

Reinsurance Surplus Subdues the Premium Tide

The reinsurance industry has reached its highest surplus in history - about \$515B.



This is despite the fact that 10 of 12 of the nation's most costly storms happened in the past decade.

To find out why, check out my most recent *Leader's Edge* article, "[Survivor: The past decade set natural disaster records, yet most carriers went unscathed](#)" and its sidebar, "[Could Flood Insurance Go Private?](#)"

The primary reason for the reinsurance industry's all-time high surplus can be answered by a James Carville quote.

"It's the economy stupid."

Thanks to the worst recession in U.S. history and its sluggish recovery, investors are finding reinsurance to be a more lucrative choice than traditional investments, like bonds.

This not only means that CAT reinsurers are handling some of the most expensive weather disaster years in history, but that larger insurers are generating enough investment money to keep premiums from rising as quickly as they otherwise would.

Reinsurance is looking pretty good right now, which is why some members of Congress are looking into potential ways that reinsurance can help underwrite the \$22B debt-laden [National Flood Insurance Program](#). (To read more about NFIP, check out my *Contingencies* article on the subject by clicking [here](#).) That can be challenging, however, given the NFIP's contradictory goals of providing affordable flood coverage to Americans while reaching toward Actuarial soundness.

I hope you'll check out my article and let me know what you think.