

The Climate's Impact on Homeowners and Property Insurance: Is Another Catastrophe Looming?



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Past History of Stability

- During the mid 1900's, Minnesota's property insurance system was relatively stable
- Then one year it.....changed.

1998 WX in Minnesota

- March 29, 1998 – F2, F3 and F4 tornadoes struck LeCenter, St. Peter and Comfrey
- May 15, 1998 – 5 F1 Tornadoes including Albany, Roseville
- May 30, 1998 – Southern Great Lakes Derecho
–More than \$900-million in losses

1998 WX in Minnesota

- Total insured losses in MN in 1998:

\$1.5-Billion!

- More than the previous 40 years COMBINED!

Alarming WX Trends

- In the last 20+ years, Minnesota has seen:
 - More storms
 - Stronger Storms
 - More Severe Storms
 - Larger Outbreaks

Extreme WX Index

- States with most extreme weather:

4. Colorado – 67.0

3. Illinois – 67.8

2. Minnesota – 68.6

1. California – 73.1

Data: National Centers for Environmental Information, 2020

Recent Cat History

- 2007 – MN was 2nd highest Cat state in US
\$750-mil. (CA-\$1.4B – wildfires)
- 2008 – MN was 3rd highest Cat state in US
\$1.5-Billion. (TX-LA Hurricanes)
- 2010-Worst Year Ever
 - Average 44 tornadoes per year (10th in US)
 - MN led nation in touchdowns -144
 - One Building - \$60-million!

Recent Cat History

- 2011 – Only 30 tornadoes but one big one: North Minneapolis (\$250-million)
 - July 1st storm in SW Minnesota. One of worst ever. Close to 90 MPH sustained winds for almost 45 minutes. (about the same as Category 2 Hurricane!)
- 2012 – Record Flooding in Duluth
 - \$450 Million in reconstruction costs

Recent Cat History

- 2013
 - Record low tornadoes but 3 other strong storms
 - Big Winter Ice storm in SW Minnesota
 - Late June Storm with Record Power Outage
 - August Storm with Very Large Hail claims
 - Almost \$900-million in losses. #1 Cat state through 3 Quarters. #4 Overall in 2013 with \$950-million. IL and OK storms in 4Q altered numbers.

Recent Cat History

- 2014 – Mostly quiet except for a few early season flooding events caused by heavy rainfall
- 2015 – Another relative quiet year with one major storm
 - Brainerd Lakes Area Hailstorm (June 2015):
Estimated \$250-million in property losses
- 2016 – No Major Storms, but many smaller ones. Many heavy rainfall events!

Recent Cat History

- 2017 – June 11th hailstorm in Northern Suburbs saw \$3.2-billion in damage.
 - By far, the most expensive storm in Minnesota history!
 - It was the 10th most expensive storm in the World in 2017.

Impact on HO Rates

- 1998 – Ave. Minn. HO Premium = \$368
- 2015 – Ave. Minn. HO Premium = \$1348
- **Up more than 366% in 17 years!**

- 1998 – National Average Premium = \$455
- 2015 – National Average Premium = \$1211
- **2010 was the first time MN Average Premium has ever exceeded National Average**

Impact on HO Rates

- In 1998, \$368 average MN premium was 35th highest in US
- In 2015, \$1348 average MN premium was 14th highest in US

Weather Perils Facing MN & WI

- Tornadoes
- Wind Damage
- Hail
- Flooding
- Extreme Downpours (Flash Flooding)
- Snow Load
- Ice Dams
- Wind Driven Wildfires

Lack of Flood Insurance in MN

- Almost all Flood Insurance sold by FEMA
- You DON'T have to live in a floodplain to buy!
- Of the roughly 1-million households in Minnesota, only 9,800 buy flood coverage. In Wisconsin, 14,230 policies.
- Take-up rate of 0.98%, one of the lowest in the country among states at risk of flooding!

Questions?