

Lessons Learned: Unpredictable Windstorms Force Insurers and Property Owners to Prepare



When it comes to windstorms on a global scale, it's been a mean and unpredictable season. If an insurer is focused on the quiet 2013 hurricane season in the



By Jason Wolf

Atlantic — and quietly celebrating the low claim volume — the carrier is missing the larger picture. With hundreds of billions of dollars in claims left in their wake across the Atlantic and the Pacific in the past year, storms are leaving carriers facing an uncertain future.

Based on recent events — from a tropical cyclone hitting the Northeastern United States in October 2012 or a succession of unseasonable and powerful storms hitting northern Europe over several months in 2013 — the entire developed world probably now lies in the “cone of uncertainty.”

Despite the recent season, no one doubts

that windstorm claim payouts continue.

In Texas, in late 2013, more than 1,000 homeowners settled claims for windstorm damage, some dating back to 2008.

In Florida, windstorm policies were in danger of being dropped in the Keys.

In Scotland, windstorms caused tremendous damage and fatalities.

In Holland, Weinterklaas — a significant wind event — resulted in an estimated £5 to £10 million pounds — \$4.2 million to more than \$8 million — of damage.

Lessons Learned

With Superstorm Sandy and a long list of other recent storms with high wind intensity, myths and projections were debunked.

The events of the past decade worldwide

highlight how insurers need to address future planning. While forecasters were caught off-guard by a slow season, long-term planners know that 2013 likely was an anomaly — and no one should bank on a repeat season in the future.

Moreover, lessons from the more-distant past — as far back as years following Hurricane Andrew's 1992 devastation of South Florida and the Gulf Coast — tell

carriers that they must work with builders, regulators and consumers to protect against windstorm fallout.

The South Florida building code, historically weak before Andrew, became the model set of rules in the years that followed. Today, structures are built to more stringent windstorm guidelines.

What's more, carriers often offer premium

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discounts to property owners to install protection known to reduce wind's impact, like shutters, roof tie-downs and straps to secure the roof joists, rafting and the roof itself.

On both sides of the Atlantic, insurers see the value in providing tailored coverage for specific requirements.

Other suggestions for carriers:

- Continue to provide discounts or credits and educate consumers — even in “non-traditional” markets — about the importance of strengthening properties.
- Inspect new buildings and re-inspect existing structures to ensure compliance with stricter building codes.
- Rethink the definition of “vulnerability.” All risk-assessment models need to be re-addressed. Carriers must get creative and think harder about how they base risk assessment. Few considered the Northeast United States or Central Europe as vulnerable as recent events have proven.

All told, modern windstorms have become game changers for carriers and property owners alike. Avoiding the politics of climate change, few can deny the increasing intensity and growing geographic range of such storms.

Windstorms: Not So Rare

This year, a late-season event called Windstorm Christian (also called the St. Jude storm) caused an estimated \$2 billion in damage across the United Kingdom and northern Europe.

Then, in early December, a storm with gusts up to 142 miles per hour hit Britain and raged across Europe, forcing evacuations with the worst tidal surge England had seen in 60 years. Even the metal plates of the Thames Barrier were raised to spare London from an historic storm surge that was expected to also hit Germany and Scandinavia.

Those in the Northeast United States know the perils of late-season storms. Superstorm Sandy — the largest storm on record with a wind area measuring more than 1,100 miles across — hit the Tri-state area of New York, New Jersey and Connecticut. It killed almost 300 people over nine days, with winds and flooding causing \$6 billion to \$8 billion in damages.

Typhoon Haiyan hit the Philippines and Southeast Asia in November 2013 with winds

topping 230 miles per hour — making it the strongest storm recorded at landfall, by some accounts.

What once were considered “500-year storms” now are becoming more frequent events, hitting regions and during times of the year thought highly unlikely.

The lesson, then, is to anticipate uncertainty, get creative in risk assessment and modeling, understand that there may be no such thing as an actual trend — other

than perhaps uncertainty all around — and partner with insured property owners to incentivize the role they play in reducing the likelihood of damage.

Storms are growing intense. Our preparation must become equally vigilant.

Wolf is a shareholder at the firm of Koch Parafinczuk & Wolf. His practice focuses on first-party property insurance defense, and he is the firm's partner overseeing all lawsuits against property insurers.

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