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Press release

Munich Re is a partner to PEF, a World Bank initiative to contain pandemic outbreaks in developing countries

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Munich Re has joined forces with the World Bank, the World Health Organization and other financial sector companies to create the first insurance solution to fight dangerous epidemics and pandemics in developing countries. The Pandemic Emergency Financing Facility (PEF) creates a first-of-its-kind mechanism to quickly channel first-relief surge funding to developing countries facing a major disease outbreak with pandemic potential. The insurance component of the PEF will provide a maximum coverage of US\$ 425m for an initial period of three years.

To this day, catastrophic risk insurance penetration in most low- and middle-income countries remains very low. As a result, these countries regularly struggle to cope with the financial losses after catastrophic events. This is why for the past few years the World Bank, in cooperation with Munich Re and other insurers, has worked on developing and implementing a number of catastrophic risk transfer schemes. After two years of preparation, in response to the Ebola crisis in West Africa in 2014, the PEF will go operational in the coming weeks, pushing the scope of such insurance-based financing schemes beyond classic natural catastrophe risks to include epidemic and pandemic risks.

Joachim Wenning, Chairman of Munich Re's Board of Management, said: "The PEF shows how close collaboration between the public sector and insurers can help limit the negative effects of catastrophes in developing countries. Munich Re is proud to have played a major part in this proactive and reliable financing mechanism from the very beginning. I'm confident that our core competences in risk modelling, identification and management will further this very good cause – strengthening the resilience of companies and societies alike. We truly hope that the PEF will become a sustainable and integral part of a global health architecture to make our planet more resilient to dangerous epidemic and pandemic risks."

Jim Yong Kim, President of the World Bank Group, said: "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. We are moving away from the cycle of panic and neglect that has characterised 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."

Thomas Blunck, member of Munich Re's Board of Management, said: "In any case of a pandemic outbreak, time is of the essence: With a robust global risk management facility in operation, funds will be released much more quickly to countries and qualified international responding agencies. This will allow and facilitate effective countermeasures."

Of the uninsured risks in the world today, pandemics are among the most likely to occur. The annual global cost of moderately severe to severe pandemics is estimated at US\$ 570bn, or 0.7% of global income, according to the World Bank. If the PEF had existed at the beginning of 2014 during the Ebola outbreak, studies show that the world could have mobilised significant financial resources early enough to accelerate the emergency response and help contain the outbreak. Instead, money did not begin to flow until three months later – during which time Ebola cases increased tenfold.

Reaching out to 1.6 billion people

Countries eligible for financing under the PEF are members of the International Development Agency (IDA), the arm of the World Bank Group that provides concessional finance for the world's poorest countries. The PEF is designed to fill the pandemic-response funding gap before large-scale disaster and humanitarian relief funding is mobilised.

Its unique structure combines funding from the (re)insurance market with proceeds of catastrophe bonds issued by the World Bank (International Bank for Reconstruction and Development, IBRD), which were launched now. This marks the first time that World Bank bonds are being used to combat infectious diseases, and the first time that pandemic risk is being transferred to the market to cover low-income countries.

The PEF will provide more than US\$ 500m to cover developing countries against the risk of pandemic outbreaks over the next five years, through the insurance component with the combination of bonds and derivatives, a cash window, and future commitments from donor countries for additional coverage. The insurance component, with premiums funded by Japan and Germany, was developed together with Munich Re and Swiss Re and uses modelling provided by AIR Worldwide. To complement the insurance component, a cash component will be available from 2018, for which Germany provided initial funding of € 50m. It will provide funding for diseases that may not be eligible for funding under the insurance scheme.

Read more about the [PEF and Munich Re's role](#) and about Munich Re's [epidemic risk project](#) to develop insurance solutions for the financial consequences of an epidemic outbreak.

The World Bank's press release can be found at <http://www.worldbank.org/pef>

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Munich Re stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. This is how Munich Re creates value for clients, shareholders and staff. In the financial year 2016, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €2.6bn. It operates in all lines of insurance, with over 43,000 employees throughout the world. With premium income of around €28bn from reinsurance alone, it is one of the world's leading reinsurers. Especially when clients require solutions for complex risks, Munich Re is a much sought-after risk carrier. Its primary insurance operations are concentrated mainly in ERGO, one of the leading insurance groups in Germany and Europe. ERGO is represented in over 30 countries worldwide and offers a comprehensive range of insurances, provision products and services. In 2016, ERGO posted premium income of €16.0bn. Munich Re's global investments (excluding insurance-related investments) amounting to €219bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

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