Report Outlines New Strategies to Improve Natural Disaster Risk Management

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- A Vision for Managing Natural Disaster Risk outlines recommendations to reduce the impact of natural disasters
- Enlarging the knowledge and resource base that governments can draw upon is crucial for disaster preparedness
- Report highlights central role of country risk manager to coordinate disaster preparedness efforts
- More information on the report can be found here

Rio de Janeiro, Brazil – A new World Economic Forum report, A Vision for Managing Natural Disaster Risk, published today, outlines recommendations to improve risk management and reduce the impact of natural disasters. The report, written in collaboration with ARUP, Lloyds of London and Swiss Re, among other companies, provides recommendations to reduce the impact of natural disasters through enhancing physical and financial preparedness by using the resources of both the public and private sectors.

The report focuses on introducing the skills and resources of otherwise underutilized stakeholders – such as the banking and insurance, engineering and construction, media and utilities industries – to augment public sector capacity in risk management, which usually faces constraints, especially when the disaster is on a large scale. The report outlines three broad pillars, under which the detailed recommendations fall:

- **Risk Awareness** – Create local-level community risk awareness projects to change behaviours through understandable risk data and correct risk pricing; collection and improvement of risk data for communication of the changing risk environment
- **Risk Reduction** – Establish incentive programmes to enhance resilience through investment in retrofitting buildings and strengthening infrastructure; establish a new urban planning process to include the knowledge and expertise of the engineering and insurance experts to ensure new structures are built in lower risk areas and adhere to sufficient codes for physical resilience

- **Risk Management** – Build a coordinated approach to risk mitigation through a country risk manager from a central level to prevent a siloed approach; increase financial preparedness for the severe shocks that cannot be “ built for ” through traditional insurance, catastrophe bonds and country-level funds

With increasing numbers of people affected by natural disasters, the report finds that there is an urgent need for new disaster mitigation strategies, aligned with incentives to promote investment in resilience. With natural disaster risk increasing due to population growth in vulnerable areas, increased urban development and climate change, there needs to be a change in incentives for investment in the resilience of homes and infrastructure, through programmes such as retrofitting existing structures and better land planning to ensure development of safe areas with high resilience structures. As examples of such new tools, the report points to a new suite of financial products, from microinsurance to country-level funds and catastrophe bonds that now provide increased risk transfer.

The report also highlights the important role that a country risk manager plays in improving coordination among resources to enable more effective mitigation across different government departments and to include external resources. Such an approach may better anticipate complex secondary risks. This concept, applicable to all countries, may then provide a platform for efficient capacity building and international cooperation, and for sharing of knowledge and resources.

As lesser developed countries are disproportionately affected by natural disasters, the report finds that there is a role for the international community in addressing the challenges on a global scale and with an equitable and consistent approach to reduce the loss of life.

“On the one hand, we see losses from natural disasters rising, and on the other hand, capacities to deal with such burdens are limited. The most vulnerable countries are often the worst impacted, and the financial crisis has reduced the resilience of many industrialized countries as well,” said Michel M. Liès, Chairman, Global Partnerships, Swiss Re, Switzerland. “We see the demand for innovative public sector risk financing solutions and comprehensive sovereign risk management approaches increasing, to find ways of lessening the physical and financial impacts of disaster and allow for a swifter recovery.”

“Skills and resources from private sector and local communities are often underutilized,” said Andrew Chan, Group Deputy Chairman, ARUP Group. “Improved communication and coordination between the international community and the public and private sectors could generate a larger pool of readily available resources and enhance the efficiency in building preparedness, providing quicker response and faster recovery during the various phases of a disaster.”

“Recent events in Japan have shown the difficulty in preparing for and managing secondary risks,” said Elaine Dezenski, Senior Director, Head of Risk Initiatives. “Coordination at the juncture between the public and private sectors necessitates a strong and overarching risk management body, such as the country risk manager proposed in this report.” Contributors to this report were ARUP, Deloitte, HSBC, Liberty Mutual, Lloyd’s, State Farm, Swiss Re, Thomson Reuters, The Wharton School of the University of Pennsylvania, and Zurich Financial Services.

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