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National News

EQECAT Releases High Resolution Tornado/Hail Catastrophe Model; Cites Potential \$11 Billion Loss

June 10, 2004

Oakland Calif.-based EQECAT, Inc. has announced the release of its U.S. Tornado/Hail/Straight Wind model, for assessing and managing insurance risk associated with these key natural hazard perils.

The bulletin noted that the new model "is the latest addition to EQECAT's comprehensive WORLDCATenterprise(TM) catastrophe management software suite, which includes natural hazard and man-made perils in 88 countries, including U.S. models for earthquake, hurricane, windstorm, wildfire, flood and terrorism risk."

It stressed that tornadoes and hail are "among the most devastating natural hazards, accounting for 46 percent of all U.S catastrophe losses since 1949. As recorded by Property Claims Service, the industry losses from the May 3-4, 1999 events in Oklahoma were estimated to be \$1.6 billion."

EQECAT said its model "reveals that if a similar storm system were to occur in a populated area such as Dallas, Texas, the losses to insurers could exceed \$11 billion."

"With the potential for multi-billion dollar insurance industry losses, EQECAT recognized the need to provide the insurance industry with a better catastrophe-modeling tool to manage this exposure," commented President Richard Clinton. "We believe that our new model is another example of EQECAT's technology leadership and ability to provide solutions through innovation."

EQRCAT said its new high resolution model succeeds legacy models. It described the new technology as "the only way to reliably quantify and manage tornado and hail risk." The company said its goal

"was to create an innovative model that would properly estimate loss potential from these severe weather systems, some of which can produce dozens and even hundreds of tornado touchdowns and hail streaks over several days. The net result is a tornado/hail model that employs 800,000 stochastic events that simulate over 20 million tornadoes and 60 million hail streaks to enable the most refined analysis of risk available."

The bulletin described tornado/hail modeling as presenting special challenges. Dr. Mahmoud Khater, EQECAT's chief technology officer noted: "Tornado touchdowns are geographically very small and are infrequent in any one area. In addition, the overall geographic area exposed to tornado-hail risk is very large. As a result, the model must include a large number of stochastic events to accurately represent the risk to individual locations, or to highly concentrated books of business. Older models simply do not simulate enough events to model the risk at a refined level of detail. This causes model bias that often results in a significant underestimation of the real exposure.

"Another challenge was to provide heightened analysis speed, despite an increase in the number of events being modeled as compared to older models," Dr. Khater continued. "Fortunately, EQECAT's innovative modeling technology makes this possible. EQECAT's model can complete a detailed tornado and hail analysis for a large portfolio in less than 1 day, which we believe is considerably faster than legacy models."

The EQECAT Tornado/Hail model is available for immediate delivery. For more information, call +1 510 817 3101 or e-mail inquiries to info@absconsulting.com or refer to www.absconsulting.com, or www.eqecat.com.

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