



## **AIR Worldwide Estimates Insurable Losses in Mexico From Hurricane Alex Not to Exceed \$200 Million USD**

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BOSTON, July 1, 2010 – Catastrophe risk modeling firm AIR Worldwide (AIR) estimates that insurable losses (losses from properties that are eligible for insurance, whether or not they are actually insured) from Hurricane Alex are not expected to exceed \$200 million USD. Since insurance penetration in Mexico is relatively low, insured losses are not expected to be significant. This loss estimate covers possible wind and flood damage to onshore properties in Mexico and is based on the available meteorological parameters and the forecast track for Hurricane Alex since it made landfall in northeast Mexico Wednesday night.

“Hurricane Dolly in 2008, which also reached Category 2 intensity was the most recent hurricane to make landfall close to Hurricane Alex’s path,” said Dr. Tim Doggett, principal scientist at AIR Worldwide. “The last hurricane to form in the Atlantic basin in the month of June was Hurricane Allison, 15 years ago, in 1995. That year saw 19 named storms, 11 hurricanes, and five major hurricanes—a season very similar to that predicted for 2010. Alex also has been the strongest hurricane to form in the Atlantic basin in June since 1966.”

Hurricane Alex rapidly increased its strength as it approached land and crashed into northeastern Mexico as a strong Category 2 hurricane on the Saffir-Simpson Hurricane Wind Scale at about 9:00 pm local time Wednesday night (2:00 UTC). “Bringing high winds—of nearly 105 miles per hour (169 kilometers per hour)—a storm tide of four to six feet above ground level (1.2 to 1.8 meters), and heavy rains, Alex made landfall in the sparsely populated municipality of Soto La Marina, about 110 miles (180 kilometers) south of Brownsville, Texas,” continued Dr. Doggett. “Although Alex’s hurricane force winds had extended outward up to 70 miles (110 km), its radius of maximum winds was relatively small, approximately ten miles (16 km).”

Once Alex began moving inland across northern Mexico it began to weaken. By the time of the National Hurricane Center’s (NHC) 11:00 am EDT Thursday Advisory, Alex’s maximum sustained winds had already decreased to near 50 mph (80 km/hr), placing Alex into the tropical storm category again. Alex was about 50 miles (85 km) east of Zacatecas, Mexico—roughly 350 miles (565 km) southwest of Brownsville—at the time and moving at about 13 mph (21 km/hr). “Alex will continue

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moving inland over northeastern Mexico throughout the day and is expected to weaken more rapidly as it approaches the very high and rugged terrain of the Sierra Madre Oriental mountains,” said Dr. Doggett.

Dr. Doggett commented, “While Alex made landfall as a more intense storm than was expected, because of the relatively low population in the area and the small size of Alex’s radius of maximum winds, Alex’s overall impact in terms of wind damage will be less than anticipated.” The NHC expects Alex to weaken to a tropical depression later today and then dissipate within the next 24 to 36 hours. However, heavy rain is expected to continue.

At landfall, Alex struck Mexico’s northern Tamaulipas state with 100 mph-winds (161 km/hr) and a torrent of rain, ripping off roofs and flooding streets in the coastal fishing villages of the area. Alex already has produced rainfall accumulations greater than 12 inches (30 centimeters), and some isolated extreme amounts in excess of 20 inches (51 cm) are likely as remnants of Alex move into more mountainous terrain.

“Insured residential properties in Mexico overwhelmingly are of confined masonry construction, while insured commercial properties are dominated by confined masonry and reinforced masonry construction,” said Dr. Doggett. “Both construction types should fare well against Alex’s wind speeds. Additionally, the area of Alex’s landfall and inland track is sparsely populated. Structural damage, therefore, is expected to be minimal. In total, given that insurance penetration in Mexico is relatively low, the resulting insured losses are not expected to be significant. The full extent and possible effects of expected flooding, however, remain uncertain.”

Parts of southern Texas were hit by tropical storm-force winds (including gusts of up to 65 mph [105 km/hr]) when Alex came ashore, but heavy rain has had the chief impact. Gulf of Mexico offshore oil and gas production have been disrupted and cleanup efforts of the oil spill, 600 miles away, have been hampered as well.

#### **About AIR Worldwide**

AIR Worldwide (AIR) is the scientific leader and most respected provider of risk modeling software and consulting services. AIR founded the catastrophe modeling industry in 1987 and today models the risk from natural catastrophes and terrorism in more than 50 countries. More than 400 insurance, reinsurance, financial, corporate, and government clients rely on AIR software and services for catastrophe risk management, insurance-linked securities, detailed site-specific wind and seismic engineering analyses, agricultural risk management, and property replacement-cost valuation. AIR is a member of the ISO family of companies and is headquartered in Boston with additional offices in North America, Europe, and Asia. For more information, please visit [www.air-worldwide.com](http://www.air-worldwide.com).

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