



CSA Insurance Linked Strategies
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Winter storm US – February 2021

Following severe winter conditions in January, a further widespread and more severe winter storm has swept across the United States between 13 and 17 February, which has brought severe disruption from abnormal low temperatures and heavy snowfall. The storm system, which originated in the U.S. Pacific Northwest, has moved across the continental U.S. eastwards through the southern states towards the Mid-Atlantic and Northeast U.S.

Although the storm has affected the U.S. on a nationwide scale with a majority of states issuing some type of weather alarm, public life has been mostly disrupted in the southern states. Such winter weather conditions are unusual to this part of the country, with many cities breaking historical low temperatures, such as in Dallas, which recorded -19°C . Infrastructure and buildings in the southern U.S. states are particularly poorly prepared and constructed to withstand with such severe winter weather conditions.

The winter storm has caused blackouts to millions of households, in particular in Texas, where many homes are enduring the cold weather conditions without electric heating. The extreme low temperatures have caused water lines to break and power outages have aggravated to extensive disruptions to water distribution systems, such as water treatment plants.

Damage assessment from the storm is still preliminary, but we consider this as a severe catastrophe event due to the widespread impact of the storm across the U.S. In particular, the extreme weather conditions in the southern states are expected to cause material impact on residential and commercial properties from both inside and outside of buildings. Damage to structures can result from snow and ice on the exterior of buildings as well as flooding and other water damage from frozen and broken pipes. Both residential and commercial property insurance policies generally cover such water damage inside insured buildings.

Further losses are expected from commercial and industrial exposure in the most severely affected regions in the U.S. South. In particular, business interruption from power outages or weather related shutdowns may contribute to insurance claims including business and utility service interruption.

As damage assessment is still at an early stage at the time of writing, uncertainty on industry loss levels is still significant, which the portfolio manager currently estimates between USD 10 to 22 billion. Considering this uncertainty, we will provide an impact assessment on investment group level at a later stage when uncertainty on loss levels has decreased.

Please do not hesitate to contact us if you have any questions.

Sources: Credit Suisse, AIR

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