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# Insurers Have Improved Their Catastrophe Claims Handling Capabilities



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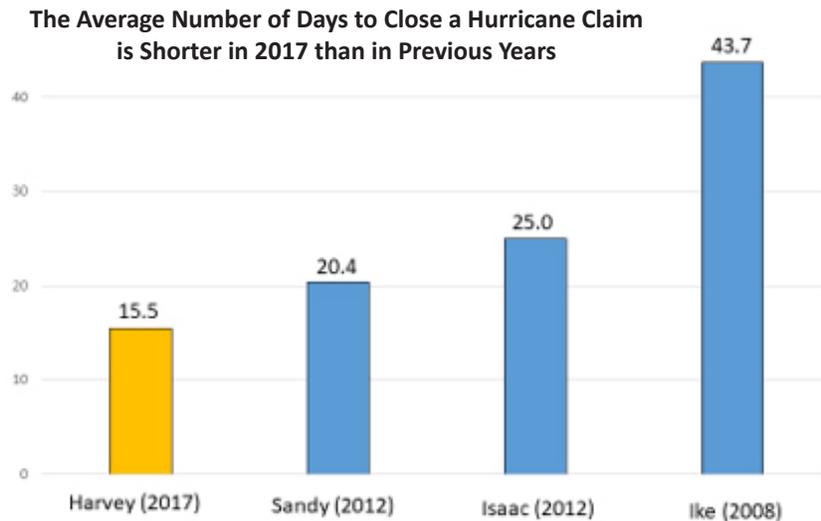
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# Insurers Have Improved Their Catastrophe Claims Handling Capabilities

Catastrophes (CATs) are becoming more frequent and more destructive. Although recovery from the three 2017 Category 4 hurricanes (Harvey, Irma and Maria) is far from over, the valuable insights gained from previous mega-storms enabled insurers and the Federal Emergency Management Agency (FEMA) to become more proactive and better prepared in responding to these types of disasters. Improvements in claims handling capabilities have resulted in shorter claim settlement periods on average and more claims being closed at a faster pace. As a result, disaster victims recover more quickly.

- **Insurers have expedited their claims settlement process.**

On average, a claim from Hurricane Harvey (2017) was closed in 15.5 days, while claims from Hurricane Isaac in 2012 and Hurricane Ike in 2008 (were closed in 25 and 43.7 days, respectively). Three months after Superstorm Sandy walloped New York (2012), the average number of days for a payment to be made (although the claim may not have closed) was 20.4 days.<sup>1</sup>



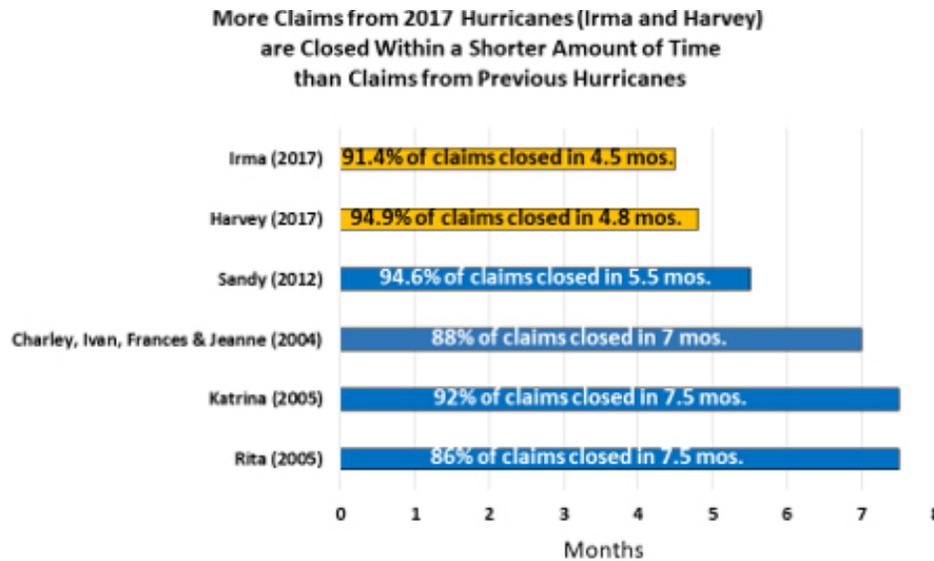
Notes: Claims represent both those with payments and those without payments. Harvey, Sandy and Ike claims are settled by private insurers only. Sandy claims reflect time of report to payment (not necessarily closure). Isaac claims are settled by Louisiana Citizens Property Ins. Corp.

Sources: Texas department of Insurance, PCI and *Insurance Journal* article.

<sup>1</sup> Texas Dept. of Insurance, "Hurricane Harvey Data Call," Jan. 23, 2018, and "Interim Report to the House of Representatives, 81st Texas Legislature, 2008," Jan. 12, 2009; *Insurance Journal*, "Louisiana Citizens: Claims from Hurricane Isaac 85% Settled," Oct. 22, 2012; and PCI, based on New York State Insurers Disaster Response Report Cards on Sandy, Jan. 23, 2013.

- **The National Flood Insurance Program (NFIP) has expedited its claim settlement process.**

Based on FEMA data, 91.4 percent of Irma claims and 94.9 percent of Harvey claims were closed in fewer than 5 months. This timing is similar to that of private insurers that closed 94.6 percent of Sandy claims in 5½ months.<sup>2</sup> In contrast, the NFIP, with the help of “Write Your Own” (WYO) insurers,<sup>3</sup> settled 88 percent of the claims from Hurricanes Charley, Ivan, Frances and Jeanne (all occurring in 2004) within 7 months. It took slightly longer – 7½ months – to close 92 percent of Hurricane Katrina claims and 86 percent of Hurricane Rita claims in 2004.<sup>4</sup>



Notes: Claims for all hurricanes except Sandy were submitted to NFIP. Sandy claims were submitted to private insurers writing in New York.

Sources: FEMA, *Insurance Journal* article and GAO.

Based on the above results, the NFIP’s has improved its time frame for settling claims. This is especially noteworthy when comparing 124,074 Harvey and Irma claims reported to the NFIP to 33,888 claims from the four hurricanes of 2004. The NFIP’s delay in closing Katrina and Rita claims (about 177,000 and 10,500 submitted, respectively)<sup>5</sup> may have been due, in part, to the “wind vs. water” debate that peaked in 2005. Attempts to determine the cause of damages – “Is it wind or is it water?” – slowed the investigation and settlement process of these two storms.

2 FEMA and Insurance Journal, “Nearly 95% of N.Y. Sandy Claims Closed, Insurers’ Response Report Card Show,” April 19, 2013.

3 Write Your Own (WYO) insurers collaborate with the NFIP in providing flood insurance to consumers. They write and service the standard flood insurance policy in their own names and process claims, for which they receive an expense allowance. The federal government retains responsibility for underwriting losses.

4 Government Accountability Office (GAO), “NFIP: New Processes Aided Hurricane Katrina Claims Handling, but FEMA’s Oversight Should Be Improved,” Dec. 2006.

5 FEMA and GAO.

## OVERALL CUSTOMER SATISFACTION HAS GONE UP

Insurers' improved claims service has not gone unnoticed by others. According to the latest J.D. Power "Claims Satisfaction Study" (2018), overall customer satisfaction among homeowners filing property insurance claims is at an all-time high (860 out of 1,000 points), despite record-high property losses following natural disasters in North America. A Power representative states: "The last two years of record catastrophic losses have put P&C insurers to the test, and many have risen to the occasion, driving overall customer satisfaction levels to new highs."

Insurer improvements were also observed by the head of a Jacksonville, Fla.-based insurance agency who, in the wake of Hurricane Irma, expressed his approval of insurers' CAT response in light of the massive volumes of claims. He also noted fewer complaints made by consumers about their inability to access their carriers.<sup>6</sup>

## CONCLUSION

While there is always room for improvement, insurers continue to rise to the challenge of increased CAT events.<sup>7</sup> Both the NFIP and private flood insurer claims settlement rate improved. This becomes clear when examining the volume of claims from similar events.

Despite the severe intensity of the hurricanes that caused enormous destruction last year, both the private and public sectors are well positioned to meet the challenges of future complex natural disasters.

6 *Insurance Journal*, "Florida's Hurricane Irma Recovery: The Cost, The Challenges, The Lessons," Nov. 30, 2017.

7 Increased number of natural catastrophe events as reported by the National Oceanic and Atmospheric Administration (NOAA), "Billion-Dollar Disaster Event Types by Year (CPI-Adjusted)"; AON Benfield, "Weather, Climate & Catastrophe Insight, 2017 Annual Report"; Insurance Information Institute, "Facts + Statistics: U.S. catastrophes"; Munich Re NatCatSERVICE, "Update on NatCat Trends", Prof. Dr. Peter Hoeppe; and World Bank's Independent Evaluation Group, "Hazards of Nature, Risks to Development"