



**ASSOCIATION ACTUARIELLE INTERNATIONALE  
INTERNATIONAL ACTUARIAL ASSOCIATION**

15 April 2016

Insurance and Private Pensions Committee  
Organisation for Economic Cooperation and Development (OECD)

By e-mail: [leigh.wolfrom@oecd.org](mailto:leigh.wolfrom@oecd.org)

Dear Sir,

**Re: OECD consultation on a Draft Recommendation on Disaster Risk Financing Strategies**

We appreciate the opportunity to comment on the OECD's consultation on a draft Recommendation on Disaster Risk Financing Strategies. I am pleased to transmit, on behalf of the International Actuarial Association (IAA), our comments and recommendations.

The Insurance Regulation Committee was responsible for the oversight of the preparation of comments on behalf of the IAA. These comments were prepared by a drafting team appointed by the Insurance Regulation Committee, in consultation with the Resources and Environment Working Group. If, upon reading these comments, you identify any points that you wish to discuss or obtain further insight regarding them, please do not hesitate to contact Esko Kivisaari, delegate of the IAA to the OECD, care of the [IAA Secretariat](#). The IAA will be pleased to develop these ideas further with you.

Yours sincerely,

Malcolm Campbell  
President

Attachment: [IAA comments](#)

## Comments by the International Actuarial Association on the OECD Draft Recommendation on Disaster Risk Financing Strategies

### International Actuarial Association and its Due Process

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our sixty-seven Full Member actuarial associations, listed in [Appendix A](#) to this statement, represent more than 95% of all actuaries practicing around the world. The IAA promotes high standards of actuarial professionalism across the globe and serves as the voice of the actuarial profession when dealing with other international bodies on matters falling within or likely to have an impact upon the areas of expertise of actuaries.

We appreciate the opportunity to comment on the *OECD Draft Recommendation on Disaster Risk Financing Strategies* and provide our comments below which are supportive of the proposed Recommendations. These comments have been prepared by a drafting group with the oversight of the Insurance Regulation Committee. The members of the drafting group are listed in [Appendix B](#) to these comments. It has also been subject to the due process required for it to constitute a formal view of the IAA, and will be posted to the IAA’s official web site.

### General comments

We find it very encouraging that the document emphasizes a comprehensive view of the various aspects of disaster risk management: "an integrated approach to disaster risk management and the contribution of risk assessment, risk awareness and risk prevention". We believe this comprehensive and inter-connected approach consists of the following:

- Risk identification
- Risk and response analysis
- Policy formulation, including assessment/development of management structure, including
  - private/public responsibilities (financial and actions)
  - private/public insurance and warranties
- Implementation/enhancement of effective pre-disaster risk management programs including mitigation/adaptation/resilience strategies and tactics
- Post-disaster responses and financing.

It also properly emphasizes inter-sector and inter-regional communication of lessons learned (feedback loops) and practices (including commitments).

While the entire document addresses financing strategies, it is understandable that the emphasis is on issues that can be measured in monetary terms. Nevertheless, we point out that “qualitative” factors should not be overlooked, as there are many consequences from disasters that cannot be reinstated with money. It should at least be acknowledged that in addition to financial strategies there needs to be other value-based strategies. In any case, in extreme cases, loss of human life or permanent damage to an ecosystem cannot be compensated with money.

**Additional specific comments:**

1. The statement is quite broad in scope - possibly too broad. Addressing such risks as climate change, natural disasters and pandemics in one statement may result in the use of overly general language. Both examples and categorization of types of risks that this statement covers will help the reader. For example, there are lots of references to insurance where it should be made clear whether it means life assurance or property and casualty/general insurance because these are different and involve very different preventive actions and knowledge.
2. Although it addresses financial protection tools, we don't think it adequately emphasizes the need for both pre-event and post-event tools. There is no such thing as a free lunch - preventive actions (whether through effective and appropriate building standards in areas exposed to natural disasters, or development of properly trained medical personnel) are not cheap, although at the same time they can certainly have secondary benefits.
3. It properly emphasizes worldwide learning/communication/feed-back loop logic. Cross-country and region communication concerning effective and ineffective techniques for both pre- and post-disaster risk management are extremely valuable. However, since the scope is so broad, it may be difficult to effect changes/improvement in the current systems. Additionally, we would move IV v into the start of IV, or at least close to IV i. When there are government-sponsored tools crowding out individual or commercial tools, then awareness of private responsibility is severely diminished. We would also recommend mentioning the role that financial inclusion may be able to play in countries still developing a more robust insurance and financing infrastructure.
4. In Section VI, management of government exposures seems to emphasize post-event financial responses, rather than pre-event mitigation/adaptation/resilience management and planning. It should emphasize both. And although it does emphasize governmental exposure, an effective response demands appropriate public and private (whether insurance, NGO, community or individual exposure and response) resources and cooperation.
5. One important area in disaster financing is how future conditions are compared with those of today. This leads to the discussion of discounting. When trying to avert future disasters we often talk of long time spans. The discount rates used to assess today's value of future cash flows have a dramatic impact on whether benefits or losses in the future are understood to be large or small. We think it would be essential to include guidance on discounting to be added to the document. We in the IAA would be happy to outline alternatives for deriving discount rates that could then be recommended, based on consideration how to value the future in comparison to the present day.
6. On page 2, only increases in the value of assets are noted as a reason for larger impacts in the future. We would add the effect of such factors as continuing urbanization and the fact that cities are often expanded into areas that are very vulnerable to catastrophes.

## **Appendix A**

### **Full Member Associations of the IAA (67 members)**

(15 April 2016)

Caribbean Actuarial Association  
Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (Argentina)  
Actuaries Institute Australia (Australia)  
Aktuarvereinigung Österreichs (AVÖ) (Austria)  
Institut des Actuairens en Belgique (Belgique)  
Aktuarsko Drustvo U Bosni I Hercegovini (Bosnia and Herzegovina)  
Instituto Brasileiro de Atuária (IBA) (Brazil)  
Bulgarian Actuarial Society (Bulgaria)  
Canadian Institute of Actuaries/Institut Canadien des Actuairens (Canada)  
China Association of Actuaries (China)  
Actuarial Institute of Chinese Taipei (Chinese Taipei)  
Asociación Colombiana de Actuarios (Colombia)  
Institut des Actuairens de Côte d'Ivoire (Côte D`Ivoire)  
Hrvatsko Aktuarsko Drustvo (Croatia)  
Cyprus Association of Actuaries (Cyprus)  
Česká Společnost Aktuárů (Czech Republic)  
Den Danske Aktuarforening (Denmark)  
Egyptian Society of Actuaries (Egypt)  
Eesti Aktuaaride Liit (Estonia)  
Suomen Aktuaariyhdistys (Finland)  
Institut des Actuairens (France)  
Deutsche Aktuarvereinigung e. V. (DAV) (Germany)  
Hellenic Actuarial Society (Greece)  
Actuarial Society of Hong Kong (Hong Kong)  
Magyar Aktuárius Társaság (Hungary)  
Félag Islenskra Tryggingastærðfræðinga (Iceland)  
Institute of Actuaries of India (India)  
Persatuan Aktuaris Indonesia (Indonesia)  
Society of Actuaries in Ireland (Ireland)  
Israel Association of Actuaries (Israel)  
Istituto Italiano degli Attuari (Italy)  
Institute of Actuaries of Japan (Japan)  
Japanese Society of Certified Pension Actuaries (Japan)  
The Actuarial Society of Kenya (Kenya)  
Latvijas Aktuaru Asociācija (Latvia)  
Lebanese Association of Actuaries (Lebanon)  
Lietuvos Aktuaru Draugija (Lithuania)

**Full Member Associations of the IAA (67 members)**

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Persatuan Aktuari Malaysia (Malaysia)  
Colegio Nacional de Actuarios A. C. (Mexico)  
Association Marocaine des Actuaires (Morocco)  
Het Koninklijk Actuarieel Genootschap (Netherlands)  
New Zealand Society of Actuaries (New Zealand)  
Den Norske Aktuarforening (Norway)  
Pakistan Society of Actuaries (Pakistan)  
Actuarial Society of the Philippines (Philippines)  
Polskie Stowarzyszenie Aktuaruszy (Poland)  
Instituto dos Actuários Portugueses (Portugal)  
Asociatia Romana de Actuarat (Romania)  
Russian Guild of Actuaries (Russia)  
Udruzenje Aktuara Srbije (Serbia)  
Singapore Actuarial Society (Singapore)  
Slovenska Spolocnost Aktuarov (Slovakia)  
Slovensko Aktuarsko Drustvo (Slovenia)  
Actuarial Society of South Africa (South Africa)  
Institute of Actuaries of Korea (South Korea)  
Col.legi d'Actuaris de Catalunya (Spain)  
Instituto de Actuarios Españoles (Spain)  
Svenska Aktuarieföreningen (Sweden)  
Association Suisse des Actuaires (Switzerland)  
Society of Actuaries of Thailand (Thailand)  
Association of Consulting Actuaries (United Kingdom)  
Institute and Faculty of Actuaries (United Kingdom)  
American Academy of Actuaries (United States)  
American Society of Pension Professionals & Actuaries (United States)  
Casualty Actuarial Society (United States)  
Conference of Consulting Actuaries (United States)  
Society of Actuaries (United States)

## **Appendix B**

### **Members of the Drafting Group**

(15 April 2016)

Esko Kivisaari - Lead  
Assia Billing  
Simon Brimblecombe  
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Yasuyuki Fujii  
Sam Gutterman  
Joe Nichols  
Thierry Poincelin  
Ana Ramos  
Dave Sandberg  
Philip Shier  
Tom Terry