



Program to Insure Pacific Island Nations Against Natural Disasters Enters Third Season

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Governments of Samoa, Tonga, Vanuatu, Cook Islands, and the Marshall Islands request extension of Successful Regional Catastrophe Risk Insurance Pilot
The beginning of the month marked the start of the third season of the Pacific Catastrophe Risk Insurance Pilot. Launched on 17 January 2013, the pilot helps reduce the financial vulnerability of small island nations to natural disasters. This regional sovereign insurance program is made possible through the collective efforts of the Government of Japan, the World Bank, the Global Facility for Disaster Reduction and Recovery (GFDRR), and the Secretariat of the Pacific Community (SPC). The third season will run from November 1, 2014 to October 31, 2015 and is comprised of five members—the Cook Islands, Marshall Islands, Samoa, Tonga, and Vanuatu.
The program has already proven its rapid response capability as Tonga received a payout of US\$ 1.27 million on January 23, 2014—two weeks after Cyclone Ian swept across the nations Haapai Island group displacing thousands, devastating crops and infrastructure. According to reports, up to 75 percent of buildings had been damaged in the affected area.
"The cash received from the risk insurance pilot made an important financial contribution for carrying out the governments strategy for mitigating natural disasters", said Hon. Dr. Aisake Valu Eke, Minister of Finance, Tonga. "Thanks to this initiative, Tonga is now on its way to recover without interruption ensuring people can return to their everyday lives quickly".
The third season aims to build on this momentum by providing a full spectrum of both financing and physical disaster risk management tools to Pacific Island Countries (PICs). Working together, PICs have been able to secure aggregate insurance coverage worth US\$43 million against tropical cyclones and earthquakes/tsunamis. This support is crucial given the exposure of the region to disasters—extreme natural events have affected more than 9.2 million people in the Pacific since 1950 and caused damaged of about US\$ 3.2 billion.
As in the previous seasons, the World Bank will act as an intermediary between PICs and a group of reinsurance companies, which were selected through a competitive bidding process: Sampo Japan Insurance, Mitsui Sumitomo Insurance, Tokio Marine, Nichido Fire Insurance, Swiss Re and Munich Re. AIR Worldwide provides the underlying risk modeling for the transaction.
The continuation of the insurance pilot in the Pacific is an important step towards the creation of sustainable post-disaster financing options for small island states," said Franz Drees-Gross, World Bank Country Director for the Pacific Islands. "Insurance payouts through this pilot offer immediate financial support to countries affected by natural disasters, something international aid often cant provide as quickly."
About the Pacific Catastrophe Risk Insurance Pilot
The Pacific Catastrophe Risk Insurance Pilot is part of the broader Pacific Disaster Risk Financing and Insurance (DRFI) program designed to increase the financial resilience of PICs against natural disasters by improving their capacity to meet post-disaster funding needs. Through this program advisory services are available to PICs for public financial management of natural disasters, including (i) the development of a national disaster risk financing strategy, recognizing the need for ex-ante and ex-post financial tools; (ii) post-disaster budget execution to ensure that funds can be accessed and disbursed easily in the onset of a disaster; and (iii) the insurance of key public assets to contribute to post-disaster reconstruction financing.
About the Pacific Risk Assessment and Financing Initiative (PCRAFI)
The Pacific DRFI Program is part of the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), a joint initiative of the World Bank, SPC, and the Asian Development Bank with financial support from the Government of Japan, the Global Facility for Disaster Reduction and Recovery (GFDRR) and the European Union. PCRAFI, launched in 2007, aims to provide the Pacific island nations with disaster risk assessment and financing tools for enhanced disaster risk management and climate change adaptation.
The Secretariat of the Pacific Community (SPC)
The SPC was founded in 1947 and is the Pacific Island regions principal technical and scientific organisation. It delivers technical, scientific, research, policy and training support to Pacific Island countries and territories in fisheries, agriculture, forestry, water resources, geoscience, transport, energy, disaster risk management, public health, statistics, education, human rights, gender, youth and culture. The support for the Pacific Catastrophe Risk Insurance Pilot is provided by Phase 3 of the PCRAFI project which is headquartered in SPCs Applied Geoscience Technology Division.
About the Disaster Risk Financing and Insurance Program (DRFIP)
DRFIP is a joint program of the World Banks Finance Markets Global Practice (FMGP) and the Global Facility for Disaster Reduction and Recovery (GFDRR). It is a leading partner of developing countries helping governments, businesses, and households manage the financial impacts of disaster and climate risks without compromising sustainable development, fiscal stability, or wellbeing.
About the Global Facility for Disaster Reduction and Recovery (GFDRR)
GFDRR helps high-risk, low-income developing counties better understand and reduce their vulnerabilities to natural hazards, and adapt to climate change. Working with over 300 national, community level, and international partners GFDRR provides grant financing, on-the-ground technical assistance helping mainstream disaster mitigation policies into country level strategies, and thought leadership on disaster and climate resilience issues through a range of knowledge sharing activities. GFDRR is managed by the World Bank and funded by 21 donor partners.
About the World Bank Group
The World Bank Group plays a key role in the global effort to end extreme poverty and boost shared prosperity. It consists of five institutions: the World Bank, including the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA); the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and the International Centre for Settlement of Investment Disputes (ICSID). Working together in more than 100 countries, these institutions provide financing, advice, and other solutions that enable countries to address the most urgent challenges of development. For more information, please visit www.worldbank.org, www.miga.org, and www.ifc.org.
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