

Hurricane Matthew

Written by Nick Schiavi
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Hurricane Matthew was a scary time for DWM as it approached the US. For one, we know how devastating natural disasters can be to people's lives, businesses, homes, and general well-being. Secondly, Matthew could potentially have directly affected our DWM family as it was expected to first touch the US in South Carolina, where half of our team and many DWM clients are located. It was an unsettling experience as our Charleston team/clients, along with much of the southeast coast, were instructed to evacuate to safety.

As Hurricane Matthew first formed as a category 5 hurricane and started its approach toward the US, analysts from JP Morgan projected it to be the second most costly US hurricane on record for insurers, behind Hurricane Katrina in 2005. To earn this devastating title, Matthew would need to reach a total of \$25 billion in insured losses. While still devastating, the most recent projections from CoreLogic (a real estate data provider) estimated around \$10 billion in total losses, making insured losses between \$4-6 billion. If these totals are confirmed, it would make Hurricane Matthew the 22nd most devastating storm since WWII, according to a recent estimate by *Goldman Sachs*. By the time Matthew made landfall in the US near McClellanville, South Carolina, it was reduced to a category 1 hurricane.

Even with Hurricane Matthew having inflicted significantly less damage than originally projected, *Goldman Sachs* still estimates it may cost about 5,000 US jobs in October. When storms like Matthew hit, jobs in the restaurant, hotel, and education sectors normally suffer the most. For example, 30,000 jobs were lost in those sectors when Hurricane Sandy struck, however, 40,000 jobs rebounded (mainly in construction) during the rebuild of the 2012 catastrophe.

While businesses almost always suffer and sometimes risk closing their doors when catastrophes like Matthew strike, homeowners can typically expect a higher burden. "These days homeowners who live close to the coast tend to opt for a 5% deductible on the hurricane wind damage portion of their policy," said Bob Hunter, Director of Insurance for the *Consumer Federation of America*

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. Meaning: a homeowner, whose \$500,000 house was fully destroyed, would have the obligation to pay \$25,000 of repair costs before the insurance company covers the remaining \$475,000.

While it is good news Matthew did not strike the East Coast with the force we originally expected, that reinsurers will likely be able to cover all insured losses, and that only .003% of all jobs in the US will be affected; it all pales in comparison to the 34 lives that were lost in the US and over 1,000 lost in Haiti. DWM's thoughts and prayers go out to all families affected during this awful natural disaster.

P.S. Our new Charleston office at Church and Broad streets came through unscathed with no damage. And, Les, Ginny Wilson, and our newest team member, Grant Maddox, and their families evacuated and all were safe and dry. Grant, by the way, is a recent College of Charleston graduate in finance who has had some very interesting internships. These included a stint as deputy finance chairman for the successful campaign of Charleston's current mayor, John Tecklenberg. Please join us in welcoming Grant to the DWM team.