

## *Foreword*

The growing impact of major disasters on OECD and non-member economies has stimulated a demand for an in-depth evaluation of possible strategies to reduce their large-scale damaging effects. Dramatic events such as the devastation caused by Hurricane Katrina in the United States in 2005, and the earthquake that struck China's Sichuan Province in 2008, have brought the financial management of catastrophic risks once again to the forefront of the public policy agenda globally.

Are governments in developed and emerging countries adopting efficient strategies to manage the increasing financial burden of catastrophes? What are the roles and responsibilities of key stakeholders in the public and private sectors in the management of disaster risks and costs? How best to prepare for the unprecedented challenges posed by large-scale risks?

To address these issues and develop sound policies, the OECD established an International Network on the Financial Management of Large-Scale Catastrophes. Under the guidance and intellectual leadership of a High-Level Advisory Board, the Network promotes the exchange of information and experiences among policymakers, industry, and academia in OECD and non-member countries.

This publication supports the ongoing activities of the Network. It contains three main parts:

- Part I: *Policy Approaches to the Financial Management of Large-Scale Disasters*, by Alberto Monti. This Part provides a comparative review and stocktaking of different policy strategies and approaches with respect to the prevention, mitigation, and financial compensation of large-scale catastrophes in OECD and selected non-member Asian countries, drawing from the results of data collection activities pursued by the OECD in the recent years. It discusses, in particular, the approaches adopted by governments regarding financial coverage against disaster risks, and the respective roles of the public and private sectors in providing compensation and incentives to reduce the risk of catastrophic losses.

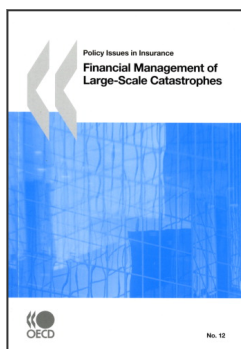
- Part II: *Reducing the Impact of Natural Disasters: The Insurance and Mitigation Challenge*, by Howard C. Kunreuther and Erwann O. Michel-Kerjan. This Part focuses on the new scale of destruction from natural disasters witnessed in recent years, its impact on disaster insurance and the challenges and opportunities for utilizing mitigation measures to reduce future losses. It discusses the role of cost-benefit analysis in evaluating the effectiveness of mitigation measures and characterizes why people do not always voluntarily invest in cost-effective mitigation measures. The report concludes by proposing the development of a new insurance product: the use of long-term insurance contracts for encouraging the adoption of measures that have the potential to reduce economic and human losses from large-scale disasters.

- Part III: *Coping with Non-Conventional Crises: Strategic Leadership in a Chaotic World: Some Guideposts*, by Patrick Lagadec and Xavier Guillo. This Part consists of an analysis of specific operational strategies and programmes for the prevention and management of non-conventional crises, and provides useful guidance for policy action for an improved management of risks. Its intent is to clarify the general terrain on which the major crisis issues of today need to be considered and managed, to identify some strategic points of reference, and to suggest the dynamics that must be engaged to consolidate the capacities of our decision-making systems.

The OECD has produced several publications to date on large-scale catastrophes, including “Catastrophic Risk and Insurance” (2005), “Terrorism Risk Insurance in OECD Countries” (2005), “Large-scale Disasters: Lessons Learned” (2004), “Environmental Risks and Insurance: A Comparative Analysis of the Role of Insurance in the Management of Environment-Related Risks” (2003), and “Emerging Risks in the 21st Century. An Agenda for Action” (2003).

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