

# Navigating through the volatility of natural catastrophes

Against the backdrop of climate change, ageing infrastructure and urban growth in high-risk prone areas, our world is confronted with an increasing number of disasters that were once considered very rare occurrences, says **Allianz Reinsurance Asia Pacific's Mr Victor Sng.**



**I**n 2023, global insured Nat CAT losses exceeded \$100bn for the fourth consecutive year, with \$6bn stemming from the Asia-Pacific region, as reported by Aon. These insured losses represent only a small fraction of the total economic losses which reportedly exceeded \$260bn.

These increasing Nat CAT losses in 2023 underscore the growing need for a proactive approach towards risk management. The upward trends in Nat CAT losses and climate change are undeniably intertwined, as evidenced by the increased frequency and severity of weather events in recent years attributed to global warming. In this regard, Allianz Re recognises both the importance of climate risk mitigation and also strengthening resilience to extreme weather events such as hurricanes, floods and earthquakes.

## Dedicated team of experts

At Allianz Re, we have a dedicated team of scientists including meteorologists, hydrologists,

seismologists, geographers and mathematicians who serve as the centre of competence in the field of natural perils for the Allianz Group. Our scientists translate scientific insights into action to ensure the natural peril risks worldwide are correctly assessed, underwritten and priced by Allianz entities globally.

Our team of experts currently model over 50 Nat CAT scenarios for the Allianz Group, using best-in-class standards to capture data. This data is continually assessed to understand how the evolving climate impacts the physical risks for our clients' insured assets. Based on these findings, we develop tools to incorporate this knowledge into our business decision making process.

For Allianz Re, adaptation measures, including the enforcement of building codes and collaboration with insurers and the public sector are crucial for mitigating losses. Our global P&C Nat CAT community believes in strategic planning and preparation for losses driven by

extreme weather events, advocating a Nat CAT management plan as a guide to best practices for our Allianz operating entities to adopt.

The Nat CAT management plan includes the formation of a Nat CAT task force comprising members of the claims function to enable well-thought-out resource planning, prompt decision making and flexible claims-handling procedures.

### The 'Big Map' story

Australia and the recent large-scale flood events is an example in the Asia-Pacific region. Allianz Australia is collaborating with Disaster Relief Australia (DRA), a veteran-led disaster relief non-profit organisation, to support the delivery of its 'Big Map' initiative. DRA host Big Map exercises across Australia to help vulnerable communities identify potential risks and hazards and provide solutions to build resilience.

Created by DRA's specialists, the giant flood map is an opportunity for a community to gather and work together to identify risks, share experiences, and discuss ways to better prepare for events that may occur in the future. Allianz Australia supports DRA in providing a platform to community members to disseminate useful information such as creating a safety plan, minimizing physical hazards within their properties and preparing an emergency packing list before extreme weather occurs.

Resource planning, which forms the backbone of the Nat CAT management plan, addresses both internal and external perspectives. Strategic planning for internal resource allocation ensures adequate staffing at the call centre and makeshift stations near disaster sites to effectively address large-scale inquiries and provide real-time support during extreme weather events. Relief support for distraught policyholders who have lost their properties, belongings or loved ones following a disaster can include providing basic daily essential items such as food and water, as well as telecommunication channels.

For external resource planning on the other hand, efforts are made to secure sufficient service providers including loss adjusters, disaster

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restoration specialists, auto repair shops, and accommodation providers, to establish pre-agreed priority services during large-scale disasters when resources may run thin due to high demand. Technological capabilities such as remote assessment of inaccessible sites after disasters, are adopted to determine policy liability promptly and facilitate timely loss settlements for the affected policyholders in precarious situations.

Allianz Australia has also demonstrated innovative thinking in purchasing caravans and offering them as alternate accommodation for policyholders who chose to stay at their properties which had been damaged by floods enabling them to keep their children enrolled in local schools, as well as looking after pets, and surviving livestock at their farms. These efforts enable Allianz to provide support to communities in the face of disasters and create a positive claims experience for its customers.

### Geo-coding challenge

Despite efforts in mapping Nat CAT, the geocoding process at underwriting level remains a challenge for the industry, as the data received is often incomplete. Higher geographic resolution is crucial for modelling a portfolio of risks with large sums insured across industries, as it is important to assess exactly where the insured asset is located to target preventive measures and to improve the community's preparedness against a peril. Be that as it may, it is imperative to recognise that high resolution geocoding should be subject to frequent revisions in geographic information, particularly in urban street networks

and postal codes, which can change frequently. Periodic updates of the stored information are required to ensure data accuracy. Allianz Re continually explores the possibility of accurately capturing geographical boundaries and precise building locations within its portfolio of risks to help underlying insured build resilience and business continuity plans against Nat CAT losses.

For Allianz Re, Nat CAT remain one of the top three issues identified for Asia Pacific in countries like Australia, India and Japan, alongside cyber risk from digital development and geopolitical uncertainty. With climate change and global warming, diversification and sustainability through reinsurance has become more important than ever for the insurance industry to manage unprecedented volatility. By leveraging data-driven risk assessment, considering the impact of climate change and fostering collaboration across the industry, insurers and reinsurers can effectively navigate through the challenges arising from Nat CAT in the region.

### We remain committed

Allianz Re's key area of focus remains largely on monitoring, forecasting and developing appropriate products as we continue to provide reinsurance protection to both our group companies and third-party customers. We will continue to work with our partners in the region to enhance our global expertise in the areas to support our stakeholders in the face of intensifying Nat CAT losses. ■

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