



New Swiss Re *sigma* study: Catastrophe losses in 2007 were highest in Europe

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Zurich, 11 March 2008 – Catastrophe-related economic losses from natural and man-made catastrophes around the world exceeded USD 70bn in 2007. More than 20 000 people lost their lives. In the aftermath, property insurers were hit by claims totalling USD 28bn.

Although 2007 was not an exceptional year in terms of either fatalities or losses, statistics confirm a trend towards an increase in the number – and cost – of natural catastrophes and man-made disasters.

According to Swiss Re's latest *sigma* study, "Natural Catastrophes and man-made disasters in 2007", 142 natural catastrophes and 193 man-made disasters occurred in 2007. Rudolf Enz, one of the authors of the study, states "Catastrophes claimed the most lives in Bangladesh, India, China and Pakistan in 2007. In terms of insured property losses, Europe was the worst hit last year. However, losses in the US, which are usually at the top of the loss tables, were minor in comparison to previous years."

Property insurers paid out losses in excess of USD 23bn for natural catastrophes...

In 2007, Europe was unusually hard-hit by natural catastrophes. In January, winter storm Kyrill caused insured losses of USD 6.1 bn across Germany, the UK, Belgium and the Netherlands. During the summer, the UK was also hit twice by heavy rains and flooding, causing USD 4.8bn in insured losses.

In April, the most expensive event in the US occurred, a storm with high winds, hail and floods, which resulted in insured losses of USD 1.6bn. In October, forest fires in California led to insured losses of just over USD 1bn.

... and more than USD 4bn for man-made catastrophes

Major man-made disasters caused insured losses in excess of USD 4bn in 2007, with major industrial fires, explosions and aviation and spacecraft losses at the top of the list. Man-made catastrophes

resulted in 6 900 deaths in 2007; shipping and boating accidents as well as bombings and social unrest caused the most casualties.

Higher losses expected going forward

Rudolf Enz also noted, "Long-term figures indicate a steep upward trend, particularly in flood losses. Since 1970, losses have risen annually by an average of 12% (7% when adjusted for inflation). This translates into a doubling of the nominal burden in just over six years."

Over the past few years, insurers have been working to adapt their models to the new data and findings, especially since their flood loss models are flawed. Most flood models rely heavily on data from the 1960s to the 1980s, when the incidence of flooding in Europe was below the norm. As a result, the current event frequency is under-weighted in most flood models.

The insurers' other focus is on the transfer of catastrophe risks to the capital markets. An important aspect of this is the development of transparent indices outside the US. Under the guidance of the CRO Forum (Chief Risk Officer Forum of the Geneva Organisation), the insurance industry in Europe has launched an initiative aimed at developing loss-based indices for Europe.

Table: The industry's 5 most costly insured losses in 2007

Insured losses (in USD m)	Date (start)	Event	Country
6 097	18.01.2007	Winter storm Kyrill with winds up to 190 km/h; flooding	Germany, UK, NL, Belgium et al
2 488	25.06.2007	Rainfall, flooding (wave 1)	UK
1 991	20.07.2007	Rainfall, flooding (wave 2)	UK
1 568	13.04.2007	Storm, rainfall, hail, flooding	US
1 100	21.10.2007	Witch urban forest fires in California	US

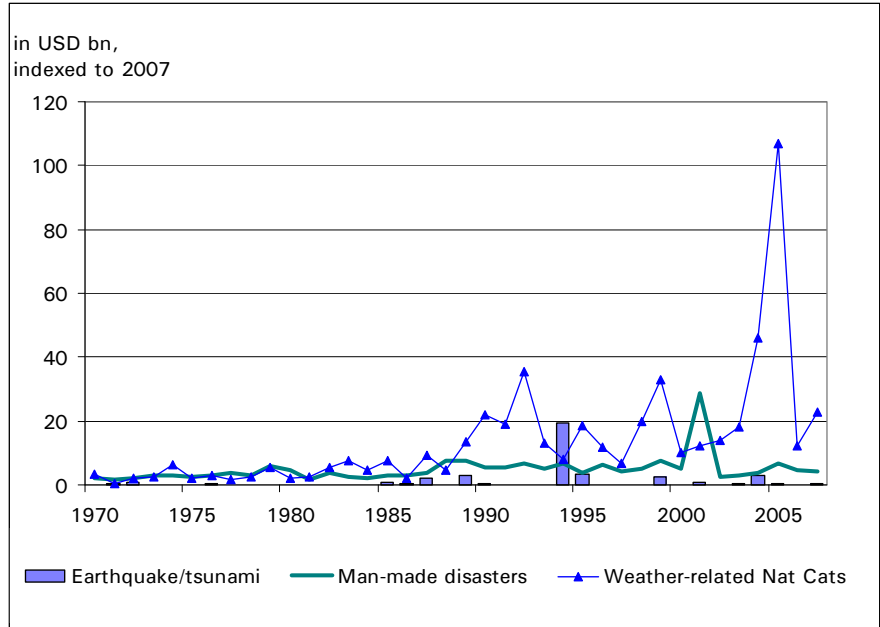
Source: Swiss Re

Table: The 5 worst catastrophes in terms of victims in 2007

Victims (dead and missing)	Date (start)	Event	Country
4 234	15.11.2007	Cyclone Sidr, heavy rainfall, flooding	Bangladesh, India
1 500	16.07.2007	Heavy rainfall resulting in flooding	India, Bangladesh
678	02.08.2007	Monsoon rain, flooding, landslides	Bangladesh
600	07.08.2007	Heavy rainfall resulting in flooding	North Korea
600	30.12.2007	Riots, arson after disputed elections	Kenya

Source: Swiss Re

**Insured losses 1970-2007
(Property and business interruption losses)**



Source: Swiss Re, *sigma* No 1/2008

Definitions and selection criteria for <i>sigma</i> catastrophe statistics:	
Natural catastrophes	Loss events triggered by natural forces
Man-made disasters	Loss events associated with human activities
Total losses	Losses with a direct economic impact
Insured property claims	Part of total loss covered by property insurance
Minimum selection criteria:	
Total losses	USD 82.2m
Or: Insured property claims	Shipping: USD 16.6m Aviation: USD 33.1m Other: USD 41.1m
Or: Casualties	Dead or missing: 20 Injured: 50 Homeless: 2 000

Notes for editors

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How to order this *sigma* study:

The English, German, French, Italian and Spanish versions of the *sigma* study No 1/2008, "Natural catastrophes and man-made disasters in 2007: high losses in Europe" are available electronically on Swiss Re's website: www.swissre.com/sigma. The versions in Chinese and Japanese will appear in the near future.

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