



Natural Catastrophe Risk Management and Hedging - Future developments and needs from science

Claire Souch

AWHA Consulting, United Kingdom (claire.souch@gmail.com)

Losses and damage from natural disasters are increasing due to the combined impacts of growth in populations, wealth and assets at risk, and the impacts of climate change on event frequency and severity. Natural disasters pose a major threat to achieving the sustainable development goals in many countries. Public-private partnerships such as the Insurance Development Forum are rapidly emerging to tackle the scale of the problem. The management of risk by any exposed entity, be that a corporation, individuals or cities/governments requires a holistic approach, within which hedging and risk transfer play an important part. Yet, insurance and other forms of financial risk transfer cover less than half the sustained losses in major disasters, and the traditional re/insurance industry is under pressure from new sources of capital. The quantification of risk and potential losses remains a highly specialist multi-disciplinary effort, not widely understood by broader actors. Additionally, new financial instruments are needed to incentivise resilient (re)building and risk reduction. This talk will examine the history, current practice and future of risk hedging, and its needs for improvement in both risk modelling/assessment and financial instruments to ensure risk protection can continue in an increasingly risky world. It will provide examples of innovations already underway and where more is needed.