

# **First Conference Organized under the Auspices of the OECD International Network for the Financial Management of Large-Scale Catastrophes**

## **Session III, Part B: Financial Management:**

### **Role of Insurance Industry, Financial Market and Governments**

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#### **Issues to be raised**

The Asian insurance industry now stands at an important junction. Whether the Asian insurance industry will draw a future-rail for itself that is merely an extension of the path that it has taken so far, or whether it will move forward on a new rail.

#### **Challenges in the current situation**

Asia is exposed to a variety of natural disaster risks and has often experienced serious damage to both human life and economic development. From the perspective of insurance, natural-disaster damage in Asia identifies one difficult task to reduce enormous gaps between economic losses and insured losses. This is a problem that must be tackled by both the demand side seeking insurance cover and the supply side providing it. In light of the large and diverse natural disaster risks in Asia, and its relatively small size of the respective insurance market, the way forward for us on the supply side in the insurance industry is to develop cooperative relationships at the regional level.

Asian economies have enjoyed extraordinary growth in recent years. For Asia to emerge as one of the world's largest economic blocs, the insurance industry must consider to do more for not only the region but also the insurance markets throughout the world. It is valuable for the future of Asia that we seek to develop in this manner as a long-term goal of the Asian insurance industry.

Reinsurers around the world have pointed out the extremely small size of the natural catastrophe business within the Asian insurance market. The reason why Asia is thought so is because of lack of business conforming to the standards required by the global reinsurance markets. In other words, modeling technology is not used to rationally quantify risks. However, in recent years, Asia has made steady progress on academic research and practical approaches in this area, and the development of modeling technologies. What I would like to see is the expansion of country-level initiatives to more regional initiatives.

Regarding the natural catastrophe insurance issue, we need to discuss the uncertainty of natural-disaster risk. Even with our modern science and technology, it is still very difficult to make rational forecasts of the occurrence and the damage they will cause. Therefore, due to such remaining uncertainties, there are some natural-disaster risks for which it is difficult for the private sector to

provide cover, and in these cases partnerships will be required with public sectors such as governments and inter-governmental organizations.

In the past, the region has undertaken cooperative projects such as the FAIR Pool and the Asian Reinsurance Corporation with one of objectives of expanding reinsurance exchange within the region. While these initiatives have considerably achieved their objectives, I believe that new frameworks will be required for natural catastrophe risks within the context of Asian economic development of the future.

### **Conclusions- the initial step to the long-term vision**

At the beginning of my remarks I said that the Asian insurance industry stood at an important junction and needed to move forward under a new long-term vision. In this context, I would like to close my remarks by briefly outlining the initial step to the vision.

For the initial step, I would like to emphasize that we need to organize the regional initiative. It will take the role to draw the vision and to articulate this vision and the existing initiatives taken by national and global levels. We are willing to work for this with whomever they may share the same value as we have in creation of the new Asian insurance market on the long-term basis.

Thank you for your kind attention.

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