

Super Storm Sandy: A Wake-up Call?

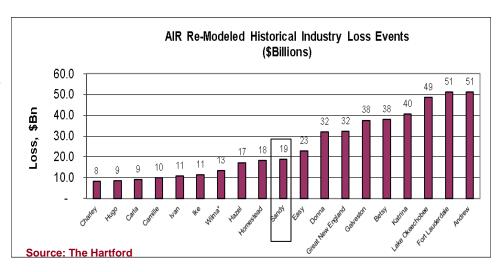
Stephen Ludwig Vice President Catastrophe Risk Management

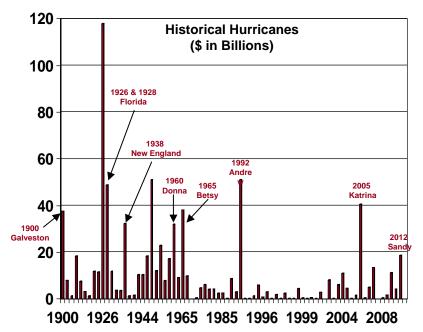


Was Sandy Really All That Super?



- At an estimated \$19B, Super Storm Sandy was the second largest insured industry loss in the United States, roughly half of the cost of Hurricane Katrina (\$41b).
- By many other metrics, however, Super Storm Sandy was not that large.
 - While storm surge was significant, Sandy made landfall with a broad windfield but with relatively low wind speeds.
 - After adjusting for inflation, population growth and the growth in the value of building stock in coastal areas of the U.S., insured losses from Sandy rank no higher than 10th on the all time list of large U.S. Hurricanes
 - From a modeling perspective, The Hartford would not be surprised to see losses on the order of Sandy once every 10-15 years.
- A hurricane making landfall in the Northeast as a Category 4 storm could generate insured industry losses of nearly 4 times the magnitude of Super Storm Sandy, with considerably greater economic disruption.

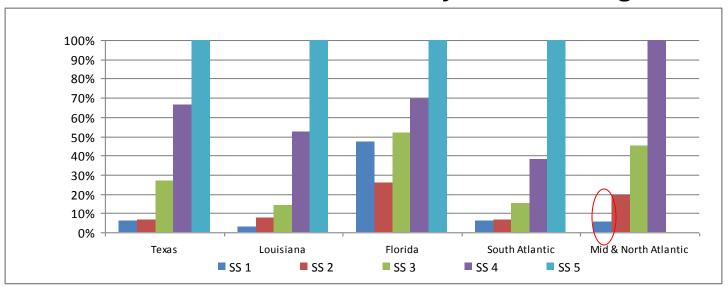




Was Sandy Really All That Super?



HIG Insured Loss Relativities by Storm Strength



When compared with potential losses in the Northeast associated with larger hurricanes, Super Storm Sandy represents a small percentage of the total loss potential of a NE land-falling storm.

- Category 5 hurricanes are not shown for the NE given the low probability of a hurricane maintaining Category 5 strength that far north in the Atlantic.
- Relativities are provided for HIG's portfolio which has larger concentrations in the NE: different insurance portfolios may show different results.

When compared with land-falling hurricanes along the entire East Coast, Super Storm Sandy could be 1/5 – 1/8th the size of a major category 4/5 hurricane along the southern U.S. coastline.

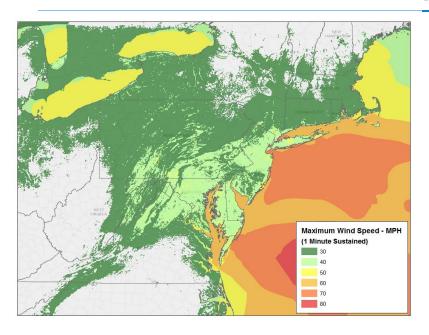
Lessons Learned: Wind Damage



Personal Property

Sandy

Jeanne



What's in a name?

- "Hurricane" or post-tropical storm.
- Coastal peak gusts at hurricane strength
- Overall, broad wind field with relatively low wind speeds except along coast.
- Large coastal surge and flooding drove significant auto losses.

Key Takeaways

- Labels matter: Hurricane vs. Wind Event
- Claims were widespread but average severities for property losses were low
- Tree damage was a recurrent theme in areas not pruned by Hurricane Irene or the October 2011 Winter Storm

Average Severities: Auto & HO 40,000 35,000 25,000 10,000 5,000

Average Severities: Commercial

■ Andrew ■ Charley ■ Frances ■ Ivan

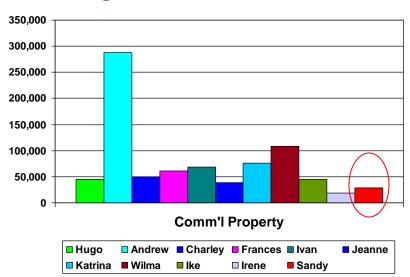
Ike

Comm'l Auto

■ Irene

Personal Auto

■ Katrina
■ Wilma



Lessons Learned: Flooding



- Significant storm surge given the speed and direction of the storm, along with the influence of tides.
- Considerable commercial flooding, automobile flood losses, power outages and business interruption claims.
- Key Takeaways
 - Auto losses represented up to 1/5th of industry claims as compared to 3-8% for a typical hurricane. "Move your car!!"
 - Three-quarters of commercial property claims contained a time element component given power loss and coastal flooding. Determining coverage was key, but relatively clear:
 - Wind damage
 - Flooding
 - Power Failure
 - Flood maps proved inadequate, exposing when flood limits were not well managed.
 - The event demonstrated the value of understanding and managing power disruption.

