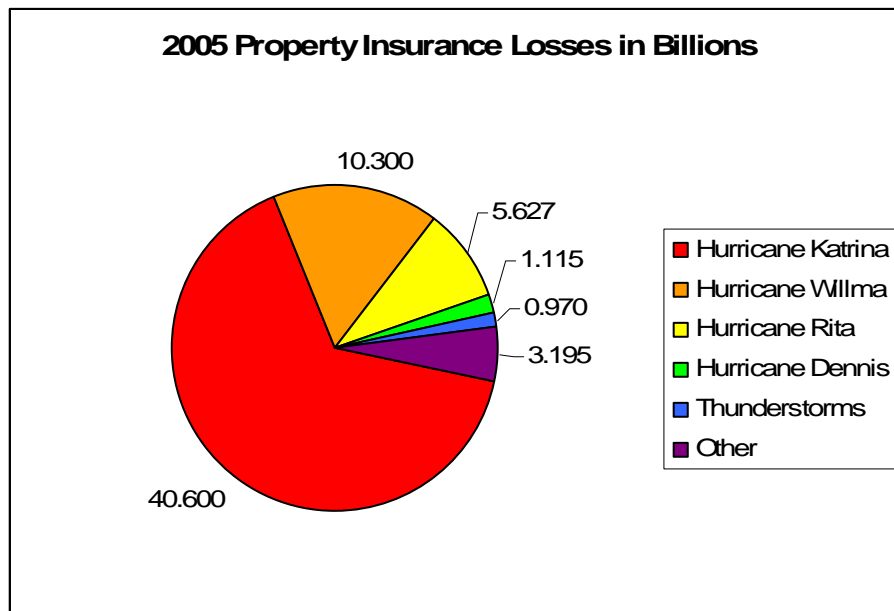


## Barely Alive in 2005

May 3, 2007

2005 was a year marked by catastrophe after catastrophe for property insurers. The insurance industry suffered three major hurricanes, one of which was the most costly hurricanes ever to hit the United States. According to the Insurance Information Institute, in 2005 there were 24 natural catastrophes (events resulting in expected losses over 25 million dollars) resulting in a total loss of \$61 billion dollars for property insurers. These numbers are categorized below.



By comparison, the average yearly total of catastrophic losses from 1997 to 2004 in terms of 2006 US dollars was 13.93 billion dollars. Calculations of 2006 US dollar amounts were done by the Insurance Information Institute and are used to help compare losses of different years, with the effects of inflation removed. The number of catastrophic events was not actually out of the ordinary, the average number of catastrophic events between 1997 and 2004 was about 25. However, the severity of the hurricane season made it one of the worst years for insurance companies.

Over 90% of the 2005 catastrophic losses came from the year's three largest hurricanes. 66% of the total 61 billion losses came from Hurricane Katrina alone (August 2005). For comparison, Hurricane Andrew was the most costly hurricane to occur before 2005. If we put Hurricane Andrew's losses in terms of 2006 dollars, Hurricane Katrina's losses would still be near double in size. Unfortunately, the bad news continued through the rest of the 2005 hurricane season. 2005 also brought the American insurance industry the 5<sup>th</sup> and 9<sup>th</sup> most costly hurricanes of all time as well. Hurricane Willma (October 2005) cost over 10 billion dollars and Hurricane Rita (September 2005) brought on losses above 5 billion dollars. Together with Katrina, these large hurricanes cost the property insurance industry near 56.5 billion dollars. The remaining catastrophic losses came from relatively smaller events. Hurricane Dennis in July and thunderstorm-related claims throughout the year cost the industry near 1 billion dollars each. Another 3 billion comes from other miscellaneous natural catastrophes.

The effects of such a disastrous year are all over the news. Many companies are responding to these losses by pulling out of areas frequently hit by hurricanes. Others have chosen to raise their rates. It's not surprising considering the monumental losses they suffered just two years ago. Insurers are scared of another Katrina, another bad hurricane season, another 2005.

***Source:***

“Catastrophies: Insurance Issues.” May 2007. [Insurance Information Institute, Inc.](#)

2 May 2007 <<http://www.iii.org/media/hottopics/insurance/xxx/>>