

# Earthquake Insurance In Alaska

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# Earthquake Insurance Market

- Steady growth in premium written over last 19 years
- 1989 premium = \$2,375,000
- 2007 premium = \$15,817,000
  
- 1989 insurers = 50
- 2007 insurers = 62

# Homeowners Insurance

- 1989 Homeowners premium = \$35,614,000
- 2007 Homeowners premium = \$126,147,000
- 1989 insurers = 51
- 2007 insurers = 53

# Property Insurance

- 1989 fire premium = \$10,918,000
- 2007 fire premium = \$20,073,000
  
- 1989 insurers = 86
- 2007 insurers = 113

Earthquake Insurance Premiums in Alaska  
Admitted Markets

Calendar Year	Earthquake		Homeowners		Fire	
	Premium Written	Number of Insurers	Premium Written	Number of Insurers	Premium Written	Number of Insurers
1998	6,633	38	67,538	33	13,589	78
1999	7,196	56	68,995	55	11,953	130
2000	7,720	50	73,366	39	16,216	96
2001	9,043	65	77,921	57	13,259	124
2002	10,080	61	86,846	57	12,474	81
2003	12,756	58	96,673	50	22,569	108
2004	11,769	54	107,715	52	22,388	107
2005	12,703	53	115,530	54	22,317	111
2006	13,851	54	121,159	54	22,768	110
2007	15,817	62	126,147	53	20,073	113

Earthquake Insurance Premiums in Alaska  
Surplus Lines

Calendar Year	Earthquake		Homeowners		Fire Premium Written	Number of Brokers
	Premium Written	Number of Brokers	Premium Written	Number of Brokers		
1998	1,695,000	10	148,000	3	2,871,000	25
1999	825,000	15	174,000	7	3,782,000	24
2000	1,281,000	13	162,000	3	4,336,000	21
2001	1,281,000	15	162,000	5	4,336,000	22
2002	2,964,000	16	235,000	8	14,011,000	22
2003	3,530,000	16	184,000	5	10,068,000	27
2004	4,648,000	11	259,000	2	9,664,000	11
2005	2,784,000	12	329,000	5	8,206,000	13
2006	5,153,000	16	263,000	6	9,779,000	15

# Earthquake Insurance Market

- Of the top 20 insurers by market share in 1998
  - Eleven write earthquake insurance in 2007
  - Three continue to write homeowners or property but not earthquake in 2007
  - Two no longer write any business in Alaska

# Cost of Earthquake Insurance

- Homeowners - \$200,000 policy
  - Close to fire station premium with earthquake increases about 60%
  - Between 5 and 10 miles from fire station premium increases about 35%
  - Greater than 10 miles from fire station premium increases about 30%
- Actual change varies by insurer (23% - 90%)
  - Homeowners Rating Guide has examples

# Ratemaking

- Lack of historical data makes developing accurate rates difficult
- Insurers have turned to catastrophe modeling to project the effect of earthquakes
- Difficult to review the assumptions since the modeling firms consider their models to be proprietary

# Ratemaking

- Models use exposure information, location, structural characteristics, and insurance information along with scientific data to simulate how potential earthquakes affect residential and commercial property
- Do the models used for determining Alaska insurance rates use appropriate Alaska seismic, geologic and engineering assumptions?

# Ratemaking

- Different models can produce significantly different results
- Recent rate filings with the division indicated an 18% difference average annual loss using different models
- Indicated rate changes have ranged up to 400%
- Recent commercial property rates decreased 19%

# State of Alaska Coverage

- The state purchases earthquake coverage through the London markets
- Coverage is \$100 million per occurrence with a self-insured retention of \$1 million or 3% of the building affected
- Covers state owned buildings and leased buildings when required by the lease

# Consumer Concerns

- Calls from consumers looking for suggestions of other insurers that offer earthquake coverage