

# NEWS BRIEF

## Hurricane Milton Losses Likely To Exceed \$35 Billion

While Hurricane Milton's landfall missed a worst-case scenario strike on Tampa Bay, insured losses from the Oct. 10 storm will likely exceed \$35 billion, according to analysts' estimates.

Karen Clark & Company (KCC) predicted privately insured losses of \$36 billion from Hurricane Milton. The estimate includes damage to residential, commercial, and industrial properties, automobiles, and business interruption. It does not include boats, offshore properties, or losses for the National Flood Insurance Program (NFIP).

"In contrast to Helene, most of the damage from Milton was caused by wind. Therefore, a higher proportion of the damage from Hurricane Milton will be insured," said KCC in its flash estimate.

After rapidly strengthening to a Category 5 storm over the Gulf of Mexico, Milton ultimately made landfall as a Category 3 hurricane near Siesta Key, Florida, a barrier island south of Sarasota.

Ahead of landfall, the storm spawned multiple tornadoes that caused extensive damage and at least four deaths. After coming ashore, Milton traversed the state, affecting Sarasota, Bradenton, St. Petersburg, Tampa, Orlando, and even Daytona Beach. Storm surge was measured at 1 foot in Tampa Bay and up to 6 feet in Fort Myers and Naples.

"Both to the north and south of the track, Hurricane Milton brought tropical storm winds to an extensive region including the entire Florida Peninsula and extending north along the coastline into Georgia," said KCC.

Milton covered some of the same territory as Hurricane Helene with wind, storm surge, and flooding. Moody's RMS predicted a range of \$35 billion to \$55 billion for the two storms, which affected some of the same areas in Florida. The modeling firm previously estimated insured losses for Hurricane Helene between \$8 billion and \$14 billion.

Moody's preliminary estimate reflects insured wind, storm surge and inland flood impacts from both events. Hurricane Helene struck Florida's Big Bend region as a Category 3 storm in late September.

"This initial combined loss estimate is informed by Moody's RMS Event Response's rigorous approach to event insured loss estimation and includes a combination of observational data, detailed field reconnaissance so far spanning more than 2,000 miles, and aerial imagery analyses from both storms in the affected region," said Mohsen Rahnama, chief risk modeling officer at Moody's. "Estimating losses in these events is challenging, and it is important to consider all associated complexities and uncertainties, especially in the overlapping regions affected by both hurricanes."

Moody's RMS highlighted a few uncertainties with assessing Milton's losses, particularly for those properties affected by Helene as well.

"Preliminary reports indicate several instances where structures damaged in Helene that may have been uninsured or underinsured for flood were also affected by high winds and wind-driven rain in Milton," said Moody's in its report. "It may be difficult to ascertain the proximate cause of loss in cases, which may lead to coverage leakage (i.e., some degree of non-covered losses could be covered under the insurance policy)." The firm added, "If a claim was opened after Helene and if there is additional damage in Hurricane Milton, it will likely result in a single payout, but there will be questions on which event the payout is assigned to, and the resulting impact on potential reinsurance recoveries."

Milton is expected to be an earnings event rather than a capital event for both insurers and reinsurers. According to Fitch Ratings, Milton is the largest insured loss in Florida since Hurricane Ian, a Category 4 that caused \$60 billion in 2022.

Morningstar DBRS said it expected insured losses to be in the upper half of its estimated range of \$30 billion to \$60 billion, while Fitch Ratings gave a range of \$30 billion to \$50 billion.

"Hurricane Milton will likely remain an earnings event for global reinsurers, under the assumption that the remainder of the Atlantic hurricane season remains relatively quiet," said Steve Liu, assistant vice president of global insurance and pension ratings for Morningstar DBRS. "However, after two back-to-back hurricanes that occurred in Florida within two weeks of each other, stabilization in reinsurance prices during the mid-year renewals is likely to reverse with reinsurance prices expected to continue their upward trajectory."

"The insurance losses will hit reinsurance attachment points, shifting a meaningful amount of losses to the reinsurance market, particularly from the Florida specialist companies with lower retentions," said Fitch in a statement, noting that demand surge will also play a role.

"Higher demand and limited supply of labor and materials needed to adjust claims and repair/rebuild following multiple large-scale disasters can increase insured losses by 20% or more," the firm said.

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