

U.S. Insurers Have Deepest Catastrophe Losses Since 2001

By Maryellen Tighe

Oct. 7 (Bloomberg) -- U.S. property and casualty insurance providers reported their worst six months of losses tied to catastrophes since the first half of 2001 as claims costs climbed to \$23.9 billion.

The combined ratio of losses and expenses per premium dollar deteriorated to 110.5 percent, the lowest since 111.1 percent in the first half of 2001, ISO, a unit of Verisk Analytics Inc., said today in a statement. Second-quarter U.S. disasters caused \$19.6 billion in insured losses, an increase of almost sixfold from \$3.3 billion a year earlier, ISO said.

"These losses for us were larger than those we incurred from Hurricane Katrina in 2005 and the equivalent of losses we would expect from a 1-in-100 year hurricane," Travelers Cos. Chairman and Chief Executive Officer Jay Fishman said in an earnings statement July 21. Travelers, based in New York, is the lone insurer in the Dow Jones Industrial Average.

Travelers, Allstate Corp. and State Farm Mutual Automobile Insurance Co. are among firms that took losses on a U.S. tornado season that killed more than 150 people in Joplin, Missouri, and leveled parts of Tuscaloosa, Alabama. The net loss for the industry was \$3.1 billion in the second quarter after net income of \$7.8 billion a year earlier, ISO said.

The cost from disasters was \$8 billion in the first half of last year.

Sales Rising

Sales rose as carriers including Chubb Corp., Travelers and Allstate raised rates. First-half policy sales advanced 2.6 percent to \$218.8 billion from \$213.3 billion a year earlier, ISO said.

Consulting firm Towers Watson & Co. said commercial insurance rates rose 1.5 percent in the second quarter in a separate survey released Sept. 13. It was the first time rates had increased for all standard lines of coverage since the fourth quarter of 2003, New York-based Towers Watson said.

About 70 percent of Chubb's commercial business renewed in the U.S. in the second quarter was at the same or a higher rate, Paul J. Krump, president of commercial and specialty lines for the Warren, New Jersey-based carrier, said on a July 21 conference call.

Personal insurers are also raising rates as they deal with increased losses.

Allstate Chairman and CEO Thomas Wilson said the Northbrook, Illinois-based insurer plans to raise rates for homeowners' coverage after storms caused \$2.34 billion of catastrophe costs in the second quarter, according to an Aug. 1 statement. Allstate had received approval for increases in 18 states when the statement was issued.

Net investment gains for U.S. insurers rose to \$28.4 billion in the first half from \$26 billion a year earlier, ISO said in its report today.

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