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HURRICANES' EFFECT ON COLUMBIA ECONOMY MINIMAL (Published Sept. 18, 2004, in the Columbia Business Times) - 9/9/2004

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HURRICANES' EFFECT ON COLUMBIA ECONOMY MINIMAL

COLUMBIA, Mo. – Popular wisdom might predict hurricane damage would cause insurance rates to rise dramatically, but local businesspeople say the recent rampage of Charley and Frances across Florida and the Southeast should have little effect on Columbia's economy.

Charley, which hit the western coast of Florida Aug. 13, killed 22 people and may end up costing insurers \$6.8 billion. Frances, which cut a swath across central Florida Sept. 5, killed several more people before heading north and coming ashore a second time on the Florida panhandle. Insured losses from Frances are estimated at between \$3 billion to \$10 billion, depending on the source, according to CBS MarketWatch.com. Still, the combined losses from the back-to-back hurricanes probably will not be as devastating as Hurricane Andrew in 1992, which would have cost about \$22 million today.

"We look at at least 20 years experience in that area when we set our premiums," said Vanda Easley, public affairs specialist for State Farm Insurance. "Therefore, it's taking in a long time to determine that, versus on a year-to-year basis. So there shouldn't be any significant increase because hurricanes are prevalent in that area."

Easley said any rate increases in Florida should have little effect on rates in Missouri. "Rates are based on each state's claims experience and future projected losses in the state," she said. "Premium dollars stay within a state and do not compensate for losses in other states."

She said Hurricane Charley brought the company 70,000 homeowner claims and 16,000 auto claims, and Frances brought 41,000 homeowner and 4,500 auto claims. But the main impact on Columbia's business community probably rests on the shoulders of State Farm employees.

A nationwide operation, State Farm sends corporate catastrophe teams when one of its zones asks for assistance. Easley said there are about 30 such employees in Missouri that might be sent to another state to help with a hurricane or other disaster, six of whom are based in Columbia. In addition, she said, there are 10 employees who have headed to Florida from State Farm's five-state Central Zone, one of whom was based in Columbia.

Easley said State Farm's latest rough estimate of damage from Charley is \$1.3 billion, and the company does not yet have an estimate for the impact of Frances. Columbia's other companies, which do not do business in Florida, say they do not expect much impact on their bottom lines, other than those that have reinsurance subsidiaries providing coverage in the Sunshine State.

"I haven't seen a thing or heard a thing," said Mark Roland, an American Family Insurance agent in Columbia. "I'm sure we have reinsurance down there; we have reinsurance all over the world.

"It won't affect us at all," said Joe Moseley, vice president of public affairs at Shelter Insurance Company. "We don't write any business in Florida; it's not one of our states. There would be a very minor impact because we have a reinsurance company, and we reinsure some of the insurers down there, but it's a very small part of that business."

Moseley said that Hurricane Charley came in much below the original estimates for damage and that Frances is less than Charley in total dollars of damages. He said that Frances produced more claims for smaller amounts, many of which were due to flooding, which often receives government coverage.

The hurricanes also appear to have not affected costs in Columbia for building materials such as lumber. "With standard OSB and CDX plywood, that varies by manufacturer and time of the year, but our standard lumber hasn't gone up for probably a month or better," said James Jameson, building materials and lumber associate for Home Depot in Columbia. "Prices really haven't jumped or fallen, or anything.

Above all, it seems the hurricanes are going by with very little notice. "These hurricanes are predictable," Roland said. "They're not worried about them at all. They're kind of like tornados in Missouri. They are going to get so many a year."

Though Columbians may only notice this year's Florida hurricanes as a passing news story, experts say September is the most active hurricane month. So with two down and Hurricane Ivan now raging across the Caribbean, insurers and other businesspeople will keep a wary eye out for the next killer storm.

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