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Agenda Item: 4.5

Outcomes of the APEC Disaster Risk Finance and Insurance Study Course on the Financial Management of Disaster Risks

Purpose: Information
Submitted by: Philippines



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Outcomes of the APEC DRFI Study Course on the Financial Management of Disaster Risks

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Five (5) Major Focus Areas

1. An introduction to Disaster Risk Financing: purpose, aims and objectives;
2. National Disaster Risk Financing Strategies: Designing and Implementing Holistic Solutions;
3. Sub-national Disaster Risk Financing Solutions;
4. Promoting Greater Private Sector Engagement; and
5. Regional Disaster Risk Financing Solutions

Session 1: Introduction to disaster risk financing: purpose, aims and objectives

- Discussed the impact of disasters on national economy and how key actors such as the government, household, and businesses mitigate risks using various tools on disaster risks management.
- Discussed important considerations when selecting disaster risk financing: i) government goals and priorities; ii) scale of funding required to meet each layer of risk; iii) speed with which financing is required; among others.
- Discussed various programs and initiatives of ADB on disaster risk financing.

Session 2: National Disaster Risk Financing Strategies: Designing and Implementing Holistic Solutions

- Underscored the role of government in institutionalizing effective DRFI strategy (e.g., Philippine and Indonesia Disaster Risks Strategies) to address the worsening and enormous impacts of natural disasters on the economy at large.
- Areas that need to be taken into consideration/explored in disaster risk management: i) addressing the gaps in the physical, social, and financial aspects; ii) sovereign Cat Risk pools (CCRIF, African risk capacity, PCRAFI, SEADRIF); iii) key innovations (e.g., cat risk pools, tech innovations for disaster risk [i.e., earth observation data, fintech, big data and AI]); among others.

Session 3: Sub-national disaster risk financing solutions

- Discussed various initiatives on capacitating cities to become more financially prepared for disasters and at the same time complement the national DRFI Strategy.

Cases in point:

- PH parametric insurance (focused on vulnerable cities, quick disbursement of funds, allows partial payouts, among others)
- Philippine City Disaster Insurance Pool (PH and ADB)
- Indonesia's Pooling Fund



Session 4: Promoting greater private sector participation

- Underscored the importance of private sector's role (e.g., micro-insurance) in mitigating/addressing disaster related concerns especially in facilitating payouts.
- Emphasized the importance of promoting insurance culture in society, which increases capacity to prevent and react adequately before disasters.
- Highlighted the importance of promoting:
 - the creation of natural disaster damage mitigation plan thru PPP in every country to ensure all actors contribute in the best way possible.
 - institutionalization of building codes and urban development plan.
 - promotion of public-private alliances to synchronize efforts
 - prioritization of insurances



Session 5: Regional Disaster Risk Financing Solutions

Key points to consider when joining regional disaster risk pools:

- Importance/advantages of participating in risk pools: i) it increases the size of transactions as there will be more diversified options/instruments that can be offered to investors; and ii) reduced modeling cost that redounds to more savings.
- In joining disaster risk pools it is important to: i) secure the decision of the main authority (i.e., Minister) in order to move forward; ii) understand the model to be able to explain and appreciate how it works including possible risks.



THANK YOU

