



# Perspectives on Property Insurance in Connecticut

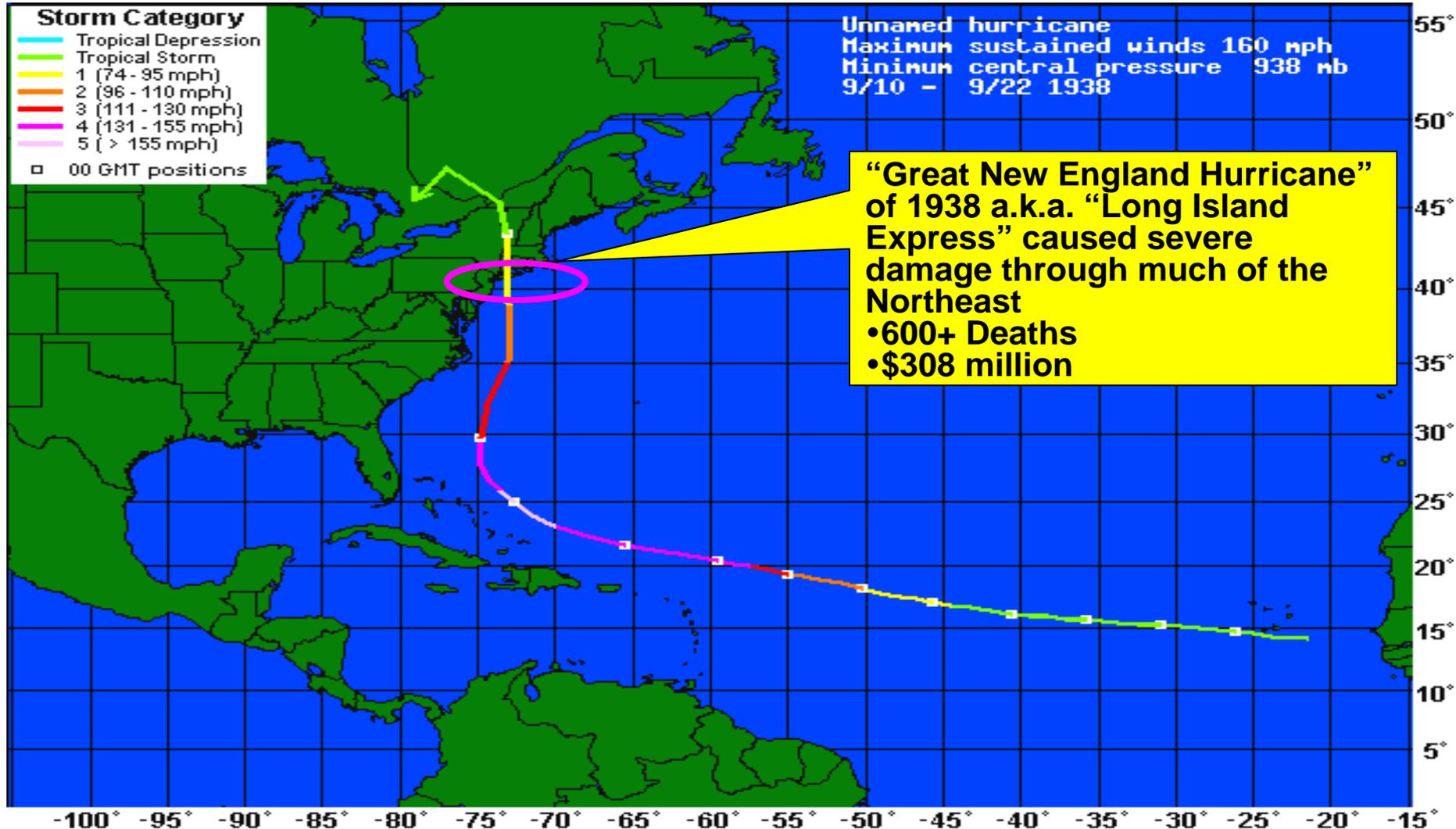
Shoreline Preservation Task Force  
Hartford, CT  
June 6, 2012

Steven N. Weisbart, Ph.D., CLU, Senior Vice President & Chief Economist  
Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038  
Office: 212.346.5540 ♦ Cell: (917) 494-5945 ♦ [stevenw@iii.org](mailto:stevenw@iii.org) ♦ [www.iii.org](http://www.iii.org)

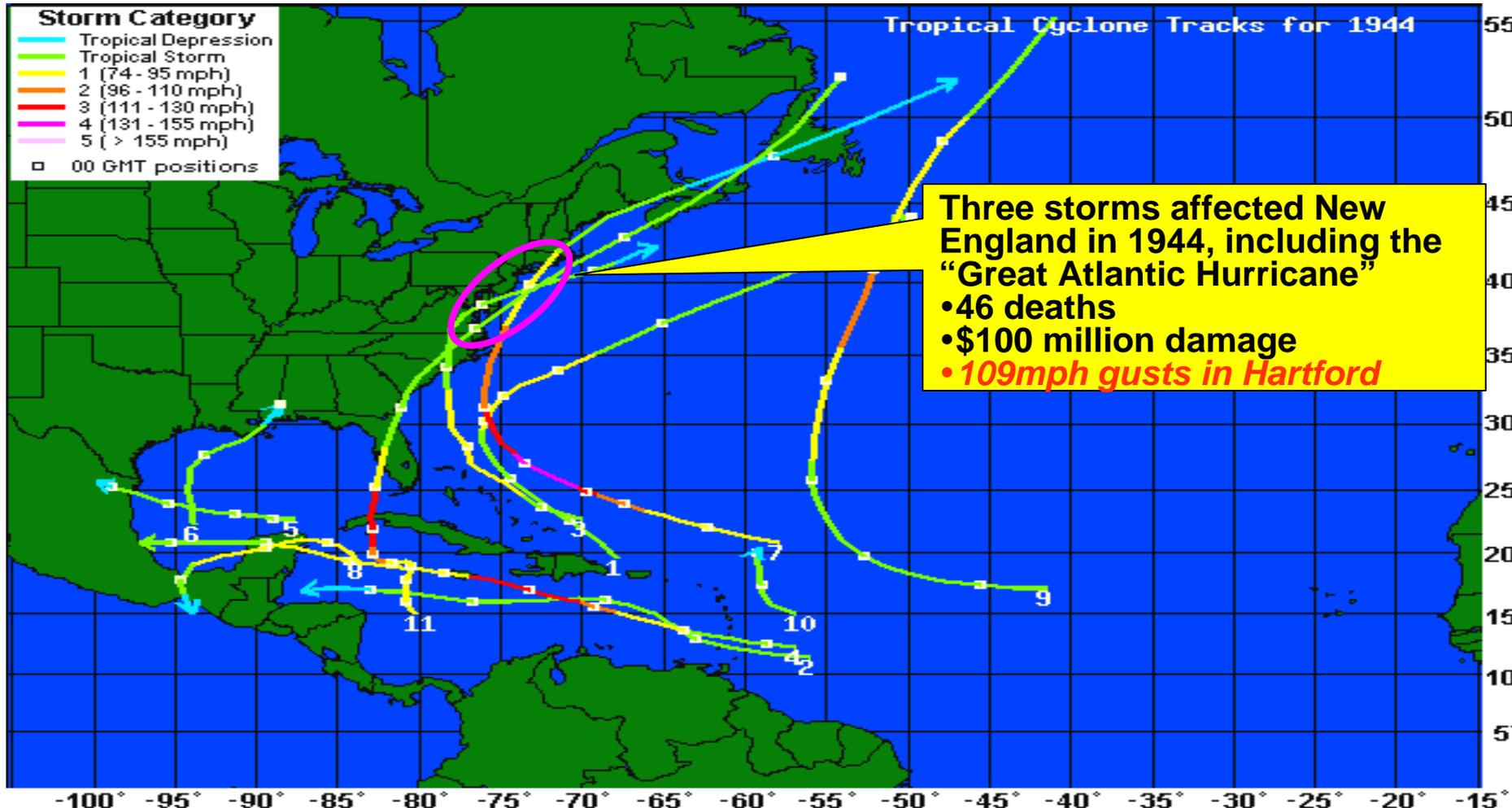
# Hurricane History in Connecticut

**Connecticut Gets Its Share  
of Hurricane Hits**

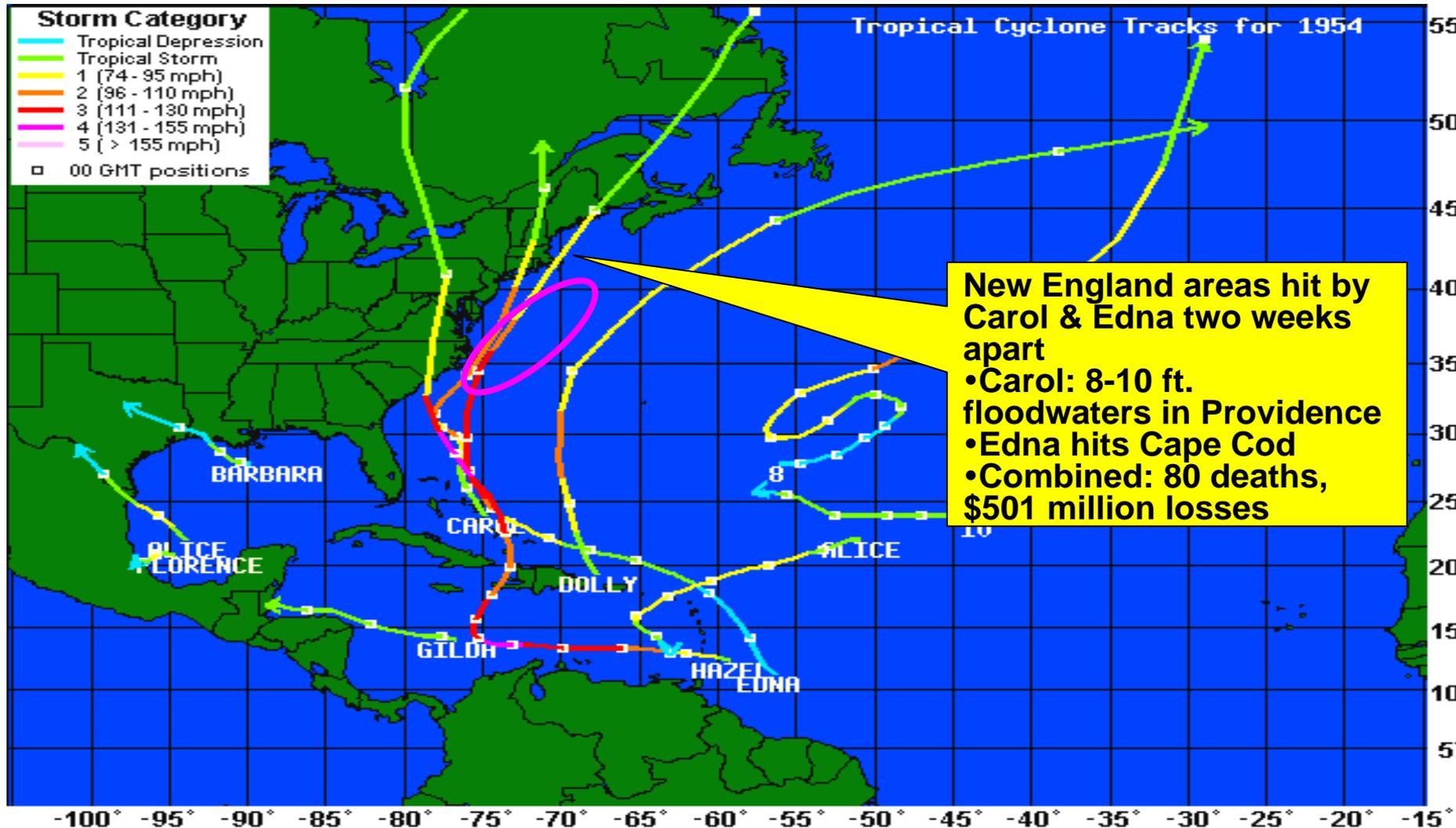
# Track of “Long Island Express” Storm of 1938



# Storm Season of 1944: A Busy one for the Northeast

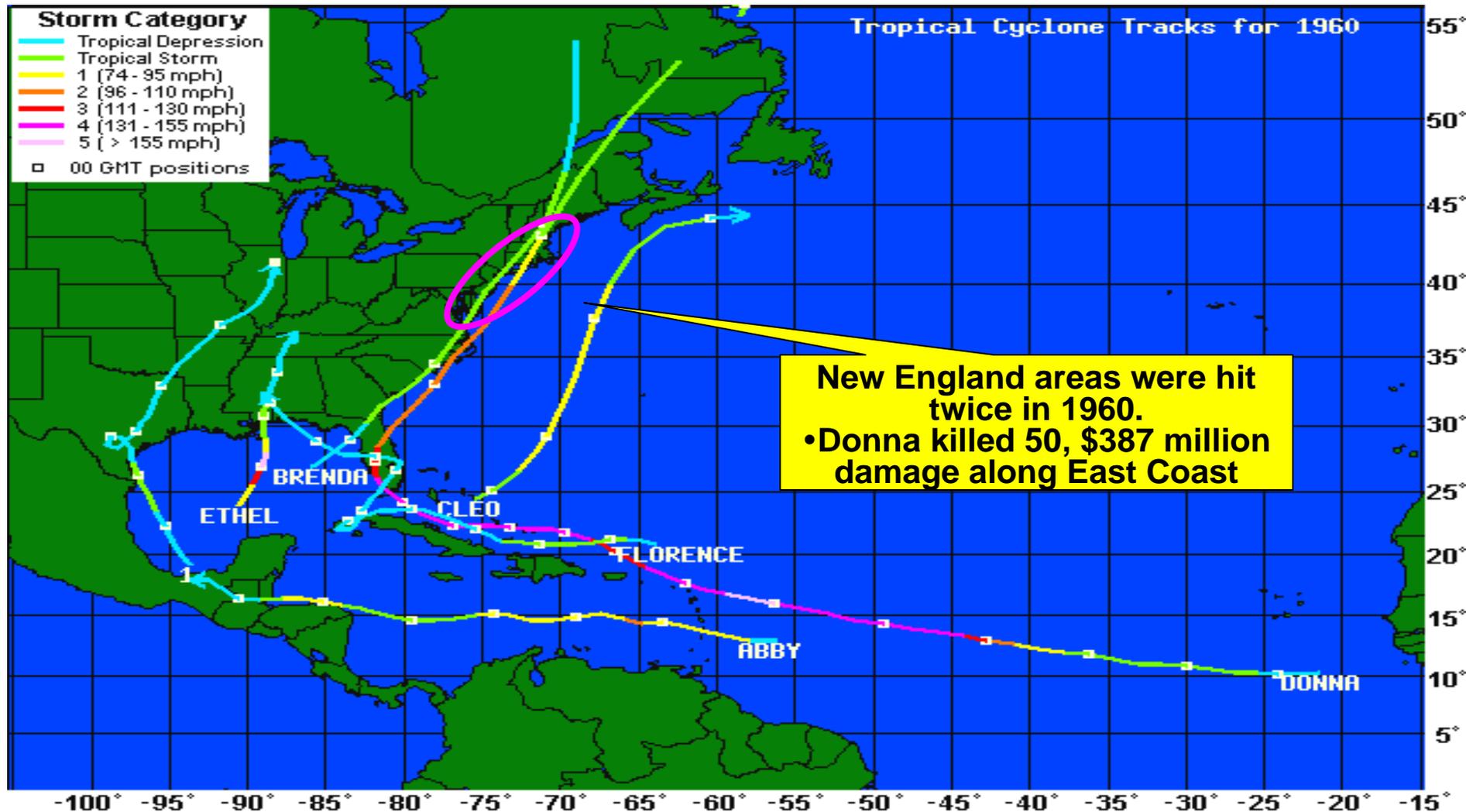


# Storm Season of 1954: The Northeast Hit Again

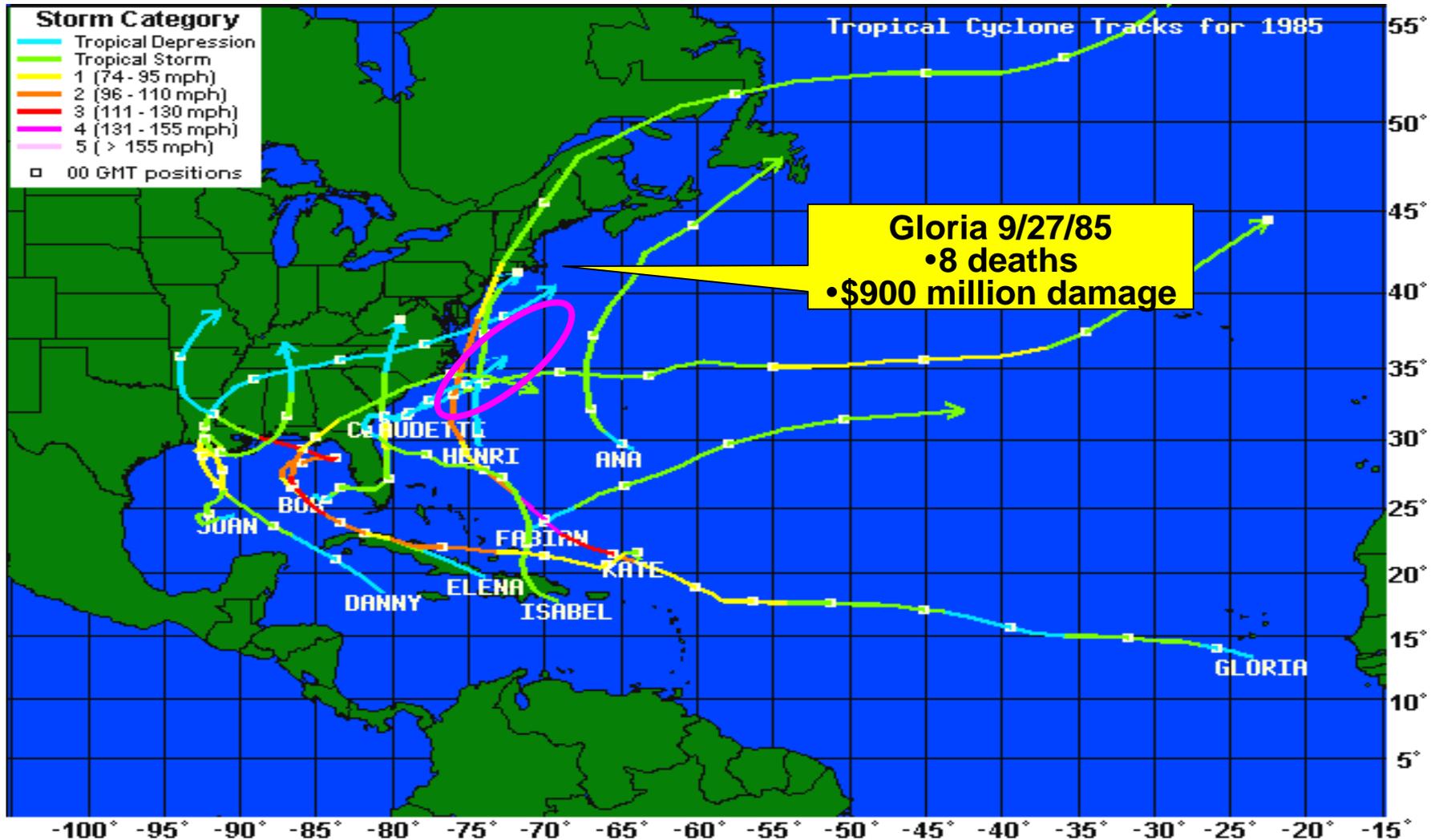


Source: WeatherUnderground.com, accessed May 31, 2006; NOAA loss & fatality figures.

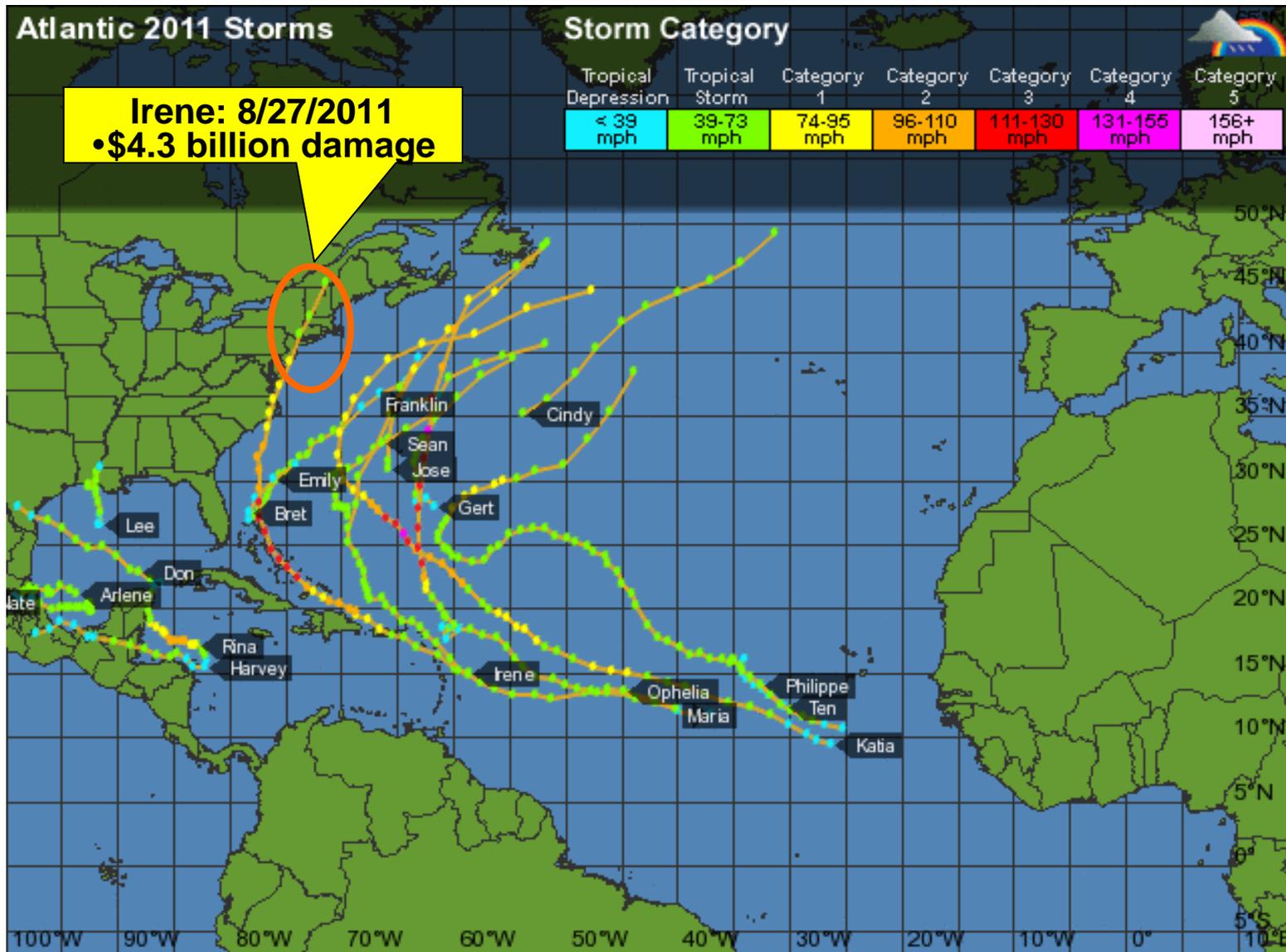
# Storm Season of 1960: Brenda & Donna Visit



# Hurricane Gloria Hit in 1985



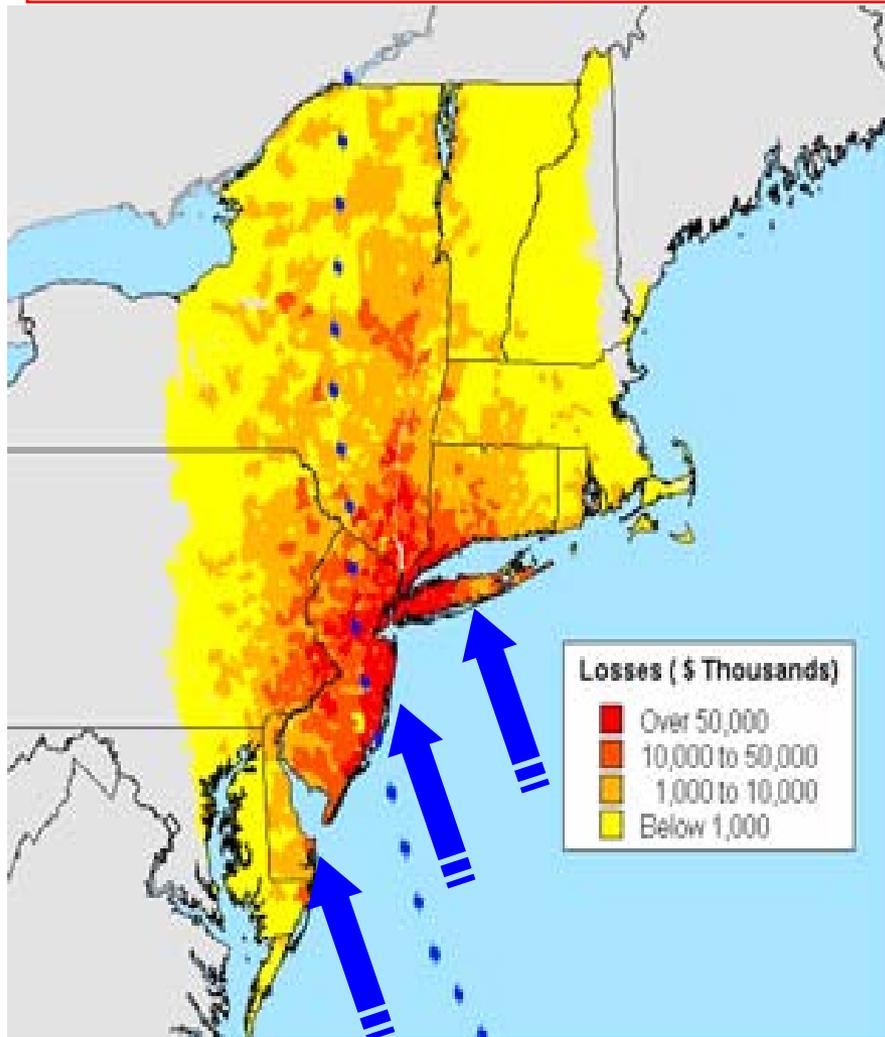
# 2011: Irene



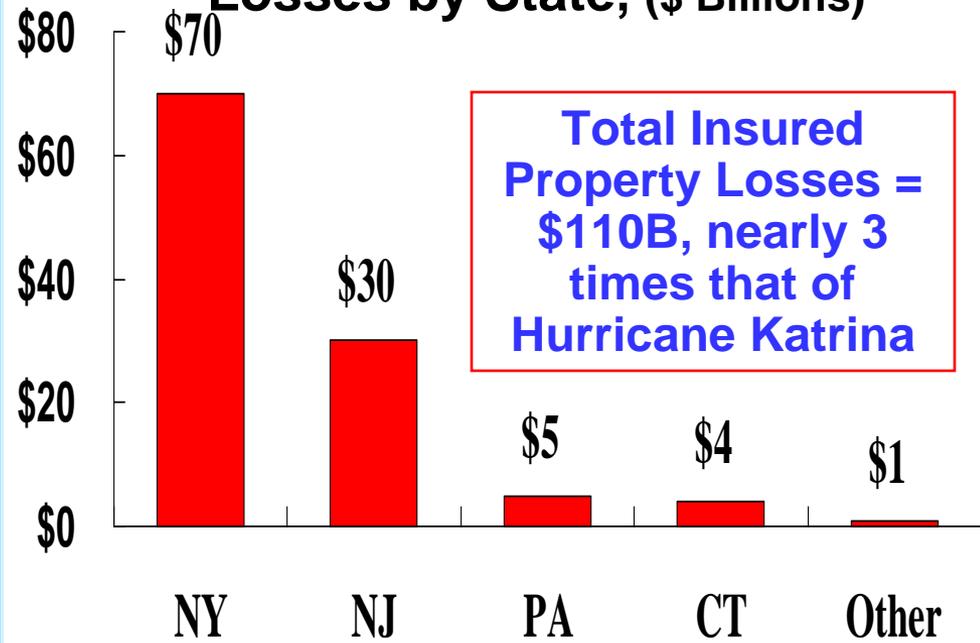
# Nightmare Scenario: Insured Property Losses for a CAT 3/4 Storm

**Insured Losses: \$110B**

**Economic Losses: \$200B+**



**Distribution of Insured Property Losses by State, (\$ Billions)**



# Increasing Frequency and Cost of Severe Weather

# Nationally, Number of Federal Disaster Declarations, 1953-2012\*

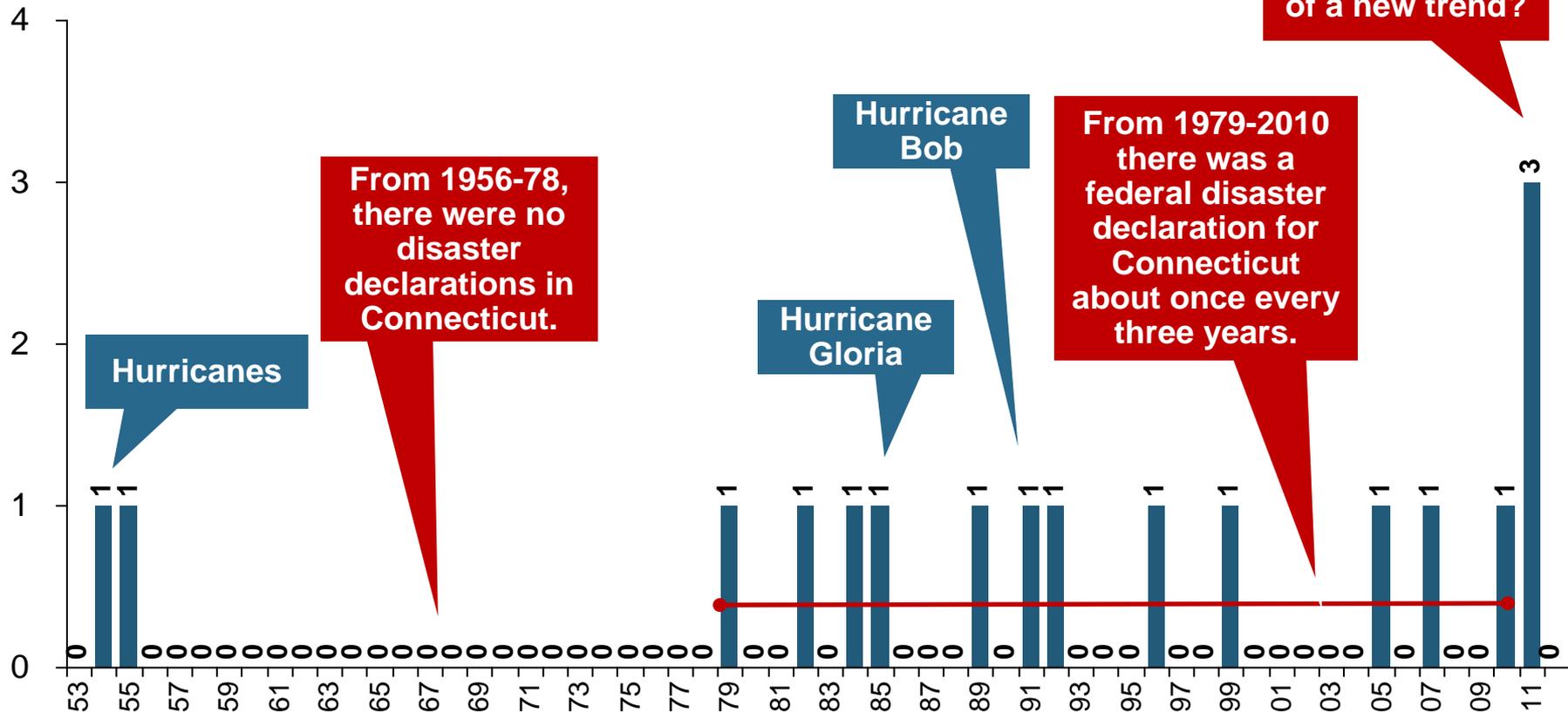


**There have been 2,062\* federal disaster declarations since 1953. Note that 2005 was a relatively low year for number of disaster declarations in the 1996-2010 period, but that year included Hurricanes Katrina, Rita, and Wilma.**

\*Through May 29, 2012. Sources: Federal Emergency Management Administration at [http://www.fema.gov/news/disaster\\_totals\\_annual.fema](http://www.fema.gov/news/disaster_totals_annual.fema) ; Insurance Information Institute.

# Federal Disaster Declarations in Connecticut, 1953-2012\*

Number of Federal Disaster Declarations

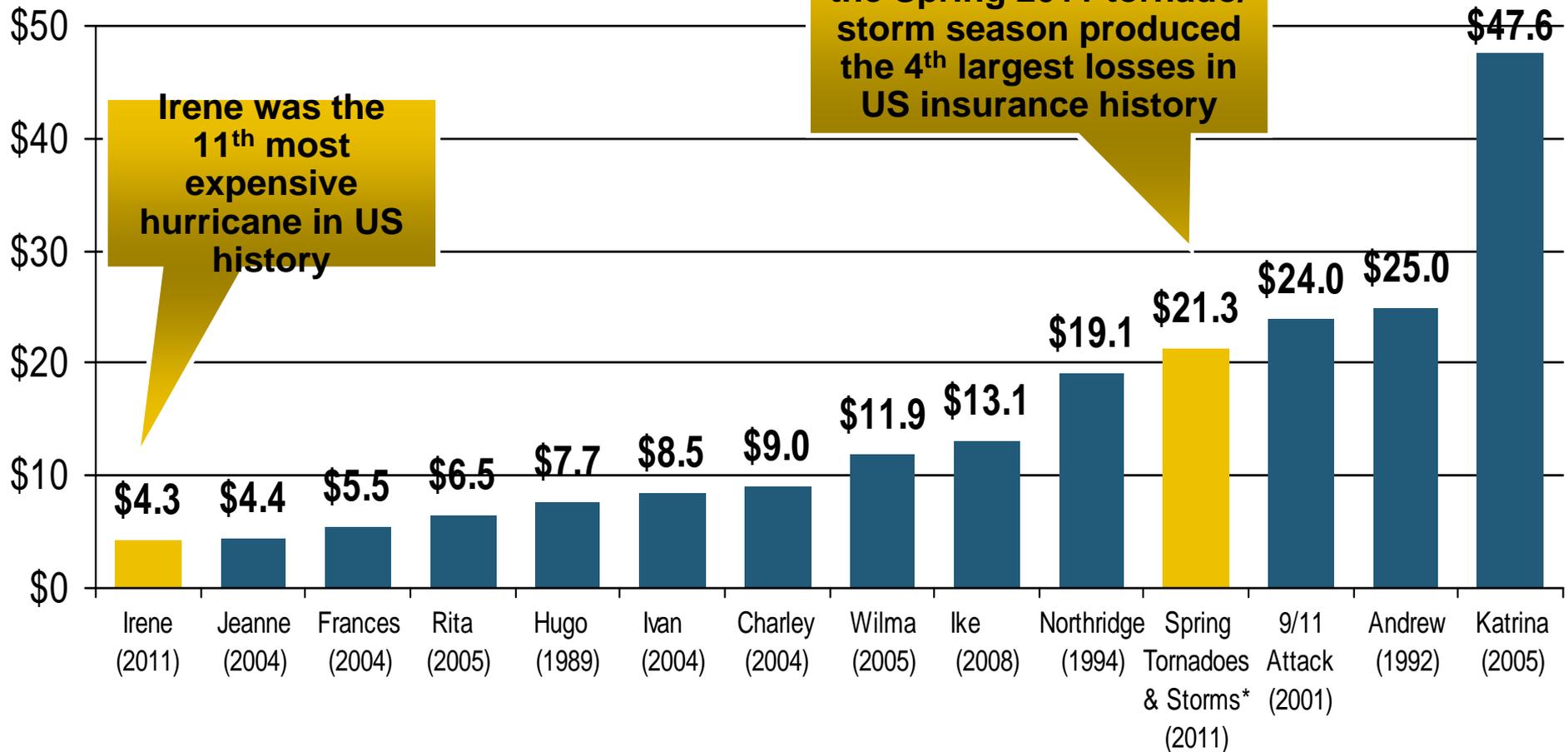


**Two of the three disaster declarations in 2011 were for snowstorms.**

\*Through May 29, 2012. Sources: Federal Emergency Management Administration at [http://www.fema.gov/news/disaster\\_totals\\_annual.fema](http://www.fema.gov/news/disaster_totals_annual.fema) ; Insurance Information Institute.

# 10 of the 14 Costliest Insured-Loss Disasters in U.S. History Occurred Since 2004

Insured Losses, 2011 Dollars,  
\$ Billions

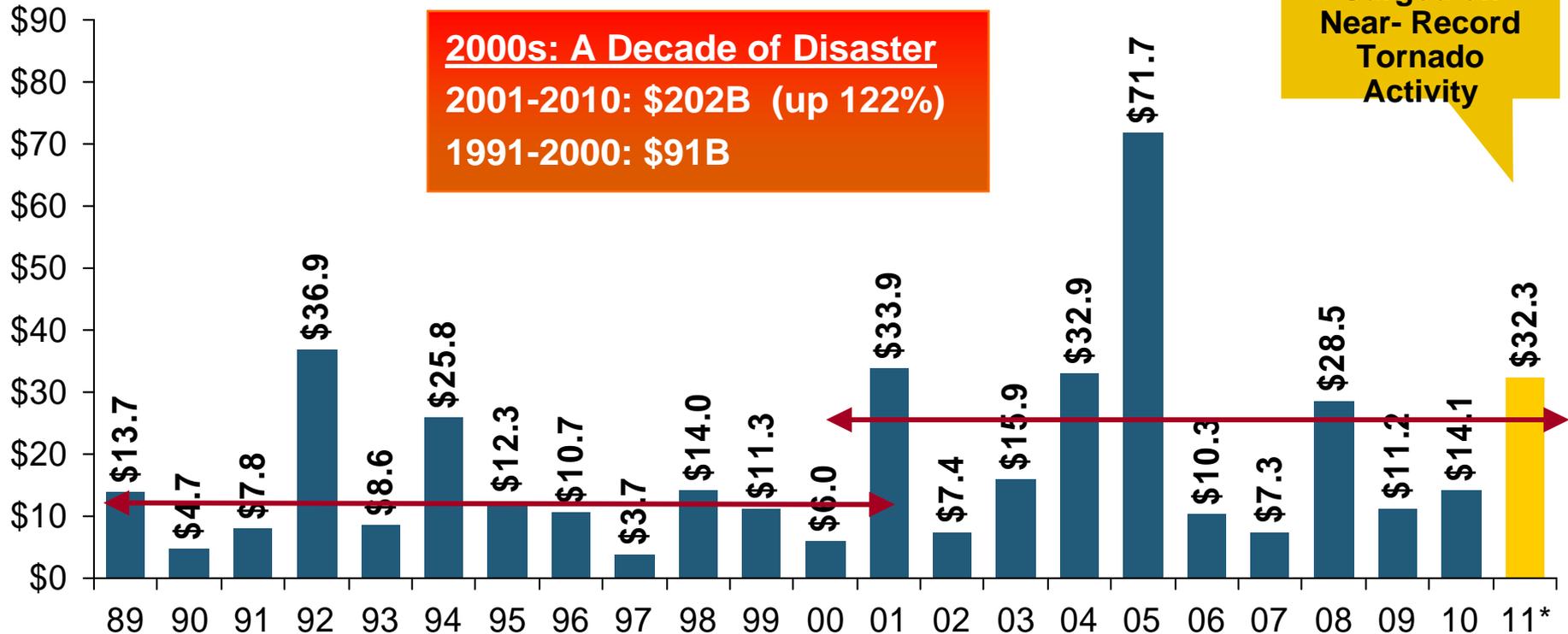


\*Losses will actually be broken down into several "events" as determined by PCS. Includes losses for the period April 1 – June 30.

Sources: PCS; Insurance Information Institute inflation adjustments.

# US Insured Catastrophe Losses Now Average Over Twice the Prior Amount

\$ Billions, 2011 Dollars



**The “new normal” for CAT losses: 2002—the best CAT year in the past 11—was worse than 5 of the 11 years from 1990-2000.**

\*PCS figure as of April 6, 2012.

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.

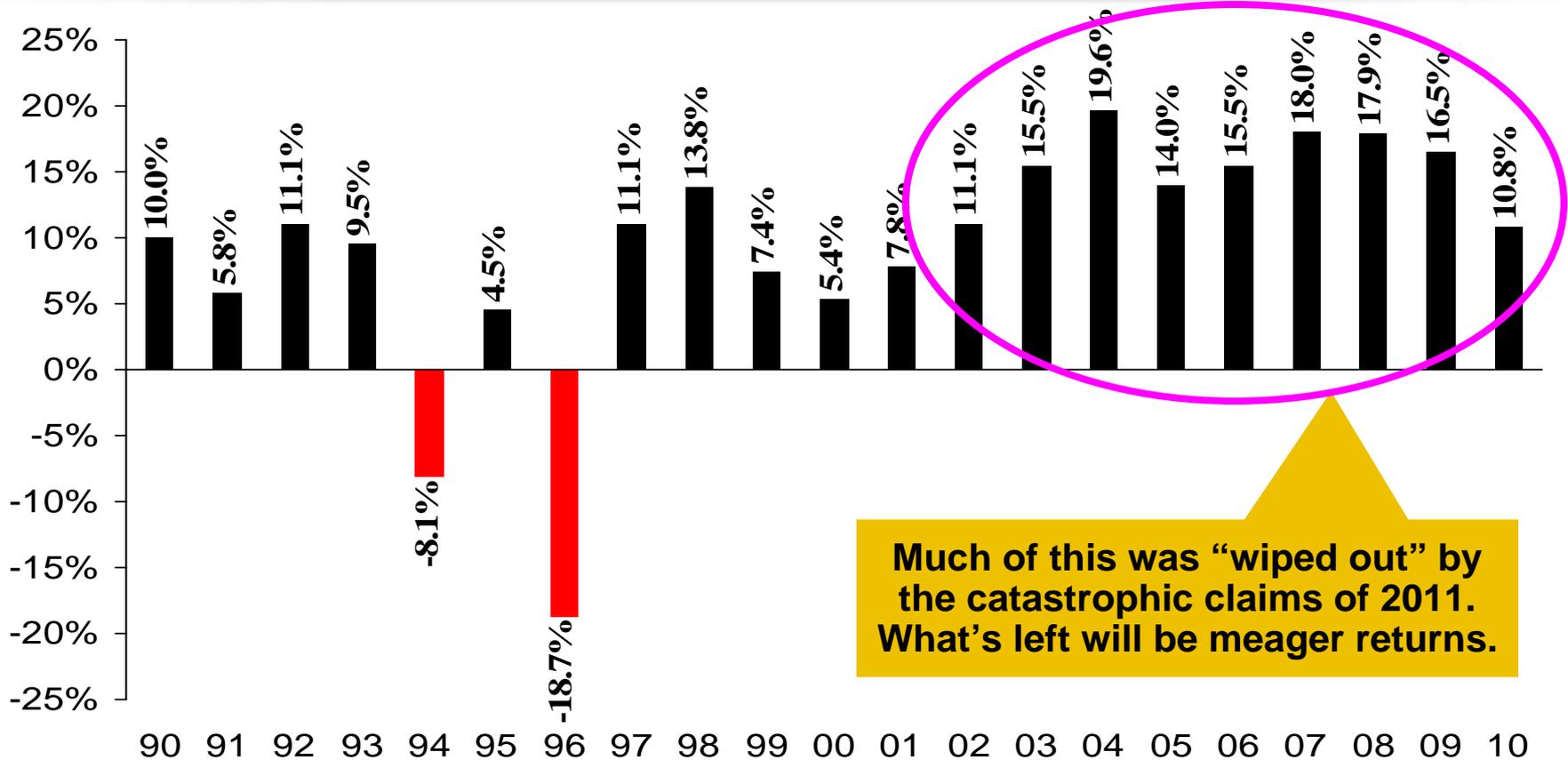
Sources: Property Claims Service/ISO; Munich Re; Insurance Information Institute.

# What's So Different About Homeowners (and Other Property) Insurance?

- It's possible to have many very large claims at the same time
  - ◆ Need more liquidity (to pay claims quickly) than for other types of insurance
  - ◆ Often need adjuster to inspect the loss on-site; might need to bring adjusters from far away (cost of claim adjustment is higher)
- Have to be more careful about insuring too many properties in the same general area
- Most claims paid within a few months
  - ◆ Little help from investments in providing funds for claims
- It's possible to have no large claims in some years
  - ◆ When that happens, in retrospect it will appear that the insurer had excess capital and staff devoted to this line

# Homeowners Insurance in Connecticut

# Homeowners Insurers in Connecticut: Yearly Operating Profit\*, 1990-2010



Much of this was “wiped out” by the catastrophic claims of 2011. What’s left will be meager returns.

**Connecticut’s homeowners insurance market produces modest profits in most years and significant losses in others**

\*Operating Profit is defined as [Losses plus Expenses minus Investment Gain Attributable to the Line] as a Percent of Direct Earned Premiums.

Sources: NAIC Report on Profitability by Line by State, various years; SNL Financial; I.I.I.

# A Comparative “Affordability” Measure for Connecticut HO Insurance, 2009



		<b>Rank (among the 50 states)</b>
<b>Average Premium</b>	\$1,016	10 <sup>th</sup> (higher than most)
<b>Average Household Income</b>	\$92,807	1 <sup>st</sup> (highest)
<b>Premium/Income Ratio</b>	1.09%	34 <sup>th</sup> (more affordable than most)

**Although the average Homeowners premium in Connecticut in 2009 was higher than that in most states, when computed as a percent of average household income, the premium was a smaller percentage than in all but 16 other states.**

Source: “The H-U-R-T Index (Homeowners Underwriting Resistance Test)” Property Insurance Report, February 13, 2012, published by Risk Information, Inc., Dana Point CA, using data from the NAIC’s report, released January 2012, on 2009 Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owners Insurance.

# 2008-09 Connecticut HO-3 Insurance Average Premium Growth, by Property Insurance Amount

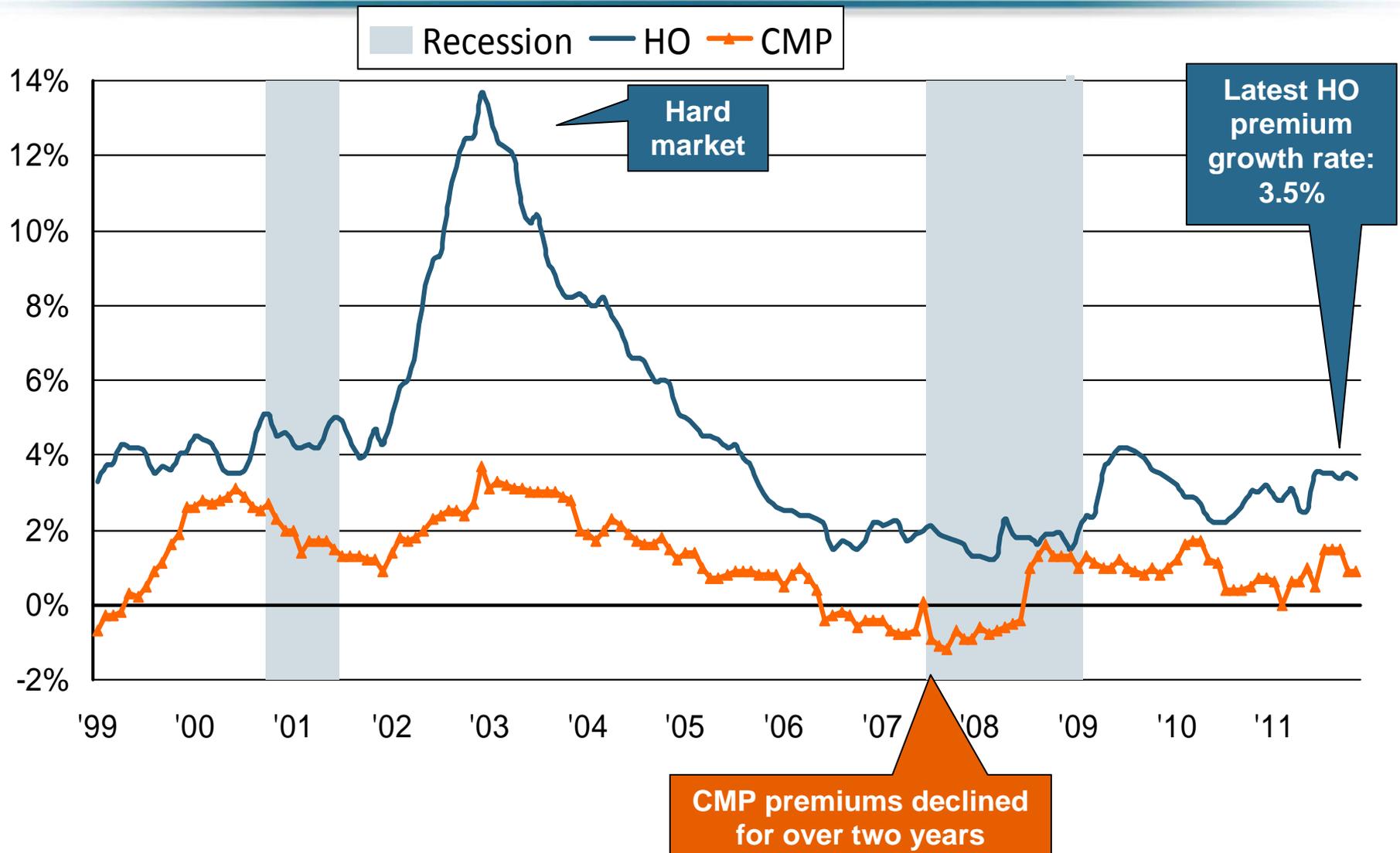


Insurance Amount	\$150,000 to \$174,999	\$175,000 to \$199,999	\$200,000 to \$299,999	\$300,000 to \$399,999	\$400,000 to \$499,999	\$500,000 and over
Percent of HO-3 homes	5.5%	8.8%	39.6%	22.0%	10.0%	10.4%
2008 Avg Premium	\$617	\$671	\$812	\$1,048	\$1,304	\$2,039
2009 Avg Premium	\$625	\$676	\$817	\$1,051	\$1,307	\$2,054
<b>2008-09 Percent Change in Avg Premium</b>	<b>1.3%</b>	<b>0.7%</b>	<b>0.6%</b>	<b>0.3%</b>	<b>0.2%</b>	<b>0.7%</b>

**The latest NAIC data of this type is for 2009. The table above covers 76% of homes that are covered by HO-3, the most common policy type.**

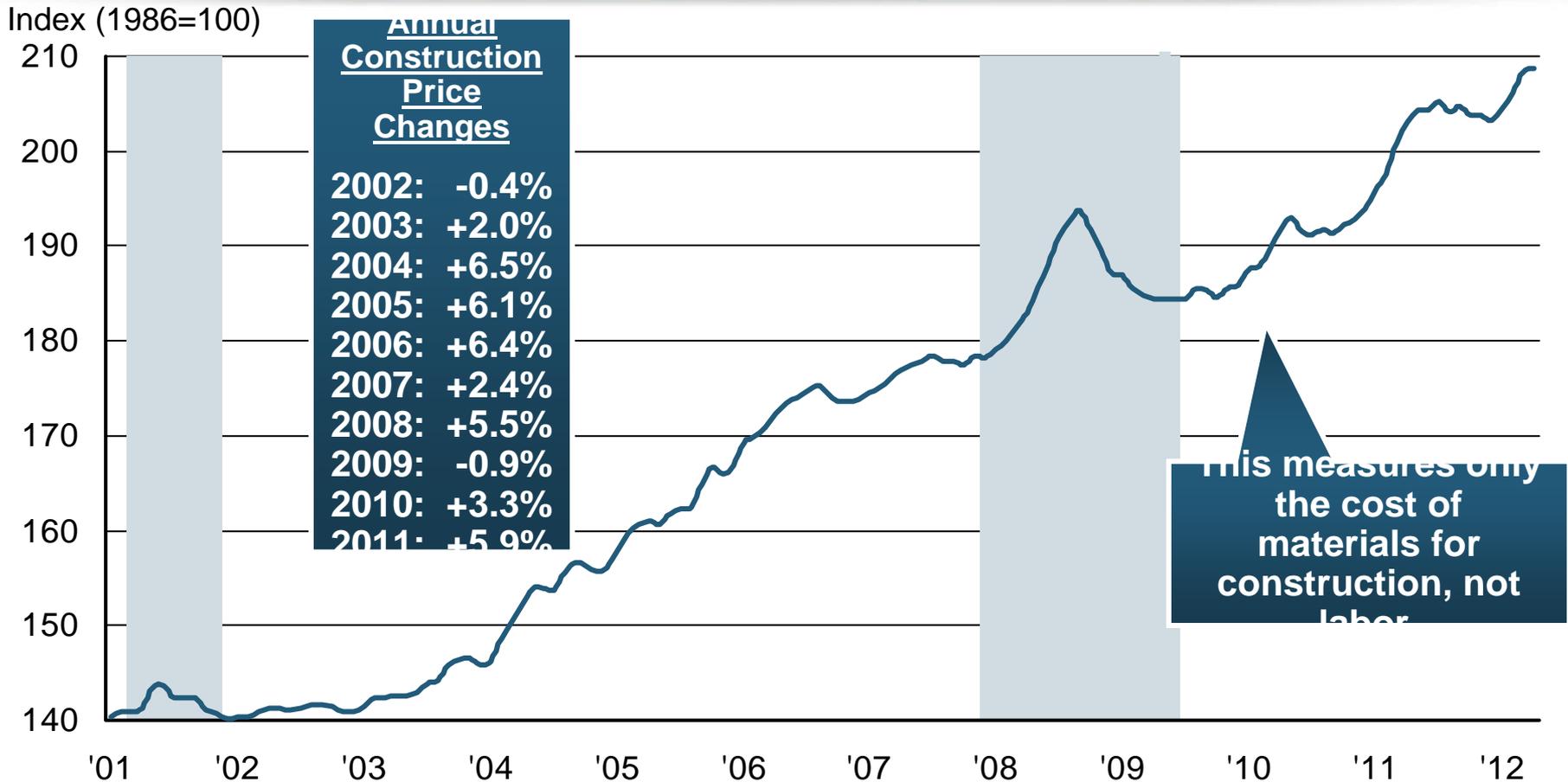
Sources: The NAIC's report, released January 2012, on *2009 Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owners Insurance*, and the report for 2008 released a year earlier; I.I.I. calculations

# HO & CMP Premiums: 12-Month Percent Change, Monthly, June 1999– April 2012



Sources: U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index, Series IDs: PCU9241269241262 and : PCU9241269241265; National Bureau of Economic Research (recession dates); Insurance Information Institute.

# Residential Construction Price Index, Monthly, 2001–2012\*



**The cost of building a home rose by 45% from the start of 2001 through the end of 2011. But price changes didn't occur evenly, and didn't match change in the Consumer Price Index.**

Note: Recessions indicated by gray shaded columns. \*Data for Jan 2012-Apr 2012 are preliminary

Sources: U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index, Series ID: PCUBRES--BRES  
National Bureau of Economic Research (recession dates); Insurance Information Institute.

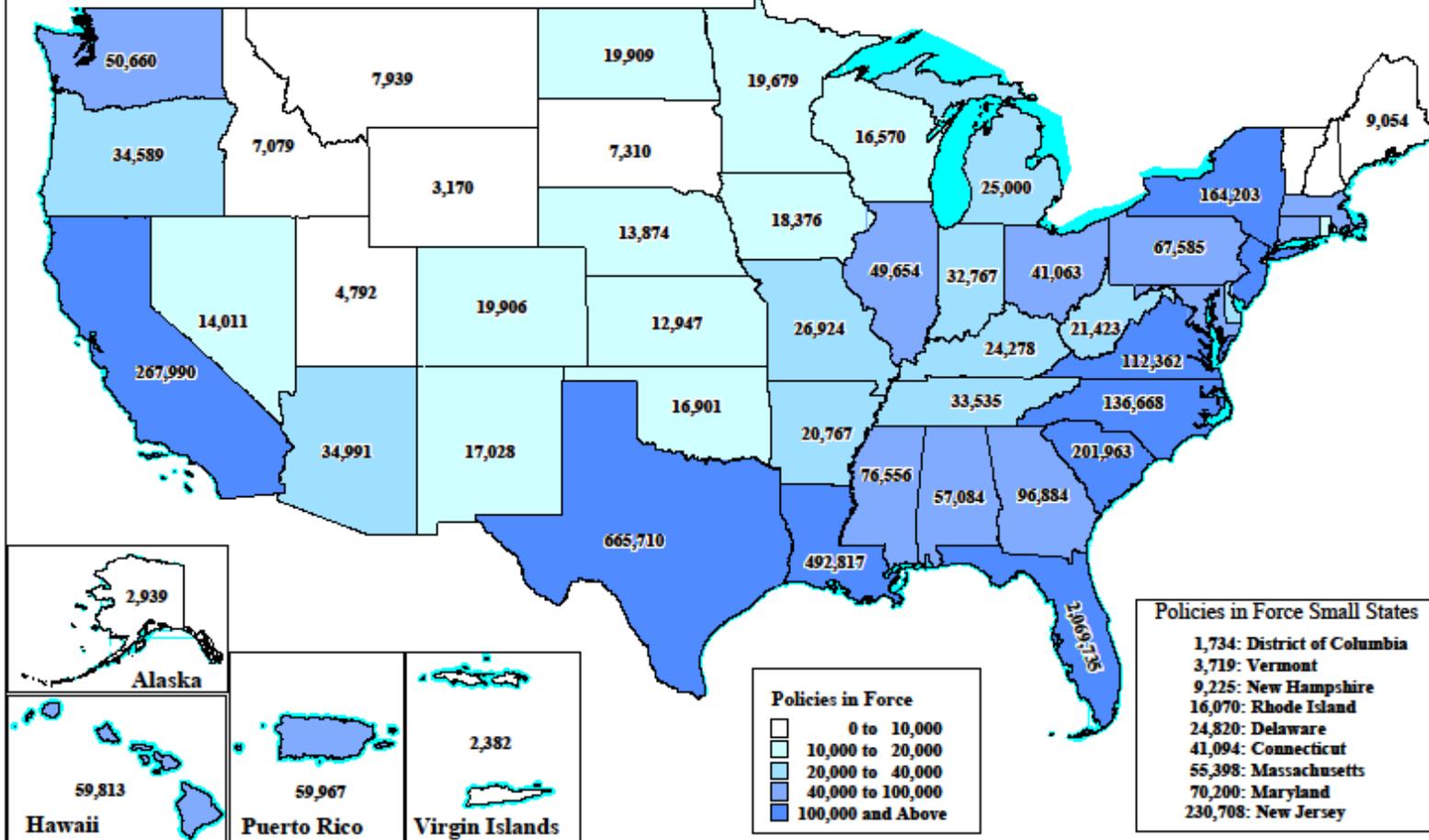
# Flood Insurance

**“Wind vs. Water” Isn’t an Issue  
for Property Owners with  
both Flood and Property Insurance**

# 41,094 NFIP Policies in Force in CT at end of 3<sup>rd</sup> Quarter 2011

## National Flood Insurance Program Total Number of Policies in Force

AS OF SEPTEMBER 30, 2011



**Policies in Force Small States**

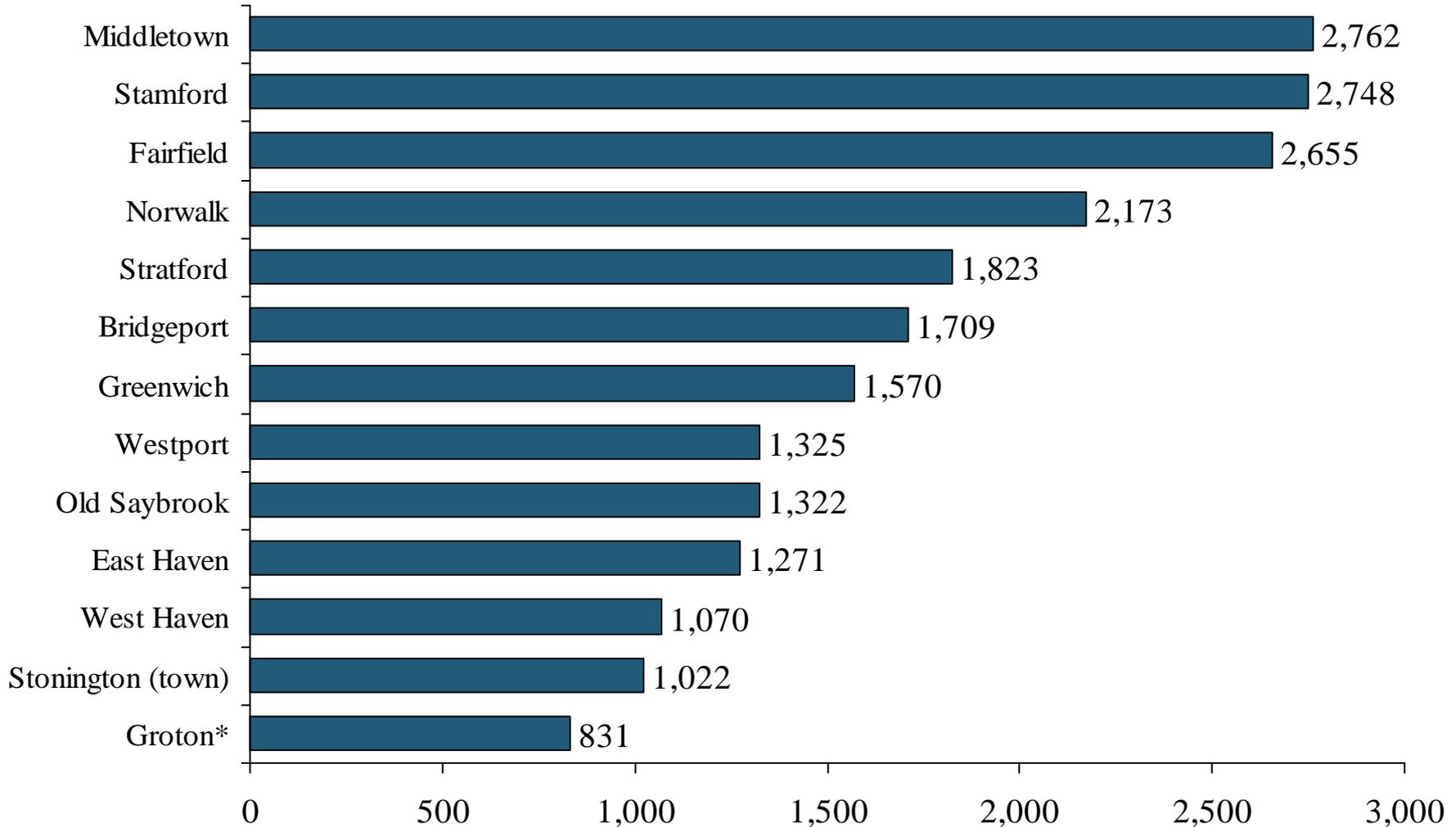
- 1,734: District of Columbia
- 3,719: Vermont
- 9,225: New Hampshire
- 16,070: Rhode Island
- 24,820: Delaware
- 41,094: Connecticut
- 55,398: Massachusetts
- 70,200: Maryland
- 230,708: New Jersey

**Policies in Force**

- 0 to 10,000
- 10,000 to 20,000
- 20,000 to 40,000
- 40,000 to 100,000
- 100,000 and Above

Source Report: PIFW0902

# Number of Flood Insurance Policies In Force in Connecticut, Feb 2012



\*Includes City of Groton, Town of Groton, and Groton Long Point Association

Source: <http://bsa.nfipstat.com/reports/1011.htm#CTT>.

# Private Flood Insurance is Available in CT

- At Least 22 Brokers are Licensed to Sell Private Insurers' "Excess" Flood Insurance in CT
  - ◆ Some private insurers also provide "first dollar" flood insurance, particularly for areas that are not eligible for NFIP policies
  - ◆ Some of the largest HO insurers, and some smaller but still substantial insurers, sell excess flood insurance

**Insurance Information Institute Online:**

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

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