



**Asia-Pacific  
Economic Cooperation**

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**2015/FDM1/019**

Session: 5

## **Disaster Risk Financing in Japan**

Purpose: Information  
Submitted by: Japan



**APEC**  
PHILIPPINES  
2 0 1 5

**Finance and Central Bank Deputies' Meeting  
Tagaytay, Philippines  
5-6 March 2015**

# Session5

## Enhancing Financial Resiliency - Disaster Risk Financing in Japan -

APEC Finance and Central Bank Deputies' Meeting  
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Noriyuki MITA  
Deputy Vice Minister for International Affairs  
Ministry of Finance, Japan

# Approach to Enhance Resilience to Natural Disaster Risk

## Public Awareness

- Engaging in disaster risk education
- Identifying disaster risk at each area

## Database

- Collecting disaster data at regional, national and local level
- Evaluating the risk (rating organization)

## Preventive Measures

- Developing hazard map
- Upgrading resilient infrastructure hard; mudslide-control dam soft; communication network etc.

incentivize

## Post Disaster Financing

- Developing Market and Instruments [ Domestic ]
  - Financing scheme for MSMEs, Farmer etc.
  - Fire insurance (covering storm & typhoon)
  - Earthquake insurance
  - Micro-insurance
- [ Cross-border ]
  - Pilot projects on disaster risk insurance
  - Stand-by Emergency Credit for Urgent Recovery
  - CAT bond

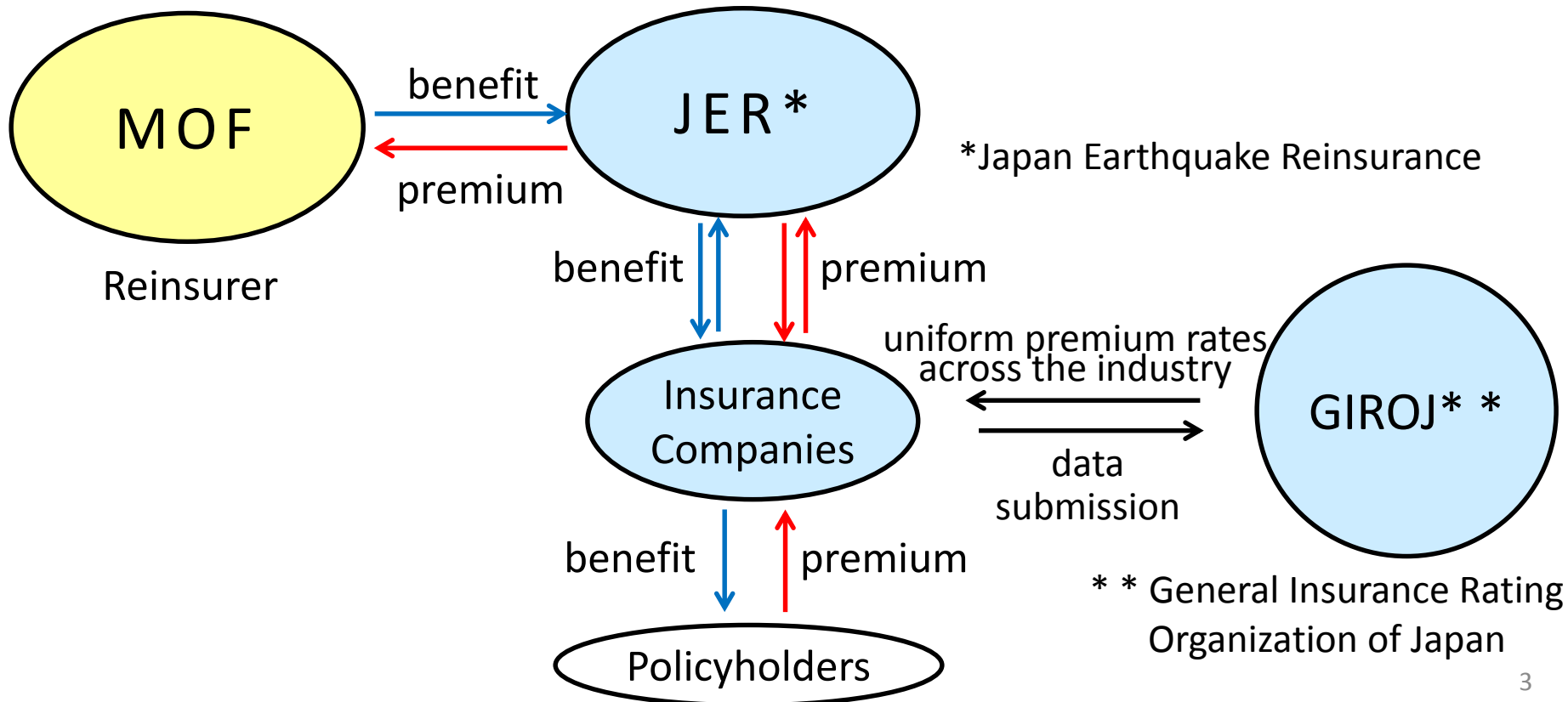
- Prompt disbursement
- Considering Further financing measures for reconstruction

- Public - Private Collaboration
- Consistency with other initiatives in the APEC region



# Japan's Earthquake Insurance Scheme

- Japan has “reinsurance scheme,” involving 3 players: 1) Insurance companies selling Earthquake insurance; 2) Government acting as reinsurer and supervisor; and 3) Administrator (JER \*).
- JER, established in 1966 together with the Earthquake Insurance, is administrating the earthquake insurance pool, managing and performing investment of liability reserves.

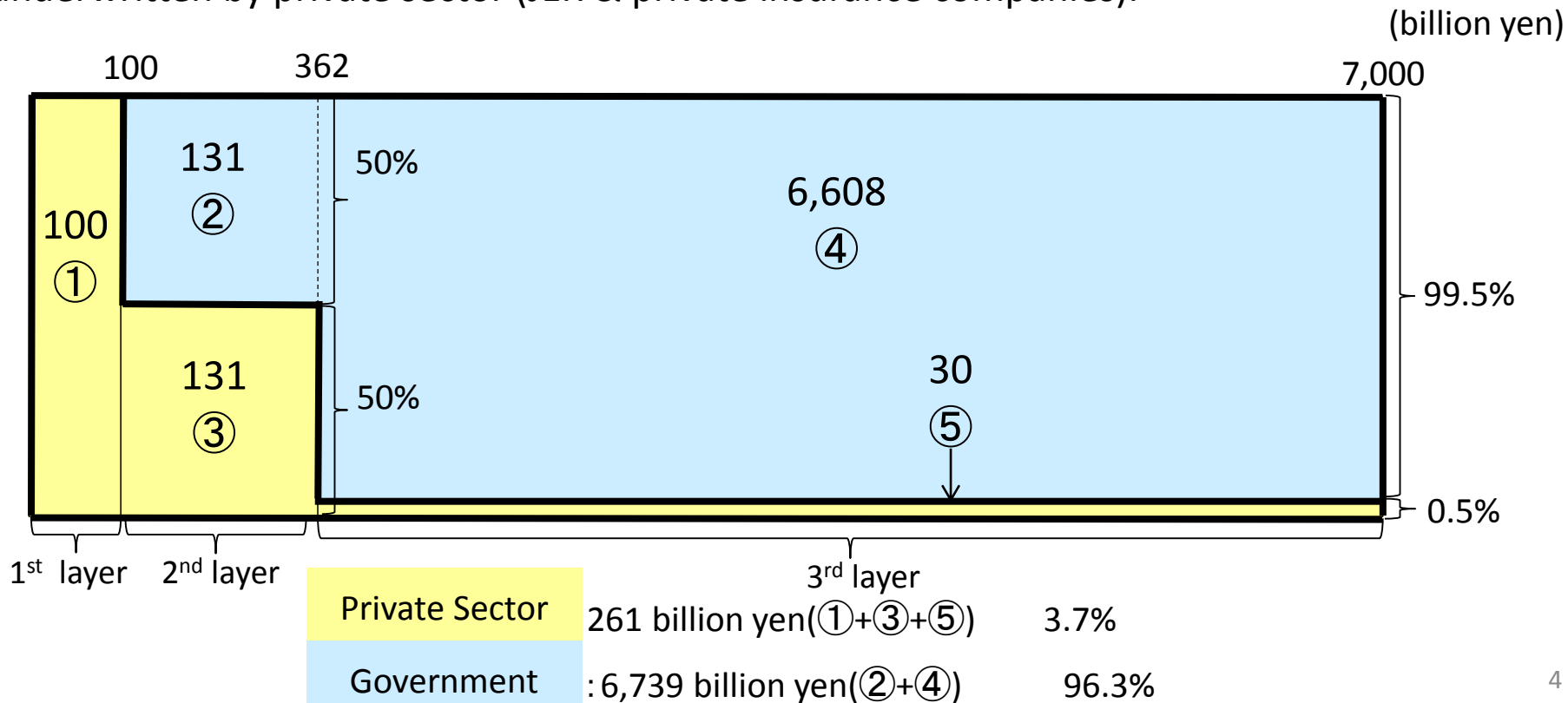


# Liability allocation between private sector and Government (FY2014)

- Aggregate limit of indemnity per any earthquake (7,000 billion yen) is determined to cover Probable Maximum Loss (PML), regardless of reserves balance of private sector and Government (special account for Earthquake Insurance, Ministry of Finance).

PML is the estimated amount of insurance claims to be paid when an earthquake equivalent to the Great Kanto Earthquake (1923) should occur, which caused the biggest damage in Japan.

- Government underwrites liability arising from huge earthquakes that cannot be underwritten by private sector (JER & private insurance companies).

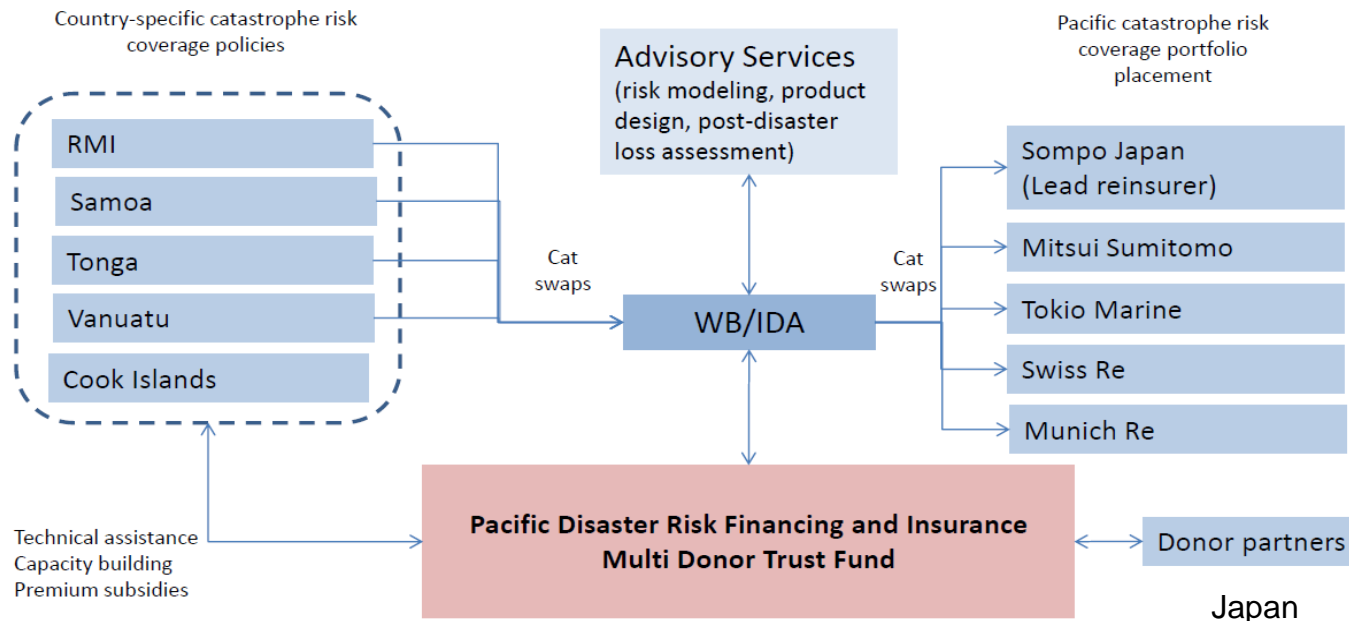


# Pilot Projects on Disaster Risk Insurance

~Japan's contribution to the initiatives in the APEC region~

- 1 Disaster Risk Insurance Project of ASEAN+3 Financial Cooperation
- 2 Pacific Catastrophe Risk Insurance Pilot Program with World Bank
- 3 Natural Disaster Risk Insurance in Major Asian Cities with ADB

Pacific Catastrophe Risk Insurance Pilot Program



Source: World Bank Group

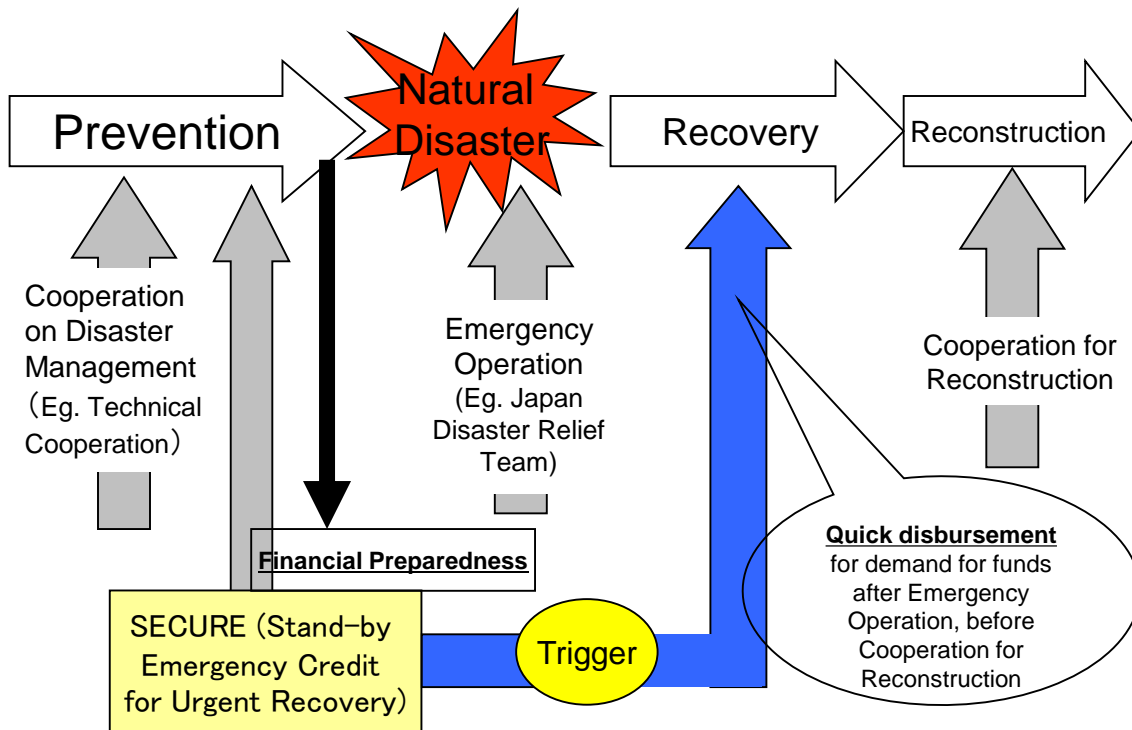
# Stand-by Emergency Credit for Urgent Recovery (SECURE)

**SECURE will provide quick disbursement for recovering from the natural disaster, by signing Exchange of Notes and Loan Agreement in advance.**

**【Purpose】**

- **Quick disbursement** for demand for fund at **Recovery stage after Natural Disaster** in the partner countries  
 (Though Japan have been extended cooperation for the countries affected by natural disaster through Emergency Operation and Cooperation for Reconstruction, there used to be a time gap between them. No cooperation couldn't be extended at Recovery Stage. SECURE enables cooperation at Recovery Stage by making quick disbursement for the demand for fund.)
- Capacity Development of partner country on Disaster Risk Management through application of Japanese related knowledge, experience and/or human resource

JICA's Cooperation on Disaster Management (image)



<Brief Overview of SECURE>

Target Country	Lower Middle Income Countries categories or above
Ceiling Amount (per country)	In principle, 10 bil. JPY or 0.25 % of GDP (whichever is less)
Disbursement Period	3 yrs (Extendable)
Repayment Period	40 yrs
Grace Period	10 yrs
Interest Rate	0.01%
Fee	Front-End Fee: 0.5% of commitment amount Renewal Fee: 0.25% of undisbursed amount
Precondition	- sound macroeconomic and public financial management - Having an experience / plan of utilizing Japan's technical cooperation for disaster prevention - Policy Matrix on Disaster Risk Management programme
Withdrawal Trigger	Eg. Emergency Declaration caused by Natural Disaster

# The Third World Conference on Disaster Risk Reduction (WCDRR)

Date: 14-18 March 2015 Venue: Sendai, JAPAN

## Background

- ◆ The WCDRR is a UN-hosted conference to discuss international strategy on disaster risk reduction.
- ◆ Japan hosted the first conference (Yokohama, 1994) and the second (Hyogo, 2005). The second conference adopted the Hyogo Framework for Action, an international guiding principle on disaster risk reduction from 2005 to 2015.

## Purposes

- ◆ To complete assessment and review of the implementation of the Hyogo Framework for Action;
- ◆ To consider the experience gained through the regional and national strategies/institutions and plans for disaster risk reduction and their recommendations as well as relevant regional agreements under the implementation of the Hyogo Framework for Action;
- ◆ To adopt a post-2015 framework for disaster risk reduction;
- ◆ To identify modalities of cooperation based on commitments to implement a post-2015 framework for disaster risk reduction;
- ◆ To determine modalities for periodic review of the implementation of a post-2015 framework for disaster risk reduction.