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U.S. Property/Casualty Catastrophe Losses Climb To \$38.6 Billion for the First Nine Months of 2011

The U.S. property/casualty (P/C) industry experienced significant catastrophe-related losses from an unprecedented number of natural catastrophe events in both the United States and abroad through the first nine months of 2011. Based on results from a survey conducted by A.M. Best, total pretax, accident-year catastrophe-related losses, net of reinsurance and reinsurance premiums, were an estimated \$38.6 billion during the first nine months of 2011, up from an estimated \$16.1 billion reported during the same period of 2010. As a result, catastrophe losses accounted for approximately 12.0 points on the combined ratio during the first nine months of 2011, compared with approximately 5.0 points during the same period last year. According to A.M. Best data, total net, pretax accident-year catastrophe-related losses already have surpassed total year-end 2010 losses, which were an estimated \$19.6 billion.

The vast majority of U.S. losses were associated with the series of tornadoes and hailstorms that hit the Midwest and Southeast in April and May – including those causing heavy damage in Tuscaloosa, Ala. and Joplin, Mo. Other U.S. events included flooding across the country, blizzards in the Midwest, wildfires in the Southwest and Hurricane Irene. Non-U.S. losses also were recorded on the statutory statements of some companies – most prominently, the 9.0-magnitude earthquake in Japan, along with the resulting tsunami; the earthquake in New Zealand; and flooding in Australia.

The 2011 Atlantic hurricane season ended with 19 named storms and seven hurricanes, three of which

were considered major – Category 3 or stronger – including Irene, the only hurricane to make landfall on the U.S. mainland in 2011. Irene, which caused more than 40 deaths as it lashed the Eastern Seaboard and New England, was the first hurricane to hit the United States since Hurricane Ike in 2008 and the first hurricane to strike the New York City area since Hurricane Gloria in September 1985. While Irene caused a considerable amount of economic losses, most of the damage was caused by extensive flooding, which was either not covered under most homeowners policies or insured by the National Flood Insurance Program. NFIP losses are not included in the 2011 insured loss estimate.

While the impact from natural catastrophes during the first nine months of the year is material to the industry from an earnings perspective, A.M. Best believes the overall industry's capital will effectively absorb these catastrophe-related losses.

About the Survey: The A.M. Best survey was sent to more than 150 U.S. P/C companies/groups and received a response rate of 90%. The survey results represent approximately 80% of the entire U.S. P/C industry through the first nine months of 2011, in terms of net premiums written.

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