

CASE STUDY

# CHINESE EARTHQUAKE 2008

In May 2008, an earthquake measuring 7.9 on the Richter scale struck the Sichuan Province of China. The damage to buildings and schools killed over 70,000 people. The resulting damages from the earthquake are put at \$125bn with only 0.3% (\$0.366bn) estimated to have been covered by insurance.



## COST TO TAXPAYER

Government reports suggest that \$137.5bn has been spent on the rebuilding and improvement of the Sichuan province following the earthquake.<sup>1</sup>

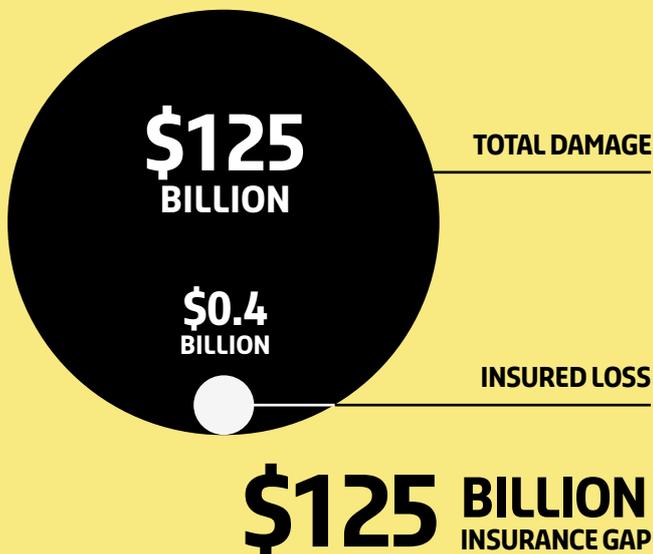
**\$137.5 BILLION**  
COST TO THE TAXPAYER



- 
**\$1.3 BILLION**  
ALLOCATED TO THE CENTRAL EMERGENCY FUND
- 
**146,000**  
SOLDIERS AND POLICE MOBILISED
- 
**45,000**  
MEDICAL WORKERS CONTRIBUTING TO CARE

## IMPACT OF INSURANCE

The estimated insured loss resulting from the earthquake suggests that of the \$125bn damage caused, only 3% was recoverable through insurance, with claims estimated at \$366m. The impact of insurance is therefore negligible.



**\$366 MILLION**  
INSURANCE CLAIMS



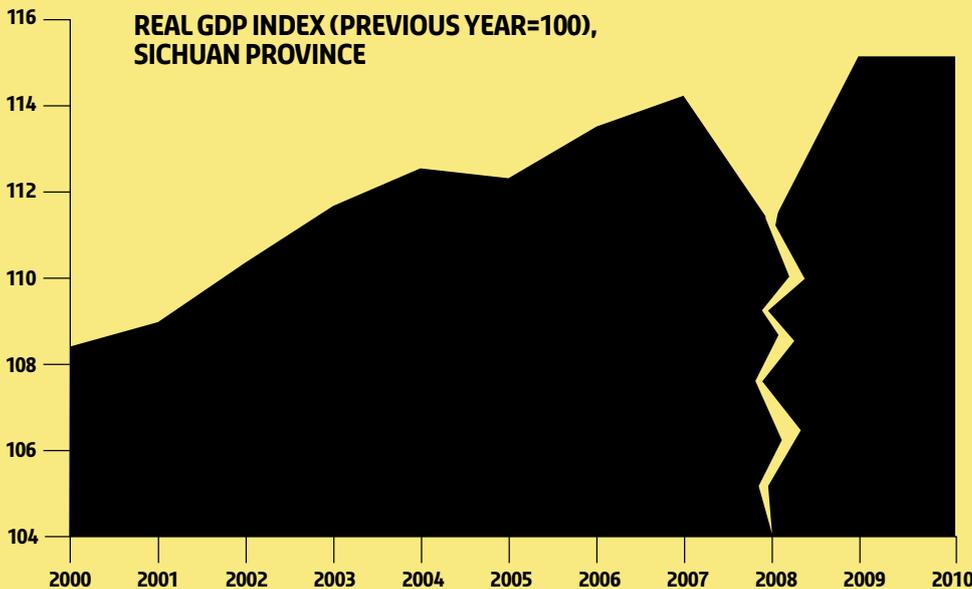
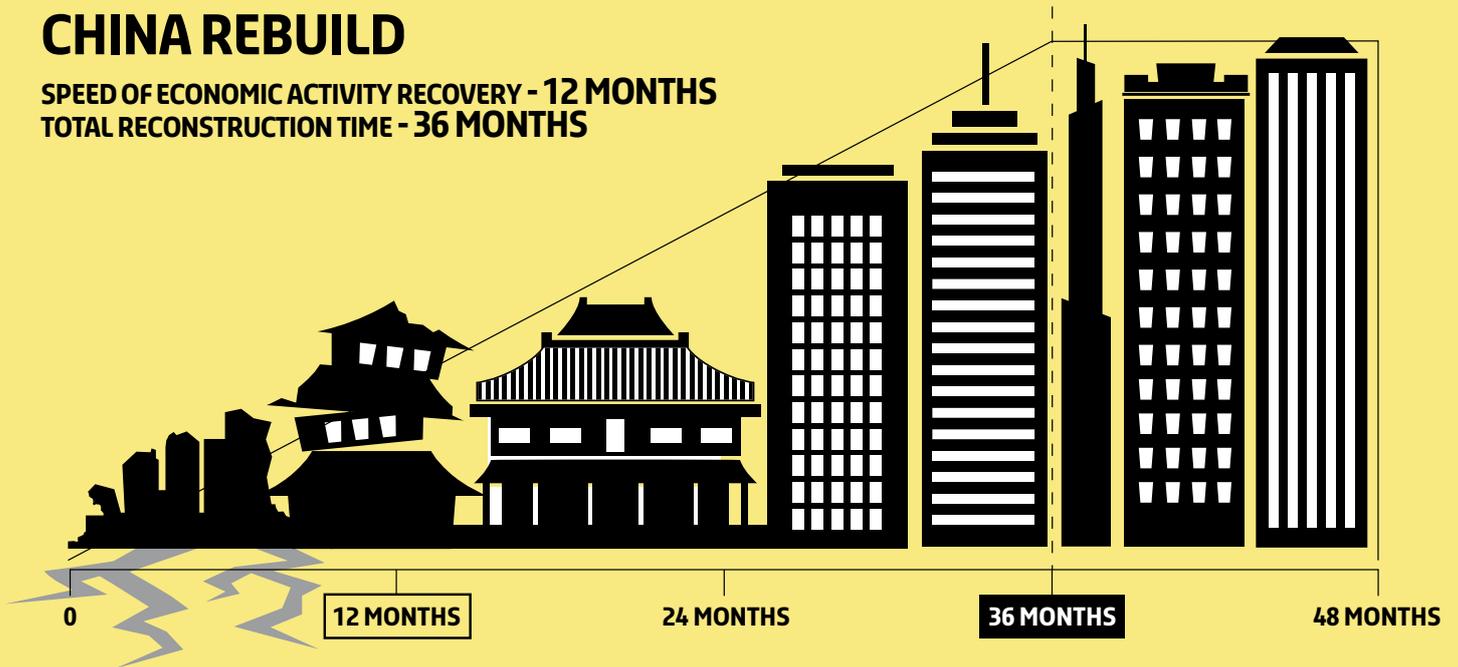
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The overwhelming financial response by the Chinese government to the disaster led to an immediate bounce-back in regional GDP. Government statements <sup>2</sup> suggest that the reconstruction process was completed in 2011, putting the recovery time at around three years.

## RECOVERY

### CHINA REBUILD

SPEED OF ECONOMIC ACTIVITY RECOVERY - 12 MONTHS  
TOTAL RECONSTRUCTION TIME - 36 MONTHS



Following the earthquake in 2008, GDP in Sichuan rebounded in 2009. This was due to the extensive spending programme by the Chinese Government within the region.

1. The Central People's Government of the People's Republic of China: [http://english.gov.cn/2012-02/24/content\\_2076240.htm](http://english.gov.cn/2012-02/24/content_2076240.htm), accessed June 2012

2. The Central People's Government of the People's Republic of China: [http://english.gov.cn/official/2012-03/15/content\\_2092737\\_2.htm](http://english.gov.cn/official/2012-03/15/content_2092737_2.htm), accessed June 2012.