Event Summary

Dorian was the first major hurricane of the 2019 Atlantic hurricane season and the fourth named storm. In terms of intensity:

- Dorian is the strongest tropical cyclone to hit The Bahamas since records began in 1851.
- It is the strongest storm on record to occur east of Florida in the Atlantic.
- Having made landfall in the northern Bahamas as a Category 5 hurricane with maximum sustained winds of 185 mph, it
 matched the 1935 Labor Day hurricane for the strongest winds of any storm making landfall.¹

Industry Facts and Figures Dorian track and strength: Summary of insured loss estimates **KCC** AIR **RMS** \$5.2 bn Current \$1.5-3 bn \$4-8.5 bn **Estimate** Date of Sep 6 Sep 13 Sep 4 **Estimate** Caribbean Caribbean, Regions Caribbean, Included USA & USA, Puerto Rico & US Canada Virgin Islands TD TS Cat 2 Cat 3 Cat 4 Cat 5

- AIR's insured loss estimate includes damage to onshore property including automobiles, business interruption cover and storm surge. It excludes damage to offshore property, hazardous waste clean-up, demand surge, and compromise of existing defenses.³
- **RMS** estimates insured losses of between \$3.5-6.5 bn to the Caribbean, between \$0.5-1.5 bn to the USA (incl. NFIP), and less than \$0.5 bn to Canada.⁴
- **Karen Clark & Company ("KCC")** estimates the total insured loss to be \$3.6 bn to the Caribbean, \$1.5 bn to the USA, \$0.02 bn to Puerto Rico and \$0.08 bn to the US Virgin Islands. The Caribbean estimate includes damage to commercial, residential and industrial properties, but excludes automobiles. The USA estimate includes damage to commercial, residential and industrial properties, and automobiles, but excludes NFIP losses.⁵



Regions impacted by Dorian:

The Bahamas: Dorian first made landfall in Elbow Cay (east of Great Abaco Island) on September 1st as a Category 5 hurricane with maximum sustained winds of 185 mph and gusts even higher. Dorian then moved towards Grand Bahama where it then slowed its movement and remained for 2 days. Dorian brought along damaging storm surge of up to 23 feet that swept away and submerged large parts of affected areas in The Bahamas.⁶ The International Red Cross estimates that 45% of homes in the Grand Bahama and Abaco Islands (approx. 13,000 properties) have been severely damaged.⁷

North Carolina: Dorian was a Category 1 hurricane when it made landfall on the Outer Banks on September 6th. Although relatively weaker, there was still a strong storm surge, tornadoes and flooding that left many homes under water. More than 180,000 people were left without power.⁸

Nova Scotia: Dorian was a Category 2 hurricane when it made landfall 15 miles south of Halifax on September 7th. The damage (due to winds, flooding and storm surge) included loss of power, a crane falling over, roofs being blown off and trees being ripped from the ground.⁹

Re(insurer) Impact and Considerations

Less than a third of homes on Great Abaco, and only 50% in Grand Bahama carry insurance protection. 10

Rated P&C insurers covering risks in The Bahamas typically purchase significant catastrophe protection. In the days following the event AM Best noted they had placed under review the ratings of the several insurers affected by the event including: Bahamas First General Insurance Company Limited; Cayman First Insurance Company Limited; RoyalStar Assurance Ltd.; multiple members of the Colonial Group International Limited; and Summit Insurance Company Limited.¹¹



There remains a high degree of uncertainty in the current estimates due to potential demand surge and cost pull inflation resulting from constrained access to the affected areas in The Bahamas and extensive damage to infrastructure.¹²

Business interruption costs are expected to be significant due to closure of and damage to the hotels and resorts which make up a large portion of the insured commercial properties on Abaco Islands and Grand Bahama.¹³

In the US, most of the damage is expected to be absorbed by primary insurers, rather than reinsurers. ¹⁴ Overall, little if any impact is expected to Insurance Linked Securities Funds, due to minimal exposure to programs in the Bahamas. ¹⁵

Citations

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