

# *Global Economic and Insurance Consequences of Natural Hazards*

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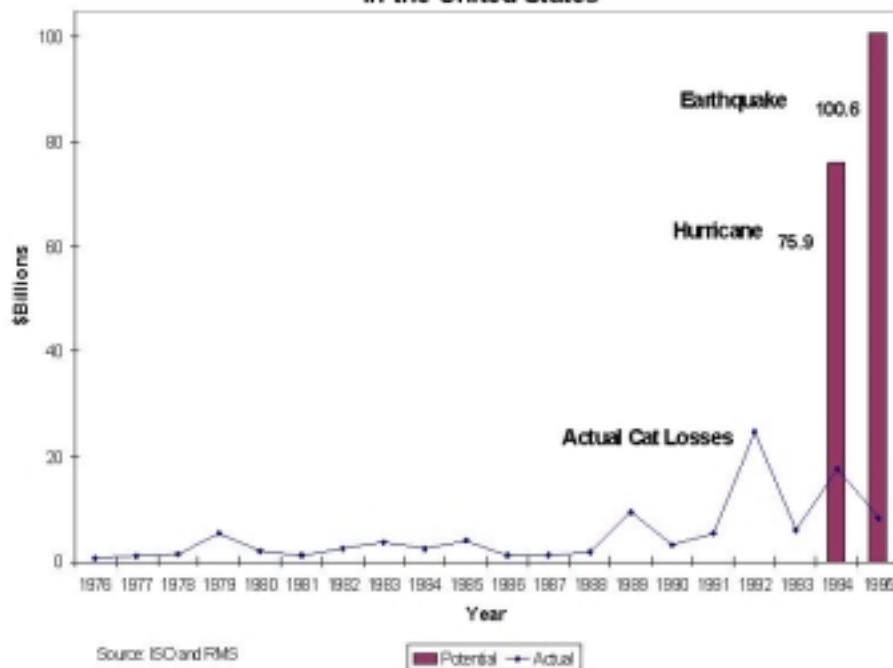
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## *The Costs of Natural Disasters*

- ◆ More than *96% of all deaths caused by disasters occur in developing countries*
- ◆ *Losses due to natural disasters in developing countries are 20 times greater (as a percent of GDP) than in industrial countries*
- ◆ One billion people are living in the world's unplanned shanty towns and *40 of the 50 fastest growing cities are located in earthquake zones*
- ◆ Another 10 million people live under constant threat of floods
- ◆ Natural disasters have historically been associated with subsequent political instability

Source: The World Bank

### Actual and Potential Catastrophe Losses in the United States



### Potential Losses (Swiss Re 1998)

Country	Scenario	Potential Loss \$B	Insured Loss \$B
Japan	EQ-Tokyo	1,000	35
USA	EQ-CA	270	80
Netherlands	Flooding	> 70	< 7
Israel	EQ	20	13
Australia	EQ-Sydney	14	10
France	Storm	8	7

## Aggregate Effect of Catastrophes is “Small”: Some Examples

Country	Hurricane	Year	GDP Growth	
			Prev. Year	Foll. Year
<b>Jamaica</b>	Gilbert	1988	7.7%	2.9%
<b>St. Lucia</b>	Debbie	1994	2.9%	-0.5%
<b>Dominica</b>	Luis/Marilyn	1995	7.7%	2.4%

Source: World Bank

**Taiwan (921/99) Change in GDP Growth of 0.3%**

Source: D. Shaw

## Insured Losses are Even Smaller because of Low Insurance Penetration

Country	GDP/ Capita	Non Life Insurance Premiums % GDP
<b>USA</b>	26,030	<b>4.8**</b>
<b>UK</b>	19,720	<b>3.4</b>
<b>Sweden</b>	28,271	<b>2.3</b>
<b>Spain</b>	14,810	<b>2.9</b>
<b>Mexico</b>	3,512	<b>0.8</b>
<b>Argentina</b>	8,584	<b>1.2</b>
<b>Philippines</b>	1,197	<b>0.8</b>
<b>Zambia</b>	325	<b>0.6</b>

Source: World Bank

## **Discussion Points: Observations**

- Aggregate Economic Effects of Disasters are Likely to Be Small
- But...Aggregate Insurance Effects Can be Significant if Industry is Pushed to Cover Beyond its Means
- Also...Specific Sectoral Effects Can be Significant, as can Learnings across the Globe from Shared Experiences
- Consequences for Developing Countries are MUCH Larger than for Developed Countries