

Deadly Weekend Tornadoes In Joplin, Missouri, and Other Midwestern States Prompt Swift Insurer Response

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NEW YORK, May 23, 2011 Auto, home and business insurers will launch a broad response to the tornadoes that caused severe loss of life and extensive property damage in Joplin, Missouri, Reading, Kansas, and Minneapolis, Minnesota, over the weekend, according to the Insurance Information Institute (I.I.I.). The mobilization comes only weeks after insurers traveled to multiple states, most notably Alabama, which were struck by tornadoes in late April.

“Insurers have the financial and human resources to respond effectively to these tragic natural disasters,” said Dr. Robert Hartwig, an economist and president of the I.I.I. “The spring of 2011’s tornadoes have been some of the costliest, and deadliest, in U.S. history.”

The U.S. generally sees about 1,200 tornadoes in any given year but a preliminary count indicates 1,076 have already touched down nationwide as of May 17, 2011, with 875 of them occurring in April 2011, the National Oceanic and Atmospheric Administration’s (NOAA) National Weather Service reports. Moreover, this is already the second deadliest year ever for tornado-related deaths in the U.S., with about 450 fatalities so far. Tornadoes killed 747 people in the U.S. in 1925.

Tornadoes caused \$97.8 billion in insured losses in the U.S. between 1990 and 2009, making these weather events second only to hurricanes (\$152.4 billion) over this same time period as the costliest natural disasters. But in the past three years (2008-2010), severe thunderstorms, and the tornadoes they spawned, have caused about \$30 billion of that \$97.8 billion total.

“Given the insurance industry’s collective ability to build claims-paying capital despite the economic downturn, auto, home, and business insurers are financially well-positioned to pay the significant number of claims that are coming their way from policyholders in Missouri, Kansas and Minnesota,” Dr. Hartwig stated.

The April 22-28, 2011 southern state tornadoes caused anywhere from \$3.7 billion to \$5.5 billion in insured losses, AIR Worldwide, a risk modeling firm, estimated. Risk Management Solutions, another risk modeling company, said the total insured loss figure could climb as high as \$6 billion, with the damage so severe in Alabama that the tornadoes could surpass 2004’s Hurricane Ivan as the costliest natural disaster in that state’s history.

HAVING SUFFICIENT COVERAGE

Standard homeowners and business insurance policies cover wind damage, including that caused by tornadoes, to the structure of the building and its contents. However, you should make sure your coverage limits reflect the cost of rebuilding the structure, and of fully replacing your personal belongings.

Homeowners insurance policies also provide for additional living expenses (ALE). ALE coverage pays the costs of living away from home if you cannot inhabit your house due to damage from an insured disaster. The policy's ALE provision covers hotel bills, restaurant meals and other living expenses incurred while your home is being repaired or rebuilt.

If you own a business that has been damaged, business income (also known as business interruption) insurance, covers the profits your business would have earned, based on your own financial records, had the disaster not occurred. This also covers additional operating expenses incurred as a result of the disaster, such as the extra expenses involved in operating out of a temporary location.

Damage to cars from a tornado is covered under the optional comprehensive portion of a standard auto insurance policy. Seventy-seven percent of insured drivers choose to purchase comprehensive coverage in addition to liability insurance, according to the National Association of Insurance Commissioners' latest data on the issue (2008). Comprehensive coverage reimburses auto insurance policyholders for loss due to theft or damage caused by something other than a collision.

The I.I.I. offers the following advice to speed the insurance claims settlement process following a tornado:

- Be prepared to give your agent or insurance company representative a detailed description of the damage to your property. Your agent will report the loss to your insurance company or to a qualified adjuster who will contact you as soon as possible in order to arrange an inspection of the site.
- If it is safe to access the area, take photographs of the damaged property. Visual documentation will help with the claims process and can assist the adjuster in the investigation.
- Prepare a detailed inventory of all damaged or destroyed personal property. Make two copies—one for yourself and one for the adjuster. Your list should be as complete as possible, including a description of the items, dates of purchase or approximate age, cost at time of purchase and estimated replacement cost.
- Collect canceled checks, invoices, receipts or other papers that will assist the adjuster in obtaining the value of the destroyed property.
- Make whatever temporary repairs you can. Cover broken windows and damaged roofs and walls to prevent further destruction. Save the receipts for any supplies and materials you purchase as your insurance company will reimburse you for reasonable expenses incurred by making temporary repairs.
- Secure a detailed estimate for permanent repairs to your home or business from a licensed contractor and give it to the adjuster. The estimate should contain the proposed repairs, repair costs and replacement prices.
- If your home is severely damaged and you need to find other accommodations while repairs are being made, keep a record of all expenses, such as hotel and restaurant receipts.

ADDITIONAL RESOURCES

- Issues Updates: Catastrophes and Insurance
- Facts and Statistics: Catastrophes U.S.
- Facts and Statistics: Tornadoes
- Facts and Statistics: Homeowners Insurance

- Insurance Topics: Natural Disasters

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