



**INSURANCE  
INFORMATION**  
INSTITUTE

# Hurricane Andrew's Enduring Impact on the U.S. Insurance Industry

National Hurricane Conference

April 18, 2017

Lynne McChristian, Florida Representative and Catastrophe Response Director

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

Tel: 813.480.6446 ♦ [lynnem@iii.org](mailto:lynnem@iii.org) ♦ [www.iii.org](http://www.iii.org)

# Andrew's Legacy:

Underestimated Costs and  
Underestimated Vulnerability to  
Natural Disasters

# Hurricane Andrew: Aug. 24, 1992

Costliest storm in U.S. history – until Katrina in 2005



- ▲ Insurance claims payouts totaled \$15.5 billion
- ▲ \$27 billion in 2017 dollars
- ▲ Hurricane Katrina losses: \$41 billion

# The Wake-Up Call

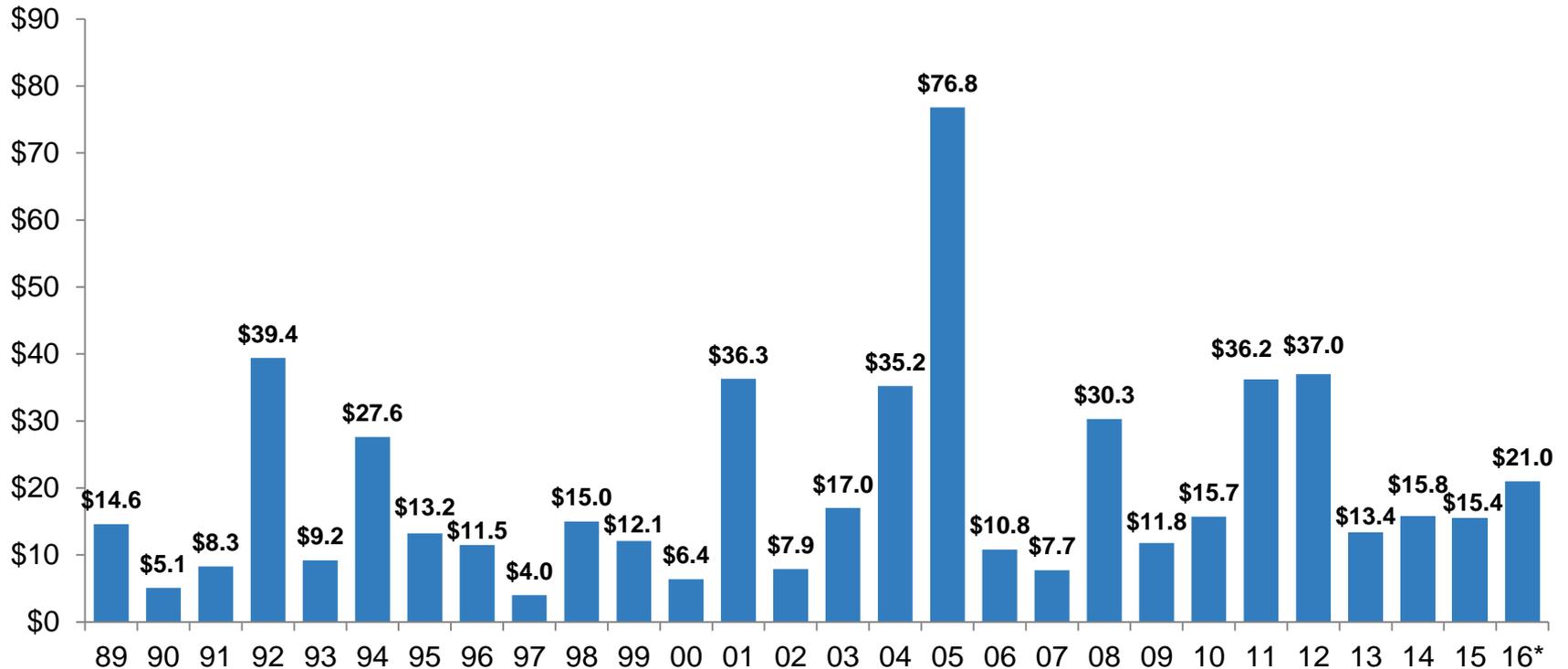
## What we know now that we didn't then

- ▲ Need to manage coastal exposure.
- ▲ Increasing role of government in insuring coastal risks.
- ▲ Introduction of hurricane deductibles.
- ▲ Greater use of reinsurance capital from around the world.
- ▲ Rapid evolution needed for catastrophe modeling.
- ▲ Necessity for strengthened building codes, and for them to be enforced.



# U.S. Insured Catastrophe Losses, 1989-2016

(\$ billions, 2016 dollars)



▲ Long-term trend is for more, not fewer, costly events.

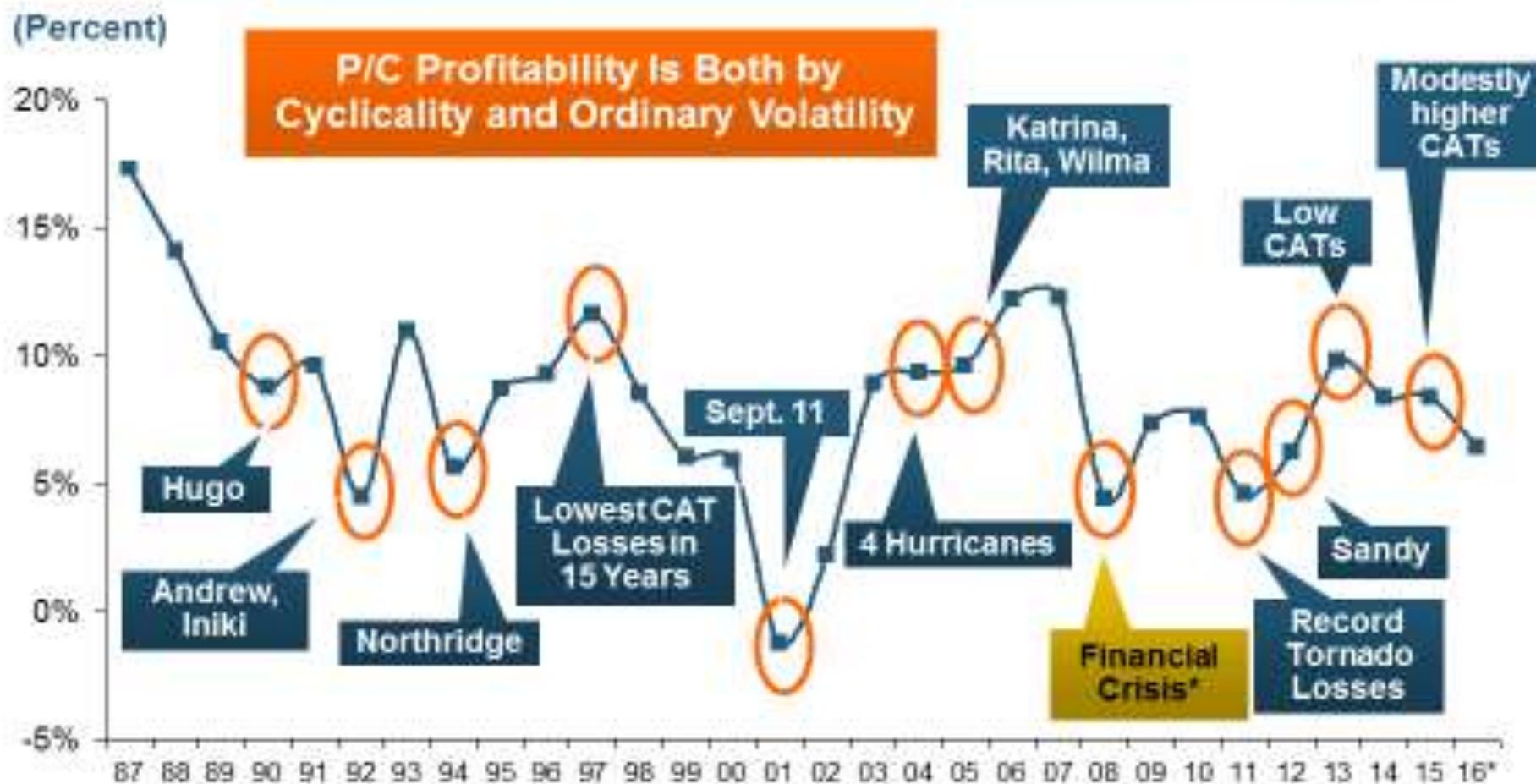
\*2016 estimate is subject to change

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, a Verisk Analytics business; Insurance Information Institute.



# ROE: Property/Casualty Insurance by Major Event, 1987–2016:H1



\* Through 2016:H1. Excludes Mortgage & Financial Guarantee in 2008 – 2014.  
Sources: ISO, Fortune, Insurance Information Institute.

Learning from the past:

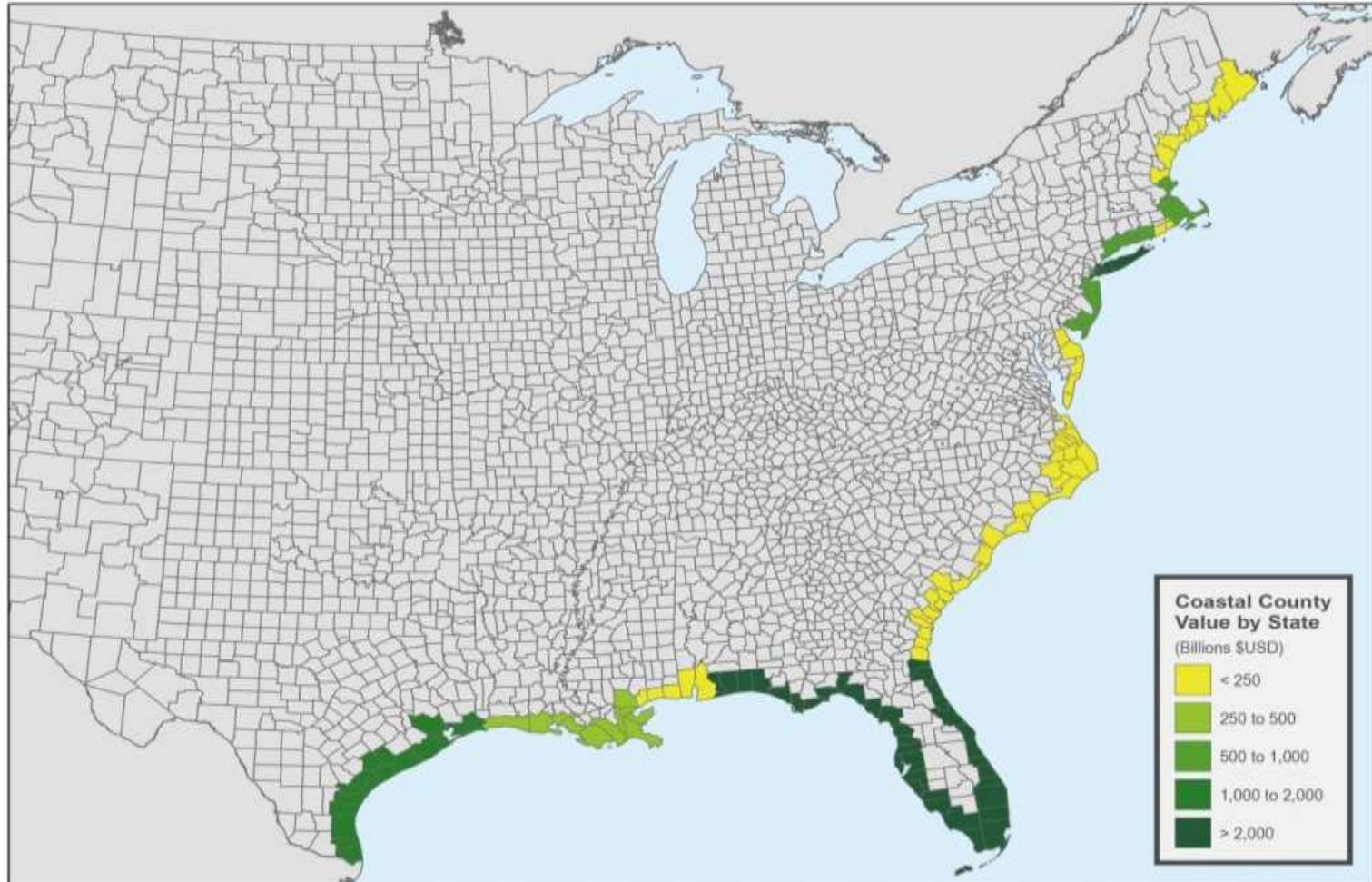
The risk has grown, not diminished.



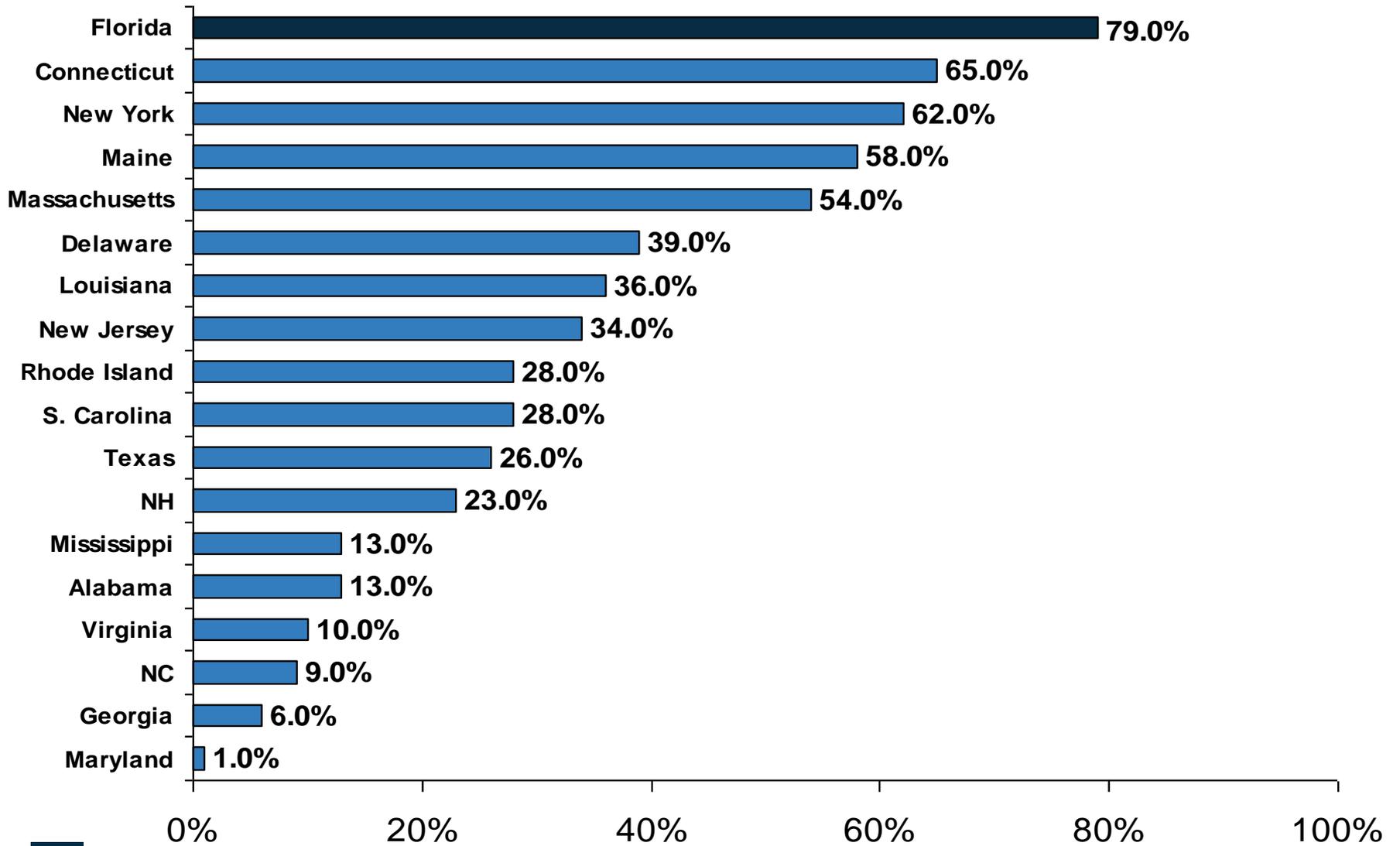
▲ What's the worst that could happen?

# Total value of property in coastal counties

Includes residential and commercial property



# Insured Coastal Exposure As a % Of Statewide Insured Exposure

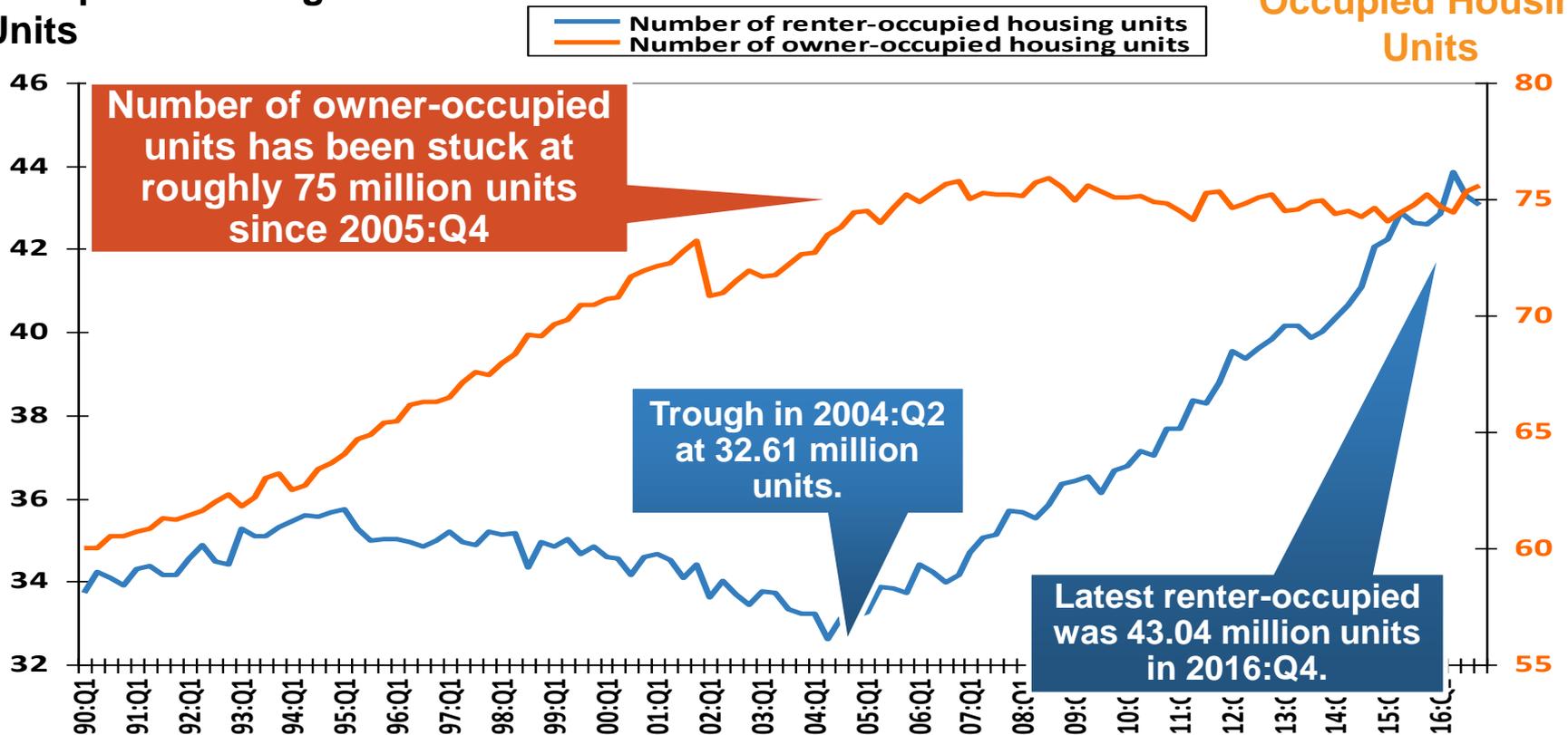


Source: AIR Worldwide

# Number of Owner-Occupied & Renter-Occupied Housing Units, US, Quarterly, 1990:Q1-2016:Q4

Millions of Renter-Occupied Housing Units

Millions of Owner-Occupied Housing Units



Number of owner-occupied units has been stuck at roughly 75 million units since 2005:Q4

Trough in 2004:Q2 at 32.61 million units.

Latest renter-occupied was 43.04 million units in 2016:Q4.

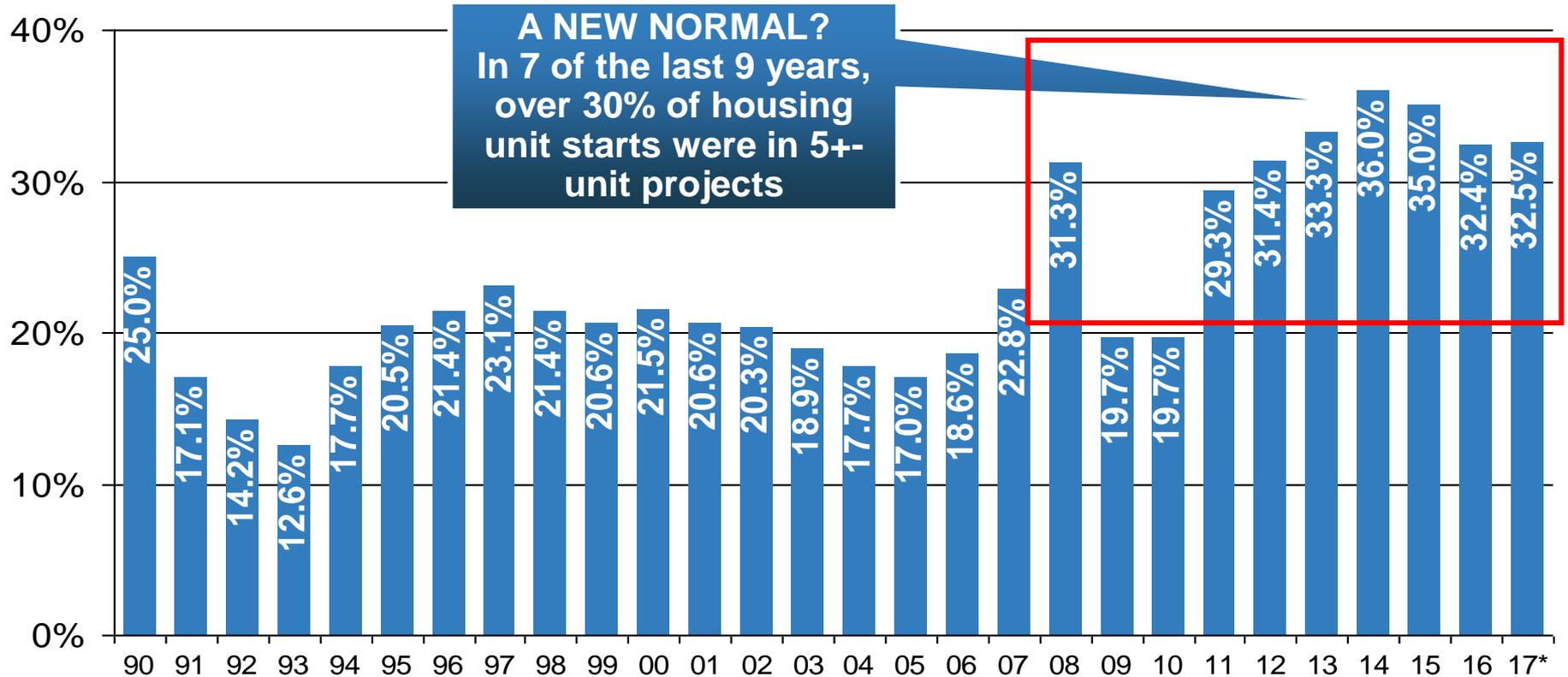
Since 2004 the number of renter-occupied housing units has grown by about 11 million units (+34.5%), but there has been no growth in the number of owner-occupied housing units in 12 years. When will this end?



Sources: US Census Bureau at <http://www.census.gov/housing/hvs/data/histtabs.html>, Table 8; Insurance Information Institute.

# US: Pct. Of Private Housing Unit Starts In Projects of 5+ Units, 1990-2017\*

Units in Multiple-Unit Projects as Percent of Total



**For the U.S. as a whole, the trend toward multi-unit housing projects (vs. single-unit homes) is recent.**



\*2017 is January and February, annualized; preliminary. Based on seasonally-adjusted data. Sources: U.S. Census Bureau; Insurance Information Institute calculations.

# Summary

- ▲ The challenge for insurers: managing exposure to catastrophic losses from hurricanes.
- ▲ The challenge for coastal residents: recognizing their vulnerability and overcoming complacency.
- ▲ Preparedness means is protecting people, property – and your finances.
- ▲ Best defense is knowing that mitigation matters. Resiliency must be a forethought, not an afterthought.
- ▲ The hurricane “dry spell” will end.





**INSURANCE  
INFORMATION**  
INSTITUTE

Thank you for your time  
and your attention!

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

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