

Financial Resilience against climate and disaster shocks



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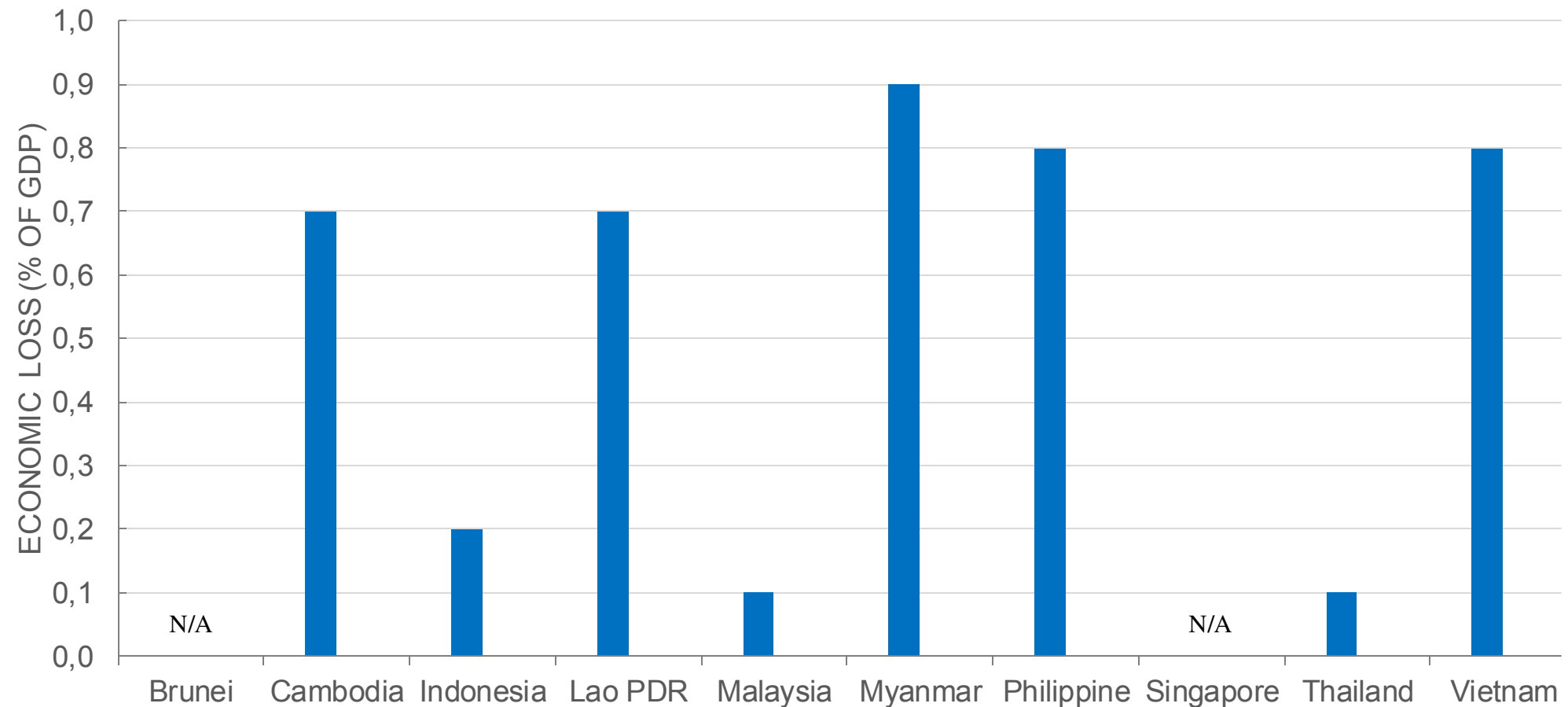


Disaster Risk Financing
& Insurance Program



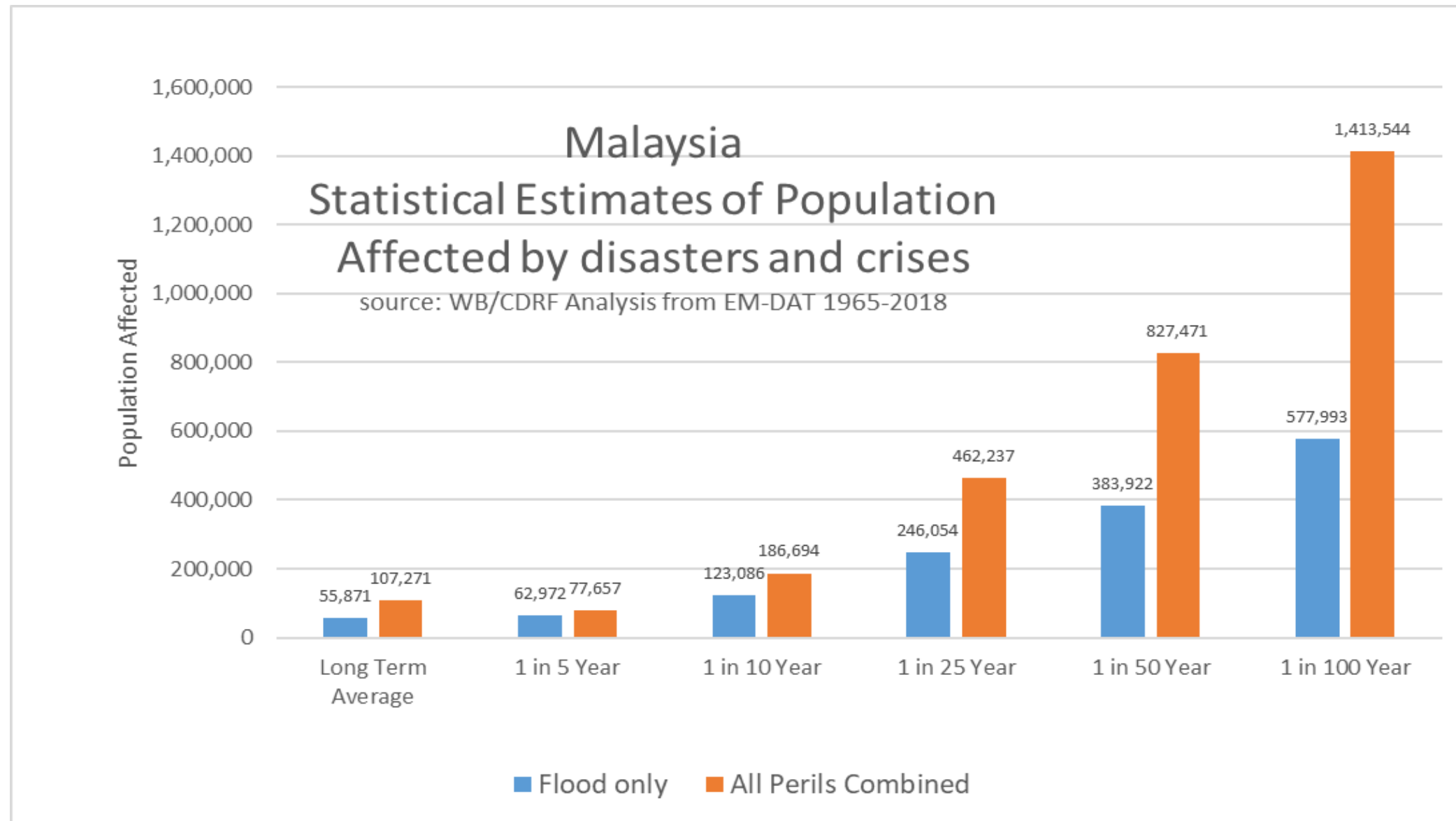
Malaysia has limited exposure to natural disasters compared to other ASEAN countries

Annual Expected Economic Loss (as % of GDP) in ASEAN Countries



Source: World Bank. 2012. Advancing Disaster Risk Financing and Insurance in ASEAN Member States.

Malaysia is mainly exposed to floods and droughts



Building a comprehensive approach to resilience

Reduce risk and prevent disasters
e.g. quality infrastructure

Help households and society cope with shocks
e.g. shock responsive social safety nets



Core Principles of Disaster Risk Finance

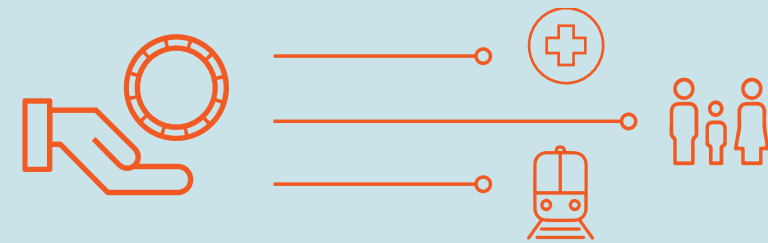
Timeliness of Funding

Speed matters but not all resources are needed at once.



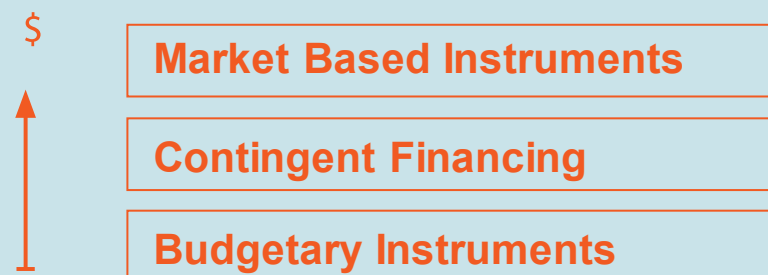
Disbursement of Funds

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



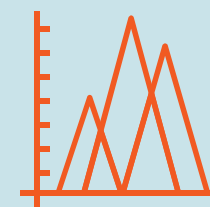
Disaster Risk Layering

No single financial instrument can address all risk.



Data & Analytics

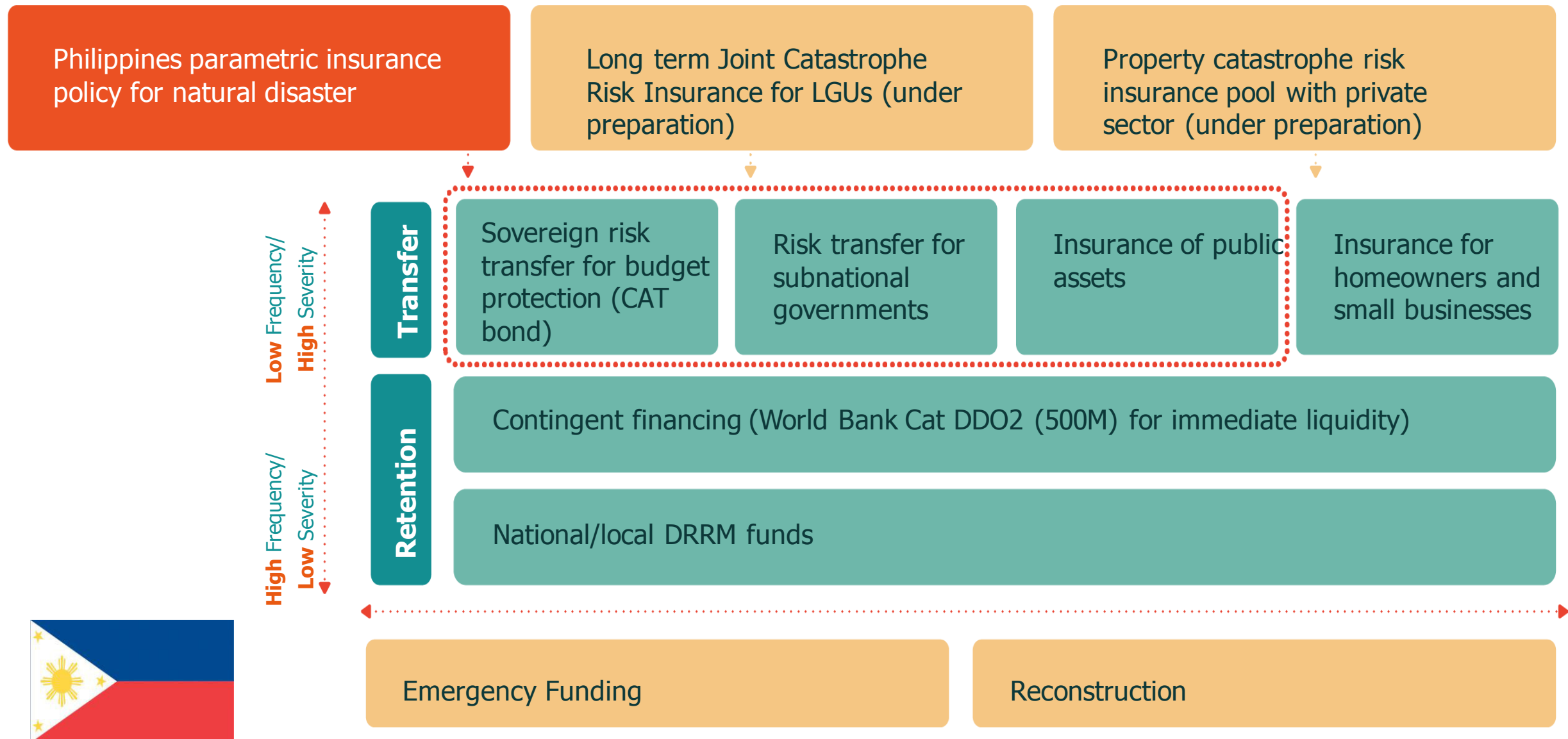
Sound financial decisions require the right financial information and data.



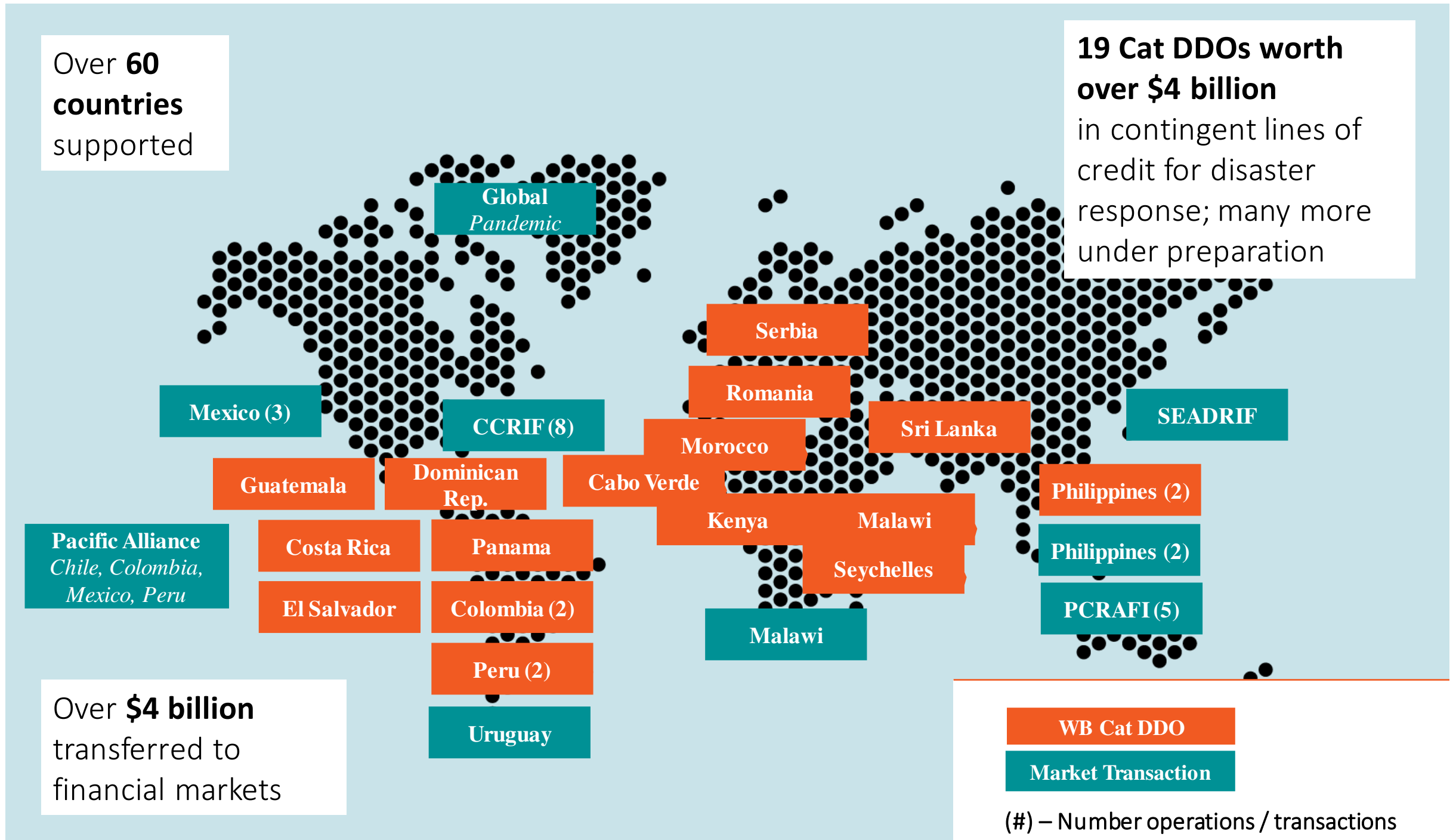
Risk-layered Sovereign Disaster Risk Finance

Insurance-linked Securities	World Bank CAT Bonds	World Bank direct issuance of CAT Bonds	Risk Transfer
	CAT/Weather Derivative	Insures against weather- and geological-related losses, based on an index	
Insurance Pools	CCRIF / PCRAFI/ SEADRIF	Establishment of regional facilities to pool risks and reduce costs to cover against natural disasters in different countries	
Contingent Loans	Investment DDO	Provides immediate liquidity following a pre-defined weather trend/event	Risk Retention
	CAT DDO	Provides immediate liquidity following a natural disaster	

Philippines: Risk layering to build fiscal buffer



World Bank - Growing Support on DRF to help MOF integrate risk finance in their macro-fiscal policy



Regional catastrophe risk pools



Source: Authors and World Bank. 2017. "Sovereign Catastrophe Risk Pools." Technical Contribution to the G20.

Southeast Asia Disaster Risk Insurance Facility (SEADRIF)

An ASEAN+3 Initiative



2019 ASEAN+3 Finance Ministers and Central Bank Governors' Joint Statement

“We support the efforts of the **Southeast Asia Disaster Risk Insurance Facility (SEADRIF)** to strengthen the **financial resilience of ASEAN member countries to climate and disaster risks**, with support from the ASEAN Secretariat and the World Bank. We welcome the participation of Cambodia, Indonesia, Japan, Lao PDR, Myanmar and Singapore in SEADRIF. We also welcome the progress towards operationalizing the **catastrophe risk insurance pool** for Lao PDR and Myanmar this year and the initiation of preparatory work to expand coverage to other ASEAN member countries. We invite all other ASEAN+3 member countries to join SEADRIF, and encourage donor partners beyond ASEAN+3 to support this initiative.”

SEADRIF – Working together for better financial protection



A DRF Platform for ASEAN Countries. Tailored to diverse perils, size, income level



PROGRAMS >

SEADRIF Insurance Company

Flood Risk Model

Insurance Market Development

Capacity Building / Knowledge Exchange

Future Programs

PRODUCTS >

Cat Risk Pool

Public Asset Insurance Program

Future Products

Projects Under Other Programs

Disaster Risk Finance - Opportunities for Malaysia



- Become a member of SEADRIF
 - Regional collaboration and knowledge sharing with other ASEAN countries
 - Financial products against floods and droughts
 - Insurance program for public assets (with other ASEAN MICs)
- Develop sharia compliant disaster risk insurance products
 - Governments and public entities
 - Households
 - Charity organizations

Contact

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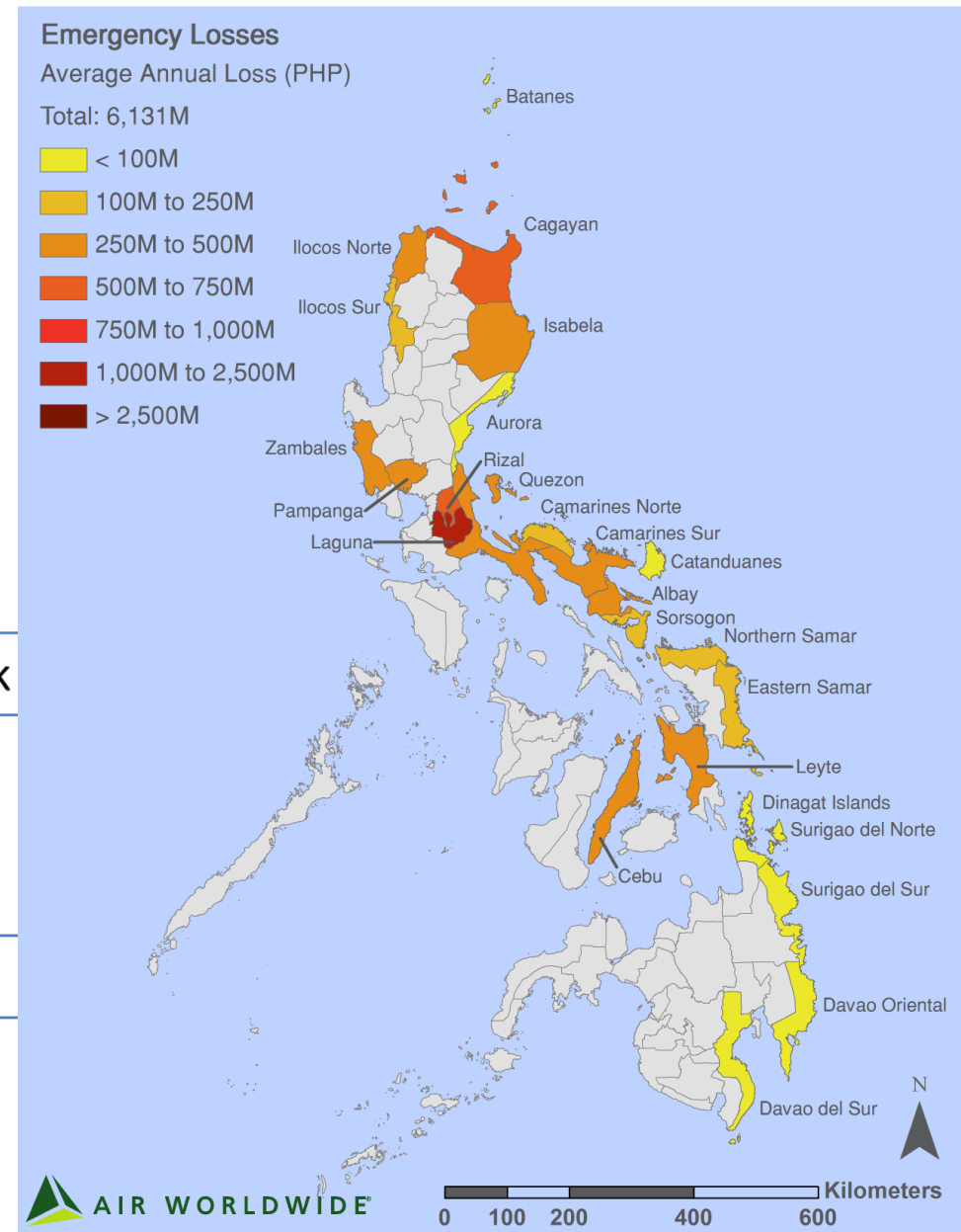
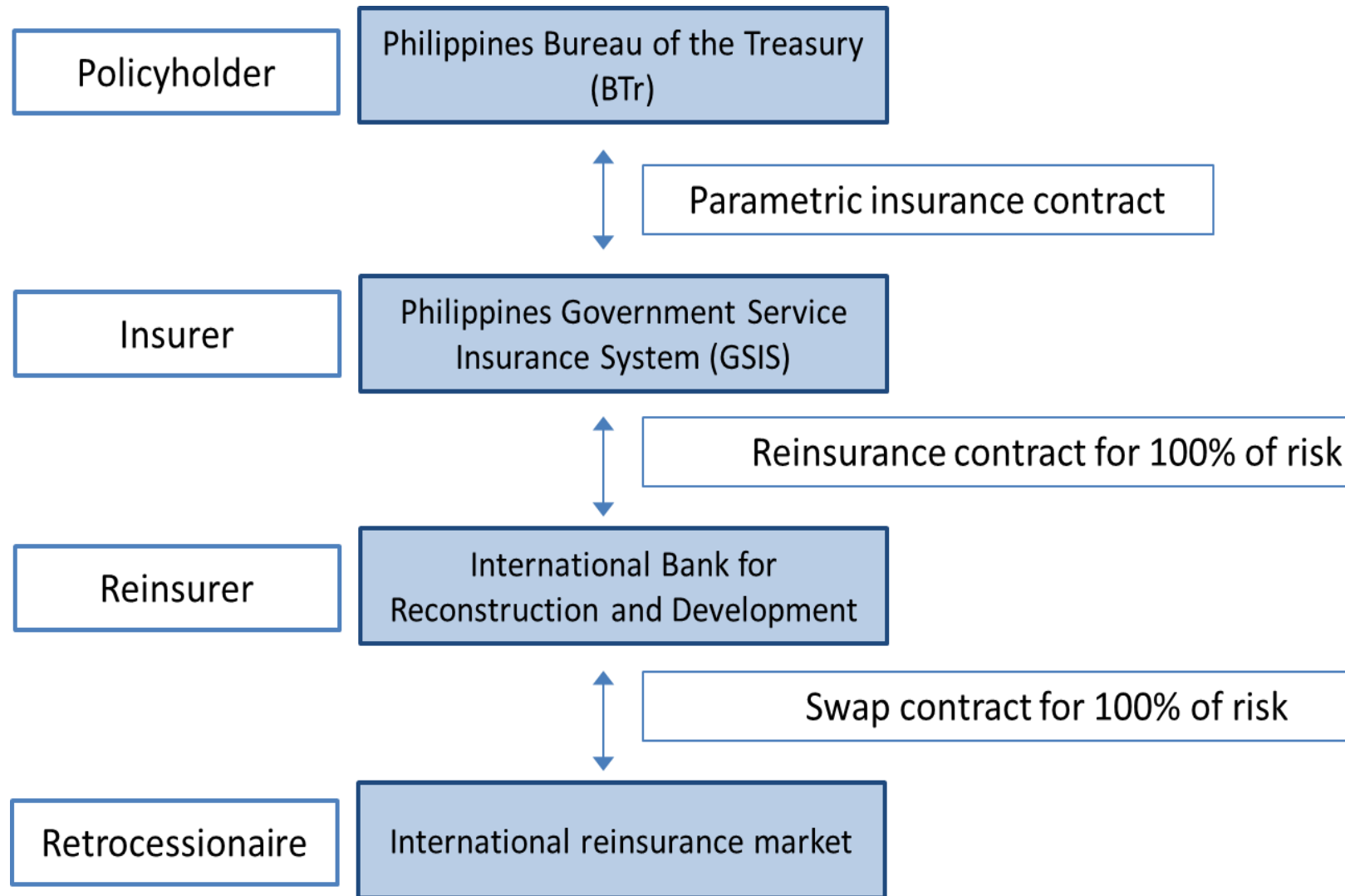
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Philippines Cat Risk Insurance Program for Local Governments



Indonesia DRFI Strategy

1

The government combines financial instruments to obtain an efficient and effective disaster risk financing scheme

2

The government retains the risk of frequent disasters through the Budget

3

The government uses contingent credit to complement the Budget for more severe risks with moderate to high losses.

4

The government develops a pooling fund to improve overall governance of disaster risk financing, including in: (i) retaining and reducing the risk, (ii) financing all disaster phases, including preparedness and (iii) improving disaster risk financing governance (including aid)

5

The government uses insurance to transfer risks for rare but severe events to financial markets.

Market-based Risk Transfer Solutions for Sovereigns executed by the World Bank

Country	Transaction Type	World Bank Role (instrument)	Amount to date (USD million)
Caribbean Catastrophe Risk Insurance Facility (CCRIF)	Natural Catastrophe – earthquake & hurricane (annually, 2007 to 2013, 2014 for 3 years)	Intermediation (swap/bond)	203.5
Malawi	Weather – drought (annually, 2008 to 2011)	Intermediation (swap)	19
Mexico	Natural Catastrophe – earthquake & hurricane (2009 and 2012)	Arranger (bond)	605
Pacific Catastrophe Risk Financing Initiative (PCRFI)	Natural Catastrophe – earthquake, hurricane & tsunami (annually, 2012 to 2016)	Intermediation (swap)	232.5
Uruguay	Weather & Commodity hybrid – drought & oil price (2013)	Intermediation (swap)	450
Mexico	Natural Catastrophe – earthquake & hurricane (2017)	Intermediation (bond)	360
Global	Pandemic (2017)	Intermediation (bond/swap)	425
Philippines	Natural Catastrophe – earthquake & hurricane (2017 and 2018)	Intermediation (swap)	596
Pacific Alliance - Chile, Colombia, Mexico and Peru	Natural Catastrophe – earthquake (2018)	Intermediation (bond)	1360
		Total	3,861