



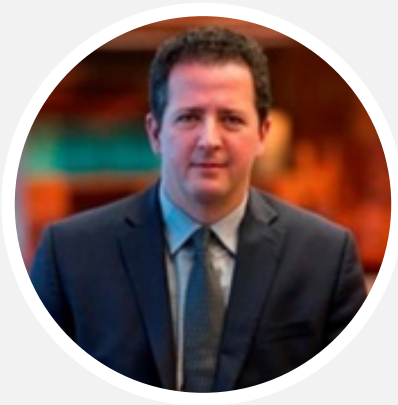
GLOBAL PARAMETRICS

# Global Parametrics and Natural Disaster Fund

# 2020 IMPACT REPORT



# Foreword by CEO



10+

MILLION POOR  
AND VULNERABLE  
BENEFICIARIES



20

DIFFERENT  
COUNTRIES



6

DIFFERENT  
PERILS

The events of 2020 have highlighted the importance of resilience to extreme weather and natural disasters, especially in the time of the global pandemic.

Global Parametrics' **Natural Disaster Fund** is a key instrument in bringing financial disaster risk management to low- and middle-income countries. In December of 2019, we were pleased to announce that German Government's BMZ would participate in the fund alongside existing investment from the UK Government's Foreign Commonwealth and Development Office and that Hannover Re would bring additional capacity. This buy-in validates our approach; strengthening our mandate to carry out our aim to bring meso-level risk transfer solutions to low- and middle-income countries in order to combat the protection gap.

Looking back at the highlighted summary impact figures for 2020, we have **reached over 10 million poor and vulnerable beneficiaries**, providing some of the most impacted by natural hazard and extreme weather risk across the globe with forms of risk protection they otherwise would not be able to access, in **20 different countries** in Africa, Asia and Latin America.

We have designed and deployed indices for **6 different perils**, namely: earthquake, flood, tropical cyclone, drought, excess rain and extra tropical windstorm. These indices are global with the ability to be structured for any location in the world.

Finally, we have had payouts that provided much needed funds to those most vulnerable in the face of disaster. 2020 has been a record year for storms in the Atlantic, with hurricanes **triggering 2 of our indices in Latin America** and typhoons in the Asia Pacific triggering a **further 2 indices in South East Asia. Our final payout was for a drought event in Myanmar.** Although these events can be devastating, the payouts released as a consequence of an index triggering will hopefully provide some relief to beneficiaries when most needed.

As we continue towards our target in 2025 of reaching over **66 million beneficiaries**, in 2021 we hope to build on our successes, reaching new geographies, catalyzing and deepening existing markets and creating more impact at scale. We have exciting new transactions in the pipeline with innovative products and partnerships, from delivery models leveraging blockchain technology to anticipatory financing structures.

In 2021 we are also excited to announce the launch of a dedicated **Technical Assistance Facility (TAF)**, funded by BMZ, that will operate in tandem with **NDF** to help catalyze high impact, scalable risk transfer transactions that might not otherwise come to market.

The increasing frequency and severity of natural hazard and extreme weather events caused by climate change is a global issue which requires a global solution. Through our cross-collaboration, we have been able to implement sustainable and impactful initiatives, which will hopefully act as a call to action for further cross-sector partnerships and communication in this space.

*Hector Ibarra,*  
*Chief Executive Officer*

# Global Parametrics and the Natural Disaster Fund

Resilience to natural hazards and extreme weather events is fundamental to sustainable economic growth and the realization of human potential.

**Global Parametrics (GP)** was founded in 2016 to build the tools needed to understand, manage and mitigate the risks of extreme weather and climate events anywhere in the world. GP aims to drive impact through innovation, catalyzing markets currently underserved by traditional risk transfer and driving global leadership in parametric product design and distribution.

Our solutions are backed by our **Natural Disaster Fund (NDF)**; a public-private partnership designed to mitigate the challenges in natural disaster resilience for low-and middle-income countries.

## GP & NDF Partners



## Ensuring Solutions with Impact

Our vision of a world of thriving, resilient communities is underpinned by the five pillars of our impact framework:



### GP AND NDF COMMERCIAL SUSTAINABILITY

GP and the NDF become commercially sustainable, which contributes to a cycle of market deepening and increased resilience.



### CONTINUITY OF SERVICE ACROSS THE VALUE CHAIN POST-DISASTER

Through well-placed risk management solutions, businesses, governments and NGOs are able to keep operations and services running smoothly post-disaster. This continuity helps to ensure that employees, borrowers, customers and citizens can better weather these shocks.



### IMPROVED ACCESS TO CAPITAL ACROSS THE VALUE CHAIN

Improved risk management practices can facilitate new international and domestic capital in the form of debt and equity capital for businesses and other institutions both large and small. This new liquidity targets both the growth of existing activities as well as expansion into new regions or business types.



### LOWER COST OF CAPITAL ACROSS THE VALUE CHAIN

Improved risk management practices should also reduce the volatility and overall cost of capital for businesses and other institutions unlocking more efficient means to invest and grow.



### MORE INFORMED AND EFFICIENT RESILIENCE PLANNING

Firms, governments, NGOs and the people they serve gain new access to climate data and its derivatives at various time scales facilitating greater awareness and improved utilization of such data.

Our impact focus is streamlined through the governance structure of the NDF as each transaction must be approved by two separate committees:

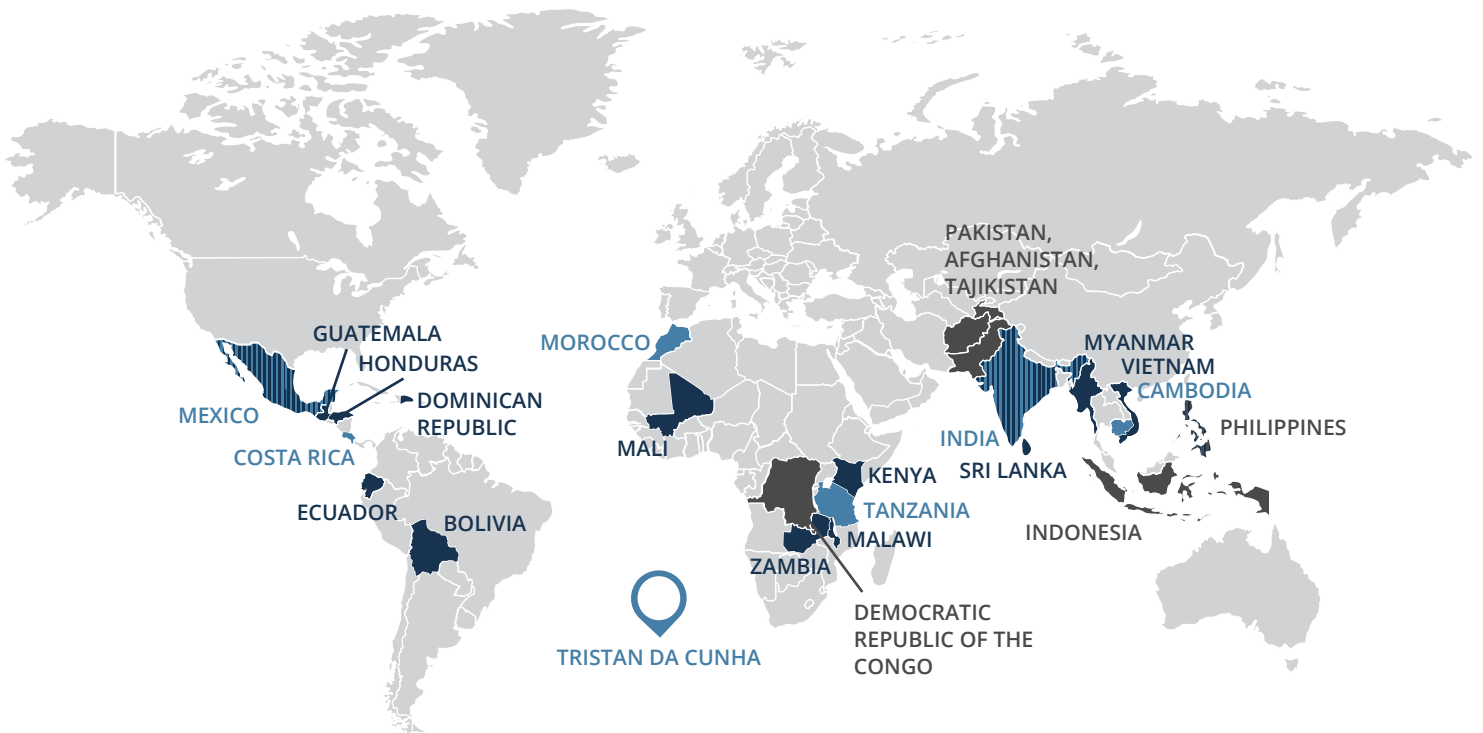
**1.** *Development committee, which assesses the additionality and developmental value each transaction brings to the market.*

**2.** *Investment committee, which assesses the commercial viability.*

Our work contributes to the following **UN Sustainable Development Goals:**



## Our Coverage 2020



■ NDF transaction    
 ■ GP high impact program    
 ■ NDF transaction (ARDIS)



## IN FOCUS: VisionFund ARDIS

The **African and Asian Resilience in Disaster Insurance Scheme (ARDIS)** is the flagship program of Global Parametrics and the NDF, established in partnership with **VisionFund International**.

ARDIS increases access to finance and provides **post-disaster recovery lending** to rural families and smallholder farmers who participate in VisionFund’s microfinance network. The program incorporates **contingent credit and risk transfer products** to fund its response to impacted microfinance institutions, triggered by a parametric index developed by GP.



## IN FOCUS: Quintana Roo Reef Protection Program

The **Mexican Reef Protection Program** is a **nature-based solution** designed to protect a portion of the Mesoamerican reef by providing the funds post-tropical cyclone.

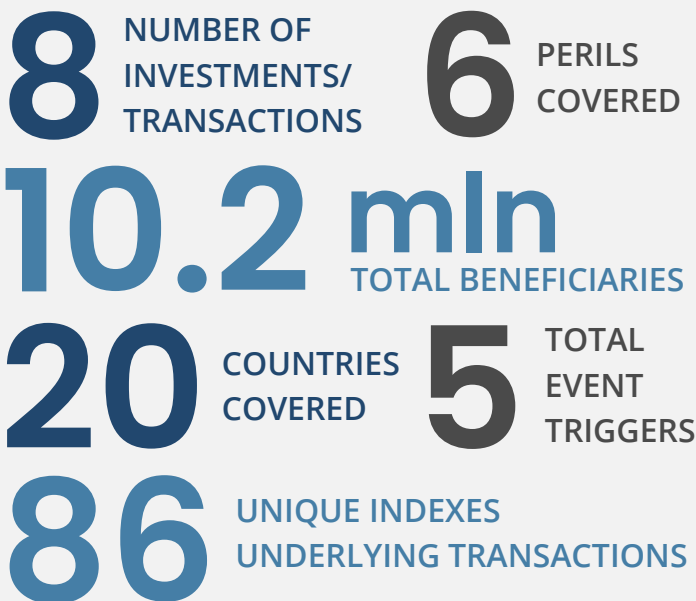
The Mesoamerican reef is the longest barrier reef in the western hemisphere and habitat to some of the world’s most important aquatic biodiversity. Payouts are dedicated to the **rapid restoration of the reef** itself, and, in turn, the reef provides essential tourism income and disaster risk reduction qualities.



## IN FOCUS: B-READY Anticipatory Finance Program

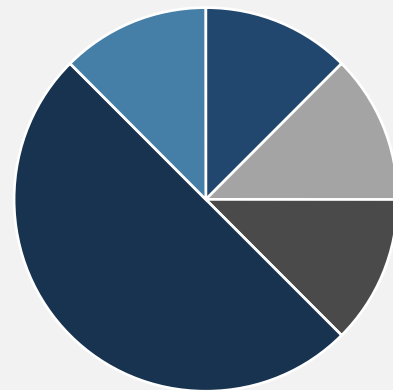
Global Parametrics partnered with **Oxfam** and **Plan International** to develop the **Building Resilient Adaptive and Disaster Ready Communities (B-READY) program**. Based on a **forecast parametric index**, cash payments are released prior to a tropical cyclone to vulnerable households in its path. Households are pre-identified and receive the money directly via mobile phones or cash cards.

B-READY was piloted in Salcedo, in the East Samar region of the Philippines. Global Parametrics began work on the index in September 2019, and the index was **validated in December 2019** following the landfall of tropical cyclone Kammuri (index predicted it would not impact Salcedo and was correct) and tropical cyclone Phanfone (index informed of landfall 24 hours before actual impact and was validated on Christmas Eve when the cyclone made landfall as predicted).



*Note: transactions relating to the NDF from Jan-Dec 2020*

Sector Breakdown of Transactions



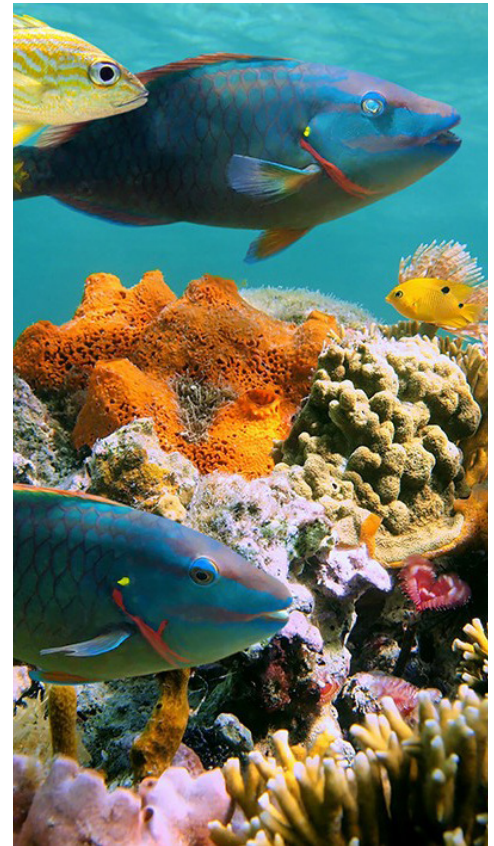
- Agribusiness
- Industry & Trade
- Financial Institutions
- Government & Public Services
- Natural Capital

# Deepening the market for parametric risk transfer

In 2020, we sought to catalyse markets for financial risk management and pro-active risk assessment of natural disaster and extreme weather events in low- and middle-income nations.

The **VisionFund ARDIS program** continued to grow, scaling into **15 countries across Africa, Asia and South America** to provide protection for up to three perils in any one country. ARDIS showcased an active sustainable business model for lending into disaster, with a multiperil approach the first of its kind. The program paid out for a drought event in Myanmar and tropical cyclones in Vietnam and Honduras. The largest events were cyclones Eta and Iota which both hit Honduras and collectively resulted in a full payout from the Honduras policy. Overall, events have provided **direct capital payments of \$315,000 from the NDF and access to up to \$3,950,000 of contingent credit** from the facility for affected VFI branches. Via these payments made as part of ARDIS, VFI has been able to implement recovery lending for up to **675,000 active borrowers**, totalling up to 4 million beneficiaries.

The renewal of the **Mexico Reef Protection Program** also highlighted the commercial possibilities of a nature-based solution, taking the program to become a sustainable mechanism for resilience harnessed by the local government of Quintana Roo. The program paid out following the advent of Hurricane Delta on 7th October 2020, which triggered a payout of **40% of the total policy limit**. Currently the local government of Quintana Roo is looking to expand the scope of the program to include beaches and dunes and scaling up the geographic area covered by the program.



## Harnessing innovation for growth and scale



Tristan da Cunha is a British overseas territory, volcanic island in the South Atlantic and one of the most remote corners of the world. Employment on the island is dependent on a lobster processing factory, which due to extreme winds was unable to renew its insurance coverage. **The remoteness of the island and costs of transacting made it very difficult for a traditional insurer to make assessments.** GP structured and delivered an excess wind derivative instrument from the NDF to **ensure the business continuity** of the plant and thereby securing the income of locals on the island.

GP also partnered with **Arbol Inc.**, an insurtech platform that connects clients with innovative weather risk management solutions at a lower cost. Arbol has smart contracting systems and climate data platform that leverage blockchain technology to facilitate an efficient transaction environment for capacity providers and protection seekers. These systems significantly cut down on transaction costs, allowing for relatively small transactions to still be commercially viable. Through this partnership, the **NDF provided protection to coffee farmers in Costa Rica and rice farmers in Cambodia.** These pilot initiatives alongside Arbol are expected to grow and be replicated elsewhere in 2021.

# Building more resilient communities to growing climate and weather risk



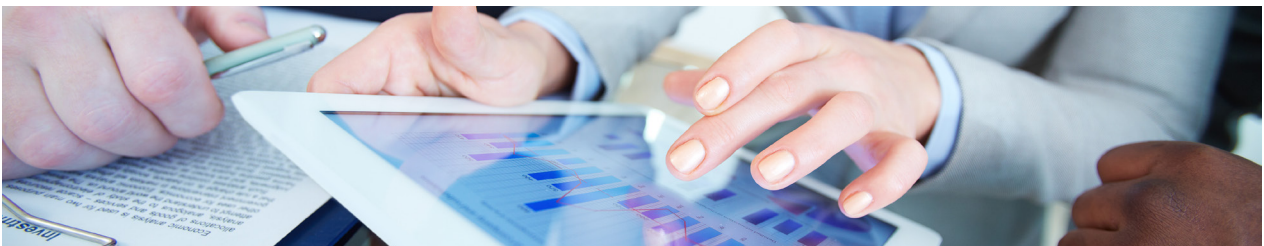
Over the course of 2020, GP implemented solutions which build resilience and preparedness in low- and middle-income countries.

The **B-READY program** is an example of anticipatory finance in action. Through strategic partnership, the consortium created an adaptable and revolutionary method of distributing aid to enhance preparedness and crisis management in the face of climate and extreme weather risk.

Following the trigger of the index to pre-empt a tropical cyclone in December of 2019, the actions of the local government **allowed residents to evacuate 24 hours before the cyclone made landfall** to designated and preferred evacuation areas. The subsequent cash payout allowed all registered vulnerable households to invest in basic needs such as food, water, medicines, labour for house repair and improvement.

**The program was scaled in perils covered and geography in 2020.** B-READY pilots now exist in Mindanao, Philippines, Indonesia and Sudan for flood risk with partners Oxfam and Plan International. **The continued success and advocacy for the program only succeeds in driving forward innovation and better preparedness measures** for those most vulnerable to extreme weather and natural hazard events.

## Technical Assistance Facility



With funding from BMZ, GP is excited to announce the launch of a dedicated **Technical Assistance Facility (TAF)** alongside the NDF. Achieving deeper market penetration for the NDF's risk transfer solutions will inevitably face a range of barriers, such as lack of appropriate products, capacity building, client education and complex legal and regulatory environments. Such challenges could result in prohibitively high investments to develop and deploy the much-needed risk transfer solutions. The TAF has been created to close this funding gap and **provide catalytic grant funding to bring such risk transfer solutions to market.** The TAF's primary objective, therefore, is **to facilitate high impact, scalable risk transfer transactions** in partnership with the NDF, GP and its clients. It is envisioned that such transactions will seed replicable solutions with broader applicability serving to deepen the risk transfer market in low- and middle-income economies. Ultimately, the TAF is expected to play a critical role in the NDF's ability to reach its target of 66 million poor and vulnerable beneficiaries by 2025.

Potential partners with qualifying projects are encouraged to contact the GP TAF team

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