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

Mark Kulda
Vice President of Public Affairs
Past History of Stability

• During the mid 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
1998 WX in Minnesota

• Total insured losses in MN in 1998:

$1.5-Billion!

• More than the previous 40 years COMBINED!
Alarming WX Trends

• In the last 20+ years, Minnesota has seen:
  
  – More storms
  – Stronger Storms
  – More Severe Storms
  – Larger Outbreaks
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
Recent Cat History

• 2007 – MN was 2\textsuperscript{nd} highest Cat state in US $750-mil. (CA-$1.4B – wildfires)

• 2008 – MN was 3\textsuperscript{rd} highest Cat state in US $1.5-Billion. (TX-LA Hurricanes)

• 2010-Worst Year Ever
  – Average 44 tornadoes per year (10\textsuperscript{th} 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 saw $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.
Impact on HO Rates

• 1998 – Ave. Minn. HO Premium = $368
• 2015 – Ave. Minn. HO Premium = $1348
• Up more than 366% in 17 years!

• 1998 – National Average Premium = $455
• 2015 – National Average Premium = $1211
• 2010 was the first time MN Average Premium has ever exceeded National Average
Impact on HO Rates

• In 1998, $368 average MN premium was 35\textsuperscript{th} highest in US

• In 2015, $1348 average MN premium was 14\textsuperscript{th} highest in US
Weather Perils Facing MN & WI

- Tornadoes
- Wind Damage
- Hail
- Flooding
- Extreme Downpours (Flash Flooding)
- Snow Load
- Ice Dams
- Wind Driven Wildfires
Lack of Flood Insurance in MN

• Almost all Flood Insurance sold by FEMA
• You DON’T have to live in a floodplain to buy!
• Of the roughly 1-million households in Minnesota, only 9,800 buy flood coverage. In Wisconsin, 14,230 policies.
• Take-up rate of 0.98%, one of the lowest in the country among states at risk of flooding!
Questions?