

## **BANKRUPTCY BY THE NUMBERS**

**BY: ED FLYNN<sup>1</sup>**

**Executive Office for United States Trustees**  
[Edward.Flynn@usdoj.gov](mailto:Edward.Flynn@usdoj.gov)

### **BANKRUPTCY AND NATURAL DISASTERS:**

August and September were traumatic months for the state of Florida, as it was hit by four hurricanes in succession. On August 13 Hurricane Charley made landfall about 100 miles south of Tampa with winds as high as 145 miles per hour, causing tremendous damage as it crossed through the central part of the state. Three weeks later Hurricane Frances landed on the east coast of the state, just north of Palm Beach. As Frances slowly moved northwest across the state, over 6 million residents were left without power. Less than two weeks later Hurricane Ivan landed near the Florida-Alabama border, bringing 130 mph winds. Ten days later Hurricane Jeanne landed at the same spot as Frances had, bringing 120 mph winds.

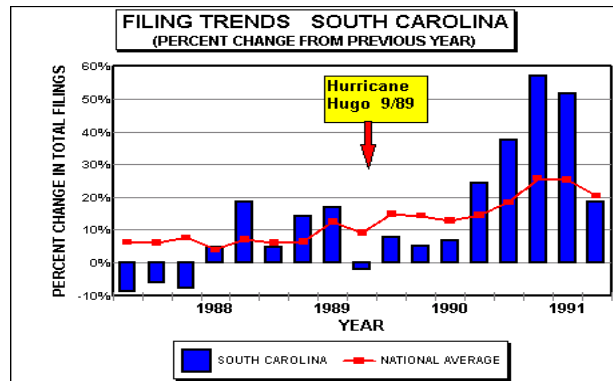
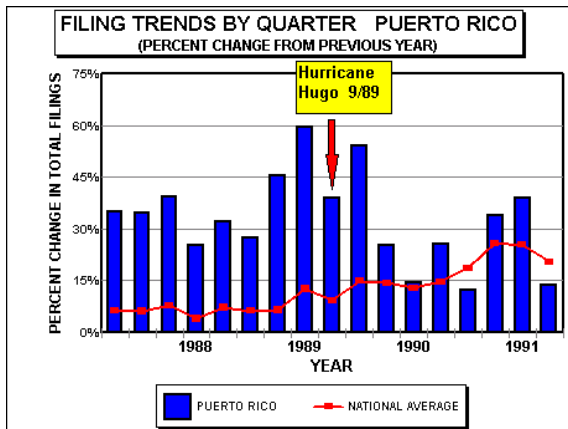
There were a series of massive evacuations prior to the hurricanes coming ashore, and widespread damage and power outages after. Total insured losses in Florida from the four hurricanes is estimated to be about \$20 billion dollars. More than one in five homes in Florida were damaged by the hurricanes.

In this article we look at major natural disasters to determine if they had a detectable impact on bankruptcy filing trends in the area where they occurred. In general, we chose disasters that did a great deal of damage in a state or particular judicial district, rather than those with an impact that was spread through an entire region. Since the simple fact that filings went up or down after a disaster doesn't always reveal the whole story, we examined quarterly filing trends for two years prior to the disaster, to see if there was a marked deviation from the trend right after the event.

---

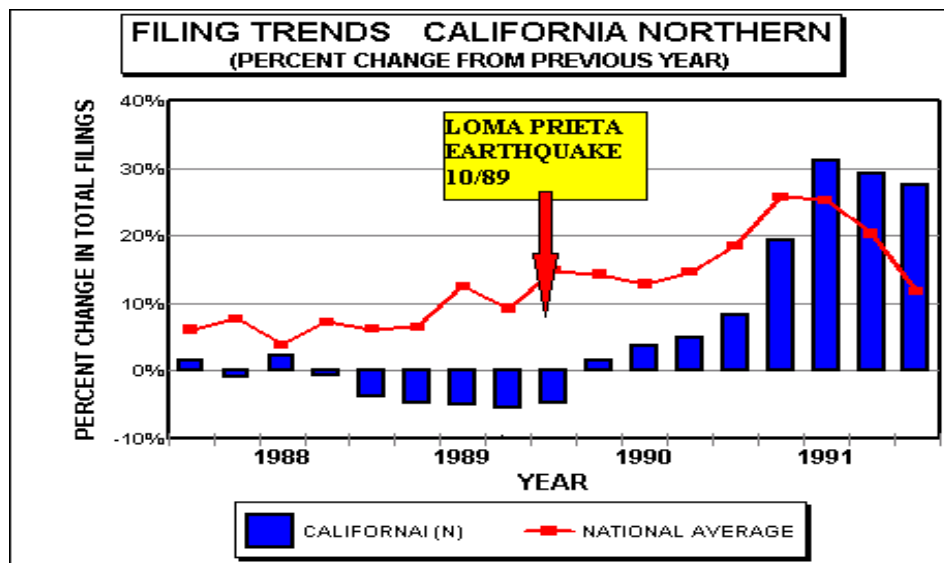
<sup>1</sup>All views expressed in this article are those of the authors, and do not necessarily represent the views of the Executive Office for United States Trustees or the Department of Justice.

**Hurricane Hugo:** This category 4 hurricane struck Puerto Rico and South Carolina in September 1989. It caused \$7 billion in damage - and was the costliest hurricane in US history up to that time. The following charts show bankruptcy filing trends in South Carolina and Puerto Rico before and after Hugo.



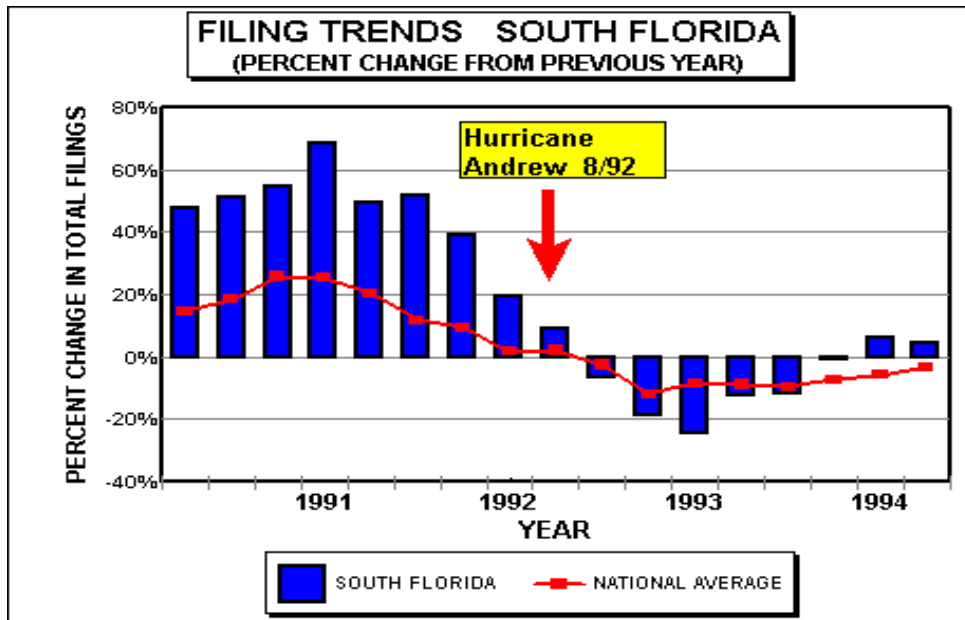
Filings in Puerto Rico had been increasing rapidly well before Hugo. After Hugo filings spiked upwards for one quarter, followed by a number of quarters of substantial increases, but at a lower rate than before Hugo. South Carolina recorded modest increases in filings for about a year after Hugo, followed by much higher increases in the subsequent year.

**San Francisco Earthquake:** The Loma Prieta earthquake struck during the 1989 baseball World Series, causing about \$7 billion in damage including 1,500 homes destroyed and 22,000 damaged. Measuring 7.1 on the Richter scale, it was the strongest earthquake to occur along the San Andreas fault since the great San Francisco earthquake of 1906.



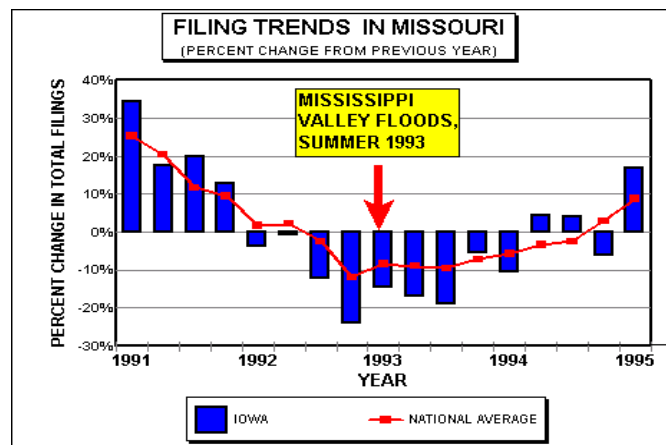
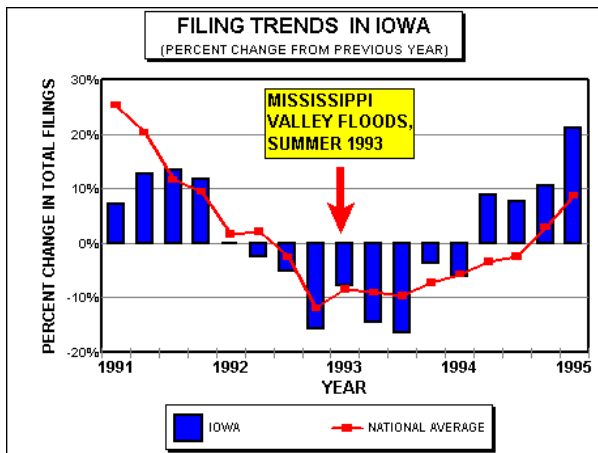
Filings in the Northern District of California began to increase at a modest rate in the year after the earthquake, and increased substantially in the second year after the earthquake. However, these filing patterns were comparable to the other three judicial districts in California that were largely unaffected by the earthquake.

**Hurricane Andrew: Florida August 1992:** This was a category 5 hurricane that slammed into Florida, south of Miami in 1992. Total damages were estimated at more than \$25 billion, and it remains the costliest single hurricane ever to hit the United States. Nearly all of the impact in Florida occurred in the Southern District of Florida.



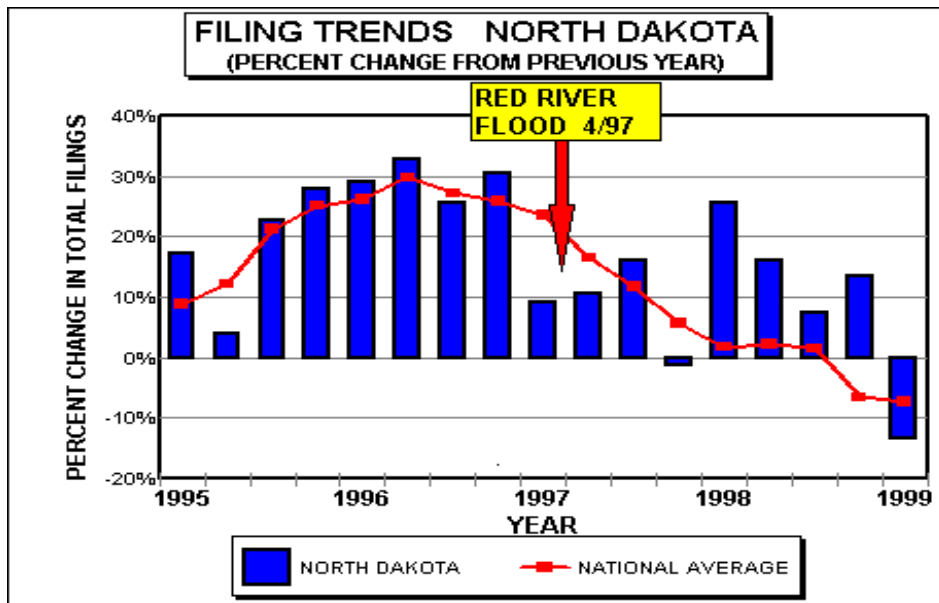
Bankruptcy filings in the Southern District of Florida began to decline after Hurricane Andrew, tracking the national pattern of declining filings that occurred at that time.

**Midwest Floods of 1993:** Heavy spring and summer rainfalls in the upper Mississippi River valley resulted in extensive flooding in nine states. Over 16,000 square miles were under water and property damage amounted to about \$15 billion. This was the largest flood event in US history. Although nine states were affected by the floods, we limit our analysis of bankruptcy filing trends to Iowa and Missouri, which were the most heavily impacted.



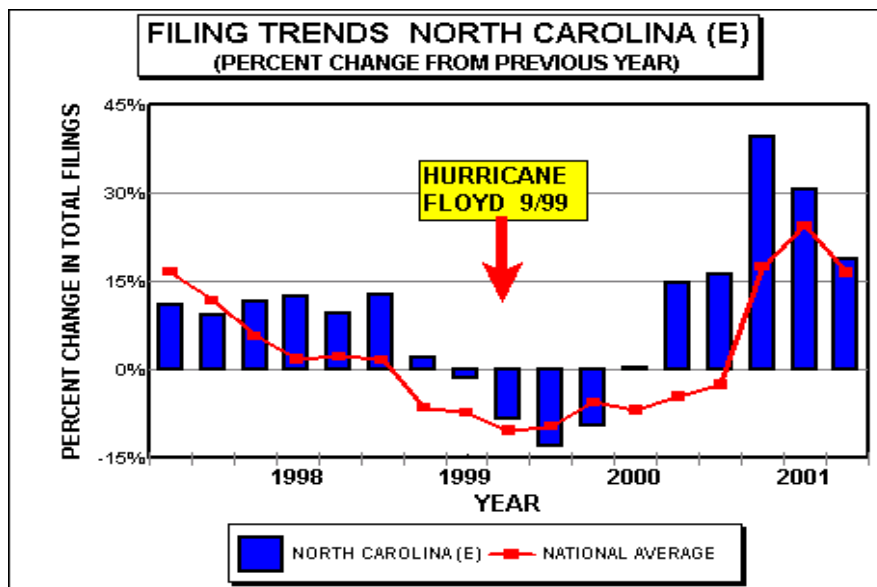
Bankruptcy filings had been declining in both states at the time of the floods, and continued to do so for the next year. Increases in the second year after the floods were consistent with national patterns.

**Red River Floods, North Dakota 1997:** Heavy winter snowstorms led to massive spring flooding along the Red River. This was the worst natural disaster in the state's history, with ten percent of North Dakota residents being displaced by the floods.



Around the time of the floods there were only about 500 cases filed per quarter in North Dakota. If the flood had caused even a few hundred unexpected filings, the impact would be readily apparent on the above chart.

**Hurricane Floyd, Eastern North Carolina September 1999:** This was a fairly mild hurricane compared to the others listed here, but its heavy rains caused about \$5 billion in damage to Eastern North Carolina.



Filings in the Eastern District of North Carolina continued to decline for six months after Hurricane Floyd. Subsequent increases were consistent with national patterns.

**Conclusion:** These data show that, overall, there has not been a strong relationship between major natural disasters and bankruptcy filings. Generally, filing trends in a state or district keep on about the same pattern as they were before the disaster.