

By Stephanie Denton

THE majority of the damage caused by the tsunami that hit South-east Asia on Boxing Day, which has so far claimed more than 140 000 lives, was not covered by any insurance, according to the latest reports.

Initial estimates from the International Underwriting Association put the total insured losses at between \$5bn (£2.7bn) and \$10bn with global tourist businesses likely to be among the biggest insurance claimants.

But the financial losses to the insurance industry have been mitigated by the fact that the worst affected areas were mainly subsistence fishing communities that were uninsured; and also that insurance penetration (as a percentage of gross domestic product) in some areas was as low as 1.3% compared to 13% in the UK, according to Swiss Re.

Paul May, chairman at Concordia Consultancy, and former president of the Chartered Institute of Loss Adjusters, was in Sri Lanka when he spoke to *Post Magazine*: "As a lesser developed country there is not a high development of personal lines insurance so most of the insurance work is on hotels and resorts, as well as telecommunications and factories."

### Holiday resorts

Lloyd's confirmed that its exposure should be limited to holiday resorts, personal accident, travel insurance and marine risks but said that it was not yet possible to determine the extent of the exposure with the communication links so restricted.

Exposure has also been limited because the region's industrial infrastructure, including the oil and gas production facilities of Pertamina, Indonesia, has been largely spared.

# Insurers count cost of Asian Tsunami



■ Tsunami: the International Underwriting Association has estimated the total insured losses at around £2.7bn.

The Aceh province on the northern tip of Sumatra suffered some of the tsunami's greatest devastation, but this was a remote, under-developed province where the main industries were subsistence agriculture and fishing. In Thailand, the worst hit area was on the mainland in the Phang Nga province, a recently developed area with many five-star hotels.

Sri Lanka, where there is the greatest concentration of resorts and hotels, is the area where the largest cumulative insurance losses have been sustained.

### Earthquake peril

Mr May said insurers were keen to get businesses back on their feet: "We believe that the

sooner the businesses are back, the sooner money starts to flow back to the country. The insurers and reinsurers here have confirmed that they are regarding claims as an earthquake loss, as this was the cause of the tsunami; therefore, anyone with earthquake cover will be included."

He added that the hotels and businesses that have not been too badly affected could be up and running again in around six months.

Reinsurers are continuing to assess the damage but Swiss Re said it expects its claims to be below SFr 100m (£46m), and the event is believed to have happened too late in the year to affect reinsurance renewal rates.

Another potential loss comes from the travel and life insurance policies of tourists visiting the region. Limited communication and access to some areas means loss estimates are currently unknown but Axa Insurance has estimated that it alone had 5000 travel policy-

holders in South-east Asia at the time of the catastrophe.

The life insurance industry has its own issues, according to Mr May: "There are going to be a lot of life claims that are a challenge as there is a seven-year rule in Sri Lanka before a missing person can be declared dead, although this may be changed in these circumstances. Another challenge is that for some personal lines and small traders, the policyholder may have been killed, and this adds the extra complication of proving the right claim."

### Three-minute silence

Lloyd's joined the rest of the country in observing a three-minute silence at noon on Wednesday to remember the victims of the tsunami. The Lutine Bell was rung at the beginning and end of the silence in the underwriting room and flags were flown at half mast.

To donate to the victims of the tsunami call 0870 60 60 900 or log on to [www.dec.org.uk](http://www.dec.org.uk)