

THE URGENCE OF THE EXISTENCE OF DISASTER INSURANCE IN INDONESIA

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Abstract

Indonesia is a high-risk country due to the impact of natural disasters. According to the World Bank, Indonesia is one of 35 countries worldwide that face a high risk of casualties and economic losses as a result of various types of disasters. Almost every region in Indonesia is vulnerable to nine major disasters: earthquakes, tsunamis, floods, landslides, volcanic eruptions, fires, extreme weather, extreme waves, and droughts. The financing gap has exposed Indonesia to high fiscal risk as a result of natural disasters. As a result, alternative financing from sources other than the state budget, such as insurance, is required for Indonesia to be disaster resilient. The roadmap's policies and programs are expected to strengthen fiscal resilience and government intervention in disaster risk preparedness and mitigation. The roadmap's success depends on all relevant stakeholders working together to synergize and share risks based on their respective capacities, including the Central Government (relevant ministries/institutions), regional governments (provinces, districts, and cities), banking and insurance industries, business actors, and society.

Keywords: Alternative, Finance, Disaster, Indonesia

1. Introduction

Natural catastrophes can strike quickly or develop over time. Some disasters, such as earthquakes, are nearly difficult to anticipate in terms of when, where, and the amount of their force. Other disasters, such as floods, landslides, droughts, volcanic eruptions, tsunamis, and weather anomalies, can still be anticipated ahead of time. Disasters, on the other hand, always have a devastating impact and result in significant loss of life and property. The surprise came as a result of a lack of vigilance and preparedness in the face of danger. It is envisaged that the execution of disaster management will improve as a result of the passing of Law Number 24 of 2007 concerning Disaster Management, because disaster management is the responsibility of the government and regional governments. Disaster management is carried out in stages, beginning with prevention and progressing to emergency response and

recovery. The first stage of this effort is to locate/identify the source of the hazard or disaster threat.

The traditional approach to catastrophe management has given way to a more holistic approach. The conventional perspective holds that disaster is an unavoidable event or occurrence, and that sufferers must receive quick assistance; hence disaster management focuses on relief and emergency. As a result, this point of view is known as the Relief or Emergency Assistance paradigm, and it is focused on providing emergency requirements such as food, emergency housing, health, and crisis resolution.

The Risk Reduction Paradigm is the final paradigm. In disaster mitigation planning, this approach integrates technical and scientific perspectives with consideration of social, economic, and political factors. Disaster management, according to this paradigm, strives to increase a community's ability to manage and reduce the risk of a disaster. The most essential aspect of this strategy is that it treats the community as a topic rather than an object of disaster management during the development phase. Many people in Indonesia still believe that disaster is a certain conclusion. This demonstrates that the traditional paradigm is still alive and well in society. In general, they believe that disaster is a curse for past sins and mistakes, and that one must accept that it is a fate resulting from his/ her actions. As a result, there is no need to try to take preventive or overcoming measures.

2. Discussion

The disaster management paradigm has shifted from an emergency aid paradigm to a mitigation/preventive paradigm, as well as a development paradigm. Because every effort from prevention and mitigation to rehabilitation and reconstruction has been integrated into development programs across multiple sectors.

In the current paradigm, disaster risk reduction is a multi-sectoral and multi-regional plan that includes social, economic, and environmental aspects. National disaster risk reduction activities will be aligned with regional and international disaster risk reduction plans during implementation. Here, the community is the subject, object, and primary target of disaster risk reduction efforts, and where the community seeks to adopt and pay attention to local wisdom and traditional knowledge that exists and develops in the community. The community is expected to be able to actively access formal and informal information channels as a subject, so that disaster risk reduction efforts can directly involve the community. The government is responsible for preparing adequate facilities, infrastructure, and resources for disaster risk reduction activities.

Disaster risk reduction measures will employ and empower local resources as much as feasible to assist and strengthen local carrying capacity. This includes, but is not limited to, financial resources, natural resources, talents, and community economic and social processes. The Ministry of Finance, as well as other relevant Ministries/Agencies such as the National Disaster Management Agency (BNPB), the Ministry of National Development Planning/Bappenas, the Ministry of Home Affairs, and the Ministry of State Secretariat, are currently finalizing the PFB legal umbrella in the form of a Presidential Regulation and its

institutions. A social and environmental protection system will be installed on this PFB. This is because the nature of the disaster management actions that will be funded by the PFB has a low to high risk, therefore environmental sustainability, as well as community life and security, must be considered.

PFB will oversee monies received from the APBN, APBD, and other legitimate sources such as grants, trust funds, and other such sources. PFB will be used to fund disaster management efforts for both natural and man-made catastrophes, and for all stages of disasters from pre-disaster through disaster emergency to disaster recovery. Furthermore, PFB is meant to be able to conduct out risk transfer operations such as state asset insurance. The PFB was created in the early phases of its development to offer additional money for disaster management in addition to the disaster reserve monies that are routinely budgeted in the APBN, according to the head of the PKRB. When the PFB has amassed sufficient cash, it is hoped that it would become the primary source of funds for disaster relief efforts. PFB will be handled by a fund management unit with a financial management pattern at the Ministry of Finance, in the form of a Public Service Agency (BLU). This ESMS will be built in accordance with national and international standards and will be backed up by professionals. The World Bank, which already has social and environmental safeguards criteria, will assist in the establishment of this ESMS.

In terms of funding, local governments are expected to voluntarily contribute to increasing PFB funds, beginning with areas with a high disaster risk index and large fiscal capacity. Third parties, such as the private sector and non-governmental or philanthropic organizations, may also contribute. NGOs are expected to be able to provide support in the implementation of PFB activities, such as community capacity building, or other things that become the specialization of each NGO, such as the management and implementation of ESMS, in addition to financial support. Despite the fact that PFB is mandated to manage state asset insurance (paying permission and distributing payouts from insurance companies), BLU PFB is not an insurance institution. As a result, commercial insurance companies continue to provide coverage. The optimal amount of funds to be managed by PFB is still being researched in depth. Exercises/simulations and more accurate data are required to determine the ideal number of funds that BLU PFB should manage in order to provide adequate funds.

In order for Indonesia to become a catastrophe-resilient nation, it needs enough, timely, targeted, sustainable, and transparent disaster management financing. The PARB approach in general and the PFB's establishment in particular were created with this purpose in mind. All stakeholders must participate and provide input in order for the PARB Strategy to be implemented successfully. This isn't the first or last time the public has been consulted. Stakeholder participation in discussions will continue to be accomplished through a variety of activities, including meetings.

3. Conclusion

These initiatives are an important part of Indonesia's efforts to meet the DRFI strategy's main goal, which is to protect the state budget from unexpected disaster expenditures by

establishing a special mechanism for the central government to manage disaster expenditures more efficiently and strengthen fiscal coordination between the central government and the regions by establishing clearer roles and responsibilities for disaster response funding. In addition, the DRFI plan aims to protect state-owned assets against catastrophe damage through an indemnity insurance program that covers all ministries and agencies, as well as to protect the public, particularly the poor, through a social safety net program in the case of a disaster.

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