

Dividing Katrina's Tab



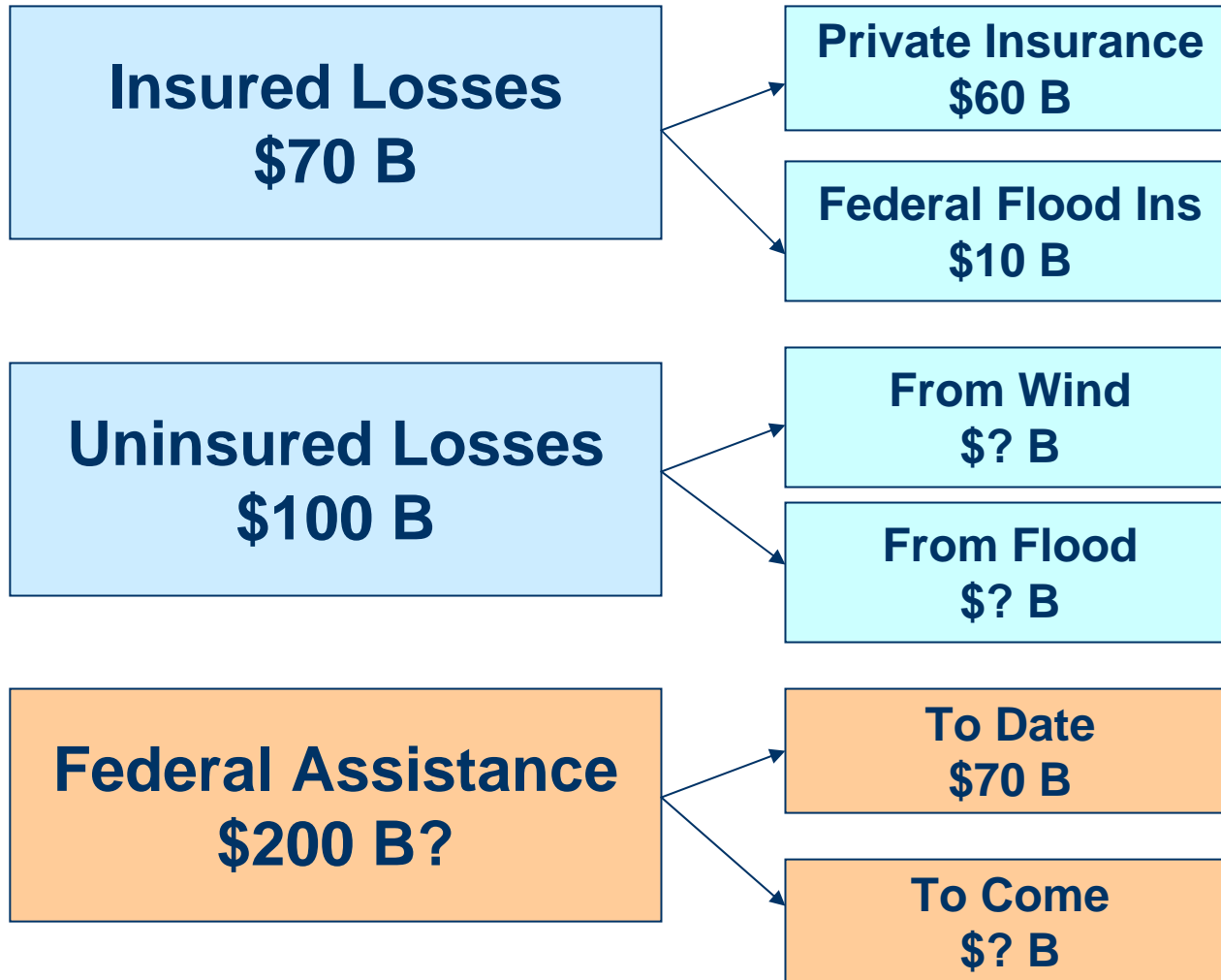
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Overview

- High Stakes → Estimated \$170B in losses, \$100B uninsured!
- Game to recover uninsured losses from various sources.
- Many players & stakeholders with different interests, objectives & strategies.
- Game will play out over months & years.
- Significant implications for Gulf region, taxpayers & insurance industry.

Katrina's Toll



Estimate of Flood Losses

New Orleans Flood Loss	\$22.6 B
Louisiana Storm Surge Loss	\$16.2 B
Mississippi Storm Surge Loss	\$4.4 B
Alabama Storm Surge Loss	\$793 M
Florida Storm Surge Loss	\$32 M
Total	\$44 B

Source: AIR Worldwide, 9/29/05

- Modeling firm loss estimates vary.

Flood Insurance in Katrina-Affected Counties

Counties	Percent of Homes Insured
Mississippi	
Hancock	23.4
Harrison	11.7
Jackson	10.4
Louisiana	
St. Bernard's	57.7
Jefferson	57.4
St. Charles	52.5
Plaquemines	45.6
St. Tammany	43.2
Orleans	40.0
St. John the Baptist	30.8
Tangipahoa	7.3
St. James	7.0
Alabama	
Baldwin	23.5
Mobile	3.9

Source: New York Times

What About Flood Insurance?

- Federal flood insurance is relatively inexpensive & easy to buy.
- However, purchase is only compelled by lenders in high-hazard areas.
- Enforcement of lender requirement lax before 1994.
- Why don't more people voluntarily choose to buy flood insurance?

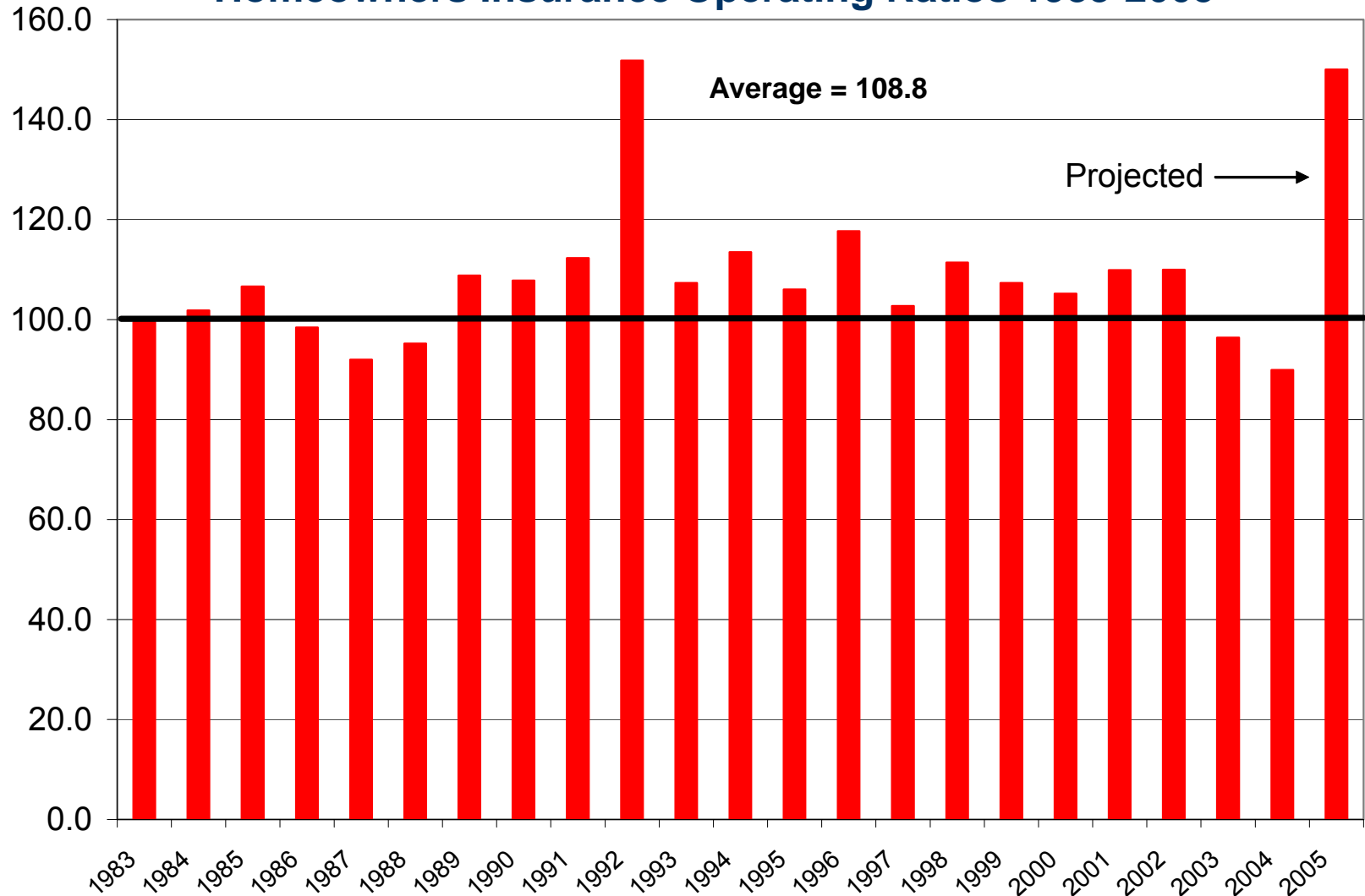


FLOODSMART.GOV

An official site of the National Flood Insurance Program

Home Ins Has Been a Losing Proposition

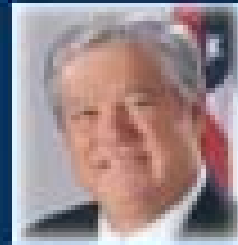
Homeowners Insurance Operating Ratios 1983-2005



Source: A.M. Best

Objectives & Strategies

- Insurance Companies
 - Pay legitimate claims
 - Preserve reputation
 - Financial management
- Insurance Regulators
 - Enforce laws & regulations
 - Encourage insurers to be reasonably “generous”
 - Maintain viable insurance markets
- Federal Government
 - “Damage Control”
 - Political support
- Other Officials
 - Recover losses
 - Obtain assistance & rebuild
 - Maintain political support



**Governor
Barbour**

Concluding Observations

- Trying to force insurers to pay for uninsured losses will harm public interest.
- Individuals, firms and governments must deal with the consequences of their choices.
- Helping those who need help is and will be a matter of public policy.
- Many issues & problems in managing risk & costs of disasters need to be addressed.