

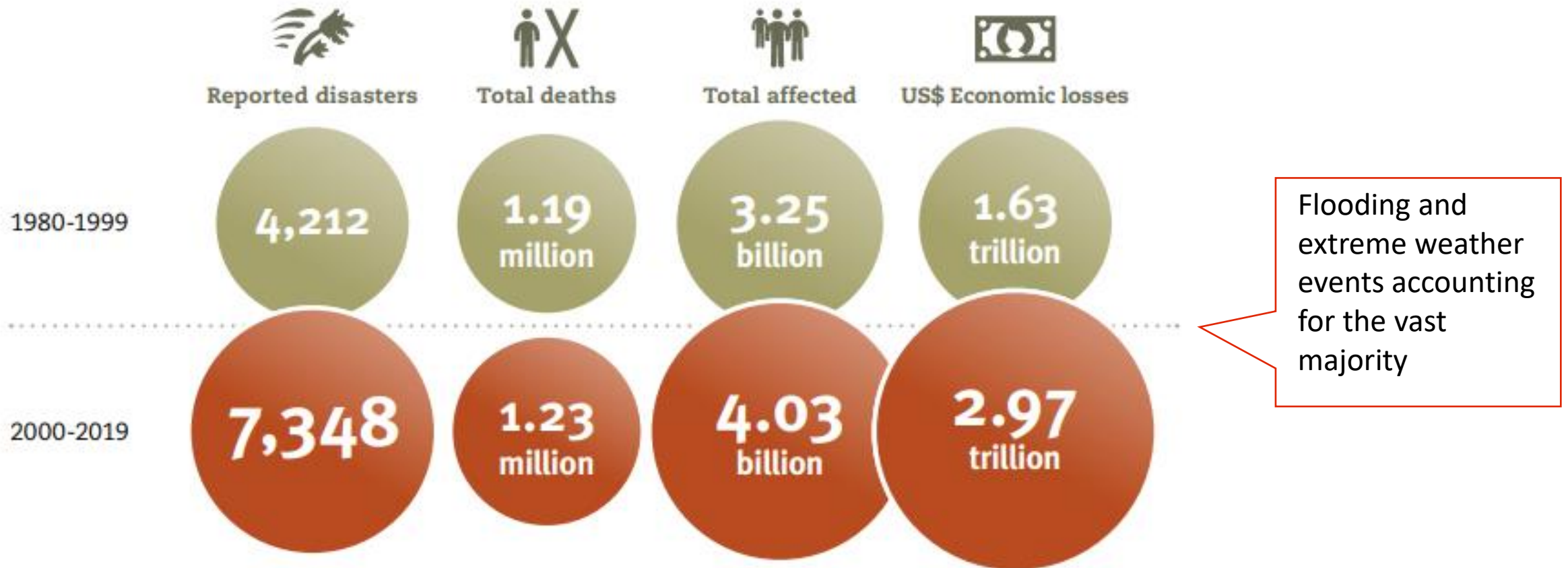


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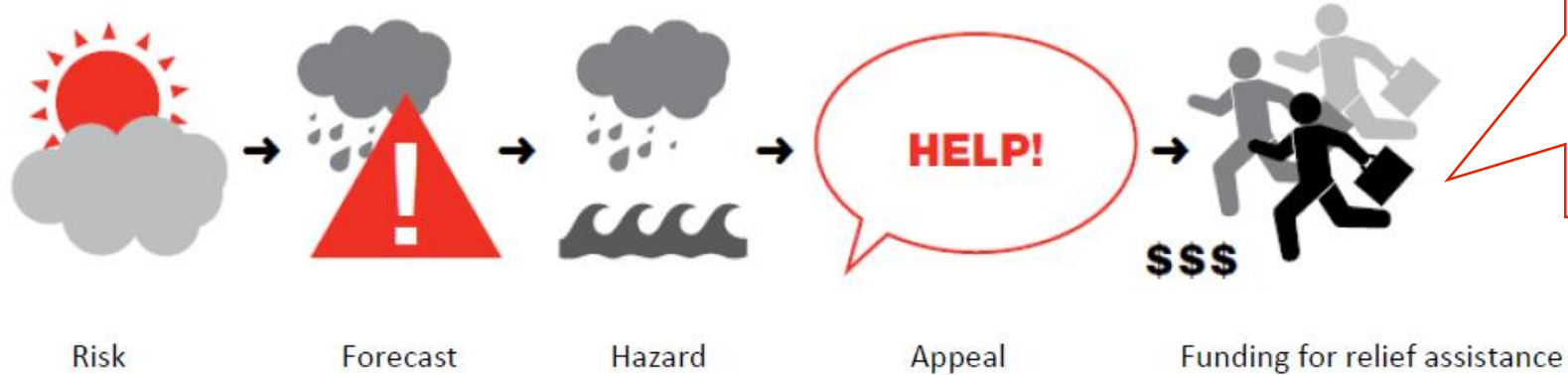
New ways to tackle and finance natural disasters

March 2021

Natural disasters and their consequences are increasing



Traditional funding – too little too late!



- Wait and see
- Discretionary funding decision
- Funding arrives too late
- Lack incentives to prevent and prepare
- Large and growing funding gap

Need for more pre-arranged funding to prepare and respond more efficiently


**Catastrophe fund /
Disaster Relief
Emergency Facility**

We can set money aside for large disasters to be able to act faster

Forecast-based Finance

We can agree to act earlier based on forecasts and automatic triggers

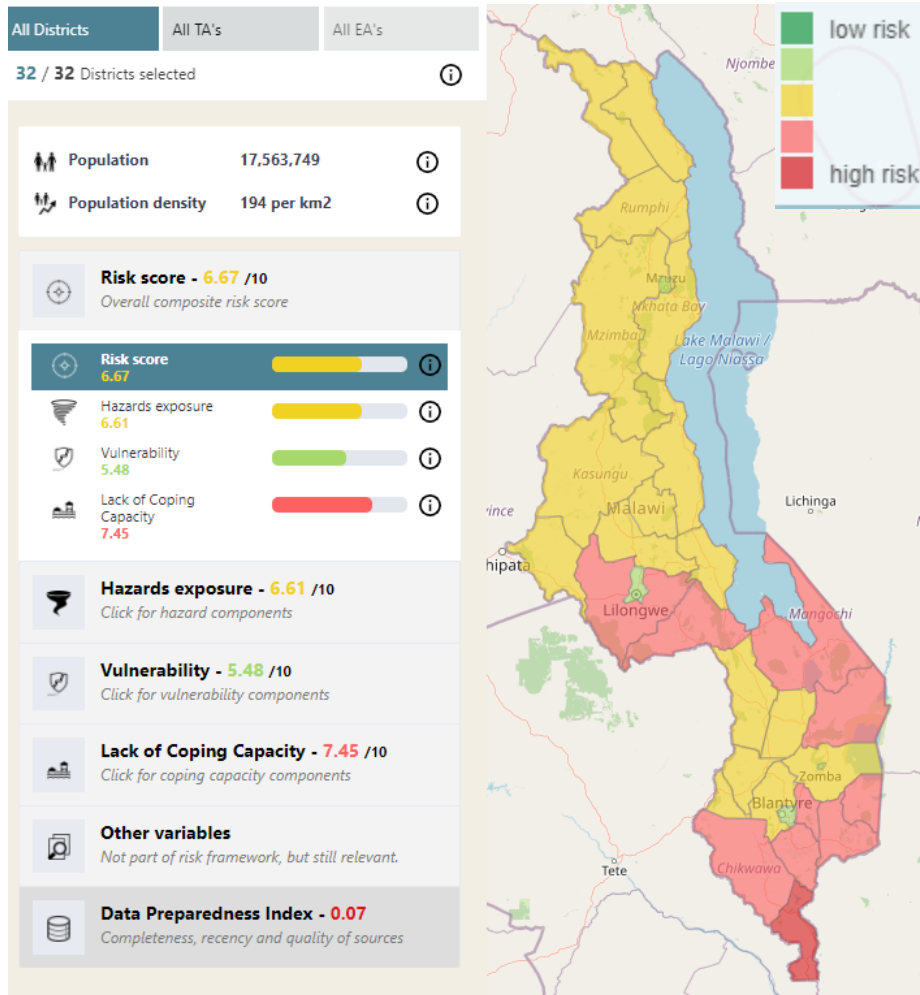
Understanding,
measuring and
monitoring risk
required



**Risk transfer/insurance/
catastrophe bonds**

We can transfer the risk to insurance companies or financial sector and secure automatic payouts based on triggers for the severity of the natural disaster

By understanding risk, we can prepare and respond earlier



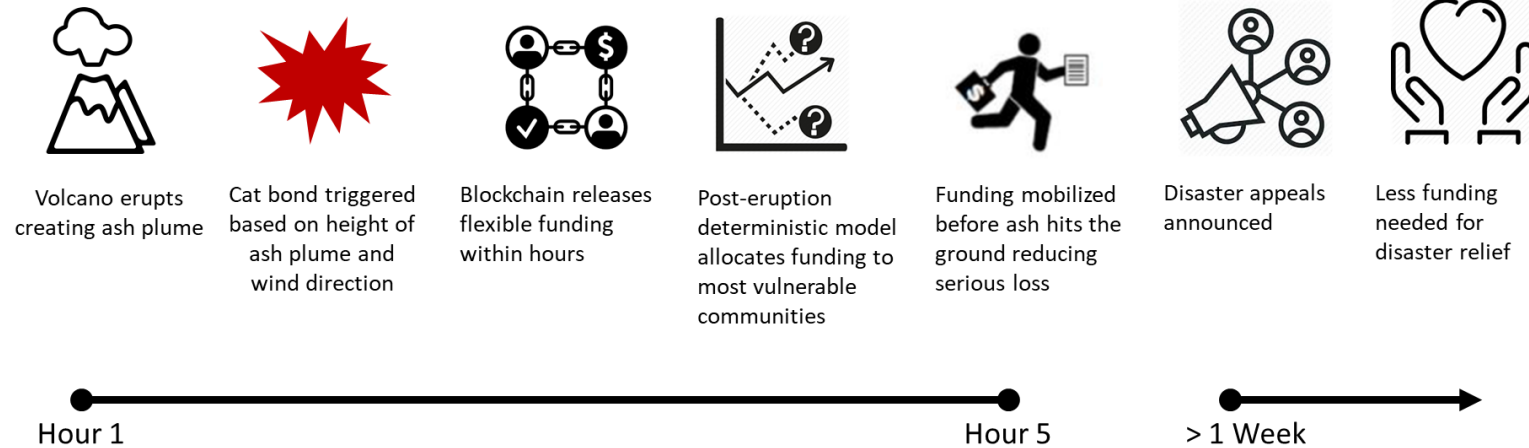
Forecast-based Action



Danish Red Cross has established risk measuring and weather monitoring in 7 countries and pre-arranged funding for early action before the hazard strikes.

- Saving lives
- Saving costs
- Building local resilience

By understanding risk, we can also price it and insure it



This week Danish Red Cross issued the world's first humanitarian catastrophe bond for volcanoes:

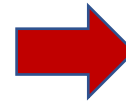
- 10 volcanoes insured
- USD 3M insurance sum
- 5% premium payment
- Parametric triggers for ash plume height and wind direction



Volcano Catastrophe Bond (Dunant RE)

A new way of working

1. **Testing new grounds**
 - First time to consider insurance for the programmatic side
 - First time to tap into capital markets
 - First time to issue a bond
 - First time to issue on a blockchain
2. **Credibility with Investors**
 - Oh, that is cute...Red Cross wants to do a cat bond?
 - Identifying investors - convincing them to trust us
3. **New types of partners**
 - Working with insurance companies, tech-providers, brokers, calculation agents, law firms etc.
 - KYC, due diligence
4. **New competencies**
 - Staff with financial skill set
 - Organizational readiness
5. **New risks**
 - Value for money – what if it does not trigger?
 - Reputational – use of donor money to pay investors?
 - Ethical – our principles/mandate
 - Data risk – reliability, accuracy, independence



It is a challenging agenda
for a humanitarian
organisation

We cannot do it alone!

Need for both grant
funders, investors and
technical/knowledge
partners, who also have to
find new ways of working!

Thank you



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We hope you will join us in developing the next innovative finance solution