

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 5941



Introduced by Representative Jan Rurik D. Padiernos, GP (Galing sa Puso) Party-List

EXPLANATORY NOTE

The Philippines is one of the most disaster-prone countries in the world. According to the Global Climate Risk Index 2025, our country remains among the top nations most affected by extreme weather events in the last two decades.¹ The Department of Finance estimates that the Philippines loses around ₱177 billion every year because of natural disasters. In the next 50 years, there is a 40 percent chance that the country will experience damages exceeding ₱989 billion.²

In 2024, twenty-two tropical cyclones entered the Philippine Area of Responsibility. Among these, Typhoons Egay and Jenny caused over ₱25 billion worth of damage, mostly in Cagayan Valley, Ilocos, and Central Luzon.³ The year 2025 has also seen continuing disasters, including strong typhoons, earthquakes, and widespread flooding, showing that climate related hazards remain a constant and growing threat to Filipino communities.

Despite existing disaster funds, government assistance often takes two to three weeks to reach affected families and communities.⁴

This bill seeks to establish a National Climate and Disaster Risk Financing and Insurance Mechanism to ensure that funds are available immediately after disasters strike. It creates a prearranged and rules-based system that allows the government to release financial assistance within days instead of weeks.

The measure also strengthens disaster preparedness by supporting early warning systems, resilience projects, and local risk reduction programs. It promotes coordination among national agencies, local governments, the private sector, and civil society to ensure the swift and transparent delivery of aid.

¹ Germanwatch, *Global Climate Risk Index 2025: Who Suffers Most from Extreme Weather Events?*, Bonn, February 2025.

² Department of Finance, *Philippine Disaster Risk Financing and Insurance Strategy*, 2015.

³ Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA). *Annual Report on Tropical Cyclones Entering the Philippine Area of Responsibility*, 2024. Quezon City, 2025.

⁴ Commission on Audit (COA). *Audit Observation Memorandum on the National Disaster Risk Reduction and Management Fund*. FY 2023. Also cited in Senate hearings and DOF briefing notes on CDRFI, 2024.

Through this measure, we aim to build a faster, fairer, and more reliable system of financing disaster response and recovery that protects lives, livelihoods, and communities across the country.

Immediate passage of this measure is earnestly sought.


ATTY. JAN RURIK PADIERNOS
GP (Galing sa Puso) Party-List

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AN ACT
INSTITUTIONALIZING A CLIMATE AND DISASTER RISK FINANCING AND
INSURANCE MECHANISM, STRENGTHENING FINANCIAL RESILIENCE
AGAINST CLIMATE CHANGE AND NATURAL DISASTERS, AND FOR OTHER
PURPOSES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Short Title.* - This Act shall be known as the “*Climate and Disaster Risk Financing and Insurance (CDRFI) Act.*”

SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to strengthen national resilience and fiscal stability against the impacts of natural and climate-related disasters by establishing a comprehensive and inclusive system of climate and disaster risk financing and insurance. The State shall promote prearranged and anticipatory financing mechanisms that ensure the swift, transparent, and predictable release of resources for disaster preparedness, response, and recovery.

The government recognizes the crucial role of local governments, financial institutions, and the private sector in managing disaster risks. It shall support risk-pooling and parametric insurance mechanisms that provide rapid, rules-based disbursements and strengthen coordination among all stakeholders toward sustainable financial protection and early recovery.

SEC. 3. *Definition of Terms.* For purposes of this Act, the following terms are defined as follows:

(a) *Anticipatory Financing* refers to prearranged financial instruments or mechanisms that provide immediate liquidity upon the occurrence or forecast of a disaster event, based on predetermined triggers.

(b) *Prearranged Financing* refers to funds, insurance, or credit lines established prior to a disaster to ensure timely availability of resources.

(c) *Climate and Disaster Risk Financing and Insurance (CDRFI)* refers to strategies and mechanisms designed to manage the financial impacts of natural and climate-related disasters.

(d) *Parametric Insurance* means a type of insurance that provides payouts based on the occurrence and intensity of a predefined event, such as rainfall, wind speed, or ground motion, rather than on actual loss assessment.

(e) *Risk Pooling Mechanism* refers to an arrangement where multiple entities, such as local government units or organizations, collectively share disaster-related risks and resources to increase financial protection and reduce individual exposure.

SEC. 4. *Creation of the National CDRFI Mechanism.*- There is hereby established a Climate and Disaster Risk Financing and Insurance Mechanism to be administered by the Department of Finance (DOF), in coordination with the National Disaster Risk Reduction and Management Council (NDRRMC), Climate Change Commission (CCC), and the Philippine Statistics Authority (PSA).

SEC. 5. *National CDRFI Fund.* - The National CDRFI Fund is hereby created to provide immediate liquidity for disaster response and recovery. The CDRFI Fund may be taken from an allocated budget under the General Appropriations Act (GAA); or from a 5% of total revenue collection from the excise taxes on petroleum products under Section 148 of the Republic Act No. 8424, as amended by R.A. No. 10963, otherwise known as the Train Law; or from grants, donations, and international financing; or from risk transfer premiums insurance, catastrophe or bonds.

SEC. 6. *Risk Layering Strategy.* - The CDRFI Mechanism shall utilize a risk layering approach which can be categorized as follows:

- (1) Contingency fund or budgetary allocation for frequent, low-impact events;
- (2) Parametric insurance for medium-intensity events like typhoons, floods, earthquakes and other *force majeure*;
- (3) Catastrophe bonds and international risk pools for rare and high-impact disasters;
- and
- (4) Emergency credit lines from multilateral partners to ensure fiscal stability.

SEC. 7. *Local Government Units (LGUs) and Community Insurance Access.* - The Government Security Insurance System (GSIS), Philippine Crop Insurance Commission (PCIC), and private insurers shall expand parametric and micro-insurance products for the local government units (LGUs), farmers, fisherfolk, and medium- small and micro enterprises (MSMEs). Premium subsidies may be provided for poor households and highly vulnerable LGUs.

SEC. 8. *Congressional Oversight.* - A Congressional Oversight Committee on Climate and Disaster Risk Financing and Insurance is hereby created to oversee and monitor the implementation of this Act. It shall be composed of the Chairpersons of the Committee on Banks and Financial Intermediaries and three (3) members of the House of Representatives, and three (3) members of the Senate, to be designated respectively by the Speaker of the House of Representatives and the President of the Senate, who shall endeavor to have the various sectors and regions of the country represented.

SEC. 9. *Transparency and Accountability.* - All disbursements under this Act shall be subject to audit by the Commission on Audit (COA) and annual reporting to Congress.

SEC. 10. *Appropriations.* - The amount necessary for the initial implementation of this Act shall be charged against the current year's appropriations. Thereafter, it shall be included in the annual General Appropriations Act.

SEC. 11. *Implementing Rules and Regulations.* - Within six (6) months from the effectivity of this Act, the Department of Finance (DOF), in consultation with the NDRRMC, CCC, Department of Budget and Management (DBM), and insurance stakeholders, shall promulgate the necessary implementing rules and regulations for the proper implementation of this Act.

SEC. 12. *Separability Clause.* - If any provision of this Act is declared invalid, the remaining provisions shall not be affected.

SEC. 13. *Repealing Clause.* - All laws, rules, and regulations inconsistent with this Act are hereby repealed or amended accordingly.

SEC. 14. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.