Presentation to the ULPA/LPI
“Catastrophes in the U.S. & Overview of I.I.I. Resources
Regal Sun Resort,
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I. Background on the I.I.I.
II. Catastrophe Facts & Statistics
III. Lightning Losses & Insurance Coverage
IV. Consumer Education
V. I.I.I. Resources
I. Background on the I.I.I.

- The Insurance Information Institute (I.I.I.) is a non-profit communications organization supported by the property/casualty insurance industry.
- The mission of the I.I.I. is to educate the public about insurance – what it is and how it works.
II. Catastrophe Facts & Statistics
What is a Catastrophe from an Insurance Perspective?

- A catastrophe in the property insurance industry is a natural or man-made disaster when claims are expected to be over $25 million.

- Catastrophe losses in 2005 totaled $61.2 billion from 24 disasters.
2006 was a welcome respite. 2005 was by far the worst year ever for insured catastrophe losses in the US, but the worst has yet to come.

*Excludes $4B-$6b offshore energy losses from Hurricanes Katrina & Rita. **II estimate through 07:Q3.

Note: 2001 figure includes $20.3B for 9/11 losses reported through 12/31/01. Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = $12.2B.

Source: Property Claims Service/ISO; Insurance Information Institute
Eight of the 11 most expensive disasters in US history occurred since 2001.

Note: 9/11 loss figure is for property claims only. Sources: ISO/PCS; Insurance Information Institute.
Meteorologists agree that we are currently living in a time of more severe and frequent hurricane activity. At the same time, the populations (between 1980 and 2003) of coastal counties grew by 33 million people or 28 percent. And, we are building bigger and more expensive homes.

Between 1980 and 2003, the population of coastal counties grew by 33 million people or 28 percent. Florida grew by 75 percent, Texas 52 percent and Virginia by 48 percent.

The growth and concentration of property values in hurricane prone states created issues of cost and availability of coverage.

On the west coast, earthquakes and wildfires also pose a significant risk.
Catastrophe Facts & Statistics - Coastal Exposure

Source: AIR Worldwide
# Catastrophe Facts and Statistics

## The Ten Most Costly Catastrophes, United States (1)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Date</th>
<th>Peril</th>
<th>Insured loss ($ millions)</th>
<th>Dollars when occurred</th>
<th>In 2007 dollars (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aug. 2005</td>
<td>Hurricane Katrina</td>
<td>$41,100</td>
<td>$43,625</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Aug. 1992</td>
<td>Hurricane Andrew</td>
<td>15,500</td>
<td>22,902</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Sep. 2001</td>
<td>World Trade Center, Pentagon terrorist attacks</td>
<td>18,800</td>
<td>22,006</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Jan. 1994</td>
<td>Northridge, CA earthquake</td>
<td>12,500</td>
<td>17,485</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Oct. 2005</td>
<td>Hurricane Wilma</td>
<td>10,300</td>
<td>10,933</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Aug. 2004</td>
<td>Hurricane Charley</td>
<td>7,475</td>
<td>8,203</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Sep. 2004</td>
<td>Hurricane Ivan</td>
<td>7,110</td>
<td>7,803</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Sep. 1989</td>
<td>Hurricane Hugo</td>
<td>4,195</td>
<td>7,013</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Sep. 2005</td>
<td>Hurricane Rita</td>
<td>5,627</td>
<td>5,973</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Sep. 2004</td>
<td>Hurricane Frances</td>
<td>4,595</td>
<td>5,043</td>
<td></td>
</tr>
</tbody>
</table>

(1) Property coverage only.

(2) Adjusted to 2007 dollars by the Insurance Information Institute.

Source: ISO’s Property Claim Services Unit; Insurance Information Institute.
## Top States with Highest Insured Catastrophe Losses, 2007

($ millions)

<table>
<thead>
<tr>
<th>State</th>
<th>Estimated insured loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$1,230</td>
</tr>
<tr>
<td>Minnesota</td>
<td>747</td>
</tr>
<tr>
<td>Texas</td>
<td>677</td>
</tr>
<tr>
<td>Georgia</td>
<td>320</td>
</tr>
<tr>
<td>Illinois</td>
<td>272</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>270</td>
</tr>
<tr>
<td>Kansas</td>
<td>262</td>
</tr>
<tr>
<td>Missouri</td>
<td>223</td>
</tr>
<tr>
<td>New York</td>
<td>202</td>
</tr>
<tr>
<td>Colorado</td>
<td>200</td>
</tr>
<tr>
<td>Alabama</td>
<td>200</td>
</tr>
</tbody>
</table>

Note: Catastrophes are assigned serial numbers by the Property Claim Services (PCS) division of ISO when the insured loss to the industry resulting from an occurrence reaches at least $25 million and affects a significant number of policyholders and insurers.

Source: ISO's Property Claim Services Unit.
Inflation-Adjusted U.S. Insured Catastrophe Losses By Cause of Loss, 1986-2005¹

- **Terrorism** 7.7%
- **All Tropical Cyclones** 47.5%
- **Tornadoes** 24.5%
- **Wind/Hail/Flood** 2.8%
- **Earthquakes** 6.7%
- **Winter Storms** 7.8%
- **Civil Disorders** 0.4%
- **Fire** 2.3%
- **Water Damage** 0.1%
- **Utility Disruption** 0.1%

**Insured disaster losses totaled $289.1 billion from 1984-2005 (in 2005 dollars). Tropical systems accounted for nearly half of all CAT losses from 1986-2005, up from 27.1% from 1984-2003.**

¹ Catastrophes are all events causing direct insured losses to property of $25 million or more in 2005 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).
## Homeowners Insurance Losses by Cause, 2002-2006 (1)

(Percent of losses incurred)

<table>
<thead>
<tr>
<th>Cause of loss</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property damage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire, lightning and debris removal</td>
<td>32.76%</td>
<td>31.90%</td>
<td>20.88%</td>
<td>24.19%</td>
<td>34.68%</td>
</tr>
<tr>
<td>Wind and hail</td>
<td>20.60%</td>
<td>25.08%</td>
<td>49.45%</td>
<td>44.88%</td>
<td>28.26%</td>
</tr>
<tr>
<td>Water damage and freezing</td>
<td>21.46%</td>
<td>22.00%</td>
<td>16.18%</td>
<td>16.70%</td>
<td>20.29%</td>
</tr>
<tr>
<td>Theft</td>
<td>4.52%</td>
<td>3.26%</td>
<td>2.20%</td>
<td>2.52%</td>
<td>3.66%</td>
</tr>
<tr>
<td>All other property damage (2)</td>
<td>12.25%</td>
<td>10.77%</td>
<td>6.31%</td>
<td>6.69%</td>
<td>7.76%</td>
</tr>
<tr>
<td>Liability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bodily injury and property damage</td>
<td>7.70%</td>
<td>6.31%</td>
<td>4.44%</td>
<td>4.39%</td>
<td>4.36%</td>
</tr>
<tr>
<td>Medical payments and other</td>
<td>0.69%</td>
<td>0.67%</td>
<td>0.53%</td>
<td>0.63%</td>
<td>0.99%</td>
</tr>
<tr>
<td>Credit card and other (3)</td>
<td>0.01%</td>
<td>(4)</td>
<td>0.01%</td>
<td>(4)</td>
<td>(4)</td>
</tr>
</tbody>
</table>

(1) Data exclude tenants and condominium owners insurance.
(2) Includes vandalism and malicious mischief.
(3) Includes coverage for unauthorized use of fund transfer cards, and forgery and counterfeit currency.
(4) Less than 0.01 percent.

Source: ISO.
III. Lightning Losses & Insurance Coverage
## Homeowners Insurance Claims and Payout for Lightning Losses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of paid claims</td>
<td>278,000</td>
<td>265,700</td>
<td>256,000</td>
<td>-7.9%</td>
</tr>
<tr>
<td>Insured losses ($ millions)</td>
<td>$735.5</td>
<td>$819.6</td>
<td>$882.2</td>
<td>20.0</td>
</tr>
<tr>
<td>Average cost per claim</td>
<td>$2,646</td>
<td>$3,084</td>
<td>$3,446</td>
<td>30.3</td>
</tr>
</tbody>
</table>

Source: Insurance Information Institute estimates.
Lightning losses

Fires started by lightning by type, 2002-2005 (1)

- Home structure 15.3% (4,800)
- Outside and other 78.3% (24,600)
- Nonhome structure 6.1% (1,900)
- Vehicles 0.3% (100)

Total: 31,400

(1) Reported to local fire departments.

## Odds of Death in the United States by Selected Cause of Injury, 2004 (1)

<table>
<thead>
<tr>
<th>Cause of death</th>
<th>Deaths</th>
<th>One-year odds</th>
<th>Lifetime odds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor vehicle accidents</td>
<td>44,933</td>
<td>6,535</td>
<td>84</td>
</tr>
<tr>
<td>Assault by firearm</td>
<td>11,624</td>
<td>25,263</td>
<td>324</td>
</tr>
<tr>
<td>Motorcycle riding</td>
<td>4,018</td>
<td>73,085</td>
<td>938</td>
</tr>
<tr>
<td>Exposure to smoke, fire and flames</td>
<td>3,229</td>
<td>90,944</td>
<td>1,167</td>
</tr>
<tr>
<td>Fall on and from stairs and steps</td>
<td>1,638</td>
<td>179,278</td>
<td>2,301</td>
</tr>
<tr>
<td>Air and space transport accidents</td>
<td>679</td>
<td>432,484</td>
<td>5,552</td>
</tr>
<tr>
<td>Firearms discharge</td>
<td>649</td>
<td>452,476</td>
<td>5,808</td>
</tr>
<tr>
<td>Drowning and submersion while in or falling into swimming pool</td>
<td>625</td>
<td>469,851</td>
<td>6,031</td>
</tr>
<tr>
<td>Fall on and from ladder or scaffolding</td>
<td>392</td>
<td>749,125</td>
<td>9,616</td>
</tr>
<tr>
<td>Cataclysmic storm (2)</td>
<td>63</td>
<td>4,661,220</td>
<td>59,836</td>
</tr>
<tr>
<td>Lightning</td>
<td>46</td>
<td>6,383,844</td>
<td>81,949</td>
</tr>
<tr>
<td>Earthquake and other earth movements</td>
<td>30</td>
<td>9,788,561</td>
<td>125,655</td>
</tr>
<tr>
<td>Bitten or struck by dog</td>
<td>27</td>
<td>10,876,179</td>
<td>139,617</td>
</tr>
<tr>
<td>Flood</td>
<td>22</td>
<td>13,348,038</td>
<td>171,348</td>
</tr>
</tbody>
</table>

(1) Ranked by deaths in 2004.
(2) Includes hurricanes, tornadoes, blizzards, dust storms and other cataclysmic storms.

Source: National Center for Health Statistics; National Safety Council.
Lightning Incidents by Month, 2002-2005 (1)

(1) Reported to local fire departments.

Home and business insurance policies provide coverage against:
1. Fire or lightning
2. Windstorm or hail
3. Explosion
4. Riot or civil commotion
5. Damage caused by aircraft
6. Damage caused by vehicles
7. Smoke
8. Vandalism or malicious mischief
9. Theft
10. Volcanic eruption
11. Falling object
12. Weight of ice, snow or sleet

* Two major disasters that are not covered are flood and earthquake.
* Coverage for Power Surge can differ by company
Most of US Population & Property Has Major CAT Exposure

Is Anyplace Safe?
IV. Consumer Education
Educate both individuals and small business owners on what is and is not covered in standard home, auto and business insurance policies. This includes the importance of getting the right amount and type of insurance coverage.

Help policyholders understand the meaning of the terms and conditions in the policies they purchase, help them make informed purchasing decisions and form reasonable expectation in the event a claim is filed.
Encourage consumers and small business owners to review their insurance policies at least once a year to make sure that they are still up-to-date.

Explain specific safety measures that will protect homes, drivers and small business owners against a variety of disasters.

To help these messages resonate more strongly, the I.I.I. focuses on specific life stages and segments of the population.
Welcome to the life stage tool of the Insurance Information Institute’s Web site.

This tool provides easy to use information on insurance and financial planning for different stages of your life. Information on auto, home, life, health, disability, and long-term care insurance are provided.

Simply click on a life stage icon to your left.
Find a Company

Evacuation: The 10 Minute Challenge

Enough Insurance

Earthquakes
Disaster Insurance Information
- Preparedness information covering hurricanes, tornadoes, earthquakes, floods, wildfires and terrorism

Evacuation video
http://www.iii.org/static/video/mediaplayer/evacuation.wmv
V. I.I.I. Resources
SEGUROS

Pocas cosas en la vida son seguras. Los accidentes, desastres e imponderables no solo prueban nuestra resistencia emocional y causan grandes daños económicos sino que afectan también la capacidad de recuperación en estas eventualidades. El Insurance Information Institute pone a su disposición los conceptos básicos necesarios para elegir y obtener protección para muchos de estos imprevistos que ponen en peligro la tranquilidad y las finanzas familiares. Para información sobre seguros de automóviles, la protección del seguro de propietarios de viviendas y el seguro de vida, visite las siguientes páginas.

SEGURO DE AUTOMÓVILES

- Seguro de auto: Un aliado forzoso, pero útilísimo
- ¿Qué se incluye en un seguro de auto?
- ¿Cuánta cobertura de seguro de auto se necesita?
- Conozca cómo elegir la compañía de seguros apropiada y dónde encontrarla
- ¿Qué factores influyen en el precio de una póliza de seguro de auto?
- Consejos para ahorrar al momento de adquirir un seguro de auto
- ¿Qué información necesita la aseguradora para emitir un seguro de auto?
- ¿Se puede manejar legalmente sin seguro de auto?
- ¿Cómo influyen las leyes estatales de conducir a la hora de comprar seguro de auto?
- ¿Hace el reclamo a su aseguradora de automóviles?
- ¿Cuáles son sus derechos cuando introduce un reclamo?
- ¿Cómo se determinan el valor y costo de reparación de su auto?
- ¿Puede su compañía de seguros requerirle el uso de cierto tipo de repuestos para reparar su auto?
- ¿Subirá el precio de la prima si introduce un reclamo?
- ¿Cuál es la diferencia entre una cancelación y la no renovación de una póliza?
- ¿Quién necesita adquirir una póliza paraguas de responsabilidad civil?
- ¿Qué tipo de seguro se necesita para un lease de auto?
Version 3.0 just released

- Handles larger files and images
- Third-party secure online storage
- Streamlined set-up process
This software will help you:

- Organize and create a picture of your current financial situation
- Work more effectively with a financial adviser
- Identify gaps or overlaps in your financial situation
- Help heirs and beneficiaries to file claims

Download

MY FINANCIAL HOUSE – Personal Finance Software™

This free software enables you to take an inventory of your financial situation and track progress towards your financial goals.

Once you complete your financial inventory, you can share it with your accountant, financial advisor and/or attorney — someone you trust — to help you plan for your future, so that even in an emergency you will know if your financial house is in order. You can also email your inventory and save it to a disk to store it for safe keeping.

You alone will have and control the scenarios you create using My Financial House™. The I.I.I. will not have your information, does not seek it, cannot and will not share it.

My Financial House™ will let you create a lasting image of your financial situation. It is something you can use throughout your life — and your family's.
Insurance Information Institute
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