



## Swiss Re report on the 2004 hurricane season finds: event-based risk analysis is key to managing risks from large events

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**Zurich, 23 November 2004 – This year saw an unusually high number of hurricanes and typhoon events. While the events may have been extraordinary, the impact on insurers has been controllable through a process of event-based risk analysis. The publication, 'The 2004 hurricane season: unusual, but not unexpected' demonstrates how Swiss Re's robust event-based risk analysis successfully withstood the challenge.**

The 2004 hurricane season generated greater losses in the United States and the Caribbean than any other storm season in history. At the same time, Japan was also hit by an unprecedented number of typhoons. The hurricanes led to insured losses totalling USD 20–25 billion, while the insured typhoon losses are estimated at USD 6 billion.

If insurers and reinsurers are to successfully deal with events of this magnitude, loss histories alone cannot provide all the answers. Future events can deviate substantially from past experience in both frequency and severity as a result of natural climatic variation, the rapid movement of populations to the coast and the rise in value concentrations. To deal with these challenges an event-based risk analysis is required.

Swiss Re began work on a proprietary event-based computer model in 2002 and the model has since simulated the life cycles and loss effects of 500,000 individual hurricanes in the North Atlantic alone. Today, the method can be applied to any region of the world. Even the unusual "event spike" witnessed this season can be modelled using this approach.

Werner Schaad, Chief Underwriting Officer at Swiss Re comments: "Compared with conventional scenario models, an event-based approach allows us to perform a far more realistic risk analysis, and thus a more exact calculation of premium rates."

Managing accumulation risk is the top priority when dealing with natural catastrophes. In the event-based method, the amount of individual events modelled ensures that practically every imaginable combination of storm trajectory and intensity is factored in. As the

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report explains, event-based portfolio management makes it possible to write more business whilst deploying the same amount of capital or to write the same business with lower amounts of capital.

**How to obtain your copy:**

English and German versions of the publication are available electronically on the Swiss Re website: <http://www.swissre.com> (under "Research & Publications"). To order a copy (order no 1501257\_04\_language), please send a fax with your full postal address to:

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**Notes to editors**

**Swiss Re**

Swiss Re is one of the world's leading reinsurers and the world's largest life and health reinsurer. The company operates through more than 70 offices in over 30 countries. Swiss Re has been in the reinsurance business since its foundation in Zurich, Switzerland, in 1863. Through its three business groups Property & Casualty, Life & Health and Financial Services, Swiss Re offers a wide variety of products to manage capital and risk. Traditional reinsurance products, including a broad range of property and casualty as well as life and health covers and related services, are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Re is rated "AA" by Standard & Poor's, "Aa2" by Moody's and "A+" by AM Best.