

WSJ Print Edition



As of the end of last week, industry sources weren't expecting outsized insurance losses. KHADEJEH NIKOUYEH/ THE CHARLOTTE OBSERVER/ AP

Insurers Likely Won't Feel Helene's Full Force

Hurricane Helene is shaping up to be a devastating storm that exposes some of the gaps in U.S. insurance coverage.

Catastrophe modeling firms, insurance brokerages and ratings firms are still in the process of estimating the storm's insurance losses. But early analysis suggests that the economic damage of the storm may outstrip the losses to private insurers more than is typical.

As of the end of last week, based on preliminary analyses, industry sources weren't expecting Helene to generate especially outsized insurance losses—particularly for the reinsurers that exist to backstop primary insurers for the most catastrophic outcomes.

Several initial estimates gave ranges for insured losses for \$10 billion or below, according to a compilation by Marsh McLennan's Guy Carpenter & Co.

That could still make it one of the most significant loss events of this year. But it wouldn't break the top 10 of costliest U.S. hurricanes for insurers, according to inflation- adjusted historical data from the Insurance Information Institute.

Those estimates could very well rise as the extent of the damage becomes clearer. However, in this case, insurance losses might not be the best measure of the storm's impact. Guy Carpenter in a Monday report highlighted "the vast difference in initial estimates of insured vs. economic loss."

Economic loss is a broader measure of a catastrophe's cost beyond what might be covered by insurance. The difference between the two is often called the "protection gap." *

Moody's Analytics, in a note dated last Friday, estimated that between disruption and property damage, the economic toll for Helene could be in the range of \$20 billion to \$34 billion.

Guy Carpenter noted: "Private flood insurance products have minimal penetration across much of the United States," and that wind policies "predominantly exclude sources of loss due to water."

Some coverage may come through the government's National Flood Insurance Program. But Guy Carpenter's report noted that "public and private flood policy take-up rates are minimal in the mountainous regions of the

Southeast.” Flooding has been significant in many places throughout the region.

In a LinkedIn post dated Sept. 27, Steve Bowen, chief science officer at reinsurance brokerage Gallagher Re, wrote that the dollar hit to the private insurance market is expected to be in the “mid/high single-digit billion range.” He wrote that “this event does not appear to be large enough to meaningfully impact the broader [reinsurance] market.”

Over the past five days, the S& P Composite 1500 reinsurance group is up 0.4%. Meanwhile property-and-casualty insurers—which include the so-called primary insurers that write policies for homes, cars and business—have declined. S& P 500 P& C insurer shares are down 1.8% as a group. *

—Telis Demos

Copyright (c)2024 Dow Jones & Company, Inc. All Rights Reserved. 10/1/2024
Powered by TECNAVIA

The following is a digital replica of content from the print newspaper and is intended for the personal use of our members. For commercial reproduction or distribution of Dow Jones printed content, contact: Dow Jones Reprints & Licensing at (800) 843-0008 or visit djreprints.com.

Tuesday, 10/01/2024 Page .B011

Copyright (c)2024 Dow Jones & Company, Inc. All Rights Reserved. 10/1/2024