Aon Benfield
Analytics | Impact Forecasting

Global Catastrophe Recap: First Half of 2015

July 2015

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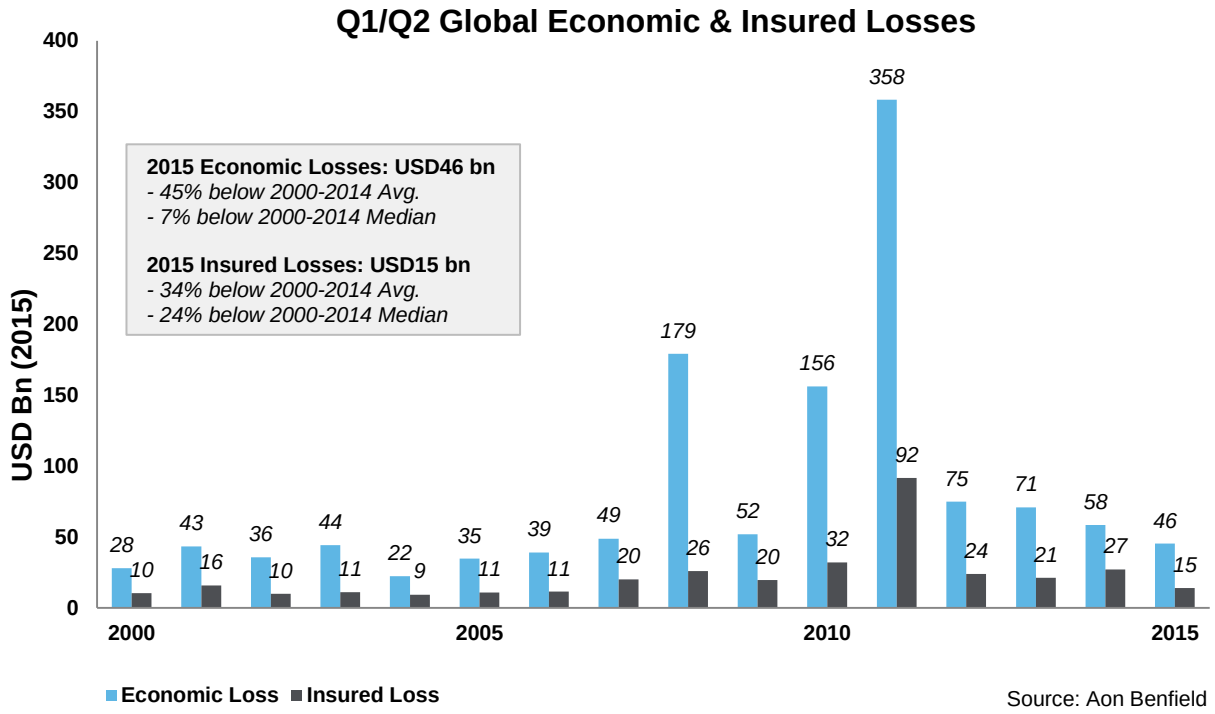
Overview

Global natural disaster losses during the first half of 2015 from both an economic and insured loss perspective were each below their recent 10-year (2005-2014) and 15-year (2000-2014) averages. As seen in Exhibit 1, economic losses were USD46 billion (down 58 percent from the 10-year average of USD107 billion, and down 45 percent from the 15-year average of USD83 billion) and insured losses were USD15 billion (down 47 percent from the 10-year average of USD28 billion and down 34 percent from the 15-year average of USD23 billion). Each total is considered preliminary and subject to change. On a median basis, both economic and insured losses were also below average.

Given an extreme outlier year of losses during 2011, conducting median analysis provides a different and more accurate depiction of disaster losses in recent years. This analysis shows that 2015 first half natural disaster losses were 7 percent below the 2000-2014 median on an economic basis and 24 percent lower on an insured loss basis.

EXHIBIT 1: Preliminary Q1/Q2 Global Natural Disaster Losses (2000-2015)



Source: Aon Benfield

The severe thunderstorm peril was the costliest disaster type during 1H 2015, comprising 33 percent of the economic loss and 49 percent of the insured loss. Most of the costs were attributed to strong convective thunderstorm events that prompted widespread hail, damaging straight-line winds, tornadoes, and major flash flooding in the United States during the months of April, May and June.

The first-half percentage of global economic losses in 2015 that were covered by insurance (including both private insurers and government-sponsored programs) was 31 percent, which is slightly above the longer term 10-year average of 27 percent. The slightly higher percentage between the economic and insured loss is indicative of a greater majority of the disaster losses occurring in regions with higher insurance penetration. This is further confirmed as event losses were not as costly in Asia, a region with less insurance, this year as compared with recent 1H totals.

A clear majority of the insured losses during 1H 2015 were sustained in the United States, with the country representing 73 percent of global losses sustained by public and private insurance entities. A very active winter season combined with numerous spring severe convective storm events drove most of the losses in the U.S. Asia-Pacific (APAC) was second with 14 percent of the insured loss; and EMEA (Europe, Middle East & Africa) was third with 11 percent of the insured loss. 2011 remains the record holder for all-time first-half losses at USD92 billion.

Economic Losses

From an economic loss standpoint, the costliest natural disaster during the first half of 2015 was the major magnitude-7.8 earthquake on April 25 and subsequent aftershocks in May that devastated Nepal. As many 10,000 people were killed in Nepal and neighboring countries of India, Bangladesh and China, as the Nepalese capital city of Kathmandu was particularly impacted. Total damage and reconstruction costs throughout the impacted areas were estimated to be as high as USD10 billion (*subject to change)*. Reconstruction costs in Nepal alone were assessed to be nearly USD7.0 billion, with the overall economic effects poised to equal more than one-third of the country's entire GDP. The second-costliest event was a substantial flash flood and severe thunderstorm event that impacted the United States during the second half of May.

There were at least 10 separate billion-dollar events in 1H 2015 (including at least nine which were weather-related), including a minimum of five in the United States.

Multi-Billion Dollar Economic Loss Events

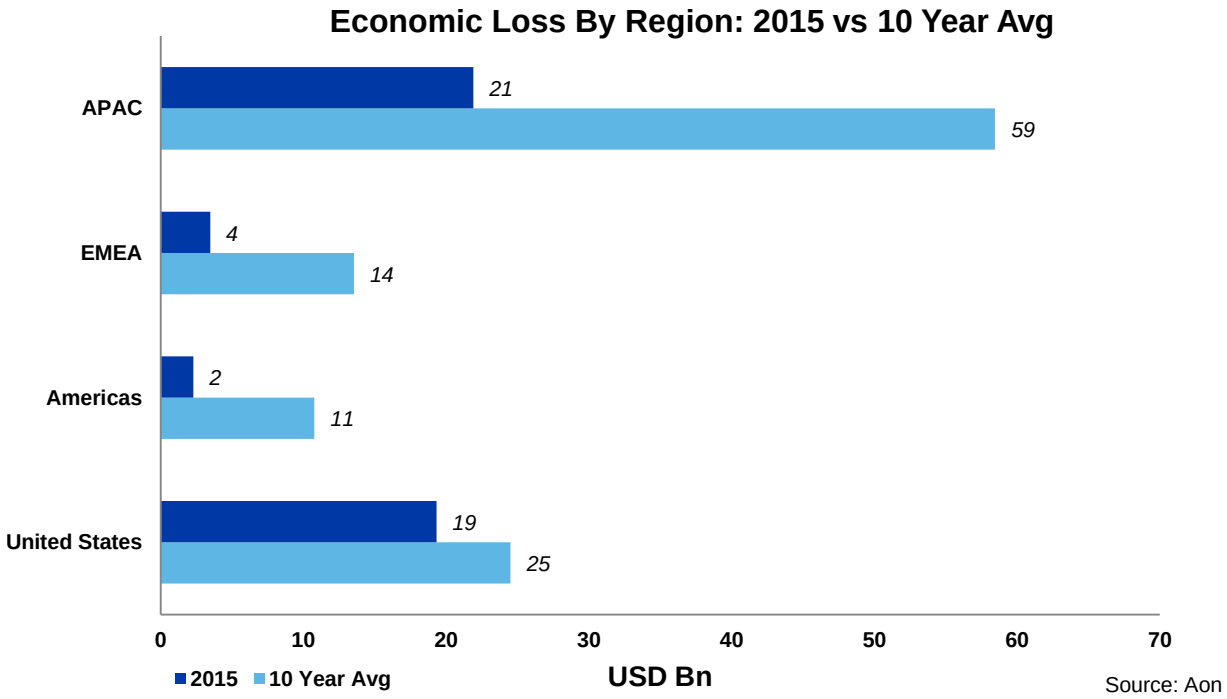
Date	Event	Location	Deaths	Economic Loss[1] (USD)
April/May 2015	Earthquake(s)	Nepal	~10,000	10.00 billion
May 23-28, 2015	Severe Weather	United States	32	3.50 billion
February 2015	Winter Weather	United States	30	3.00 billion
January/June 2015	Drought	United States	N/A	3.00 billion
June 2015	Flooding	China	16	2.00 billion

[1]*Totals subject to change*

Exhibit 2 on the next page provides a breakdown of first-half global economic losses by region, and also a comparison of losses dating to 2005. In 1H 2015, APAC sustained the highest level of economic losses (USD21 billion), with the United States just behind at USD19 billion. EMEA and the Americas were well below their recent norms at approximately USD4.0 billion and USD2.0 billion, respectively.

Economic losses were down 25 percent from 2014 (USD60 billion) and down 54 percent from 2013 (USD98 billion).

EXHIBIT 2: First Half Economic Losses by Region (2005-2015)



Source: Aon Benfield

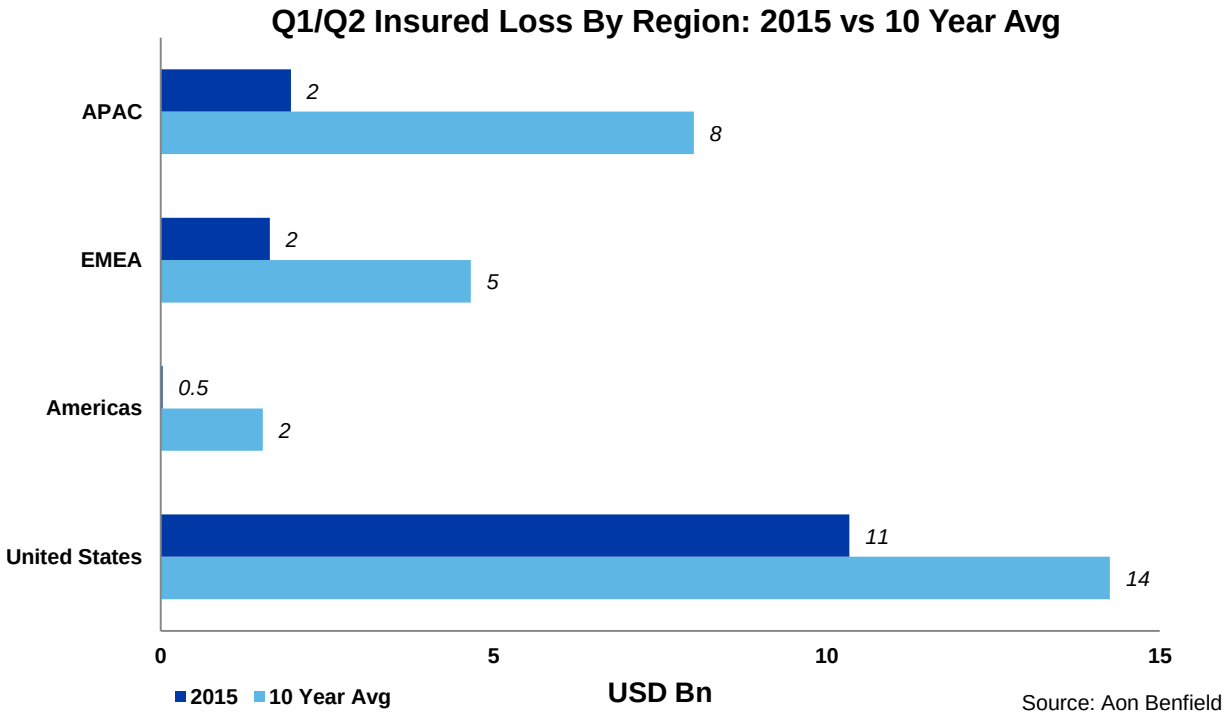
Insured Losses

Public and private insurers endured a rather quiet first half of 2015 as well, with just USD15 billion in global losses registered. This is down 45 percent from the USD27 billion sustained in 2014 and 29 percent lower than the USD21 billion in 2013. The costliest event during 1H 2015 was an extended stretch of heavy snowfall and bitter cold via the Polar Vortex in the United States that impacted as many as 20 states during the month of February that cost insurers at least USD1.8 billion. Every region of the globe registered below-normal insured losses as compared to their recent 10-year averages during 1H 2015: the U.S., Americas, EMEA and APAC.

It is worth noting that a below-normal first half does not necessarily translate to a quiet rest of the year. The third quarter has historically been the costliest for the insurance industry, which is typically driven by the peak of the Atlantic Hurricane Season. However, a developing strong El Niño in the eastern Pacific Ocean, which is forecast to be the strongest since the El Niño of 1997/98, should lead to a severe reduction in the overall number of tropical cyclones in the Atlantic Basin throughout the rest of the season. On the other hand, an El Niño phase has historically led to greater insured cyclone losses in Asia since 1980. El Niño does not appreciably impact the overall number of storms in the Western Pacific Basin, but it does impact typhoon landfall locations.

Exhibit 3 on the next page provides a breakdown of first-half global insured losses broken down by region and also a comparison of losses dating to 2005.

EXHIBIT 3: First Half Insured Losses by Region (2005-2015)



Source: Aon Benfield

Billion-Dollar Insured Loss Events

Globally, there were at least five billion-dollar insured events (all weather-related) during the first two quarters of the year. None of the events crossed the multi-billion dollar loss threshold (USD2.0 billion or greater). As mentioned previously, the costliest event for the industry during 1H 2015 was an extended period of snow and frigid temperatures in the U.S. during the month of February. Other billion-dollar loss events in the U.S. included an early April severe thunderstorm outbreak, a severe thunderstorm and flash flood event at the end of May, and projected losses pertaining to the ongoing drought across the West.

Only one of the five events – Windstorms Mike and Niklas in Western and Central Europe at the end of March and early April – was not recorded in the United States. Niklas became the first billion-dollar insured loss windstorm event in Europe since Xaver in December 2013. Also of note, despite having a multi-billion-dollar economic cost to Nepal, only a very small fraction of those losses (roughly 2 percent) was covered by insurance.

The table below lists the billion-dollar insured loss events for 1H 2015. These loss totals, which include those sustained by public and private insurance entities, are preliminary and subject to change.

Date	Event	Location	Deaths	Insured Loss[1] (USD)
February 2015	Winter Weather	United States	30	1.80 billion
May 23-28, 2015	Severe Weather	United States	32	1.20 billion
April 7-10, 2015	Severe Weather	United States	3	1.00 billion
Mar. 29-Apr. 1, 2015	WS Mike & Niklas	Western/Central Europe	9	1.00 billion
January-June 2015	Drought	United States	N/A	1.00 billion*

[1]*Totals subject to change; *Estimated USDA RMA losses*

Additional Comments

For a more detailed analysis of 2015 natural disaster events or any previous editions of the Annual Global Climate and Catastrophe Report, please see Aon Benfield's monthly Global Catastrophe Recap series, which can be found at the link below:
http://thoughtleadership.aonbenfield.com/Pages/home.aspx?reportcategory=impact%20forecasting

For additional historical natural disaster loss data and information, including a breakdown of losses by peril and region and Top 10 lists, please visit Aon Benfield's Catastrophe Insight website:
www.aonbenfield.com/catastropheinsight

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