



NEWS RELEASE

## 5 Pacific Island Nations to Be Insured Against Natural Disasters

*Pilot program to help governments respond to natural disasters*

**SYDNEY, January 18 2013** – The Marshall Islands, Samoa, Solomon Islands, Tonga and Vanuatu plan to be better protected against natural disasters after a pilot catastrophe risk insurance program was launched today to provide their governments with immediate funding if a major natural disaster occurs.

Pacific Island countries are some of the most vulnerable in the world to natural hazards, which can cause millions of dollars of damage, and threaten the lives of tens of thousands of people. Eight Pacific nations sit among the world's top twenty countries with the highest annual losses, on average, from disasters as a proportion of GDP.

Japan, the World Bank and the Secretariat of the Pacific Community (SPC) have teamed up with Pacific island nations to launch the **Pacific Catastrophe Risk Insurance Pilot**. It will test whether a risk transfer arrangement modeled on an insurance plan can help Pacific island nations deal with the immediate financial effects of natural disasters.

The pilot relies on state-of-the-art financial risk modeling techniques and is the first ever Pacific scheme to use parametric triggers, linking immediate post-disaster insurance payouts to specific hazard events. This joint effort will allow Pacific island nations to access earthquake and tropical cyclone catastrophe coverage from reinsurance companies at an attractive price.

*"We know all too well the financial impacts of natural disasters and are fortunate to have post-disaster assistance from donor countries,"* said **Lisiate 'Akolo, Minister for Finance and National Planning in Tonga**. *"This project will allow us to better respond immediately to phenomena like tropical cyclones, earthquakes and tsunamis."*

*"This program offers immediate emergency funding in the aftermath of a major disaster and will help stabilize the Pacific Islands' economies so their efforts to respond to an emergency situation can be maximized,"* said **Japan's Ministry of Finance**. *"Japan's participation in this program is in line with our commitment in mainstreaming disaster risk management at the Sendai Dialogue."*

*"The **Pacific Catastrophe Risk Insurance Pilot** is the first of its kind in the Pacific. This is an excellent opportunity to see whether insurance might work for Pacific island countries and to explore options for financing disaster responses in the future,"* said **Dr. Russell Howorth, Director of the SPC Applied Geosciences and Technology Division**.

*"Governments' access to emergency funding will help them quickly respond to the needs of their affected people,"* said **Franz Drees-Gross, World Bank Country Director for the Pacific**. *"It is especially important for vulnerable countries like those in the Pacific, which must frequently deal with natural disasters."*

The World Bank will act as an intermediary between the Pacific Island nations and a group of insurance companies selected through a competitive bidding process – Sompo Japan Insurance, Mitsui Sumitomo Insurance, Tokio Marine & Nichido Fire Insurance and Swiss Re. AIR Worldwide provides the underlying risk modeling for the transaction.

The **Pacific Catastrophe Risk Insurance Pilot** 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.

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