

Industry May Underestimate Intense Hurricane Frequency

LONDON - The insurance and reinsurance industry may be underestimating the frequency of major hurricanes, according to new research from the insurance division of the Bank of England. The report suggests that the clustering of major storms in a single hurricane season could become more common.

The report found that the clustering of multiple major Atlantic hurricanes in one season, as occurred with hurricanes Harvey, Irma and Maria in 2017, may be expected to happen more often. The findings suggest the probability of three or more major hurricanes striking the U.S. in any given year could be as high as 1-in-7 (15%).

In addition, there is a 0.6% (a 1-in-180) chance that these Atlantic storms will all impact the East Coast, leading to potentially very high insurance costs.

"Given the destructive potential of deep-tropical hurricanes and the tendency of hurricanes to occur close together, these relatively high-probability events could have significant insurance implications," said researchers. "We have shown that if the last 30-years' frequencies persist, the recent experience of the 2017 hurricane season is probably not an outlier but closer to the norm. This is an important topic for insurers and others alike, and one where further research is needed to improve our collective understanding of hurricane clustering and its potential impact.

Given these trends, insurers, in particular, need to consider the operational, economic and risk management impact of the assumptions made when modeling hurricanes," concluded the researchers.

More research is needed to determine how hurricane frequency may have changed over time and whether risk models need to include more recent datasets.

PREPARING FOR HURRICANE SEASON

The 2018 Atlantic hurricane season officially began on June 1 and runs through Nov. 30. The U.S. has already experienced one named cyclone - subtropical storm Alberto - in what is expected to be an active season.

The storm, which impacted areas from the Gulf Coast to the Midwest in late May, is a reminder that now is the time for home and business owners to prepare for tropical storms, devastating hurricanes and other severe summer weather.

"Before the next storm strikes, insureds should take a walk around their property," said Roy Wright, CEO and president of the Insurance Institute for Business & Home Safety (IBHS).

"They should look for and arrange repairs to loose shingles, siding or fencing. Trim trees away from their home or business facility and clear gutters and drains of debris so rain water can

move away. These and other simple steps will help prepare homes and businesses and will save insureds time, energy, aggravation and money after the storm passes."

"Preparedness is the key to mitigating risks for everyone in hurricane-prone areas..."

- ROY WRIGHT

The National Oceanic and Atmospheric Administration (NOAA) forecast calls for 10 to 16 named storms, with five to nine hurricanes.

One to four hurricanes could become major (Category 3 or higher) with sustained winds in excess of 110 mph.

Last year's extremely active season resulted in more than \$200 billion in property losses across the U.S.

"Preparedness is the key to mitigating risks for everyone in hurricane-prone areas," Wright added.

"Insureds can protect their property through maintenance and monitoring, and with flood insurance if they live in an area prone to flooding. If they live or own property along any waterway, flood insurance is something they should strongly consider."