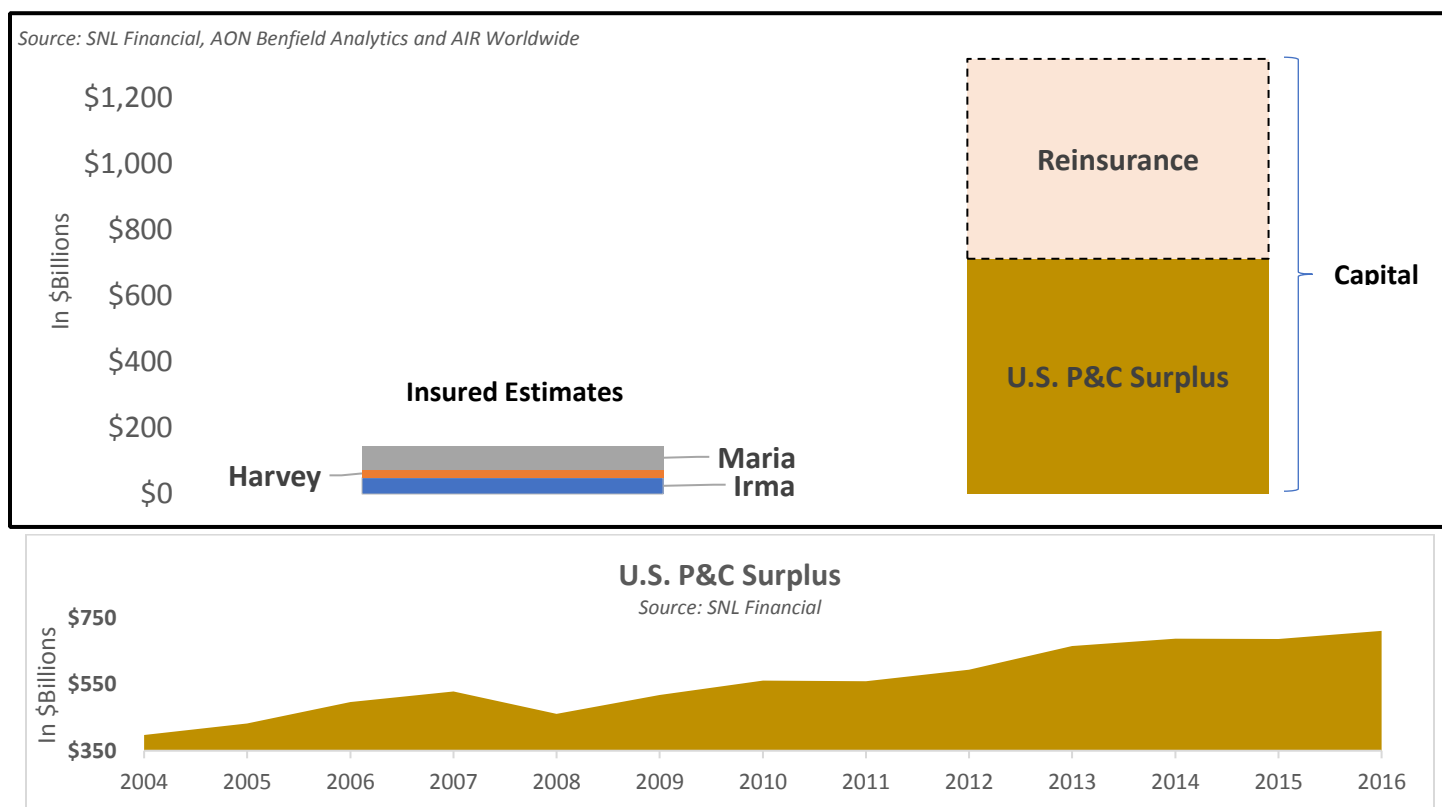


## Hurricane Maria Adds to Active 2017 Storm Season

September 28, 2017

This year will most likely be among the highest catastrophe periods in history. Modeling firm AIR Worldwide estimates insured losses from \$85 - \$145+ billion due to three major hurricanes, including \$40 - \$85 billion from Hurricane Maria which devastated Puerto Rico. The damage is staggering, with much of the island still without power or water. A meaningful portion of this loss estimate is expected to come from post-event “demand surge”, which drives a spike in labor/materials costs to rebuild. We also note there are large commercial exposures in Puerto Rico due to a major presence of pharmaceutical manufacturing facilities. Market share is concentrated among several local/foreign insurers, though reinsurers may be more exposed. It is possible that Maria’s insured losses could exceed those of Hurricanes [Irma](#) (\$35 - \$50 billion, AIR) and [Harvey](#) (>\$10 billion, AIR). *Please click on links to see our commentaries.* With Maria’s potentially larger-than-expected costs, reinsurance rates could harden (increase), thus strengthening earnings prospects. Importantly, record levels of capital — over \$700 billion in P&C statutory surplus and up to \$600 billion (AON) in reinsurance capital — will mitigate the industry impact. High-end loss estimates should account for less than 15% of industry capital.



**Catastrophic losses should not be a material credit concern for the well capitalized P&C insurers and reinsurers.**

Chad Stogel, Vice President  
Joe Urciuoli, Executive Director

*Spectrum Asset Management, Inc. is a leading manager of institutional and retail preferred securities portfolios. A member of the Principal Financial Group® since 2001, Spectrum manages portfolios for an international universe of corporate, insurance and endowment clients; mutual funds distributed by Principal Funds Distributor, Inc.; and preferred securities separately managed account solutions distributed by Principal Global Investors, Inc.*