The Insurance Industry’s Response to Superstorm Sandy: 

Putting the Northeast on the Road to Recovery

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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
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.

Average of the midpoints of the 3 risk modeler estimates is $18.8 billion
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)

Hurricane Irene became the 12th most expense hurricane in US history in 2011

Hurricane Sandy could become the 3rd costliest hurricane in US insurance history

*Estimate as of 12/09/12 based on average of current range estimate midpoints from AIR, Eqecat 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)

Hurricane Sandy could become the 5th costliest event in US insurance history

Hurricane Irene became the 12th most expense hurricane in US history in 2011

NY Gov. Andrew Cuomo has requested $42 billion in federal aid. NJ Gov. Chris Christie has requested $29.4B

*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)

5 of the top 14 most expensive catastrophes in world history have occurred within the past 3 years

Hurricane Sandy could become the 6th costliest event in global insurance history

*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.
The number of federal disaster declarations set a new record in 2011, with 99, shattering 2010’s record 81 declarations.


US Insured Catastrophe Losses

($ Billions, 2011 Dollars)

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


*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)

Hurricanes Katrina and Rita accounted for the majority of 2005’s record $17.4B payout.

Hurricane Sandy and other events could result in $7.5 billion in payouts from the NFIP in 2012, second only to 2005 and potentially exhausting the NFIP’s borrowing authority.

*Estimate as of 11/25/12.
Hurricane Sandy: Number of Claims by Type*

*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*

- New Jersey, 360,000, 36%
- New York, 330,000, 34%
- All Other, 292,000, 30%

Hurricane Sandy
- Estimated 982,000 homeowners claims**
- $6.6 billion in insured losses.
- Average loss per claim is $6,718
- About 1/3 of claims in NY, 1/3 in NJ and 1/3 in all other states

*Preliminary as of 11/26/12. Source: PCS.
Hurricane Sandy: Value of Homeowners Claims Paid, by State* ($ Millions)

- New Jersey, $2,500, 38%
- New York, $2,300, 35%
- All Other, $1,797, 27%

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

Hurricane Sandy
- Estimated 982,000 homeowners claims**
  - $6.6 billion in insured losses.
  - Average loss per claim is $6,718
- Claims in NJ estimated at $2.5 billion (38%) and $2.3 billion in NY (35%)
Hurricane Sandy: Number of Auto Claims by State*

- New York, 130,000, 56%
- New Jersey, 60,000, 26%
- All Other, 40,500, 18%

- Estimated 230,500 vehicle claims
- $779 million in insured losses.
- Average loss per claim is $3,380
- Nearly 60% of the claims occurred in NY state.

*Preliminary as of 11/26/12.
Source: PCS.
Hurricane Sandy: Value of Auto Claims Paid, by State* ($ Millions)

- **New York, $400, 51%**
- **New Jersey, $250, 32%**
- **All Other, $129, 17%**

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**Hurricane Sandy**

- Estimated 230,500 vehicle claims
- $779 million in insured losses.
- Average loss per claim is $3,380
- About 50% of the claim dollars will be paid in NY, 32% in NJ.

*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

- **New York**: $33B to repair subways, hospitals and other facilities; $9B to upgrade infrastructure against future storms
- **New Jersey**: $36.9B to repair schools, roads, bridges, businesses, homes and other facilities; $7.4B to for mitigation and prevention against future storms
- **Connecticut**: $3.2B to bury power lines, upgrade transmission systems, build sewage treatment plants and other mitigation projects
- **Obama Administration Proposal**: $60.4B

Flood Insurance Program: 2012 Reforms

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


- 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

Thank you for your time and your attention!

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