

# FINANCIAL PROTECTION OF PUBLIC ASSETS THROUGH PUBLIC ASSET REGISTRY AND RISK TRANSFER

## Introduction to instruments

Disasters can damage publicly owned buildings and infrastructure assets, disrupting their services and impeding the smooth functioning of economies and societies. In addition to physical damages of the infrastructure assets, the disruption to public infrastructure services—such as for energy, water, transport, health, and education—lead to greater knock-on impacts on the broader economy and livelihoods.

Many assets are publicly owned, and governments are responsible for their operation. After a disaster, governments often assume a significant proportion of the recovery and reconstruction costs for infrastructure, particularly for uninsured publicly owned assets; these costs that are incurred in the event of a disaster are contingent liabilities. Governments also face reduced revenues when economic activities are disrupted, including activities of their own revenue-generating public assets. This reduction can create a significantly adverse fiscal impact, which leads to a slower recovery. Securing funding for the reconstruction of damaged assets after a disaster to enable service recovery is therefore of great importance to governments.

## Uses / advantages / disadvantages

Financial protection strategies can help countries manage the impact of disasters on infrastructure and so protect service delivery to the population. Strategies should aim to ensure that rapid, reliable, and cost-efficient finance is available so it can speed recovery and reconstruction; strategies should also aim to support plans and systems that will quickly restore service delivery to the population. Risk transfer (most commonly achieved through insurance) transfers some of the financial burden for reconstruction away from government and assists the timely reinstatement of services.

Financial protection of public assets (including through risk transfer) is informed and supported by a public asset registry. This is a (digital) database that assists effective whole-of-government business planning by providing a single source of information about all nonfinancial government assets, including their geolocations, physical characteristics, asset value, and asset life. A public asset registry can support the development of an insurance program by informing the risk assessment and the risk transfer strategy. In addition, by providing insurance companies with evidence of appropriate (improved) asset management, it can secure more competitive pricing for insurance.

## Mechanics

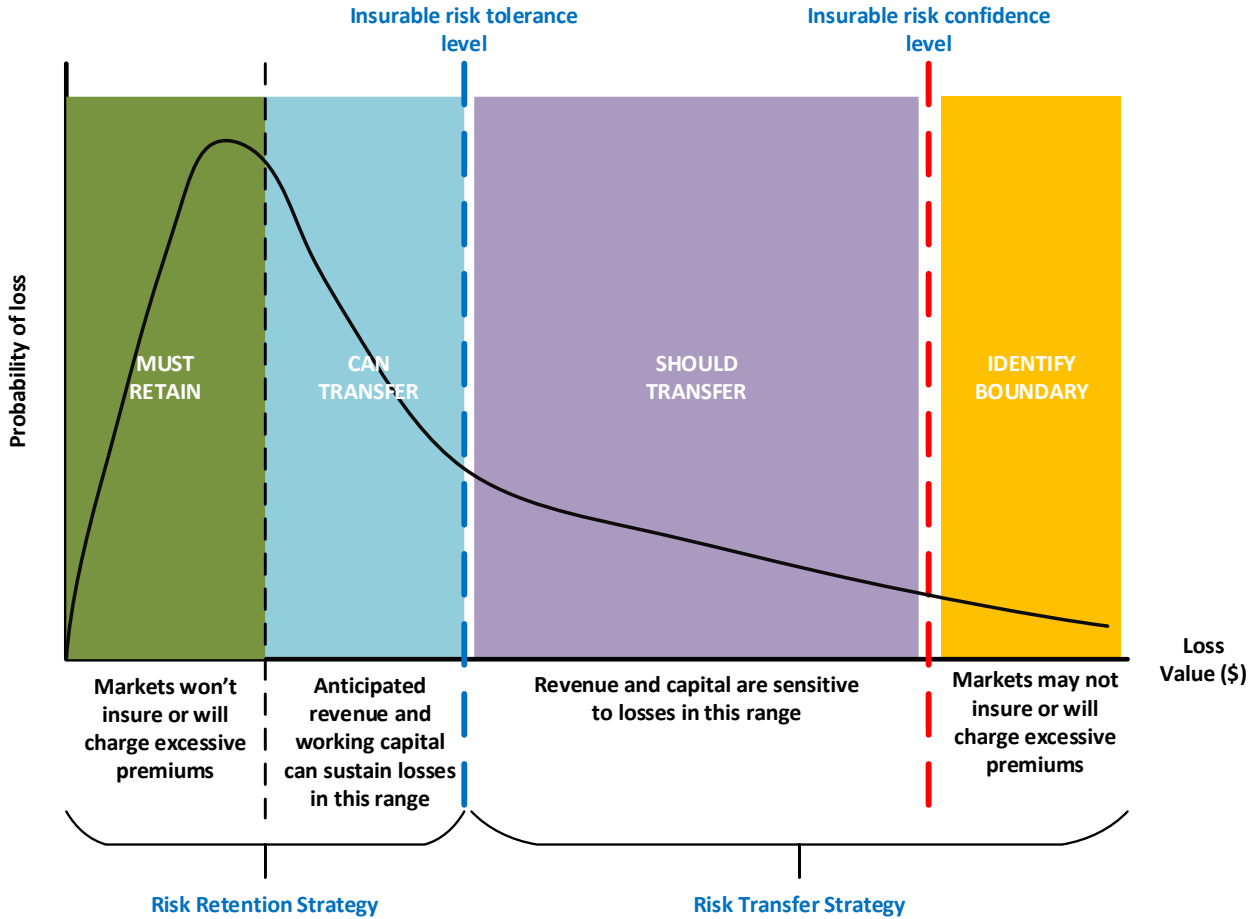
Insurance is a means of spreading risk over time (i.e., incurring a known annual expense to avoid a larger cost at an unknown time in the future). Insurance companies pool the risks of a large customer base and use the premiums collected to pay for individual claims when they occur.

Different insurance products may be appropriate at different points in time, for example depending on a country's access to data. Parametric coverage might be used if detailed data on exposure of individual assets are lacking, but the coverage could transition toward an indemnity structure as more asset-level information becomes available. When structuring a risk transfer strategy, governments could consult neutral risk advisors such as brokers, who are well-placed to provide a broad perspective on different forms of risk capital and can clarify which forms best match the risk profile and local context of the government. In addition to making use of commercial risk transfer, a government can set up its own insurance structure, such as a captive, an entity, or a state-owned insurer and use that structure to transfer some risk to the reinsurance market, just as insurance companies do. This arrangement may give access to more financial capacity, more forms of risk transfer, and specialist expertise.

The following figures illustrate considerations in establishing a financial protection program, the stages in implementing such a program, and the components of an asset registry.

The implementation of a public asset registry is likely to be phased in gradually, first covering the most critical assets, those with the best data availability, and those owned or managed by supportive stakeholders. A successful registry relies on more than technology and data alone; it must address the wider challenges involved in establishing the correct policies, governance, and skills, as well as the concepts and principles for basic asset management, including asset information management.

**Figure 1: Considerations in the establishment of an insurance program**



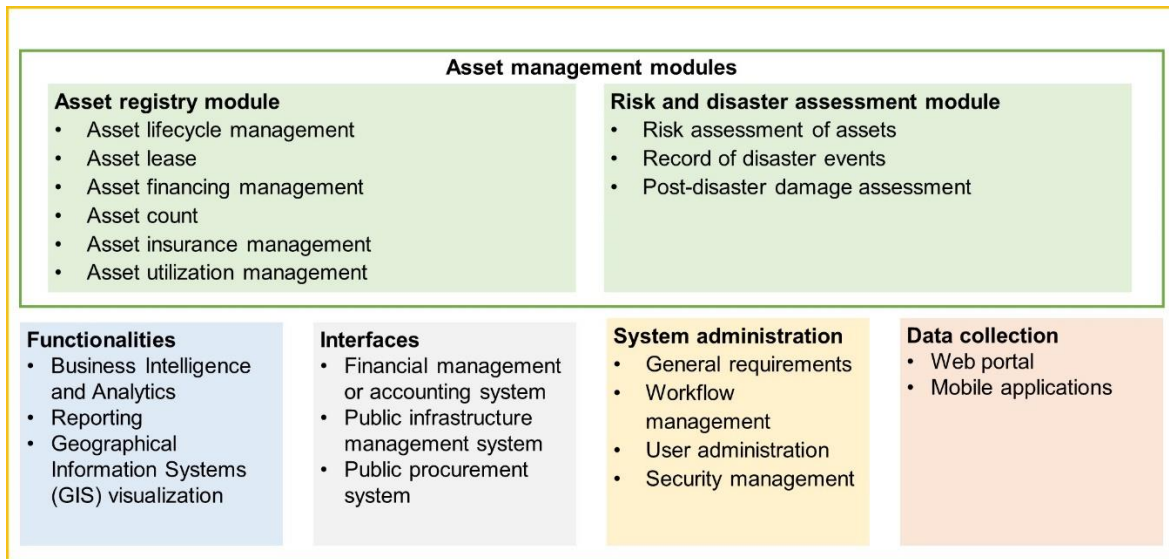
Source: World Bank, Textbook on Public Asset Insurance, Forthcoming

**Figure 2: Stages in the Implementation of a Financial Protection Strategy for Public Assets**



Source: World Bank, Textbook on Public Asset Insurance, Forthcoming

**Figure 3: Conceptual design of a public asset registry system**



Source: World Bank, *Textbook on Public Asset Insurance, Forthcoming*

## Examples

**Public asset insurance:** The Ministry of Finance of Indonesia launched a program for the insurance of state assets in 2019, transferring risk of damage to public buildings to a consortium of domestic insurance companies. By 2021, this program had grown to cover 5,272 buildings of 73 ministries and agencies, with a total sum insured of US\$2.5 billion. The government is working to expand coverage to buildings from all government ministries and agencies by end 2022 (89 ministries and agencies with combined estimated assets of IDR 4,000 trillion, or over U\$283 billion).

**Public asset registry:** The Government of the Philippines adopted the first ever Philippine Government Asset Management Policy in September 2020. It also established the first comprehensive public asset registry, the National Asset Registry System (NARS), which has already brought together information on over 500,000 assets.

## More information

<https://www.financialprotectionforum.org/seadrif-knowledge-series-financial-protection-of-public-assets>

<http://www.insdevforum.org/wp-content/uploads/2020/08/Practical-Guide-to-Insuring-Public-Assets.pdf>