

News release

Swiss Re Institute estimates USD 83 billion global insured catastrophe losses in 2020, the fifth-costliest on record

- Natural catastrophes caused USD 76 billion of global insured losses, up 40% from 2019, mostly from secondary peril events such as severe convective storms and wildfires in the US
- Very active hurricane season with record number of named storms, but only moderate insured losses of USD 20 billion
- Losses from secondary peril events are forecast to increase, driven by climate change

Zurich, 15 December 2020 – Insurance industry losses from natural catastrophes and man-made disasters globally amounted to USD 83 billion in 2020, according to Swiss Re Institute's preliminary *sigma* estimates. This makes it the fifth-costliest year for the industry since 1970. Losses were driven by a record number of severe convective storms (thunderstorms with tornadoes, floods and hail) and wildfires in the US. These and other secondary peril events around the world accounted for 70% of the USD 76 billion insured losses from natural catastrophes.¹ A very active North Atlantic hurricane season triggered an additional USD 20 billion of insurance claims, moderate compared to the record seasons of 2005 and 2017. The insurance industry covered 45% of global economic losses in 2020, above the ten-year-average of 37%.

Climate change is expected to exacerbate secondary peril events as more humid air and rising temperatures create more extreme weather conditions. These favour the onset and spread of events such as wildfires, storm surges and floods.

"As with COVID-19, climate change will be a huge test of global resilience. Neither pandemics nor climate change are 'black swan' events. But while COVID-19 has an expiry date, climate change does not, and failure to 'green' the global economic recovery now will increase costs for society in future," said Jerome Jean Haegeli, Swiss Re Group Chief Economist. "This year's natural disasters impacted regions with more insurance cover in place, providing vital support to the people and communities affected and enhancing their financial resilience."

¹ Industry practice is to consider two types of event as secondary perils: (a) independent, high-frequency (ie, more frequent than primary peril events such as earthquakes and hurricanes), low-to-medium severity loss events (relative to losses resulting from primary perils); and (b) events that occur as secondary effects of primary perils (eg, a tsunami following an earthquake).

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In the US, a record number of severe convective storms caused devastation throughout the year, likely leading to record annual losses in the country for this peril. Australia and Canada suffered significant losses from hail damage in 2020. In January, hailstorms in southeastern Australia caused insured losses of over USD 1 billion, while Canada experienced its costliest-ever hail event in Calgary in June, which led to losses of USD 1 billion.

Fires also contributed to secondary peril losses for insurers. Wildfires in the US from mid-August chiefly caused the high insured losses, though Australia's 2019 fire season, the longest and most destructive ever recorded, was still burning in early 2020. In the US states of California, Oregon and Washington State, more than 800 wildfires burned close to 6 million acres, destroying thousands of structures and triggering billions in insured claims. Although less than the record losses of 2018 and 2017, 2020 will be one of the costliest for fires.

Further secondary perils included severe floods in several provinces along the Yangtze River in China from May, causing industry insured losses of roughly USD 2 billion.

Record number of hurricanes, but only moderate losses

The North Atlantic hurricane season brought a record 30 named storms in 2020, including five named storms making landfall in the US state of Louisiana alone, again the highest on record. This year a uniquely conducive set of atmospheric and oceanic conditions was predicted to generate a well-above-average number of storms and landfalls. However, most US landfalls did not hit densely populated areas in 2020, resulting in relatively low insured losses of USD 20 billion, far lower than in the previous record hurricane seasons of 2017 (Harvey, Irma and Maria: USD 97 billion) and 2005 (Katrina: USD 87 billion).

"Large-scale climate conditions in the North Atlantic suggest elevated hurricane activity for 2021 and likely beyond. This increases the probability of a catastrophic landfall. Combined with the loss impact of secondary perils accelerated by climate change, insured catastrophe losses will only rise in the future," said Martin Bertogg, Head of Cat Perils at Swiss Re.

Winter storms hit northern Europe in February, causing flooding, power outages and transport disruption, with more than USD 2 billion combined insured losses. In May, cyclone Amphan in the Bay of Bengal caused economic losses of USD 13 billion, the most destructive tropical cyclone India has ever experienced. Insured losses are expected to be just a fraction of the economic losses due to the region's low insurance penetration.

These *sigma* catastrophe loss estimates are for property damage and exclude claims related to COVID-19. Loss estimates in this media release are preliminary and may be subject to change as not all loss-generating

events have been fully assessed. COVID-19 has elongated the claims lifecycle, particularly for large events, and it will take considerably longer than normal to assess the final tally.

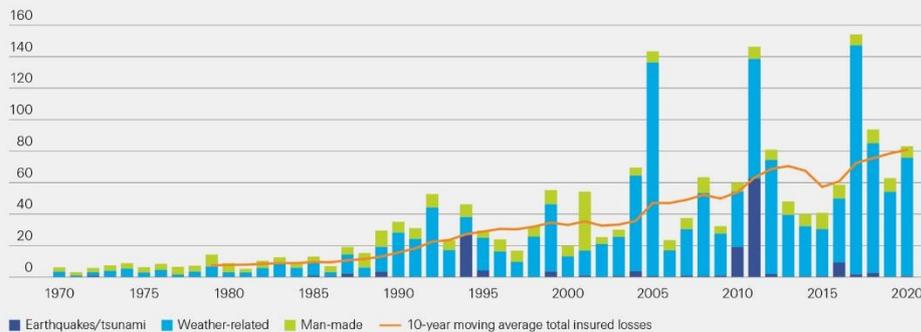
Table 1: Total economic and insured losses in 2020 and 2019

USD billion (in 2020 prices)

	2020	2019	annual change	Previous 10-year average
Economic losses (total)	187	149	25%	214
Nat cat	175	139	26%	202
Man-made	12	10	17%	12
Insured losses (total)	83	63	32%	79
Nat cat	76	54	40%	71
Man-made	7	9	-17%	8

Source: Swiss Re Institute

Figure 1
 Insured losses, 1970–2020, in USD billion at 2020 prices



Source: Swiss Re Institute

Swiss Re Institute will publish updated 2020 loss figures in a full *sigma* report in spring 2021.

The *sigma* explorer web app has been enriched further. Go to sigma-explorer.com to view, download and share natural catastrophe data projected onto world maps.

Swiss Re

The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient. It anticipates and manages risk – from natural catastrophes to climate change, from ageing populations to cyber crime. The aim of the Swiss Re Group is to enable society to thrive and progress, creating new opportunities and solutions for its clients. Headquartered in Zurich, Switzerland, where it was founded in 1863, the Swiss Re Group operates through a network of around 80 offices globally. It is organised into three Business Units, each with a distinct strategy and set of objectives contributing to the Group's overall mission.