

# Climate crisis between APAC insurers and reinsurers



L-R: Messrs Noel Raboy, Romell Antonio Cuenca, Marvin Kristian, Pratik Priyadarshi and Rene Meily

Speakers at the 20th Asia Nat CAT and Climate Change Summit 2024 discussed the role of insurance in securing against climate change and natural disasters. Speakers also placed emphasis on the importance of disaster preparedness and risk management.

By **Reva Ganesan**

**N**at CAT are becoming more frequent and severe because of climate change. The Philippines is at the forefront of these threats with rising sea level and extreme weather events.

In his first keynote address, Insurance Commission insurance commissioner Reynaldo Regalado said, “Insurance has been proven to be a reliable financial instrument that could safeguard lives, livelihood and properties against various risks and losses. It plays a vital role in building resilience against climate change and natural disasters.”

He went on to say, “Earlier this year, the Insurance Commission decided to reinstate the minimum rates for earthquake, typhoon and flood covers. This is after a thorough study and careful consideration of the efficacy of the new catastrophe insurance rates,” he said.

In addition to the developments, Mr Regalado said agriculture



Mr Reynaldo Regalado

insurance is also becoming urgent and indispensable given the escalating frequencies of extreme weather events and natural calamities affecting the local farmers.

“The Department of Agriculture has accounted for a total of PHP9.8bn (\$1.7m) worth of agricultural damages due to the droughts caused by the El Niño phenomenon. This is a huge blow for more than 180,000 farmers and fisherfolks. In instances like this, insurance could help our farmers bounce back and recover from their loss,” he added.

He encouraged insurers to venture into agriculture cover to support the sector, which is “a great opportunity for our insurance companies as the increased capitalisation enables them to cover catastrophic risks that are usually present in agriculture production.”

As second keynote speaker, Government Service Insurance System president and general manager Jose Arnulfo Veloso discussed how



Mr Jose Arnulfo Veloso

insurers can forge resilience and build a future-proof insurance industry that will be capable of facing a growing threat of Nat CAT.

“Climate change is driving more extreme weather patterns making Nat CAT more frequent and severe. Despite the rising risks, there are significant gaps in insurance coverage. For example, only roughly 20% of residential properties in our country are insured against natural disasters, leaving many individuals and businesses vulnerable and without the means to recover,” Mr Veloso said.

He said successful public-private partnerships can effectively address Nat CAT risks and supportive regulatory frameworks are essential for enabling insurers to offer innovative solutions.

## Typhoon Yolanda/Haiyan

Nat Re director, president and CEO Allan Santos described the 2013 super typhoon Yolanda, also known as typhoon



Mr Allan Santos

Haiyan, as the “deadliest, strongest and most destructive typhoon that ever hit the Philippines.”

Typhoon Yolanda left PHP95.5bn in fiscal damage, affecting 14.1m people and costing more than 6,300 deaths.

Based on his calculations, he praised the private non-life insurance sector for providing more loss coverage for typhoon Yolanda and other typhoons such as Odette (2011) in the Philippines.

“However, the other facet of the industry we would like to review is the promptness of claims settlements. Claims settlements was faster and more efficient for typhoon Yolanda, compared to Odette, as the latter was more widespread and saw more property losses,” he said.

He said while it was refreshing to see the coverage ratio from typhoon Yolanda to Odette increase, there is still a lot of potential growth and improvement in the penetration rate of the non-life sector.

“In many ASEAN countries, a fatalistic attitude prevails and many people tend to rely on government relief. Here in the Philippines, lower disposable incomes, high inflation and high tax rates on non-life insurance products hurt affordability. Limitations to access and bringing insurance products to the buying public is another challenge for us to overcome, especially with the Philippines as an archipelago where far-flung areas are more difficult to reach,” Mr Santos said.

Climate Change Commission assistant secretary and deputy executive director Romell Antonio Cuenca said that the Philippines is one of the most ‘at-risk’ countries to the impacts of climate change, with tropical cyclones alone causing PHP 673.3bn in losses and damages over the past decade.

“This amount is more than twice the total premiums collected by the insurance industry from life, non-life and mutual benefit associations. Climate change could cost the Philippines at least 7.6% of its GDP and by 2040, 13%. We will continue to face increasing temperatures, prolonged droughts, intensified winds, frequent or more intensified tropical cyclones, heavy precipitation that results in floods and landslides and rising sea levels- all of which

affect communities,” Mr Romell said.

“It is important to address both aspects of risk management, to prepare for risks before they occur and this can be supported by the insurance sector,” he said.

### Climate commitments among insurers

AXA Climate APAC head Ankush Bhardwaj said there has been a welcoming change among corporations making climate commitments. Many organisations aim to be net zero by 2030 but these commitments often remain in the boardroom.

“Ask a normal employee what net zero means and not everyone knows the answer. This is because climate change is a very new topic for most people. The burden of climate change on the insurance industry is increasing,” Mr Bhardwaj said.

Moving on to parametric insurance, he said, “Parametric insurance is gaining a lot of importance among the large government-led programmes. Parametric has emerged in the last three to four years, especially post-pandemic where we saw a huge inflation in partial claims. It became a huge issue even for the reinsurance industry at large,” he said.

### Steering towards net zero

“The increasing uncertainty of extreme events and the subsequent claims costs are pushing the boundaries of the insurance industry’s capacity. This could make insurance more expensive and less accessible. As a result, the supply of insurance may decrease as the industry’s ability to take on these risks diminishes,” Global Asia Insurance Partnership associate director Yao Lei said.

Some of the ways to increase efficiency and capacity, she said, are for risk advisers to provide insights to anticipate and mitigate climate risks before they become disasters, for educators to raise awareness and drive behavioural change across societies, for influencers to form control over new product selection,

pricing and coverage options and for wealth managers to guide customers’ funds towards more sustainable investments.

### National emergency operation centre

“When it comes to disasters, we learned that both public and private need to work together,” Philippine Disaster Resilience Foundation president Rene Meily said.

The private sector built the world’s first national emergency operation centre outside of metro Manila over fears of a major earthquake hitting metro Manila, he said.

“Much of the Philippine economy is privatised and so we work closely with the government and civil defence but we rely on the core strength of our companies. We try to be as interoperable as possible and we are very active in recovery,” Mr Meily said.

### Forward view

“We are at a pivotal moment in history. The science is unequivocal, the impacts of climate change are accelerating, and the frequency and severity of extreme weather events are on the rise,” Philippine Insurers and Reinsurers Association executive director Michael Relloso said.

“As climate change continues to alter weather patterns, the insurance industry in the Philippines must continuously adapt. This includes reassessing risk models, developing new products and staying ahead of emerging threats. Ongoing research and innovation are crucial to understanding and mitigating future risks.”

“To build a future-proof insurance industry in the Philippines, we must embrace innovation and take proactive measures. Insurers, governments and communities need to work together to develop comprehensive strategies that enhance our resilience against Nat CAT threats,” Mr Veloso said.

The 20th Asia Nat CAT and Climate Change Summit 2024, organised by *Asia Insurance Review*, sponsored by Global Asia Insurance Partnership and Planet Labs was held on 10-11 July 2024 in Manila, Philippines. 



Mr Ankush Bhardwaj



Mr Michael Relloso



Ms Yao Lei