

P-C Trends

2011 Catastrophes Alarm P-C Industry

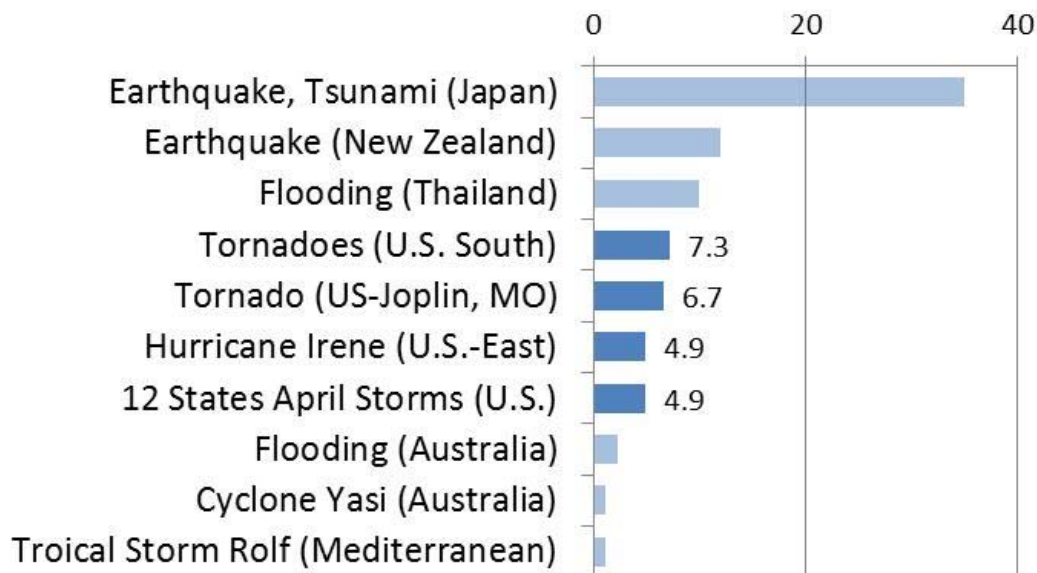
Agents can review risks, insurance coverage options with clients.

As a new year begins after a catastrophe-plagued 2011, insurers are justifiably nervous.

Numerous media reports cite difficult January reinsurance renewals as 2011 was a truly scary year. Worldwide losses reached their highest level ever at \$105 billion; one-third, or about \$36 billion, of the losses were stateside, where combined ratios at nine months were near 110%, according to the Insurance Information Institute. And no one knows what 2012 will bring.

The U.S. is a major part of worldwide disaster totals in a typical year, and 2011 was no exception. Early in the year, news media attention was naturally focused on earthquakes in other parts of the world such as Japan, but as the year played out, the United States too had some record-breaking catastrophes. Four of the top 10 events, measured by insured losses, were in the U.S.

Insured Losses (In Billions)



Source: A.M. Best

A big year of catastrophe losses is a rare event and having two years in a row of seemingly bad luck is far less likely. Still, insurers seem nervous about a repeat performance in 2012 and reports of reinsurance renewals for January have been cited as the toughest to get completed in a generation.

What's affecting the industry thinking?

One evident factor is the record year of catastrophes was so evenly spread out. There were 99 major disaster declarations in 2011, the most in any year since tabulation began in 1953, according to the Federal Emergency Management Agency.

Moreover, and perhaps equally scary, is that all but seven states had at least one major disaster declared and more than half of states had two or more, according to FEMA. It seemed no state was immune and some states were clobbered.

In addition, the second highest number of disasters declared in a single year was also recent in 2010 with 81, according to FEMA.

States with Major Disasters in 2011	Major Disasters Declared
New Jersey and Tennessee	5
Iowa, New York, Oklahoma and Vermont	4
Connecticut, Massachusetts, Minnesota, Missouri, New Hampshire, Pennsylvania and Virginia	3
Alaska, Arkansas, California, District of Columbia, Illinois, Kansas, Kentucky, Louisiana, Maine, Maryland, Mississippi, Nebraska, New Mexico, North Carolina, North Dakota, Oregon, Texas and Utah	2
Alabama, Delaware, Georgia, Hawaii, Idaho, Indiana, Montana, Ohio, Rhode Island, South Dakota, Washington, Wisconsin and Wyoming	1
Arizona, Colorado, Florida, Michigan, Nevada, South Carolina and West Virginia	0

Source: FEMA. Major disaster include hurricanes, tornados, rain and snow storms, flooding events, earthquakes, volcanoes, wildfires and explosions of sufficient severity that require more than local and state resources to manage them.

Of the major disaster events that contributed to the \$35 billion in U.S. catastrophe losses last year, every type occured except for a major volcanic eruption.

The year started with winter storms from Maine to California, followed by a tsunami in Hawaii and California. Next came intense and widespread tornado events, a drought in the Southwest with accompanying wildfires, flooding in the Mississippi basin, a rare East Coast earthquake and Hurricane Irene, which died down before making landfall to cause widespread flooding. All 99 major declared disasters are listed on the [FEMA website](#).

With such widespread and diverse catastrophe events, insurers are sure to be planning for a change in catastrophe baselines and taking precautionary steps.

For agents, it may be a great time to highlight various catastrophe risks to clients and prospects. It's never too late or too early to be vigilant in helping clients prepare. Risk exposure questionnaires and coverage checklists are excellent ways to point out these risks and to document an offer or rejection of coverage.

While agents are often focused on delivering what is requested by the customer, there are opportunities to help clients identify which types of coverage are available, including those for flood, excess flood, earthquake, business interruption and contingent business income.

The Big “I” [Virtual Risk Consultant](#) is a resource agents can use for help with risk exposure questionnaires and coverage checklists. It also offers exclusive access and pricing for Big “I” members.

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