

Strengthening Financial Resilience

- Expanding Microinsurance Coverage in APEC
- Disaster Risk Financing and Insurance
- Innovative Health Financing Mechanisms

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4. STRENGTHENING FINANCIAL RESILIENCE

Rising costs of frequent natural disasters and the growth of non-communicable diseases have significant financial impact on households, enterprises and government budgets. Catastrophic events pose major challenges to global supply chains, especially to participating MSMEs. APFF is helping governments design innovative financing instruments to enable markets to play a greater role in more efficient and sustainable financing of these costs. APFF is also pursuing wider microinsurance coverage as part of comprehensive financial inclusion.

4.1. EXPANDING MICROINSURANCE COVERAGE IN APEC

In 2017, the APFF Microinsurance Work Stream developed the Roadmap for Expanding the Coverage of Microinsurance in APEC. The Roadmap is in its final draft and is ready for presentation at the 2018 AFMM, after the successful presentations and approvals in the FCBDM and SFOM, in March and June this year, respectively. The Roadmap was a product of a long process of consultations (since March 2017) across various finance and insurance regulators, industry and development organizations in Asia Pacific. The roadmap had been debated in three roundtables (in Hanoi, Lima and Bangkok); and had been discussed in conference panel sessions in Hoi An and Bangkok.

The Roadmap aims to expand the coverage of microinsurance in APEC, building from the lessons and good practices in the Philippines, Peru, Mexico and other emerging economies. The Roadmap will pursue four strategies: (a) establishment of policies and proportionate regulations for inclusive insurance and microinsurance; (b) adoption of scalable business models using fintech for inclusive insurance; (c) establishment of inter-agency coordination, public-private sector coordination mechanism and relevant support infrastructure for inclusive insurance; and (d) adoption and implementation of financial literacy and consumer protection measures for insurance clients. To implement the strategies, the roadmap offers 22 action points. Twelve of the action points are related to disaster risk insurance.

After it is adopted by the FMP, the APFF intends to regularly monitor the implementation of the Roadmap and shall encourage public-private partnerships to support in communicating and implementing the action points in the respective APEC economies.

4.2. DISASTER RISK FINANCING AND INSURANCE

As part of its effort to raise public awareness on disaster risks and the importance of implementing ex-ante financial protection, the APFF teamed up with the World Bank, the Japan Ministry of Finance and Tohoku University to contribute to the World Bosai Forum 2017, held on 27 November, 2017 in Sendai, Japan, by organizing a panel discussion entitled “Building a disaster-resilient community in the Asia-Pacific -The power of science and insurance.” The session attracted more than fifty international experts from academia, industry, public sector and civil society groups. One of the key messages delivered was to encourage the flow of scientific and practical knowledge and experiences into designing creative and sustainable DRFI mechanisms. The message was fed into the “Chair’s Summary.”

APFF has been *contributing to APEC FMP’s Disaster Risk Solutions Working Group’s activities*. For instance, APFF participated in the “Workshop on Developing the Elements of a Disaster Risk Financing Strategy,” held on 8-9 May, 2018 in Bangkok. The workshop was jointly organized by the Asian Disaster Preparedness Center (ADPC), Asian Development Bank Institute (ADBI) and the OECD. More than fifty finance ministry officials in and out of APEC region attended the workshop, and shared their views and ongoing efforts in implementing DRFI schemes. APFF shared its experience in interacting with finance ministry officials across the APEC region and its ability to render support through its network of experts.

How to protect critical public infrastructure against natural disasters has gained greater attention among finance ministry officials and insurance experts alike. In this context, APFF is also supporting the APEC FMP’s work on promoting financial management of public assets against disaster risks. APFF is set to contribute to the discussion by offering practical example on how private sector expertise can be utilized in designing effective DRFI program.

Going forward, APFF stays committed to assisting the work of the APEC FMP’s Disaster Risk Solutions Working Group. Towards 2019, APFF will continue its intervention in the Working Group’s activities including but not limited to the study courses on insurance schemes for earthquake and weather-related disaster risks.

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4.3. INNOVATIVE HEALTH FINANCING MECHANISMS

In 2017 APEC Finance Ministers welcomed the exploratory dialogues between senior finance officials, the Life Science and Innovation Forum (LSIF) and the Health Working Group (HWG) to address the fiscal and economic impacts of the steep rise in chronic disease and of ageing societies in APEC economies. Finance officials encouraged further dialogue with interested economies to share best practices and explore innovative, sustainable health financing solutions.

In 2018 the LSIF and APFF together with relevant stakeholders and subject matter experts are working with Thailand's Ministry of Finance as they seek to reform their healthcare system to increase efficiencies, increase access to medical care and mitigate demographic and health-related challenges.

The pilot initiative is designed to help Thailand assess the policy and regulatory environment for enabling the adoption and deployment of alternative financing mechanisms to help maintain and expand healthcare coverage. Indicators and enabling policies included in the APEC Checklist of Enablers for Alternative Health Financing are being used as the basis for policy recommendations.

The private sector has the potential to provide complementary financing tools and initiatives to improve health. An enabling policy, legal, and regulatory environment can help promote and facilitate the deployment of these mechanisms. The LSIF and APFF are working with government officials to recommend policies to expand the role of the private sector to reduce the fiscal burden, improve government coordination, and enable officials make more informed decisions based on the best available data.

The LSIF and APFF welcome APEC Finance Ministers' support for this work and encourage additional economies to consider participating in initiatives.