SEADRIF Knowledge Series:
Financial Protection of Public Assets
Fact Sheet 7: Launching and Managing Insurance Programs

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Disaster Risk Financing & Insurance Program

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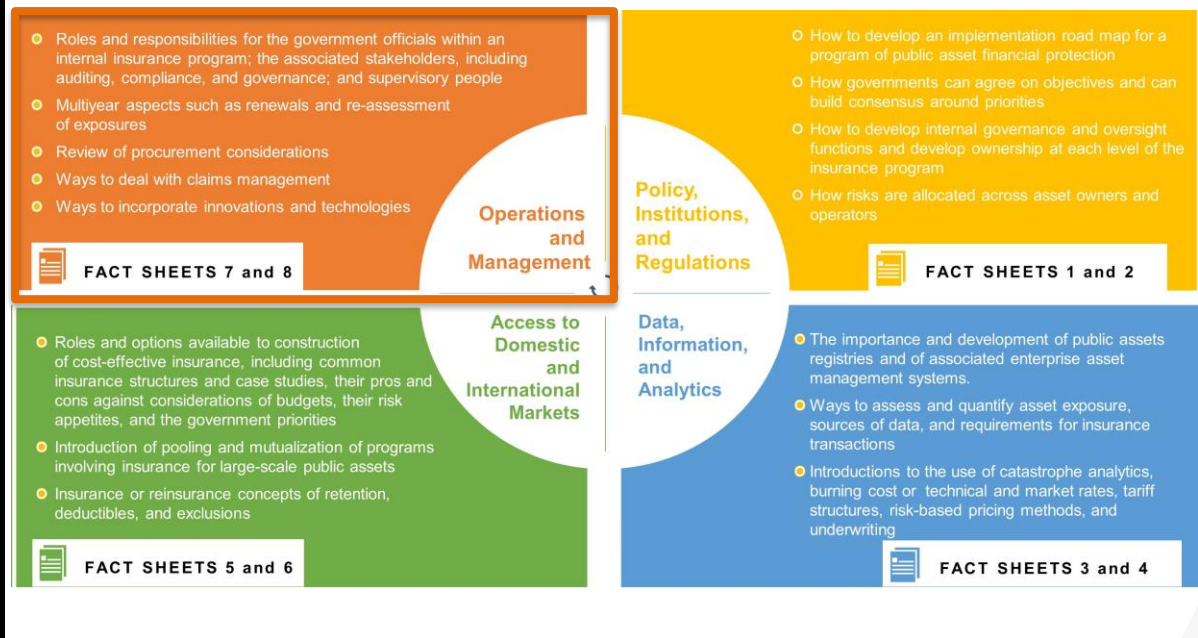
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The SEADRIF Knowledge Series: Financial Protection of Public Assets

This seventh fact sheet[1] is part of a Knowledge Series that supports government officials as they develop their understanding of the steps needed to design, develop, deliver, and operate effective financial protection of public assets, particularly through risk transfer and insurance. The Knowledge Series encompasses an end-to-end development of public asset financial protection and insurance, as shown in figure 1. See previous fact sheets in this series for a more detailed introduction.

Each fact sheet will cover a major element of the process and will highlight considerations to assist government officials and other stakeholders who are tasked with developing solutions.

Figure 1. Overview of the Knowledge Series

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Introduction

Activating (otherwise known as setting up and launching) and maintaining a public asset financial protection program require a combination of well-considered, interrelated, and timebound actions.

Whereas previous fact sheets described the fundamental elements and considerations involved in designing, developing, delivering, and renewing a public asset financial protection program, this fact sheet is focused on the activities required to activate or launch a program and to renew it annually. The fact sheet is structured around a checklist format.

Checklists are a user-friendly guide that governments can use to complement their own delivery and renewal planning, as well as to ensure they have accounted for key steps required in prudent activation and renewal processes. It is important to note the checklists presented in this fact sheet relate to an ideal roadmap for program delivery and renewal; in reality, however, each government will apply a sensible variation of the checklist to suit its situation and requirements.

There are two checklists: one for initial activation and one for the ongoing renewal of the program's risk-financing product and service arrangements. A summary of the checklists is provided in figure 2. Although the nature of many activities is similar, there are important distinctions and differences, which are explored further in the content that follows.

Figure 2. Checklist Summary Content

Program Activation Checklist	Program Renewal Checklist
1. Governance	1. Governance
2. Communications	2. Communications
3. Recruitment	3. Recruitment
4. Training	4. Corporate services support
5. Corporate services support	5. Procurement and contract management
6. Procurement	6. IT systems
7. IT systems and data integration	7. Data
8. Claims management systems and protocols	8. Member management (onboarding, engagement, and training)
9. Member onboarding	9. Risk financing and program management
10. Risk financing	10. Financial management
	11. Claims management
	12. Risk management

In addition, Part 3 presents considerations about claims management, with emphasis on the types of practices and protocols that governments need to consider when dealing with claims under the program.

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Part 1. Program Activation—What Actions Are Required to Switch on a Public Asset Financial Protection Program?

Introduction

Having undertaken the design and development activities for a public asset financial protection program, a government will arrive at a position where it has qualified and approved a program design that suits its own specific requirements. This position will be a trigger to commence activation activities.

Annex 1 provides a checklist for key actions throughout the delivery stage. The items listed in the annex are indicative only and represent common actions undertaken through that delivery stage. Each government will have unique program specifications; therefore, some items may be redundant while additional actions may need to be included.

This process can be a complex environment. For that reason, it is strongly recommended that the activation process be surrounded by rigorous project management practices and resources, though having dedicated project management specialists, tools, and techniques. Early mapping of the concurrent milestones and action dependencies will drive effective priorities and, ultimately, a successful outcome.

Key Considerations for the Activation Stage

The following content complements the Annex 1 checklist. More detailed insights can be gained from reviewing the previous six fact sheets in the SEADRIF series.

1. **Governance**

The delivery or activation stage involves a concentrated series of actions occurring in a specific order. It is important to ensure that structured governance layers are in place to direct, guide, correct, and advocate for the activation process. Governance layers can include these:

- Strategic: Senior stakeholders or sponsors who will receive progress tracking reports and make key decisions regarding scope and direction. They will also monitor benefits realization to ensure that delivery is being set up to achieve the desired objectives.
- Operational: Delivery-stage project team leaders who will report on and manage project delivery progress, risks, issues, constraints, and dependencies (i.e., time, cost, and quality).
- Client advisory: A group of government agency representatives providing customer perspective feedback.
- Technical subject matter expertise: Relevant and qualified specialists who peer review and validate the technical aspects of the solution.
- Internal and external audit: Objective review of progress toward the desired financial and nonfinancial objectives.

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2. Communications

The program is on the cusp of being switched on. It will be especially important to revisit and update communications with stakeholders to ensure that each party is aware of the purpose of the solution and of each party's respective roles and responsibilities within the solution.

Communications should be relevant, clear, and concise and should deliver key messages to various audiences aligned with a stakeholder engagement and communications plan. Additional considerations include identifying which communications channels to use and deciding whether the solution requires tailored branding (e.g., is a new government entity being established).

3. Recruitment

The level of recruitment will depend on which functions or services will be delivered in house versus which are outsourced. Private sector involvement in service provision is usually necessary for reasons including expertise and the ability to "scale up" when disasters occur. At the very least, some management and administration functions may likely remain in house. Irrespective of the arrangement, recruitment needs can be confirmed early through the creation and approval of an organizational structure that identifies necessary roles and provides role descriptions.

Not all roles may need to be filled immediately. It is best to identify which roles are necessary in early stages of activation and which ones can be part of a phased recruitment process. Phasing recruitment can also relieve some early budget constraints.

4. Training

Training of stakeholders should be approached with the mindset that a significant loss event could happen in the first few days of the solution becoming operational, which means having a significant portion of the training complete before the solution is switched on.

Like the communications advice, considerations here will include the following:

- Who is the audience? Stakeholders often involved in training exercises include these:
  - o Participating agency staff members
  - o Program management and administration staff members
  - o Outsourced service suppliers (as required)
- What are respective roles and responsibilities?
- What is the training content?
- How will training be delivered?

Training can include running simulated scenarios of disaster responses, as well as placing the roles and responsibilities in a relevant context that tests and corrects processes in advance of a real-life event. Such collective training opportunities also highlight key dependencies and create valuable networks.

5. Corporate Services Support

No solution will be entirely self-sustainable. Whether it is housed within an existing government entity or is the reason for creating a new entity, the program may require support services including these:

- Procurement of accommodation, office equipment, and other property services
- Human resources to support recruitment and ongoing people management
- Legal services to support contract management or claims interpretations or both
- Finance services to support administrative cost management or compliance, as well as monitoring of risk-financing performance
- Information and communication technology (ICT) support for relevant IT systems for both corporate services and for the program (see below)

Early identification of needed support services is important because these services may require significant lead-in time to ensure the right ones are delivered through correct channels.

6. Procurement

Dovetailing with recruitment, corporate support services, and risk-financing considerations, the procurement requirements will depend on the underpinning in house versus outsourced strategies. Key factors to consider are as follows:

- Alignment with overarching government procurement legislation and regulations: the government will have established rules around spending tax dollars. It is important that those rules are understood early so that any constraints or obstacles are managed in the design and development stages.
- Procurement process: procurement processes can take a long time. They include front-end procurement planning and approvals, market engagements, requests for proposals or contract documentation development and issuing, proposal evaluations, negotiations, provider selections, contract awards, and debriefs. Reverse engineering (working backwards) of the timing of those processes from the desired service or solution activation date can provide insight into process commencement timings. It is also important to bear in mind that some services will need to be in place long before the official program activation date to allow for necessary customization, familiarization, and finetuning of service delivery.
- Contract management: once services or solutions have been procured, the relationships require ongoing development and monitoring. Setting up contract management processes and resources to ensure that contracts and contractors are delivering to expectations is key to longer-term benefits realization.

7. IT Systems and Data Integration

The fact sheet series has demonstrated the importance of data management in deriving an effective, tailored risk-management and risk-financing solution. Management of those data ideally requires an IT system. Such systems may be procured through an outsourced

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arrangement, or they may be developed and tailored for government. Either way, there will be some procurement involvement, and additional complexities associated with IT procurement should be accounted for. The complexities may include these:

- **Review international experience:** It is helpful to seek and understand the lessons learned in other jurisdictions. IT systems can be expensive and, if sub-optimal, can be difficult to change or extract from.
- **Involve IT expertise:** The IT world is full of jargon and technicalities. It is important to involve people in the IT system activation subproject who understand such complexities. Their involvement will bring greater certainty of a successful outcome.
- **Account for any overarching government IT security standards:** Cyber-risk is a growing concern for state actors. Many governments now have specific security standards for government IT systems. Not only must the IT systems meet those standards, but also the costs and time associated with the compliance and approval processes must be accounted for.
- **Have user-acceptance testing and training:** A robust process for IT system implementation involves having the customer (in this instance, participating government agencies, administration staff members, and contractors) test iterations of the IT platforms in advance of activation. This testing assists with necessary user-friendliness customizations. The processes can take time, especially where significant customizations are required. Once a final iteration is agreed upon, there will be a requirement for training stakeholders on the use of such systems.

During and after the IT system's acceptance process, the data captured during the design and development stages must be integrated into the IT solution. This integration may be managed centrally, may be through an outsourced service contract, or may be set as a per agency obligation to input the agency's relevant data (such as asset data). If there is a time lag between data collection for the design and development stages and the activation process, the data may need to be updated and validated data for integration.

8. Claims Management Systems and Protocols

Claims, whether they are self-insured (i.e., funded from within government) or transferred to insurance markets, can happen at any time. Claims management systems and protocols must be set up so that they are practiced and ready to use from the first day of program activation.

Part 3 of this fact sheet provides further insight. However, key factors and considerations to account for include the following:

- A set of guidelines and the right capability call on loss-assessment services as soon as possible after a loss event
- A set of clear and concise guidelines for participating agencies on how, to whom, and when to notify claims
- A set of clear and concise guidelines for participating agencies about their obligations in the event of a loss (e.g., prevent further damage where possible)

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- The drafting and approval of claims management documentation (either paper-based or encapsulated within a claims management IT system)
- A set of claims payment transaction processes and systems, including rigorous financial management and audit processes
- A means to track and trend claims experience over time in order to learn lessons and allocate risk-management resources to improve future claims outcomes

9. Member Onboarding

Agency participation can include different dynamics, including these:

- Is participation mandatory or voluntary?
- Is participation phased (government agencies join in tranches at set intervals), or is it a "big bang" approach (agencies come onboard in a consolidated manner at the outset)?

Irrespective of the onboarding strategy, the onboarding process itself must be considered and coordinated. Failure to manage and administer the process carefully can result in risk-transfer markets and government agencies losing confidence in the solution. A considered and coordinated approach will account for the likes of the following:

- Clear stakeholder engagement
- Data collection and analysis
- An assessment of the risk being inherited into the solution as a result of each agency's participation
- A contractual process governing participation (e.g., a memorandum of understanding)
- Induction and training
- Contribution payment processes

As mentioned at the outset of this fact sheet, each government's circumstances will be unique, which affects each activation component. The onboarding process should reflect the operating environment and the broader disaster risk-financing strategies of each government. Annex 3 demonstrates key onboarding considerations in New Zealand's proposed program of public asset financial protection.

10. Risk Financing

This component is about money and risk-financing strategy management. Core elements of those activities are described next.

Money Management

Key activities involve preparations for receiving monies, which may include agency contributions, central government or donor organization capitalization, or both, as well as (re)insurance claims payouts. Preparations also need to account for spending money. The expenses will likely include the following:

- In-house management and administration costs
- Outsourced services costs
- Risk-transfer premiums

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- Retained or self-insured losses

As with previous activation components, it is important to prepare funding channels as if a significant loss event will happen early. Activities will focus on (a) setting up formal accounts to receive and distribute funds, (b) making sure the correct accounting standards are used, and (c) testing the transaction channels in advance. This approach helps ensure a smoother process when a real-life event occurs. An efficient transaction of funds is critically important to responding and recovering effectively from a loss event.

Depending on government's financial and investment infrastructure, money management may also include establishing an investment vehicle for the accumulated funds or creating an alignment with an existing government investment vehicle.

Risk-Financing Strategy Management

Considerations during the design and development stages will have included the creation and approval of a tailored risk-retention and risk-transfer strategy. (See box 1.)

Box 1. Reminder—Risk-Retention and Risk-Transfer Strategies

Risk-Retention Strategy: Having analyzed the likelihood and severity of future losses to public assets and of emergency response costs, and having assessed the premium costs associated with transferring risks at different financial layers, a government defines how much risk it chooses to retain, as well as what vehicle it will use to manage those retained costs.

Risk-Transfer Strategy: Having analyzed what potential future losses sit above the government's financial risk tolerance, and having assessed the premium costs associated with transferring risks at different financial layers, a government defines how much and what type of risk it chooses to transfer, as well as what transfer instruments to use.

Key actions in this component will include the following:

- Establishing any risk-retention vehicles as part of the risk-retention strategy (e.g., self-insurance, risk pools, captives)
- Using procurement practices to engage with risk-transfer markets (often through a pre-selected broker)
- Confirming the coverage terms and conditions that will apply to retained and transferred losses (through a statement of cover or (re)insurance policy)
- Confirming the preferred transfer options, and instructing placement of those options in alignment with the activation date
- Receiving and reviewing evidence of the bound risk-transfer program
- Processing payment of any premiums and associated costs

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Summary of Activation Stage

Part 1 has outlined key actions associated with activating a public asset financial protection program. Many of the actions will be run as concurrent subprojects, with some actions being critical prerequisites for achieving subsequent actions.

A well-considered and coordinated activation will also reward government with a clear and concise basis for ongoing, operational management of the program. This approach includes the management of important and regular review and renewal opportunities (as covered in Part 2 of this fact sheet).

Part 2. Program Renewal—Actions Required to Maintain and Enhance a Public Asset Financial Protection Program

Introduction

The delivery or renewal stage involves actions aimed at ensuring that the program, once established, continues to meet objectives and purposes agreed to by stakeholders. This approach requires continual operational processes to manage government stakeholders; staffs; and contractors or technical experts on matters of strategy, financial reporting, data gathering, data analysis, claims management, and renewals.

Key Considerations for the Renewal Stage

1. **Governance**

Effectively structured governance arrangements are critical. They enhance accountability and responsibility for expenditure of government resources, they drive client participation, they encourage positive risk-management behaviors, they improve reporting and claims management, and they help achieve program benefits.

Governance options (set out in figure 3) include these:

- External—parliamentary and governmental scrutiny (including annual or other reports or both) and external audit
- Internal—line managers, client committees, technical expertise, and audit programs

Figure 3. Governance Options
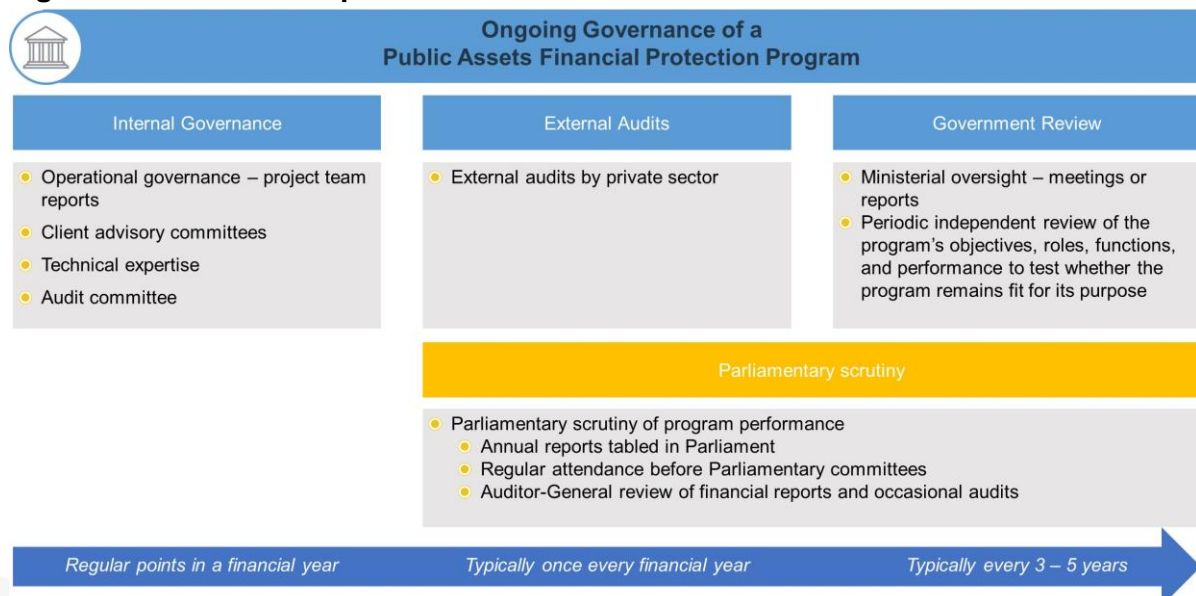
2. Communication

Ongoing communication with all key stakeholders is vital to maintain the focus of the program and the trust of stakeholders. The stakeholder engagement and communications plan should ensure that communications across all facets of the program—whether through reporting, training, handling policy updates, or working with claims management processes—address stakeholders' needs in a timely way.

3. Recruitment

Once the program's organizational structure has been established, including the mix of functions and services that are to be delivered in house versus being outsourced, all workforce planning should continue so that the program can function despite personnel changes over time. Some flexibility with employment conditions (pay, hours worked, etc.) is likely to be needed because the program is likely to require staff members with skill sets and expertise not usually found within the government.

4. Corporate Services Support

The extent to which ongoing corporate support is required depends on the nature of the program, including its independence from other government agencies. For smaller programs, many "back office" corporate services (accommodation, payroll, human resources, budgets, ICT, etc.) can be delivered as part of a service offering from a larger department. However, in doing so, some degree of control may still be needed to access systems and to make decisions outside of regular working hours, particularly in times of crisis.
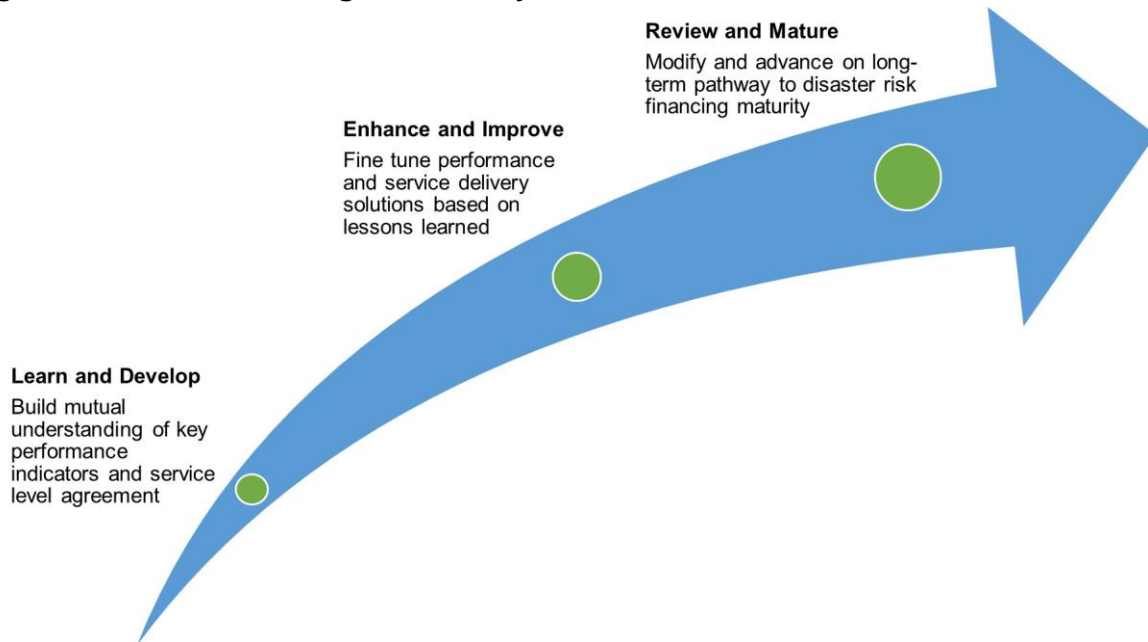
5. Procurement and Contract Management

Factors relevant to the activation phase also apply to the renewal phase:

- Alignment: It must be with overarching government procurement legislation and regulations.
- Contract terms: Deliverables under the contract should be specified up front, be clear to all parties, and provide a range of incentives and penalties appropriate to the performance of the contract. Ideally, a well-written contract should include these:
    - Meaningful key performance indicators or service-level agreements or both to ensure that the services paid for are delivered and meet members' needs
    - Calendared strategic and operational meetings to discuss contract performance
    - A focus on improved performance and relationships with members and the program manager
    - Effective management of contract expiry cycles or extension options or both (including timing considerations for complementary services)
- Contract management: Services or solutions that have been procured and that require ongoing development and monitoring

Setting out contracts clearly and managing contract performance and contract relationships not only delivers value for money but also builds program maturity and experience over time, thereby driving longer-term efficiencies (as noted in figure 4).

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Figure 4. Contract and Program Maturity over Time

Review and Mature
Modify and advance on long-term pathway to disaster risk financing maturity

Enhance and Improve
Fine tune performance and service delivery solutions based on lessons learned

Learn and Develop
Build mutual understanding of key performance indicators and service level agreement

6. IT Systems

IT system concerns that must be managed over time are likely to include these:

- User interoperability between members and the program manager, which is likely to also involve third-party contractors and their systems

- Evolving government IT systems and hardware

- Evolving government IT and information management policies and practices—use of confidential information, IT security and cyber policies, privacy, and data storage

7. Data

As noted in previous fact sheets, good data are another key element of effective program management. Quality data provide the government with an informed overview of its risk profile and provide reinsurers with a necessary degree of confidence about the risks being presented. In turn, good data also promote market attraction and competition because the information provides some risk-pricing certainty and is a positive indicator of the program's organizational risk maturity. The data to insurance relationship (as noted in Fact Sheet 5) is set out in figure 5.

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Figure 5. Relationship between Data and Insurance

Data challenges are likely to include these:

- Identification of key datasets
- Member commitment to provide the data within expected timeframes
- Data collation, analysis, and presentation, including for an underwriting submission
- Updated determination of contribution or allocations
- Monitoring or tracking of significant asset additions, deletions, changes, and so forth
- Linking of program data more broadly to other aspects of government decision-making in order to leverage information benefits

8. Member Management

There are several aspects to member management: onboarding of new members, continued member engagement, and training.

Onboarding

Onboarding processes can take place over a number of years as participants or tranches are added to the program. This evolution requires careful planning to ensure that new members are ready, that the program can upscale resources (staffing, communications, training, data, financials, etc.) to manage the increased workloads, and that the program will not suffer decreased service standards. Failure to manage this process can result in risk-transfer markets and government agencies losing confidence in the program.

Engagement

Programs need to be consistently focused on demonstrating the program's value in both supporting the government's objectives and supporting program members to develop and enhance a strong risk-management culture. This focus is relevant whether or not the program is mandatory or voluntary because, in both cases, demonstrating strong service delivery and value for money will generate member support and—in the case of a voluntary program—will limit the loss of members from the program.

Opportunities to engage members include through face-to-face meetings, briefings, newsletters, reports, seminars, webinars, and other online activities such as education and responsive claims management processes. All of the activities should be aligned with the program's stakeholder engagement and communications plan (see earlier).

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Programs must continually show how they add value in an environment of close external scrutiny (by governments and the wider community) and where member participation is mandatory and new members are regularly being added to the program.

Training

Ongoing training for pool members is another activity that should be planned to build stakeholder engagement at all levels of government with the aim of improving overall risk-management maturity. Training should be tailored to the audience and should involve different delivery platforms (internet, webinars, face-to-face, etc.) to maximize participation. Training over time must also account for staff turnover within stakeholders, ongoing lessons learned, new technologies, changing or evolving risk retention, and risk-transfer instruments.

9. Risk-Financing and Program Management

As indemnity insurance is often procured on an annual basis (i.e., the insurance policy has a term of one year), a new policy is required to be negotiated and placed at the end of each annual term to ensure that risk-transfer financing remains fit for purpose. As a result, each year's data and reports must be collated and prepared for annual discussions with the market. Program requirements are also likely to change over time as a result of differing government policies, changes in membership or asset holdings, catastrophe events, or changing risk factors. These changes will affect factors such as the amount and premium cost of cover sought, the types of coverage, and the retention layers.

Additionally, numerous member-facing activities can be undertaken as well, such as discussions with members about program services, invoicing, and future premium levels (which are based on actuarial assessments).

How members are expected to comply with program requirements is also important. Many programs use policies or statements of cover to set out how the program will operate, what it will (and will not) cover, and what expectations or obligations apply to the program and its members. Factors affecting this reassessment include the age of the program, the requirements of (re)insurers, the jurisdictional approaches to liability, and the political and administrative willingness to enforce compliance with the statement of cover.

10. Financial Management

Effective management of program finances is critical. The significant cashflows and expenditures within the program must be transparently dealt with in a manner consistent with relevant government and accounting procedures. The formal accounts established during activation to receive and distribute funds will need to be effectively monitored and audited. Failure to set up effective systems and to provide regular reports on the financial performance of the program will lead to financial instability and loss of stakeholder support.

11. Claims Management

Claims management is another key part of the program (see the next section for a more in-depth discussion). Having a system that deals quickly and efficiently with claims builds stakeholder confidence and trust and helps deliver the economic and social benefits of the

program. An effective claims management framework is (again) built around a combination of factors: strong contract management (as most claims management processes are outsourced), clear statement of cover obligations, transparent but relatively simple claims processes, good data, claims analysis capability, and member training and communications.

12. Risk Management

Program objectives are closely tied to more effective (risk) management of government assets and financial resources to better prepare for or mitigate the effect of disaster events. Improved risk-management practices within government agencies can contribute to greater national resilience to disasters, can reduce their negative financial impacts, and can improve longer-term financial viability of the program.

The program needs to assist members continually to improve risk-management practices, not just in relation to the assets subject to the program but to build overall government risk-management maturity. This approach draws on a number of program aspects: communication, education, member management, statement of cover conditions, and regular benchmarking of agency risk-management frameworks.

Current government risk-management policies may also assist with program maturity. For example, since 2014, Australian government agencies have had to comply with the Government's Risk Management Policy, which requires fund members to implement a range of risk-management practices including establishing risk-management policies and risk registers, staff training, and regularly reporting and monitoring risks.

Summary of Renewal Stage

Part 2 outlines the key ongoing actions required to maintaining a public asset financial protection program. As can be seen, these actions accomplish the following:

- Build on the earlier steps of activation.
- Seek to improve program management and effectiveness over time.
- Require a holistic whole-of-program strategy rather than a piecemeal approach

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Part 3. Claims Management Considerations

Claims are where "the rubber hits the road." A core purpose of a public asset financial protection program is to have effective and efficient processes, protocols, and funding available to manage covered claims. It therefore makes sense to dedicate sufficient time and energy into preparing claims processes. The reward for doing so will be reduced stress, greater coordination between stakeholders, and swifter disbursement of funds to beneficiaries at a time when the availability of funding is critical.

Among the actions required to establish effective claims management, the following items in table 1 are regarded as key factors and considerations to account for.

Table 1. Key Considerations for Effective Claims Management

Key Factor or Consideration	Where Claims Are Retained (self-insured)	Where Claims Are Transferred to (Re)insurers
How will claims be assessed?	Loss assessment is a specialist skill set. It may require proactive outsourcing of loss assessment services through a procurement exercise. Additional considerations include ensuring that the loss assessor firm has the capacity to upscale significantly immediately after a large loss event, as well as arranging a priority service arrangement (meaning government will secure services as a priority customer).	(Re)insurers typically have pre-existing contractual relationships with professional loss assessment firms. As a significant customer requiring substantial support after a natural disaster, governments may be able to negotiate preferred loss assessor arrangements with the (re)insurers (often with the support of an insurance broker).
What is the allocation of roles and responsibilities?	Stakeholders in the claims process will likely include these: • Participating agency management and staff • Loss assessors • Management and staff from the agency administering the program • Outsourced claims management service providers (if relevant to your circumstance)	There should be designated operational and strategic claims management points of contact with (re)insurers. Operational layers will provide liaison for claims matters, tracking progress, and alignment within expected processes and outcomes. Strategic layers will get reporting from operational counterparts and will step in to manage complexities or differences of opinion on

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Key Factor or Consideration	Where Claims Are Retained (self-insured)	Where Claims Are Transferred to (Re)insurers
	• Potentially, key reconstruction contractors (subject to any prearranged relationships) The program should develop a flow chart that demonstrates the type, order, and content of interactions between key stakeholders through the claim management lifecycle. Those interactions will include the following: • Claims notification protocols • Appointment of loss assessors • Assessor liaison and reporting • Assessor report acceptance and sign off • Appointment of repair or reconstruction contractors • Financial delegations and actions such as progress or full and final claim payment requests, acceptance, and disbursement • Claims closure protocols	damage assessment, policy coverage and settlement value.
How do you develop or confirm key stakeholder obligations?	A program should allocate specific obligations that promote good risk and claims management behaviors from the outset. The behaviors may include these: 1. A duty upon the agencies to • Disclose material changes to their risk exposures. • Make staff members aware of their requirements under the program. • Take reasonable care to protect against loss.	A (re)insurance relationship will be governed by pre-agreed obligations and principles. Often those pre-agreements are included in the (re)insurance policy itself, such as the following: • An obligation to disclose material facts about the risk exposures being insured (Note: a material fact is information about loss exposures that may influence a (re)insurer's decisions about risk acceptance or risk pricing)

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Key Factor or Consideration	Where Claims Are Retained (self-insured)	Where Claims Are Transferred to (Re)insurers
	• Do everything practicable after a loss event to minimize the extent of loss. • Do everything practicable to investigate the cause of loss. • Ensure the asset register is updated. 2. A duty upon the agency administering the program to • Act reasonably and promptly in the management of claims. • Manage funding for self-insured claims in a prudent manner and in compliance with government legislation and regulation.	• An obligation to notify the (re)insurer of a loss as soon as reasonably practicable • An obligation to pay the premium within a predetermined period Sometimes these and other obligations are captured in an overarching relationship agreement (for instance, an agreement with a consortium of (re)insurers).
What are claim management guidance and documentation?	The program should consult with key stakeholders and develop acceptable guidelines to be used as key reference material and instructions when a claim occurs. This guideline should use clear and concise language to avoid confusion and to encapsulate the agreed protocols and processes defined in the role and responsibility allocation and in the obligations sections earlier. Documentation, whether in paper form or through an IT deliverable should be designed, tested, and approved to facilitate the flow of relevant and timely information throughout the claim management lifecycle.	Often (re)insurers will have established claims documentation processes and, potentially, even a claims management IT solution for use. Points of note include these: • Government stakeholders should take a coordinated approach to familiarizing themselves with the (re)insurer's claims management systems and expectations. • Governments, as significant customers, can seek sensible customizations of the process to better suit their circumstances. • Insurance brokers are often employed to assist with familiarizing customers with (re)insurer claims requirements, as well as for

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Key Factor or Consideration	Where Claims Are Retained (self-insured)	Where Claims Are Transferred to (Re)insurers
		negotiating sensible customizations.
What are claims payment transaction processes?	Claims payment disbursement channels should be clearly identified and tested in advance of a real-life event. This testing is to ensure that stakeholders are aware of the transaction protocols and of how monies will be transferred from one party to another. There may also be obligations to ensure that the monies are used for agreed purposes.	There should be a clear understanding between the agency administering the program and (re)insurers regarding the means and protocols attached to claims payouts. Are the (re)insurer payouts to be made to the administering agency with the administering agency managing payment to the affected agencies? Alternatively, does the (re)insurer have a license to make payments directly to the affected agencies (subject to agreed protocols)?
What are claims tracking and trending?	The agency administering the program should consolidate claims experience information over time. This information should include losses resulting in a claim payment but may extend to include losses that fall below a payout threshold. This information should be regularly reviewed to identify loss trends that could be minimized or reversed with improved risk-management interventions.	A relationship with (re)insurers should include regular reporting of claims experience under the risk-transfer program. Also, some insurance brokers or (re)insurers can offer claims benchmarking information, where the client can see desensitized versions of claims experience from other customers. This benchmarking provides an interesting comparator that can lead to regional or international liaisons to better understand lessons learned in other jurisdictions.

A final important point: it is highly recommended that governments regularly test their claims management plans by running realistic and relevant loss event scenarios. Those scenario exercises test the suitability of existing practices and protocols. They can identify important shortcomings that, with remedial action, can prevent significant issues when a real-life claim occurs.

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Annex 1. Checklist for Activation of a Public Asset Financial Protection Program

The following checklist includes common actions associated with the activation of a public asset financial protection program. It is not exhaustive, and each government may have requirements in addition to those shown herein.

1. GOVERNANCE

- ☐ Establish governance layers (e.g., strategic, operational or client advisory).
- ☐ Establish reporting basis (e.g., what information is reported, how, to whom, and how often).
- ☐ Establish audit plan (i.e., external and internal audit protocols).
- ☐ Confirm, draft ,and approve standard operating procedures (i.e., user manual).

2. COMMUNICATIONS

- ☐ Draft, approve, and implement stakeholder engagement and communications plan.
- ☐ Create user manuals and guides.
- ☐ Develop a frequently asked questions (FAQ) resource.
- ☐ Develop ministerial and media briefings (if required) .

3. RECRUITMENT

- ☐ Define recruitment needs (i.e., organizational structure, roles, and responsibilities).
- ☐ Develop job descriptions, salary banding, and delegations.
- ☐ Confirm necessary order of recruitment (i.e., prioritize roles).
- ☐ Involve recruitment expertise as required.

4. TRAINING

- ☐ Define audience, channels, and content.

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- [ ] Develop content and channels.
- [ ] Implement internal staff training.
- [ ] Implement participating agency staff training.
- [ ] Implement outsourced provider staff training (if required).

5. CORPORATE SERVICES SUPPORT

- [ ] Define corporate services required, which will depend on location choice (i.e., new government entity versus business unit in existing entity).
- [ ] Link with existing or procure human resources (as required).
- [ ] Link with existing or procure legal services (as required).
- [ ] Link with risk and audit services (as required).
- [ ] Link with existing or procure financial management resource (as required)
- [ ] Link with existing or procure IT systems support (as required).
- [ ] Link with existing or procure property and property services as required (e.g., office equipment, security).
- [ ] Link with existing or procure procurement expertise (as required).

6. IT SYSTEMS AND DATA INTEGRATION

- [ ] Review relevant international systems options, and receive preliminary demonstrations.
- [ ] Develop IT systems requirements and specifications (accounting for data type, data collection, reporting, hierarchical user settings, claims management, and security compliance standards).
- [ ] Undertake procurement (using IT expertise support).
- [ ] Undertake user acceptance testing and necessary customizations.
- [ ] Undertake security compliance testing.
- [ ] Commission the IT systems.
- [ ] Provide initial and ongoing service and support (including system-user training).

☐ Arrange or monitor and validate input of required data into the accepted IT systems.

7. CLAIMS MANAGEMENT

☐ Build capability to conduct loss-assessment capability.

☐ Develop clear and concise claims roles and responsibilities.

☐ Develop clear and concise claims management obligations.

☐ Draft and approve relevant claims management documentation templates.

☐ Design and confirm claims payment disbursement processes and protocols.

☐ Develop a means to track and trend loss experience.

8. PROCUREMENT

☐ Define and develop service requirements (including SMART key performance indicators and service-level agreements).

☐ Undertake procurement and evaluation process planning and approvals.

☐ Develop requests for proposals (RFPs) and contract documentation drafting and approvals.

☐ Issue RFP and briefings, clarify and process responses from bidders.

☐ Evaluate, shortlist, and negotiate RFP responses.

☐ Award contract and provide debriefs.

☐ Plan and undertake performance and benefits reviews.

8. MEMBER ONBOARDING

☐ Define the participating agency onboarding strategy (e.g., phased over the medium to long-term or an upfront "big bang" approach).

☐ Design and approve the onboarding mechanisms and requirements (e.g., data collection, contractual or documentation processes).

☐ Undertake the necessary stakeholder engagement (i.e., process familiarization and assistance).

☐ Commence onboarding that includes tracking of agency progress through the process.

9. RISK FINANCING

☐ Establish fund accounts (for retained risk or for receipt of agency premium contributions or for both).

☐ Establish and test transaction and disbursement channels.

☐ Confirm accounting and financial management protocols (e.g., fund accumulation, funding ratios, and accounting standards).

☐ Administer any early, central-government, capitalization requirements (as necessary).

☐ Prepare to administer receivables (e.g., agency contributions and risk-transfer claims payments).

☐ Prepare to administer payment of expenses (e.g., corporate services costs, outsourced services costs, retained losses, and risk-transfer costs).

☐ Activate any agreed investment vehicles.

☐ Activate the statement of cover (i.e., the insurance coverage terms and conditions relating to retained and transferred risk).

☐ Having reviewed risk-transfer options, instruct placement of the preferred options (as necessary).

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Annex 2. Checklist for Renewal of Public Asset Financial Protection Program renewal checklist

1. GOVERNANCE

- ☐ Review and adjust governance layers (e.g., internal and external).
- ☐ Review and adjust reporting (e.g., what information is reported, how, to whom, and how often).
- ☐ Review and adjust audit plan (i.e., external and internal audit protocols).
- ☐ Establish review timetable.

2. COMMUNICATIONS

- ☐ Regularly review and update stakeholder engagement and communications plan.
- ☐ Regularly review and update user manuals and guides.
- ☐ Develop ministerial and media briefings (if required).

3. RECRUITMENT

- ☐ Regularly review workforce planning (i.e., current mix of needs, skills, staffing levels, and key positions).

4. CORPORATE SERVICES SUPPORT

- ☐ Link with existing or procure new human resources (as required).
- ☐ Link with existing or procure new legal services (as required).
- ☐ Link with risk and audit services (as required).
- ☐ Link with existing or procure new financial management resource (as required).
- ☐ Link with existing or procure new IT systems support (as required).
- ☐ Link with existing or procure new property and property services (as required) (e.g., office equipment, security).
- ☐ Link with existing or procure new procurement expertise (as required).

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5. PROCUREMENT AND CONTRACT MANAGMENT

☐ Hold regular meetings with service providers to review performance against service requirements (including SMART key performance indicators and service-level agreements).

☐ Effectively manage contract expiry and renewal cycles.

6. IT SYSTEMS

☐ Regularly review user interoperability, government IT policies, systems, and hardware.

☐ Provide ongoing service and support (including system user training).

7. DATA

☐ Regularly review data policies and requirements.

☐ Regularly review and analyze data.

8. MEMBER MANAGEMENT - ONBOARDING

☐ Regularly review onboarding strategy and implementation, including program ability to increase member capacity.

☐ Continue stakeholder engagement (i.e., process familiarization and assistance) and tracking.

9. MEMBER MANAGEMENT—ENGAGEMENT

☐ Regularly review and update interactions with members and stakeholder engagement and communications plan.

10. MEMBER MANAGEMENT—TRAINING

☐ Regularly review and update training needs and packages for members.

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☐ Link member training to stakeholder engagement and communications plan.

11. RISK FINANCING AND PROGRAM MANAGEMENT

☐ Regularly review and update accounting and financial management protocols (e.g., fund accumulation, funding ratios, and accounting standards).

☐ Regularly review and update central government capitalization requirements (as necessary).

☐ Regularly review and update the statement of cover (i.e., the insurance coverage terms and conditions relating to retained and transferred risk).

☐ After reviewing risk-transfer options, instruct placement of the preferred options (as necessary).

12. FINANCIAL MANAGEMENT

☐ Regularly review and update payment processes (as necessary).

13. CLAIMS MANAGEMENT

☐ Regularly review and update claims management framework (tied to contract management).
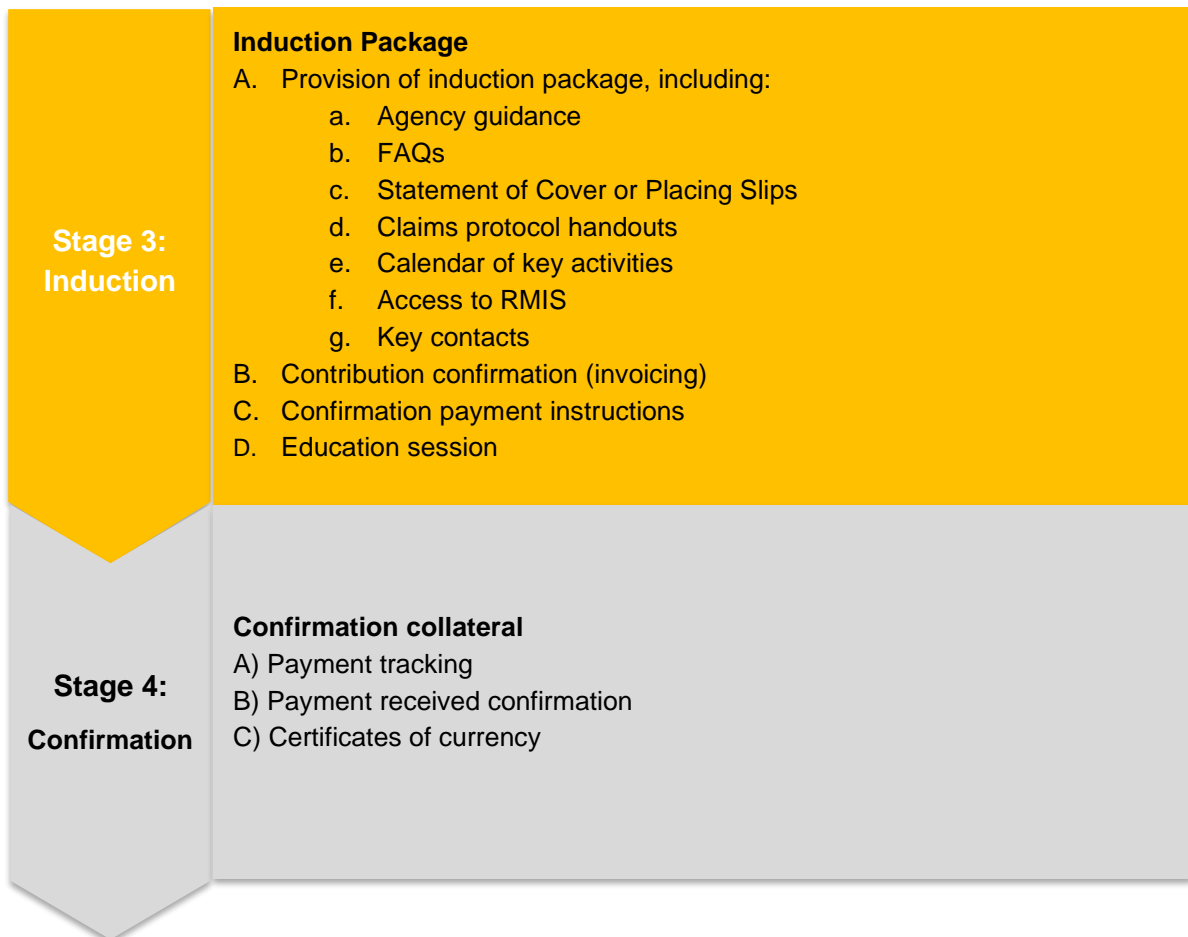
14. RISK MANAGEMENT

☐ Regularly review and update risk-management activities.

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Annex 3. Proposed New Zealand Government Approach to Onboarding

The following staged onboarding approach is now part of the New Zealand government's considerations regarding activation of a public asset financial protection program. The New Zealand proposal involves agencies voluntarily joining in tranches over time.

Stage 1: Agency viability pre-assessment	**Desk assessment undertaken by Ministry of Business Innovation & Employment (MBIE) with cooperation from the relevant agency.** Risk Profile Compatibility: A. Spread of risk B. Quality or type of assets C. Type of operations D. Evidence of robust risk management E. Availability of data F. Impact of additional risk profile on the aggregate solution

Stage 2: Agency viability formal assessment	**Data Collection**
	 Data collection and collation per the Alternative Risk Financing (ARF) data set requirements. Insufficient data at an early stage may preclude participation.
	
	 Data Analysis
	 A. Relevant data analysis for natural disaster loss-modeling purposes.
	 B. Relevant data analysis by actuaries for loss forecasting and contribution setting purposes.
	 C. Review of the data by commissioned insurance brokers for marketability assessment purposes.
	
	 Analysis Review
	 MBIE reviews the analysis in the context of:
	 A. Loss modeling or loss forecast impact on the solution
	 B. Risk sharing impact (i.e. can additional risk be accommodated at a Crown Financial Risk Tolerance level
	 C. Financial contribution impact (i.e. will the additional agency unbalance or adversely affect the way contributions are allocated across the solution.
	
	 Assessment Report
	 MBIE will report back to the relevant agency, noting:
	 A. Acceptance/Non-Acceptance
	 B. The contractual obligations of participation, incl.
	     a. period of participation
	     b. data availability
	     c. claims protocols
	 C. Financial & reporting protocols
	 D. Duties of disclosure
	 E. Deductible setting options
	 F. Contribution options
	 G. Agency acceptance agreement

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Stage 3:
Induction
	Induction Package
	A. Provision of induction package, including:
	    a. Agency guidance
	    b. FAQs
	    c. Statement of Cover or Placing Slips
	    d. Claims protocol handouts
	    e. Calendar of key activities
	    f. Access to RMIS
	    g. Key contacts
	B. Contribution confirmation (invoicing)
	C. Confirmation payment instructions
	D. Education session

Stage 4: **Confirmation**	**Confirmation collateral** A) Payment tracking B) Payment received confirmation C) Certificates of currency

Work sheet 7: Launching and Managing Insurance Programs

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Activity 1: Identify the activities

Identify which of the following activities from the checklist provided require consideration in activation stage, renewal stage or both.

ACTIVITY	ACTIVATION	RENEWAL
1. Establish external and internal audit protocols.		
2. Review program ability to increase member capacity.		
3. Commission the IT system(s).		
4. Confirm necessary order of recruitment.		
5. Establish review timetable.		
6. Establish fund accounts for retained risk.		
7. Evolve risk management training to members.		
8. Establish reporting basis.		
9. Undertake the necessary stakeholder engagement.		
10. Develop ministerial and media briefings (if required).		

Activity 2: Identify advantage or challenge of working with data

Identify if the following considerations with regards to are an advantage or challenge in the overall program management, including the activation, renewal and claims stages.

Key Considerations	Advantage/Challenge
1. Quality data provides government with an informed overview of its risk profile.	
2. Quality of data depends on identification of key datasets.	
3. Quality data collection requires close monitoring of additions, deletions and changes to underlying assets.	
4. Quality data provides pricing certainty.	
5. Quality data provided upfront, generally leads to lesser issues during the time of claims settlement.	
6. Quality data requires member commitment to provide data in expected time frame.	

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Activity 3: Identify if true or false.

Identify if the following statement regarding key considerations for effective claims management are true or false.

Key Considerations	True/False
1. Loss assessment can be done internally by the finance ministry officials and does not require specialized skill.	
2. Key reconstruction contractors can be relevant stakeholders in the claims process.	
3. A (re)insurance relationship is governed by pre-agreed obligations, usually listed in the policy document.	
4. Claims payment disbursement channels and stakeholders should be identified only at the time of claim.	
5. A relationship with (re)insurers should include regular reporting of claims experience in the risk transfer program.	
6. Governments should regularly test their claims management plans to test the suitability of existing practices and protocols.	
7. In risk transfer program, governments can seek sensible customizations of claims documentation process.	

Activity 4: Reflections

[1] My Top Three Takeaways from this fact sheet are:

> 1.
>
> 2.

[2] Three concepts or ideas I would like more information on are:

> 1.
>
> 2.

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