Asia needs to close natural catastrophe protection gap: MAS’ Ravi Menon

SINGAPORE: Mechanisms must be put in place to insure that Asian prosperity is not set back by the economic and social disruptions that natural disasters bring, said Mr Ravi Menon, managing director of the Monetary Authority of Singapore (MAS), on Thursday (Aug 3).

“We must put in place mechanisms for the effective assessment, management, and transfer of disaster risk. Advances in technology, innovation, research, and market integration put us in a strong position to address these challenges,” Mr Menon said in a speech at the Institute of Catastrophe Risk Management (ICRM) Symposium.

In order to do so, he outlined four key enablers: Technology and data, production innovation, research and development, and an interested ASEAN market.

Under tech and data, the MAS official cited the use of big data analytics, which is “at the core” of Singapore’s Natural Catastrophe Data Analytics Exchange. The system aggregates a variety of data sources, including economic loss and exposure data, as well as drone and satellite data, to create a comprehensive database of Asia Pacific natural catastrophe risk, he explained.

NEW INSURANCE PRODUCTS NEEDED

He also noted that insurance protection against natural catastrophes had not kept pace with economic development in the region.

While Asia has accounted for almost half of the world’s economic losses from natural disasters over the last 20 years amounting to more than US$200 billion, less than 5 per cent of those losses in developing Asia were insured, he said. By comparison, the figure is at 40 per cent in developed countries.

“Insurance can and should play a bigger role to reduce the financial impact of natural disasters and improve disaster resilience,” he said.

Towards this end, he called for product innovation as seen in new forms of insurance products and solutions, such as index-based and parametric insurance.

“These make pay outs based on catastrophe events limiting pre-defined parameters such as hurricane wind speed or earthquake magnitude**, thus removing the need for loss adjusters to survey the extent of losses, he said.

A local start-up co-founded by NTU graduate Alex Chen and Professor Sharif Shah called Asia Risk Transfer Solutions has developed such a risk analytics platform, he noted.

He also called for the use of research and development to close the natural catastrophe protection gap, saying Singapore has made good progress in fostering a natural catastrophe research ecosystem.

“Since its launch in 2016, ICRM has emerged as Asia’s leading research institute in catastrophe risk,” he said. Besides leading the Natural Catastrophe Data Analytics Exchange, it has also been involved in 16 core research projects, such as conducting seismic analysis for Sumatra and flood risk assessment for Jakarta.

Last year, ASEAN member states made a commitment to liberalise by 2023 the cross-border supply of international Maritime, Aviation and Goods-in-Transit (MAT) insurance, catastrophe reinsurance and remaining classes of reinsurance.

The majority of member states have already committed to liberalise MAT insurance and are aiming to substantially liberalise catastrophe reinsurance by 2020, Mr Menon said.

Source: CNA