PERILS joins NatCatDAX Alliance, for catastrophe insurance data in Asia

by Artemis on April 28, 2016

PERILS AG, to date a provider of industry-wide European catastrophe exposure, industry loss data and indices, has joined the Singapore-based Natural Catastrophe Data and Analytics Exchange (NatCatDAX) Alliance, which will help it broaden its coverage to include some Asian countries.

Zurich-based PERILS explained that the NatCatDAX Alliance has been set up to help increase both insurance and economic data availability for natural catastrophe risks in Asia.

The NatCatDAX Alliance is led by the Institute of Catastrophe Risk Management (ICRM) at Nanyang Technological University (NTU Singapore), in partnership with reinsurance broker Aon Benfield, Japanese and global insurer Mitsui Sumitomo Insurance Group, Bermudian reinsurer RenaissanceRe, risk modeller RMS and now PERILS AG. NatCatDAX is supported by the Monetary Authority of Singapore (MAS).

Luiz Hitz, CEO of PERILS, commented on joining NatCatDAX: “In the past seven years, PERILS insurance industry data have facilitated more than USD 12bn of risk capacity in the form of ILS and private reinsurance transactions. PERILS is therefore living proof that more data enhances our understanding of natural catastrophes which in turn leads to better risk assessment and new risk transfer solutions. We hope that our involvement in NatCatDAX will trigger a similar development in Asia, and we will rely upon the support of the insurance industry to help NatCatDAX achieve its mission.”

NatCatDAX aims to “provide both the public and the private sectors with access to robust, objective and independent data in order to help develop sustainable solutions designed to manage the growing risk of natural catastrophes in Asia,” PERILS explained.

The initiative will set up both insurance and economic exposure and loss databases, covering both insured and uninsured assets and losses. By covering both the insurer and uninsured it is hoped that new solutions can be developed to encourage the closing of the natural catastrophe insurance protection gap in many parts of Asia.

PERILS, currently European focused, insurance exposure and loss data are used to construct indices for use in reinsurance and insurance-linked securities (ILS) transactions, where the data can be used as a trigger for industry loss warranties (ILW’s) and catastrophe bonds.

Through better access to robust data, on economic and insured exposure and loss from natural catastrophes, NatCatDAX aims to establish a more accurate quantification of risk for Asia. The initiative aims to help increase the insurability of catastrophe risks and the availability of data will stimulate the creation of new risk transfer solutions to lessen the financial burden of catastrophes in the region.

For launch NatCatDAX will focus on Indonesia, the Philippines, Taiwan and Thailand, but the aim is to expand to cover other Asian countries. PERILS involvement will see the collection of insurance data completed using its established methodology, collecting both exposure and loss data from insurance companies writing business in the regions covered. By using an accepted methodology, such as PERILS, the NatCatDAX Alliance Asian insurance data could be used for ILS, ILW and cat bond transactions in the future.

The economic database, which will be for the capital cities of the first four countries to begin with, will be based on national census data and detailed building-related information, such as building size, occupancy, and construction class which will be derived using remote sensing technologies.

Edward Hales, Head of Products at PERILS, commented on the announcement, “We are delighted to support the implementation of NatCatDAX. It perfectly fits our mission to increase data availability for the benefit of all insurance industry stakeholders. The industry exposure data and loss information will provide significant value to subscribers, improving the modelling, risk management and underwriting of natural catastrophe risk. Greater transparency on industry losses will also further facilitate the establishment of accurate and robust loss triggers for industry loss warranty contracts (ILWs), catastrophe bond structures (ILS), and other capital markets products.”

When NatCatDAX was announced last November by Ms Jacqueline Loh, Deputy Managing Director of the Monetary Authority of Singapore, at the 13th Singapore International Reinsurance Conference, she said the platform would “unlock new economic exposure and loss datasets through the use of new technologies such as satellites, remote sensors and drones.”

The combination of both economic and insured exposure and loss datasets would help the industry to “not only underwrite traditional reinsurance better, but also catalyse new product innovation, such as government pools, and alternative risk transfer products, which will push the boundaries of insurability further,” Loh explained at the time.

With a mission to help narrow the protection gap, through provision of both economic and insurance data for Asian nations, NatCatDAX could become a source of data for triggers for sovereign catastrophe risk transfer transactions.

For natural disaster exposed nations such as the Philippines, the availability of this data could be key in helping them to get over the line in terms of putting in place robust catastrophe insurance risk pooling and risk transfer to the capital markets.

ICRM Executive Director Prof Tso-Chien Pan also commented; “ICRM, which is leading NTU’s efforts in this collaboration, is pleased and excited to be working in tandem with PERILS and others on the NatCatDAX mission to provide critical catastrophe data for the public sector and the insurance industry in Asia. This data will enable not only better catastrophe risk management for the public and insurance sectors, but also will support novel ICRM research activity.”

It’s also safe to assume that by improving insurance exposure and loss data standards in the region, that it will become more open to insurance-linked securities (ILS) and alternative capital players. As such this development could help to encourage further growth of ILS into Asian regions.