Disaster Risk Financing and Insurance Program

Disaster Risk Financing
& Insurance Program

SUPPORTED BY
WORLD BANK GROUP

Federal Ministry
for Economic Cooperation
and Development

THE ROCKEFELLER FOUNDATION

SWEDEN

UKaid

USAID
FROM THE AMERICAN PEOPLE

GFDRR
Global Facility for Disaster Reduction and Recovery

Disaster Risk Financing is about protecting livelihoods and development by increasing financial resilience and strengthening preparedness for disasters

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ADVISING GOVERNMENTS TO INCREASE PREPAREDNESS AGAINST DISASTERS

The **World Bank's Disaster Risk Financing and Insurance Program (DRFIP)** helps developing countries manage the potentially high cost from disasters and climate shocks, DRFIP **provides analytical and advisory services, financial services, and convening services to over 60+ countries worldwide.**

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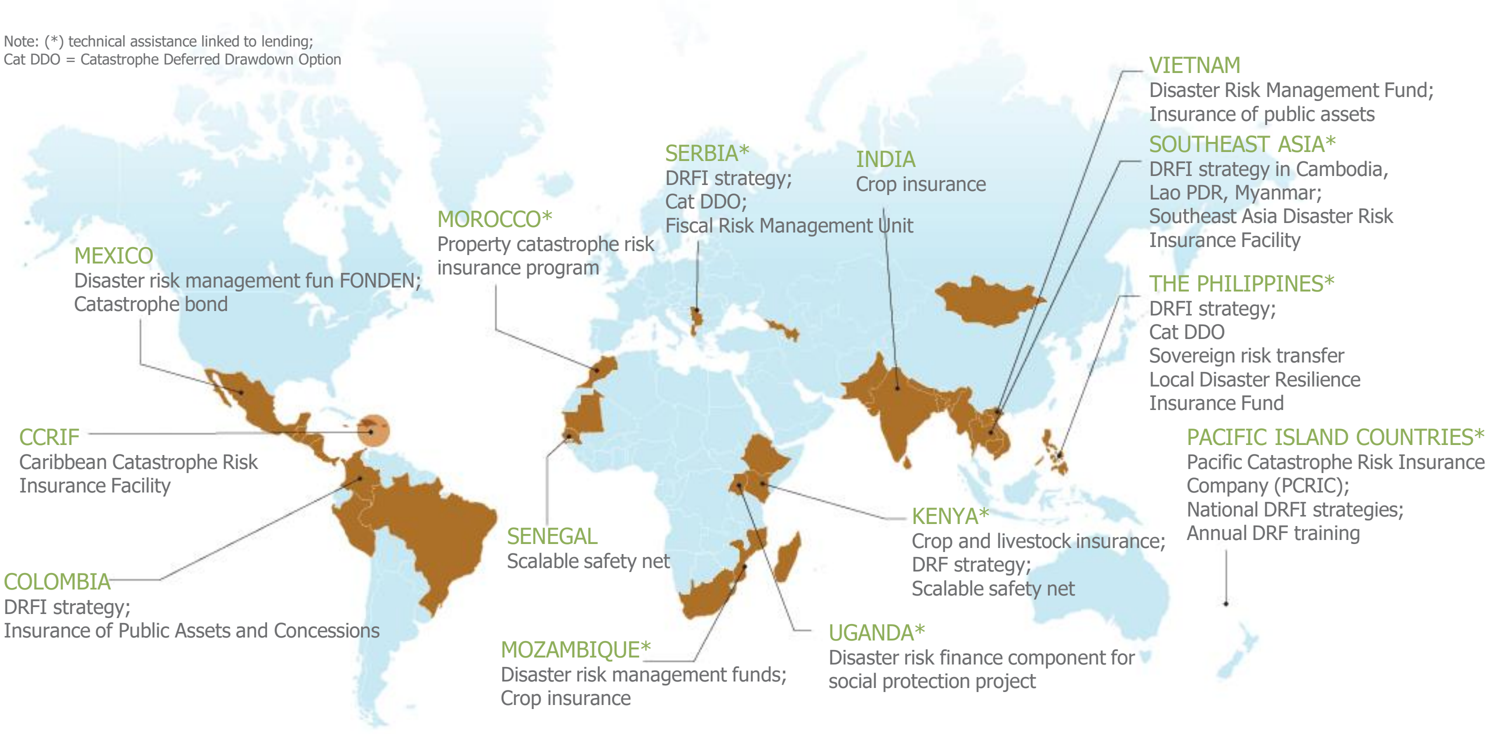
DRFIP – Operational Engagements Worldwide

Examples from more than 50 countries in which DRFIP is active:



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CORE PRINCIPLES OF DISASTER FINANCE

Governments seeking to evaluate and improve their financial resilience should be guided by four core principles. These principles do not tell decision makers what to do, but they provide a framework for evaluating policy decisions and financial instruments.

Timeliness Of Funding

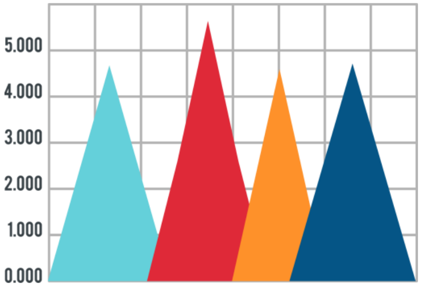
Speed matters but not all resources are needed at once.

Disbursement Of Funds

How money reaches beneficiaries is as important as where it comes from.

Disaster Risk Layering

No single financial instrument can address all risk.

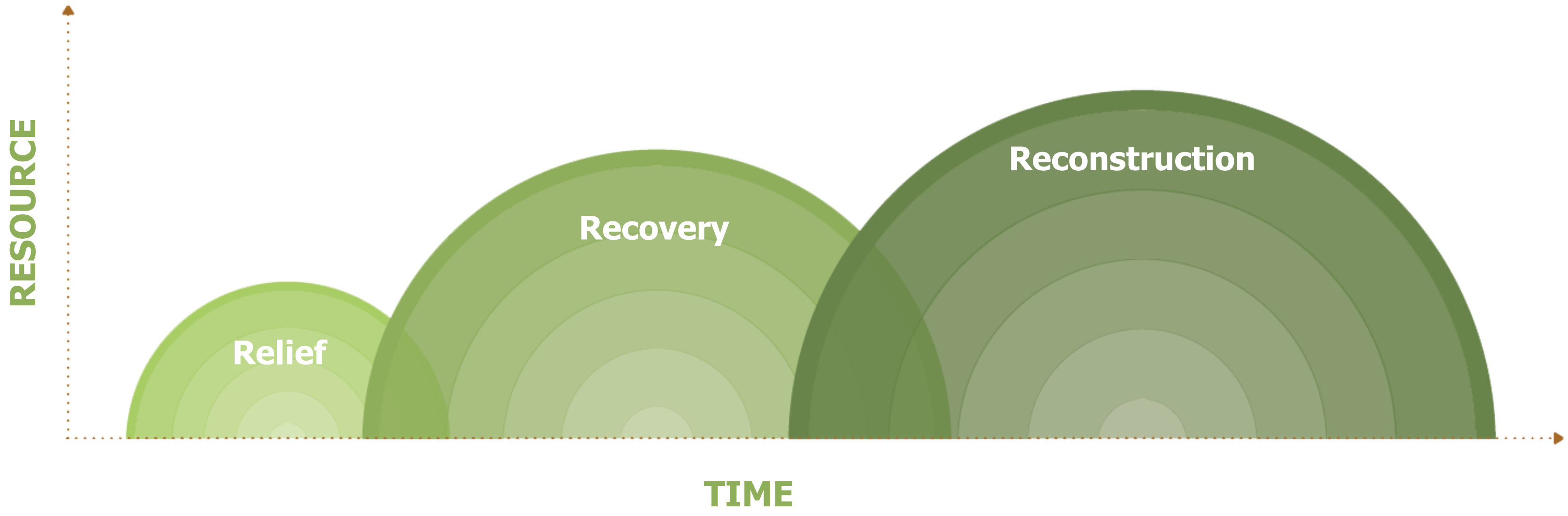


Data Analytics

To make sound financial decisions, governments need the right information.

CORE PRINCIPLE 1

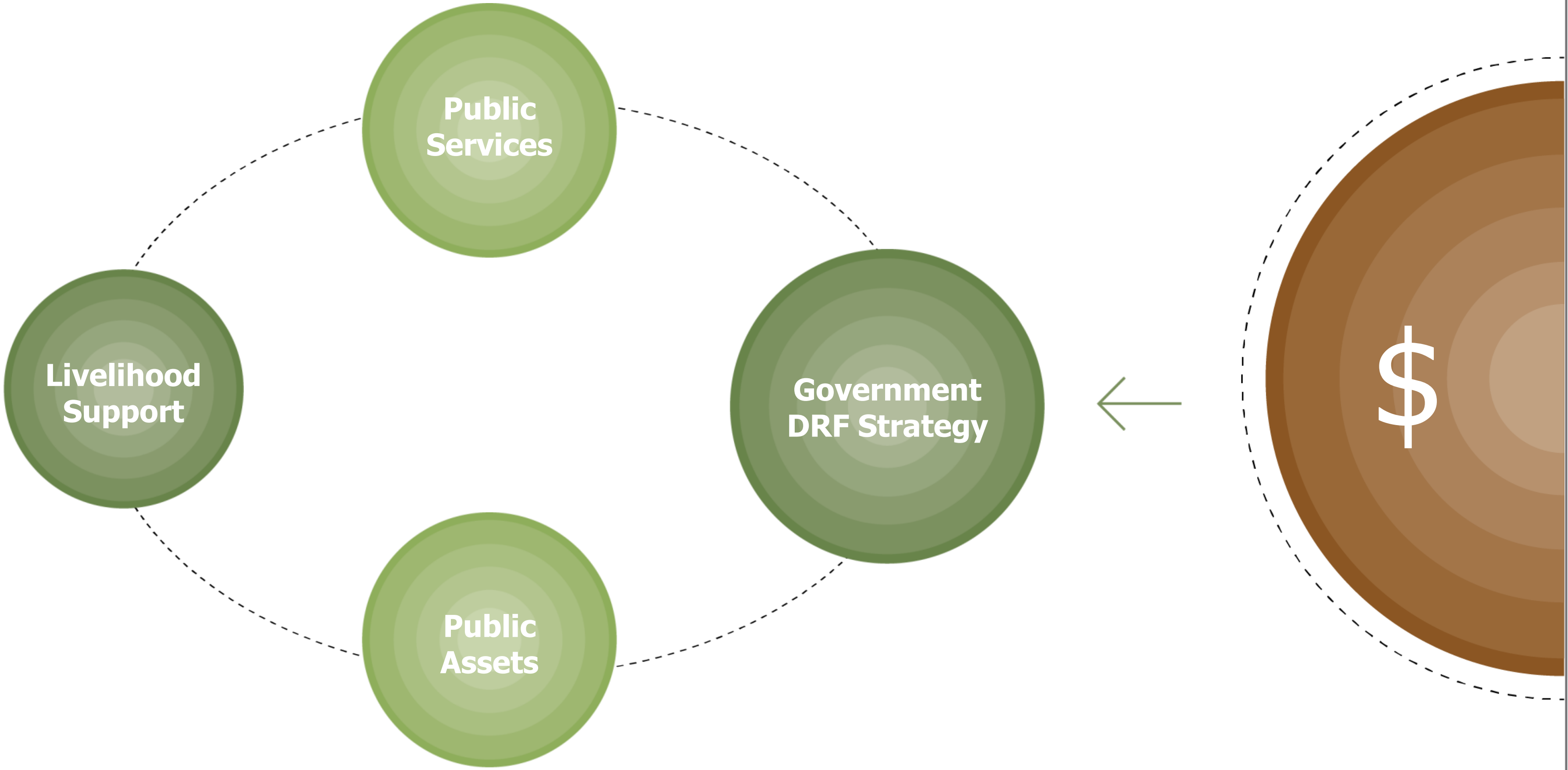
Timeliness Of Funding: Speed matters but not all resources are needed at once.



Understanding the timing of needs is essential. This variation in the timing of needs has clear implications for the design of cost-effective financial management of disasters.

CORE PRINCIPLE 2

Disbursement Of Funds: How money reaches beneficiaries is as important as where it comes from.



Governments require dedicated mechanisms and expertise to effectively allocate, disburse, and monitor recovery and reconstruction funds.

CORE PRINCIPLE 3

Disaster Risk Layering: No single financial instrument can address all risk.

Low Frequency/ **High** Severity

Market-Based Instruments

Risk transfer for assets such as property insurance or agricultural insurance and risk transfer for budget management like parametric insurance, cat bonds/swaps

Contingent Financing

Financial instruments that provide liquidity immediately after a shock.

Budgetary Instruments

Reserve funds specifically designated for financing disaster-related expenditures, general contingency budgets, or diverted spending from other programs

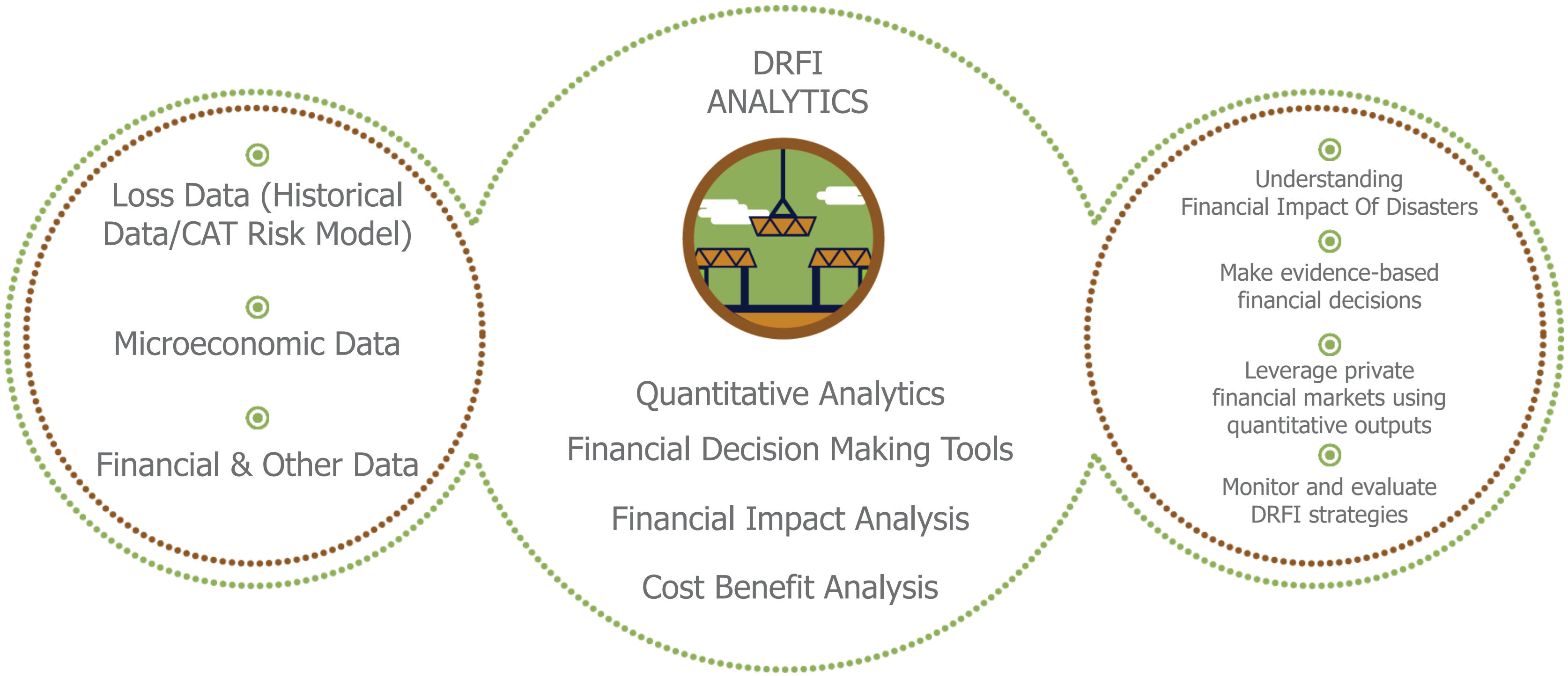
High Frequency/ **Low** Severity

International Assistance (uncertain)

Governments should ideally follow risk layering, a combination of different instruments to protect against events of varying frequency and severity.

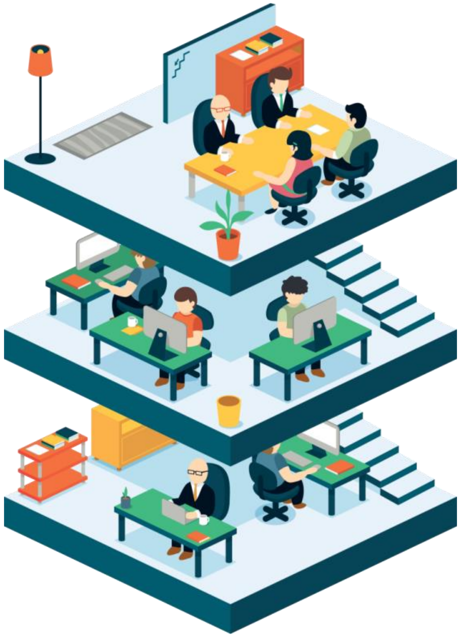
CORE PRINCIPLE 4

Data & Analytics: To make sound financial decisions, governments need the right information.



Financial analysis of risk data and quantitative evidence empowers governments to take risk-informed decisions regarding their financial protection against disasters.

Private market investment is also required



28 Insurance companies involved in DRFIP-led activities

Risk Pools help facilitate access to market

SEADRIF
SOUTHEAST ASIA
DISASTER RISK INSURANCE FACILITY

The First Product

As its first financial product, SEADRIF will pool flood risk from Lao PDR, Myanmar and possibly Cambodia.

Working together allows for a significant cost reduction in insurance coverage.

It is unlikely that countries will suffer a simultaneous loss, so pooling risk reduces the total amount of capital insurers are required to set aside.

Working together also creates a critical mass of business, which is more attractive to the reinsurance market.

Finally, it reduces transaction costs, which would be much higher if countries bought individual policies.