Eqecat: Sandy Damage Could Reach $50B

Matthew Craft, AP Business Writer

Widespread power outages and subway shutdowns may wind up making Superstorm Sandy the second most expensive storm in U.S. history, according to the forecasting firm Eqecat. That would rank it right behind Hurricane Katrina.

Eqecat said Thursday that the damage from the storm will likely be far worse than it previously predicted, largely a result of Sandy hitting the most densely populated area in the country.

The firm doubled its previous estimate for the total bill and now says Sandy may have caused between $30 billion and $50 billion in economic losses, including property damage, lost business and extra living expenses. The cost to insurance companies could run as low as $10 billion and as high as $20 billion.

The new numbers square with an earlier estimate from IHS Global Insight. IHS said Sandy could cause about $20 billion in property damages and between $10 billion and $30 billion in lost business.

The firm pointed to two reasons that Sandy will leave a bigger bill than it first thought. Power outages are more widespread than in a typical Category 1 storm, Eqecat said. Sandy knocked out electricity for more homes and businesses than any other storm in history, according to the Department of Energy.

The lack of subway service in New York City and blocked roadways will also push the total cost higher, Eqecat said.

Before the storm hit, Eqecat had estimated that total economic losses from Sandy could range as high as $20 billion and that losses to insurance companies could reach $10 billion. Payouts for insurance claims are typically a fraction of the overall cost to the economy.

If the damages hit $50 billion, it would make Sandy the second-costliest U.S. storm after Katrina in 2005. Katrina's overall costs were $108 billion. Taking inflation into account, that works out to $128 billion today.

Even after adjusting for inflation, the high end of Eqecat's damage estimates for Sandy would be higher than those caused by previous major storms. Andrew, which struck in 1992, cost $44 billion in today's dollars, and the Ike storm of 2008 cost $32 billion.

Another major firm that calculates the cost of catastrophes, RMS, is gathering information before it makes its first estimate. RMS said Thursday that it has two reconnaissance teams out surveying the damage. The firm has offices in Hoboken, N.J., where floodwaters stranded thousands of people.

Eqecat's estimates only cover private losses, not costs covered by the government through the National Flood Insurance Program administered by the Federal Emergency Management Agency. Max Mayfield, the hurricane center director during Katrina, said the costs to FEMA can be $2 to $2.5 for every dollar of losses covered by private insurance.

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