



# Southeast Asia Disaster Risk Insurance Facility

PROTECT THE GREATEST HOME OF ALL:

**OUR COUNTRIES**

SEADRIF is a regional platform to provide ASEAN countries with financial solutions and technical advice to increase their financial resilience to climate and disaster risks.



# Policy, Institutional and Regulatory Requirements

**Facilitator:** Benedikt Signer

**Speakers:**

Rob Antich, Australia | Heddy Pritasa, Indonesia | Greg Fowler, New Zealand

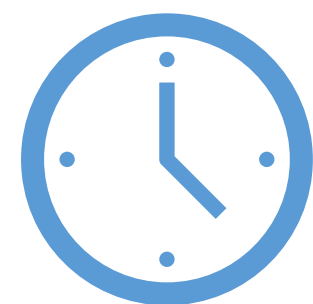
# Objectives of the factsheets and webinar

- **Why** should governments develop a financial protection strategy for public assets?
- **When** can insurance be a good option for the financial protection of public assets?
- **Who** are the key stakeholders (both external and internal) that play roles in each stage of the insurance development process?
- **What** are the most important step-by-step considerations involved in the development of a strategy for public asset insurance?

## **INTENDED OUTCOME:**

Government officials to develop strong understanding of the steps required to design, develop, deliver and operate effective financial protection of public assets, particularly through risk transfer and insurance

# Structure of Webinars



**90 minute webinar for each factsheet**



**Different guest speakers**



**Poll results will be included in final outputs**



**Live polls:  
Please participate**



**Please share questions via Q&A function**

# Overview of the Knowledge Series

- Roles and responsibilities for the government officials within an internal insurance program, the associated stakeholders, including auditing, compliance and governance, supervisory.
- Multi year aspects such as renewals and re-assessment of exposures.
- Review of procurement considerations
- Dealing with claims management
- Incorporating innovations and technologies



**FACTSHEETS 7 and 8**

- Development of an implementation roadmap for a public asset financial protection program
- How governments can agree objectives and build consensus around priorities
- How to develop internal governance and oversight functions, and ownership at each level of the insurance program
- How risks are allocated across asset owners and operators



**FACTSHEETS 1 and 2**

- Roles and options available to construction of cost-effective insurance, including common insurance structures and case studies, their pros and cons against considerations of budgets, risk appetites, and government priorities
- Introduction of pooling and mutualization of large scale public assets insurance programs
- Insurance/reinsurance concepts of retention, deductible and exclusion



**FACTSHEETS 5 and 6**

- The importance and development of Public Assets Registries, and associated Enterprise Asset Management systems.
- How to assess and quantify asset exposure, sources of data, requirements for insurance transactions
- Introductions to the use of catastrophe analytics, burning cost / technical and market rates, tariff structures, risk based pricing methods, and underwriting.



**FACTSHEETS 3 and 4**





## POLL (1): WARM-UP

# What was the last webinar about?

- Roadmap to develop a public asset financial protection program
- Data and information needs for a public asset financial protection program
- I did not attend the previous webinar(s) – this is my first time
- It was too boring, I don't remember

# Policy, Institutional and Regulatory Requirements

Rob Antich

Former Australian Government official

Consultant, Crisis and Disaster Risk Finance, World Bank

# Public Asset Insurance Program



Why is there a need?

## Strategic alignment

### (1) Policy design

- How will the program align with the government's overall risk management strategies and objectives?
- What does the program cover? What are the priorities?



How will the program work?

## Legitimacy

### (2) Program design

- How will the program work?
- Who will it apply to?
- What are the obligations on program participants and the program manager?
- What governance and regulatory mechanisms?
- Where should the program be located?

### (3) Legislative process

- How will it be set up?
- What institutional frameworks and tools are available to establish and support the program?



What is the program's financial structure?

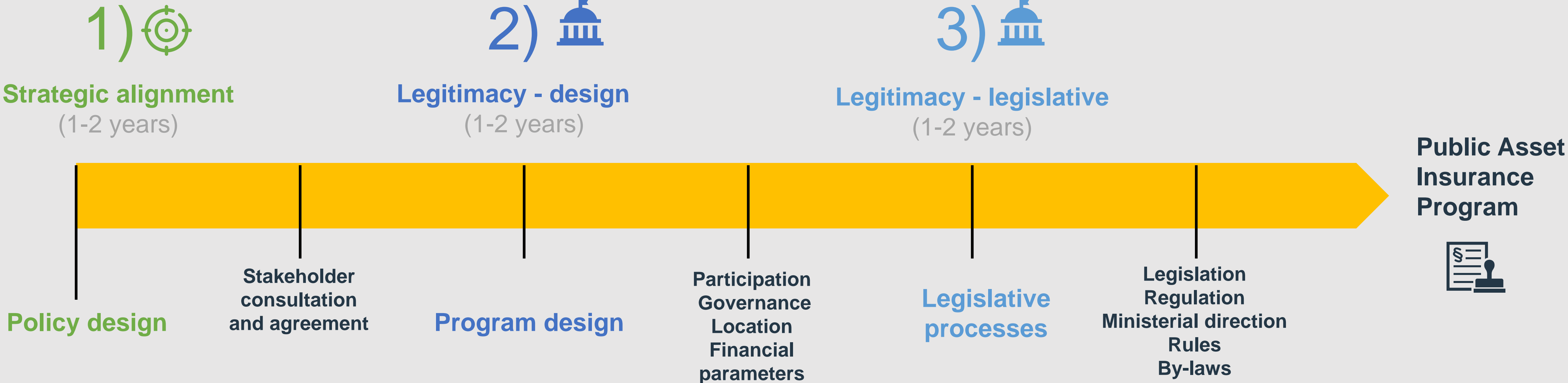
## Budget and Financial planning

### (4) Financial parameters

- How much will participants have to contribute in premiums? (contribution levels)
- How are surplus contributions accumulated over financial years? (accumulation levels)
- At what levels should accumulated funds be capped, relative to claims and costs? (funding ratios)
- Will the funds be formally separated from government accounts?
- Will the funds be invested and if so, what will be the investment strategy?



# Public Asset Insurance Program timeline



# 1) Strategic alignment— Policy design



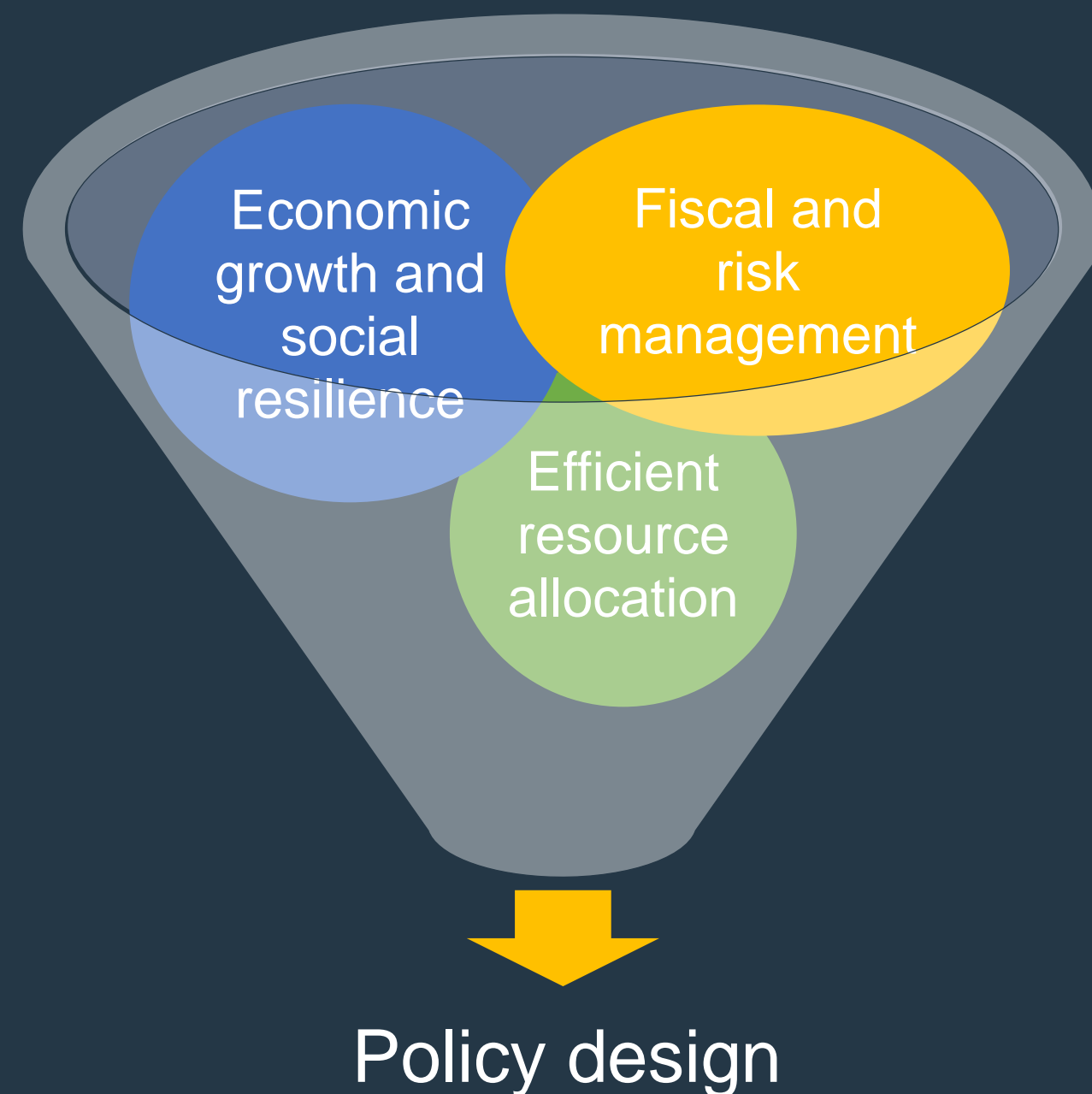
## Core objectives: Fiscal and risk management

- Protect balance sheet
- Improve economic resilience to external shocks
- Strategic alignment with risk management
- Improve financial management of government assets
- Improve understanding of overall government challenges

## Complementary objectives

- Economic/social resilience
- Efficient risk and cost allocation

# 1) Strategic alignment— Policy design



Invest time and effort to engage stakeholders to clarify the key program objectives, principles and scope.



## Key stakeholders:

- **across government** - priority stakeholders include key financial government agencies (Ministry of Finance/Treasury) and departments or agencies responsible for infrastructure and social service delivery
- **subnational governments** - especially in relation to any proposed/potential changes in disaster risk and cost allocation settings, and
- **the financial/insurance industry and community groups** - to account for wider technical and on-the-ground support mechanisms.



## Following the consultation process, Governments need to:

- **decide** on the key drivers, objectives and principles of the program
- **understand the choices and trade-offs** that are being made – what the priorities are, what the program is expected to do and what it will not do
- **communicate** its decision to stakeholders to set and limit expectations about the program and its objectives, and
- consider how the program will be **implemented**.



**POLL (2):  
POLICY  
OBJECTIVES**

Which policy objective do you consider is the most important in relation to developing a public asset insurance program?

- Improving economic resilience to external shocks
- Improving the government's balance sheet
- Improving the financial management of significant government assets
- Improving social resilience and reducing poverty
- More efficient allocation of expenditure for disaster relief and recovery

## 2) Legitimacy— Program Design

### Program participation

Mandatory vs.  
voluntary  
Phased on-boarding  
Program obligations  
Risk management  
Data sharing

### Governance

Parliamentary  
Governmental  
External audit  
Internal

Organizational  
set-up

# Program participation – voluntary vs. mandatory

## Voluntary



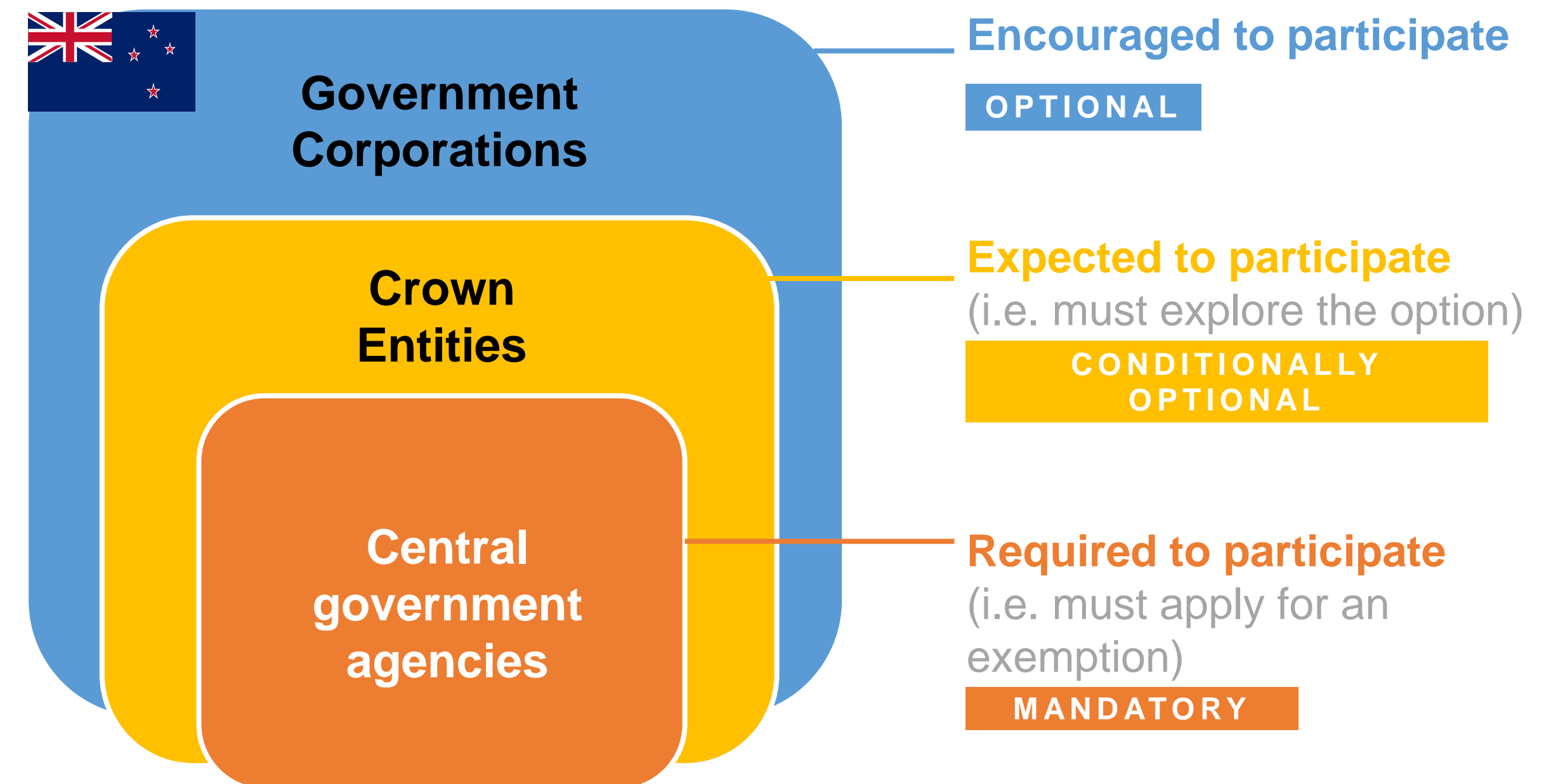
## Mandatory

- Increased autonomy
- Customised approach
- Competition

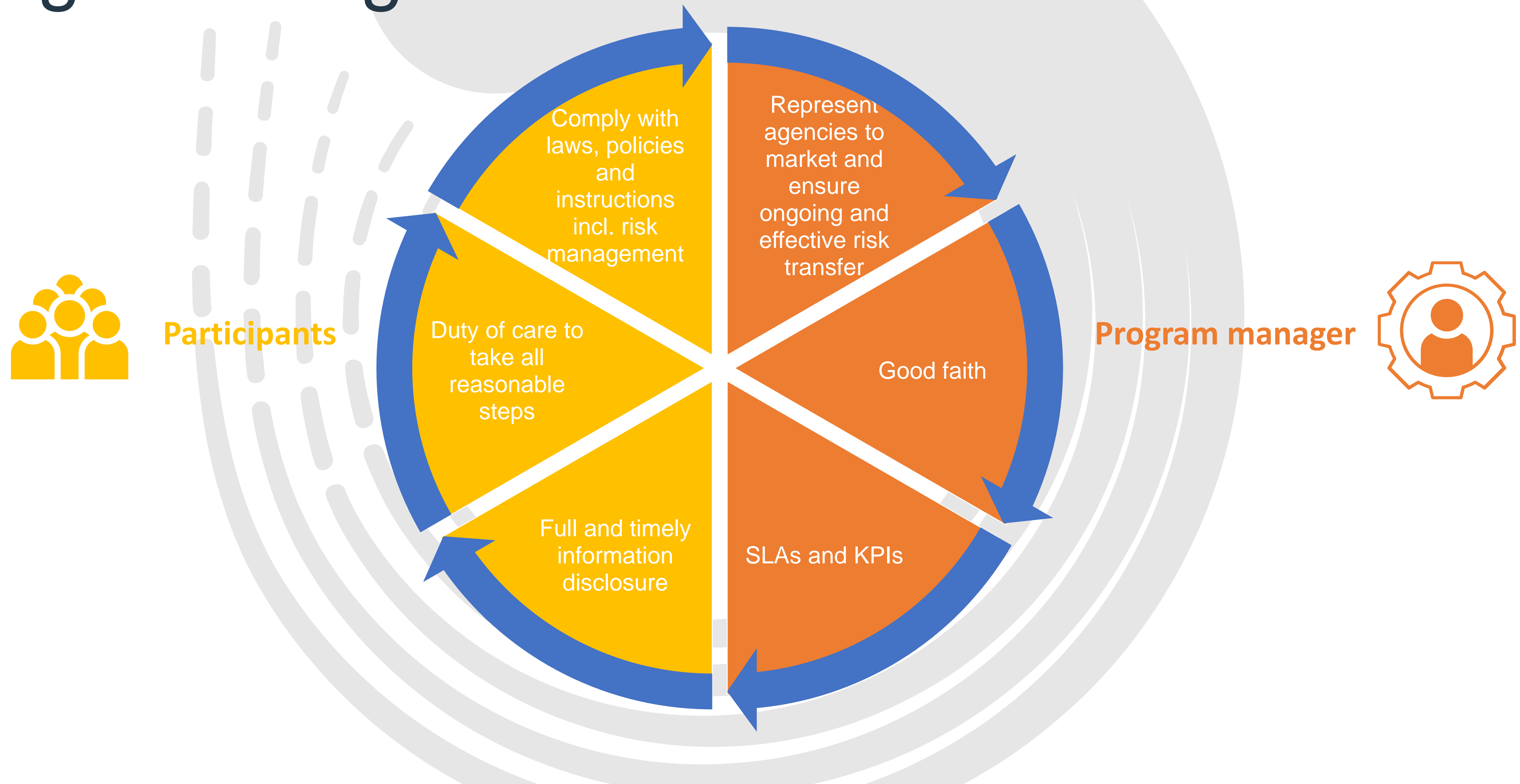
- Fewer economies of scale
- Adverse selection risk
- Less predictable forecasting
- Fewer incentives

- Economies of scale
- Less adverse selection risk
- More accurate forecasting
- Increased transparency
- Increased information

- One size fits all
- Loss of agency control



# Program obligations





## Governance of a Public Assets Financial Protection Program

### Internal governance

- Audit Committee oversight
- Internal review
- Stakeholder advisory committees
  - Consider purpose of committee, powers, meeting frequency, reporting and resources required

### External audits

- External audits by private sector

### Government review

- Ministerial oversight – meetings/reports
- Periodic independent review of the program's objectives, roles, functions and performance to test whether the program remains fit for its purpose.

### Parliamentary scrutiny

- Parliamentary scrutiny of program performance
  - Annual reports tabled in Parliament
  - Regular attendance before Parliamentary committees
  - Auditor-General review of financial reports and occasional audits

*Regular points in a financial year*

*Typically once every financial year*

*Typically every 3 – 5 years*



# 3) Legitimacy —Legislative process

## Acts of Parliament Executive orders

Policy design  
Objectives  
Powers  
Reporting and review

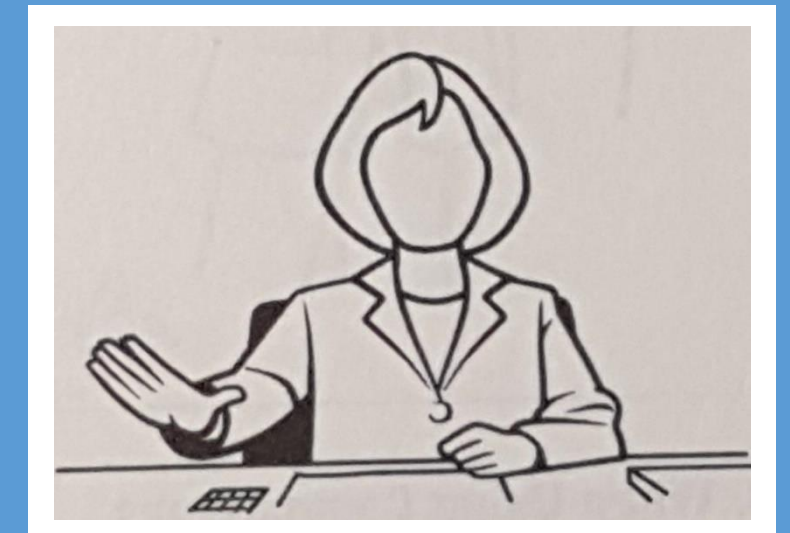
*Transparent*  
*Stakeholder engagement*  
*Less flexible*  
*Time consuming*



## Regulations, ministerial directions, rules, by-laws

Operational matters and  
'fine tuning'

*Not as transparent*  
*Less stakeholder  
engagement*  
*Flexible*  
*Timely*



# Policy, Institutional and Regulatory Requirements

Greg Fowler

Former New Zealand Government official

Consultant, Crisis and Disaster Risk Finance, World Bank

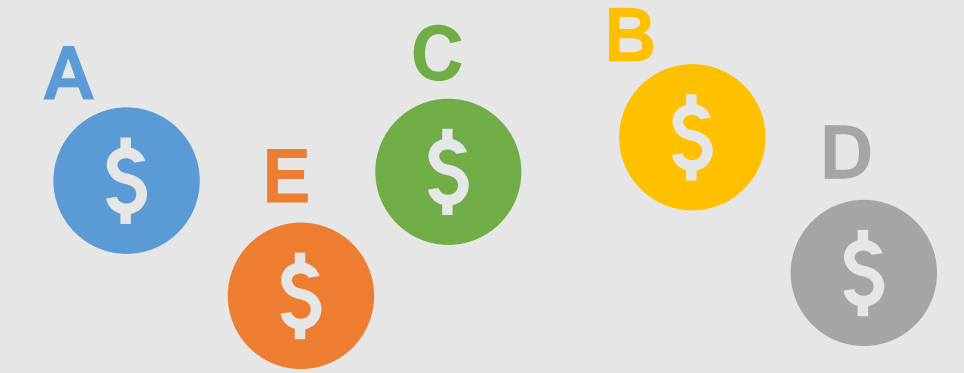
# 4) Budget and financial planning

Financial and budget management of a Public Assets Financial Protection Program



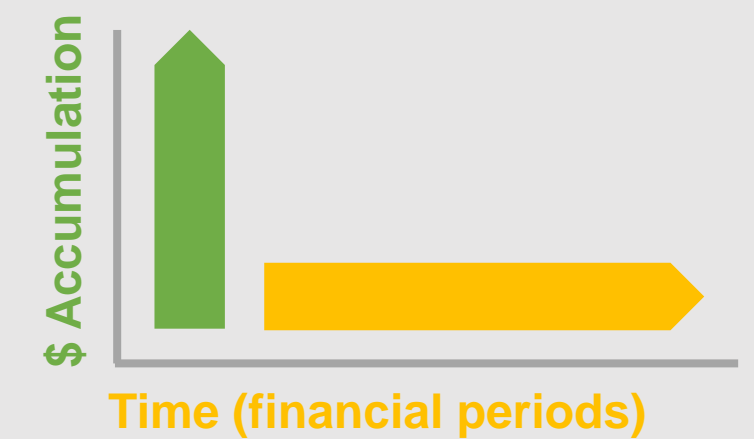
## Contribution levels

How much does each entity have to contribute in premiums?



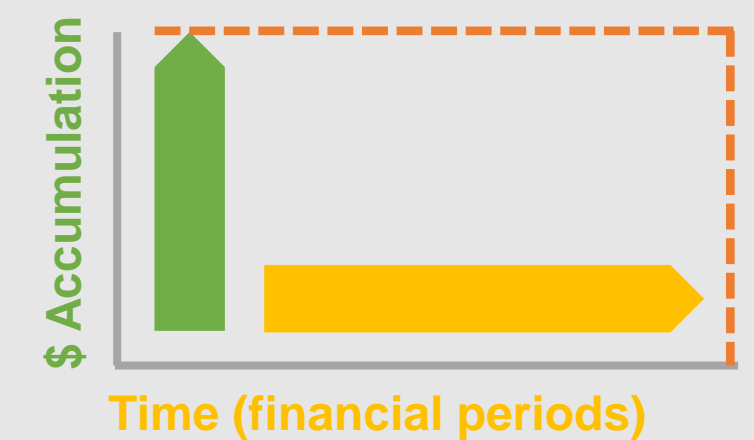
## Accumulation levels

How are any surpluses in contributions accumulated over financial years?



## Funding ratios

At what levels should accumulated funds be capped, relative to claims and operating costs?



## Ringfencing of funds

Will the funds be formally separated from government accounts?



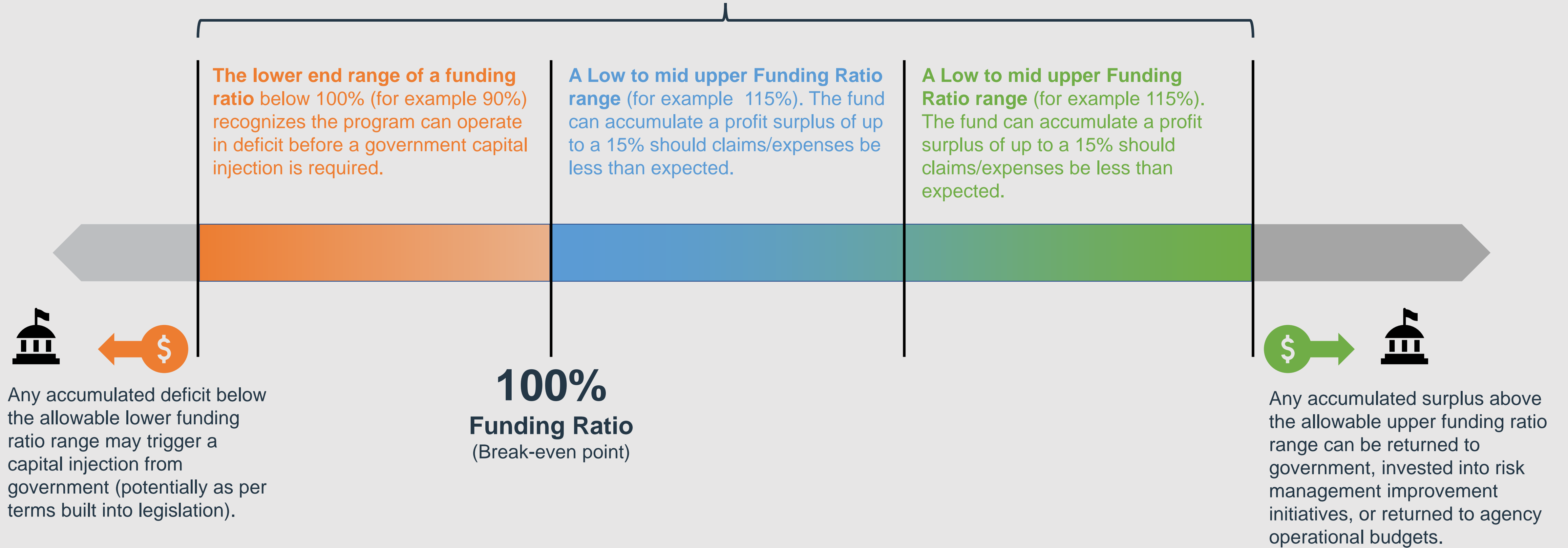
## Investment of funds

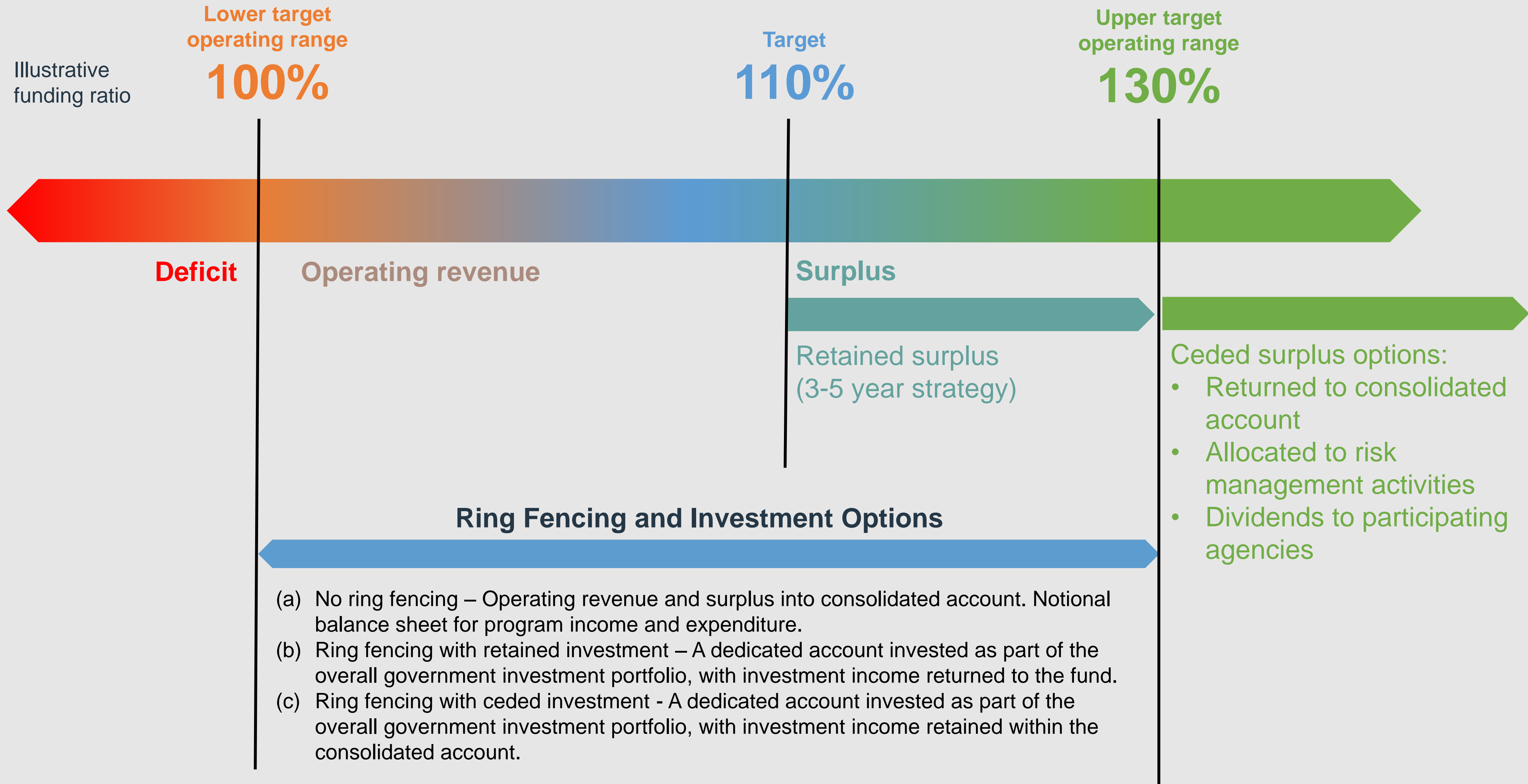
Will the funds be invested and if so, what is the investment strategy?



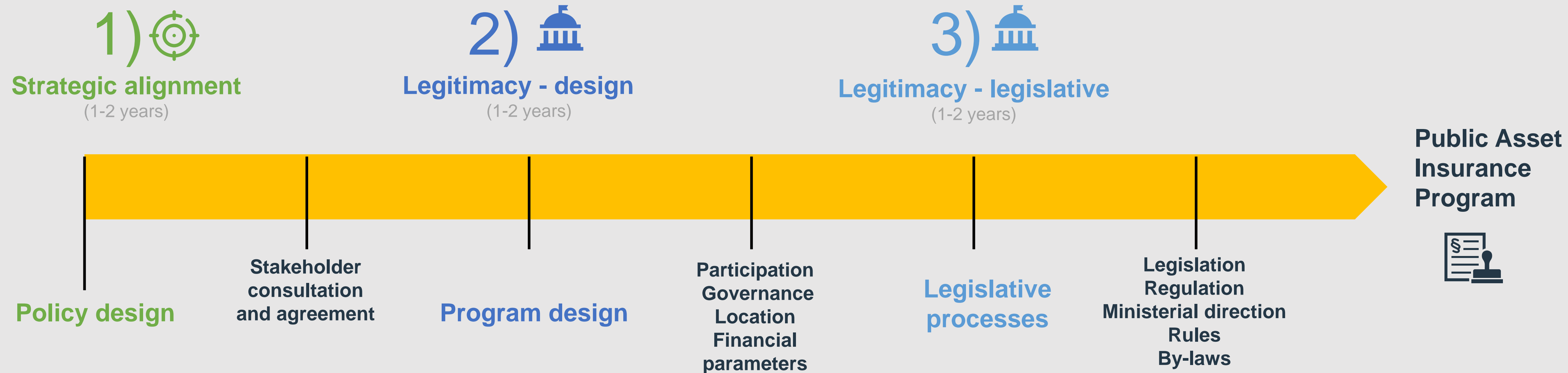
## Target Operating Range

(set at an upper and lower limit depending on government and program strategy)





# Public Asset Insurance Program timeline



# Australian Government—Comcover

- Agencies managed own risks
- No overall awareness or aggregation of government risks or liabilities
- No incentive to mitigate

1) 

**Strategic alignment**  
(1997 Government review)

2) 

**Legitimacy - design**  
(1998 Cabinet decision)

3) 

**Legitimacy - legislative**  
(1-2 years)

1998 - Initial regulation re special account

- 2007 – First external review
- 2009 – Regulation amended to broaden Comcover scope
- 2011 – Second external review
- 2014 – Risk Management Policy applies to agencies
- 2014 – Third external review
- 2018 – Regulation updated to reflect revised government financial obligations

**Comcover**

1 July 1998



**Policy design**

**Government consultation**

- Promote best practice risk management for government agencies to improve policy formulation and service delivery.
- Provide a comprehensive insurance fund to protect against insurable losses

**Program design**

**Participation  
Governance  
Location  
Financial parameters**

**Participation:** Mandatory for all budget funded departmental agencies and non-corporates within the government sector, but not government corporate entities/businesses. Similar cover to market.  
**Obligations:** Comply with Comcover Statement of Cover and other financial regulations.  
**Governance:** Reports to Finance Minister, accounts reported to Parliament and Auditor-General access to accounts. Regular external auditors and actuarial reports. **Location:** In-house unit in Department of Finance.  
**Financial:** Special account for income/expenditure but notional, and managed as part of consolidated accounts. Target funding ratio of 100% -funds returned if >\$AUD150m.

**Legislative processes**

**Finance Minister Determination/ Regulation**

# Panel discussion

**Facilitator:** Benedikt Signer

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# Perspectives from Indonesia

**Heddy Pritasa**

Head of Product Development, General Insurance Association of Indonesia (AAUI)  
Head of the Technical Committee for the State Asset Insurance Program Consortium



### **POLL (3): CHALLENGES**

## Which aspect do you find the most challenging in relation to a developing a public asset insurance program?

- The policy design: aligning the program with other government policies and objectives
- The program design: deciding who program participants are and what is expected of them
- The legislative process: deciding how the program will be set up and where it will be situated
- Budgets and financial planning: deciding how program funds will be collected, accumulated, invested and allocated.
- They are all equally challenging

# Panel discussion

**What** have been the most challenging aspects, from your perspectives, in developing the policy and institutions for a financial protection program for public assets?

**How** do you bring together different perspectives? From across government agencies, the asset operator and private sector?

# Questions and Answers



**USE THE Q&A  
FUNCTION**

# Future webinars

**PLEASE GET IN TOUCH IF YOU WOULD LIKE TO SHARE YOUR COUNTRY EXPERIENCE IN FUTURE WEBINARS**

**NEXT WEBINARS ON:**

- PUBLIC ASSETS MANAGEMENT**
- DATA AND INFORMATION REQUIREMENTS**

**BREAK FOR 4-6 WEEKS AND RESUME IN EARLY SEPTEMBER**

Thank you



**SEADRIF**

SOUTHEAST ASIA  
DISASTER RISK INSURANCE FACILITY



An ASEAN+3 Initiative  
In partnership with The World Bank

Disaster Risk Financing  
& Insurance Program

