

1995 record losses due to catastrophes

22 Feb 1996 CET Press Release

Swiss Re's 1995 global statistics recording major losses due to natural (Swiss Re only records natural disasters involving over USD 30 m worth of insured damage) and man-made catastrophes show USD 150 bn total losses and USD 14.6 bn insurance losses. 28 000 people were killed in the disasters recorded. The *sigma* report containing details for the year 1995 and long-term comparisons will be available from mid-March.

Like the previous six years, 1995 was - in relation to prior history - characterised by extremely high losses. Natural and man-made disasters in 1995 caused a record USD 150 bn worth of total damage world-wide. Insured damage in these cases amounted to USD 14.6 bn globally. Although this amount is about a third less than the previous year when inflation is taken into account, it is nevertheless 73% higher than the average for the period 1970-1994. Natural disasters alone caused insured losses of USD 12.4 bn. More than half of this amount was accounted for by the following four events, each of which was responsible for over a billion dollars worth of damage: the Kobe earthquake, hurricane "Opal", a hailstorm in Texas, and winter storms followed by floods in northern Europe. In 1995 more than 28 000 people lost their lives in disasters, 20 000 of them in natural catastrophes alone.

The Great Hanshin earthquake in Kobe on 17 January constituted the greatest disaster in 1995. The earthquake, measuring 7.2 on the Richter scale, devastated whole neighbourhoods and caused major damage to infrastructure, particularly harbour facilities. Six thousand people were killed, 30 000 injured and 300 000 rendered homeless. Total damage was estimated at USD 82.4 bn. Compared to the similarly severe earthquake in Los Angeles on 17 January 1994, the human and material losses in Kobe were immense. This was mainly due to the high population density, inadequate earthquake resistance in the case of older buildings and unfavourable geological conditions in certain areas. At USD 2.5 bn, insured damage was relatively small. This is due to the fact that earthquake insurance is relatively uncommon in Japan.

Loss trends: long-term increase

Long-term comparisons show that the loss tables are dominated by the USA: since 1970 annual insurance losses (the following figures have been adjusted to allow for inflation on the basis of 1992 prices) there have been running at USD 3.9 bn, whereas in Japan and Europe these have been a mere USD 1.9 bn and 0.4 bn respectively. For the USA, 1995 was the fourth most expensive loss year since 1970. Viewed globally, grading of events according to size indicates that losses of over USD 1 bn are on the increase. Whereas these only occurred sporadically during the period from 1970 to 1988, since 1988 no year has passed without billion-dollar-losses. Their share of total insured losses varies considerably from year to year. Medium-sized losses of USD 100 m to 1 bn are also showing a significant increase. Such medium-sized losses steadily increase the general loss burden for the insurance industry and are, in conjunction with the billion-dollar losses, responsible for the costly loss years which have been recorded since 1989. A look at the reasons behind these losses reveals that out of the 30 most costly insurance losses since 1970, 21 were due to storms. If the 14 billion-dollar loss events since 1989 alone are considered, it can be seen that nine of these were due to storms. These are by far the most cost-intensive cause of losses: from 1970 to 1994 insured storm damage amounted to USD 3.5 bn per year, and during the period 1989-1995 as much as USD 9.3 bn annually.

The *sigma* report No. 2/1996 dealing with catastrophe losses is available on this server. In addition to a chronological survey of all 291 catastrophes recorded, it also contains tables listing the worst and the most costly disasters since 1970 and analyses of global trends in disasters.

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