



**Asia-Pacific  
Economic Cooperation**

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**2015/SFOM13/023**

Session: 5

## **Disaster Risk Financing and Insurance Strategy of the Philippines**

Purpose: Information  
Submitted by: Philippines



**APEC**  
PHILIPPINES  
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**13<sup>th</sup> Senior Finance Officials' Meeting  
Bagac, Philippines  
11-12 June 2015**

# DISASTER RISK FINANCING AND INSURANCE STRATEGY OF THE PHILIPPINES

APEC SENIOR FINANCE OFFICIALS MEETING  
Session 5: Enhancing Financial Resiliency | 12 June 2015

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# PRESENTATION OVERVIEW

**Background**



**Natural Disasters in  
the PH context**

**PH DRFI  
Strategy**

**SOVEREIGN**

**LOCAL  
GOVERNMENT**

**HOUSEHOLD**

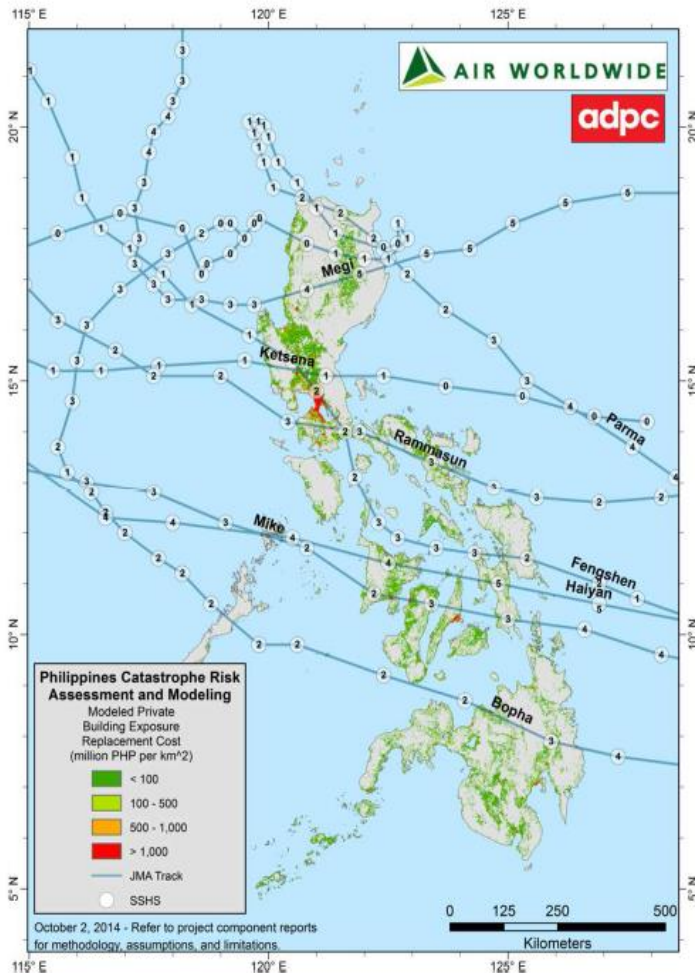
**Summary**

**Wrap-up and list of  
strategy partners**



# BACKGROUND

## NATURAL DISASTERS: PHILIPPINE CONTEXT



Typhoons Ondoy (Ketsana), Pepeng (Parma), Sendong (Washi) and Pablo (Bopha)



CASUALTIES: 3000+  
AFFECTED: 10 million+



ECONOMIC DAMAGE  
PHP256 billion (USD5.77 billion)

### THE NEW NORMAL

Typhoon Yolanda (Haiyan)



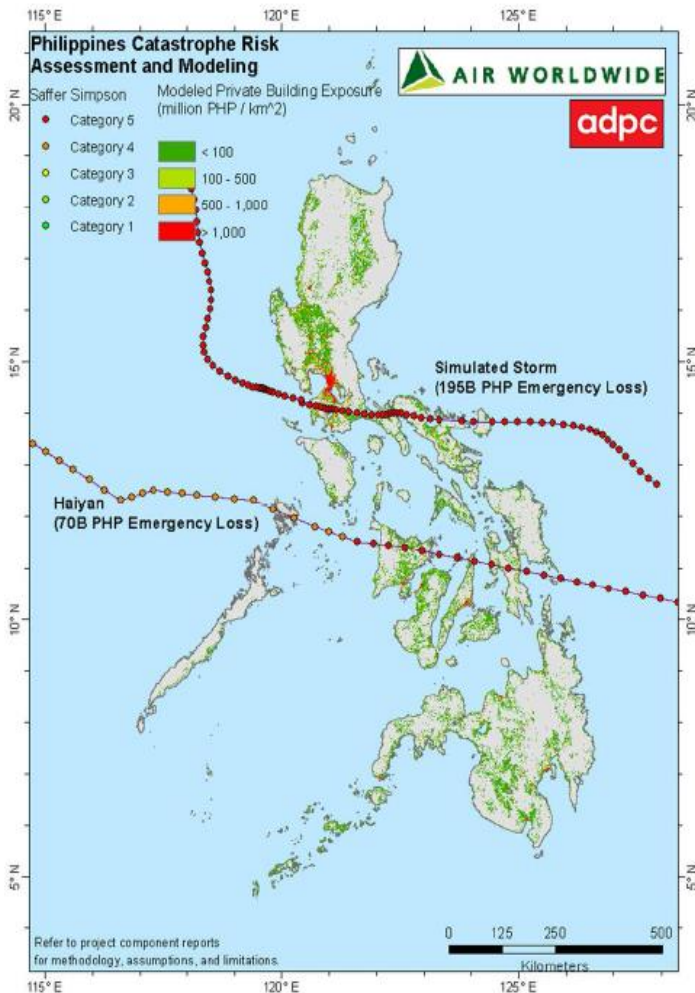
CASUALTIES: 6201



ECONOMIC DAMAGE  
PHP571 billion (USD12.87 billion)

# BACKGROUND

## NATURAL DISASTERS: PHILIPPINE CONTEXT



Risk assessment tools show that much worse storms are possible



A Yolanda-like storm could cross to Manila, and cause 2.5x the estimated losses

**PROTECTING THE  
GOVERNMENT'S  
FISCAL CAPACITY**



**NEW INSTRUMENTS  
AND POLICIES**

# PHILIPPINES DRFI STRATEGY



## DEVELOPMENT OUTCOMES

- ✓ SUSTAIN economic growth
- ✓ REDUCE impact on the vulnerable

## DRFI STRATEGY ON THREE LEVELS

### Philippine Development Plan

NDRRM Plan

National CC Action Plan

### The DRFI Strategy

**SOVEREIGN**

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# PHILIPPINES DRFI STRATEGY

SOVEREIGN

LOCAL  
GOVERNMENT

HOUSEHOLD

# PHILIPPINES DRFI STRATEGY

SOVEREIGN

LOCAL  
GOVERNMENT

HOUSEHOLD

- ① CAT DDO Loan (2011)
- ② Philippine Catastrophe Risk Model (2014)
- ③ Risk transfer financial instruments



# PHILIPPINES DRFI STRATEGY

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- ① **CAT DDO Loan (2011)**
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# PHILIPPINES DRFI STRATEGY

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## CAT DDO Loan (2011)

### OBJECTIVES

To enhance the capacity of the Government of the Philippines to manage the impact of natural disasters

### ACTION AREAS

- ① strengthening institutional capacity
- ② mainstreaming disaster risk management into development planning
- ③ management of the government's fiscal exposure to natural hazard impacts

### SPECIAL FEATURE

- ✓ contingent credit line that provides immediate liquidity
- ✓ funds become available after the declaration of a state of emergency

# PHILIPPINES DRFI STRATEGY

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- ① CAT DDO Loan (2011)
- ② **Philippine Catastrophe Risk Model (2014)**
- ③ Risk transfer financial instruments

# PHILIPPINES DRFI STRATEGY

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## Philippine Catastrophe Risk Model (2014)

### OUTPUTS

- ① Historical database for natural disasters
- ② Geo-referenced catalogue of all national government assets
- ③ Disaster Risk model which will generate economic loss values for potential disaster events
- ④ Assistance in developing a risk transfer instrument

### MODEL USES

- ✓ determining the government's contingent liabilities in the face of disasters
- ✓ providing foundation in designing risk transfer instruments

# PHILIPPINES DRFI STRATEGY

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## Philippine Catastrophe Risk Model (2014)

### NOTABLE RESULTS



#### ANNUAL AVERAGE LOSS

PUBLIC AND PRIVATE ASSETS: 1.8% of GDP

EMERGENCY RESPONSE: 3.6% of GOV'T EXPENDITURE



HAIYAN-LIKE EVENT TO OCCUR WITH  
3% ANNUAL PROBABILITY

IN THE NEXT  
25 YEARS



40% chance of loss  
>7% of GDP



CASUALTIES  
70,000+ in a year

# PHILIPPINES DRFI STRATEGY

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- ① CAT DDO Loan (2011)
- ② Philippine Catastrophe Risk Model (2014)
- ③ **Risk transfer financial instruments**

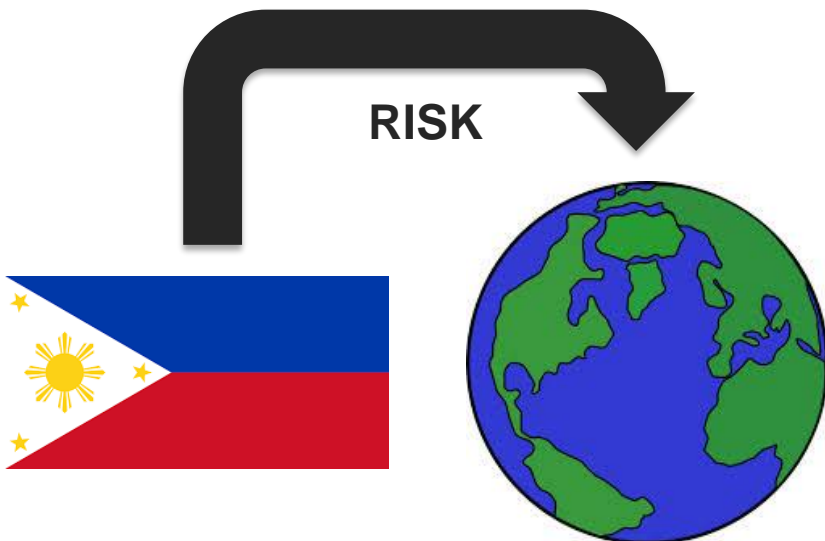
# PHILIPPINES DRFI STRATEGY

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## Risk transfer financial instruments (under development)



- ✓ The Department of Finance is currently working with the World Bank in structuring a risk transfer product.
- ✓ Transaction is targeted to be executed in August 2015.

# PHILIPPINES DRFI STRATEGY

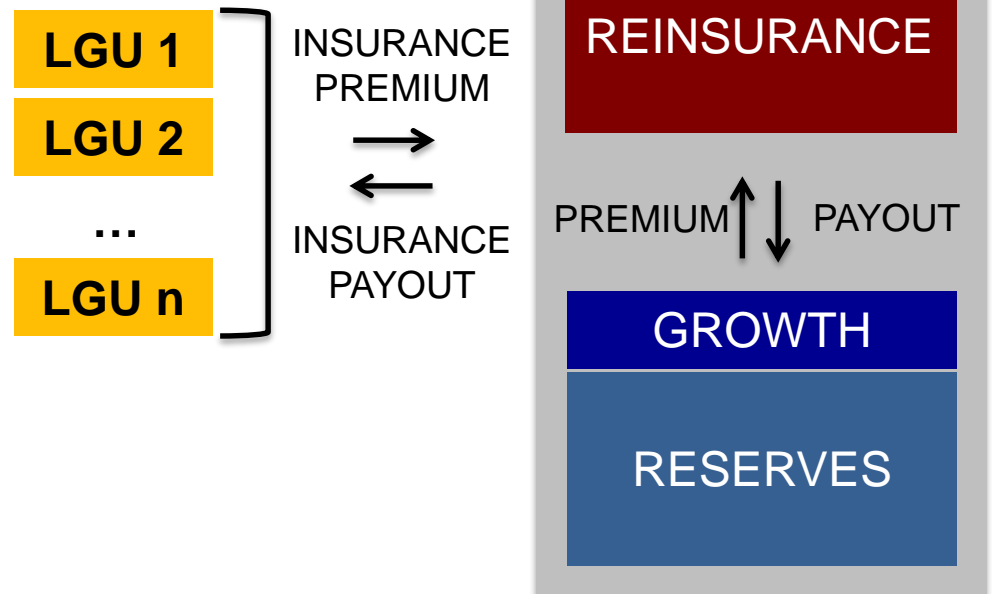
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## Proposed Joint Catastrophe Risk Insurance Facility for LGUs

- ✓ The envisioned pool will provide LGUs immediate liquidity after a disaster.
- ✓ Initial actuarial analysis on the 10 LGUs working together indicates at least 20% reduction in premium and a 50% reduction in capital required to withstand an extreme event.
- ✓ GSIS will be the insurer. In this regard, substantial capacity building is being conducted.





# PHILIPPINES DRFI STRATEGY

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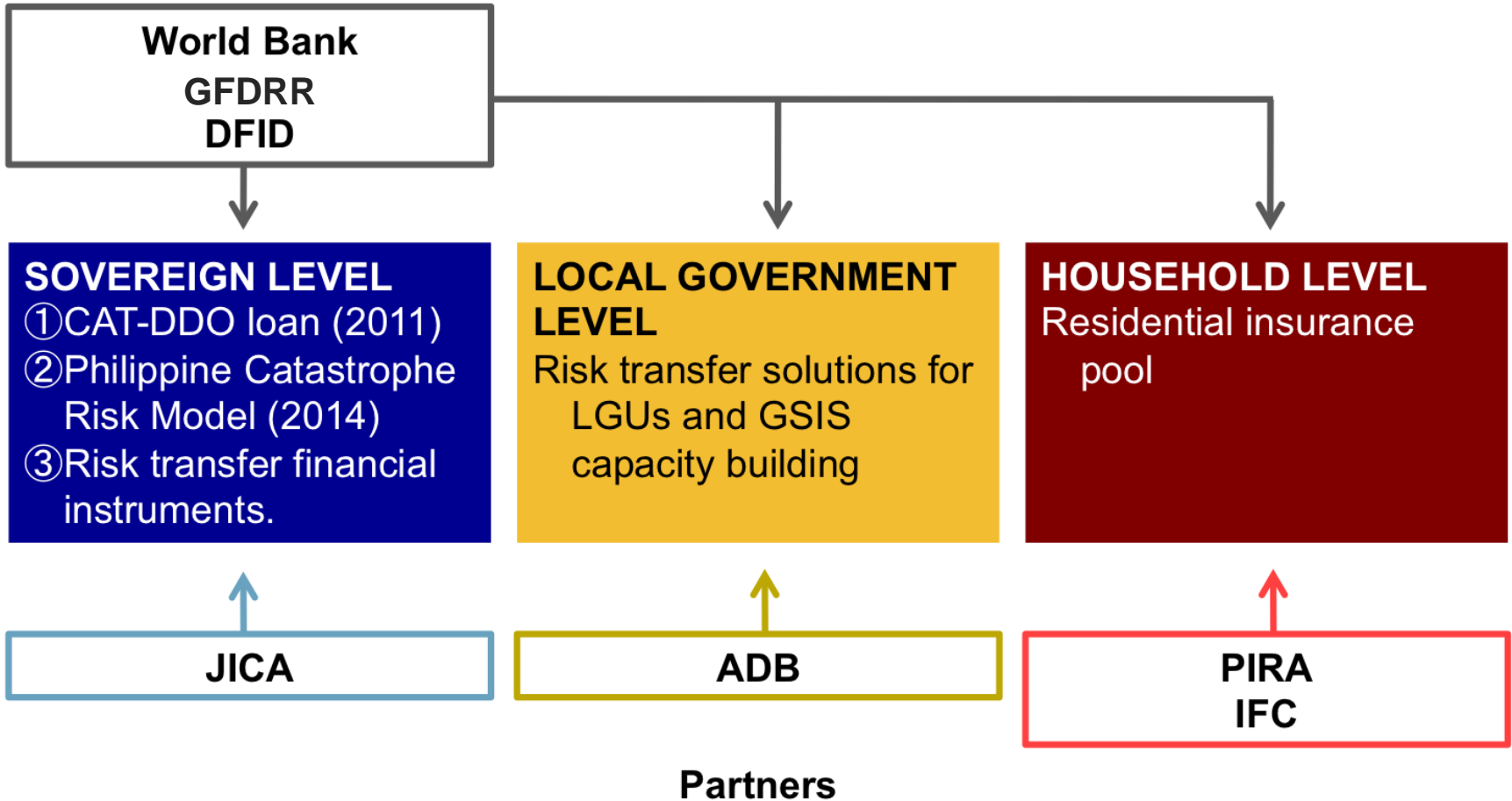
## Potential Residential Insurance Pool



- ✓ The Philippine Insurers and Reinsurers Association (PIRA), Insurance Commission (IC), and International Finance Corporation (IFC) have developed a concept note for Residential Catastrophe Insurance Pool.
- ✓ This pool is intended to increase resilience of Filipino households against extreme natural calamities.

# PHILIPPINES DRFI STRATEGY

## Overall Strategy Partners



**THANK YOU.**