Workshop on the Role of Insurance in Community Resilience

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Location of Tornadoes in the US, 2012*

1,119 tornadoes killed 68 people through Dec. 31

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2012_annual_summary.html#
There were 7,033 “Large Hail” reports through Dec. 31, 2012, causing extensive damage to homes, businesses and vehicles.

Location of Wind Damage Reports in the US, 2012*


Extreme density due to late June derecho

Hurricane Sandy resulted in a large volume of wind damage reports

There were 14,351 “Wind Damage” reports through Dec. 31, causing extensive damage to homes and businesses
Natural Catastrophes in the USA
1980 – 2012

Number of events

2012 Total: 184 events

Source: Munich Re
1. Catastrophes are defined as events causing direct insured losses to property of $25 million or more in 2009 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.
Average annual winter storm losses have almost doubled since the early 1980s.

2011 Total
$2.0 billion

Source: Property Claims Service MR NatCatSERVICE
Average thunderstorm losses have increased sevenfold since 1980.
Natural Catastrophes in the USA
1980 – 2012
Overall and insured losses

Insured losses in the U.S. in 2012 were the second highest on record.

Source: Munich Re
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 9 years (2004—2012)

Hurricane Sandy could become the 3\textsuperscript{rd} costliest hurricane in US insurance history

Hurricane Irene became the 12\textsuperscript{th} most expensive hurricane in US history in 2011

Irene (2011) $4.4
Jeanne (2004) $5.6
Frances (2004) $5.6
Rita (2005) $6.7
Hugo (1989) $7.8
Ivan (2004) $8.7
Charley (2004) $9.2
Wilma (2005) $11.1
Ike (2008) $13.4
Sandy* (2012) $20.0
Andrew (1992) $25.6
Katrina (2005) $48.7

*Estimate as of 12/09/12 based on estimates of catastrophe modeling firms and reported losses as of 1/12/13. Estimates range up to $25B. Sources: PCS; Insurance Information Institute inflation adjustments to 2012 dollars using the CPI.

*Through May 1, 2013.
Federal Aid Requests for States With Greatest Sandy Impact & Federal Aid Proposals


*States Requested Enormous Sums in Sandy Aid in the Middle of the “Fiscal Cliff” Debate, Causing Delays*
U.S. Population Living in Coastal Watershed Counties

52%
Percent of the nation's total population that lived in coastal watershed counties in 2010 (less than 20% of the total land area excluding Alaska).
Source: U.S. Census Bureau, 2011

50.9 million
Increase in U.S. coastal watershed county population from 1970 to 2010 (or a 45% increase).
Source: U.S. Census Bureau, 2011

319
Average population density of the coastal watershed counties (excluding Alaska). Inland density averages 61 persons per square mile.
Source: U.S. Census Bureau, 2011

14.9 million
Expected increase in U.S. coastal watershed county population by 2020 (or a 9% increase, excluding Alaska).
Source: Woods & Poole, 2011; NOAA, 2011; U.S. Census Bureau, 2011
Flood Loss Paid by the National Flood Insurance Program, 1980-2012E

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.

NYS 2100 COMMISSION (Insurance)

• Improve consumer awareness
  – Wind deductibles
  – Hurricane deductible
  – Mold
  – Flood policies

• Prevent underinsurance for flood risk

• Assess existing building stock for mitigation choices

• Establish a revolving fund for risk mitigation

• Expand coverage for business interruption

• Promote a State level Chief Risk Officer

• Prefund disaster recovery
NY Post Sandy Commission Recommendations

Ready Commission

- Statewide network, emergency training, protocol, communication
- Certify emergency personnel
- Expand state authority to coordinate local decisions related to public health and safety
- Building code changes – resilient buildings and climate change
- Review critical facility locations (hospitals, nursing homes)
- Identify vulnerable populations in advance
- Access to fuel – gas station backup power, strategic fuel supply
NY Post Sandy Commission Recommendations

Respond Commission

• Employ National Guard, increase training for power restoration, debris removal (public safety)
• Establish a civilian emergency response corps, harness skilled trades
• More organized use of volunteers
• Establish emergency stockpile of equipment and supplies (generators, light towers, food)
• Private sector emergency response task force
• Statewide texting capability
• Develop web portal for financial, FEMA, state resources, use for on-the-ground response
Resiliency Strategies

• Incorporate extreme weather risk in development, building codes, insurance risk pricing and assessment.
• Eliminate subsidies associated with insurance.
• Risk-based pricing of insurance
• State sponsored program for low income consumers
• Insurance coverage flexibility for consumers
• Insurers credit hazard mitigation.
• Reform the NFIP.
  – Reflect extreme weather risk
  – Risk-based pricing
• Use nature to mitigate damage and protect lives and property.
• Provide tax credits for specified mitigation and resiliency.
Strategies, cont’d

• Federal standards for state / local building codes

• Create revolving fund to offer loans to homeowners who want to strengthen their property.

• Limit the number of times coastal residents receive insurance reimbursement / disaster assistance.

• Purchase or relocate properties near coastal or river areas at repeat risk.

• Transfer development rights from coastal and river properties to areas inland. (Coastal Barrier Resource Act)

• Remote sensing is a critical asset that needs new funding.

• Role/utilization of the Army Corps and Congressional interests.
Rating the States
Atlantic and Gulf Coast States
Is the NTSB a prototype for resiliency assessment?