



Catastrophe Losses Will Double About Every 10 Years, Says Leading Catastrophe Modeling Expert at PCS Conference

ISO NEWS

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BALTIMORE, April 25, 2006—With last year’s record catastrophe losses of \$58 billion still fresh in listeners’ minds, a leading catastrophe modeling executive warned property/casualty claims professionals they face “a 5 percent chance we’ll have losses greater than Hurricane Katrina in 2006.”

In her keynote remarks at the 2006 PCS Catastrophe Conference, Karen Clark, president and CEO of AIR Worldwide Corp., a leading catastrophe modeling company, also predicted catastrophe losses “will double about every 10 years due to increases in the numbers and values of properties at risk.”

While scientists may debate whether warming sea surface temperatures that influence hurricane activity are cyclical or a long-term trend, “the main driver of catastrophe losses is exposure growth.”

The head of AIR noted aggregated commercial and residential replacement costs have more than doubled in the United States over the past 10 years. “Changes in the cost per square foot of residential buildings are up 40 percent nationwide,” she said.

Moreover, a catastrophe event resulting in insured losses exceeding \$100 billion “is not hard to imagine,” said Clark. She cited the possibility of a major storm making a direct hit on Miami or sweeping through northern New Jersey, New York, Long Island and New

England.

Andrew Castaldi, senior vice president, Swiss Re, said catastrophe modeling has helped the industry cope with record-setting catastrophe losses. Though relatively new, catastrophe modeling technology has proven itself an important tool in minimizing the economic impact of major hurricanes, he said.

The three-day PCS conference brings together some 300 catastrophe claims managers, adjusters, reinsurers and other property/casualty industry professionals interested in learning more about a wide range of catastrophe-related challenges. These include a presentation of rebuilding Mississippi in the aftermath of Hurricane Katrina by the state's Deputy Insurance Commissioner Lee Harold and a commentary on the northeastern United States' unique vulnerability to hurricane destruction by Dr. Nicholas K. Coch of the School of Earth and Environmental Sciences, Queens College, CUNY.

Conference organizer Gary Kerney, head of ISO's Property Claims Services unit, said having catastrophe experts discuss targeted topics in depth and offer practical solutions helps professionals prepare for future natural disasters.

"By providing insights into a broad range of issues from the use of catastrophe models to detecting fraud in catastrophe claims to examining the roles of government and private industry in catastrophe recovery, the PCS conference delivers valuable know-how to help prepare for the next 'big one,' which we all know is coming."

About PCS

ISO's Property Claim Services (PCS) unit serves property/casualty insurers and reinsurers as an authoritative source of catastrophe loss information, providing estimates of anticipated insured losses on an industrywide basis arising from catastrophes, reflecting the total insurance payment for personal and commercial property items, business interruption, terrorism, workers compensation and additional living expenses. The estimates exclude loss adjustment expenses.

About AIR

AIR Worldwide Corporation (AIR) is a leading risk modeling company helping clients manage the financial impact of catastrophes and weather. Utilizing the latest science and technology, AIR models natural catastrophes in more than 40 countries and the risk from terrorism in the United States. Other areas of expertise include site-specific seismic engineering analysis, catastrophe bonds, and property replacement cost valuation. A member of the ISO family of companies, AIR was founded in 1987 to provide its insurance, reinsurance, corporate, and government clients a complete line of risk modeling software and consulting services that produce consistent and reliable results. Headquartered in Boston, AIR has additional offices in North America, Europe, and Asia. For more information, please visit www.air-worldwide.com.

About ISO

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