

## **Major Re/insurers Resilient to Hurricane Ian**

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*Those affected by Hurricane Ian are in our thoughts.*

Hurricane Ian made landfall in Southwest Florida near Fort Myers as a strong Category 4 storm with winds over 150 MPH. Ian caused extreme wind and flood damage and, despite weakening after crossing over the state, the hurricane made second landfall in the Carolinas. Ian is likely to rank among the most expensive global natural catastrophes on record given Southwest Florida's large population, high property values and the strength of the storm. Initial insured loss estimates vary widely from ~\$30 billion to over \$60 billion, factoring in the litigious Florida market and current inflationary effects at the high end. Economic (includes uninsured) losses should be in the \$100s of billions. Ian could further pressure regional Florida property insurers, as several local companies have been declared insolvent this year and many more are on regulatory watch.

### **Large and well capitalized re/insurers where we invest are well positioned to absorb a major event:**

- Most have curtailed Florida exposures given the challenges of claims fraud and costly attorney involvement. Florida accounts for the vast majority of US homeowners insurance lawsuits despite being a much smaller percentage of all US homeowners claims.
- Tropical cyclones are typically well modeled and widely syndicated, limiting single company market share.
- While flood damage may be covered by auto and commercial policies, traditional homeowners insurance does not cover flood due to storm surge which tends to be separately offered by the government. However, given a relatively low take up rate, some policyholders may look to claim wind as the cause of water damage.
- Despite damage in parts of the Caribbean and Canada, insured losses due to Hurricane Fiona are expected to be quite modest and 2022 had otherwise been a comparatively light year of hurricane losses for insurers. Notably, the industry's premium base and capitalization have grown substantially since 2017 when Hurricanes Harvey, Irma and Maria combined for over \$90B in insured losses.

Spectrum believes market conditions due to climate uncertainty, inflationary pressures and capacity withdrawals, among others, continue to support insurer pricing power. Balance sheets are healthy and re/insurers continue to seek adequate underwriting returns. **While Ian's damage will further pressure the more challenged local Florida property insurance market, national property & casualty insurers and global reinsurers should remain resilient.**

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