

The Climate's Impact on Homeowners and Property Insurance: Is Another Catastrophe Looming?



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Background

- IFM – State Trade Association
- Represent P/C carriers
- Since 1914
- Represent the industry's interests at the Capitol and regulator
- Act on behalf of companies AND policyholders

Insurers are Climate Experts???

- Insurers are NOT scientists
- But we are numbers people. In fact, as you can expect we are very, very good at numbers
- Whole industry based on numbers and risk prediction

History of Stability

- During the mid to late 1900's, Minnesota's property insurance system was relatively stable....
- Then one year it.....changed.

1998 WX in Minnesota

- **March 29, 1998** – F2, F3 and F4 tornadoes struck LeCenter, St. Peter and Comfrey
- **May 15, 1998** – 5 F1 Tornadoes including Albany, Roseville. \$950-million in losses! Most expensive storm in state history!
- **May 30, 1998** – Southern Great Lakes Derecho

1998 WX in Minnesota

- Total insured losses in MN in 1998:

\$1.5-Billion!

- More than the previous **40 years COMBINED!**

1998 WX in Minnesota

- 1998 Ave. Homeowners' Premium in MN = \$368/yr
- National Average - \$455/yr
- In 1998 trend in HO rates driven by home values/building costs, now storms are the major cost driver

Alarming WX Trends

- In the last 25 years, Minnesota has seen:
 - More Storms
 - Stronger Storms
 - More Severe Storms
 - Larger Outbreaks

Recent Cat History

- 2007 – MN was 2nd highest Cat state in US \$750-mil. (CA-\$1.4B – wildfires)
- 2008 – MN was 3rd highest Cat state in US \$1.5-Billion. (TX-LA Hurricanes)
- 2010-Worst Year Ever
 - Average 44 tornadoes per year (10th in US)
 - MN led nation in touchdowns -144
 - One Building - \$60-million!

Recent Cat History

- 2011 – Only 30 tornadoes but one big one: North Minneapolis (\$250-million)
 - July 1st storm in SW Minnesota. One of worst ever. Close to 90 MPH sustained winds for almost 45 minutes. (about the same as Category 2 Hurricane!)
- 2012 – Record Flooding in Duluth
 - \$450 Million in reconstruction costs

Recent Cat History

- 2013
 - Record low tornadoes but 3 other strong storms
 - Big Winter Ice storm in SW Minnesota
 - Late June Storm with Record Power Outage
 - August Storm with Very Large Hail claims
 - Almost \$900-million in losses. #1 Cat state through 3 Quarters. #4 Overall in 2013 with \$950-million. IL and OK storms in 4Q altered numbers.

Recent Cat History

- 2014 – Mostly quiet except for a few early season flooding events caused by heavy rainfall
- 2015 – Another relative quiet year with one major storm
 - Brainerd Lakes Area Hailstorm (June 2015):
Estimated \$250-million in property losses
- 2016 – No Major Storms, but many smaller ones. Many heavy rainfall events!

Recent Cat History

- **2017 – June 11th** hailstorm in Northern Suburbs.
- Initial Estimate: **\$900-Million**
- 1 Yr Later: **\$1.5-Billion**
- 2 Yrs Later: **Total of \$3.2-billion in damage!**
 - By far, the most expensive storm in Minnesota history!
 - It was the 10th most expensive storm in the World in 2017.

Recent Cat History

- **December 15, 2021**
 - **Large Derecho** Affects Most of Minnesota
 - Started with **Temps near 70** and thick fog
 - Strong storms with lightning, thunder, **80 mph** winds
 - **First December Tornado touchdowns in MN**
 - **16 confirmed touchdowns!!!** Biggest near Hartland (EF-2), Lewiston (EF-0), Alden (2 EF-1s) and Plainview (EF-1)
 - One fatality
 - Followed by blizzard-like conditions, blowing snow, 50 degree temp drop, icy roads

Recent Cat History

- **May 12, 2022 Derecho**
 - **Western Minnesota - Hurricane Force Winds** (110 mph in Madison). Over 100 rural buildings destroyed
 - Large Commercial Losses (Jennie O lost 15 turkey barns)
 - **Six Tornadoes in SD/MN**
 - F0 in Coon Rapids
 - **Two Fatalities**
 - Storm Chaser (Along I-90 in S. Mn)
 - On-Duty Volunteer Firefighter (Blomkest)
- **Temperature Extremes:**
 - **Spring Season's First 70, 80 and 90 temp in same week!**

Recent Cat History

- **Memorial Day Outbreak, 2022**
 - Strong Winds, Heavy Rain
 - 8 Tornadoes in MN
 - F2 – Forada (south of Alexandria)
 - More than 100 homes/businesses destroyed
 - One tornado track was over **50 miles long!**

MN led the US in Wind/Hail events in May!

Weather Perils Facing Minnesota

- Tornadoes
- Wind Damage
- Hail
- Extreme Downpours (Flash Flooding)
- Snow Load
- Ice Dams
- Wind Driven Wildfires

Extreme WX Index

- States with most extreme weather:

4. Colorado – 67.0

3. Illinois – 67.8

2. Minnesota – 68.6

1. California – 73.1

Data: National Centers for Environmental Information, 2020

Impact on HO Rates

- 1998 – Ave. Minn. HO Premium = \$368
- 2019 – Ave. Minn. HO Premium = **\$1433**

Up more than 390% in 21 years!

- 1998 – National Average Premium = \$455
- 2019 – National Average Premium = \$1272

Impact on HO Rates

- In 1998, \$368 average MN premium was 35th highest in US
- In 2019, \$1433 average MN premium was 14th highest in US

Why are HO premiums becoming so expensive?

- Not only more storms
- Building materials cost more now
- Contractor costs through the roof
 - Now roofers aggressively chase storms using heavy telemarketing, door-to-door and social media to gin up bids

Insurance Industry Efforts

- Increased Use of Reinsurance
- Supporting Strict Building Codes
- Premium Discounts for Resilient Materials, Sprinklers
- Industry supports IIBHS: Ins. Institute for Business & Home Safety
 - IIBHS promotes Best Practices with real world research using state of the art technology
 - www.ibhs.org

Questions?