



SECOND CONFERENCE OF THE OECD NETWORK ON THE FINANCIAL MANAGEMENT OF LARGE-SCALE CATASTROPHES

Bangkok, Thailand

24-25 September 2009

- The Second Conference of the OECD Network on the Financial Management of Large-scale Catastrophes took place in Bangkok, Thailand, on 24-25 September 2009. This conference was organized by the OECD, as an integral part of the activities and work plan of the OECD International Network on the Financial Management of Large-scale Catastrophes, in collaboration with the Office of Insurance Commission (OIC) of Thailand and with the financial support of the Government of Japan.
- The conference was attended by about 70 participants including the Deputy Minister of Finance of Thailand, senior governmental officials and delegates from over 20 countries and high-level representatives from other international organisations (Asian Development Bank, International Federation of Red Cross and Red Crescent Societies, United Nations, World Bank and World Meteorological Organisation). Six members of the OECD High-Level Advisory Board, including its Chair and Vice Chairs, took a proactive role in the conference, bringing their knowledge and expertise to the table, and contributing to the success of the event.
- The OECD prepared several policy documents and presentations for discussion in this conference, including the *Policy Handbook on Natural Hazard Awareness and Disaster Risk Reduction Education*, a draft report on *CAT-linked Securities and Capital Markets*, a survey on available mapped hazard information in South East Asia and a comparative review on existing initiatives in the field of collection and dissemination of data on CAT risk exposures and losses arising out of disaster events.
- The two-day conference had four sessions: *Session I* - Learning from the past and looking ahead: Thailand and South East Asia five years after the tsunami, and facing the threats of global warming; *Session II* - Natural hazard awareness and disaster risk reduction education; *Session III* - Hazard mapping, risk assessment, and insurance coverage of natural catastrophe risks; *Session IV* - Catastrophe-linked securities and the role of capital markets in promoting the growth of global capacity to absorb natural catastrophe risks.
- The following key conclusions were reached:
 - During the five years following the Indian Ocean tsunami of December 2004 progress has been made by SEA countries in terms of disaster risk preparedness and prevention capabilities, but the situation is still critical and much still needs to be done, especially on the financial management side. The yearly season of heavy typhoons and cyclones continue to inflict unnecessarily high economic and social losses in SEA.
 - In this context, it is urgent for these countries to work with the international community to develop sound financial coverage solutions as soon as possible. Otherwise; the next large-scale catastrophes will inflict major economic losses and some donors might be more reluctant to help countries which have not made sufficient effort to put these issues on the top of the agenda.
 - Climate change, combined with a fast growing population and concentration of assets in high risk areas, is already affecting the frequency and severity of



weather related disaster events and the economic costs imposed on the countries exposed will increase going forward. Special attention should be devoted to the future impact of hydro meteorological risks in the SEA region and the development of pro-active climate change mitigation and adaptation strategies at both the national and international level, including measures and financing mechanisms to address the expected growing economic and social costs.

- The further development of country disaster risk management and response strategies, and investment in mitigation and risk reduction measures (and related measures to promote incentives for such investment), are necessary for the evolution of financial risk transfer mechanisms, such as catastrophe insurance, at affordable rates. Insurance markets capable of allowing individuals and businesses to reduce the financial impact of catastrophe losses are still underdeveloped in a number of SEA countries.
- Disaster risk education efforts should be aimed at not only enhancing awareness of hazards and response strategies, but also improving knowledge of the economic consequences of natural hazards and the costs associated with disaster events as well as knowledge of available financial protection tools, including insurance. It is particularly important to target national governments given their critical role in the development and coordination of disaster risk management strategies. Disaster risk reduction education must also target members of the parliament and of local authorities who play a crucial role.
- In a number of countries in SEA, there is a need to further improve hazard mapping and its on-line provision to assist catastrophic risk planning for individuals, communities, and governments. Furthermore, the OECD can play an important role in promoting the collection, harmonisation and dissemination of catastrophe data and information, an essential but missing step in measuring the economic and social costs of large-scale disasters.
- Catastrophe-linked securities may create opportunities for the transfer of risks that are currently not covered by insurance markets, thus potentially broadening the overall financial coverage of such risks. The OECD Network and its High-Level Advisory Board have identified key drivers, impediments and issues in the further development of CAT-linked securities and made recommendations that were shared and endorsed by conference participants.