National Hurricane Conference Workshop
Hurricanes as Teachers: Lessons Learned to Minimize Future Losses

2010 National Hurricane Conference
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Orlando Hilton, Orlando, Florida

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

- Insurance and Hurricanes
- Lesson Learned from Hurricanes
  Katrina, Wilma, Ike & (Andrew)
- Current State of Preparedness
- Key Consumer Education Messages
- I.I.I. Resources
- Questions
Insurance and Hurricanes
Lesson 1: Hurricanes are Costly!

INFLATION-ADJUSTED U.S. CATASTROPHE LOSSES BY CAUSE OF LOSS, 1989-2008 (1)

(1) Catastrophes are all events causing direct insured losses to property of $25 million or more in 2008 dollars. Adjusted for inflation by ISO.
(2) Excludes snow.
(3) Does not include flood damage covered by the federally administered National Flood Insurance Program.
(4) Includes civil disorders, water damage, fires other than wildfires and utility service disruptions.

Source: ISO's Property Claim Services unit (PCS).
Top 12 Most Costly Disasters in US History

(Insured Losses, 2008, $ Billions)

In 2008, Ike Became the 4th Most Expensive Insurance Event and 3rd Most Expensive Hurricane in US History Arising from About 1.35MM Claims

8 of the 12 Most Expensive Disasters in US History Have Occurred Since 2004; 8 of the Top 12 Disasters Affected FL and 10 have been Hurricaness

* PCS estimate as of August 1, 2009.
Sources: PCS; Insurance Information Institute inflation adjustments.
## Cost of Hurricanes

### Top 15 Most Costly Hurricanes in the United States

<table>
<thead>
<tr>
<th>Rank</th>
<th>Date</th>
<th>Location</th>
<th>Hurricane</th>
<th>Dollars when occurred</th>
<th>In 2009 dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aug. 25-30, 2005</td>
<td>AL, FL, GA, LA, MS, TN</td>
<td>Katrina</td>
<td>$41,100</td>
<td>$45,148</td>
</tr>
<tr>
<td>2</td>
<td>Aug. 24-26, 1992</td>
<td>FL, LA</td>
<td>Andrew</td>
<td>$15,500</td>
<td>$23,702</td>
</tr>
<tr>
<td>3</td>
<td>Sep. 12-14, 2008</td>
<td>AR, IL, IN, KY, LA, MO, OH, PA, TX</td>
<td>Ike</td>
<td>$12,500</td>
<td>$12,456</td>
</tr>
<tr>
<td>4</td>
<td>Oct. 24, 2005</td>
<td>FL</td>
<td>Wilma</td>
<td>$10,300</td>
<td>$11,315</td>
</tr>
<tr>
<td>5</td>
<td>Aug. 13-14, 2004</td>
<td>FL, NC, SC</td>
<td>Charley</td>
<td>$7,475</td>
<td>$8,489</td>
</tr>
<tr>
<td>8</td>
<td>Sep. 20-26, 2005</td>
<td>AL, AR, FL, LA, MS, TN, NC</td>
<td>Rita</td>
<td>$5,627</td>
<td>$6,181</td>
</tr>
<tr>
<td>9</td>
<td>Sep. 3-9, 2004</td>
<td>FL, GA, NC, NY, SC</td>
<td>Frances</td>
<td>$4,595</td>
<td>$5,219</td>
</tr>
<tr>
<td>11</td>
<td>Sept. 21-29, 1988</td>
<td>AL, FL, LA, MS, PR, U.S. Virgin Islands</td>
<td>George</td>
<td>$2,056</td>
<td>$2,889</td>
</tr>
<tr>
<td>12</td>
<td>Oct. 4, 1985</td>
<td>FL, AL, GA, NC, SC, TN</td>
<td>Opal</td>
<td>$2,100</td>
<td>$2,956</td>
</tr>
<tr>
<td>13</td>
<td>Sep. 14-17, 1999</td>
<td>NC, NJ, VA, FL, SC, PA, 10 other states</td>
<td>Floyd</td>
<td>$1,960</td>
<td>$2,524</td>
</tr>
<tr>
<td>14</td>
<td>Sep. 11, 1992</td>
<td>Kauai and Oahu, HI</td>
<td>Iniki</td>
<td>$1,600</td>
<td>$2,447</td>
</tr>
<tr>
<td>15</td>
<td>Sep. 5, 1996</td>
<td>NC, SC, VA, MD, WV, PA, OH</td>
<td>Fran</td>
<td>$1,600</td>
<td>$2,188</td>
</tr>
</tbody>
</table>

1. Property coverage only. Does not include flood damage covered by the federally administered National Flood Insurance Program. As of September 2006.

Source: ISO's Property Claim Services unit (PCS); U.S. Bureau of Labor Statistics.
In 2007, Florida Still Ranked as the #1 Most Exposed State to Hurricane Loss, with $2.459 Trillion Exposure, an Increase of $522B or 27% from $1.937 Trillion in 2004

The Insured Value of All Coastal Property Was $8.9 Trillion in 2007, Up 24% from $7.2 Trillion in 2004

Source: AIR Worldwide
Lesson Learned from Hurricanes Katrina, Wilma, Ike (and Andrew)
Lessons Learned from Hurricanes

Hurricane Andrew

- Watershed event that proved that hurricanes are far more destructive and costly than experts predicted. It led to a far better understanding of what could happen if a hurricane hit a major metropolitan area. It was the costliest disaster in U.S. history until Hurricane Katrina.

- Importance of both strong building codes and effective enforcement. Insurers now incorporate this into rate making in all coastal states that way they take into account quality/proximity to a fire department.

- Created a greater awareness of the importance of building and/or retrofitting a home to withstand a disaster.
Lessons Learned from Hurricanes

Hurricanes Katrina, Rita & Ike

- Hurricane Katrina exposed many of the weaknesses in the nation’s preparedness for megadisasters. It left more devastation and a higher reconstruction bill because of extensive commercial and residential development along the Gulf coast and the record breaking storm surge – reportedly as high as 29 feet.

- The 2005 hurricane season (Katrina, Rita, Wilma) showed many people in flood zones failed to purchase flood insurance, many communities in harm’s way had failed to enforce building codes and there needs to be greater attention placed on land use patterns in areas most vulnerable to storm damage.
Lessons Learned from Hurricanes

- Hurricanes Katrina, Rita & Ike demonstrated the need for coastal residents to heed the warnings about evacuating their homes and plan to leave for a long time – possibly for good. Pets are also an important component in the planning and are a good way of motivating people to do the right thing.

- There is a cost associated with coastal living – hurricane deductibles, higher insurance costs all need to be considered.
Current State of Preparedness
This is the good news about disaster preparedness!
Current State of Preparedness

19. Q. Do you have a written or photographic inventory of your possessions to help document losses to your insurer in case of a disaster?

<table>
<thead>
<tr>
<th></th>
<th>May 2009</th>
<th>May 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>47%</td>
<td>54%</td>
</tr>
<tr>
<td>No</td>
<td>52%</td>
<td>45%</td>
</tr>
<tr>
<td>Don't know</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Percent who have an inventory

<table>
<thead>
<tr>
<th>Region</th>
<th>May 2009</th>
<th>May 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>36%</td>
<td>49%</td>
</tr>
<tr>
<td>North Central</td>
<td>48%</td>
<td>57%</td>
</tr>
<tr>
<td>South</td>
<td>53%</td>
<td>62%</td>
</tr>
<tr>
<td>West</td>
<td>46%</td>
<td>40%</td>
</tr>
</tbody>
</table>

According to the I.I.I.’s Insurance Pulse, the portion of Americans who an inventory of their possession dropped in May 2009 compared with 54 percent a year ago. This marks the first time less than half of respondents said they have an inventory of their possession since the I.I.I. began asking this question in The south is the only region where more than half took the time to create this important document.
Current State of Preparedness

Fewer people now have a flood insurance policy than a year ago, especially in the Northeast and the West.

About a quarter of Americans still believe their homeowners policy covers damage from flooding during a hurricane.
About 60 percent of Americans say that the government will not pay for damage to their homes that is not covered by their home insurance policy, the same as a year ago.

22. Q. Will the government pay for damage to your home that is not covered in your homeowners policy? (Asked of those who have homeowners insurance.)

- Yes: 8%
- Don't know: 33%
- No: 59%
Key Consumer Education Messages
Key Consumer Education Messages

I. Review Insurance Coverage *Before* Hurricane Season

II. Create a Home Inventory

III. Take steps to Make Your Home More Hurricane-Resistant

IV. Plan your Evacuation Ahead of time

V. Test your Evacuation Plan by Taking the Ten Minute Challenge

Consumers, media and others have amnesia when it comes to past disasters. Repetition, innovation and many methods of distribution are needed to make a difference.
Continues to Seesaw

By TIM HOELLE
For the past several years, rates in the E&S commercial property insurance market have been flat, making consumers happy. However, carriers and brokers continue to fight for an ever-shrinking market share.

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Blog

Insuring Florida
Lynna McChristian is the Florida representative for the Insurance Information Institute. Her blog, Straight Talk, addresses Florida-specific insurance issues.

Recent Posts
- One DIY project leads to more for stronger home
- Getting insurance credits that are deserved
- Some auto insurance rates rising
- Why “insurance deregulation” are scary words

Calendar
HIPAA and the HITECH Act of 2009
Hotel Indigo Jacksonville, Jacksonville, FL
March 18, 2010
PLRB/LIRB 2010 Claims Conference & Insurance Services Expo

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Work Comp Newsbreak provides national workers’ compensation news each month across all disciplines - regulatory, legal, claims, carrier, broker, agent, employee and employer.

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Personalities

GARY FINEOUT
Citizens’ Board Divided Over Borrowing
Citizens Property Insurance Corp. has found itself on the defensive once again. Questions about its contracts and finances have sparked criticism from elected officials and divided the governing board.

SHARON MOORHEAD
Florida PEOs Mind Their Own Business — and Their Clients — in Tough Times
Florida has the highest PEO market penetration of any state.
Tactic: Social Media
Beloether Drywall Trial Gets Underway

Monday, March 15, 2015
Posted by Claire under Emerging Risks, Legal Environment

A New Orleans federal courtroom will begin hearing an early test case in the Chinese-manufactured drywall products liability litigation today. In the case — Hernandez v.

Danao USA Inc. — a New Orleans family contends that Knauf Plasterboard Tianjin Co.

Ltd. produced drywall in their home that was "unadequate, defective and inherently
dangerous." The trial will be heard by U.S. District Judge Ellen Pollard and its focus
will be limited to property damage only. The Richmond News notes that the case is
among several hundred Chinese drywall lawsuits that have been consolidated into a
single proceeding before a federal judge. It says the trial is likely to provide guidance on
remediation that will make it easier to resolve future cases. As of February 27, 2010,
the U.S. Consumer Product Safety Commission (CPSC) had received 9,471 incident
reports related to drywall from 37 states, the District of Columbia, and Puerto Rico.

More than 90 percent of reports are from Florida (90 percent), Louisiana (24 percent),
Mississippi (6 percent), Alabama (3 percent) and Virginia (4 percent). Last November,
the CPSC said it had found "strong association" between homes with the problem
drywall and the levels of hydrogen sulfide and metal corrosion in those homes.

However, the findings on possible health effects are less definitive. Check out the I.I.I.
fact sheet on Chinese Drywall for more info on what homeowners should do if faced
with this problem.

Prepare for Earthquakes

Warning, March 11, 2015
Posted by Claire under Catastrophes, Education

California residents are the weakest link in earthquake preparedness and more than 60
percent have not done enough to make their homes safer and guard their personal
finances, according to a newly released study. The California Earthquake Preparedness
Survey conducted by the University of California Los Angeles School of Public Health
Social Media: I.I.I. has several Twitter Accounts

Reach individuals, trade press, consumers and general media
Thank you for your time and your attention!

Email: Jeannes@iii.org

Download at: www.iii.org/presentations