

Highlights of the Technical Working Group (TWG) Meeting on Risk Transfer through Insurance

IKM Conference Room, Climate Change Office, Malacanang Compound, San Miguel, Manila

February 3, 2016, 9 AM

Attendees:

Atty. Maria Obdulia Palanca, SVP-GSIS
 Mr. Leopoldo Casio Jr., VP-GSIS
 Ms. Grace Delos Santos, Asst. Dir.-DBM
 Ms. Deanna Villacin, DRFI specialist-World Bank
 Mr. Red Constantino, CSO representative
 Ms. Kathleen Capiroso, NEDA
 Mr. John Adrian Narag, DOF
 Mr. Silvestre Barrameda, DILG

Mr. Ed Marino, DOF-BTR
 Dr. Tony Fernandez, Senior Coordinator-PSF-CCC
 Ms. Paola Gabrielle Matanguihan, DOF-IFG
 Ms. Donalyn Minimo, DOF-IFG
 Ms. Mirasol Garcia, MDFO
 Ms. E...

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SUBJECT	DISCUSSION	AGREEMENTS/ ACTION POINTS
Risk Transfer Insurance	<ol style="list-style-type: none"> Mr. Red Constantino and Ms. Kat Capiroso clarified the purpose for which the TWG is created. It was resolved that the theme shall not be limited to parametric insurance, but shall also include the range of options concerning risk transfer mechanisms (i.e. insurance). Ms. Donalyn Minimo clarified to the group that the project is a government initiative by the DOF-GSIS, to which the World Bank provides support. Mr. Ed Marino differentiated parametric from the traditional insurance, emphasizing the difference on the trigger for payout; the former is based on the occurrence of a specific event exceeding a threshold while the latter is based on the actual damage/loss suffered by the insured (payout in the latter takes a long time). Parametric insurance also differs from the traditional, as it does not cover physical assets, but the fiscal position 	<p>⇒ For the LGU with proposals (for insurance), the submission shall undergo the same established process of review and evaluation</p> <p>The PSF Secretariat to respond to the letters of intent by the LGUs requesting them to comply with the documentary requirements for PSF. <i>(Letter to include encouraging LGUs to consult with DOF/GSIS on the no. of years for premium payment, potential counterparting, etc.)</i></p> <p>Upon receipt of the LGU proposal submissions (with documentary requirements), the PSF Secretariat to forward it to the TEC and use the already approved guidelines.</p> <p>⇒ In parallel, the TWG meeting shall do a</p>

of the LGU. Mr. Marino replied to the questions, such as the subsidy component of the PSF, process of accessing the Fund (what reports are required from LGUs, mode of proposal submission, need for an integrated/umbrella proposal).

4. Mr. Barrameda added that the PSF is thus an opportunity to fund initiatives for risk financing and risk forecasting, as parametric insurance puts the fund to use for planning and development of databases of the LGUs. Ms. Minimo shared that upon payout to LGUs, it will be recorded in the line item under “general fund” of the LGUs.
5. It was clarified in the meeting that the insurance product of the DOF-GSIS is different from the Quick Response Fund (QRF), and that this product is not under the scope of the QRF. PSF is seen to be one of the several sources that can be tapped to fund the “seed” needed by LGUs to avail the DOF-GSIS insurance product. Ms. Firmeza brought attention to the scope of the insurance product being more anticipatory.
6. Mr. Constantino stressed the need of the PSF to acknowledge and offer interventions to those “non-disaster climate change impacts” or the slow-onset impacts. Mr. Constantino suggested engaging the private sector. He also suggested inviting resource speakers of other insurance products available.
7. Mr. Marino replied to Mr. Constantino’s concern re: addressing slow-onset impacts through insurance, stating that as of now, this may not be feasible as this entails an expensive undertaking because of the high frequency of occurrence of such events. In this view, insurers may be charging high. Mr. Marino also informed that according to simulations, winds speed causes losses rather than rainfall.

stocktaking of the full range of insurance products/risk transfer mechanisms (other than the parametric insurance product discussed) and present these to the Board.

Compile reference materials (studies) on risk transfer mechanisms/ insurance.

In parallel, consult the following agencies for the other insurance options they may know of and the development of the guidelines for risk transfer:

- DOF
- NEDA
- GSIS
- CSO rep.
- PCIC
- Insurance Commission(**works in small-medium scale/household level*)
- World Bank
- Academe rep.
- And others

Circulate the drafted guidelines (specific to the Parametric Insurance product) to the TWG members for comments.

Set a Board meeting within February, pending schedule from Usec. Roberto Tan.

8. Atty. Palanca steered the discussion back to how PSF will respond to the LGUs that signified intention to access the insurance product offered by DOF-GSIS. She acknowledged that GSIS cannot provide funds directly to the LGUs for the insurance product because it needs to be reinsured and be transferred to international markets. Thus, this is actually why LGUs are charged the premium.
9. Mr. Marino continued his discussion on the counterparting/payment of premiums. He asked guidance from the group on whether the set amounts are appropriate.
10. Mr. Constantino added the following points for consideration: links to the LGU's development plan, sustainability plan after securing funding from PSF.
11. Dr. Tony Fernandez asked the group on what other options they know of. Atty. Palanca reiterated that GSIS is more involved at the subnational level (including LGUs). She further suggested that if the PSF would want to cater smaller scale/household level, the Insurance Commission might be considered.
12. Asst. Dir. Delos Santos asked if the premium payment to be provided by the PSF will be given in lump sum, to which Mr. Marino replied that disbursement will depend on the guidance of the Board and the TWG.
13. Mr. Marino stressed that in the interest of time and in view of the incoming applications, the finalization of the guidelines is important. Mr. Narag suggested that the approved guidelines and processes be complied with by LGUs that wish to apply for insurance premium, and if along the process, some concerns will be raised, then these shall be elevated it to the Board.
14. Ms. Minimo asked the secretariat to circulate the drafted

	<p>guidelines for the TWG comments as the program is also set to be launched in February. Ms. Minimo also informed the group of the difficulty of LGUs to comply with the general/existing guidelines, which is why guidelines specific to the parametric insurance were drafted.</p> <p>15. It was discussed that the LGUs should determine how much to request in consultation with and under the guidance of GSIS. GSIS added that the contract is on an annual basis.</p>	
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The NGO Rep requests as well that the following be added to the minutes:

1. The NGO Rep stressed at the start of the meeting that greater care to be taken in demonstrating LGU ownership of proposals, so as to avoid creating reputational risk issues for the Fund.
2. The NGO Rep supports the intention of the Board Chair to move work with greater speed in order to issue proposal approvals that have met Board expectations sooner, if not in principle then as actual approvals, in order to convey to the public the administration's seriousness in tackling climate change impacts.