

Catastrophes in 2001: man-made losses take on a new dimension

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Swiss Re's latest *sigma* study reports man-made and natural catastrophes claimed more than 33 000 lives worldwide in 2001. At USD 34.4 billion, the burden on property insurance due to catastrophe losses was extremely high - with an estimated USD 19 billion incurred by property and business interruption losses arising from the 11 September event. Furthermore, the insurance industry is having to cover liability and life insurance losses related to the attack which are estimated between USD 16.5 and 39 billion.

More than 33 000 people lost their lives in catastrophes in 2001. The estimated death toll for the earthquake in Gujarat, India alone was 15 000, while 3000 lost their lives in the terrorist attack of 11 September on New York's World Trade Center and Washington.

Among Swiss Re's main findings:

- USD 34.4 billion burden on property and business interruption insurance
- Property and business interruption losses related to the 11 September event amount to USD 19 billion
- Liability and life insurance losses related to the 11 September attack are additionally estimated between USD 16.5 billion and USD 39 billion
- Storm related losses totalled USD 7.2 billion, while losses stemming from earthquakes and floods were USD 600 million and USD 70 million respectively
- Major fire and explosion losses - not counting those resulting from the terror attack - amounted to USD 3.7 billion; aerospace at USD 1.1 billion

According to the *sigma* study, 2001 would have gone down as an average loss year had it not been for 11 September. This event confronted the insurance industry with an entirely new loss dimension. Until 2001 only natural catastrophes such as Hurricane Andrew, which ran up losses of USD 20.2 billion or the Northridge, CA, Earthquake, which resulted in losses of USD 16.7 billion (at 2001 prices) had caused losses of this magnitude. This terrorist attack has brought to light a new dimension of threat to the insurance industry, bringing terrorism covers into question. The traditional insurability criteria - quantifiability, randomness, diversifiability, risk-adequate pricing and conditions - are not satisfied in the current situation. According to the *sigma* study, a solution consists of an insurance approach with following elements: state as insurer of last resort, mandatory direct insurance. This could take the form of a combination of state and private insurance resources for a transition period, until the insurance industry has accumulated the necessary insurance capacity to cover - limited - terrorism risks.

Over the long term, despite the new dimension of threat, it is mostly natural catastrophes, i.e. storms, floods and earthquakes, which burden the insurance industry. The trend towards higher losses continues in view of the risk factors: higher population densities and higher concentrations of insured values, especially in endangered areas. It therefore remains crucial that insurers and reinsurers identify and diversify natural catastrophe risks.

The five most costly insurance losses in 2001 (property and business interruption insurance)

Insured loss (in USD bn)	Date (start)	Event	Country
19.0	11.09.2001	Terrorist attack in New York and Washington	US
3.2	05.06.2001	Tropical storm Allison; floods	US
1.9	06.04.2001	Floods, hail and tornadoes	US
1.4	21.09.2001	Explosion in fertiliser factory in Toulouse	France
0.6	17.09.2001	Typhoon Nari; floods, landslides	Taiwan, Japan

The five worst catastrophes in terms of victims in 2001

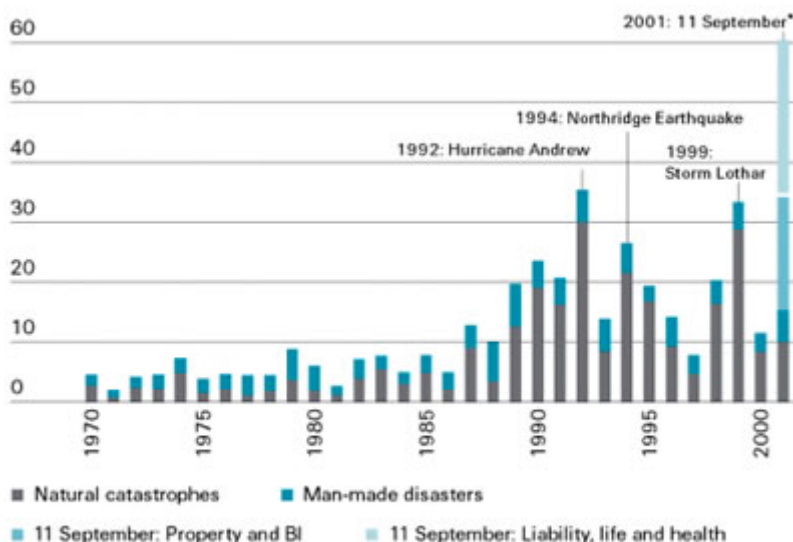
Victims (dead and missing)	Date (start)	Events	Country
15 500	26.01.2001	Earthquake in Gujarat (moment magnitude of 7.7)	India, Pakistan
3 000	11.09.2001	Terrorist attack in New York und Washington	US
886	10.11.2001	Torrential rainfalls, severe flooding	Algeria
884	13.01.2001	Earthquake (moment magnitude of 7.7), landslide	El Salvador, Guatemala, Honduras, Mexico
396	15.08.2001	Heavy rain causes Mekong river to burst its banks	Vietnam, Cambodia

Estimates of the insured loss (all lines) from the terrorist attack of 11 September:

Lines of business	Range, in USD billions
Property	10.0 - 12.0
Business interruption	3,5 - 7.0
Workers' compensation	3.0 - 5.0
Aviation	3.0 - 6.0
Liability	5.0 - 20.0
Other non-life	1.0 - 2.0
Life and health	4.5 - 6.0
Total	30.0 - 58.0

Insured losses 1970-2001

in USD bn indexed to 2001



* Estimate of the total insured loss (all lines of business, incl. liability as well as life and health): USD 30–58bn.

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How to access the comprehensive *sigma* catastrophe study

The English, German, French, Spanish and Italian versions of the *sigma* study are available electronically on Swiss Re's [website](#)

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Data used in the figures and the tables are available from the *sigma* chartroom on the Swiss Re Portal: <http://www.swissre.com/portal>.

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