

Hurricane Irma – Landfall in Florida

Update – Sunday, 10 September 2017

Event Summary

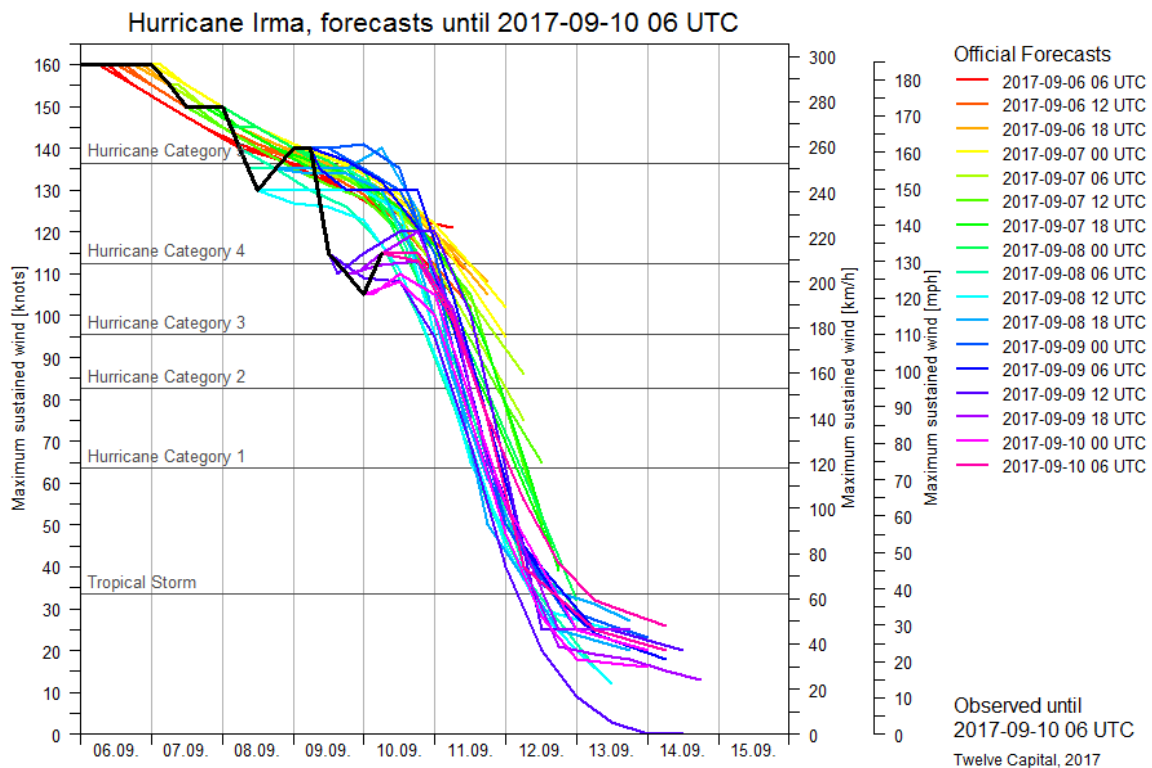
After passing through the Caribbean, Hurricane Irma made landfall around 1300 UTC on Sunday, 10 September in the Florida Keys as a Category 4 hurricane. Compared to the earlier expected development, which had foreseen a direct hit on Miami, this is an improvement and will most likely result in lower insurance losses than previously anticipated over the last days.

Track Scenarios

There is strong probability that Irma will track north from the Florida Keys and continue parallel to Florida’s Gulf coast over the next couple of days. Other landfall locations remain highly uncertain, but a second landfall in mid-west Florida, and a final landfall in northwest Florida are possible. Substantial damage from wind and flooding can be expected along the hurricane’s track, irrespective of the ultimate landfall location.

As Irma is likely to remain close to the Gulf, ocean heat and moisture could maintain Irma’s strength for some time. Irma is forecasted to remain a powerful Category 4 storm today (10 September), but is expected to weaken over the next 24 hours, as we can see in Figure 1. Any interaction with land mass will slow the forward speed of Irma, possibly extending exposure to wind, surge and rain.

Figure 1: Irma forecast as at 10 September 2017.

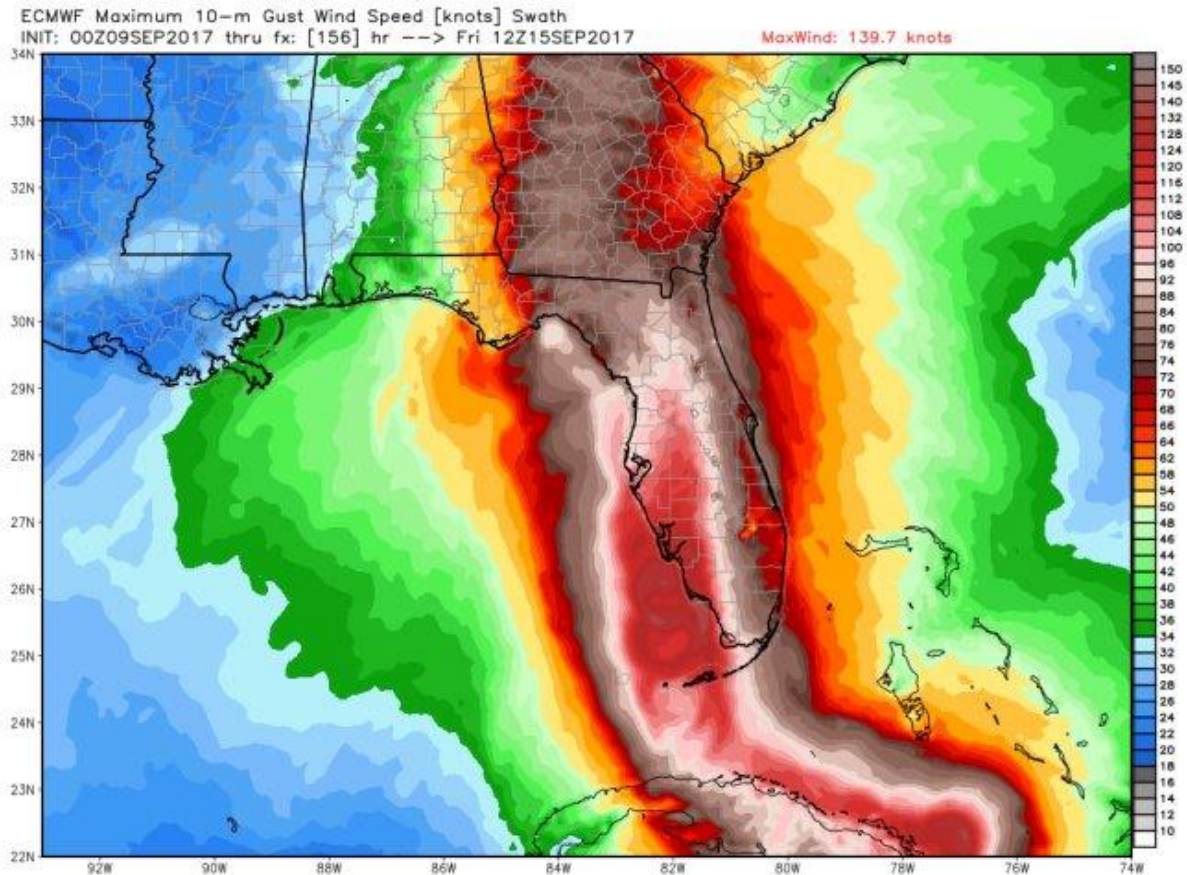


Source: NOAA, Twelve Capital.

Impact

Irma brought fatal devastation to many of the Caribbean islands. As Irma heads towards the US mainland, significant damage from wind, storm surge of tens of inches of rainfall is expected. Although Miami is no longer in the direct path of Irma, it is still likely to be impacted considering the size and strength of the storm. Georgia will also be impacted by strong winds.

Figure 2: Irma’s maximum ten minute gust wind speed.



Source: European Centre for Medium-Range Weather Forecasts. From WeatherBell Analytics / Dr. Ryan Maue.

Assessment of Loss Potential

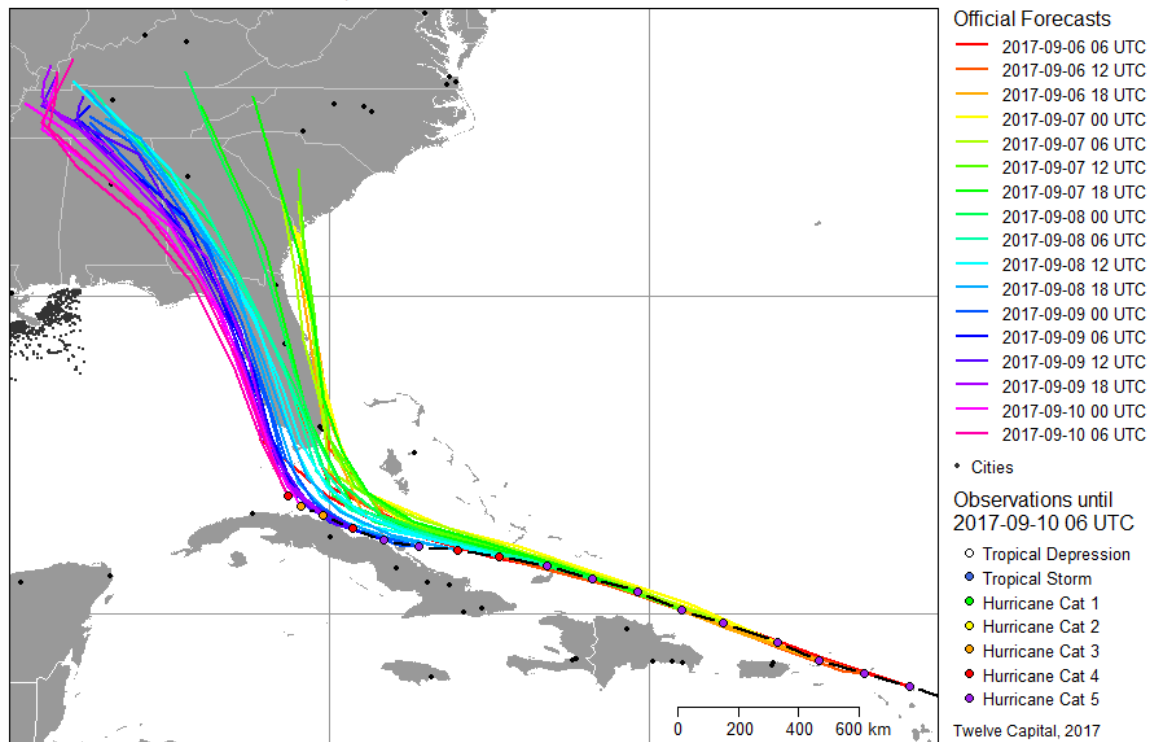
Twelve Capital estimates insured industry losses in the range of USD 30-60 billion for the US after additional losses in the range of USD 5-15 billion in the Caribbean. Expected loss numbers at this point remain highly uncertain and will largely depend on the further track of the hurricane and its precise landfall locations.

For cat bond portfolios, we expect only a moderate impact should total insured losses not exceed USD 30bn. In the case of insured industry losses of around USD 60bn, which is at the 90th percentile of our estimate, we expect an impact in the high single digit or low double-digit context for portfolios closely tracking the Swiss Re Cat Bond Index. The expected impact on individual portfolios varies strongly and it is expected that more information is available on Monday, 11 September.

Comment on Past Track

Figure 3 shows how previously forecasted tracks of a direct hit to Miami were gradually updated and shifted to Florida’s west coast, which will most likely be positive for overall insured losses. This clearly demonstrates the uncertainty in hurricane forecasting. Forecasters now generally concur that Irma will track close to Florida’s Gulf coast.

Figure 3: Irma forecast until 10 September 2017.
Hurricane Irma, forecasts until 2017-09-10 06 UTC



Source: NOAA, Twelve Capital.

Other Tropical Cyclone Activity

Hurricane Jose in the Atlantic has strengthened to Category 4. It is not, however, forecasted to affect any populated areas.

Twelve Capital continues to monitor the situation closely and will inform upon major developments.

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