# June_19_407_001

So my name is Mina. I am from token marine general insurance company in Japan. And here I am here to be the moderator. So thank you. I see a couple of faces that I know. Good morning, everyone. So it is very great to have you all here in this very bright, shining morning.

So this session, it is titled as bringing resiliency to the Asia Pacific and the role of disaster risk financing and insurance. So today in our session, we were supposed to have three speakers here on stage.

But unfortunately, one of our speakers is going to be online. So I think that she will be coming in a bit late. But we will first like to start with our speakers here. So today, I will let on introduce in more detail.

But first, let me introduce Rowan Douglas in our center. I think many of you may know but Rowan from IDF, and also JC from representing APEC. Okay, and so let me start. And actually, this session, it is organized by the APEC DRFI network.

Good morning, everyone. So for the APEC DRFI network, Mr. Masaki Nagamura from token marine holdings has been the shopper. So this is why we have been we have asked to, you know, hold the session here today.

And first of all, I would like to thank the World Bank team and all the supporters who have made this big event to come here, and for the opportunity for us to hold this 15 minute session with you here today.

So I think that before beginning, I would like to okay, I have the okay, I would just like to share a bit of a session background thoughts. So I think that many of you may have joined this UR24 since Sunday or Monday.

And I think that you have attended a couple of sessions or multiple sessions. And I think that you have heard from many economies or many organizations of, you know, what each country or economy has been doing tackling the DRFI agenda.

And but still with this multiple DRFI initiatives has been conducted worldwide. But still, I think that we do see a big protection gap within the region or worldwide. So the question is that, how can, you know, and also given the very different circumstances between all the economies, how can we have this agenda of the DRFI to be understood and, and to have more interest towards this DRFI.

And these two bullet points I have put here. So I think that two things that maybe, you know, for myself as well, working with this topic of DRFI to big, not issues, but obstacles, maybe I would say, is that one is that not only for the public sector, but also for the private sector, that we have personnel rotations, maybe once every two years, three years, or maybe in a year, people rotate.

So having to be able to discuss constantly, and to have a sustainability of conducting such DRFI initiative, that is one of the hard things that I think that we face. The second part is I think that many of you here are from the government side.

Today, I don't have the fancy polling system, so I'm not really sure which country or which organizations you are from. But I think that for government officials or any sections or departments is going to willing to tackle any of these DRFI challenges.

I'm not sure if you know where to reach out to. Of course, I think that the first organization to reach out will be the World Bank team. Of course, them having this great event here. But I think that there are many other initiatives going on worldwide.

So if you think that you would like to tackle any of your challenges, I think that today we have Rowan and JC, which has been dealing with this for years and years, I think. More than two years. More than the rotation.

OK. 10 rotations. 10 rotations. Very long. So I think that first, today I would like to hear from JC and Rowan about what they had been doing in their initiatives in regards to a DRFI. Then, following by Megumi Muto from JICA to speak of her case studies that she has already has experience in with the Philippines.

So I think that Muto -san will be coming in late on, on screen. So first, we would like to start off with JC to give some presentation about his experience within the APEC economies. So for JC, so JC is representing the APFF and APEC Finance and Investment Test Force.

Hello, yes, thank you. So I'm very pleased to share the work on DRFI under the Asia Pacific Economic Cooperation, or APEC. Next slide, please. OK, no, that's OK. They have a previous one, yes. So first, let me explain the structure of the APEC Finance Minister's Process, or FMP, where the work on DRFI and APECs being done.

So who are the participants here? These are the 21 member finance ministries, several multilateral institutions, like the ADB, IMF, OECD World Bank, and the APEC Business Advisory Council, or ABAC, representing the private sector.

There are six policy initiatives under the FMP. Three are being managed by ABAC, and the other three are being managed by the public sector. DRFI is being handled within two of these six initiatives.

One is the DRFI Solutions Working Group, which is public sector led, and is being co -chaired by Japan Ministry of Finance and the Philippines Department of Finance. The second is within the Asia Pacific Financial Forum, or APFF, under which is the DRFI network.

This one is private sector led. However, the work of APFF also forms part of the work plan of the public sector led regional DRFI solutions working group. So there is full coordination within public and private sector initiatives.

Next slide. So this is the work plan of the DRFI Solutions Working Group. This year, two projects are led by the World Bank, three projects by the OECD, one project by the Ministry of Finance of Japan, and three projects led by the APFF.

These three private sector led projects are the Cat Bond Project, the Epidemic Risk Markets Platform, the new project that we are starting this year on hydrometeorological risk financing and insurance.

Let me just describe each of them briefly. Next slide. So our Cat Bond Project is focused on promoting the use of catastrophe bonds in developing Asian economies. As you all know, within APEC, the US and Japan have been the main issuers of Cat Bonds.

Chile, Mexico, Peru, and the Philippines have been able to use Cat Bonds through the World Bank's Capital at Risk Notes Program. But most of the Asian developing economies have yet to use this instrument, which could fill an important gap in their DRFI frameworks, which is the protection against large scale natural disasters that can be provided with the help of capital markets.

The main obstacle to take up has been insufficient familiarity with Cat Bonds among many government institutions that will need to work together in deploying this instrument. So our work since 2020 has been focused on filling this knowledge gap through workshops and webinars.

Next slide. The Epidemic Risk Markets Platform is a solution we have developed to address two main obstacles to greater private sector involvement in protection against future pandemics. The first one is accumulation risk, which is due to the large magnitude of financing needs, and the second one is affordability.

The platform addresses accumulation risk by bringing in capacity from both private and public sector using a structure, and it addresses affordability by combining insurance with contingent lending. We are currently in the process of finalizing a pilot project with Thailand and have been in discussion with the Philippines on the second pilot.

Next slide. The third project is focused on expanding the role of the private sector in hydrometeorological risk financing. We are still developing our recommendations, which we hope to finalize after a virtual roundtable that we are holding tomorrow.

And next slide. Okay, I think that's the last. So as you can see, our work involves very close collaboration between public and private sectors, as well as with multilateral organizations. It also involves engaging agencies beyond finance ministries and regulators, since adoption and implementation requires cooperation among different agencies.

So let me stop here and conclude my presentation, and thank you very much for your attention.

Thank you, JC. So next, I would like to head over to Rowan. So I think that Rowan has a long, long relation with this DRFI topic, and you have launched the IDF. So I think that maybe first, if you could introduce how you have come up with, to gather this IDF with working with the UN, with the World Bank, and what was your thoughts, and how you have gathered the initiative.

Super, thank you so much, Mina, and Masaki -san for the invitation. Masaki -san always has to do a lot of traveling to events around the world or get up at midnight to be on call, so it's so nice to come to your part of the world, and so you don't have to get up in the middle of the night, but thank you, Masaki -san.

It's great to be here to follow JP's intro. So the Insurance Development Forum actually will be 10 years old officially next year. It was launched at the Paris Climate Summit. I must say it had a few years of gestation, so for some of us it feels more than 10 years old, I have to say, but it's great to be talking about it here at Understanding Risk because some of you, I can see some faces I recognize,

some of you would have been at the first Understanding Risk Conference that was in Washington, D .C. in 2010. And actually it was through the, I'll call it the rich, fertile soup of the understanding risk community that really led to the creation of the IDF over the following years.

And it was born of the recognition that the insurance sector, and by insurance, I mean it very broadly, insurance isn't just an industry, insurance is an institution of society. Most insurance is undertaken actually in the public sector.

It isn't, there is a private sector industry, there's a very important mutual and cooperative insurance sector. And there's a whole professional community around insurance, actuaries, risk modelers, and the rest.

And it was born of the recognition that this community had been at the heart of the disaster risk financing world professionally, but had really operated in a relatively distinctive professional and commercial environment.

There were probably 10 ,000 people in the world in 2010 who were part of that domain. And they hadn't really had the opportunity to properly engage with the mainstream public sector and frankly wider commercial audiences who were becoming more focused on disaster risk financing in sort of 10, 15 years ago, as well as the mainstreaming of climate risk.

And there was this frustration among some of us that this community had a lot to offer, but there wasn't really a bridging mechanism. And frankly, there was some misunderstanding and a bit of prejudice on all sides as there often is.

So we were very fortunate that with the help of the understanding risk community, the World Bank and various UN agencies, between about sort of 2012 and 2014, we were able to foment this organization, which is quite unusual.

It's industry led. So the industry funds the resources required for the basic operation administration of this forum. So currently it's chaired by the chair of Zurich Insurance, but it's co -chaired by the public sector.

So it's co -chaired usually by the head of the UNDP, currently Akim Steiner, and usually an executive director of the World Bank, was the CFO, it's now the head of. And around the steering group, you've got usually CEOs or chairs of different insurance companies, of heads of I think five UN agencies and international institutions.

We have BMZ as a major donor in this space. We have Mark Carney, who was then, when he was appointed head of the G20 financial stability board, and now is the UN's climate finance action. And the purpose was to bring the capabilities and experience of the insurance companies to find the disaster and physical climate risk resilience domain.

So we've probably now mobilized with the help of donors. 100 euros of resources into the disaster risk financing domain, some of them hard cash and financial resources to mobilize technical assistance, to mobilize premium financing, but also significant in -kind resources of time.

We added it up. There's been about a thousand, a thousand people over those 10 years engaged in programs, and I'll just very quickly summarize the programs. I didn't bring any slides. But if you just Google Insurance Development Forum, it's all there on the web.

But the aim was, we've just had our annual meeting actually. Happened to be in London last week. Happens all over the world. And I think we had finance, ministry, staff, or similar types of officials from 40 countries across the Global South at that meeting.

Kindly brought to us by the World Banks team, led by Livia Mohull. And really, I suppose that typifies. So we had 40 members of that group, many others, from public and private sectors. And the aim of the IDF, and if there's anyone in the room who is seeking assistance, it's to give governments and other public sector agencies within developing countries and emerging economies what they need to move from a curiosity about disaster risk financing to actually implement programs that will have a benefit.

So firstly, we have a significant risk modeling program, and many of the team involved in that are here in IMAGI, that works with countries to help them understand their risk in the metrics and methodologies that are used by risk capital markets.

And really, this financing domain only really makes sense when you embrace the philosophy that brings us all here at the Understanding Risk Conference, that we retrain the invisible hand of economics to integrate climate and natural disaster risks into macroeconomics and microeconomic understanding and accounting within countries.

Because it is a risk, and until we account for the risk, we cannot value properly resilience. So important work that we do with countries to help them understand their risk, but then also develop and design potential programs to de -risk could be public assets.

It could be programs to support public debt management. And a lot of this is about using the modeling to understand where does adaptation interventions make best sense, and where do you also need to have additional disaster risk financing, which now also sort of blends into the emerging mainstreaming through loss and damage.

So a major focus on climate and disaster risk modeling. But critically getting it into the operations of countries and agencies. It's great to see Yoshi Kawai here, former regulatory overlord of the global insurance regulatory body in Basel, and in very important work the IDF does in regulation and resilience policies within countries, insurance regulation and wider regulation, including risk disclosure,

which is key. We have a program that looks at sovereign and sub -sovereign disaster risk financing programs, working significantly with the global risk pools, who are all here at HEMEGI, including also the use of disaster risk financing programs within the context of humanitarian and forecast -based financing.

We have a program looking at the role of these capabilities in inclusive insurance and inclusive finance. And usually micro insurance or inclusive insurance is always integrated within credit and other financial services within countries.

And frankly, we cannot make communities resilient financially unless we integrate this into their finances. I had the privilege of doing a program in the Philippines four or five years ago, looking at how inclusive insurance has had an impact on communities who'd been devastated by Typhoon Haiyan in 2013.

And it was actually the role of inclusive insurance in the context of people's access to credit and wider financial services, which was key. We have a program that we've just announced. We're very pleased and privileged to have mobilized the investment capabilities of the insurance sector recently to create a fund, which is being managed by BlackRock, which will mobilize insurers' investment resources.

Insurers have almost $40 trillion worth of assets under management around the world. There were some restrictions about how that investment can be used because of the particular needs of insurers, but nevertheless, we've been seeking to mobilize more of that asset base of insurance to be made available for resilient and sustainable infrastructure investment in developing countries.

And I'm very pleased that that has taken some time to mobilize, but now that is occurring and we'll be announcing that more formally. I hope I haven't said anything I shouldn't do, but we're announcing that formally in a month or two's time, and then a program on resilience.

So I would just say to those in the audience, if you're from the insurance sector or related sort of capabilities, this is a very exciting group to be part of. We've arranged it so it can be a part of the mainstream of people's activities within underwriters or brokers or other parts of the sector, but frankly, it's also a great place to feel you're having an impact.

But if you're from the public sector or the NGO sector or the academic sector and you're sort of thinking, hmm, I think there's something in this space for me. It could be in the natural NBS domain as well.

Please, please feel very welcome to connect with an insurance department forum. It's hopefully been a successful bridge to begin to make a real impact. And after 10 years, we feel we've got past infant mortality.

And now we're ready for the next teenage phase of when we'll become boisterous and shake things up a bit. So there we go. Thank you, Mina. I've just used up my date minutes.

Okay, thank you so much. I think that there will be more and more that we would like to hear, but I would like to first move on to our next speaker. So we will have Dr. Megumi Muto, and she will be online.

So I think that she is... Hello, Megumi -san. Thank you. Thank you for joining. So Megumi -san is the Vice President of Development, Finance, Partnership and Mobilization at JICA. So in this role, she leads the JICA's work on blended finance transactions in partnership with other development finance institutions, multilateral development banks and private investors.

So today we have asked Megumi -san to share a case study of implementing standby loans for disaster recovery in the Philippines. So first I would like to pass over to Megumi -san. Megumi -san, the floor is yours.

Yeah, thank you very much. Can you hear? Yes, thank you.

Thank you so much for inviting Jaika for this important session to explore how can we expand the potential of disaster risk finance and insurance. Maybe I'm very unique in navigating between disaster risk reduction infrastructure investment.

This is like a flood control. And then disaster risk finance to national budget, which is the drawdown option that I'm talking today. And also you are working on the insurance of public assets. This is all in the context of the Philippines.

So I have done free sites and very unique. I was responsible for the cooperation with the Philippines 2010 to 2015. And during that time, it was before and after Typhoon Haiyan Yolanda. I had many chances to discuss with the insurance industry on how we can collaborate in DFRI, disaster risk finance and insurance.

I think I talked to Parina Sand as well during that time. For Japan's cooperation with the Philippines since the 70s, exante disaster risk reduction has been and still is the most important. So it's like data measurement, early warning system, and also disaster risk reduction infrastructure such as river flood control, volcanic lava guide wall, or SABODAM.

This is more really hardcore risk -reducing infrastructure. In 2010, when I started as the director for the Philippines operations, I found an exhausted team assessing the damage of 2009 typhoon Ondoy Pepehny Luzon Island.

And they were really, really working hard to justify the amount of budget support exposed in 2011. Another typhoon, Washi, hit northern Mindanao and we sent a quick assessment team to formulate a flood control project, again, in reaction to the disaster exposed.

We felt like we are like an emergency response team and thinking about sustainable development was in our spare time and a bit over -exaggerating, but it was like that. That was not good as a development agency.

So at that time, I saw a positive development in the technical cooperation at the Department of Public Works and Highways and the OCD. The number of river engineers were going up and we were working on rivershed -based planning and also many local government units with the guidance of the Office of Civil Defense, the OCD, were starting their DRR plans.

This is a really good development with long -term vision and leads to DRR ex -ante. I wanted to encourage more of these activities and link it to the resilience of the national budget and plus offer my team some good rest to recharge and think about development together with the Philippines.

So in 2012, I knew that the World Bank had at that time just dispersed the drawdown option, CADDDO, so I proposed to fill the gap until they formulate the next one. So it's really like a proposition that we take turns and protect the national budget of the Philippines.

And in the policy matrix that usually comes with that kind of operation, we put the progress of the technical assistance to the Department of Public Works and Highways, DPWH, and OCD, the Office of Civil Defense, which is really disastrous reduction ex - ante type of efforts.

This is how we started the disaster standby loan of CHICA. Right now, as you see in the slide, it's labeled secure. We first formulated it and played an important role in providing liquidity right after Super Typhoon Haiyan or Yolanda.

Now we have the same operation with, interestingly, Latin American countries, Peru, El Salvador, and others. Although with these efforts together with the World Bank, the national budget was in a way smoothed out.

It was harder to smooth out the value of the assets. And when it comes to the people's lives, there's no concept like smoothing out. We really have to protect them. So we continue the effort to reduce the risk of exante.

In our cooperation with the Philippines, this exante activity is the flood control of the Pasig Marikina rivers in Metro Manila, and other densely populated areas with high asset value. Maybe if you turn to the next slide, please, you can see our efforts in the Pasig Marikina river plain in Metro Manila.

But in the context of a disaster risk finance and insurance, this is only part, one part of the efforts. It is really disaster risk reduction. And it's one type of that, which means a public good spillover type of disaster risk reduction.

But there are many other types of disaster risk reduction, especially in the residual risk. You see in the slide that with the flood protection, we could protect a lot of assets, value, and people in 2020 typhoon disease.

But there is reduction investments that the owner of the asset can do. Private goods type of disaster risk reduction in which the impact is value enhancement that remains in the asset. Here, insurance has a central role to play.

In insurance contracts, they can be incentivizing of a disaster risk reduction, ex ante. So JICA is now collaborating with the GIS of the Philippines on their activities with regard to ensuring the public assets, bringing in this type of bridge thinking in between disaster risk reduction and the role of insurance.

I stop here for further discussions. Thank you.

Thank you Megumi -san. Okay thank you so much. So now I'm having our three speakers first to give a brief introduction and also what they have been doing. I think that we have heard from GC and from Roland of the public and private sectors how they have been working and having this platform and also from Megumi -san how she has been doing the implementation an actual case study in the Philippines.

So before I move on to have some questions from the floor maybe I would just like to ask one or two questions to our speakers. So maybe first to Roland and to JC. So I think that you know you're both having this platform for IDF for APEC.

So but I think that you have more than ten years or you know close to ten years of this experience but what would you think that you know would be the key for maintaining these kind of platform you know to have it continuous.

I think that you have the donors you have you know people to be involved but I think that to keep this to be continuous and to have a resilient platform what would you think what do you think is the key.

Hello, yes, so I would actually mention three things. The first is importance of private sector involvement, and that means not just the insurers, but also the wider community of stakeholders that Rohan had mentioned earlier.

The second is the support of the APEC finance ministers for a multi -year process. So this is something that requires continuous effort, so it cannot be handled properly if you just have a task force or a group that exists for one or two years, so it has to be continuous.

And the third is the engagement of different agencies involved in DRFI. I think this was referred to by Megumisan earlier, that you need to involve not just finance ministries, but you need to involve insurance banking, securities regulators, ministries involved in resilience, could be transport ministries, could be infrastructure ministries, and local governments, which are very important in this process.

So I think these three are the key to success for maintaining a resilient platform for discussion.

I'll pick up on J .C.'s comments. If I may, I'm going to talk a bit of a quick picture. No, we're working. Yes, indeed we are. Right. So if I can be open amongst friends, in as much as this community of expertise that has been brought together this week here in MAJ is a remarkable sort of, and growing, if I can put it like this, puree of talent that is beginning to speak the same language wherever we come from.

And we're beginning to be quite a good choir, actually, or good orchestra. But I think the challenge is that many of us, and I include myself in this, get quite a bit of our personal sort of feeling of value by, if you like, demonstrating our expertise.

And if I can put it like this, admiring the problem. All right. We spend a lot of time admiring the problem and saying all the difficulties and challenges, because that kind of helps us convey our expertise.

But ultimately, it's much more important that we as a choir get together and begin to properly communicate to exactly the audiences that JC was describing, that this is a challenge that we now can fundamentally confront.

We have the tools, we have the knowledge, we have the capabilities, but we now have to execute at scale. I'll give you an example. We've just done some work to look at the climate and natural disaster risk to a group of small island developing states around the world.

And who can face, as many of you all know, much more than 100% of their GDP to be lost overnight if the wrong typhoon comes too close or over a period of weeks or months if the drought is too strong.

And we looked at the cost of actually ensuring that these economies would lose no more than 10% of their GDP. And the cost is relatively minor. Broadly speaking, the economies of the 30 small island developing states of less than a million people could be fundamentally protected through disastrous financing of around about a billion dollars a year that would liberate about 75 billion dollars of disastrous financing and allow these countries to have security and sustainability in a way.

And that's not a great deal of money for a quarter of the nations on Earth. And we looked at what would happen in 2050 and the risk is growing, but overall by about 10 or 15% between now and mid -decade.

So significant, but not overwhelming. And fortunately we aim to mobilize that sort of protection. But that's the sort of scale we should be thinking about. But there's a deeper philosophical issue, and I'm going to put it like this.

We all know that, if you like, our economies and our societies, in the case of physical climate disaster releases, are sick. We all know that we're sick, and it's not just, if you like, the hazard, the equivalent of the climate virus, it's also about our vulnerabilities, our exposure, our healthiness.

And it's just like, you know, I'm in my 50s. I can tell that I'm not quite as fit as I was in my 30s. And I kind of dread having that medical, because you know that, you know, the metrics aren't going to be quite as good as they were two years ago.

And you know that it's going to cost you. You know you're going to have to do more exercise. You're going to have to change your diet. You know you're going to have to do this, that, the other. So you kind of put it off.

You say, oh, I'll be all right for another year. And you keep on being all right, and then you may not be. And that's exactly where we all are with our economies and societies. We know that we are all, to some degree, ill, ill.

But we are scared to properly have that medical, to properly incorporate these risks, these contingent risks, into our decision -making, because we know in the short term it's going to cost us. We're going to have to spend a bit more money going to the gym.

We're going to have to take some painful decisions about our economic and social diet. And until we confront this and decide as communities and societies to be a choir that speaks to our audience and says, yes, we will need to spend some money now, but actually, when you properly account for this, we are going not just to save money later, but we are gonna protect the basic rights of life and livelihood and shelter.

If you want to have the biggest impact on those basic rights, we have to fundamentally make capital sensitive to these risks. That is the way to structurally protect billions of people. But I, so my aim is we've got to help our countries and our leaders get over this fear of having the medical and taking the treatment to get fit in our middle age so we have a long future life in our economies and a healthy one,

not that in 10 years' time we are having this conference and frankly planning palliative care for our communities and our societies. And that's what we have to do. I hope in 10 years' time this conference has 50 ,000 people in it.

And it's absolutely in the mainstream and then we will have achieved our ends.

Thank you. So maybe Meghamisan, if you have any thoughts to add, please.

Thank you very much. I said in my intervention that I'm very unique and then being able to connect disaster risk reduction, exante investment and disaster risk finance for national budget and then insurance for assets.

Okay, in navigating through all these three discussions, I have a personal kind of like a principle and this principle is a combined financial framework, but also always with thinking about the people's lives.

I think that is maybe a simple thing, but it's very important because some people in the practitioner side in particular on DRR, they have the impression that if the finance people talk about risk transfer pricing, export post payout, that is okay in the framework, I know exactly, but then people practicing, they are just think, okay, what about people's lives?

If they are lost, they cannot come back, cannot be paid out. So they should be always kind of like a link to that kind of concern. So my little trick for myself is that, yes, insurance industry is great in this collaboration, just that if they can be incentive in the insurance contract embedded so that people cooperate can be incentivized to do ex - ante disaster risk reduction measures for themselves,

that will be a great link. And maybe we can try out discussions around that. It's like, yeah, health insurance that has kind of like maybe mandate to do the sports a little bit more. Thank you very much.

Thank you, Megan Muzan. I think that there will be more that you would like to speak. But firstly, I think that I should open the floor for any questions. OK, so.

I'm Yoshika, I'm a C -DRIP and a G -I -P today. I'll just question all the theme of today's discussion is, I think two important theme is public -private, partnership, IDF, APEC, and JICA, and also exante, how to make it happen, you know, exante rather than exposed.

So, and just combine these two, and Meg, Misand, and Rowan, and Jess, you explained quite a bit, but what's the challenge? Because everybody knows, in theory, that the public -private partnership is better, and exante is better.

But scale, as you said, Rowan, is not happening yet, as a scale that, you know, five million people, huge number of people, society should move towards that direction, but it does not happening. So what's the challenge that you are facing, this exante -public -private partnership?

Like, you know, and what's the one possible solution to overcome this, you know, challenge public -private partnership exante? Do you have any idea?

Well, on the ex ante thing, and actually as a financial regulator I'll sort of, you've had the incredible vantage point in this. So the bottom line is that if you undertake ex ante, disasterous financing, what you have done is you have created a contingent asset, an entitlement to a sum of money if a defined set of circumstances occur, all right?

Let's imagine that you've taken out a facility that allows your country to have a hundred million dollars of financing, immediately a cat three or four hurricane comes too close. And that is an entitlement.

You have converted probably a modest annual flow, premium, but at the moment that contingent asset cannot be accounted for effectively. And until, so that does not mean that the contingent liability that credit rating agencies or others are assuming for your country because of these risks.

You're not able to get, so as an insurance company, I can buy reinsurance and the regulator, Yoshi used to be a regulator, will, will recognize that contingent asset, that reinsurance, which is available if I, if the disaster happens.

So I don't need to hold that money myself. It's far more efficient until the benefits of disastrous financing are credited properly. When you have that financing, not just if, and when the disaster occurs, the invisible hand is not working to support this.

On the public and that in itself would transform the ability of private public finances to come together. And if you made that change and we sought to do that when we drove to, when we drove climate risk disclosure, and it led to things like the task force, cognitive analysis goes, our aim was to make these risks disclosable, but critically, the contingent asset of insurance or DRF to be accountable.

When that happens, everything else will just, not everything, but it will just transform everything and it's a flick of a switch and it's taking a long time. All help gratefully received to make that happen.

Yeah, just to add to what Rowan said, he mentioned earlier that we're like an orchestra, right? But an orchestra cannot really play effectively if there's no conductor. It needs to be orchestrated. The thing is when we're looking at the DRFI, you know, there are a lot of agencies, a lot of people say this is what we need.

But the problem is, you know, how do you bring all of these together in order to come to a decision in order to take advantage of a particular instrument? So this is, you know, something that we encountered in the work we do on catastrophe bonds.

So in the region, both the Philippines, the USA, have introduced catastrophe bonds. But from their experience, it took them many years in order to convince different stakeholders first of all to explain what catastrophe bonds are, for them to understand, you know, how best to use it in the context of their own vulnerabilities.

And then to make the decision. This is, again, a similar problem that we encounter when we try to promote the epidemic risk markets platform because, you know, the next pandemic is just around the corner and it could be as bad or even worse than COVID.

And the governments are probably not, they will probably not be able to respond in the same way that they responded in COVID because there's no money anymore left for the governments to do. But there is, there are possibilities for bringing in the private sector to provide that protection for economies.

But right now we're talking to Thailand, we're talking to the Philippines, but it's very difficult to bring together the stakeholders who could say this is what we want to do. So I think, again, it's important to have a conductor and it's important to orchestrate all of these efforts.

Maybe Mingwisan, anything that you would like to add?

No, thank you very much. I think well ago with Mr. Parena sitting in the Philippines, we were talking about sharing information about the risk. Maybe, for example, in JICA, there's a lot of information about what we are doing with regard to disaster risk reduction infrastructure, and that is not well shared through the Philippines government.

So that's one definite area that we can advance and also with product development. I think, yes, having a group of leaders conductors will be perfectly fit for purpose. Thank you.

Thank you, and maybe the gentleman in front.

Thank you for the discussion. My name is Katut Kusuma. I'm from the World Bank country office in Vietnam. I want to echo you know your statement in terms of you know, why this type of insurance, disaster risk insurance is not, you know, taken off to the level that that we want to think the difficulty is that from my You know perspective insurance is one of the most difficult product to sell Right.

This is why insurance agents get a lot of commissions in selling insurance Because because we know we know the risk I mean everybody understand that we're gonna you know, we're gonna get sick in the future get old And so on but paying for insurance premium now It's like, you know paying for something that you don't consume immediately And this is this is a difficult thing to sell and similar to pensions and so on so working in the financial sector For example,

we work on with with the with the authorities actually to kind of a how to create incentive for people to actually, you know buy insurance or Invest in their in their pension in the future and one of the ways to do it is to mandate Right.

If you have a car you have driver's license. You need to buy a you know car insurance If you have a mortgage, you need to have some Life insurance right to pay, you know for the mortgage in case you In case of death now the thing is the In this type of insulin disaster risk insurance that the government needs to pay for the insurance premium for the future Right and and who is mandating the government to do that?

So So again, you know similar decision -making process that individual have not at the level of the government now I think there may be some role of kind of a multi laterals or some kind of a You know international diplomatic, you know efforts to actually mandate government to Invest in the in this type of insurance So, you know since since you are coming from these all this kind of multilateral efforts Probably this you know could be something to think about I would like to to hear from you your opinions on that.

Thank you

Would it be an idea to take any of the other questions, because then... Everyone who's got it, then we can sort of ramp up and...

than the lady in S.

Looks like we've got a quick quartet.

Hi, I'm Yao Lei. I'm also with GAP. We're the tri -party organization that brings the private sector, public sector, and academia together to close the protection gap in Asia. I think the overarching kind of like a solution I heard from all of you is we really need to start and engage the private sector.

Before I joined the GAP, I actually worked in the private sector as a pricing actually, and so I'm going to switch the lanes a little bit, just kind of pick up your brain, like the thoughts. For private sector, they are going to be a little bit risk -averse, especially the insurance companies.

So they're going to protect their bottom line, and so when there's a no risk and they don't know for sure what the loss ratio is going to be, how do we actually engage them and convince them this is actually something they should come work with the public sector?

So that's my question. Thank you.

I'm going to take a quick salvo and then we'll answer the morning. We'll somehow come and answer the weasel. together.

Sort of following a similar track, so Alex from Marsh Advisory. So I was at the IOS Artemis conference last year, where I felt, yeah, they were celebrating the first cat -borne issuance of a non, let's say, non -Japanese entity.

It was Totarari from the EQCO, I think, I believe it's called Tokutuake these days. And I had a question following from that, the protection gap, why is it that catastrophe -borne issuance has been more successful in, let's say, the South American countries?

So you're thinking Chile, you're thinking Fondin, Mexico, and even others in Colombia. Whereas over here in Southeast Asia, mindful there's some sea drift people in the room, you know, why is it that, you know, we're not seeing similar levels of success?

OK, thank you. I think that we have five minutes left for the whole session. So just a quick comment for our three questions.

Sure, and I'm so sorry, I'm going to have to make an exit because I'm 9 .30, I'm supposed to be downstairs, but so if you don't mind, JP, I'll go first. So to your question, I couldn't agree with you more in as much as people buy insurance because someone makes them buy insurance.

Either creditors or investors make them buy insurance to reduce the risk of creditors and investors. You talked about mortgages and banks. So we have to get the mainstream financial system to properly recognize its risk and also recognize the value of the insurance that it may make its customers and clients take.

So that's the incentive. By taking out insurance, you'll either get access to credit or get access to credit on better terms. Or in the case of governments, governments are carrying this risk and the disaster happens, they're in one way or the tab, politically.

So right now in Italy, the government has mandated that all small medium -sized businesses, and I think all businesses actually, have to now take out disaster insurance because implicitly the government was having to carry the can.

So we need, so our, as you said, we are an orchestra that's being conducted and now working quite well on the supply side together. We now need as an orchestra to be talking externally, including to the private sector, as you just mentioned.

Actually, you know what, compared to most risks, this one's easy. This risk obeys the laws of physics. Most risks insurers are dealing with are risks driven by lawyers or other things that don't obey the laws of physics.

Broadly speaking, I think this risk is pretty underwritable and pretty protectable. It's often actually the public policy risks around this area which are more challenging for insurers. You know, will insurers be able to charge appropriate premiums?

In America, half of agricultural insurance is subsidised because of the requirement of solidarity and national security. There are all sorts of ways that we can make insurance affordable as well. And so the comment about why are we getting more cap bonds in Latin America, for example, than Asia?

Actually, I absolutely don't know the answer to that question. It's a great question. I think we need to do some research and find out. But I have no doubt with J .T.'s help that Asia will catch up really fast.

So the question of mandating, I think it's really a no -brainer because, you know, everybody should understand that when they're insured, then they're really better off. I mean, when people are insured, they get better access to loans, for example.

But, you know, the issue is this, not all governments, you know, are able to understand that because of the political process. I mean, here in Japan, it's okay. I mean, everybody likes what the government is doing.

So, you know, we've got insurance for earthquake, which is mandated. It's part of everything, insurance for health, etc. But in many countries, I think you really need to get politicians to actually make the decision to mandate it.

And this is where, you know, it's really important to have better awareness among the public and among policymakers why this is important. So I think probably more effort needs to be put into that kind of awareness raising of the importance of insurance and, you know, to convince the public it's really a no -brainer to do that.

On the catastrophe bonds, so I mentioned it earlier. I mean, we've been working with the World Bank Treasury and, you know, they've said that, of course, a lot of effort had been focused on Latin America.

I mean, Mexico had been using cut bonds, and then you had the Pacific Alliance catastrophe bonds. As I mentioned, the problem in Asia is really to get the different stakeholders to get together to understand what the instrument is.

It's really the complexity of the instrument. And not enough has been done to really educate, you know, the different stakeholders on why this is very important for Asian economies, especially given their exposure to large -scale natural disasters, where it really makes a lot of sense to use catastrophe bonds in order to protect them, to provide this ex ante protection.

Thank you. I think that now we are right about time. So, and I think Megamison also have to go to her next schedule. So thank you everyone for joining today. And I think that still JC and Iself will be here.