FORUM

The "InsuResilience Investment Fund"

- a Public-Private Partnership launched by KfW and BlueOrchard on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ)

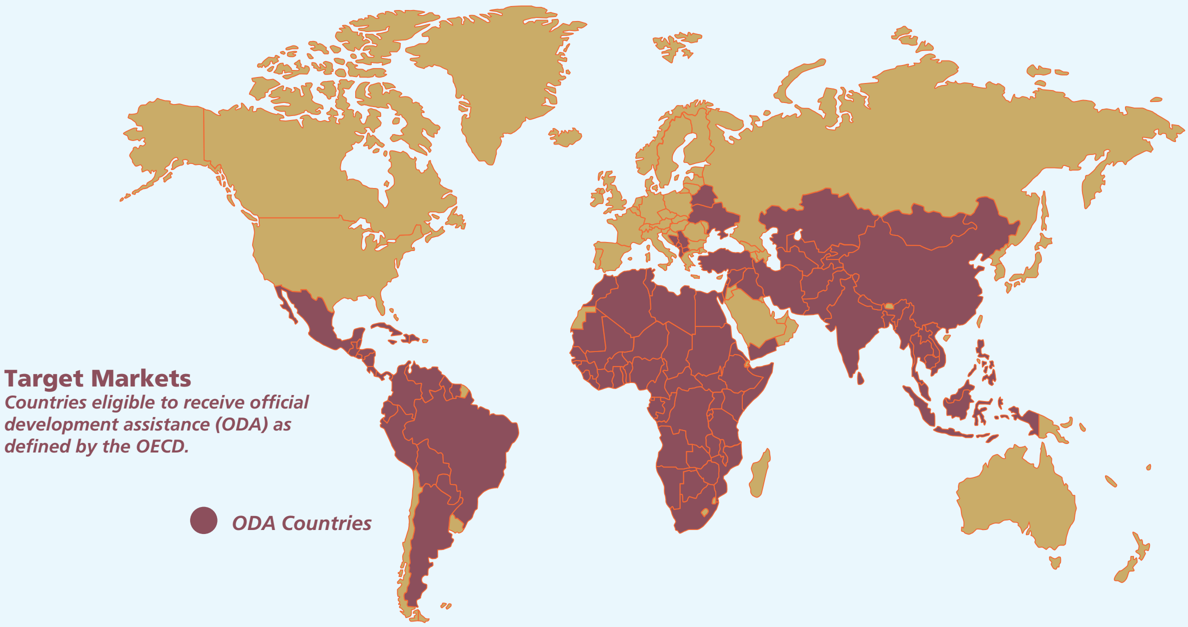
Driven by climate change, the frequency of extreme weather events is on the rise; with large parts of the population active in agriculture, businesses and households in developing countries are particularly exposed. At the same time, access to insurance is limited in developing economies although insurance could effectively reduce the financial losses of countries and their population from natural catastrophes.

Insurance schemes have shown that they reduce the dependence on public emergency assistance and compensate the affected in a direct way. Insurance pay-outs reach people much faster than emergency relief operations and more importantly, insurance can incentivize people to implement effective adaptation measures by leading to a reduction of the payable insurance premium, thus increasing overall resilience in the long run.

It is against this backdrop that the G7 announced the InsuResilience Initiative at their 2015 Summit. The initiative aims at providing an additional 400 million poor, and vulnerable people with insurance against the effects of climate change by 2020. In support of the initiative, KfW set up the Climate Insurance Fund on behalf of BMZ, appointing BlueOrchard as Fund Manager. Following successful proof of concept, the Fund has been relaunched as the InsuResilience Investment Fund (IIF) as a public-private partnership, taking on private investors to increase outreach.

Several levers to develop climate insurance solutions

The IIF aims to increase protection of the poor and vulnerable from the financial losses caused by extreme weather events and natural catastrophes by promoting the development and distribution of climate insurance products. The specific objective of the Fund is to reduce the vulnerability of low-income households and micro, small and medium enterprises to extreme weather events. In doing so, the IIF combines several levers to develop climate insurance solutions for the poor and vulnerable: i) tailored technical assistance and capacity building at the investee level; ii) dedicated financing for development of sustainable climate insurance products and increased outreach to beneficiaries; and iii) temporary premium support via targeted subsidies to reduce the premium payments for the end-clients in selective cases. Risk transfer for weather events can be arranged through indemnity-based insurance, i.e. upon occurrence of an actual damage, or through parametric insurance. Parametric insurance does not indemnify the pure loss, but ex ante agrees to make a payment upon the occurrence of a specific triggering event. The IIF supports the development of both types of insurance. The Fund pursues both financial and social return within its separately investible Debt and Equity Sub-funds. For both Sub-funds, investees are required to have the main focus of operations in countries and territories eligible to receive official devel-



opment assistance as defined by the OECD. The BMZ is providing USD 35mm in junior funding for each Sub-fund.

Technical assistance and premium support

IIF investees are eligible to receive support from a dedicated Technical Assistance Facility of EUR 11mm, fully funded by BMZ. The Technical Assistance Facility finances the development and distribution of climate insurance products. In addition, BMZ has established a Premium Support Facility of EUR 6mm to support viable innovative climate insurance products of the Funds' investees throughout their launch phase. Both facilities are managed by CelsiusPro, a Swiss-based pioneer in weather risk management.

Private Debt Sub-Fund

The Private Debt Sub-fund's objective is to promote the distribution of climate insurance products through intermediaries. It provides senior secured, senior unsecured and subordinated debt to aggregators (local microfinance institutions, cooperatives, input providers, telecom operators) and insurers who are currently distributing or looking to distribute climate insurance products. Borrowers need to feature sound governance, financial position and credit risk. Using this Sub-fund, the IIF has for example provided funding to a Bolivian microfinance institution to support the investee's development and implementation of agricultural insurance products.

Private Equity Sub-Fund

The Private Equity Sub-Fund provides common and preferred equity capital to insurers and brokers offering or looking to develop climate insurance products. The Fund takes minority stakes with significant influence, board representation and invests alongside like-minded investors. Investees need to exhibit sound governance, experienced management and equitable valuation. Exit will occur through trade sale, secondary transactions or agreement with shareholders. As part of this Sub-fund's investment, a Pakistani insurer has for example committed to expanding its agriculture insurance product offering and to further increase its outreach to small farmers with no prior access to formal insurance services.

Reinsurance Business Partnerships

To further its development objects, the IIF has established non-exclusive Reinsurance Business Partnerships with the three leading global reinsurance companies. Swiss Re, Hannover Re and Munich Re support the Fund's activities, help identify and access potential investees in insurance, provide re-insurance or related services to companies that wish to offer climate insurance products.

For more information please visit: *www.insuresilienceinvestment.fund*