

PERSONAL FINANCE

A New Hurricane Model Is Broader

Are Some Homeowners Hundreds of Miles From the Ocean at Greater Risk?

BY ERIK HOLM

A hurricane-modeling company that helps insurers predict the cost of megastorms will launch a new, more sophisticated model on Monday that shows some homeowners living hundreds of miles from the nearest ocean are at greater risk than previously thought.

While the homes closest to the coast are clearly the most likely to suffer serious damage, the model from **Risk Management Solutions** Inc. increases the estimates for how much harm a hurricane can do in the hours after it blows ashore and begins moving inland.

The revisions could cause insurers to think twice about the areas where they operate and re-evaluate what they have chosen to insure.

The updated model is expected to double RMS's one-in-100-years estimate for insured hurricane losses in Texas, and

increase estimates in the mid-Atlantic by more than 75%. Nationwide, the one-in-100-years loss estimate will increase by 15% to 25%.

Importantly, the figures estimate the entire insurance industry's losses. Some insurers will fall above or below the typical range, depending on their areas of geographic focus. Some, in fact, will see their loss estimates go down.

The one-in-100-years measurement is commonly used in the industry to evaluate an insurer's hurricane risk, putting a ceiling on storm claims that has just a 1% chance of being exceeded each year.

Advances in the tools that measure hurricanes combined with improving computing power and more information on actual losses from past events to give RMS 10 times more wind data than the last time its hazard model was updated in 2003.

"We've really got a much



Getty Images

Ike's wrath in Texas in 2008.

more informed view because of all the hurricanes that have been happening in the past several years," said Claire Souch, vice president of natural catastrophe at RMS.

The new model includes a better understanding of what fu-

els a hurricane in the warm waters of the Atlantic or Gulf of Mexico, and what causes a hurricane to lose intensity over land.

Hurricane Ike, a Category 2 storm that struck the coast of Texas in 2008, illustrates why RMS needed to update its model. Ike wasn't downgraded from a hurricane to a tropical storm until it reached Palestine, Texas, almost 200 miles inland.

How quickly insurers increase prices on home insurance if the new model shows a jump in their loss estimate is an open question. State regulators have some control over rates.

"The more qualified opinions you can factor into the equation, the more accurate you are likely to be," Dick Luedke, a spokesman for **State Farm Mutual Automobile Insurance Co.**, said in January, commenting on the pending new cost model. Whatever the results from RMS, he said, State Farm will weigh them against the other models.