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Conference on European Tornadoes and Severe Storms

Reinsurance and severe thunderstorms

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Natural Catastrophes are of primary importance to the insurance and reinsurance industry. In 1998 the total world-wide economic loss caused by natural catastrophes amounted to more than USD 64 billion with about USD 14 billion carried by the insurance industry (storms: USD 12 billion, flood: USD 0.7 billion, earthquakes: USD 0.1 billion). In contrast to the situation in the early 90ties, recent years saw a significant contribution to this loss burden steaming from a high number of smaller losses caused by severe thunderstorms. Examples include the hailstorm in Minnesota (05/99, insured loss USD 1.3 billion), the hailstorm in Sydney (04/99, USD 1 billion) and several tornadoes, hailstorms and flooding in the USA and Europe (Belgium, Italy). This fuelled the industry's interest in such events including the development of risk transfer products tailored to cover losses from severe thunderstorms.

Here we present an analysis of historical European storm losses covering the period from 1982 to 1998. Our data base includes over 200 historical storm losses from more than 20 insurance companies (in UK, F, B, D and DK). Based on this loss experience, expected losses (corresponding to the insurance premiums) and loss-frequency curves are derived. Further a cross check is made by comparing the amount of expected loss with the climatology of European thunderstorms.

