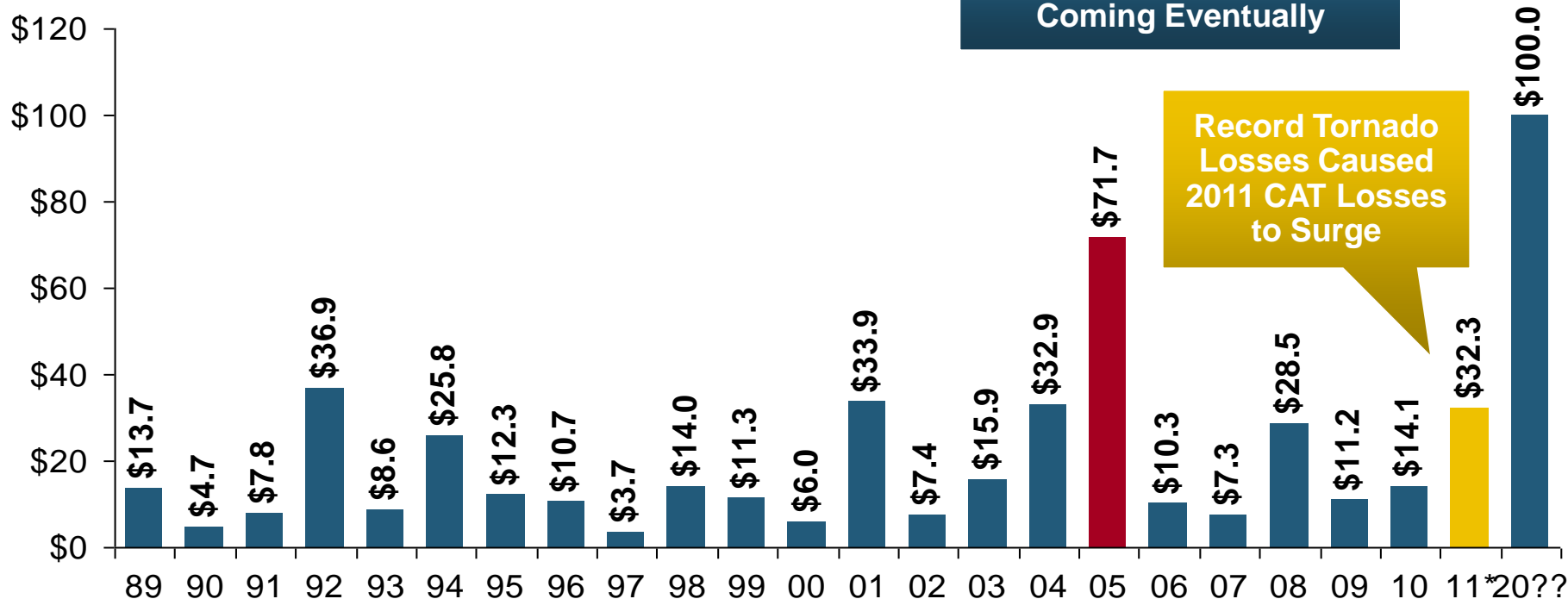
\*\*Includes \$700 million in flood losses insured through the National Flood Insurance Program.

Source: PCS except as noted by "\*" which are sourced to Munich Re; Insurance Information Institute.



# US Insured Catastrophe Losses

(\$ Billions, 2011 Dollars)



**US CAT Losses in 2011 Were the 5<sup>th</sup> Highest in US History on An Inflation Adjusted Basis**

\*PCS figure as of April 6, 2012.

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.

Insurance Information Institute Online:

[www.iii.org](http://www.iii.org)

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