# 2014 Half-Year Natural Catastrophe Review

July 9, 2014

Munich RE

# Agenda

**Introduction**
Sharon Cooper
Press Spokesperson, Munich Re America

**US/Global Natural Catastrophe Update**
Carl Hedde
Head of Risk Accumulation, Munich Re America

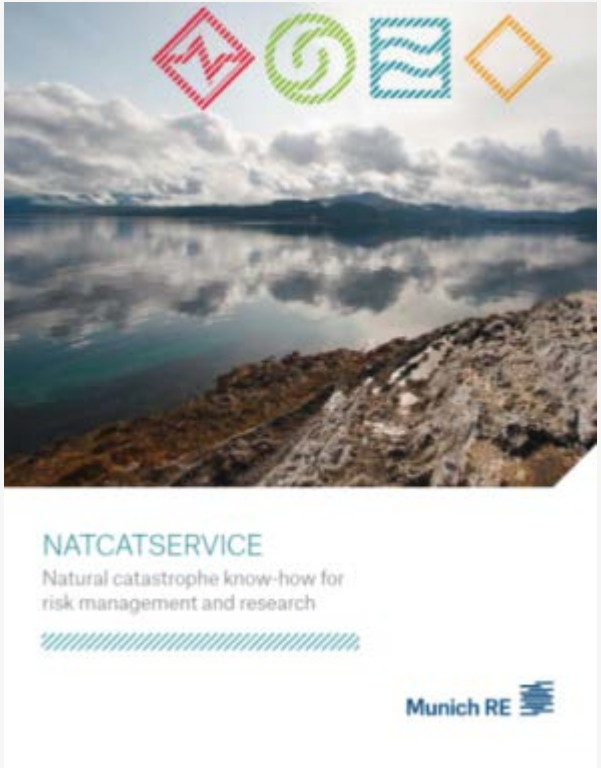
**Special Topic: Global Warming and Natural Climate Oscillations**
Peter Höppe
Head of Geo Risk/Corporate Climate Center, Munich Re

**Economic Implications of Natural Catastrophe Losses**
Dr. Robert Hartwig
President & Economist, Insurance Information Institute

# US Natural Catastrophe in the First Half of 2014

Carl Hedde, Head of Risk Accumulation
Munich Reinsurance America, Inc.

# MR NatCatSERVICE
## The world‘s largest database on natural catastrophes




### The Loss Database Today

- From 1980 until today all loss events; for USA and selected countries in Europe all loss events since 1970.
- Retrospectively, all great disasters since 1950.
- In addition, all major historical events starting from 79 AD – eruption of Mt. Vesuvio (3,000 historical data sets).
- **Currently more than 35,000 events**

# NatCatSERVICE Downloadcenter
# for statistics and analyses on natural disasters

## The downloadcenter provides **free** access:

- Annual statistics
- Long-term statistics
- Information on significant natural disasters
- Focus analyses
- NatCatSERVICE methodology, info brochure
- Publication Topics Geo

www.munichre.com/natcatservice/downloadcenter/en

# US Headlines – First Half 2014

- Insured losses in the United States in 2014 totaled $8.6 billion – far below the 2000 to 2013 average loss of $11.0 billion (Jan-July).
- The eastern United States experiences its coldest winter in over a decade; Resulting damage is estimated to exceed $2 billion.
- Late onset of tornado season, caused by the extended winter, results in lowest level of insured thunderstorm loss in the past seven years.
- Early wildfire season onset in California due to persistent drought conditions.
- Minor earthquake shakes Los Angeles Basin.

# Natural disaster losses in the U.S. 2014

## Based on perils

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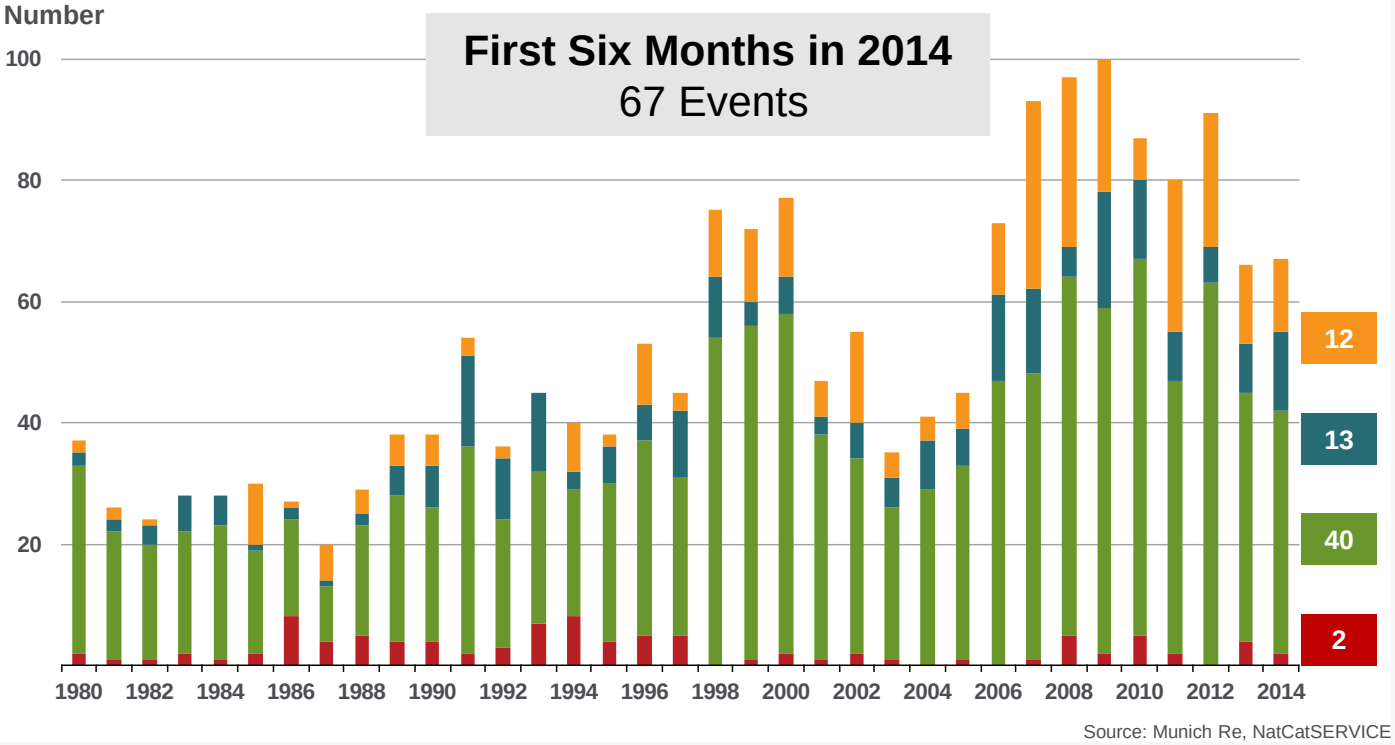
| As of July 1, 2014 | Number of Events | Fatalities | Estimated Overall Losses (US $m) | Estimated Insured Losses (US $m) |
|---|---|---|---|---|
| Severe Thunderstorm | 33 | 65 | 9,100 | 6,700 |
| Winter Storms & Cold Waves | 11 | 84 | 3,400 | 2,400 |
| Flood, flash flood | 10 | 1 | 10 | - |
| Earthquake & Geophysical, landslides | 5 | 44 | 20 | - |
| Tropical Cyclone | - | - | - | - |
| Wildfire, Heat Waves, & Drought | 8 | 1 | 770 | - |
| Totals | 67 | 195 | 13,300 | 9,100 |

# Loss events in the U.S. 1980 – 2014

## Number of events (January – June only)




Source: Munich Re, NatCatSERVICE

**Geophysical events**
(Earthquake, tsunami, volcanic activity)

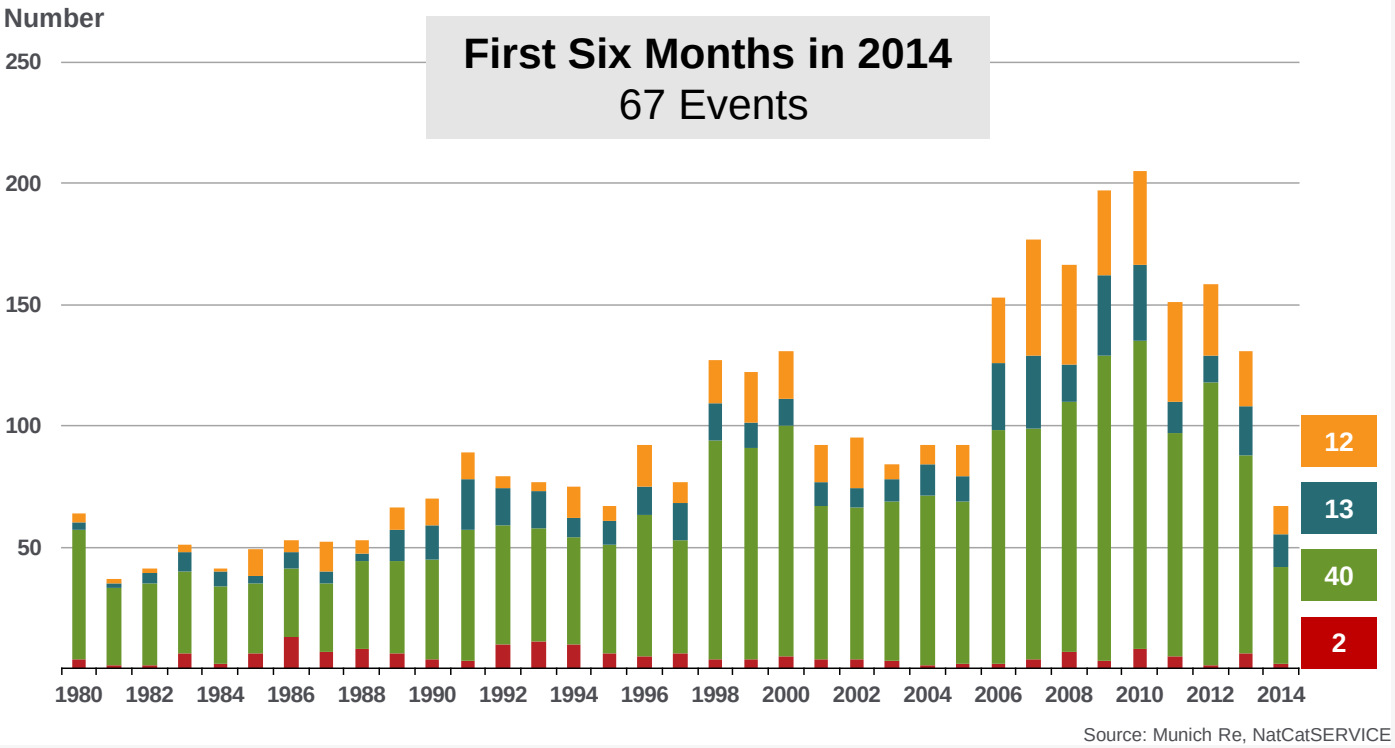
**Meteorological events**
(Tropical storm, extratropical storm, convective storm, local storm)

**Hydrological events**
(Flood, mass movement)

**Climatological events**
(Extreme temperature, drought, forest fire)

# Loss events in the U.S. 1980 – 2014

## Number of events (annual totals 1980 – 2013 vs. first six months 2014)




Source: Munich Re, NatCatSERVICE

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# Loss events in the U.S. 1980 – 2014

## Overall and insured losses (annual totals 1980 – 2013 vs. first six months 2014)

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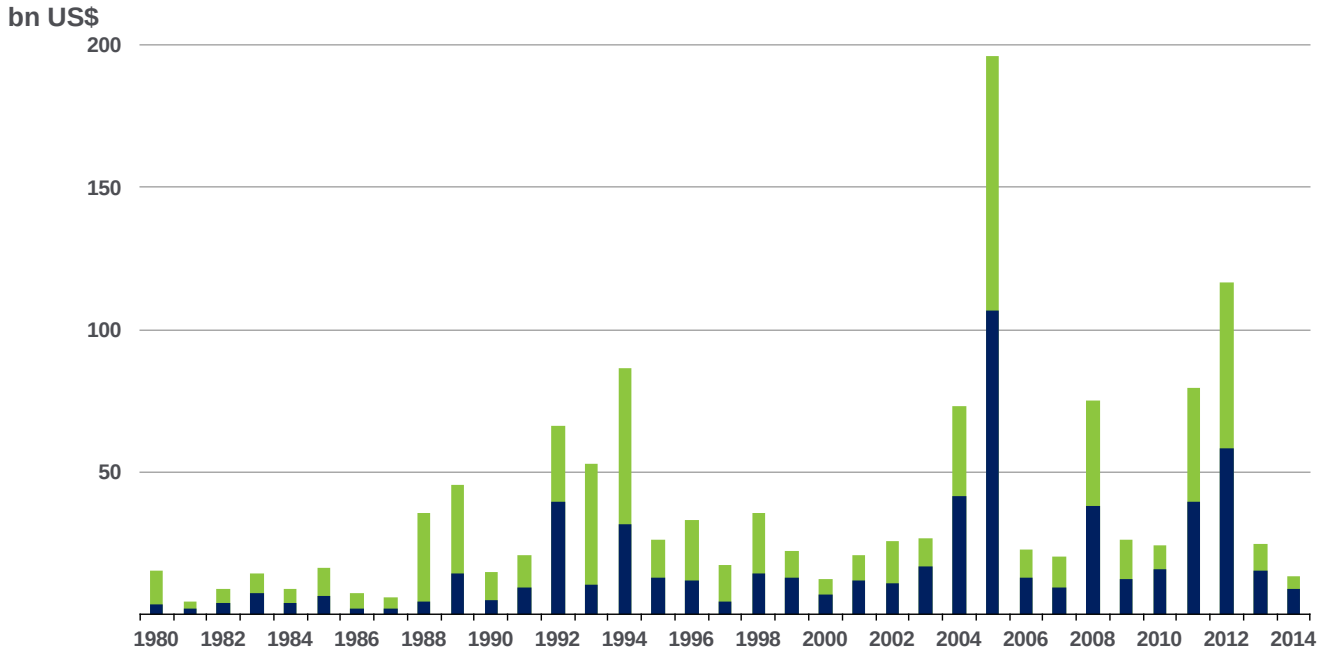
**Overall losses totaled US$ 13.3bn; Insured losses totaled US$ 9.1bn**




Source: Munich Re, NatCatSERVICE

*Losses adjusted to inflation based on country CPI

# Loss events in the U.S. 1980 – 2014

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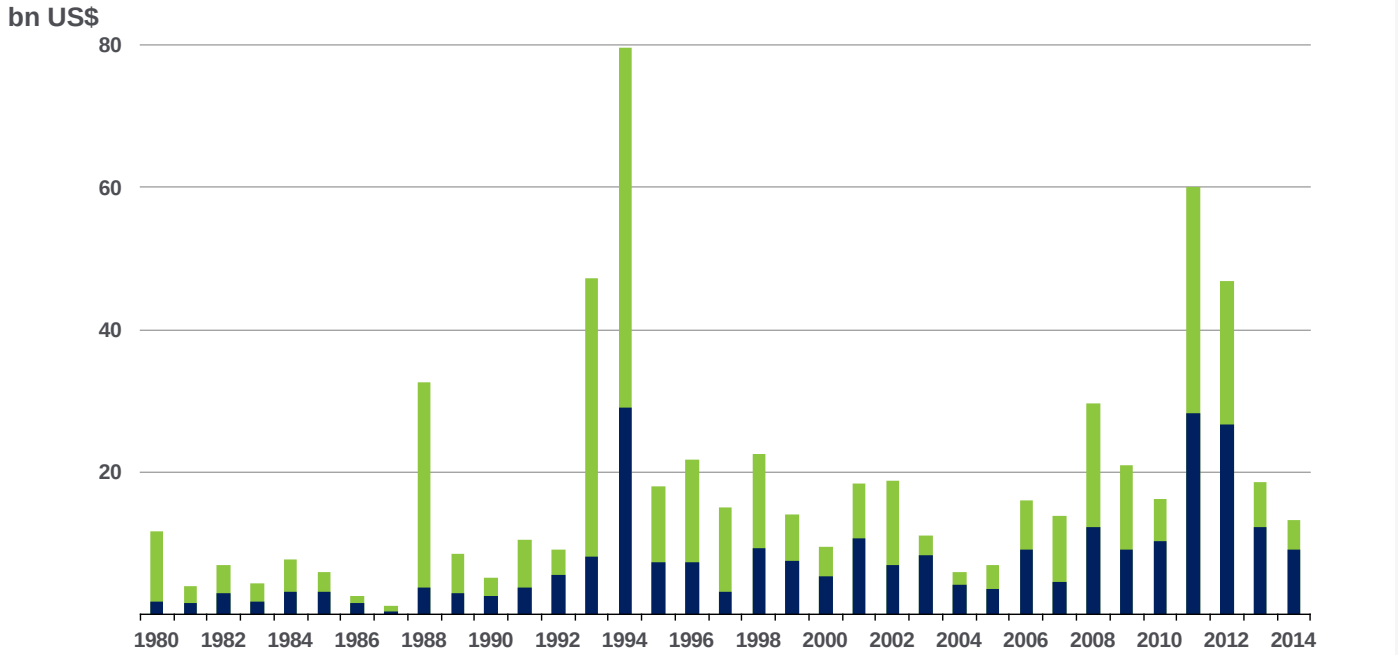



Source: Munich Re, NatCatSERVICE

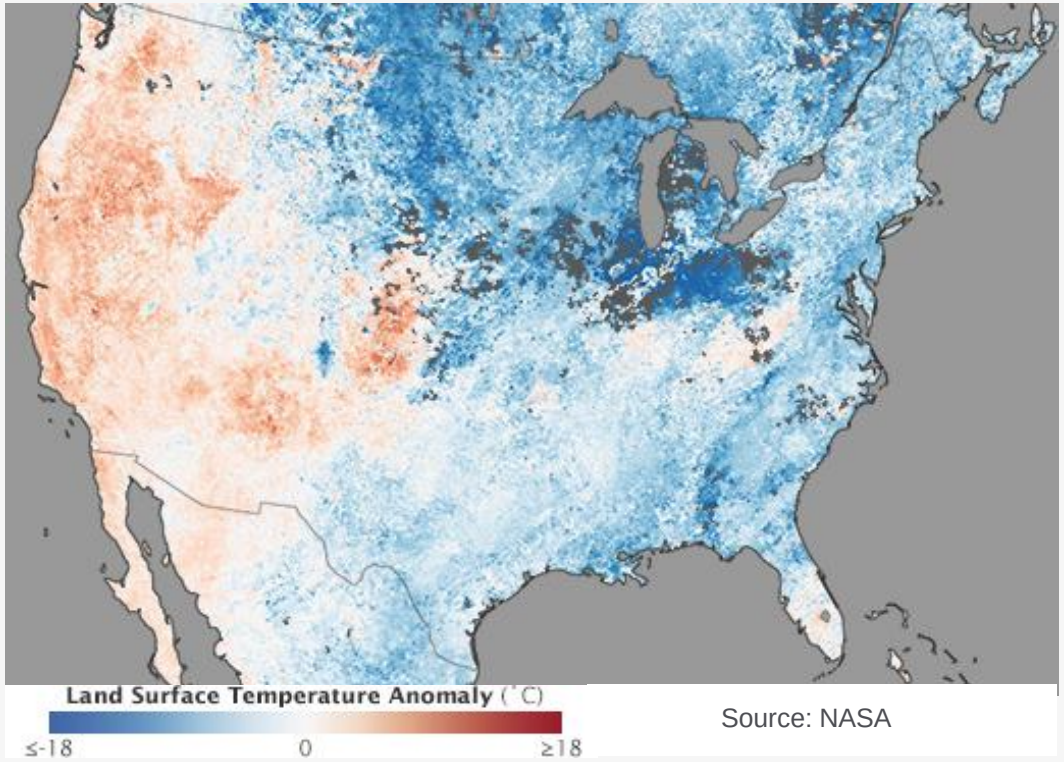
# Notable U.S. Events in the First Half of 2014

Source: Edward Stojakovic, Used under Creative Commons 2.0 License

# Winter storms

## First Half 2014

Throughout the winter months, a persistent “Omega Block” pattern, combined with a weakened Polar Vortex, allowed frigid air to stream southward into eastern United States & Canada. Minimum temperatures in some locations were the lowest in 20 years. Due to the cold conditions, several significant frozen precipitation events occurred across the eastern U.S., reaching as far south as the Florida panhandle.




Source: NASA

Source: Property Claims Service
MR NatCatSERVICE

# Loss events in the U.S. 1980 – 2014

## Insured losses due to winter storms*

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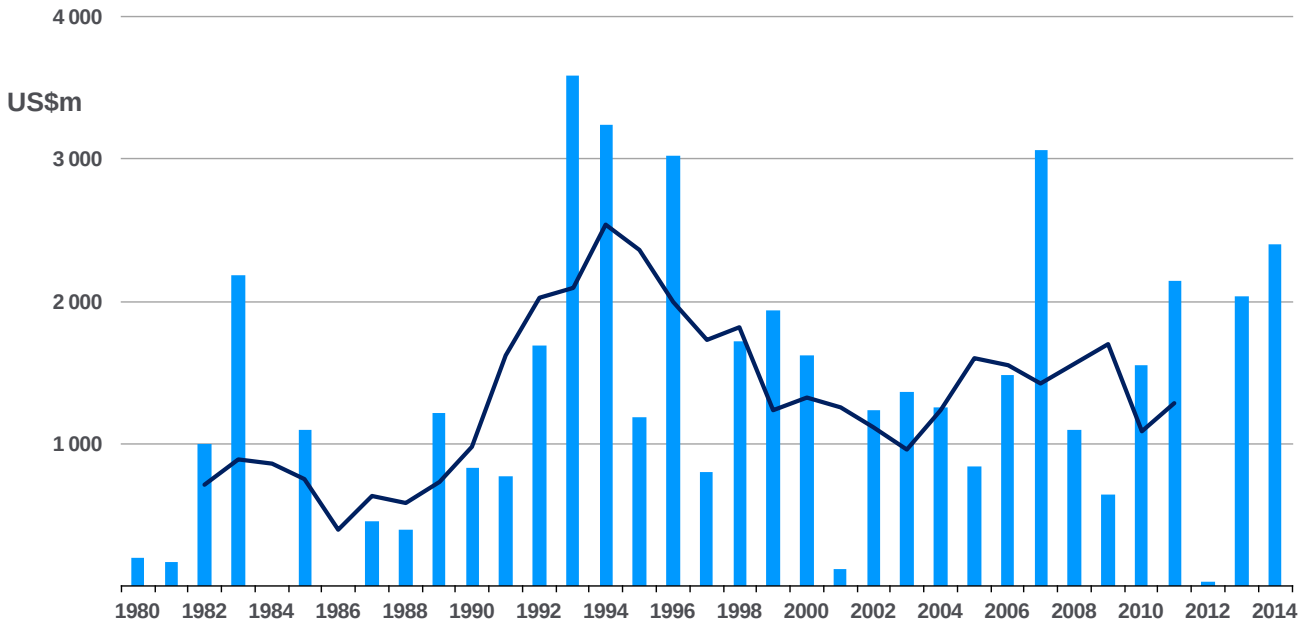
**Overall losses totaled US$ 3.4bn; Insured losses totaled US$ 2.4bn**




Insured losses (in 2014 values)**

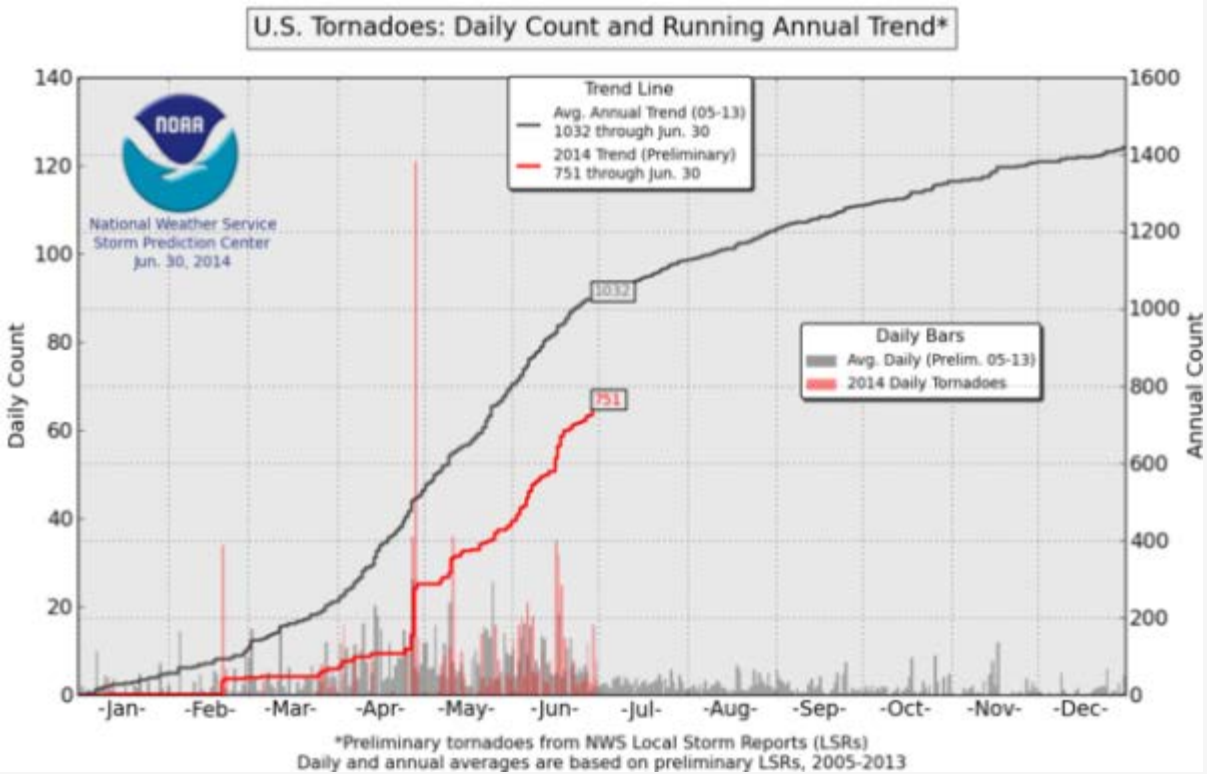
5 year Mean

*Winter storms include winter damage, blizzard, snow storm and cold wave

**Losses adjusted to inflation based on country CPI

# Thunderstorms

## Tornado Count for First Half 2014

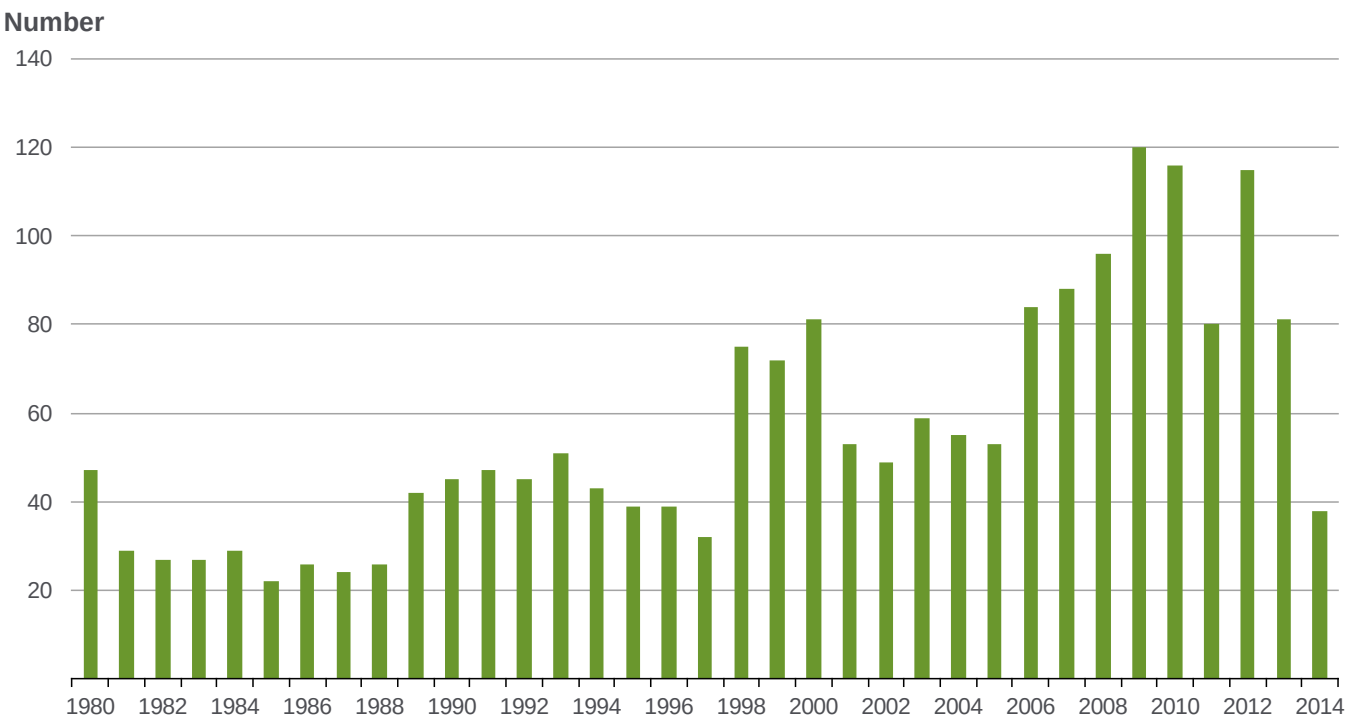



The preliminary tornado counts for the first half of 2014 are about 280 below the 2005-2013 average.

However, tornado counts in April (220) and June 2014 (313) were much higher than observed in 2013.

# Convective loss events in the U.S.

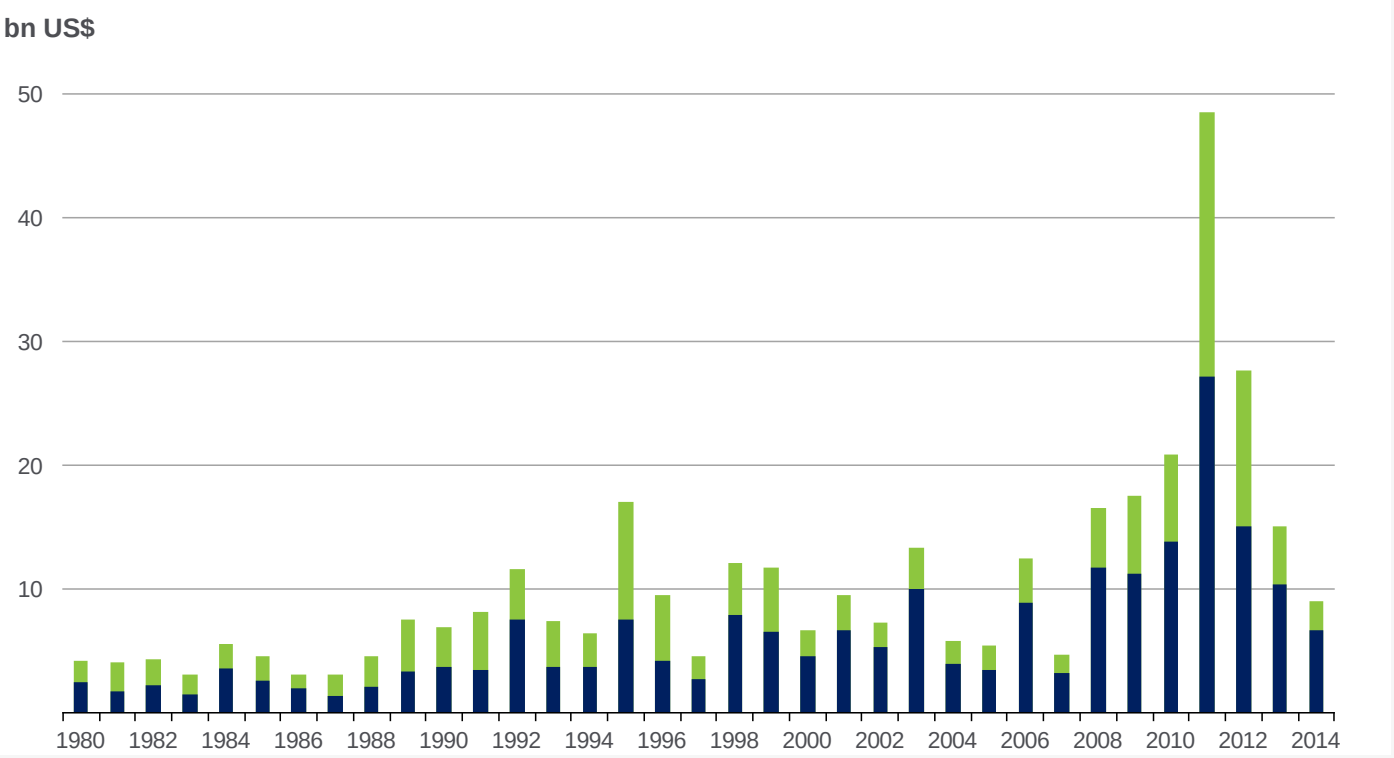
## Number of events 1980 – 2013 and the half year 2014




**Convective storm**
Loss events caused by severe storm, tornado, hail, flash flood and lightning

# Convective loss events in the U.S.

## Overall and insured losses 1980 – 2013 and the half year 2014




**Overall losses (in 2013 values)***

**Insured losses (in 2013 values)***

**Analysis contains:**
severe storm, tornado, hail, flash flood and lightning

*Losses adjusted to inflation based on U.S. CPI

# Notable thunderstorm events

## First Half 2014

**April 28 – May 1:** Large SCS outbreak over the Central Plains and Deep South. A total of 80 tornadoes have been confirmed, causing 35 fatalities. Worst hit were Mayflower, Arkansas, and Louisville, Mississippi, both hit by EF4 tornadoes. Insured losses from the outbreak are estimated at $1.1 billion.


Source: Property Claims Service
MR NatCatSERVICE

# Notable thunderstorm events

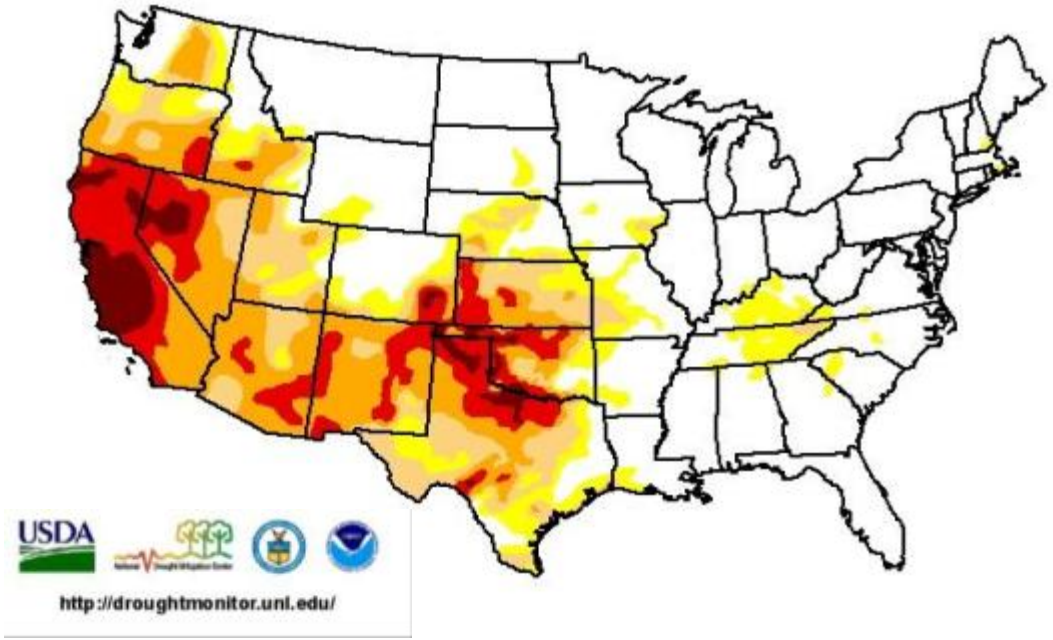
## First Half 2014

**May 18 – May 23:** Large hail and non-tornadic wind event stretching from Montana to New York. Hail the size of golf balls impacted sections of Chicago and Denver, and baseball-sized hail impacted parts of Indiana and Ohio. Further east, wind gusts in excess of hurricane force felled trees and power lines across the Mid-Atlantic. Insured losses are estimated at $1.7 billion.

Source: NOAA

Source: Property Claims Service
MR NatCatSERVICE

# Current U.S. drought conditions




*Drought Conditions (Percent Area)*

| | None | D0-D4 | D1-D4 | D2-D4 | D3-D4 | D4 |
|---|---|---|---|---|---|---|
| **Current** | 58.58 | 41.42 | 29.26 | 20.73 | 9.38 | 2.43 |
| **Last Week** 6/17/2014 | 58.64 | 41.36 | 29.70 | 21.25 | 9.71 | 2.62 |
| **3 Months Ago** 3/25/2014 | 56.07 | 43.93 | 31.99 | 19.29 | 8.10 | 1.75 |
| **Start of Calendar Year** 12/31/2013 | 54.20 | 45.80 | 26.01 | 13.96 | 3.31 | 0.31 |
| **Start of Water Year** 10/1/2013 | 44.21 | 55.79 | 37.21 | 17.33 | 2.56 | 0.24 |
| **One Year Ago** 6/25/2013 | 49.41 | 50.59 | 38.12 | 26.78 | 10.98 | 3.65 |

*Intensity:*

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

*The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.*

# Notable wildfires

## First Half 2014

A heat wave and strong Santa Ana winds triggered eight wildfires in San Diego County in May. Over 29,000 acres were burned, with about 60 properties destroyed. While this event was minor, continued dry conditions could lead to large fires in the fall.

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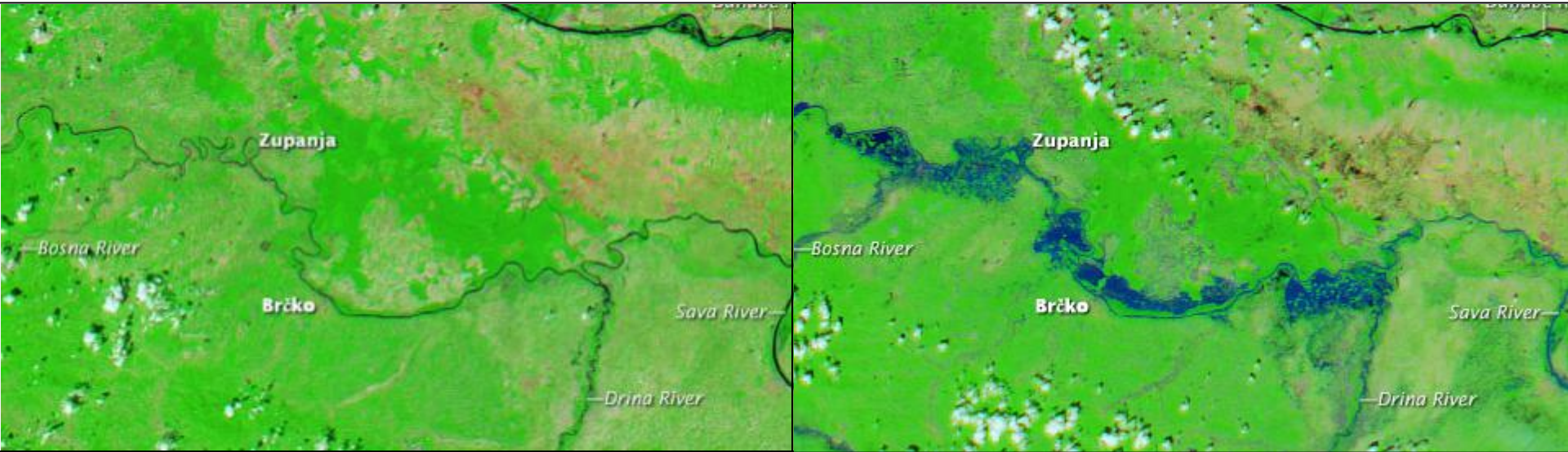
# Global Natural Catastrophes in the First Half of 2014



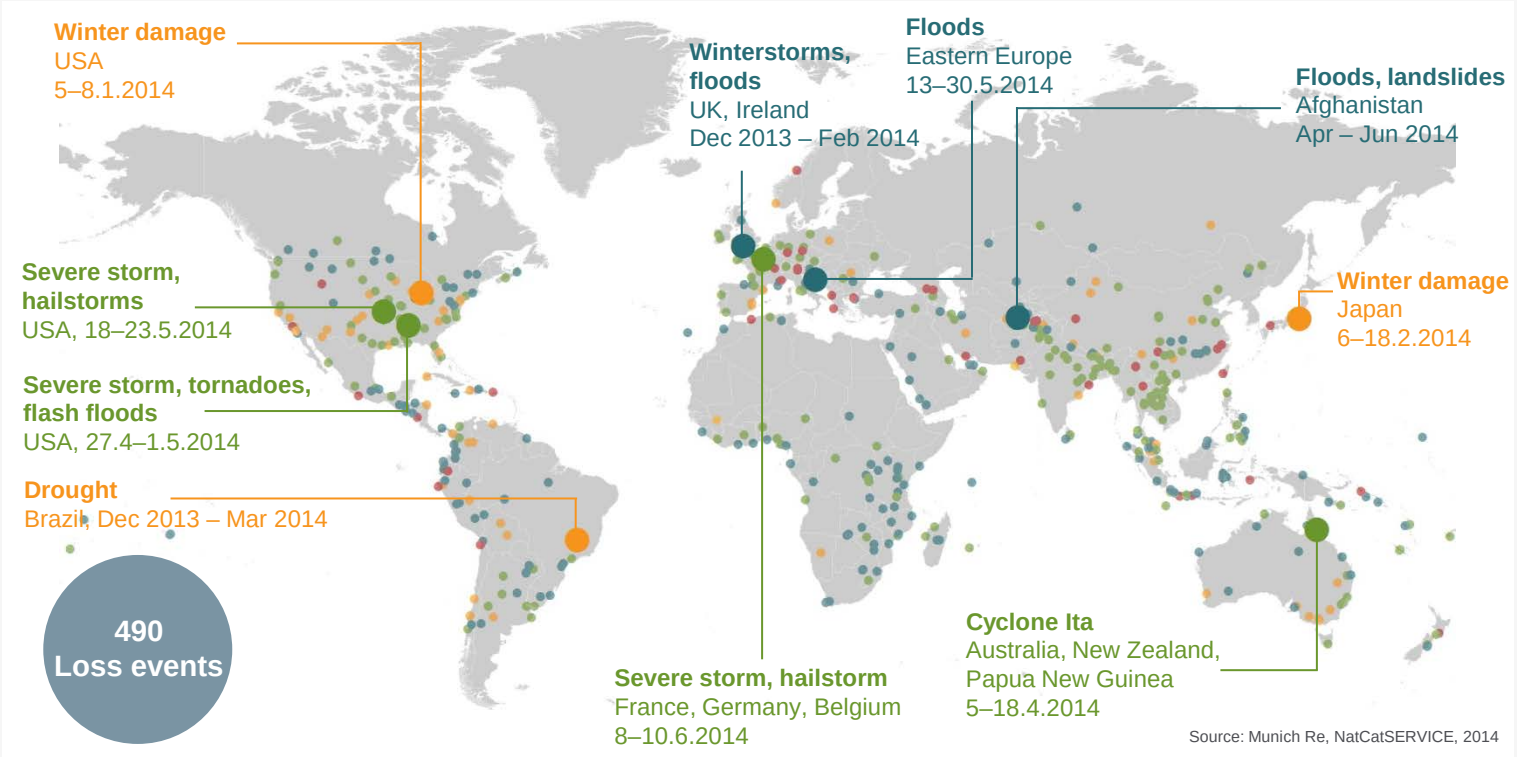
# Natural disaster losses worldwide 2014

## Headlines on the global view

- In the first half of 2014 losses from natural catastrophes summed up to US$ 42bn for direct economic losses and US$ 17bn for insured losses, both well below the average of the last 10 years.
- Even the biggest loss events did not exceed more than a few billion dollars.
- At 2,700 the number of fatalities was clearly below the long-term average.
- Extraordinary hard winter conditions affected the U.S. and Japan while various parts of Europe suffered from heavy rainfall, storms and flooding.
- Nearly 60% of all insured losses occurred in North America. This is in line with the long-term average from 1980 – 2013.

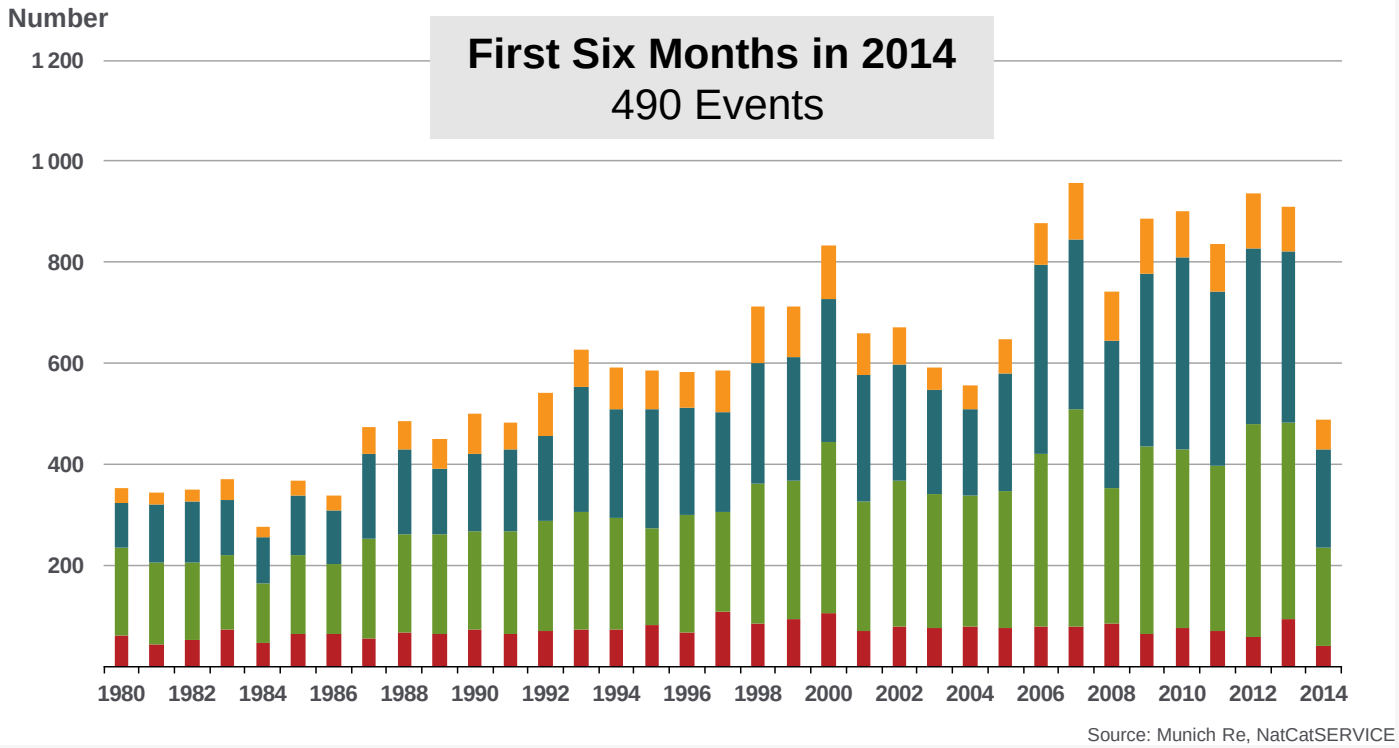
# Loss events January – June 2014

## Geographical overview



# Loss events worldwide 1980 – 2014

## Number of events (annual totals 1980 – 2013 vs. first six months 2014)



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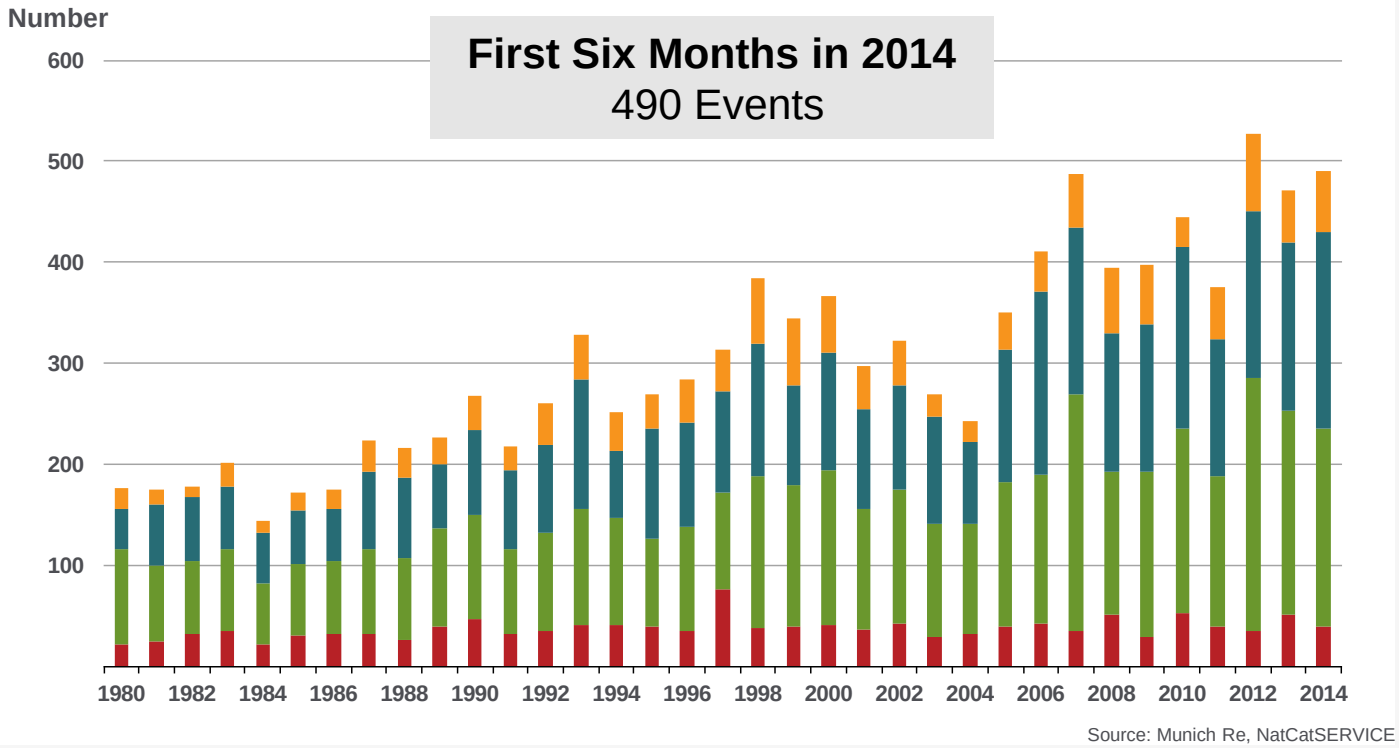


Source: Munich Re, NatCatSERVICE

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- **Meteorological events** (Tropical storm, extratropical storm, convective storm, local storm)
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# Loss events worldwide 1980 – 2014

## Overall and insured losses (annual totals 1980 – 2013 vs. first six months 2014)

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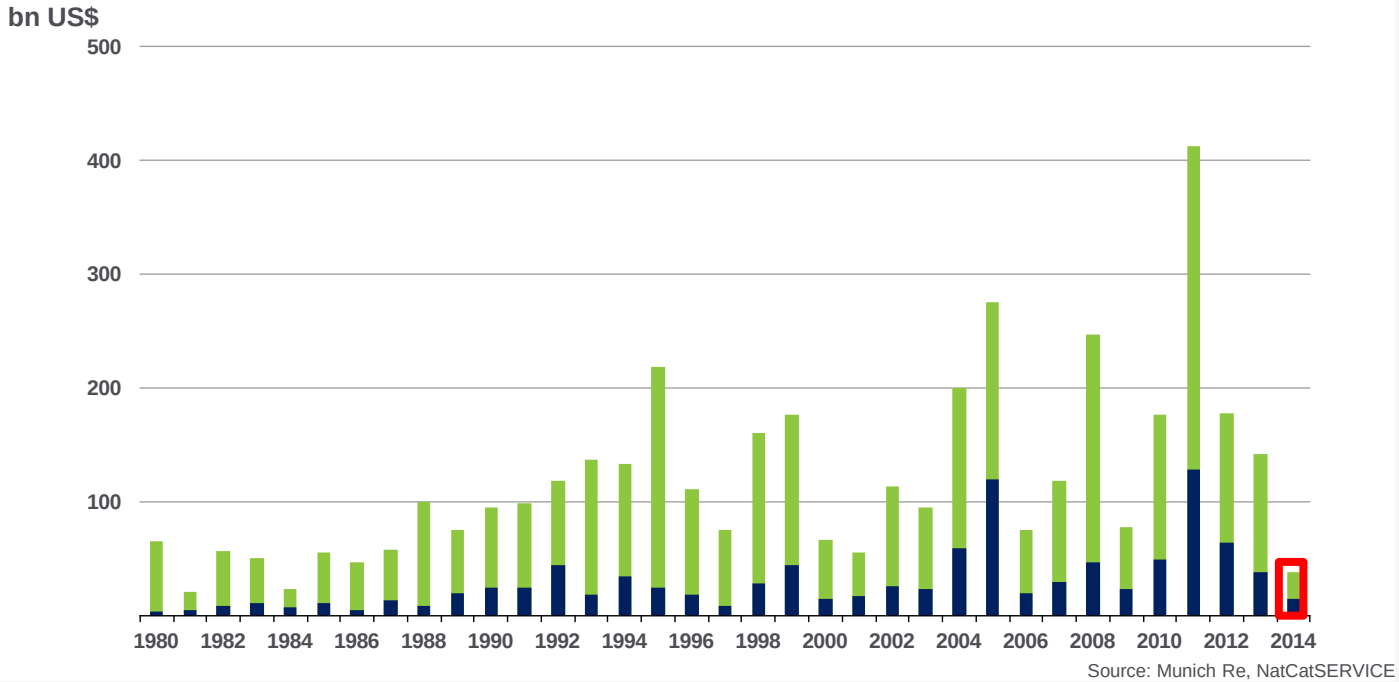


Source: Munich Re, NatCatSERVICE

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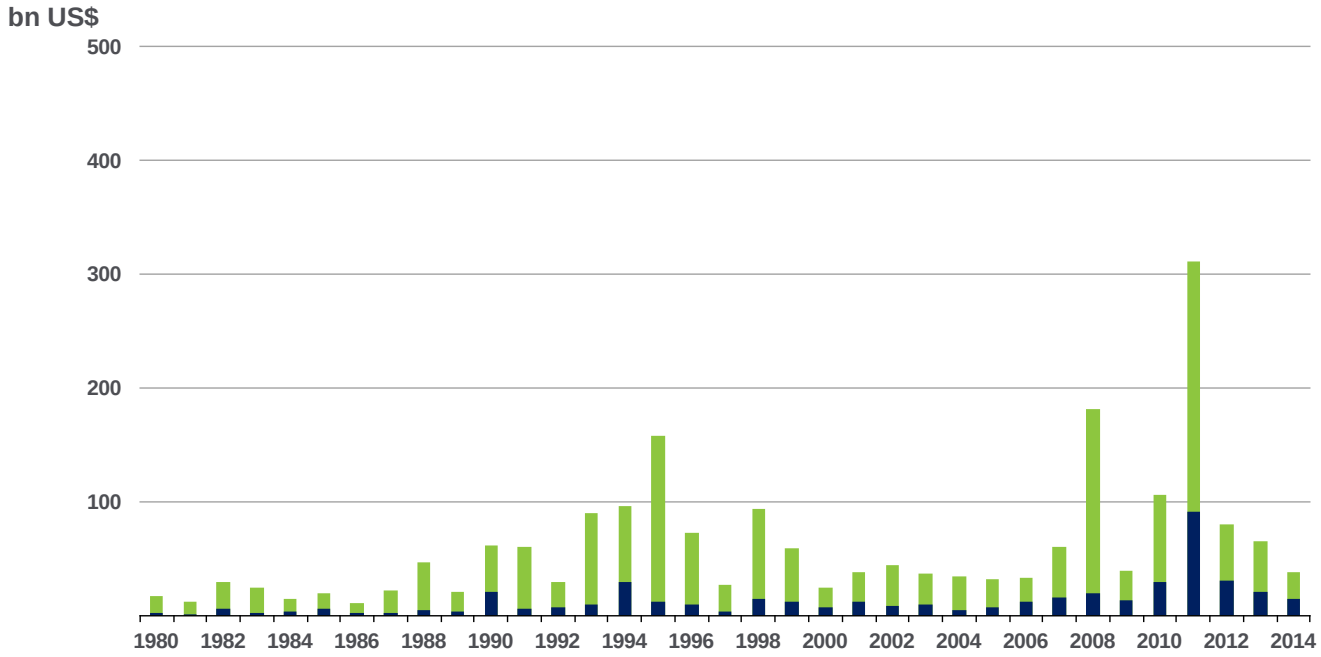



Source: Munich Re, NatCatSERVICE

*Losses adjusted to inflation based on country CPI

# Loss events worldwide 2014

## Overview and comparison with previous years

| | 2014 (Jan – June) | 2013 (Jan – June) | Average of the last 10 years 2004-2013 (Jan – June) | Average of the last 30 years 1984-2013 (Jan – June) | Top Year 1984 -2013 (Jan – June) |
|---|---|---|---|---|---|
| Number of events | 490 | 470 | 410 | 315 | 620 **(2012)** |
| Overall losses in US$ m (original values) | 42,000 | 65,800 | 94,500 | 65,800 | 302,000 **(2011, EQ Japan)** |
| Insured losses in US$ m (original values) | 17,000 | 21,100 | 24,900 | 14,700 | 82,000 **(2011, EQ Japan)** |
| Fatalities | 2,700 | 9,100 | 52,600 | 29,500 | 230,000 **(2010, EQ Haiti)** |

# Loss events worldwide 2014

## The five costliest natural catastrophes for the insurance industry

| Date | Region | Event | Fatalities | Overall losses US$ m | Insured losses US$ m |
|---|---|---|---|---|---|
| 6-18.2.2014 | Japan | Winter damage | 51 | 5,000 | >2,500 |
| 8-10.6.2014 | Western Europe | Severe storm, hailstorm | 6 | 2,800 | 2,500 |
| 5-8.1.2014 | United States | Winter damage | | 2,500 | 1,700 |
| 18-23.5.2014 | United States | Severe storm | | 2,000 | 1,550 |
| 27.4-1.5.2014 | United States | Severe storm, tornadoes, flash floods | 40 | 1,700 | 1,100 |

# Notable global events

## First Half 2014

**Japan:** A pair of heavy snowfall events caused significant infrastructure disruptions and damage across the country in mid-February. Four auto manufacturing plants had to suspend operations due to the conditions. Hundreds of residential and commercial buildings collapsed due to snow loads, and over 270,000 lost power due to snow and wind gusts to hurricane force. In large part due to business interruption losses, insured losses from this winter storm outbreak are estimated at $2.5bn.

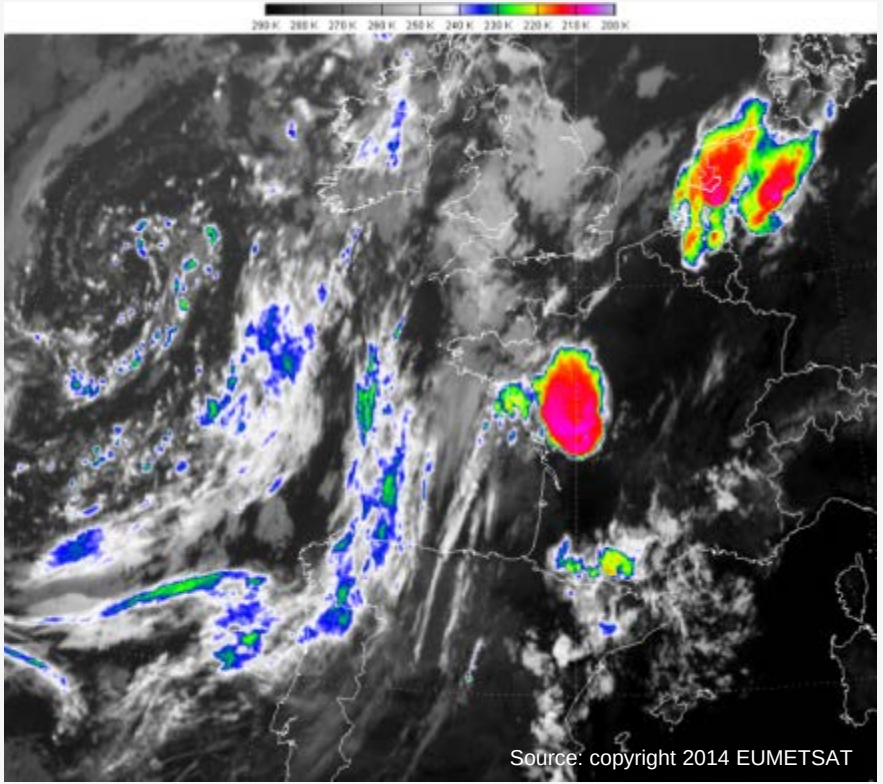
Source: Reuters

Source: Property Claims Service
MR NatCatSERVICE

# Notable global events

## First Half 2014

**France, Germany, Netherlands:** Several severe thunderstorms developed on June 8 & 9 that produced several swaths of large hail. Tile roofs, windows, and skylights were shattered by the tennis-ball sized hail, and heavy rains flooding thousands of. Agricultural activities were also severely impacted. Although not as damaging as the $3.7 billion loss from the last year's hail events in Germany, this event still caused estimated insured losses of $2.5 billion across four countries.




Source: Property Claims Service
MR NatCatSERVICE

# Notable global events

## First Half 2014

**United Kingdom:** A series of intense extratropical storms brought several bouts of heavy rains during the winter of 2014, causing widespread flooding around the country. Access to some villages was cut off for a month, and over 6,500 properties were flooded. Coastal flooding and erosion was also caused by the persistent storms. Insured losses from the flooding are estimated at about $1.1 billion.

Source: NASA

Source: Property Claims Service
MR NatCatSERVICE

# Costliest natural catastrophes since 1950

## Ranked by insured losses

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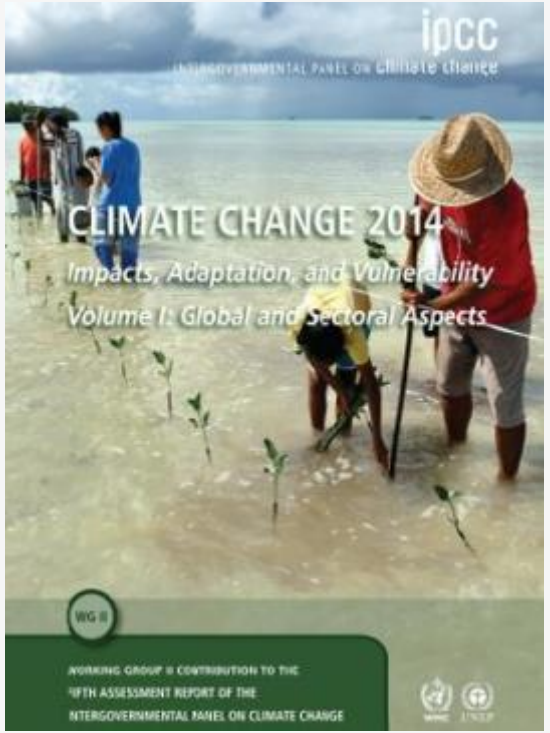
| Year | Event | Region | Insured loss US$m (in original values) |
|---|---|---|---|
| 2005 | Hurricane Katrina | USA | 62,200 |
| 2011 | EQ, tsunami | Japan | 40,000 |
| 2012 | Hurricane Sandy | USA, Caribbean | 29,500 |
| 2008 | Hurricane Ike | USA, Caribbean | 18,500 |
| 1992 | Hurricane Andrew | USA | 17,000 |
| 2011 | Floods | Thailand | 16,000 |
| 1994 | EQ Northridge | USA | 15,300 |
| 2011 | EQ Christchurch | New Zealand | 14,600 |
| 2004 | Hurricane Ivan | USA, Caribbean | 13,800 |
| 2005 | Hurricane Wilma | USA ,Caribbean | 12,500 |

# Global warming and natural climate oscillations

Peter Höppe, Head of Geo Risk Unit/Corporate Climate Center
Munich Re

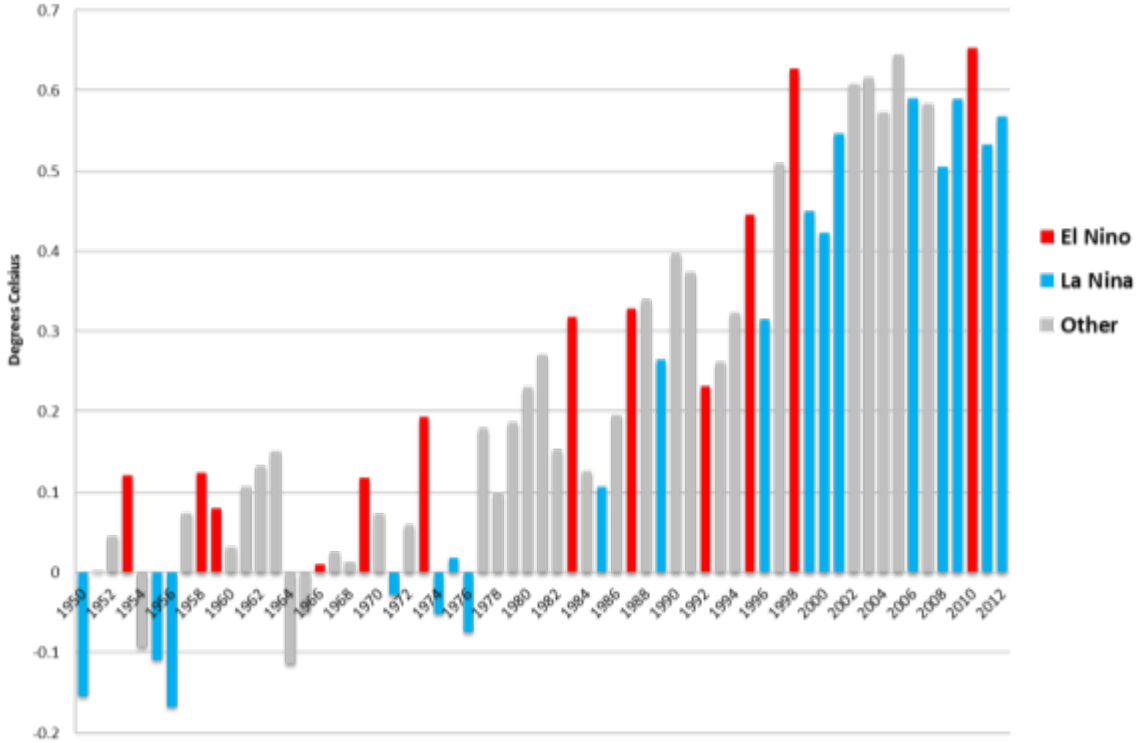
# IPCC 5th Assessment Report WGII (March 31, 2014) Impacts and Adaptation

- Ongoing sea-level rise: coastal systems and low-lying areas will increasingly experience submergence, coastal flooding and erosion will affect increasing fractions of population and assets.
- Fraction of population annually experiencing water scarcity and the fraction affected by major river floods will increase in the 21st century with the level of warming.
- More frequent and/or severe extreme events will increase losses and loss variability.
- Changing loss patterns will challenge insurance systems to offer affordable coverage, provide more risk-based capital.



# El Nino years tend to increase the global average temperature

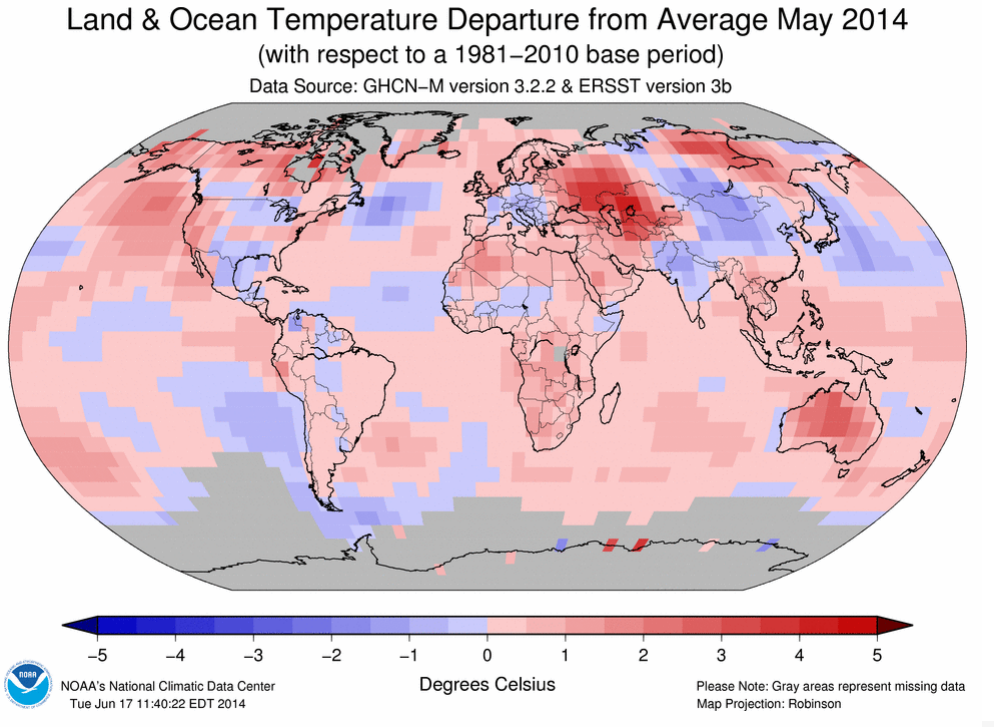
Annual Global Temperature Anomalies 1950-2012




Source: NOAA, http://www.ncdc.noaa.gov/sotc/global/2012/13

# State of the Climate (NOAA): May 2014

The combined average temperature over global land and ocean surfaces for May has been the highest on record for this month.




Source: NOAA, http://www.ncdc.noaa.gov/sotc/global

# Update on current El Niño development

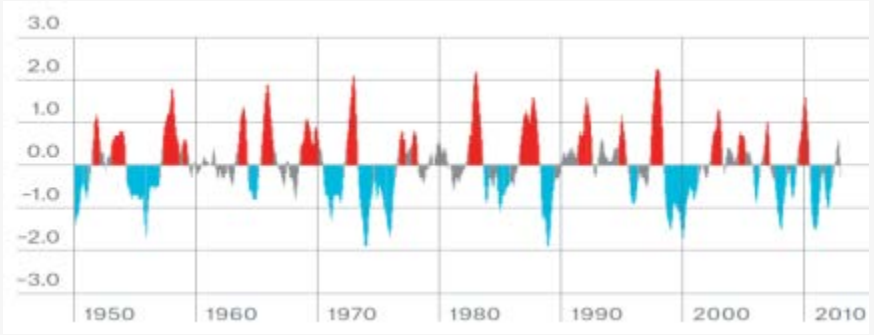
# ENSO (El Niño/Southern Oscillation)
## Definitions

- ENSO (El Niño/Southern Oscillation) is a natural climate oscillation in the tropical Pacific Ocean, which affects both the ocean and the atmosphere.
- The anamoly of the sea surface temperature in the so called Niño3.4-Region (= Niño3.4-Index) is used to define the ENSO-Phases:

- El Niño (Niño3.4-Index >0,5)
- Neutral Phase (Niño3.4-Index <0,5 und >-0,5)
- La Niña (Niñno3.4-Index <-0,5)

Location of Niño3.4-region


Anomalies of sea surface temperatures in the Niño3.4-region since 1950




Source: Climate Prediction Center/NOAA

# ENSO (El Niño/Southern Oscillation)
## Phases

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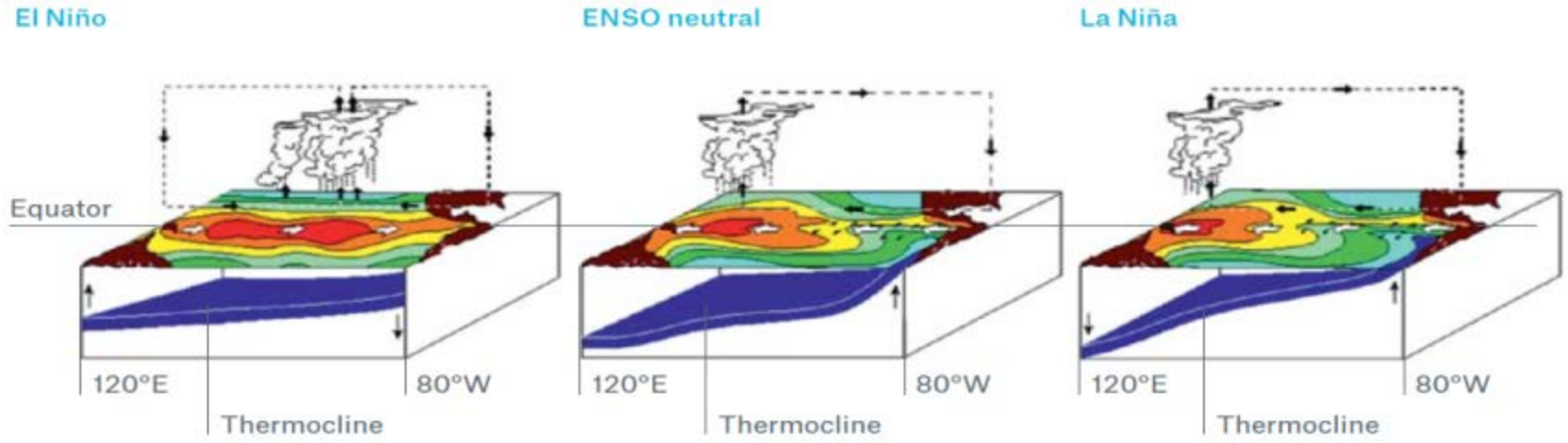
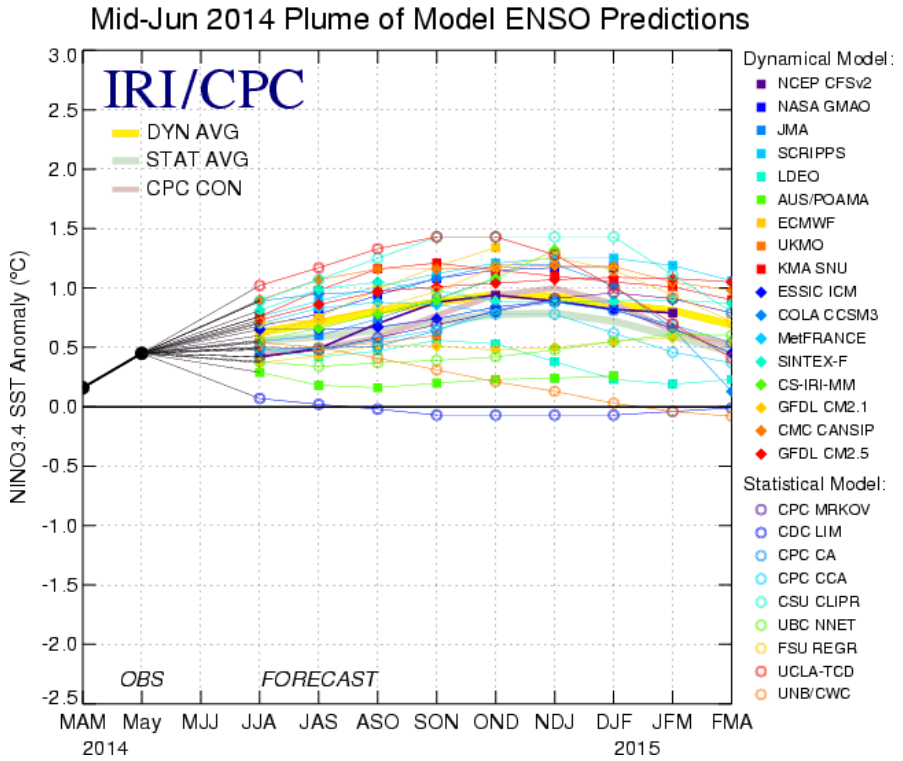
**ENSO (El Niño/Southern Oscillation) is a coupled atmospheric-oceanic phenomenon:**




| El Niño | ENSO neutral | La Niña |
|---|---|---|
| Sinking of air (drying) above the tropical western edge of the Pacific (Indonesia/ Australia), strong rising of air masses over the eastern tropical Pacific | Rising moist air masses above Indonesia/Australia.<br>Sinking dry air above the tropical Pacific coast of South America | Increased rising of moist air over Indonesia/Australia, increased sinking of dry air over the tropical coast of South America |

Source: PMEL/NOAA, USA, http://www.pmel.noaa.gov/tao/elnino/nino_normal.html

# Current Forecasts of El Niño




Source: IRI, Earth Institute, Columbia University
http://iri.columbia.edu/our-expertise/climate/forecasts/enso/current/

# Munich Re assessment of ENSO status and outlook as of July 2014

- Central and particularly eastern equatorial Pacific sea surface temperatures have risen
- The threshold for weak El Niño (EN) conditions has already been reached
- They may develop into stronger intensity levels close to the boundary between weak and moderate around fall
- This level will prevail through the remainder of the year
- According to current model runs an intensification into a strong EN event is not probable
- The stronger the EN intensity reached in late 2014, the more likely is the development of a La Niña event in the second half of the following "decay year" 2015

# Expected deviations of weather patterns at moderate EN intensity level

- Lower activity of Atlantic hurricane season
- Increased flood risks at US West Coast, several regions in South America, Southeast China and Horn of Africa
- Increased risk of droughts in East and North Australia, Southeast and South (India, Pakistan, Bangladesh) Asia, Southern Africa, North/Northeast Brazil

# Significant deviations of global nat cat losses only in strong El Nino years

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| Weather related loss events worldwide 1980-2013 | | |
|---|---|---|
| **Period** | **Overall losses** US$m (normalized to 2013)* | **Insured losses** US$m (normalized to 2013)* |
| **Long term average (1980-2013)** | **171.1** | **33** |
| **Moderate El Nino years (1986, 1991-92, 2002, 2009)** | **196.6** | **33.8** |
| **Strong El Nino years (1982-83, 1987, 1997)** | **135.4** | **19.3** |

(El Nino-year classification based on ENSO-ONI index (NOAA) with *modrate* El Nino if at least 3 months in any El Nino phase where between 1 and 1.5 K and *strong* El Nino if above 1.5 K.)

*normalized with national GDP, changes in insurance density not considered

Source: Munich Re, NatCatSERVICE

INSURANCE INFORMATION INSTITUTE

# Market & Financial Impact of Catastrophe Losses:

## *First Half 2014 Summary*

**Insurance Information Institute**

**July 9, 2014**

Robert P. Hartwig, Ph.D., CPCU, President & Economist
Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038
Tel: 212.346.5520 ♦ Cell: 917.453.1885 ♦ bobh@iii.org ♦ www.iii.org

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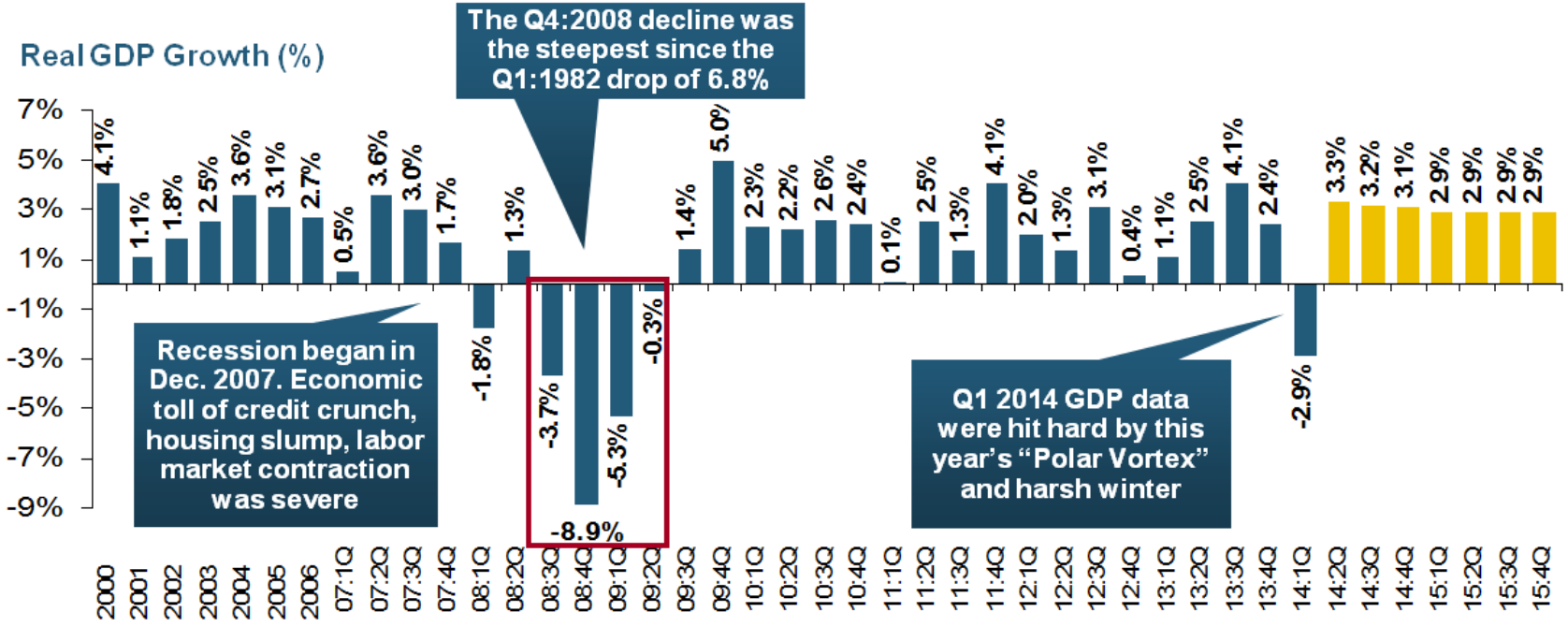
# WINTER STORM LOSSES: *Significant Economic Impact*

## Losses from Snow, Ice, Freezing and Related Causes Typical Cost Insurers Between $1 Billion and $2 Billion Annually *($2.4B in 2014)*

# US Real GDP Growth*




**Some of the Losses from Harsh Winter Weather Are Insured, Offsetting Adverse Economic Impacts; Other Losses Were Uninsured and Some Losses Were Transient (Economic Activity Pushed to Later in 2014)**

* Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 7/14; Insurance Information Institute.

# Inflation Adjusted U.S. Catastrophe Losses by Cause of Loss, 1993–2012[1]

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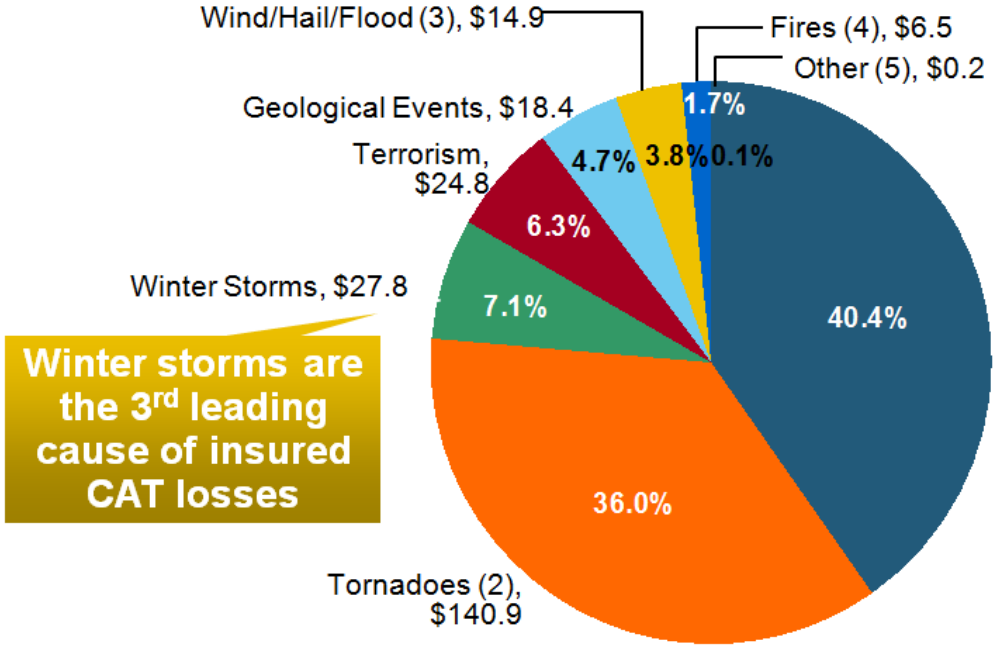



**Insured cat losses from 1993-2012 totaled $391.7B, an average of $19.6B per year or $1.6B per month**

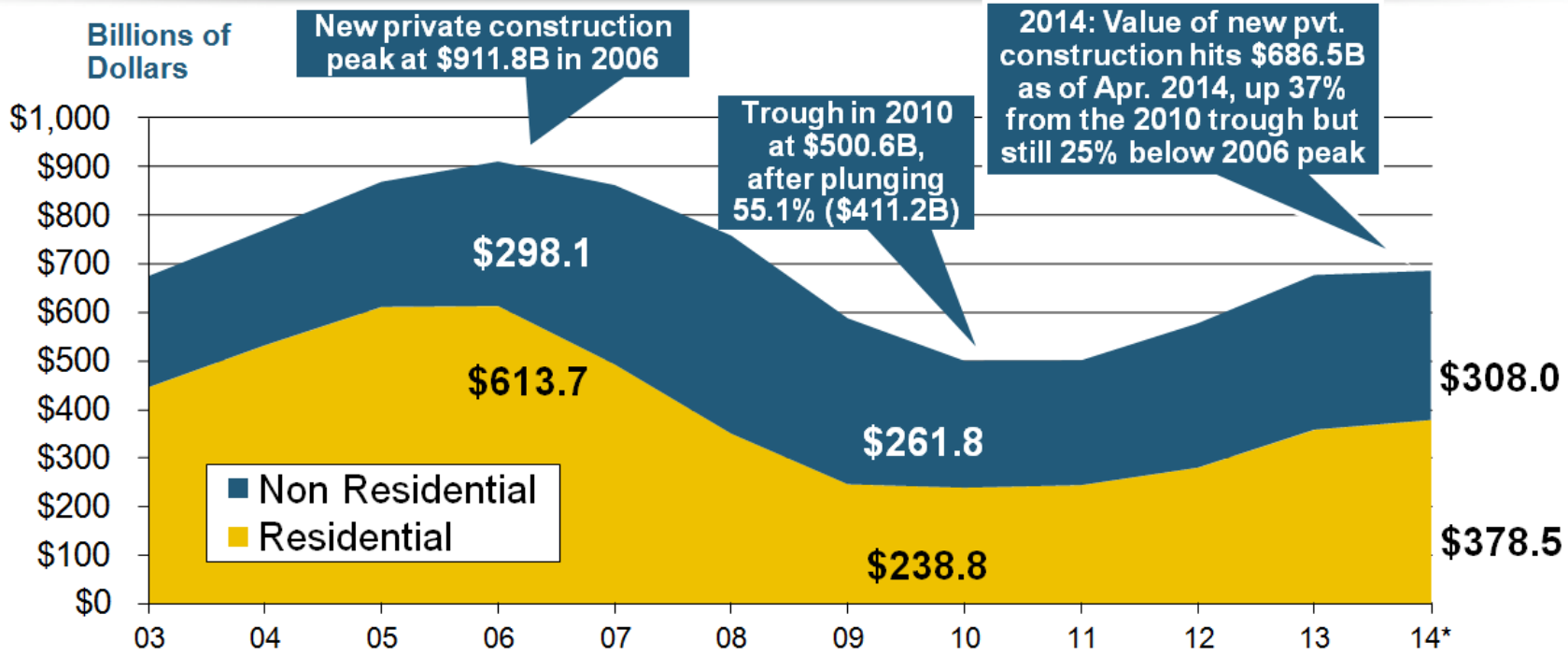
**Winter storms are the 3rd leading cause of insured CAT losses**

***Winter storm losses totaled $27.8B or $1.4B/yr. on average from 1993-2012 accounting for 7.1% of all CAT losses; 2013 losses totaled $1.895B***

1. Catastrophes are defined as events causing direct insured losses to property of $25 million or more in 2012 dollars.
2. Excludes snow.
3. Does not include NFIP flood losses
4. Includes wildland fires
5. Includes civil disorders, water damage, utility disruptions and non-property losses such as those covered by workers compensation.

Source: ISO's Property Claim Services Unit.

# Value of New Private Construction: Residential & Nonresidential, 2003-2014*




**Construction risks are a potent generator of commercial lines premium. The severe winter caused construction activity to slow. Some premium growth was pushed to Q2.**

*2014 figure is a seasonally adjusted annual rate as of April.

Sources: US Department of Commerce; Insurance Information Institute.

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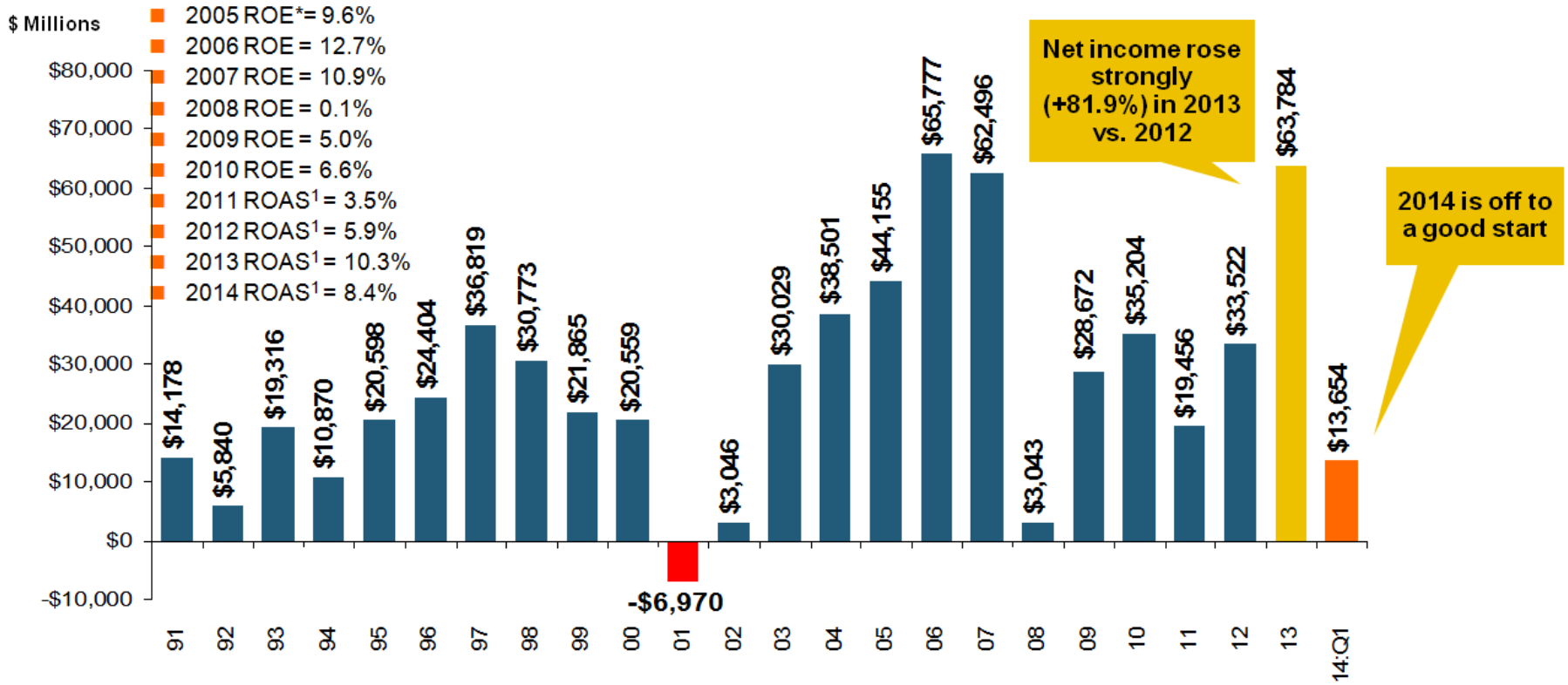
# P/C Insurance Industry: *Financial Update*

## 2013 was the industry's best year in the post-recession era; 2014 is off to a good start

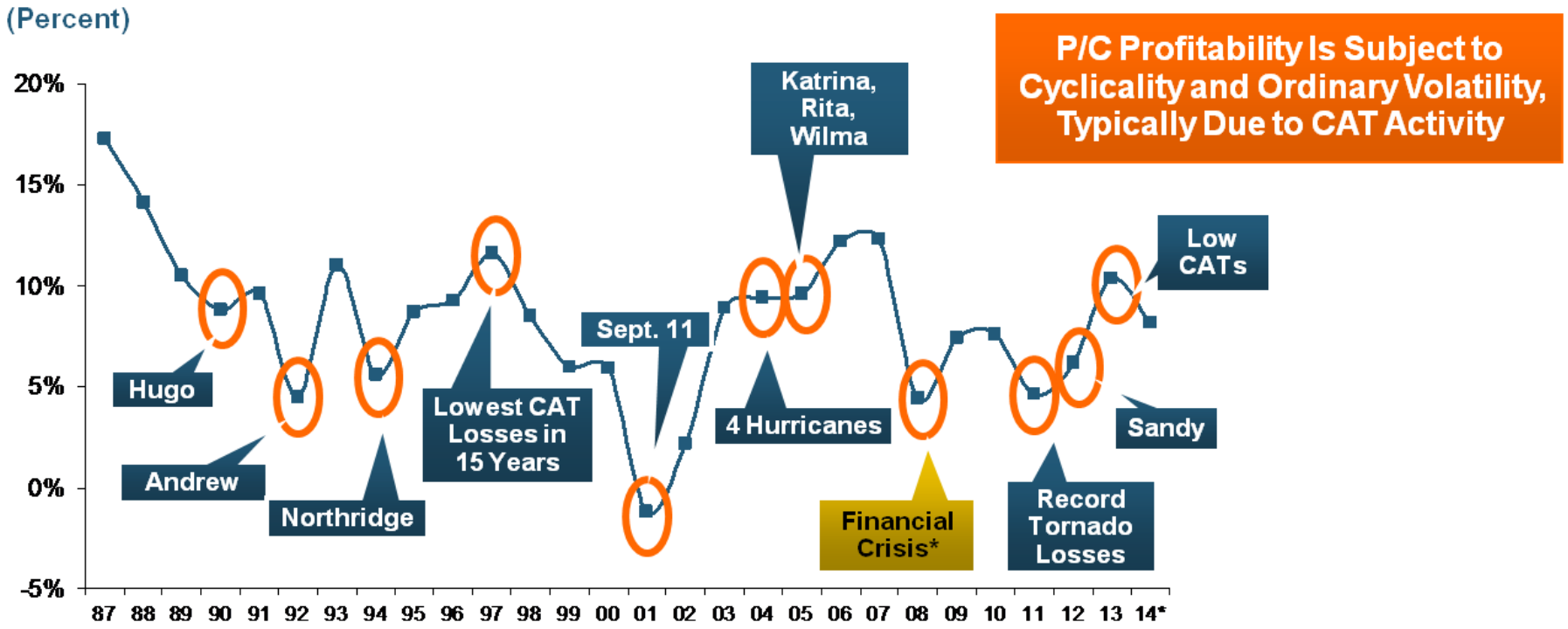
# P/C Industry Net Income After Taxes 1991–2014:Q1




1. ROE figures are GAAP; [1]Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields an 8.2% ROAS through 2014:Q1, 9.8% ROAS in 2013, 6.2% ROAS in 2012, 4.7% ROAS for 2011, 7.6% for 2010 and 7.4% for 2009.

Sources: A.M. Best, ISO; Insurance Information Institute

# ROE: Property/Casualty Insurance by Major Event, 1987–2014:Q1*




* Excludes Mortgage & Financial Guarantee in 2008 – 2014. 2014 figure is through Q1.
Sources: ISO; Insurance Information Institute.

# A 100 Combined Ratio Isn't What It Once Was: Investment Impact on ROEs

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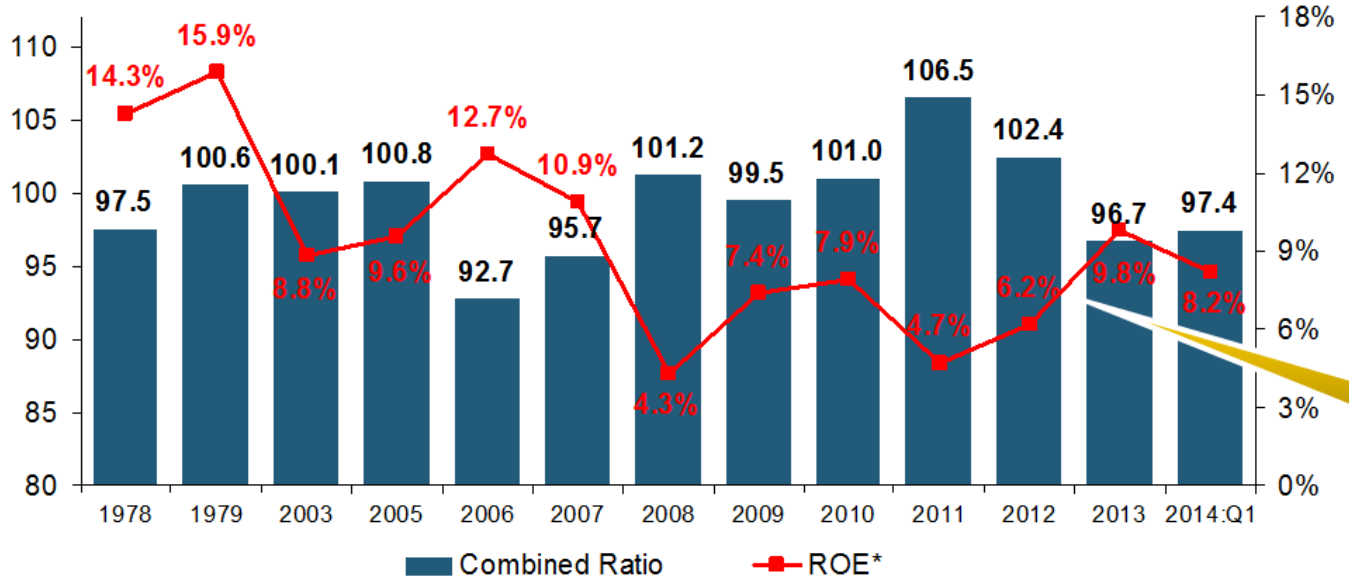
## Combined Ratio / ROE




**A combined ratio of about 100 generates an ROE of ~7.0% in 2012/13, ~7.5% ROE in 2009/10, 10% in 2005 and 16% in 1979**

**Lower CATs helped ROEs in 2013/14**

**Combined Ratios Must Be Lower in Today's Depressed Investment Environment to Generate Risk Appropriate ROEs**

* 2008 -2014 figures are return on average surplus and exclude mortgage and financial guaranty insurers. 2014:Q1 combined ratio including M&FG insurers is 97.3; 2013 = 96.1; 2012 =103.2, 2011 = 108.1, ROAS = 3.5%.

Source: Insurance Information Institute from A.M. Best and ISO Verisk Analytics data.

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# SURPLUS/CAPITAL/CAPACITY

## Industry Claims Paying Capital Stands at Record High in 2014

## *(Re)Insurance Industry is Well Positioned to Manage Large Scale Catastrophe Losses*

# Policyholder Surplus, 2006:Q4–2014:Q1

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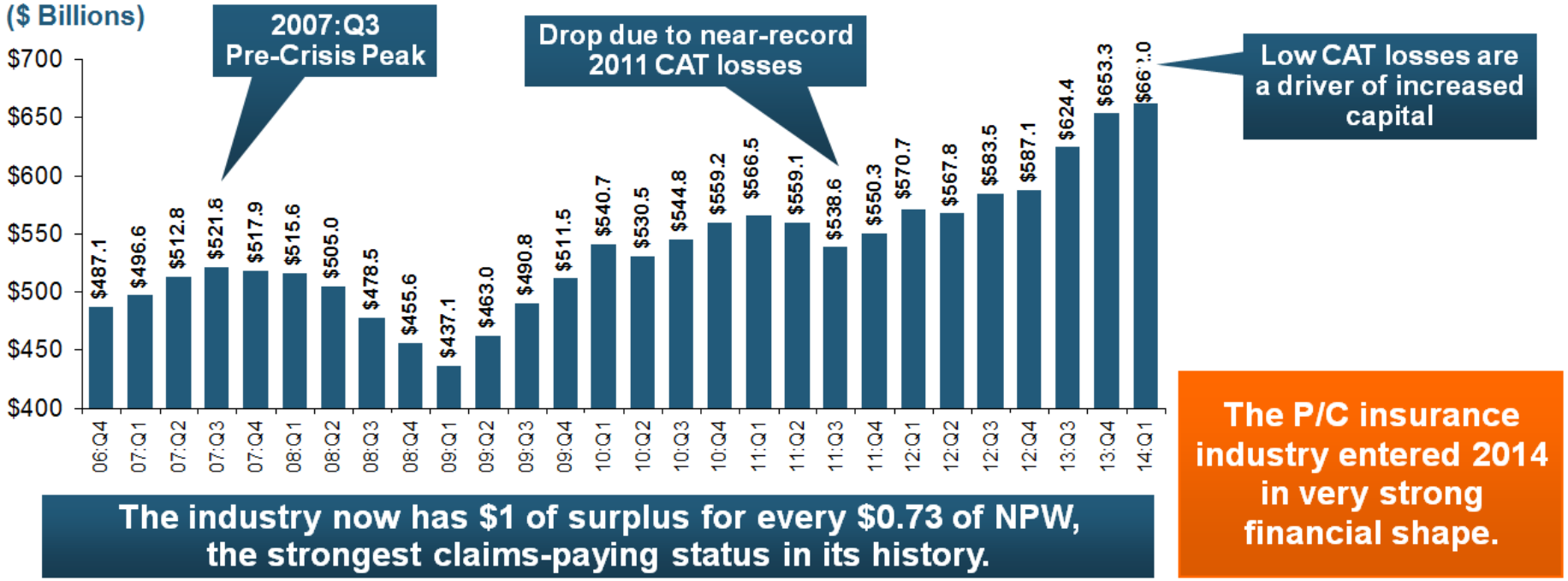


**The industry now has $1 of surplus for every $0.73 of NPW, the strongest claims-paying status in its history.**

**The P/C insurance industry entered 2014 in very strong financial shape.**

Note: 2010:Q1 data includes $22.5B of paid-in capital from a holding company parent for one insurer's investment in a non-insurance business .

Sources: ISO, A.M .Best.

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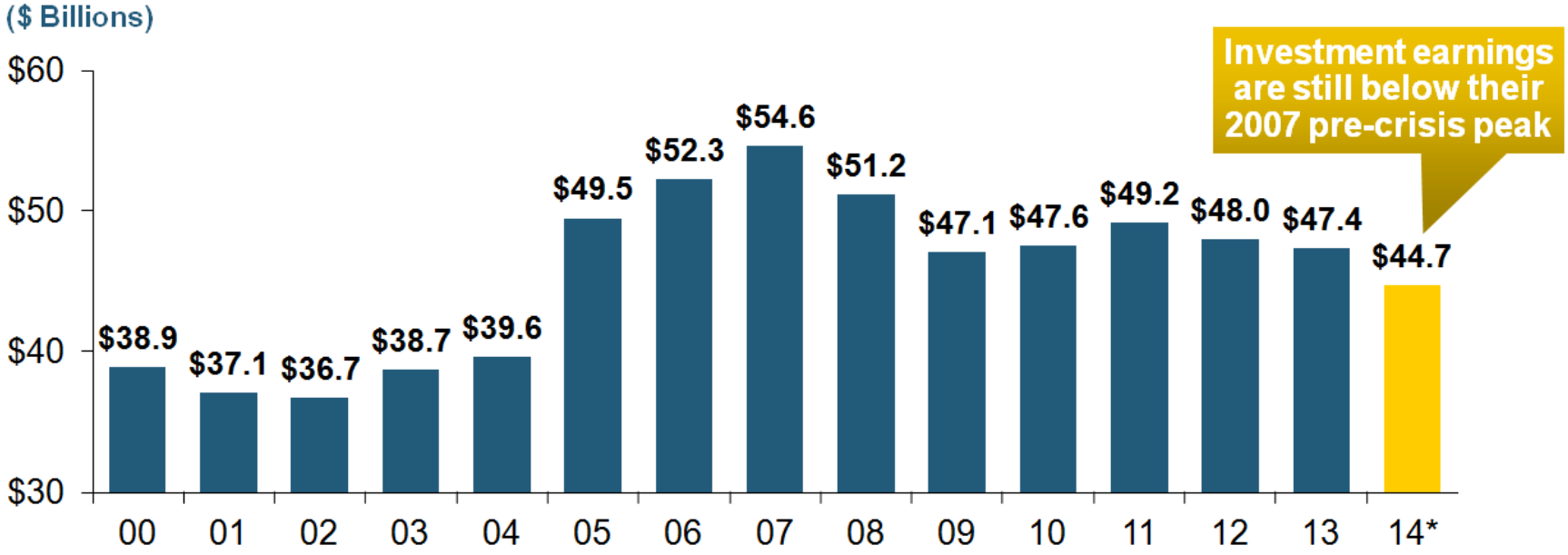
# Investments: The New Reality

## Investment Income Offsets Less Loss than in the Past, Including Losses from Catastrophes

# Property/Casualty Insurance Industry Investment Income: 2000–2014[1]




**Due to persistently low interest rates, investment income fell in 2012 and in 2013 and is falling again in 2014.**

[1] Investment gains consist primarily of interest and stock dividends.
Sources: ISO; Insurance Information Institute.

*2014 investment income is annualized based on Q1 actual = $11.18B.

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# UNDERWRITING

## Underwriting Results in 2014 Have Been Helped by Generally Lower Catastrophe Losses

***Too Soon to Tell if 2014 Will Continue 2013's Welcome Respite from High Catastrophe Loss Years Like 2011/2012***

# P/C Insurance Industry Combined Ratio, 2001–2014:Q1

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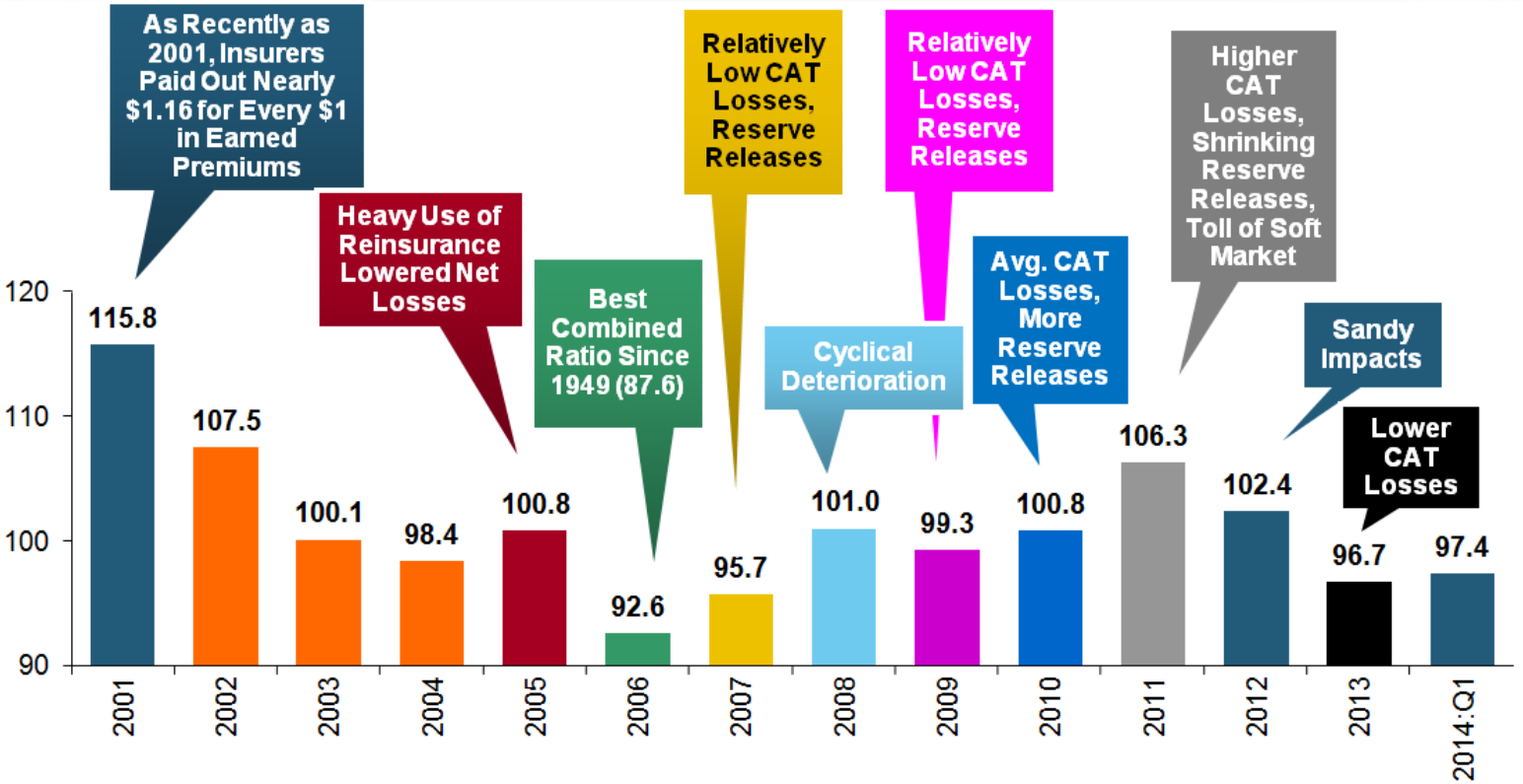
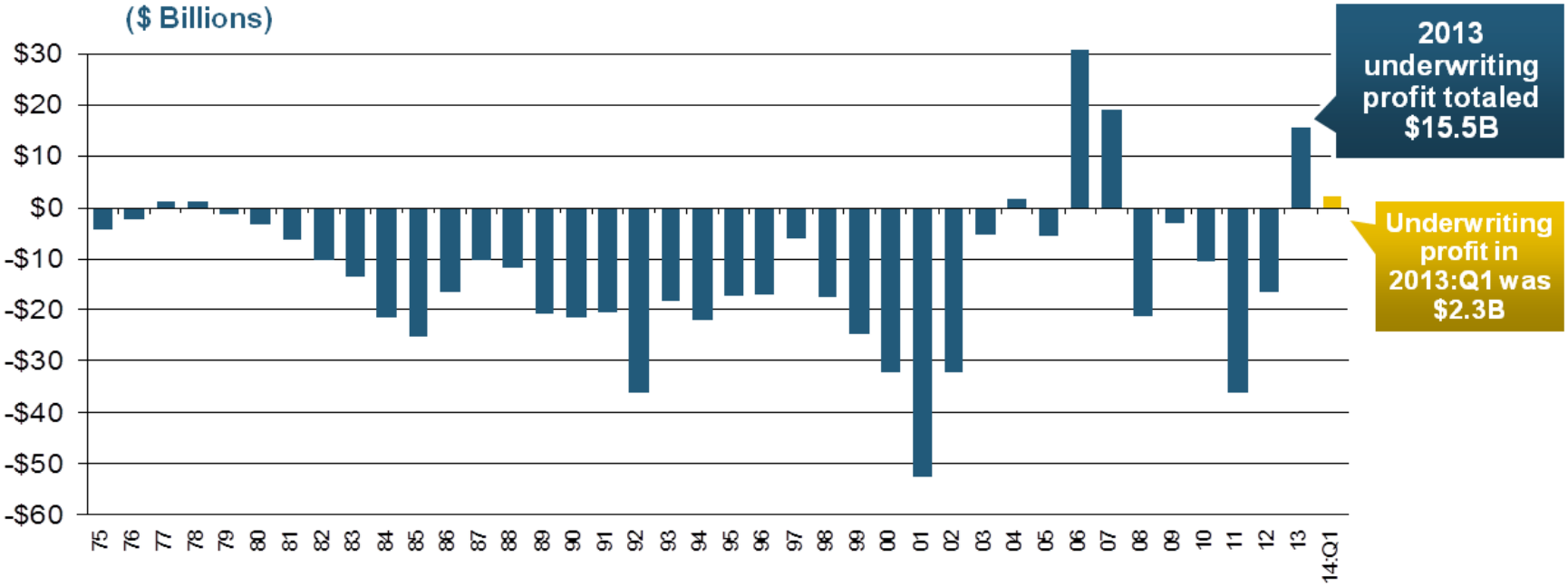



*Excludes Mortgage & Financial Guaranty insurers 2008--2014. Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=108.1; 2012:=103.2; 2013: = 96.1; 2014:Q1 = 97.3.

Sources: A.M. Best, ISO.

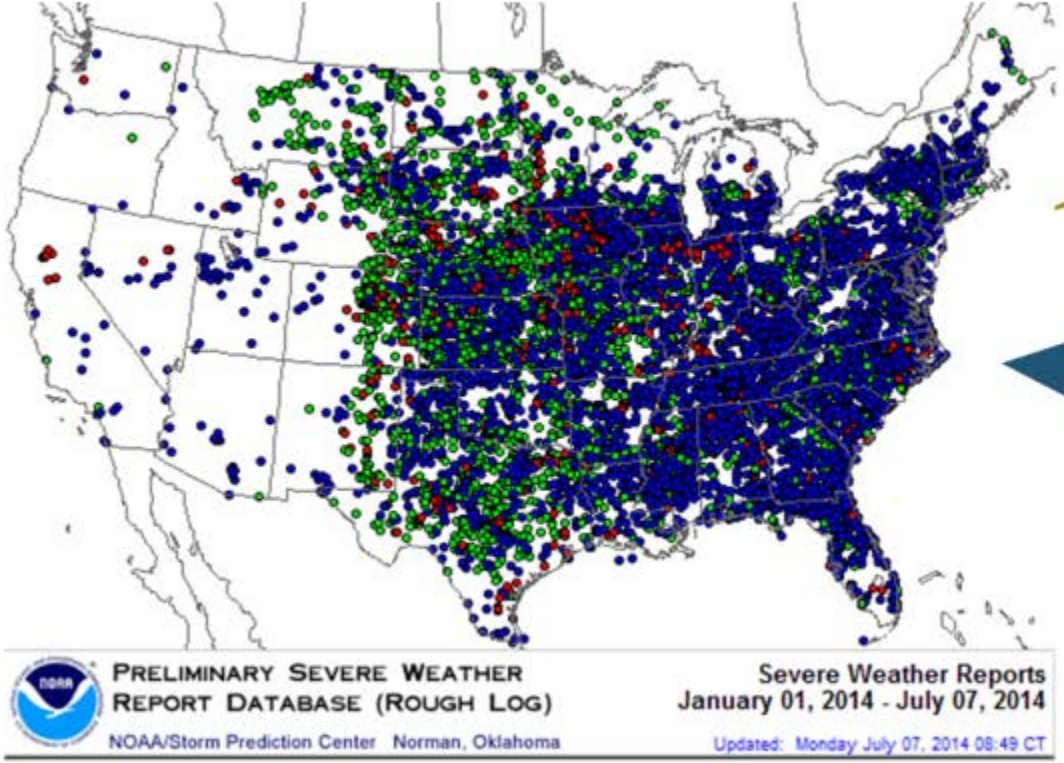
# Underwriting Gain (Loss)
# All Lines Combined, 1975–2014*




**High CAT losses in 2011 led to the highest underwriting loss since 2001. Lower CAT losses in 2013 and so far in 2014.**
**First underwriting profits since 2007.**

Note: Includes mortgage and financial guaranty insurers in all years.
Sources: A.M. Best, ISO, Insurance Information Institute.

# Severe Weather Reports As of Mid-2014*




**Severe weather reports are concentrated east of the Rockies**

**There were 11,641 severe weather reports through July 7, 2014; including 784 tornadoes; 3,895 "Large Hail" reports and 6,961 high wind events**

*Through July 7.
Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2014_annual_summary.html#

# Number of Federal Major Disaster Declarations, 1953 - June 30, 2014*

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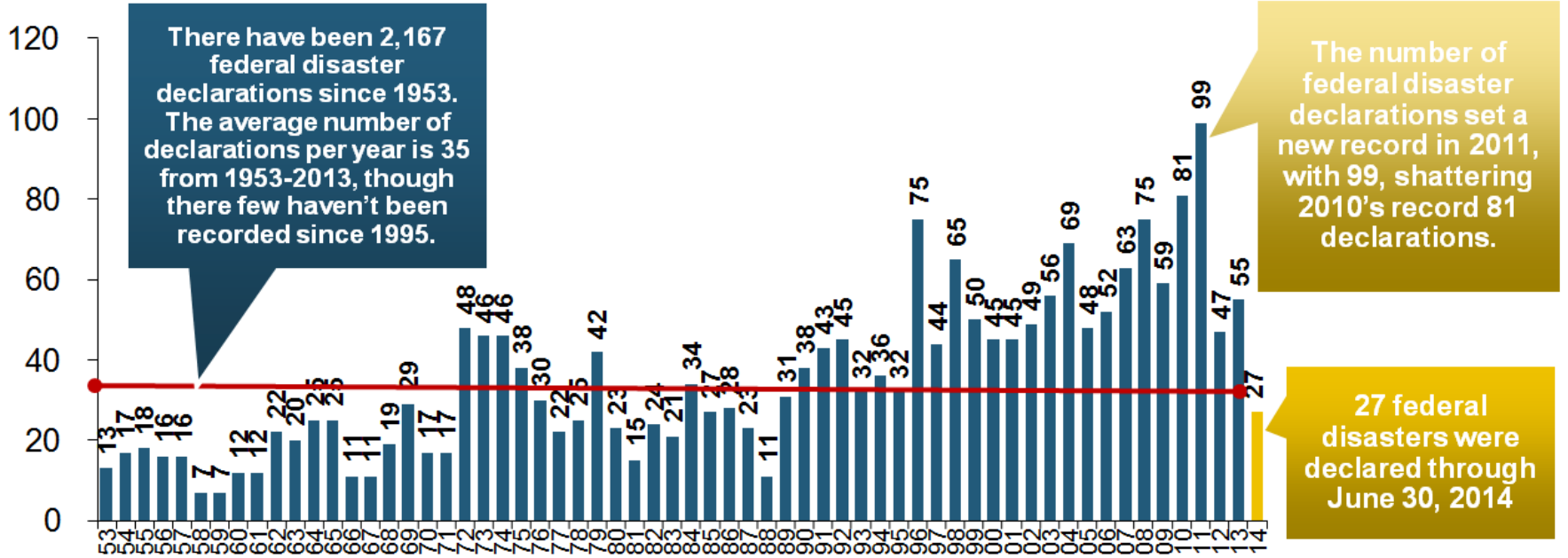
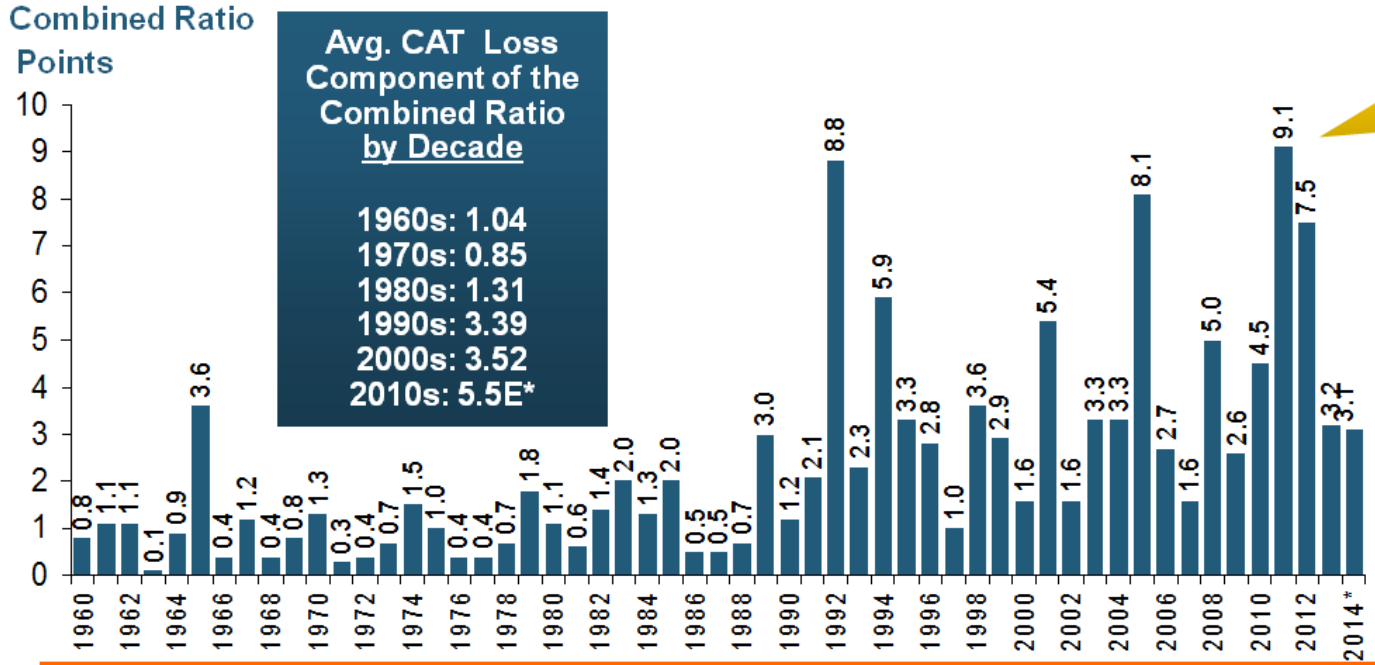



**The Number of Federal Disaster Declarations Is Rising and Set New Records in 2010 *and* 2011 Before Dropping in 2012/13**

*Through June 30, 2014.

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

# Combined Ratio Points Associated with Catastrophe Losses: 1960 – 2014E*




Catastrophe losses as a share of all losses reached a record high in 2011

Catastrophe losses as a share of all losses were down substantially in 2013 and so far in 2014

**The Catastrophe Loss Component of Private Insurer Losses Has Increased Sharply in Recent Decades**

*2010s represent 2010-2014E.

Notes: Private carrier losses only. Excludes loss adjustment expenses and reinsurance reinstatement premiums. Figures are adjusted for losses ultimately paid by foreign insurers and reinsurers.

Source: ISO (1960-2011); A.M. Best (2012-2013); Insurance Information Institute.

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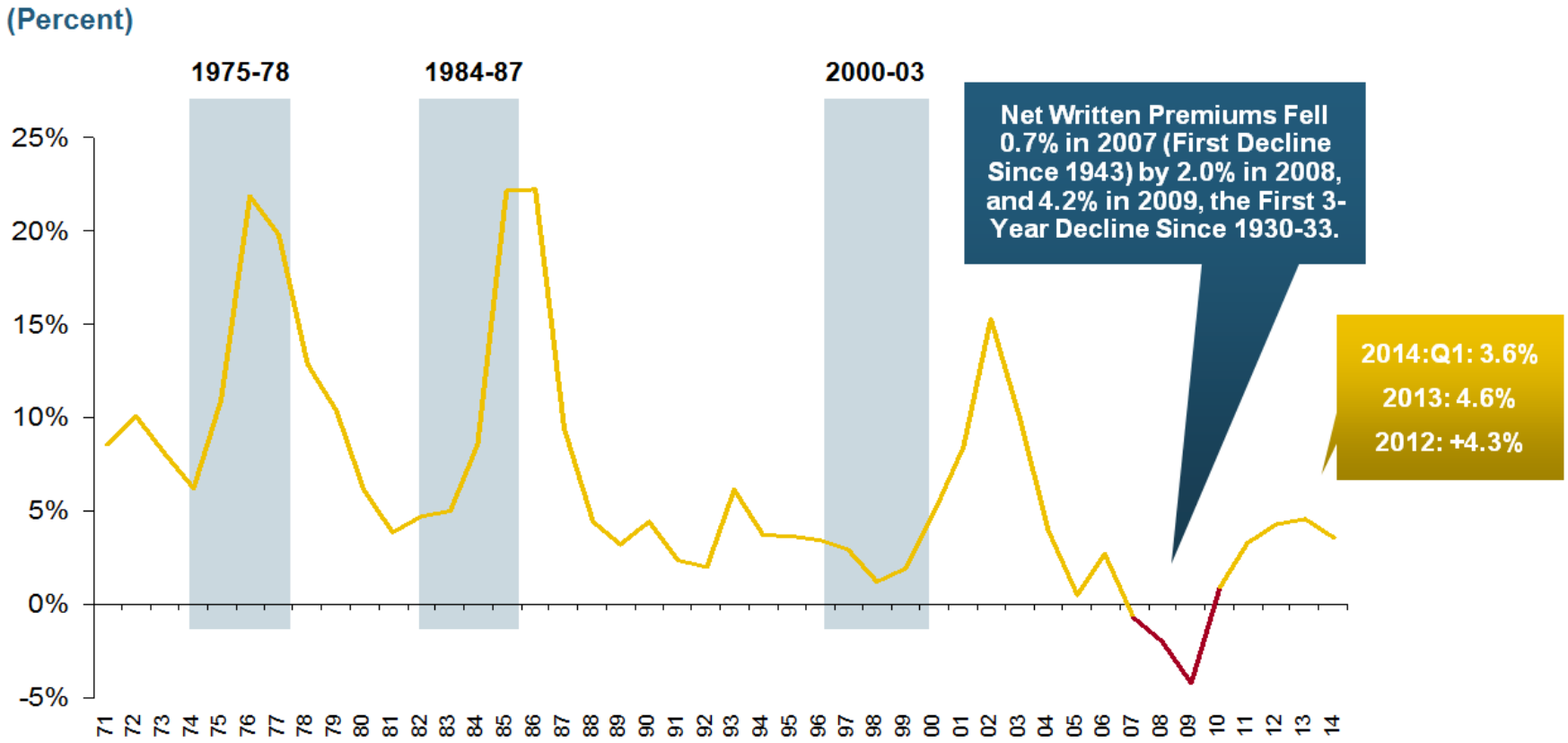
# Premium Growth

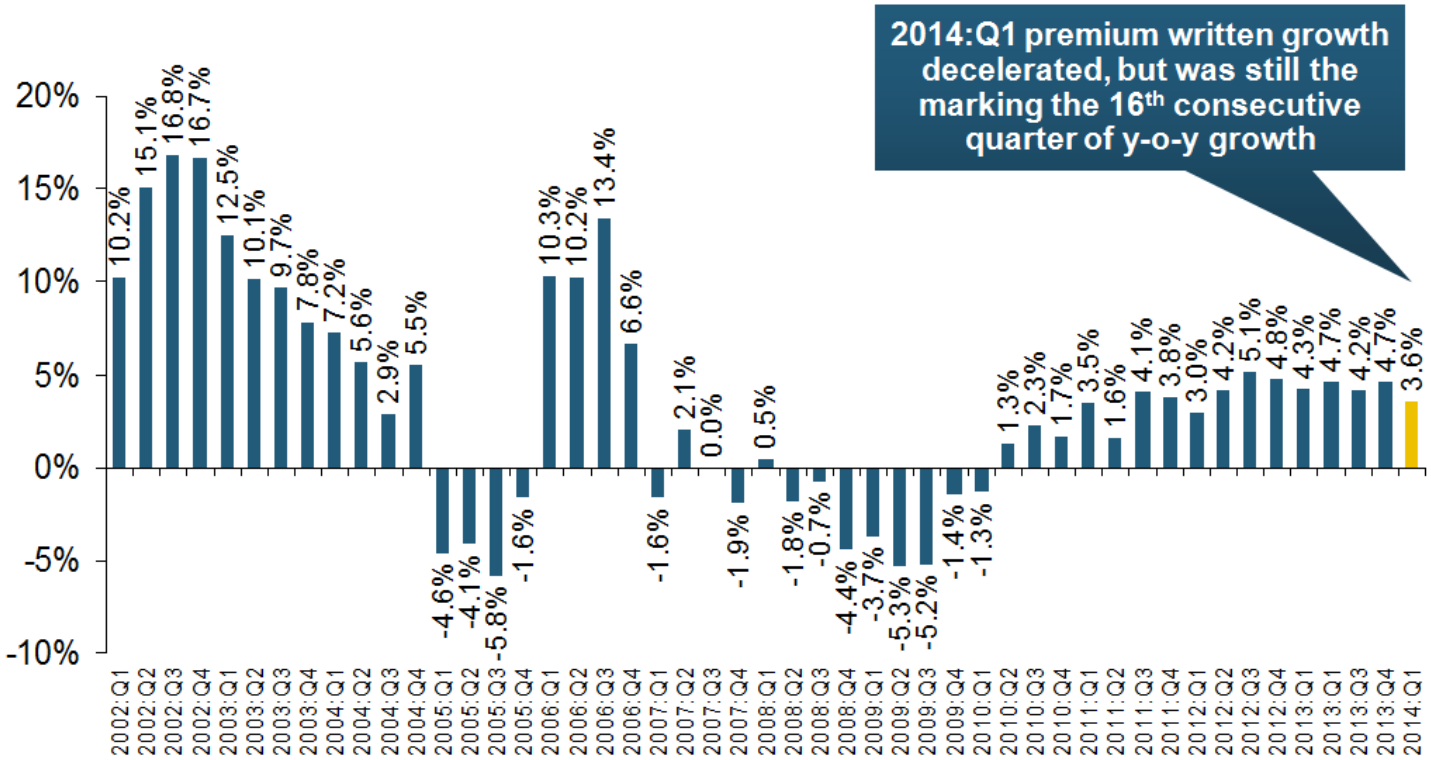
## Catastrophe Losses Impact Trajectory of Premium Growth

# Net Premium Growth: Annual Change, 1971—2014:Q1




Shaded areas denote "hard market" periods
Sources: A.M. Best (historical and forecast), ISO, Insurance Information Institute.

# P/C Net Premiums Written: Percent Change, Quarter vs. Year-Prior Quarter




**Sustained growth in written premiums (vs. the same quarter, prior year) should continue through 2014.**

Sources: ISO, Insurance Information Institute.

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# Outlook for the 2014 Atlantic Hurricane Season

## Somewhat Below Average Activity, Fewer Landfalls Expected

# Outlook for 2014 Hurricane Season: 30% *Less* Active Than Typical Year

| | Median* | 2005 (Katrina Year) | 2014F |
|---|---|---|---|
| Named Storms | 12.0 | 28 | 10 |
| Named Storm Days | 60.1 | 115.5 | 40 |
| Hurricanes | 6.5 | 14 | 4 |
| Hurricane Days | 21.3 | 47.5 | 15 |
| Major Hurricanes | 2.0 | 7 | 1 |
| Major Hurricane Days | 3.9 | 7 | 3 |
| Accumulated Cyclone Energy | 92.0 | NA | 65 |
| Net Tropical Cyclone Activity | 103% | 275% | **70%** |

*Over the period 1981-2010.
Source: Dr. Philip Klotzbach and Dr. William Gray, Colorado State University, June 2, 2014.

# Probability of Major Hurricane Landfall (CAT 3, 4, 5) in 2014

| | Average* | 2014F |
|---|---|---|
| Entire US Coast | 52% | 40% |
| **US East Coast Including Florida Peninsula** | 31% | 22% |
| Gulf Coast from FL Panhandle to Brownsville, TX | 30% | 23% |
| ***ALSO…Above-Average Major Hurricane Landfall Risk in Caribbean for 2011 (32% vs. 42%)*** | | |

*Average over the past century.
Source: Dr. Philip Klotzbach and Dr. William Gray, Colorado State University, June 2, 2014.

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# Natural Disaster Risk and Public Opinion

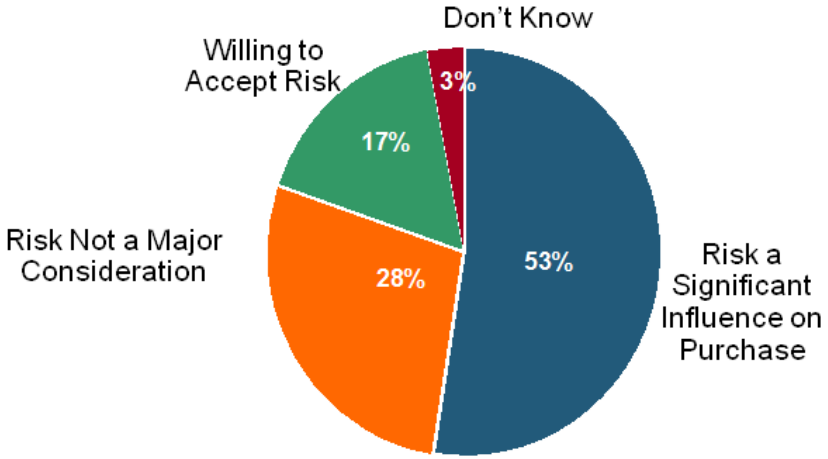
## Many Americans Are Unconcerned About Natural Disaster Risks

## *Many Support Subsidies*

## *Virtually All Value Insurer Strength*

# I.I.I. Poll: Homes Near Hazards

**Q. If you were to purchase a home today, which of the following summarizes your views on that home's risk of damage from natural disasters . . . and your decision to purchase that home?**

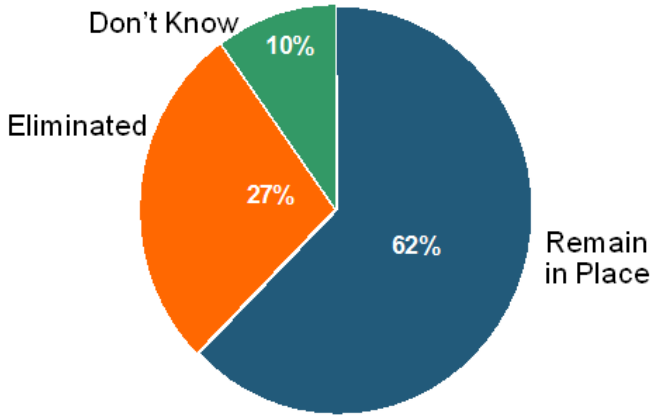



**Nearly Half of the Public Does Not Consider Natural Disaster Risk to Be a Concern or Is Willing to Accept the Risk When Buying a Home**

Source: Insurance Information Institute Annual *Pulse* Survey.

# I.I.I. Poll: Flood Insurance Rates

**Q. Congress recently passed a law that will roll back some of the rate increases it put in place for homeowers who purchase subsidized flood insurance from the government . . . . Do you think the recent rate rollback and subsidies should remain in place for most homeowners who purchase flood insurance; or the rollbacks and subsidies should be eliminated; or don't know?**

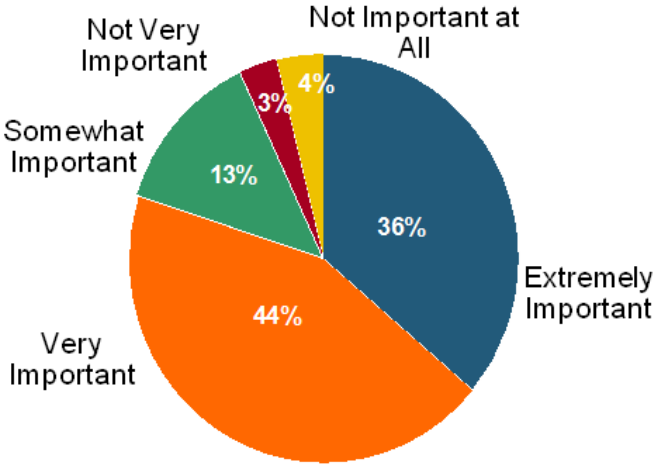



**Most Americans Support the Flood Insurance Rate Rollback (i.e. maintaining many subsidies).**

Source: Insurance Information Institute Annual *Pulse* Survey.

# I.I.I. Poll: Insurer Strength

**Q. How important is the financial strength and stability of your insurance company to you? Is it extremely important, very important, somewhat important, not very important, not important at all or don't know?**




**Almost Half the Public Things That the Strength of Their Insurance Company Is Very Important, and Another Third Think It Is Extremely Important**

Source: Insurance Information Institute Annual *Pulse* Survey.

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***Thank you for your time and your attention!***

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# Press Inquiries

Sharon Cooper
Phone: +1 (609) 243-8821
E-mail: scooper@munichreamerica.com

Terese Rosenthal
Phone: +1 (609) 243-4339
E-mail: trosenthal@munichreamerica.com

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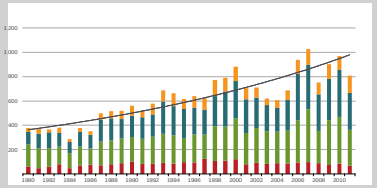
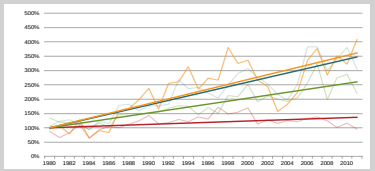
# for statistics and analyses on natural disasters





## The downloadcenter provides **free** access:

- Annual statistics
- Long-term statistics
- Information on significant natural disasters
- Focus analyses
- NatCatSERVICE methodology, info brochure
- Publication Topics Geo

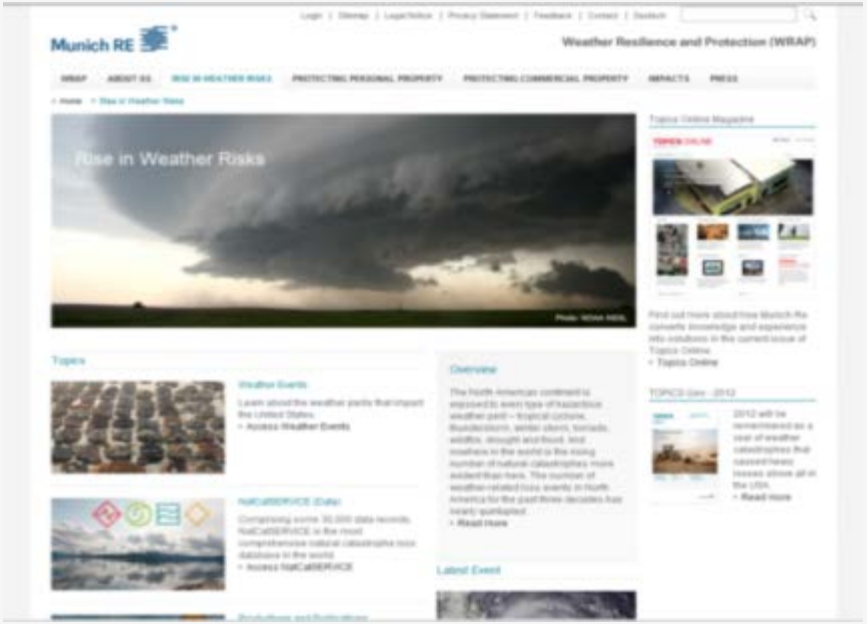
www.munichre.com/natcatservice/downloadcenter/en

# Weather Resilience and Protection (WRAP)

## Website

Describe the impact of severe weather and how individuals, businesses, government, and insurers can work together to prepare for and mitigate weather risks.

Will include data, publications, preparation tips and other useful information for the press.

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July 9, 2014

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