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Hurricanes May Cost Insurers \$57.6 Billion

The forecast may rise by billions if lawsuits force coverage of flood damage from Katrina.

From Bloomberg News

Hurricanes Katrina, Rita and Wilma may cost insurers \$57.6 billion, more than double the annual record for U.S. natural disasters, a consulting firm said Tuesday.

Katrina may cost \$40.4 billion, before taxes; Rita, \$6.4 billion; and Wilma, \$10.8 billion, Advisen Ltd. of New York said.

The figure includes Advisen's projection that State Farm Mutual Automobile Insurance Co. and other privately owned insurers have yet to report about \$5 billion in claims.

The estimate is between earlier projections by storm modeler Risk Management Services Inc., which predicted as much as \$79 billion in losses, and Property Claim Services Inc., which forecast \$45.2 billion. Risk Management uses computers to gauge losses; Property Claim surveys insurers as claims come in.

After Katrina, which struck the Gulf Coast on Aug. 29, rates on commercial property insurance began rising worldwide. The price increases follow a year of declines spurred by increased competition and swollen profits.

Insurance Services Office Inc., which owns Property Claim Services, said Tuesday that the net worth of U.S. property and casualty insurers rose 0.4% to \$414.3 billion in the third quarter even with an estimated \$44.5 billion in storm losses in the period.

Advisen's forecast includes losses reported by 120 insurers and reinsurers and may increase by billions of dollars if lawsuits are successful in forcing insurers to cover flood damage from Katrina, the firm said.

Estimated losses for State Farm, the largest U.S. home and auto insurer, exceed \$1 billion, said David Bradford, an executive vice president at Advisen. He declined to be more specific, and State Farm spokesman Dick Luedke declined to comment. The company plans to release loss estimates when it discloses year-end results in late February, Luedke said.

The 2005 Atlantic Ocean hurricane season, with 26 named storms, was the worst since record-keeping began more than 150 years ago. Katrina brought the most destruction, wiping out towns along the coastline from Louisiana to Alabama and triggering floods that submerged as much as 80% of New Orleans.

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