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News release

World Bank launches first-ever bonds to combat pandemic outbreaks – Swiss Re Capital Markets joint structurer and sole book-runner for transaction

- World Bank launches first-ever bonds to combat pandemic outbreaks
- Pandemics are one of the greatest systemic risks the world faces
- Insuring the world's poorest countries, innovative Pandemic Emergency Financing Facility (PEF) aims to save lives, reduce suffering and protect economies
- PEF also aims to advance global health security and create new insurance market for pandemic risk
- Swiss Re Capital Markets joint structurer and sole book-runner for groundbreaking transaction

Zurich, 28 June 2017 – The World Bank (International Bank for Reconstruction and Development) today launched bonds that will support the Pandemic Emergency Financing Facility (PEF), which will channel first-response surge funding to developing countries facing the risk of a pandemic. This marks the first time that World Bank bonds are being used to combat infectious diseases. It is also the first time that pandemic risk is being transferred to the market to cover low-income countries. Swiss Re Capital Markets is the joint structurer and sole book-runner for the cat bond transaction.

Like an earthquake, hurricane or other natural disaster, the outbreak of a pandemic is a catastrophe requiring a quick, effective response. Swift access to funds to respond effectively to outbreaks and health emergencies is among the most pressing challenges facing the international community.

The PEF was formed as part of a joint effort in response to the Ebola crisis in West Africa, during which it took the affected countries and international community several months to mobilize the resources necessary for an adequate response. The World Bank mandated Swiss Re as one of its partners to support the development of the PEF in 2016, as a way to quickly channel funding to countries facing a major disease outbreak with pandemic potential. The PEF's unique structure combines funding from the insurance and reinsurance market with proceeds of catastrophe bonds issued by the World Bank. Critically, this mechanism is designed to allow funds to reach affected countries more rapidly, with the

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goal of making sufficient resources available early enough to prevent an outbreak from developing into a fully-fledged pandemic.

"With this new facility, we have taken a momentous step that has the potential to save millions of lives and entire economies from one of the greatest systemic threats we face," World Bank Group President Jim Yong Kim said. "We are moving away from the cycle of panic and neglect that has characterized so much of our approach to pandemics. We are leveraging our capital market expertise, our deep understanding of the health sector, our experience overcoming development challenges, and our strong relationships with donors and the insurance industry to serve the world's poorest people. This creates an entirely new market for pandemic risk insurance. Drawing on lessons from the Ebola Outbreak in West Africa, the Facility will help improve health security for everyone. I especially want to thank the World Health Organization and the governments of Japan and Germany for their support in launching this new mechanism."

"We are very proud to have supported the World Bank over the past two and a half years in the endeavor to build an innovative insurance vehicle to better respond to epidemic outbreaks. Swiss Re was co-mandated by the World Bank to develop and design the 'insurance window' of PEF and lead the marketing efforts of the transaction in its role as sole book-runner for the capital market placement. The combined derivative/capital markets structure is just one of many pioneering elements of this transaction. Addressing one of the world's most systemic risks, it underpins Swiss Re's commitment to making the world more resilient and its continued leadership in the insurance linked securities market," said Christian Mumenthaler, Group CEO of Swiss Re.

How the PEF works

The PEF is an innovative, fast-disbursing global financing mechanism. It includes an insurance window, which combines funding from the insurance and reinsurance markets with the proceeds of World Bank-issued pandemic (catastrophe or cat) bonds, as well as a complementary cash window.

The insurance window will provide coverage of USD 425 million for an initial period of three years. The PEF covers six viruses that are most likely to cause a pandemic. These include new Orthomyxoviruses (new influenza A pandemic virus), Coronaviridae (SARS, MERS), Filoviridae (Ebola, Marburg) and other zoonotic diseases (Crimean Congo hemorrhagic fever, Rift Valley fever, Lassa fever). PEF financing to eligible countries will be triggered when viruses reach a certain level of contagion, including number of deaths, the speed the disease spreads and whether the disease crosses international borders. The determinations for whether PEF financing has been triggered are made based on publicly available data as reported by the WHO. Countries eligible for financing under the PEF are members of the International Development Association (IDA), the arm of the World

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Bank Group that provides concessional finance for the world's poorest countries. A cash window, which will be active in early 2018, would provide funding for diseases that may not be eligible for funding under the insurance window.

Composition of the transaction

The PEF insurance window was developed with leading re/insurance companies Swiss Re and Munich Re, and uses modelling provided by AIR Worldwide. Swiss Re Capital Markets was joint structurer and sole book-runner for the cat bond transaction.

Donor contributions from Japan and Germany help finance the cost of premiums and bond coupons. The IBRD expects to issue USD 225 million of Class A catastrophe-linked floating rate capital at risk notes in addition to USD 95 million of Class B catastrophe-linked floating rate capital at risk notes.

The bonds will be issued under IBRD's 'capital at risk' program because investors bear the risk of losing their principal if an event triggers payouts under the PEF. The insurance window also utilizes derivatives that transfer pandemic outbreak risk to the derivative counterparties.

The IBRD notes are being offered and sold only to, and may be reoffered, sold or otherwise transferred only to, investors who (i) are Qualified Institutional Buyers, within the meaning of Rule 144A of the Securities Act of 1933 and (ii) are residents of, and purchasing in, and holding in, a Permitted U.S. Jurisdiction or a Permitted Non-U.S. Jurisdiction.

Notes to editors

Join the discussion on Twitter: #endpandemics

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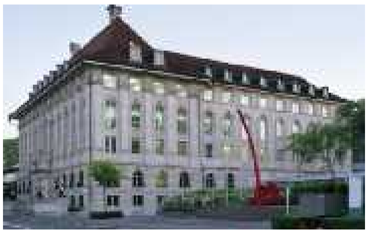

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- further instability affecting the global financial system and developments related thereto;
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- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group's financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group's investment assets;
- changes in the Group's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
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- the outcome of tax audits, the ability to realize tax loss carryforwards and the ability to realize deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
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- the cyclicality of the reinsurance industry;

- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
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- mortality, morbidity and longevity experience;
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- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
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