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Exclusive: \$300m target for climate insurance vehicle

by **Matthieu Favas** on 26 SEPTEMBER 2017 in **Fundraising, News & Analysis**



The InsuResilience Investment Fund, made up of sub-pools covering private equity and private debt, has backed a Pakistani firm offering agriculture insurance.

An investment vehicle aiming to protect developing-market SMEs and households against climate risks is aiming to raise a total of \$300 million.

Set up in 2013 by German development bank KfW with an initial funding of \$60 million, the InsuResilience Investment Fund is split between a private equity pool and a private debt vehicle that have so far raised \$30 million and \$50 million respectively, a spokeswoman told *Agri Investor*.

BlueOrchard, the Switzerland-based impact investment firm managing the fund, hopes the private equity pool will eventually reach \$100 million, with the private debt vehicle aiming for \$200 million.

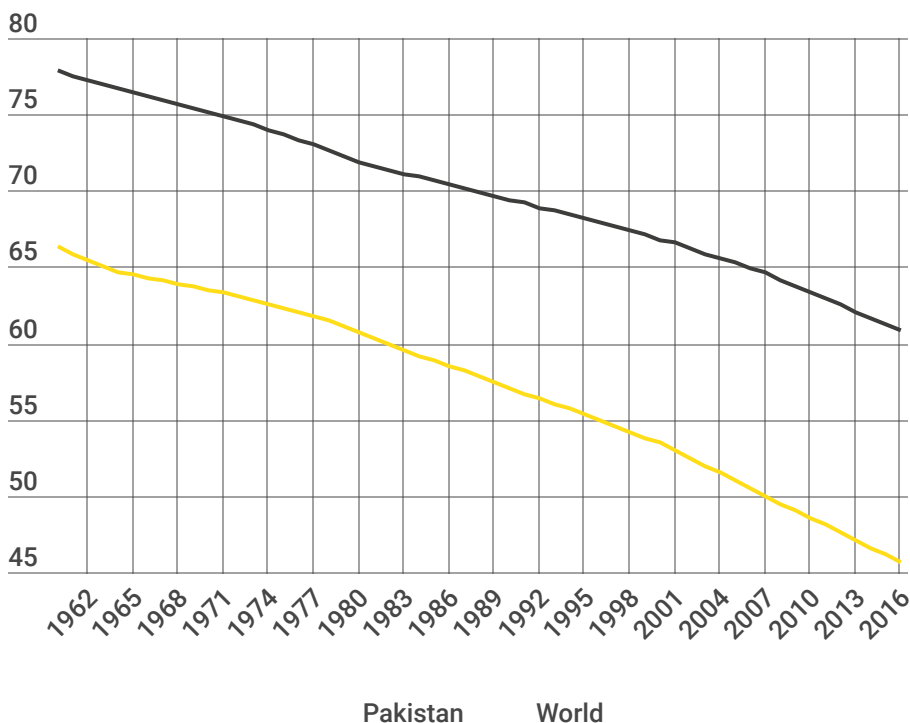
Initially dubbed the Climate Insurance Fund, the IIF changed names last July, when it was officially launched. Its objective is to provide entrepreneurs with access to insurance against weather-related events, the frequency of which will increase as the impact of climate change becomes ever more visible, it says.

KfW, on behalf of the German Ministry for Economic Cooperation and Development, provides first-loss protection for private investors.

Agriculture is an integral part of the sectors it covers. Yesterday, the IIF announced its investment in Lahore-based Asia Insurance Company (ASIC), which offers agriculture insurance to more than 100,000 farmers in Pakistan. Through the deal, IIF subscribed to a rights issue by the company that will give it a 25 percent stake in the business post-equity injection.

Vital sector

Rural population as % of total, Pakistan vs world



Source: World Bank

Share



The transaction gives ASIC a 1.9 billion Pakistani rupee (\$18 million; €15 million) valuation.

“Pakistan experiences various natural disasters and consequences of climate change, but has a low level of insurance coverage, leaving a significant part of its low-income population without protection,” said Ernesto Costa, co-head of private equity at BlueOrchard.

Ihtsham ul-Haq Qureshi, ASIC’s chief executive, noted that “the agriculture sector directly and indirectly makes up a large portion of Pakistan’s economy.”

In 2016, about 44 percent of ASIC’s gross written premium came from agriculture, livestock and farm implements micro-insurance. BlueOrchard said the capital injection would increase the company’s risk capital and boost its underwriting capacity, extending its reach to low-income farmers.

The IIF is being complemented by an \$11 million technical assistance facility, managed by Switzerland-based Celsius Pro, and a Premium Support Facility of \$6 million, to support innovative climate insurance products in their launch phase.

The fund has a target investment size of \$3 million to \$10 million, with an ideal investment horizon of five to seven years. Using its two sub-funds, it invests across the capital structure, including minority shareholdings, preferred shares, convertible, subordinated and senior debt.

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