

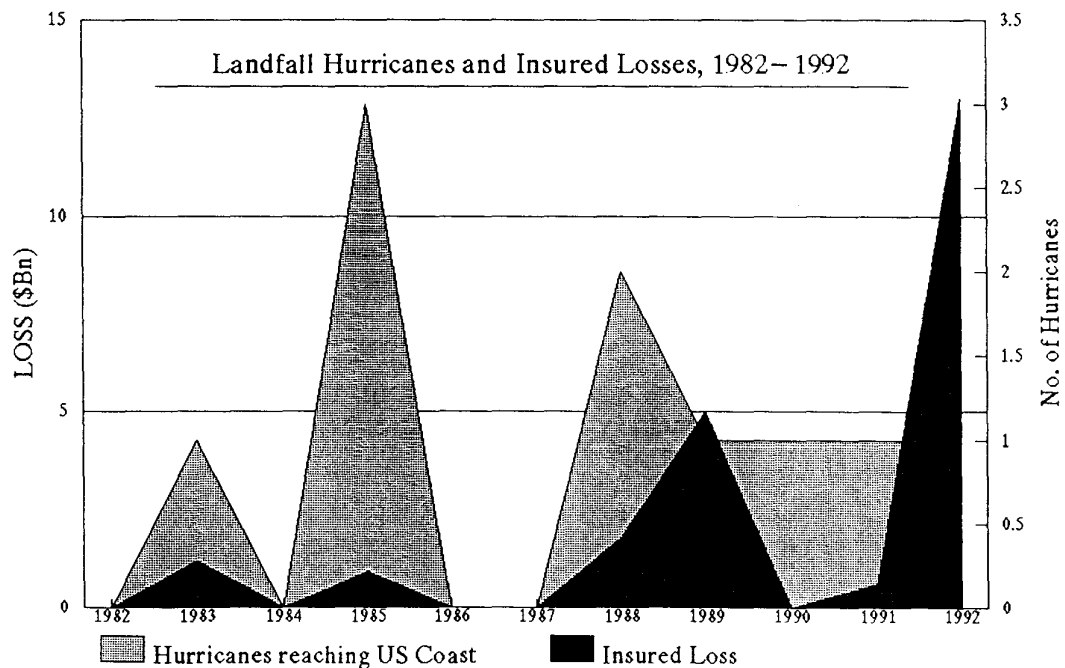
## THE FINANCIAL IMPACT : HURRICANES

Estimates of the total cost of Hurricane Andrew in 1992 could lie between \$15–16.5 billion, making it the highest insured loss in history.

The Atlantic produces ten "named" tropical cyclones a year, of which an average of six reach hurricane strength. Hurricane frequency data between 1886 and 1980 show that the number of hurricanes reach a peak in September and, of the six a year, 1.6 (average) reach the US Coast.

Like all catastrophe insurance business, the reserve and tax issues follow broadly on from those outlined under earthquakes.

According to Weatherwise, the Journal of the American Meteorological Society, the 1980s had the highest proportion of hurricanes not to make landfall since records began. However, the number of hurricanes and tropical storms in a season and the insured loss often bear little relation to one another. The 1983 season, for instance, was one of the least active on record but Hurricane Alicia caused over a billion dollars of damage to the Houston area.



Nevertheless, it is interesting to note that there have been relatively few landfalls by hurricanes in the North Atlantic basin in general during the last four decades. This is not because fewer storms are forming, but because they are recurving earlier and completing their life cycles at sea. In August 1985, Weatherwise noted :

*"The hurricane season is here...and 80 percent of the 40 million Americans who live along the Gulf and Atlantic coasts have never been baptised by a truly dangerous storm. In Florida, the most vulnerable of all the states, more than six million have never experienced a hurricane."*

Reports such as these abounded in the few articles analysing Atlantic hurricane frequency in the US Press during the 1980s. Whilst it is with the benefit of hindsight, they all strongly suggest that those underwriting this type of risk should have been aware, when calculating rates etc., of the relative lull in hurricanes during the early eighties.

Land-falling Hurricanes and Storms

