

GSIS covers LGUs, NGAs under catastrophe risk insurance

The GSIS now provides government agencies a parametric insurance cover that grants immediate payout for postdisaster recovery.

Under Republic Act No. 656 (Property Insurance Law), GSIS is mandated to insure government properties, assets, and interests from calamities.

Launched by the Philippine government through the support of the World Bank (WB) and the U.K. Department for International Development last July 28, the Php10-billion program is the first of its kind in the country. It covers losses of national government offices (typhoons and earthquakes) and 25 provinces (typhoons).

The 25 provinces with typhoon insurance cover include Albay, Aurora, Batanes, Cagayan, Camarines Norte, Camarines Sur, Catanduanes, Cebu, Davao del Sur, Davao Oriental, Dinagat Islands, Eastern Samar, Ilocos Norte, Ilocos Sur, Isabela, Laguna, Leyte, Northern Samar, Pampanga, Quezon, Rizal, Sorsogon, Surigao del Norte, Surigao del Sur, and Zambales.

The local government units (LGUs) were selected based on their exposure to typhoon or earthquake risk, as indicated in the catastrophe modelling by AIR Worldwide. LGUs welcome the parametric insurance cover since the payout will augment their funds to enable them to immediately respond to the needs of their constituencies following a natural catastrophe.

As early as 2014, GSIS has begun discussions with WB and the Department of Finance (DOF) for the preparation

of a joint catastrophe risk insurance program. Funding was allocated by the government under the National Disaster Risk Reduction and Management Fund of the 2017 General Appropriations Act in the amount of Php1 billion, championed by Senator Francis “Chiz” G. Escudero.

The Technical Working Group, composed of representatives from GSIS, Department of Budget and Management, DOF, National Economic Development Authority, Office of Civil Defense, Department of Interior and Local Government, Commission on Audit, and Bureau of Treasury, completed the implementing guidelines.

WB considers the Philippines as one of the countries in the world that is vulnerable to natural disasters and is bound to lose an average of US\$3.5 billion in assets annually due to typhoons and earthquakes.

Catastrophe risk insurance provides immediate cash crucial for postdisaster activities relating to government infrastructure and facilities that are needed to restore operations and immediate delivery of basic services. It complements the existing type – indemnity insurance – which pays the actual loss incurred by the insured.

WB helped the government achieve the best terms and conditions for this transaction by issuing a reinsurance contract to GSIS and ceding the risk to international reinsurance markets. (CIBP)

G-NEWS

GSIS newsletter for members and pensioners



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G-News, or GSIS-News, is published monthly with special issues. Its editorial office is located at the Corporate Affairs Department, Corporate Communications Office, Level 2, GSIS Head Office, Pasay City.