In 2011, the monsoons of August, September, and October combined with heavy rainfall earlier in May, produced widespread flooding across Thailand. By November 2011, 5.5% of the total landmass of Thailand had been affected.¹ The flooding led to dams and reservoirs overflowing while seven major industrial parks were severely damaged. The estimated losses are shown below.

COST TO TAXPAYER

The World Bank estimates that the recovery process will cost $13bn, although this figure includes the expected cost of rebuilding to a higher standard than existed before the flooding.

$13 BILLION COST TO THE TAXPAYER

IMPRESSION OF INSURANCE

The World Bank estimates the total damage, plus economic losses resulting from the floods, at around $45bn. This higher figure includes the impact on international supply chains. The majority of this loss - 70% - is estimated to have been shouldered by the manufacturing industry, due to the flooding of several industrial estates. The manufacturing industry is therefore the beneficiary of the majority of insurance payments – Aon Benfield estimate the combined total sum insured for seven industrial estates affected at around $11.1bn.⁵

The picture for private households, however, is somewhat different. Damage to households and personal property is estimated at around THB84bn ($2.8bn).⁶
The recovery in Thailand is best judged by the performance of its manufacturing sector, given that this is where the vast majority of the total damage is estimated to have taken place. Based upon the recovery of manufacturing output the economic recovery period in Thailand is estimated at 12 months. Based on World Bank statements, the time period for complete reconstruction is estimated at three years.

The flood damage to Thailand focuses mainly on the manufacturing sector as a result of the flooding of industrial parks. The diagram shows how both GDP and manufacturing levels compare to those immediately before the onset of flooding. Remarkably, manufacturing output has almost recovered to the level seen before August 2011 and it is expected to return to this level over the course of 2012.

Based upon this evidence, the economic recovery from the Thai floods is estimated at 12 months.
Corelia Witton, Lloyd’s Claims Project Team, describes the aftermath of the Thai floods.

“Visiting the industrial parks between Bangkok and Ayutthaya with the loss adjuster at the end of 2011, what I saw was a vision of destruction. While the waters had receded from the parks, the indelible dark brown sludge line showed how high the waters had reached. An area of a 100km square had been submerged under 3-4 metres of water – it was devastation on a vast scale. Our guide told us how 6-8 lane highways, the major route north from Bangkok, had been reduced to one lane and then closed as the flooding reached its height.

Different commodities decayed in different ways and the smell was indescribable, even weeks later. A dairy factory had lost all power, the refrigeration had failed and the factory had been filled with stagnant water for weeks. At a textile plant, cotton, which was still inside its bales when the floods hit, had begun to rot.

A parallel world was presented between the sludge that coated the lamp posts, telephone boxes and public areas while most of the factories and warehouses were shiny and freshly painted as repairs were underway.

Outside, in huge piles, were lines and lines of equipment and machinery waiting to be dried, cleaned or thrown away. The scale of the operation was huge. But the people were amazing. Using water, soap, brushes – even toothbrushes – they were cleaning up. Small commerce had bounced back – the little food stalls and shops were up and running, making lunch for the workers in the industrial parks just as they’d always done.”

Lloyd’s incurred $2.2bn of claims from the Thai floods.

For more information visit www.lloyds.com/underinsurance