

Climate Insurance Fund (CIF)



Developing Climate Insurance Markets Around the Globe Through Equity/Debt Investments and Technical Assistance to Facilitate Healthy Development

Agenda

1 The Climate Insurance Fund (CIF)

2 Investment and TA Partnership Proposal

3 Fund Management Consortium

a BlueOrchard Finance

b CelsiusPro

c Consortium Expertise

4 Technical Assistance Capacity

1	The Climate Insurance Fund (CIF)
2	Investment and TA Partnership Proposal
3	Fund Management Consortium
	<ul style="list-style-type: none">a BlueOrchard Financeb CelsiusProc Consortium Expertise
4	Technical Assistance Capacity

The Climate Insurance Fund (CIF)

Objective

- Contribute to the adaptation to climate change by improving access to and the use of insurance in developing countries. The specific objective of the fund is to reduce the vulnerability of micro, small and medium enterprises (MSME) as well as low-income households to extreme weather events, while the fund aims to achieve an acceptable financial return from investments in partnering companies

Institutions

- CIF is an Investment fund set up by **KfW**, the **German Development Bank**, on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ)
- The fund is managed by **BlueOrchard Finance**.
- **Celsius Pro** is the manager of the Technical Assistance Facility.
- **Swiss Re**, **Hannover Re** and **Munich Re** are non-exclusive Reinsurance Business Partners

The Climate Insurance Fund (CIF) (Cont.)

Composition

- **Investment fund**, with initial capital of USD 60 million
- **Technical Assistance Facility** of USD 11 million, to support new product development, market studies, marketing and internal/external training and capacity building . The facility is used to fund a portion of the technical assistance cost
- **Premium Support Facility** of USD 6 million, to support viable innovative climate insurance products in their launch phase

Investments

- Companies in the **insurance value chain** (insurance/reinsurance companies, brokers, financial institutions, etc) willing to expand climate insurance offering for MSMEs, poor, and vulnerable people
- CIF invests across the **whole capital structure**, including minority shareholdings, preferred shares, convertible, sub and senior debt
- Target investment horizon is 5 to 7 years (*)
- Target investment size: USD 3 to 10 million (*)

(*) Exception requires Board of Directors approval

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Investment and Technical Assistance Partnership Proposal

Growth Capital

- Long term debt capital for expansion into climate insurance
- Capital in the form of issuance of:
 - Common shares
 - Preferred shares
- Possibility of follow-on investments
- Reputational benefits and industry contacts from an international minority shareholder
- Experienced directorship contribution



Technical Assistance

- Feasibility study, data gathering, product design, distribution, client education, etc.
- Premium Support to rapidly achieve financial sustainability of climate insurance products
- Contribution of a portion of the total cost of technical assistance

Value Proposition of CIF Investment and Technical Assistance Partnership

- **Long-term capital to fund expansion** and diversification in a new climate insurance business line
- **International professional investor** with high visibility who can facilitate international funding going forward
- **Reputational upside** from working with global partners such as KfW, BMZ, Swiss Re, Hannover Re and Munich Re
- **International board directorship expertise** in the financial sector
- **Technical Assistance and capacity building provided by world-class climate insurance technical experts** to accompany your expansion into climate insurance
- **Premium Support** to help you achieve rapid financial sustainability on your climate insurance products
- **Access to global reinsurance underwriting and industry contacts**
- Ability to **accompany your growth** by leveraging on regional and international experiences
- **Broadening exposure to MSME and agriculture sectors** and linkages with potentially new distribution channels (i.e. microfinance) and cross-sell of other financing products to these sectors

Reinsurance Partnerships: Swiss Re, Hannover Re and Munich Re

- CIF establishes Reinsurance Business Partnerships with the objective of:
 - Supporting CIF business development and activities
 - Helping identify and access potential investees in insurance, re-insurance or related service companies that wish to offer climate insurance products
 - Scaling-up commercially viable climate insurance initiatives
 - Work with CIF in establishing the fund as a relevant stakeholder in the field of climate insurance and secure international best practices
- Swiss Re, Hannover Re and Munich RE have become CIF non-exclusive Reinsurance Business Partners:
 - CIF has signed an MoU on a Reinsurance Business Partnership with both companies
 - Both are global reinsurance companies with a significant underwriting capacity
 - Investees can benefit from their underwriting capacity but may choose their preferred reinsurer
- As CIF Reinsurance Business Partners, Swiss Re, Munich RE and Hannover Re can offer to investees:
 - Re/insurance underwriting capacity
 - Technical assistance to build capacity for successful scaling-up
 - Access to industry contacts that can play a useful role for expansion

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The CIF Team



Investment Manager

- International investment firm with strong expertise in emerging markets
- Strong track record in investing globally in 300 financial institutions in 60 countries
- Financial institutions are a natural distribution channels for climate insurance products



Technical Assistance Manager

- World-class expert in climate insurance including structuring tailored index solutions
- Coverage of weather effects, climate change and natural catastrophes
- Global network of climate insurance consultants
- Partner with international financial institutions such as the World Bank

BlueOrchard Finance Ltd at a Glance

- Created in 2001: Team now counts over **50 professionals** in **7 offices** around the world: Zurich (Head Office), Geneva, Luxembourg, Lima, Nairobi, Tbilisi and Phnom Penh
- **In-depth knowledge of MSME segments in emerging and frontier markets**, with established underwriting processes, standardized risk analysis tools, and knowledge sharing across regions
- **11 funds raised and managed in 14 years**, with fundraising and high networking capacity within both public and private investors

BlueOrchard: A Leading Asset Manager in Impact Investing and a Reputable Partner with Global Outreach

Fund management

- \$3bn under management since 2001 (including “Obama” fund) with team of 50 committed professionals

Network

- Relationships with over 300 financial institutions in 60 countries
- In depth due diligence process
- Close monitoring of portfolios, proactive engagement
- Close relationship / capacity building approach

Agri portfolio

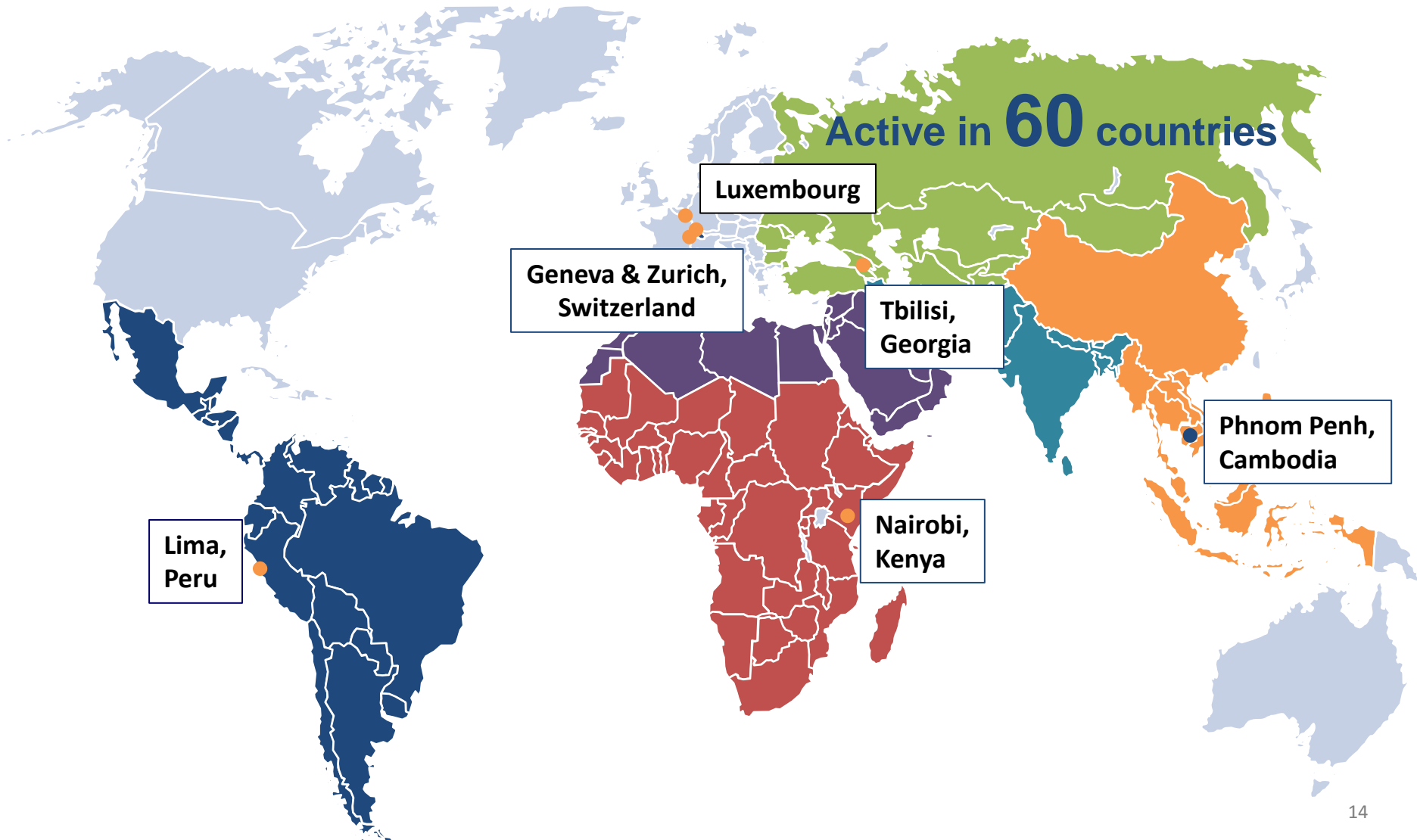
- 110 institutions with Agri lending –15% of value on average = \$2.6bn to 13.4m borrowers across 35 countries

Relationships










- Strong reputation in impact investing
- Access further private and public funding from the existing investor base
- Existing network of Technical Assistance providers



BlueOrchard: Local Presence with Global Outreach



BlueOrchard's Track-record in Innovative and Customized Funds

2001	Dexia Micro-Credit Fund : Senior debt, fully hedged	
2004/5	BOMSI : CDO Senior debt, 5 years	
2005	Saint-Honoré Microfinance Fund : Senior debt, hard currency (Merged with DMCF in 2011)	
2006	BBVA Codespa Microfinanzas : Senior debt, LATAM, some LCY (closed in 2011)	
2006	BOLD 2006 : CDO Senior debt, 5 years	
2007	BOLD 2007 : CDO Senior debt, 5 years, rated by S&P, FT award	
2009	Microfinance Enhancement Facility (MEF) : Sr. Debt "liquidity fund", co-managed	
2010	Microfinance Growth Fund (MiGroF) : The "OBAMA" Fund for LATAM	
2013	Microfinance Initiative for Asia (MIFA)	
2014	Regional Education Fund for Africa (REFFA)	
2014/15	Climate Insurance Fund (CIF)	

CelsiusPro at a Glance

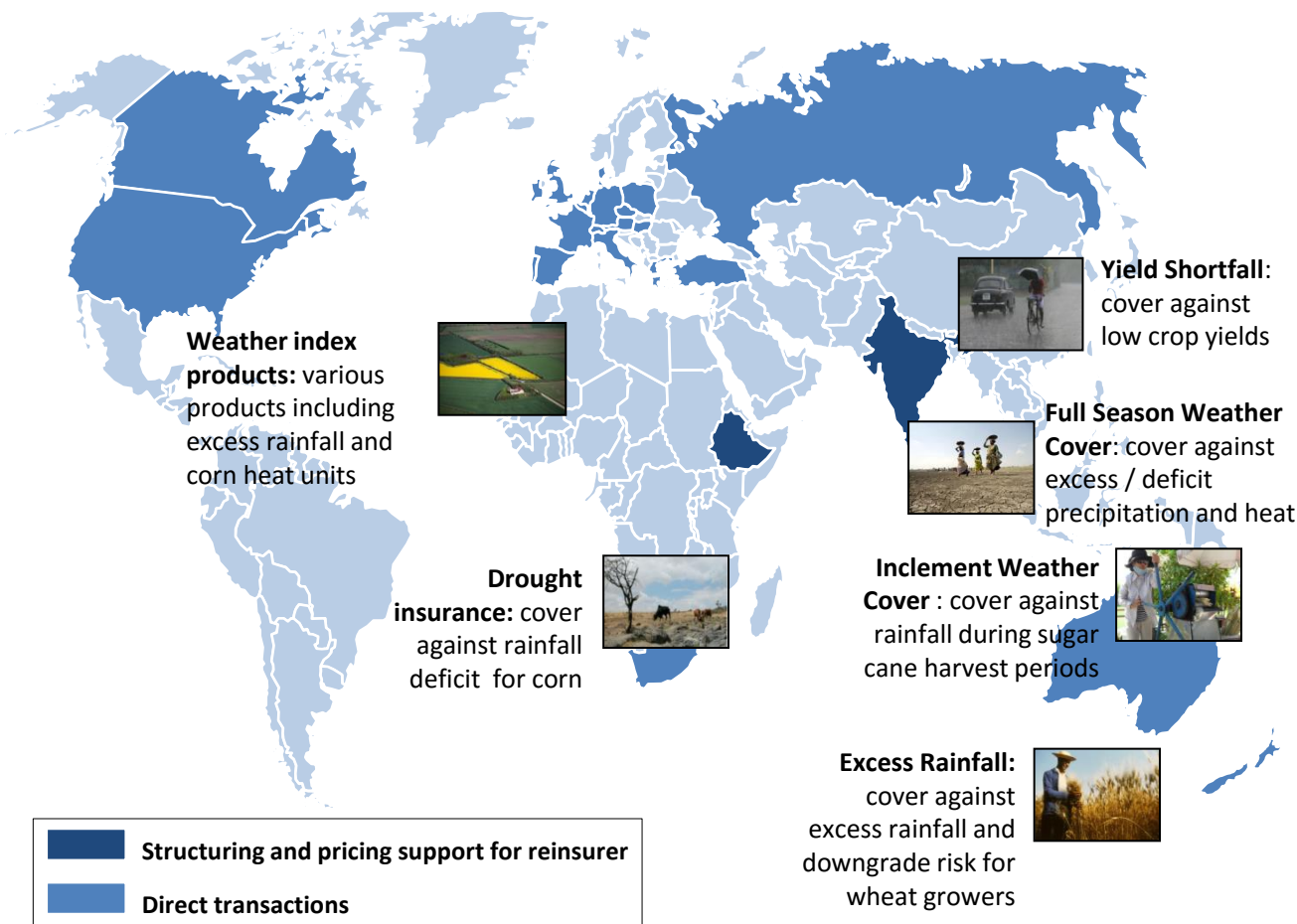
- A privately held Swiss company, founded in 2008
- Winner of the 2009 **Swiss Insurance Innovation Award**
- Winner of the 2014 **Australian Insurance Industry Awards**
(Category: Innovation of the year)
- CelsiusPro uses big data from satellites, ground measurement devices and farmers to design smart insurance products and provide crop management advice.

CelsiusPro: a Leading Weather and Climate Change Insurance Specialist

- Significant experience in structuring and originating tailored index products mitigating the effects of adverse weather, climate change and natural perils.
- Proprietary online platform for risk modeling, pricing, execution, transaction lifecycle management and reporting that allows users to model, price and transact a large number of transactions efficiently at low cost.
- White label solution to enable insurers to efficiently service clients with parametric products.
- Customized solutions for multinational companies to subsistence farmers.

Celsius Pro Global Outreach in Climate Insurance

Regions



Index products

Agriculture

- Weather
- Vegetation
- Soil Moisture
- Evapotranspiration
- Yield
- Sea Surface

Nat Cat

- Storms
- Earthquakes
- Flood
- Drought

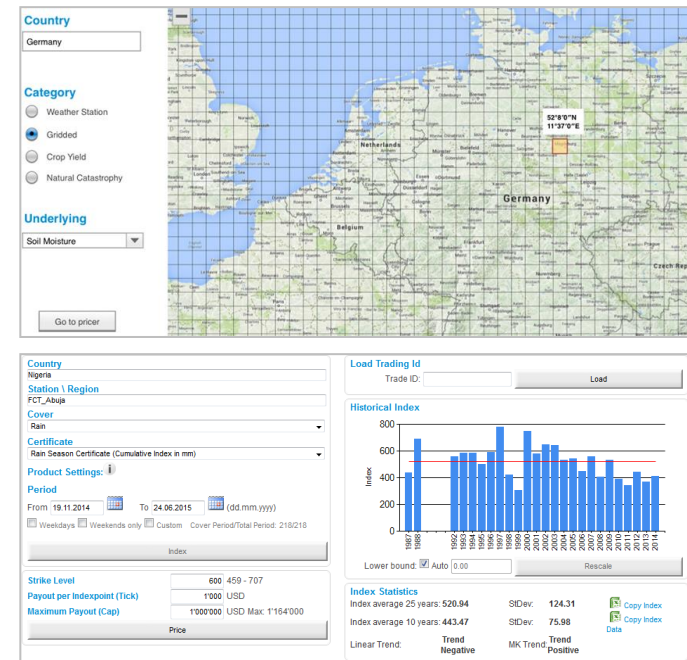
Celsius Pro Index Insurance Platform

Characteristics

- Full functionality for index insurance management
- Dynamic index product creation
- Dynamic pricing parameters
- Real time dashboard reporting
- Daily mark to model valuation
- Modular system architecture with back office, administration
- Automated trade lifecycle management
- Automated Term Sheets
- Automated reconciliation
- Over 99.96 % average system availability of pricer and website



Platform



- State-of-the art platform to model, design, execute and report climate insurance linking the software with all relevant climate data.

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Technical Assistance Services through CIF

	TA Services	Description
INSTITUTIONAL SERVICES	1) Feasibility study	Study to promote (parametric or indemnity-based) climate insurance products covering: risk region, risk period, key crop, livestock, key climate risks, suitable distribution model
	2) Legal Services	Regulatory framework, policy wording, licensing in respective country
	3) Project Management	Managing the implementation of climate insurance, business planning, budgeting
	4) Corporate Governance	Training on governance structures, rules, processes, responsibilities, code of conduct, transparency
TECHNICAL SERVICES	5) Data Sourcing	Sourcing relevant weather, climate, remote sensing, yield and NatCat Data
	6) Insurance Design	Design and price an (index for parametric) insurance product
	7) Education of Investee	Educate the Investee about (indemnity-based or index) insurance products (and about the use of weather insurance platform(s))
	8) Marketing and Distribution Support	Support the Investee in the preparation of marketing material and advise the distribution of the product on the ground
	9) Operations Support & Platform	Provide booking platform(s) for the Investee. Customizing the platform for country, user, language, products etc.
FINANCIAL LITERACY	10) Education of End Client	Educate the end client of the insurance product on financial literacy

Technical Assistance Services on Indemnity Climate Insurance Products



Pays following a claim for damage to property or moveable assets due to extreme weather events and/or natural disasters (hail, flood, drought, epidemic disease, hurricane, typhoon, earthquake, etc)



Pays following a claim for damage to crop due to extreme weather events and/or natural disasters



Pays for lower yield after measuring the actual yield against the guaranteed yield



Pays for decline in revenue when crop price, lower yields, or both cause revenue to fall below a guaranteed level

Technical Assistance Services on Index Climate Insurance Products

Pays when rain is below / above a certain level in a defined region



Pays when the temperature lies below/above a certain level in a defined region

Pays when an earthquake of a defined magnitude hits a defined region



Pays when a storm of a defined category hits a defined region

Pays when the crop yield falls short of a defined yield in a defined area



Pays when a water level exceeds a defined level at a defined hydrological station

Pays when the Vegetation Index falls short of a defined level in a defined area



Pays when the sea temperature exceeds a certain level in a defined region

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