

San Francisco 1906 and the making of a global reputation

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Early on the morning of 18 April 1906 an earthquake struck San Francisco. The shaking itself caused considerable damage, but the fires that followed and burned for several days did far more. Swiss Re's own account records that 25,000 houses were destroyed within an area of seven square kilometres and that some 500 lives were lost, a figure that later research has revised sharply upwards. For the insurance industry it was the largest loss it had ever faced. Munich Re, which kept careful records of the event, estimated insured losses at about 175 million dollars, of which its own share came to 11 million marks, roughly seven per cent of its gross premium income for the year.¹

For Swiss Re the earthquake produced a gross loss of 8.4 million francs. After retrocessions the company booked a net loss of 4.3 million francs against equity of 9.9 million, so that a single event consumed well over two fifths of its capital. Swiss Re recovered the loss through profitable years that followed. In Haueter's history, San Francisco remains the biggest single loss as a percentage of net premiums in the company's entire history.²

What made San Francisco a turning point was the reaction of the insurers to the loss. A number of insurers tried to avoid payment by invoking earthquake exclusions in their policies, arguing that the fire damage had been caused by the earthquake and was therefore excluded.³ The question was legally arguable, since the causal chain from the tremor to the burning of a particular house was often unclear. Commercially, however, the refusal to pay destroyed reputations that had taken decades to build. Swiss Re chose to pay. The company emphasises in its history that it fulfilled its commitments to clients despite unprecedented losses and joined European partners in founding an Earthquake Commission to deal with the claims. Within three years San Francisco had been largely rebuilt, thanks to the

payments made by insurers and reinsurers, and Swiss Re had honoured its contracts to its cedants.⁴

The episode established a principle that has governed reinsurance ever since. A reinsurer sells a promise to pay in circumstances that are, by definition, exceptional. Its product has value only if the cedant can rely on that promise when the exceptional event occurs. A reinsurer that disputes claims whenever a legal argument is available will soon find that cedants prefer its competitors, even if its prices are lower. Swiss Re's conduct in 1906 gave it a reputation in the American market that it converted into business within a few years. In 1910 it opened a United States branch in New York.⁵ The United States has remained the company's most important market ever since.

The leadership that carried the company through these years deserves mention. Charles Simon joined in 1895 and served as managing director until 1919, later becoming chairman of the board. His successor as managing director was Erwin Hürlimann, a member of the management since 1904, who led the company from 1919 and chaired its board from 1942 to 1958.⁶ Continuity of this kind, with two men shaping the company for more than six decades between them, was characteristic of Zurich's financial institutions before the Second World War. It favoured a conservative reserving policy and a view of the business measured in decades.

In 1913 Swiss Re moved into its own headquarters on the Mythenquai, on the shore of Lake Zurich. The building, known within the company as the "Altbau", is still in use today.⁷ The move marked the end of the founding period. The company that had begun in a two-room apartment in the old town now occupied a representative building on the new lakeside promenade, a location that would later make the Mythenquai synonymous with Zurich's insurance industry.

On the eve of the First World War the reinsurance market was dominated by German companies. Munich Re, founded on 3 April 1880 by a group around Carl Thieme, had become by far the largest reinsurer in the world. In 1913 and 1914 it collected gross premiums of 204 million marks. The next two companies, Swiss Re with 42 million marks and Cologne Re with 41 million, were roughly a fifth of its size.⁸ Within fifty years of its foundation, the Zurich company had nevertheless become the largest reinsurer outside Germany and the second-largest in the world. The war that began in August 1914 would change the relative positions fundamentally.

1 Notes

1. Swiss Re, “Established 1863”, <https://www.swissre.com/about-us/history/established-1863.html>.
Modern estimates of the death toll run into the thousands; the figure quoted here is the one given in the company’s historical account. Munich Re, “The early years – On the way to the top of the world (1880–1914)”, <https://www.munichre.com/en/company/about-munich-re/group-history/the-early-years-on-the-way-to-the-top-of-the-world-1880-1914.html>. ↩
2. Reference for Business, “Swiss Reinsurance Company”, <https://www.referenceforbusiness.com/history2/0/Swiss-Reinsurance-Company-Schweizerische-R-ckversicherungs-Gesellschaft.html>. Swiss Re, “Established 1863”, <https://www.swissre.com/about-us/history/established-1863.html>. Haueter, A History of Insurance, Swiss Re, https://www.swissre.com/dam/jcr:33dbf3af-5be9-468d-a624-ed86ceda7ef8/150_history_of_insurance.2025-06-26-15-17-35.pdf. ↩
3. Robert A. James, “Six Bits or Bust: Insurance Litigation over the 1906 San Francisco Earthquake and Fire”, Pillsbury Winthrop Shaw Pittman, 17 July 2013, <https://pillsburylaw.com/en/news-and-insights/six-bits-or-bust-insurance-litigation-over-the-1906.html>, on insurers invoking earthquake exclusions against claims for fire damage and on the court decisions under which policyholders could recover even under strict policy language, which pushed reluctant insurers towards settlements. ↩
4. Swiss Re, “The Swiss Re Journey”, <https://www.swissre.com/about-us/history.html>. Haueter, A History of Insurance, https://www.swissre.com/dam/jcr:33dbf3af-5be9-468d-a624-ed86ceda7ef8/150_history_of_insurance.2025-06-26-15-17-35.pdf. ↩
5. Reference for Business, “Swiss Reinsurance Company”, <https://www.referenceforbusiness.com/history2/0/Swiss-Reinsurance-Company-Schweizerische-R-ckversicherungs-Gesellschaft.html>; Swiss Re, “The Swiss Re Journey”, <https://www.swissre.com/about-us/history.html>. ↩
6. Reference for Business, “Swiss Reinsurance Company”, <https://www.referenceforbusiness.com/history2/0/Swiss-Reinsurance-Company-Schweizerische-R-ckversicherungs-Gesellschaft.html>. ↩
7. Swiss Re, “The Swiss Re Journey”, <https://www.swissre.com/about-us/history.html>. ↩

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8. Munich Re, “The early years – On the way to the top of the world (1880–1914)”, <https://www.munichre.com/en/company/about-munich-re/group-history/the-early-years-on-the-way-to-the-top-of-the-world-1880-1914.html>. ↩

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