The California Wildfire Season of 2007

Insured Loss Update, Historical Comparisons & Economic Impacts

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Presentation Outline

- Geographic Distribution of Wildfires & Nature of the Damage
- 2007 Wildfire: An Historical Perspective
- Competition and Stability in the California Homeowners Insurance Market
- Economic Benefit to California Economy from Insurer Claim Payments



Major Takeaways

- 2007 Wildfire Season Was Among the Most Expensive in US History
- Insurers Are Paying Losses that Are Expected to Eventually Reach at Least \$1.6 Billion
- Losses Were Manageable for Insurers and Not Outside the Expected Magnitude of Losses, Based on Historical Experience
- Market Remains Stable as it Did Following the Record 2003 Wildfire Season
 - >2003 losses totaled \$2.3 billion
- Total Economic Benefit to California Economy Will Be 2 to 3 Times Actual Claim Payouts 3

Geographic Distribution of Wildfires & Nature of Damage



SOUTHERN CALIFORNIA WILDFIRES

as of 11/08/07 - 0600 Hours PST with Start Dates - Chronologically













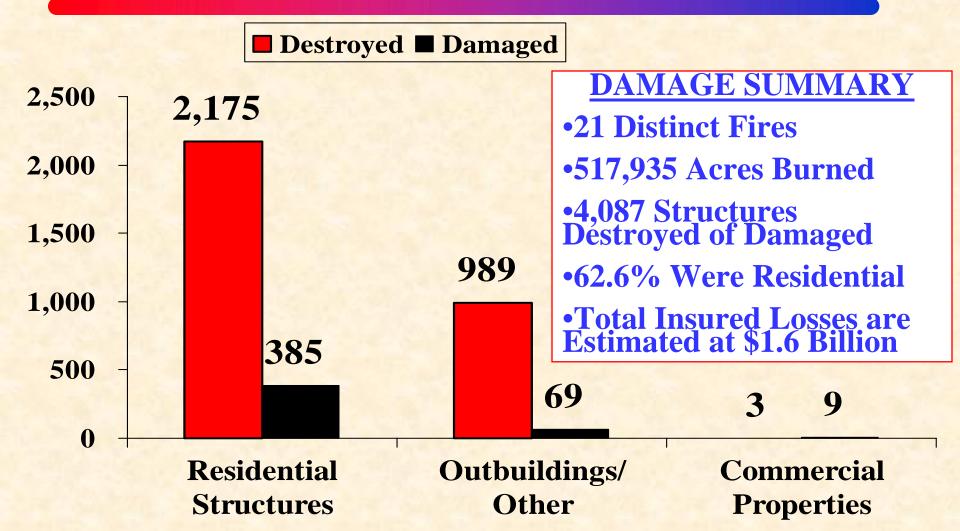


Orested by OES- GIS, M. Baldwin
November 3, 2007 Source: FAIAWEB 2095
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Structures Damaged and Destroyed in 2007 California Wildfires*



*As of November 8, 2007, 6AM PST, at which time virtually all fires had been extinguished. Source: California Governor's Office of Emergency Services; Insurance Information Institute.

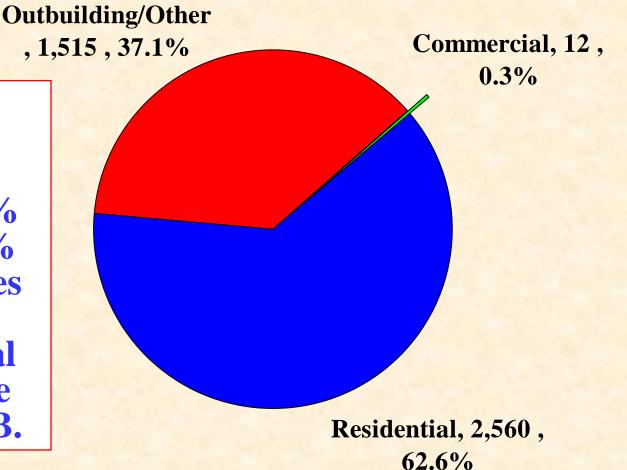


Distribution of 2007 Wildfire Losses by Property Type

A total of 4,087 structures were damaged or destroyed—62.6% residential, 37.1% outlying structures and 0.3% commercial. Total

insured losses are

estimated at \$1.6B.



^{*}As of November 8, 2007, 6AM PST, at which time virtually all fires had been extinguished.
Source: California Governor's Office of Emergency Services; Insurance Information Institute.

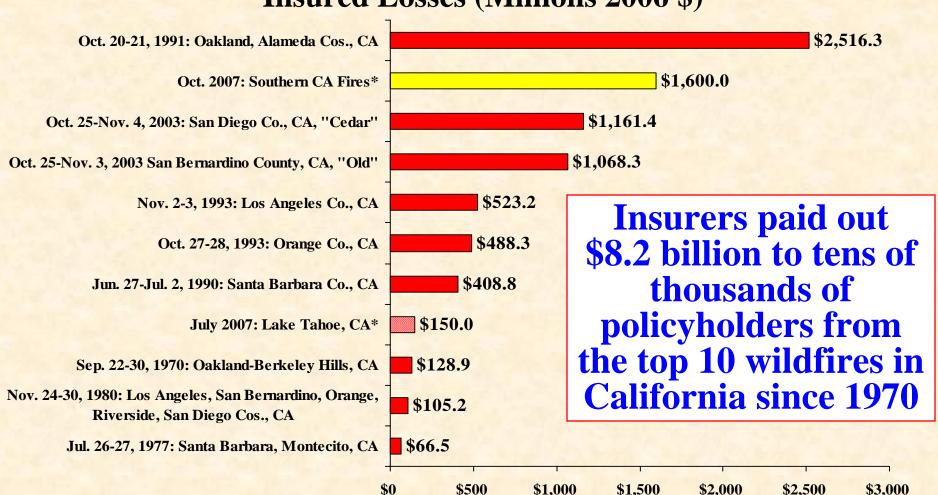
Putting the 2007 Fire Season in Historical Context





Top Ten Catastrophic Wildland Fires In California, 1970-2007*

Insured Losses (Millions 2006 \$)

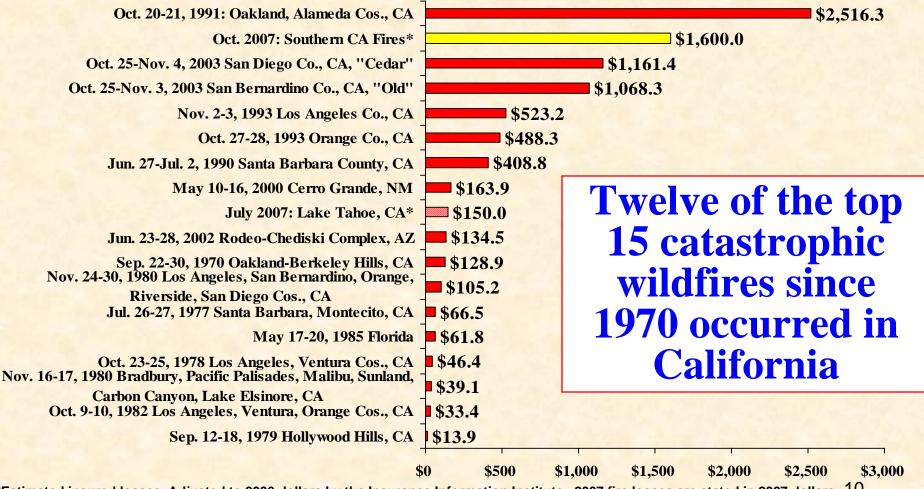


^{*}Estimated insured losses. Adjusted to 2006 dollars by the Insurance Information Institute. 2007 fire losses are stated in 2007 dollars. Source: ISO's Property Claim Services Unit; Insurance Information Institute.

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Top Catastrophic Wildland Fires In The United States, 1970-2007*

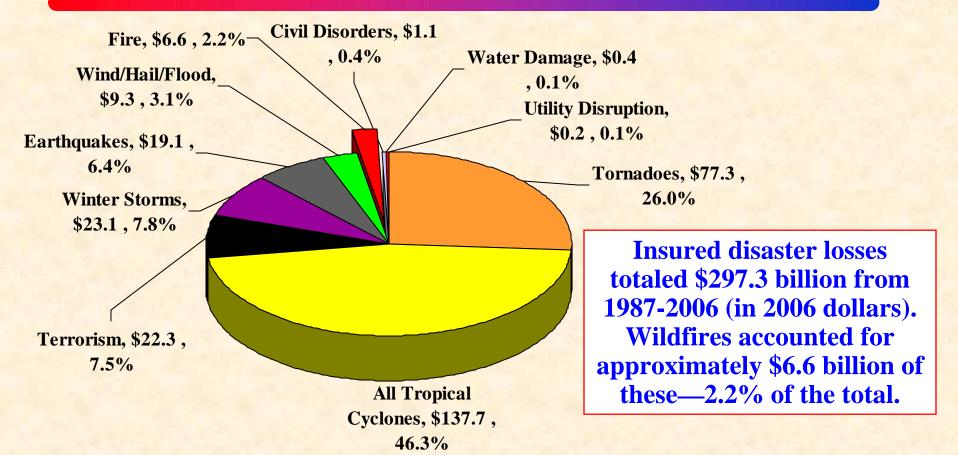
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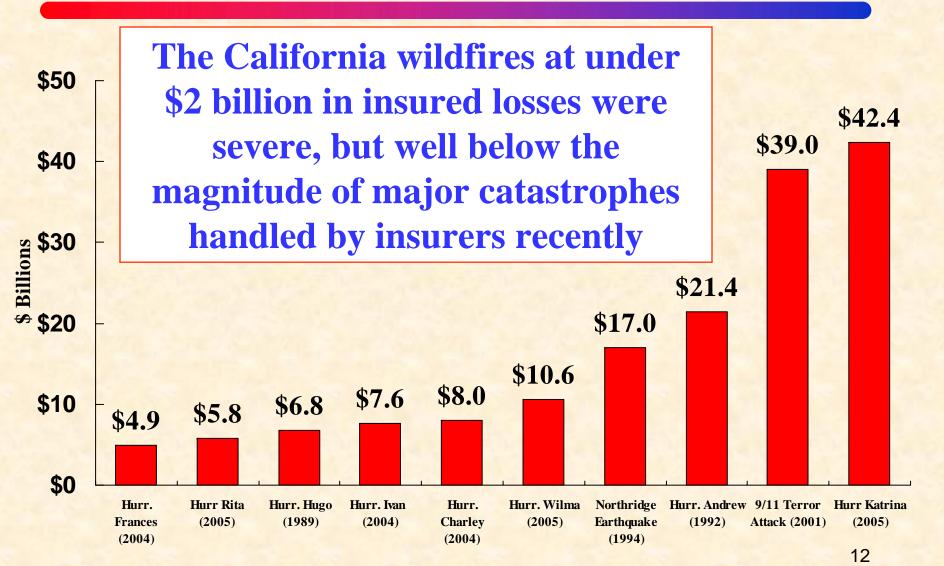
Inflation-Adjusted U.S. Insured Catastrophe Losses By Cause of Loss, 1987-2006¹



¹ Catastrophes are all events causing direct insured losses to property of \$25 million or more in 2006 dollars. Catastrophe threshold changed from \$5 million to \$25 million beginning in 1997. Adjusted for inflation by the III.
² Excludes snow. ³ Includes hurricanes and tropical storms. ⁴ Includes other geologic events such as volcanic eruptions and other earth movement. ⁵ Does not include flood damage covered by the federally administered National Flood Insurance Program. ⁶ Includes wildland fires.

Source: Insurance Services Office (ISO)...

Top 10 Most Costly Catastrophes Lin US History, (Insured Losses, \$2006)



Sources: ISO/PCS; Insurance Information Institute.

California Home Insurance Market is Competitive and Stable





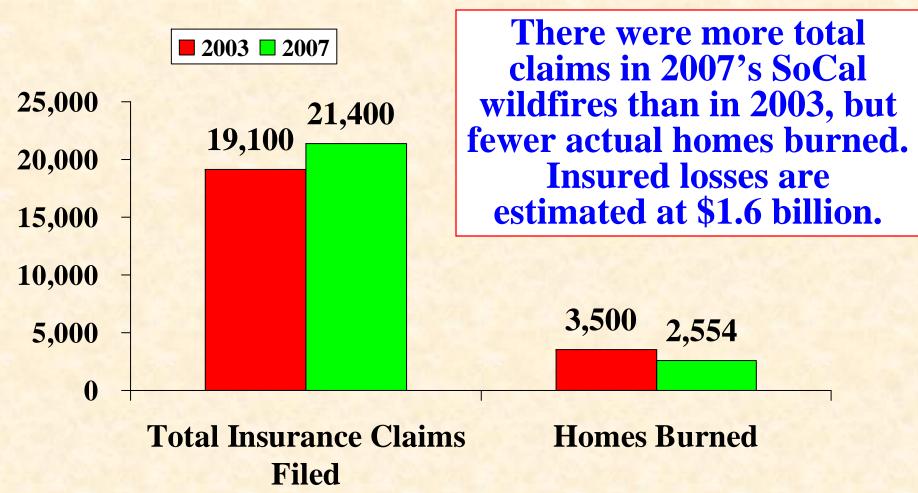
Top 15 California Homeowners Insurers, 2006

Rank	Company	Direct Premiums Written	Market Share (%)
1	State Farm IL Group	\$1,436,028,885	21.7%
2	Zurich Insurance Group	1,116,433,543	16.9
3	Allstate Insurance Group	887,879,647	13.4
4	California State Auto Group	414,417,030	6.3
5	USAA Group	294,930,839	4.5
6	AUTO Club Enterprises Ins. Grp	266,029,053	4.0
7	Nationwide Group	233,463,019	3.5
8	Mercury General Group	196,753,111	3.0
9	Safeco Insurance Group	182,038,003	2.8
10	Allianz Insurance Group	165,577,501	2.5
11	Liberty Mutual Insurance Group	128,771,659	1.9
12	Travelers Group	124,763,066	1.9
13	Hartford Fire & Casualty Group	107,073,769	1.6
14	Balboa Insurance Group	100,850,262	1.5
15	American International Group	90,424,381	1.4

65 insurers competed for homeowners business in California in **2006** writing \$6.7 billion in premiums. The state's **FAIR** plan has a market share of only about 1%.



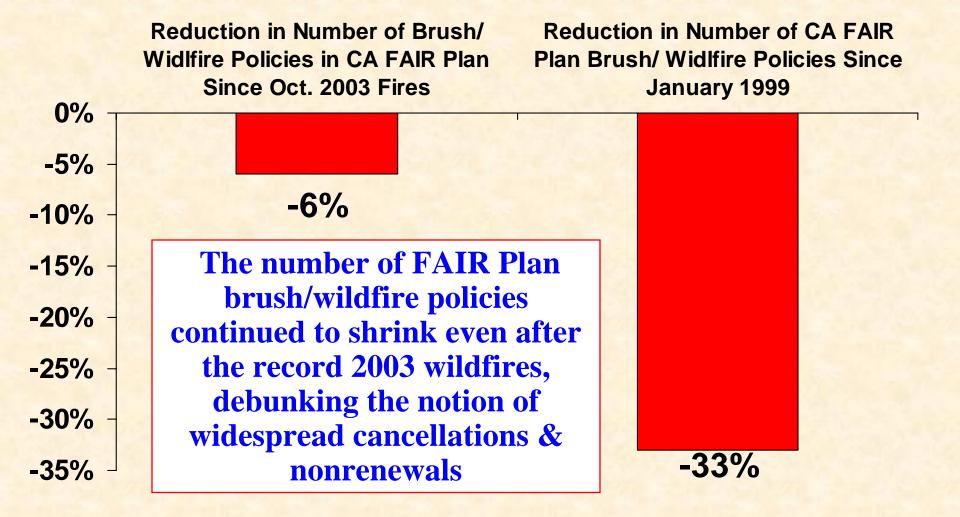
2007 Wildfires: Insurance Claim Summary*



*Includes fire and wind claims home, auto, farm and commercial lines. Figures as of Nov. 13, 2007. Source: California FAIR Plan; Insurance. Information Institute.



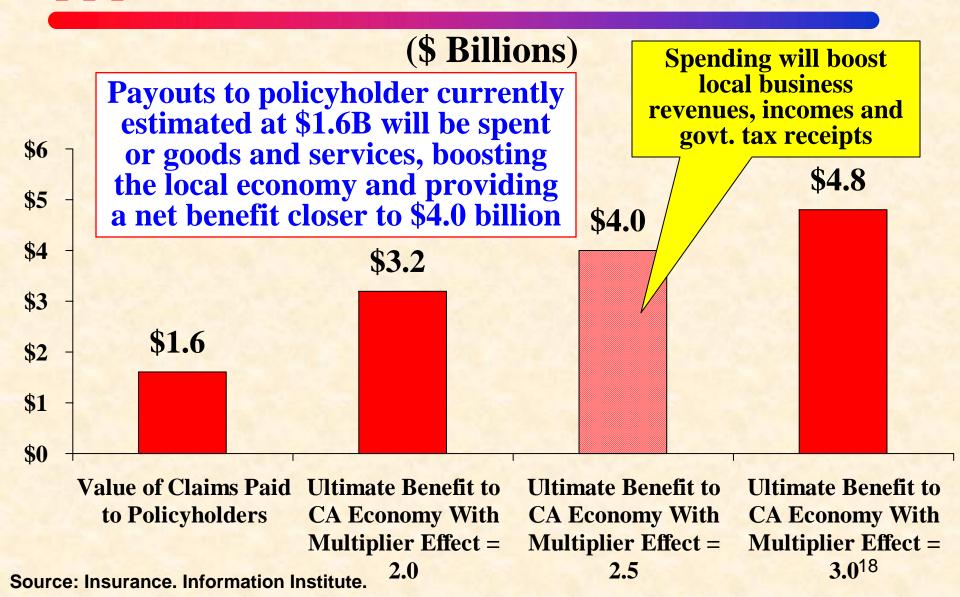
Percentage Change in Number of FAIR Plan Brush/Wildfire Policies in California



Economic Impact of Insurer Payments to Policyholders

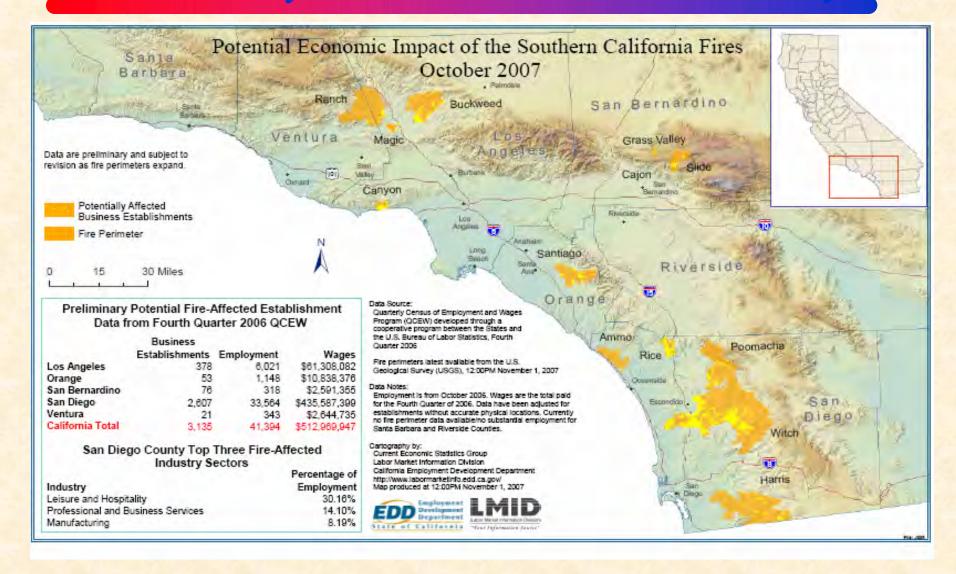


Economic Damage of Wildfires Will Be Offset by Insurance Payments





Economic Impact of Fires is Potentially Large, But Insurance Payouts Will Boost Economy





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