About ASEAN DRFI Programme

The ASEAN region is considered to have the 7th largest gross domestic product in the world and 3rd largest in Asia. But such gains in the region are constantly threatened by the increasing frequency and intensity of geological and weather-related events fueled by climate change. Considered as one of the most disaster prone regions in the world, ASEAN suffers an average of US$4.4 billion each year as a consequence of natural hazards.

ASEAN recognizes the need to build better and resilient communities that can collectively respond to disasters in the region. Hence, it has to increase the capacities of its Member States to analyze and develop policies and reform existing policies, in order to provide an environment where ex-ante financing instruments and risk insurance are utilized to help build resilient communities to deal with the potential impacts of disasters.

ASEAN implemented its regional initiative on disaster risk financing and insurance—ASEAN Disaster Risk Financing and Insurance (ASEAN DRFI Programme)—a platform to enhance cooperation in risk financing, insurance, and other social protection schemes that will increase its Member States' financial response capacity to address pre- and post-disaster needs.

To know more, visit: adrfi.org.

www.adrfi.org

ASEAN4DRFI

ASEAN Disaster Risk Financing and Insurance (DRFI) Programme

Enhancing the financial resilience of ASEAN

Strengthening capacities to effectively manage the impacts of disasters

Promoting regional cooperation on DRFI for a resilient and sustainable ASEAN Community

10 BASIC THINGS ABOUT DISASTER RISK FINANCING

What is disaster risk financing?

Disaster risk financing (DRF) is managing risks through strategies that help countries ensure that their people and communities are financially protected in the event of a disaster. The burden of paying for the costs of responding and rebuilding from a disaster usually goaes to governments that act as the insurer of last resort.

What are other risk financing solutions available?

Catastrophe insurance, index-based insurance, sovereign risk financing, regional catastrophe insurance pools. There are also funds created to mitigate the impacts of climate change and help countries build resilience to extreme climate events.

Risk financing can be retained or transferred.

Risk financing is "retained" when the government pays for the damages and losses incurred after disasters. Risk transfer is when governments shift the responsibility of paying for damages and losses to another party through insurance, reinsurance, legislation or other means.

What is contingency budget?

Another ex-ante risk financing tool, contingency budget is when governments use their operating budget from other revenues to cover unforeseen disaster costs.

Ex-post vs Ex-ante risk financing

Ex-post risk financing are often unplanned and ad hoc, and most of the time, unreliable in dealing with the unexpected financial effects of disasters. Ex-ante risk financing are planned and pro-active risk financing instruments common options utilized by countries to deal with financial expenditures due to a disaster.

What is reinsurance?

It is when many insurance companies share the burden of covering the risks incurred in case of a disaster. Reinsurance ensures that in the event of a disaster, chances of covering all the losses are high.

What is disaster risk insurance?

Risk insurance is a risk transfer strategy where governments can shift all or some of the burden to an insurance organization in exchange for payment of a premium.

What is the role of risk assessment in DRF?

By estimating potential losses from previous disaster events, governments will be able to identify suitable risk financing and risk transfer solutions. Hence, making it easier for governments to be financially ready to respond and recover from a disaster.

What is risk pooling?

Risk Pooling is where governments come together and package their risks into one pool to have lower premium payments for insurance. The insurance companies can also utilize the pool to provide a more specific financial product that is tailor-fit to the needs of the users.

What is the role of DRF on recovery and reconstruction?

Timely response, recovery, and reconstruction after every disaster are possible with disaster risk financing. When DRF strategies are embedded in the agenda for disaster risk management, countries are financially prepared to protect their populations and communities against disaster and climate risks.