

DISASTER RISK TRANSFER AND INSURANCE

**UN World Conference on Disaster Risk Reduction
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Remarks delivered by:

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Your Excellencies, Ministers, Ladies and Gentlemen: let me begin by expressing my thanks to the Government of Japan, the co-chairs and all the organizers for this opportunity to address you today on behalf of the global insurance industry.

My name is Mike Morrissey, and I am President and CEO of the International Insurance Society, which has a long and distinguished history and membership here in Japan, and in nearly 100 countries around the world. Our members include all leadership sectors connected with insurance, including CEOs, underwriters, claims managers, brokers, academics, regulators, accountants and consultants, rating agencies and modeling firms, and investors.

From the largest global companies to the nascent microinsurance specialists, we have the privilege of bringing together this rich and diverse community from across the public, private and mutual sectors. Our mission is to enhance the industry and the society it serves through the sponsoring and implementation of research, by objective analysis without an advocacy agenda.

We began our recent journey with the UN in 2012, with the launch of the Principles for Sustainable Insurance at our conference in Rio de Janeiro that year. Our relationship deepened with a day dedicated to the Hyogo Framework at our annual summit in London last year, and with our participation in the Financing for Development conference held by the UN this past November. Our collaboration will continue at the 51st IIS Global Insurance Forum this summer, where on June 17 we will convene at UN headquarters with a program to promote and support all the UN's post 2015 initiatives and processes.

The issues of disaster risk reduction and the Hyogo Framework have driven this week's historic alignment of interests, so this session is an important landmark on the journey of better mutual understanding between our institutions, and of the self discovery of our own wider role.

The shared insight that has propelled our journey together is that sustainable insurance is essential to achieve a secure society, and also to achieve resilience as a platform for sustainable growth and development.

In the 19th century, the climate and disaster risk challenge of the time was fire in large cities. Fire was, of course, a scourge for centuries, but the massive urban growth brought on by industrialization created larger cities and larger conflagrations in Europe, North America and here in Japan, killing thousands and destroying wealth. By the 1870s losses were so great that continued economic development was at risk. Communities and businesses demanded insurance to protect themselves.

Insurers did their research, using the tools and technology available at that time, and presented society with a cold reality. Insurance could not be the cure unless overall risk was reduced. They then argued forcefully for better building codes, zoning laws, the establishment of fire departments, home risk management guidelines etc to bring societal risk within tolerable limits. In the coming decades, cities were transformed and mass urban fire became a distant memory. Insurance has always had a major and positive impact on public policy with respect to loss prevention, while learning a great deal from the public sector as well.

Over the past decade the global insurance industry has made enormous strides in understanding and mitigating natural disaster risk by a contemporary application of science, modeling and mapping, regulation and sound economics. You hear the phrase “risk transfer” frequently. We don't just transfer risk, we reduce risk. We don't just send out checks after events, we reduce the impact of events and sometimes prevent potential losses. It is now our duty to extend the benefits of this enhanced analytical capability beyond insurance underwriting. .

At the UN Climate Summit, the insurance industry made a number of commitments, which we tied to our ongoing relationship as a supporter of the Hyogo Framework.

The first is around understanding climate and disaster risk. We would like to build upon the excellent work in the year's UN Global Assessment Report and share access to the insurance sector's data, expertise and platforms to help our wider society evaluate and manage these risks as a core part of its activities.

The second is around access to disaster insurance. Too many people and institutions in both the developed and especially the emerging world do not have access to effective disaster insurance. This lack of coverage often brings individual tragedy and hardship. Additionally, it brings a much more pervasive threat. Regions with low insurance coverage do not have an economic agent keeping a watchful and influential eye on societal risk. Remember, it was those 19th century underwriters that drove the development and observation of building codes, not the property owners. Public private partnerships between insurers and governments help fill this protection gap, involving both local and international insurers.

The third is around financial regulation and accounting. Since the major windstorms of the 1990s, insurers have had to integrate exposure to natural disaster risk within core

accounting, credit rating and capital management functions. Insurers must now evaluate their exposure and resilience to a natural disaster risk at 1 in 200 year extreme risk tolerance, to fulfill their obligations. Over the past 25 years, the data analytics explosion has transformed our understanding of risk and resilience. Now is the time to extend these approaches across the wider economy. The “1 in 100 initiative” announced at our 2014 conference will support the wider adoption of these approaches beyond insurance, and ensure that resilience is valued fairly and widely within the economy.

The fourth is around investment. Insurers are major institutional investors. Collectively they hold almost one third of all global invested assets, nearly US\$35 trillion. Our sector has committed to develop a risk adjusted investment framework. Of all forms of investors, insurers should logically be among the first to ensure that they invest in safe and resilient companies and projects. It is the insurer who should be among the first to properly value resilient entities, those with more reliable future results than more vulnerable ones.

It is these four pillars that are creating a new recognition by the UN and others of the vital role of the insurance industry in a sustainable economy, as well as driving a new sense of purpose and responsibility from within the industry itself.

Today in this session I am joined by leading practitioners from all sectors of the disaster risk reduction world. We all still have much to learn, but I know that their observations will provide further insights about what can be supported and driven by insurance: the ultimate community product that allows us to share and reduce risk, from the local to the global scale.

The insurance industry thanks the United Nations and the communities it represents for enabling us to see a heightened sense of purpose as drivers of risk mitigation, through the issue of disaster risk reduction and this admirable worldwide process. Thank you.