

Haitian Earthquake 2010



Casualty Insurance in Haiti

- Since 2007, Haiti has participated in the Caribbean Catastrophe Risk Insurance Facility, funded by donors and member countries
- But that covered only \$8 million of losses
- Coverage from private insurers similarly small (premiums about 0.3% of GDP)
- Losses from the Haitian earthquake reached into many billions

Hurricane Katrina twenty-foot high Storm Surge, August 29, 2005



Assessment of Insurance Performance in U.S. after Katrina

- The total insured property loss of Katrina, \$34.4 billion
- 70% of claims were settled by January 2006, \$7.5 billion paid out by insurers (Insurance Information Institute)
- Roughly 200,000 homes severely damaged, so payment was about \$40,000 per home
- Insurance companies argued homes were damaged by flood, not wind
- Many homeowners did not have flood insurance (60% of homeowners in Orleans parish)
- insurance premiums in Louisiana had already gone up by 70% between 1997 and 2005, causing many people to cancel their insurance

Terrorism Risks



TRIA, 2002

- Before 9/11/2001, insurers generally did not exclude terrorism risk, which they then saw as inconsequential
- After 2001, insurers wanted these exclusions
- US Terrorism Risk Insurance Act of 2002 (TRIA) required insurers to offer terrorism insurance for three years
- Government agreed to pay 90% of insurance industry losses above a deductible of \$100 billion
- December 2005 TRIA renewed for two more years, and in 2007 for 7 more years. In 2015, the act was renewed again to 2020