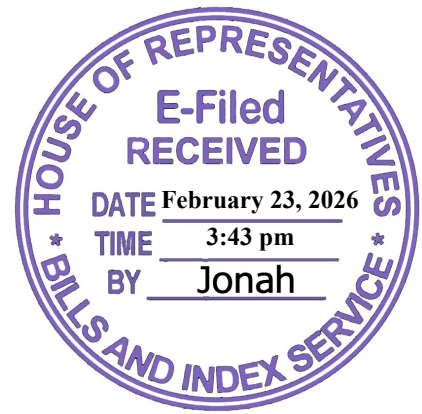


Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

TWENTIETH CONGRESS  
First Regular Session

**HOUSE BILL NO. 7961**



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Introduced by **HON. JOSEPH "JOJO" L. LARA**

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### **EXPLANATORY NOTE**

This bill seeks to create a National Disaster Risk Finance and Insurance (NDRFI) Framework and appropriate funds therefor. The proposed measure builds on the country's disaster management strategy which is aimed at protecting economic gains from natural disaster shocks and reducing the impact of disasters on the poorest and most vulnerable.

The location of the Philippines along the Pacific Ring of Fire and typhoon belt makes it extremely vulnerable to natural disasters. As one of the most disaster-prone countries in the world, it is constantly threatened by earthquakes, volcanic eruptions, typhoons, floods, and rising sea levels. Every year, the nation is hit by about twenty typhoons, which cause extensive flooding and landslides. Climate change-related sea level rise intensifies already-existing risks, affecting coastal communities and agriculture. Substantial social and economic costs are incurred in rescue, rehabilitation, repair and rebuilding of the damage and loss caused by these natural disasters. It has become an annual vicious cycle of loss and spending with no end in sight.

Disaster Risk Finance and Insurance refers to pre-arranged financial tools that protect against climate and disaster risks by shifting costs from reactive recovery to proactive financial resilience. It is part of a comprehensive risk management approach that uses a variety of solutions to improve a country's ability to recover financially after a disaster. This approach helps avoid economic shocks and improve risk management.

The DRFI framework involves applying a set of core principles and tailoring a strategy to a country's specific risk profile and needs. An optimal DRFI framework is integrated into a broader disaster risk management plan and uses a combination of financial instruments to ensure timely access to funds after a disaster. Key elements and best practices include risk assessment, risk laying, prompt disbursement, institutional coordination, and capacity-building.

Several international organizations provide critical guidance and support in the development of DRFI frameworks. The World Bank's Disaster Risk Financing and

Insurance Program serves as a leading partner for developing countries, helping them design and implement comprehensive financial protection strategies. The Group of Twenty and the Organization for Economic Cooperation and Development have established a Methodological Framework for Disaster Risk Assessment and Risk Financing, offering global standards and insights into best practices and common challenges. Likewise, the United Nations Office for Disaster Risk Reduction promotes a structured five-step approach to building national financing frameworks for disaster risk reduction.

Ultimately, the best framework is one that is tailored to a country's specific context and integrates seamlessly into its overall fiscal planning and disaster management strategy. This bill seeks to create the best framework for the Philippines.

In view of the foregoing, the immediate passage of this bill is earnestly sought.



**JOSEPH "JOJO" L. LARA**

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**AN ACT**  
**ESTABLISHING A NATIONAL DISASTER RISK FINANCE AND INSURANCE**  
**FRAMEWORK AND APPROPRIATING FUNDS THEREFOR**

*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 "*National Disaster Risk Finance and Insurance Framework Act.*"

SEC. 2. ***Declaration of Policy.*** – It is the declared policy of the State to strengthen national resilience and fiscal stability against the impact of disasters by establishing a comprehensive and inclusive system of disaster risk financing and insurance framework, one that protects national budgets and the lives and livelihoods of the people from the impact of disasters. Toward this end, the State shall develop and establish a national disaster risk finance and insurance framework to reduce financial burdens from disasters, protect development gains, and build resilience by shifting from reactive to proactive financial preparedness for governments, businesses, and vulnerable households, ensuring rapid funding for recovery, and strengthening fiscal stability.

SEC. 3. ***National Disaster Risk Financing and Insurance Framework.***  
– The Department of Finance shall, in coordination with the National Disaster Risk

Reduction and Management Council, Climate Change Commission, and the Philippine Statistics Authority, Office of Civil Defense, develop and establish a National Disaster Risk Financing and Insurance Framework, hereinafter referred to as the Framework, which shall be an integral part of the disaster risk management to decrease vulnerability and build financial resilience during a disaster. The Framework shall serve as a guide for the development, coordination and implementation of disaster risk financing and insurance policies and instruments, and must be:

(a) Proactive instead of reactive, focusing on having financial arrangements in place before a disaster occurs, rather than relying solely on reactive or post-disaster funding;

(b) Risk-layered or using different financial tools for different levels of risk, such as government funds for minor events and risk transfer products like insurance or catastrophe bonds for major catastrophes;

(c) Vulnerability-focused, protecting the poorest and near-poor from falling into poverty due to disasters;

(d) Public-private partnerships driven, leveraging private sector innovation with public sector reach; and

(e) Guided by the principles of fiscal sustainability, risk-based decision making, equity and social protection, transparency and accountability and alignment with national disaster risk management and climate policies.

SEC. 4. ***Components.*** – The Framework includes:

(a) Disaster risk assessment and fiscal risk analysis;

(b) Layered financial strategies for disasters of different frequency and severity;

- (c) Budgetary instruments and contingency financing;
- (d) Insurance and risk transfer mechanisms;
- (e) Protection of households, businesses, and vulnerable groups;
- (f) Coverage of public assets and infrastructure; and
- (g) Post-disaster financial management and transparency mechanisms.

SEC. 5. ***Financial Tools.*** – The Framework must prioritize the establishment of financial arrangements before the occurrence of disasters, rather than relying solely on post-disaster funding. It must employ appropriate financial tools matched to different levels of risk, categorized as follows:

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

SEC. 6. ***Disaster Risk Financing and Insurance Fund.*** – There is hereby established a National Disaster Risk Financing and Insurance Fund, hereunder referred to as the Fund, to provide immediate liquidity for disaster risk financing and insurance mechanisms under this Act. The Fund shall be administered by the Disaster Risk Financing and Insurance Board created under Section 7 of this Act. All disbursements from the Fund under this Act shall be subject to audit by the Commission on Audit in accordance with existing laws, rules, and regulations.

1           SEC. 7. ***Disaster Risk Financing and Insurance Board.*** – There is  
2 hereby created under the Department of Finance, a Disaster Risk Financing and  
3 Insurance Board, hereinafter referred to as the Board, which shall be in charge of  
4 administering the National Disaster and Insurance Fund and in the formulation of  
5 policies in the disbursement of funds for the effective implementation of this Act.

6           The Board is composed of the following:

- 7           a)     Secretary of Finance, as chairperson;
- 8           b)     Secretary of National Defense, as co-chairperson;
- 9           c)     Secretary of Budget and Management;
- 10          d)     Secretary of Social Welfare and Development;
- 11          e)     Secretary of Interior and Local Government;
- 12          f)     Executive Director of the Climate Change Commission;
- 13          g)     Civil Registrar General of the Philippine Statistics Authority;
- 14          h)     Commissioner of the Insurance Commission; and
- 15          i)     Administrator of the Office of Civil Defense, as members.

16          The members of the Board may designate a representative in case of failure  
17 to attend its meeting.

18          The chairperson and members of the Board or their respective representatives  
19 are entitled to *per diem*, allowances, and incentives for each meeting actually  
20 attended at such amount as may be fixed by the Board subject to existing laws,  
21 rules and regulations.

22          A majority of the members of the Board constitutes a quorum for the conduct  
23 of business.

1           SEC. 8.    ***Appropriations.*** – An initial fund of Ten Billion Pesos  
2   (P10,000,000,000.00) is hereby allocated to the Disaster Risk Financing and  
3   Insurance Fund for the effective implementation of this Act, which shall be charged  
4   against the current appropriations of the Department of Finance.

5           Thereafter, such amount as may be necessary for the continued  
6   implementation of this Act shall be included in the annual General Appropriations  
7   Act.

8           SEC. 9.   ***Implementing Rules and Regulations.*** – Within ninety (90) days  
9   from the effectivity of this Act, the Secretary of Finance shall, in coordination and  
10   consultation with the Secretaries of National Defense, Budget and Management,  
11   Social Welfare and Development, Interior and Local Government, Executive Director  
12   of the Climate Change Commission, Civil Registrar General of the Philippine Statistics  
13   Authority, Commissioner of the Insurance Commission, Administrator of the Office of  
14   Civil Defense, and insurance stakeholders, promulgate the necessary rules and  
15   regulations for the effective implementation of this Act.

16          SEC. 10.   ***Separability Clause.*** – If any provision of this Act is declared  
17   unconstitutional or invalid, the remaining parts or provisions not affected shall  
18   remain in full force and effect.

19          SEC. 11.   ***Repealing Clause.*** – All laws, executive orders, issuances, rules,  
20   and regulations, or parts thereof, inconsistent with the provisions of this Act are  
21   repealed or modified accordingly.

22          SEC. 12.   ***Effectivity.*** – This Act shall take effect fifteen (15) days after its  
23   publication in the *Official Gazette* or in a newspaper of general circulation.

24          Approved,