Insurance is all about figures.

As an insurance professional with 40 years experience,

I have tried to estimate the last week's tragical loss.

Herein, I will explain how I have arrived at the loss estimate of 1 billion euros.

What I can not explain is why the Autonomy is asking for aid of 31 billion...

Here we go!

**The Insurance Sector Prepares for the Most Expensive Natural Disaster in Spain’s History**

Insurers estimate that the loss will surpass those caused by the Lorca earthquake, the 2019 DANA, and even the Bilbao floods of 1983.

This is a quote from *El País* newspaper. As an insurance professional, I find it a bit strange. In 2001, I received a call half an hour after the second tower fell in New York. They asked me to estimate the cost, and I calculated it would be around $30-40 billion. It turned out to be $40 billion.

In Valencia, Spain, no estimate was published during the first seven days after Black Tuesday. Only on the 5th did we see a rough figure of Euro 2 to 3 bn—as the Spanish write, 2 million million—or three.

And a shattering amount requested by La Valenciana for the post-disaster assistance: Euro 31 bn.

Something is not right here. Any catastrophe can be divided into insured and non-insured parts. But could the two parts differ that much, with 77 % of Valencian properties insured? 1-2 and 31 billion?

I have attempted to calculate the Black Tuesday 29/10 Insurance loss in this article.

I came up with a figure of one billion euros.

In the past, the biggest flood insurance losses in Spain have never exceeded the 100 million euros mark.

How does insurance cover such disasters? Who will pay? Insurance companies?

Not really. Insurers say that there are risks that standard policies cannot cover.

These uninsurable perils include natural disasters, such as earthquakes and floods; social risks, such as riots and mutinies, agricultural losses, damage caused by uninsured drivers; and losses involving the army and police in peacetime.

In many countries, pools are created—either public or private. In the U.S., for example, it’s called FEMA (Federal Emergency Management Agency) – *fema.gov*.

The same was done in Spain in 1941. At that time, the Consortium compensated for losses from riots—imagine they happened under Franco.

From 1954 onward, the Consorcio de Compensación de Seguros (CCS) began operating. The Insurance Compensation Consortium. It’s a public agency, part of the Ministry of Economy, Trade, and Industry (*Ministerio de Economía, Comercio y Empresa*).

A small organisation? Not really. The 2023 report shows an income of 1.1 billion euros (*consorseguros.es*). The funds come from insurance companies—a small portion of the premiums they collect. It’s a tiny share, from 0.003% for life insurance to 1.63% for sports port insurance (marinas), which naturally have higher catastrophic risks.

By purchasing an insurance policy, homeowners and car owners unknowingly enter into a relationship with two insurers: their insurance company, to whom they pay premiums, and CCS, to which the agreed-upon portion of the premium is transferred.

By the way, is 1 billion euros in CCS premiums a lot or a little? In Spain in 2023, a total of 76 billion euros in premiums were collected.

Of that, risk insurance (non-life) made up 43 billion. This 43 billion included 12 billion in motor insurance (16%) and 11 billion in health insurance (15%).

Life insurance collected 33 billion, including 28 billion (37%) in pension/savings. This sector experienced the greatest growth, at 47%.

So, what do Spaniards prefer to insure the most?

Health, accident, and cars + creating a pension fund. These sectors make up 76% of the entire insurance industry’s revenue.

Why do we need to know this? So that we could relate the Valencian One-Billion Loss to the industry’s total turnover.

On one hand, it’s 1 out of 76 billion, or 1.3%.

On the other hand, it’s One Billion out of the total for Other Insurance sectors, i.e. of 18 billion euros. 1/18 = 5.6 %.

It turns out that the Valencian Flood loss, for Spain’s property insurance sector, is quite severe.

Now, let’s look at what we based the one billion estimate on.

Let’s go back to CCS. On October 30, a day after Black Tuesday in Valencia, CCS issued its *Primera Nota Informativa* (First Information Memorandum). Expressing condolences to the victims and their families, the Consortium confirmed that it would cover all losses of October 29, as it exists specifically to handle “extraordinary risks”—*riesgos extraordinarios*.

The main point is that they will pay. This is an insurable event covered by CCS. A small detail is that the victim must have a valid insurance policy. Payments will be within the sum insured and will be made only after each individual loss is assessed.

As the industry association *Unespa* stated, “the paid amounts cannot, in any case, exceed the value of the destroyed property or the policy limit, that is, the sum insured.”

How can we calculate the total amount of the loss?

In Spanish insurance, the term “Insured Capital” is used, *Capital asegurado*. However, this term isn’t common in English-speaking markets, where we operate with the Total Sum Insured.

The enclosed Schedule ranks the top provinces by Total Insured Capital. The result is predictable: Madrid, Barcelona, Valencia, Alicante, Malaga, Balearic Islands, and Seville (Source: CCS). Please note that we only examine the Valencia province, not the Comunidad formed by three provinces.

How do the provinces compare?

Madrid's total is 1.15 trillion euros, including 750 billion in home insurances (*viviendas*), 17 billion in motor (*vehiculos*), and 384 billion in other risks (*resto de riesgos*).

Valencia lags behind. In terms of homes, it is 37% of Madrid’s amount. Overall – 32%.

In figures, the total Capital Insured of Valencia’s homes is 275 billion euros, and 5.5 billion covers vehicles.

What is the total value of homes in the province of Valencia? We can easily find the percentage of homes insured. In Spain, overall, the figure is 74%. In Valencia, it is even higher—Valencians like to protect their homes—77%.

Let’s try to find the total number of homes in Valencia. According to the National Statistics Institute (*ine.es*), there are 1.029 million homes (*hogares*) in the province. Just over a million.

What can we calculate? The average home value.

Let’s take the insured capital for homes – 275 billion euro. Divide by 0.77 (77%).

We get, albeit roughly, the total value of all homes in the Province of Valencia – 357 billion euros.

Divide by 1.029 million homes / *hogares*.

We get – wow! 347,077 euros.

So, the average home value in the Province of Valencia is 347 thousand euros?!

That’s a lot.

Did we calculate this correctly?

No.

Because it’s usually the more expensive homes that are insured. Owners of modest apartments simply don’t have the means to insure them.

Alright. Let’s look up the average home value in the province. Got it! In 2024, it is 287,905 euros. Not 347,000, but still quite a bit.

Just for information, the average value of a square meter in the province is 1,280 euros. Clearly, it’s 3-4 times higher in the centre of Valencia city. And much lower in the affected suburbs.

About 700,000 people live in the flooded areas. How do we calculate their insured capital or sum insured? The province has a population of 2.7 million, so roughly 26% were affected. However, they don’t hold 26% of the home values. Let’s assume it’s just 15%.

15 % of the insured 275 billion is 41 billion euro.

Quite a bit.

But not every home is a total loss.

What will the Consortium pay for?

1. Damage to the home or apartment. It’s clear this isn’t 100% of its value. Today, we’re taking rubber boots and warm clothes to Sedaví. Only the ground floor of a three-story building where a friend’s friend lives was flooded.

2. Temporary housing costs while cleaning or repairs are underway.

3. Loss of rental income if the home was rented and this was indicated in the policy.

The industry has an approximate understanding of the upcoming payments – 100,000 euros per home. If 10,000 units were affected, that’s just about 1 billion. But I think the actual number will be significantly lower.

What else will CCS cover? Lost vehicles. As you can see, the total Capital of 1.8 million cars is 5.5 billion. Not all cars are insured for Own Damage – so the average car value of 3,000 euros shouldn’t surprise you. Probably, only 20% of vehicles are fully covered.

I estimate that about 5,000 cars were lost. 0.3% of the total fleet, or 15 million euros. Though probably only 20% were insured, no more. This makes a rough loss for motor insurers and CCS of 3 mn euro.

Incidentally, the extraordinary risks covered by CCS include being swept away by a flood or damaged by winds exceeding 120 km/h:

*Coche arrastrado por las riadas o dañado por vientos de más de 120 km/h.*

What else? Business losses. These are harder to estimate. It’s flat land in Valencia’s suburbs. A massive number of stores and warehouses is located there. IKEA is in Alfafar.

The covered items would consist of goods-in-store, vehicles, buidings and contents. Lost revenue. Cleanup – *debris removal*.

In England, debris removal costs should be insured separately. Will the Consortium cover the costs if cleanup is carried out by the army, police, or volunteers?

Speaking of IKEA, a friend’s daughter lives in Alfafar. When the rain began, she rushed to her car and drove to IKEA, parking on the first floor. Her car was the only one left intact in the neighbourhood…

The agricultural risks were also insured: crops, animals, and equipment. It’s sad to think about the cows and horses… Yesterday, we brought some things and food for dogs and cats. The people at the centre were happy.

We haven’t yet included life and accident insurance! If there really were 2,000 fatalities – at 10,000 euros each (?) – that’s 20 million in losses.

If we go by the last years’ losses, in 2023, there was a flood in Zaragoza. 80 million euros were paid out. And in six other provinces – a total of 168 million for all six.

Therefore, a flood loss in Spain has never resulted in more than 100 million euros paid by the insurance sector and CCS.

And in our poor Valencia… as you can see, we’ve reached a one billion euro mark.

Considering the area's economic limitations, it’ll be interesting to see what the actual total turns out to be.

If you were affected – call or write to CCS on 900 222 665.

[www.consorseguros.es](http://www.consorseguros.es)

We wish you a swift compensation process!

Insurance may sometimes be helpful.

George Grishin

40 years in insurance.

06/11/24