PLAYBOOK ON THE INSURANCE SECTOR'S ROLES IN BLENDED FINANCE AT THE CLIMATE-HEALTH NEXUS

CONVERGENCE
BLENDING GLOBAL FINANCE

Global Asia
Insurance Partnership

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HIGHLIGHTS

- Climate change presents the most significant health challenge of the 21st century, undermining access to clean air, safe water, nutritious food, and adequate shelter. Its consequences, from rising temperatures and severe weather to environmental degradation, are placing acute strain on health systems, especially in developing countries. These challenges require targeted reforms and greater investment in the climate-health nexus.
- The insurance sector can play a pivotal role in addressing this climate-health nexus, particularly in developing markets. Blended finance provides a pathway to scale both upstream investments that mitigate climate-related health risks and downstream investments that strengthen health system resilience. The insurance sector can engage in blended finance as risk advisors, re(insurers), and as investors.
- Despite this potential, the intersection of insurance, climate, and health in blended finance remains underexamined. Much of the existing research focuses on the broader climate-health financing gap, with limited attention on how insurance can be leveraged within blended structures. This gap in analysis represents a critical area for further development.
- This playbook provides a strategy to engage the insurance sector in climate-health solutions through blended finance. It outlines roles for different segments of the insurance sector, including insurers, reinsurers, brokers, and regulators, while highlighting how foundations, donors, and development finance institutions (DFIs) can support participation.
- Insurance sector participation in the overall blended finance market remains nascent. According to Convergence Market Data, the insurance sector has participated in only 93 blended finance transactions, accounting for less than 6.5% of the overall market. These investments have primarily taken the form of equity and debt, with limited use of direct insurance coverage or guarantees. Blended funds are the most common vehicle, followed by a smaller share in projects led by Export Credit Agencies. Transactions involving the insurance sector are more likely to include technical assistance and are concentrated in the financial services and energy sectors.
- This already limited engagement of the insurance sector across the broader market is even more constrained at the climate-health nexus. Only 5% of transactions that involve an insurance company target both climate and health outcomes, and even then, approaches are typically siloed rather than integrated.
- **CHALLENGES** for the insurance sector participating in blended finance for the climate-health nexus include:
  1. deal structures that remain catered to commercial banks;
  2. constraints around mandate alignment, internal bandwidth, and data availability when appraising blended transactions for investment;
  3. limited clarity around capital charges imposed by regulators when investing in risk-tiered blended structures;
  4. capacity or coordination challenges when appraising blended coverages; and
  5. thin and siloed data to price climate-linked perils, limited demand signals for new coverages, and difficulties obtaining affordable, multi-year reinsurance capacity.
- **OPPORTUNITIES** for the insurance sector participating in blended finance for the climate-health nexus include:
  1. engaging the insurance sector early on as risk advisors;
  2. ensuring transactions reflect the insurance sector's requirements and improving coordination between the insurance sector and public agencies; and
  3. using blended finance to fund local insurers developing innovative climate insurance products and to boost local insurers' access to affordable, multi-year reinsurance capacity.

- To address these challenges and capitalize on these opportunities:
  1. risk advisory services and catastrophe modelling should be integrated early to strengthen project design, risk pricing, and capital mobilization; and
  2. simple, data-backed structures and differentiated engagement should be used to build the insurance sector's confidence in blended finance.
- Looking at different segments of the insurance sector:
  1. brokers should develop fluency in blended finance, convene coalitions early, and provide evidence that aligns insurance with development needs;
  2. insurers should strengthen their structured finance and public-sector engagement skills, partner with DFIs and trusted aggregators, engage earlier in deal design, and co-fund domestic capacity and data sharing to scale markets; and
  3. reinsurers should focus on portfolio-level structuring, standardize practices with DFIs and rating agencies, and provide multi-year pooled capacity to reduce costs.
- Finally, regulators and supervisors should clarify prudential treatment, use sandboxes and pilots to build evidence, enhance supervisory fluency on climate and health risks, and improve cross-agency dialogue. Additionally, policymakers (alongside philanthropic funders) should:
  1. deploy concessional capital to de-risk scalable projects the insurance sector can invest in,
  2. fund upstream pipeline preparation and support access to good-quality data to strengthen investment pipelines, reduce risk perceptions, and create the conditions for insurance sector actors to participate at scale; and
  3. institutionalize cross-ministry co-design.

INTRODUCTION

Climate change poses an urgent and multifaceted threat to human health, particularly in developing countries where environmental degradation, economic vulnerability, and fragile health systems converge. Rising global temperatures, extreme weather events, and shifting disease patterns are already undermining the essential conditions for well-being, including access to clean air, safe water, reliable food supplies, and secure shelter. These impacts are not distant projections but present realities, increasingly affecting the lives and livelihoods of vulnerable communities. In this context, climate change represents not only an environmental challenge but also a major public health emergency with far-reaching implications for societal resilience and sustainable development.

Despite these growing risks, the climate-health financing gap remains significant. Current adaptation funding allocates only a small fraction to health-related interventions, leaving critical needs unmet and exposing systemic weaknesses in both financing mechanisms and institutional capacities. Recent studies have called for greater alignment between health and climate priorities, stronger investment in climate-resilient infrastructure, and targeted support for innovations that mitigate climate-sensitive health risks. However, the scale of underinvestment, particularly in low-income countries, continues to hamper progress. Key barriers include insufficient data, limited regulatory clarity, and a lack of capacity to design and implement effective, locally tailored interventions.

Blended finance has emerged as a promising strategy to address these challenges by using concessional capital to reduce risk and attract private investment into high-impact climate-health projects. Within this framework, the insurance sector holds particular promise. The insurance sector possesses deep expertise in risk modelling, product innovation, and capital allocation, yet their role in blended finance transactions that support climate and health resilience remains largely underexplored. With the global insurance protection gap[1] widening and with climate risks escalating, insurance actors are well positioned to serve not only as financial backstops but also as proactive partners in designing and scaling integrated solutions.

1. A protection gap is the difference between total economic losses and the amount covered by insurance, including both uninsured and currently uninsurable risks due to lack of access, affordability, or viable products.

For the insurance sector[2], this presents a compelling opportunity to participate in well-structured, risk-mitigated transactions across high-impact sectors and markets. Blended finance mechanisms can enable the insurance sector to cover risks or invest in vehicles that may otherwise fall outside their traditional mandates. At the same time, these structures can help advance broader environmental, social, and governance goals, including financial inclusion and climate action. By leveraging their capital and capabilities in this space, the insurance sector can support systemic stability, respond to long-term sustainability imperatives, and open new lines of business aligned with their strategic and fiduciary responsibilities.

While various streams of research have examined the climate-health nexus, financing needs, and insurance sector reform, few have bridged these domains to explore how insurance can be systematically integrated into blended finance models targeting the interplay of climate and health outcomes. A growing body of research illustrates the need for such integration. Analyses by the World Meteorological Organization, Cureus, the World Economic Forum, and others have underscored the vulnerability of health systems to climate shocks and the urgent need for system-wide reform. Reports by PwC/Quadria Capital and others highlight the persistent financing gap and propose strategic interventions, including data access, innovation funding, and partnerships. Parallel research by the Geneva Association, RGA, CNP, Howden Group, and BCG demonstrates how the insurance sector is beginning to adapt to climate-related health risks, developing new actuarial tools, and proposing forward-looking insurance products that support resilience and sustainability.

Against this backdrop, a coherent strategy is needed to engage the insurance sector more effectively in the design, funding, and implementation of climate-health solutions. This playbook aims to fill that gap by providing a practical roadmap for the insurance sector to act as risk advisors, capital providers, and enablers of tailored protection within blended finance structures that target climate-health resilience. The playbook engages a broad spectrum of stakeholders across the insurance ecosystem, including primary insurers, reinsurers, brokers, regulators, and state-owned entities. Among primary insurers, it will speak to life insurers that manage long-term liabilities through investment in low-risk assets; property and casualty (P&C) insurers that cover short-term risks such as natural disasters and liability claims; and health insurers that focus on reimbursing or managing healthcare services with an emphasis on cost containment. It will also address microinsurance providers that serve underserved populations in developing markets through low-cost, simplified products often delivered via mobile platforms. Additionally, the playbook will consider the roles of reinsurers in absorbing systemic risk, insurance brokers in facilitating market access and transaction structuring, as well as insurance regulators and public agencies in promoting market stability, enabling innovation, and aligning the insurance sector with broader climate-health objectives.

The playbook will further explore how donors, development finance institutions (DFIs) and multilateral development banks (MDBs) can support insurance participation in blended finance by subsidizing product development, de-risking investment, and harmonizing policy frameworks. By strengthening the role of insurance within blended finance mechanisms, stakeholders can unlock new sources of capital, scale effective climate-health interventions, and build long-term resilience in the communities most exposed to climate risk.

2. In this paper, unless otherwise specified, the terms 'insurers', 'insurance companies', and 'the insurance sector' all refer to the broader insurance industry ecosystem.

ABOUT BLENDED FINANCE

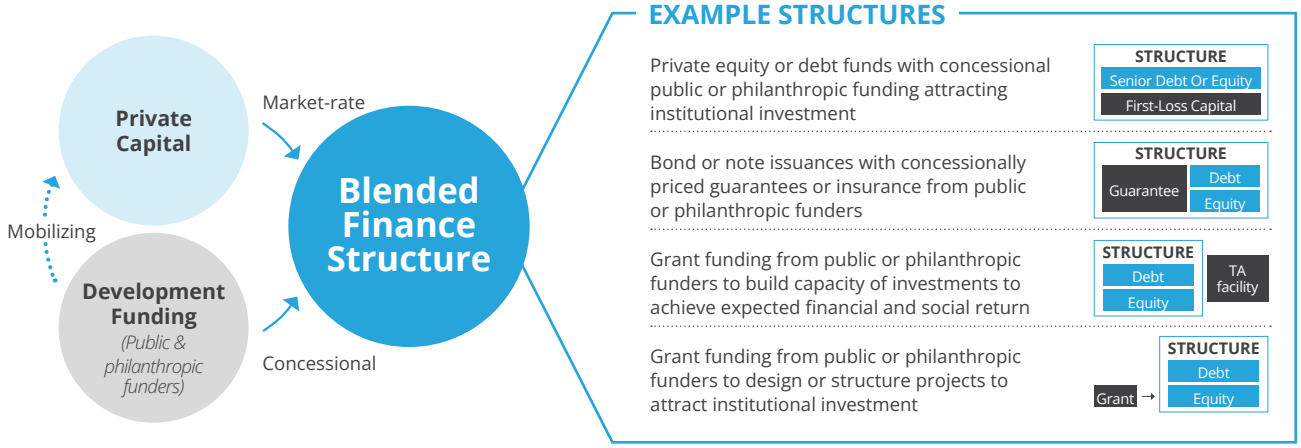


Figure 1: Typical blended finance mechanics and structures

Blended finance is a structuring approach that uses catalytic capital from public or philanthropic sources to mobilize private investment into emerging markets, where high real or perceived risks and sub-commercial returns often deter institutional capital. Figure 1 highlights four common blended finance structures, or archetypes:

- Public or philanthropic investors provide funds on below-market terms within the capital structure to lower the overall cost of capital or to provide an additional layer of protection to private investors.
- Public or philanthropic investors provide credit enhancement through guarantees or insurance on below-market terms.
- The transaction is associated with a grant-funded technical assistance (TA) facility that can be utilized pre- or post-investment to strengthen commercial viability and developmental impact.
- Transaction design or preparation is grant-funded (including project preparation or design-stage grants).

These approaches work collectively to create investment opportunities that meet private sector requirements. Specifically, blended finance mobilizes commercial participation by:

- De-risking transactions, or
- Improving the risk-return profile to bring it in line with the market for capital

Concessional funding includes scenarios where the public or philanthropic funder takes a higher risk profile for the same or lower rate of return. Design-stage grants are not direct investments in the capital structure but early-stage interventions to improve a transaction's probability of achieving bankability and financial close. Similarly, TA funds operate outside the capital structure to enhance the viability of the endeavor and improve impact outcomes.

HOW THE INSURANCE SECTOR CAN BLEND

The insurance sector can be a multi-dimensional partner in blended finance, contributing market expertise, risk solutions, and capital.

Their engagement can span three key roles:

1. as **Risk Advisors**, guiding the design and feasibility of blended finance transactions;
2. as **(Re)Insurers**, either providing coverage within a de-risked blended transaction or underwriting in blended insurance products supported by concessional capital; and
3. as **Investors**, using their assets under management to deploy capital into blended vehicles.

1 RISK ADVISORS

Guiding the design and feasibility of blended finance transactions

The insurance sector can play a critical role in blended finance transactions as risk advisors from the outset of transactions. However, many financiers and project developers underestimate the role that the insurance sector can play in mobilizing capital to deals. As a result, the insurance sector is frequently brought in late in the deal cycle, after key design and financial decisions have already been made, and usually as a condition for capital disbursement. This timing limits their ability to shape crucial elements of the transaction and diminishes the strategic use of insurance for managing risk.

Engaging the insurance sector earlier in the deal cycle would allow them to apply their expertise in risk assessment and management to evaluate a deal's relative risk and guide investment toward more resilient, high-quality assets. It would also open the door for insurance solutions more closely aligned with each transaction, by enabling earlier and deeper dialogue around the specific risks and requirements of financiers. This would ensure that risks are addressed proactively, transactions are structured for greater durability, and key business decisions are informed by an insurance mindset from the outset.

In the context of blended finance, leveraging the insurance sector's risk advisory capabilities is especially valuable, as it can reduce the amount of concessional capital required by absorbing specific risks that concessional funding would otherwise need to shoulder. This is because the insurance sector is well-positioned to evaluate, price, and absorb defined risks, allowing concessional capital to be reserved for gaps that the market cannot cover.

The Upper Trishuli-1 Hydropower Project in Nepal offers an example of the importance of involving the insurance sector earlier on in a

transaction. After loan disbursement stalled due to challenges securing insurance, Aon provided risk advisory support, collaborating with Swiss Re Corporate Solutions and IFC to design a parametric[3] earthquake insurance product.

Insurance brokers also have a key role to play. Insurance brokers are intermediaries that help development actors, investors, and project sponsors design and access insurance solutions that make blended transactions more investable. They're central to the blended finance deal cycle, beginning at development and continuing through pre-launch and launch. Their expertise in designing, negotiating, and placing risk programs provides the foundation for credible and bankable transactions. By coordinating across stakeholders and mapping how risks are allocated and mitigated, brokers help create structures that are both practical and attractive to the market. From the perspective of the insurance industry, they add value by aligning risk transfer solutions with the strategic priorities of (re)insurers. A core element of this value is enabling diversification of exposures, which is essential when engaging in new markets, asset classes, or geographies. Broker involvement at an early-stage shapes risk architecture in ways that provide confidence to investors and insurers while supporting the mobilization of capital at scale.

2 (RE)INSURERS

Participating by (a) providing coverage directly within de-risked blended transactions, or (b) developing and underwriting new blended insurance products

(a) Providing Coverage in Blended Finance Deals

The insurance sector can play a direct role in blended finance by providing insurance coverage within transactions. In such cases, concessional funds de-risk the transaction and create the conditions under which insurers and reinsurers are willing to provide coverage for specific risks. For example, insurance has recently been applied to blended funds that already include a layer of risk-bearing capital from concessional actors. By adding an additional layer of insurance protection to the fund's capital stack, these structures can attract a broader set of investors, particularly those seeking fully guaranteed, lower-risk, investment-grade returns. Some of the risks currently borne by concessional actors would no longer need to fall to them if the insurance toolkit is brought fully to bear within a blended fund. That is, the limited amounts of concessional finance available could be used more sparingly in areas beyond where a commercial entity could act.

Insurance sector actors have also acted as (re) insurers when providing loan portfolio optimization to development banks. In a typical loan portfolio optimization deal, an insurance provider issues credit insurance to shift the risk profile of a loan from the underlying borrower to the insurer. This improves the overall credit rating of a development bank or commercial lender's portfolio, which can significantly reduce capital reserve requirements under regulatory frameworks such as the Basel Accords. Similarly, for (re)insurers operating under Solvency II regulations, credit-wrapped loans can meet the insurance sector's rating and mandate thresholds, improving solvency efficiency where recognized, allowing their asset management arms to deploy capital into otherwise risk-constrained markets. This is often achieved by transferring a portion of a loan off-balance sheet into a special purpose vehicle, insuring the cash flows, and issuing notes rated at the level of the (re)insurer, opening the door to institutional investors seeking stable, de-risked returns.

Blended finance has been used to mobilize insurance participation in contexts where underlying risks would otherwise exceed (re)insurers' standalone appetite. For instance, the Room2Run transaction transferred credit risk on a $2 billion portfolio of sovereign loans held by the African Development

3. Parametric insurance provides a pre-agreed payout based on the occurrence of a specific event, measured by a set parameter (e.g. rainfall or wind speed), rather than actual losses.

Bank (AfDB) to the private insurance market through a synthetic securitization. Private insurers underwrote a $400 million first-loss tranche, while the UK's Foreign, Commonwealth & Development Office (FCDO) provided a concessional $1.6 billion second-loss guarantee. This blended structure enabled AfDB to maintain the loans on its balance sheet while freeing up capital for new climate-aligned lending.

b Developing and Underwriting Blended Insurance Products

The insurance sector can also leverage blended finance to design and deploy products that extend coverage into underserved markets. In many cases, commercially viable insurance solutions do not emerge organically in low-income or vulnerable contexts due to factors such as high distribution costs, limited demand, and elevated risk profiles. Blended finance can help overcome these barriers by incorporating concessional resources, such as design-stage grants or premium subsidies, to support demand generation and/or reduce the cost of risk associated with serving these markets. This application of blended finance mobilizes the sector to pilot products that may have limited short-term commercial returns but strong potential for development impact and potential commercial viability in the medium or long term. It also directly benefits the sector through facilitating access to new markets and experimentation with new product lines that have the potential to scale over time and operate without the need for concessional support.

An example is the African Risk Capacity (ARC), a sovereign risk pool designed to help African nations manage disaster risks. The ARC uses public funds and donor support to subsidize premiums for African governments, allowing them to purchase weather-indexed insurance. Private reinsurers back the risk, and payouts are triggered when extreme weather events like drought occur, enabling governments to fund rapid disaster response measures and protect vulnerable communities. Similarly, the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) leverages donor funding with private reinsurance to cover disaster risks in ASEAN countries, enabling disaster risk resilience for the covered country(ies).

3 INVESTORS
Deploying capital into blended vehicles

The insurance sector can also act as institutional investors deploying capital into blended finance vehicles. As one of the largest investor groups globally, with over $40 trillion in assets under management (AUM), the insurance sector, particularly life insurers, have a strong appetite for long-duration, stable assets that align with their liability structures. Through their asset management arms, the sector can commit capital to the senior tranches of blended vehicles, backed by a separate layer of concessional or first-loss capital. These assets may also be credit-wrapped to meet rating and regulatory requirements. Such structures enhance credit quality, improve risk-adjusted returns, and enable the insurance sector to access opportunities in sectors like infrastructure, climate, and sustainable development in Emerging Markets and Developing Economies (EMDEs). Aegon's asset management arm, for example, invests in SDG-aligned debt instruments through its insured credit strategy, targeting assets supported by blended and insured structures. As market precedents grow, expanding the supply of well-structured, fit-for-purpose vehicles will be essential to unlocking insurance capital at scale.

SUPPORTING INSURANCE MARKET DEVELOPMENT IN EMDEs

Blended finance has also played a role in providing insurance companies in emerging economies with the capital needed to scale their operations and expand market reach. International insurance companies can contribute to these efforts through their role as investors. Some activity has already taken place in this space, as outlined in the 'Current Activity in the Market' section, where major international insurers have been mobilized by concessional capital to invest in smaller local insurance and microinsurance providers in EMDEs. In addition, other actors have supported the local industry through blended finance, including several funds with explicit strategies to invest in the financial services sector, with a particular focus on insurance.

The climate insurance ecosystem has drawn significant attention from investors. This ecosystem can be viewed across four key verticals:

1. insurers and reinsurers underwriting and managing climate-related risk;
2. distribution channels, particularly insurance brokers, with digital platforms playing a growing role in expanding access and uptake in emerging markets;
3. enabling technologies enhancing climate risk assessment through advanced modelling and data analytics; and
4. financial intermediaries increasingly integrating climate insurance into their broader financial offerings, embedding coverage directly within loans and other financial products.

Insurers, insurance technology providers, and other intermediaries across these verticals can also be the investees or direct beneficiaries of blended finance transactions looking to strengthen and expand local insurance markets in developing economies. In many of these markets, insurance providers face persistent structural barriers. Local insurers, microinsurers, insurance technology companies, and supporting service providers often struggle with undercapitalization, thin balance sheets, and low investor confidence. These limitations restrict their ability to grow, introduce new products, or operate in high-risk or underserved areas.

Blended finance can play a catalytic role in overcoming these challenges. It can channel investment directly into these institutions or indirectly through vehicles such as funds that target the insurance industry. An example of the latter is BlueOrchard's InsuResilience Investment Funds I and II. Both funds include a layer of risk-bearing junior capital and a technical assistance facility to support investee growth and crowd in commercial investors. Fund I invests in insurance and technology companies that help to mitigate climate-related risks, providing financing to investees offering insurance solutions for weather events and natural catastrophes. Instead of working solely with local insurance companies, InsuResilience Fund II also looks to back financial intermediaries that on-lend to small businesses, insurance technology startups, and enabling technologies like climate data analytics companies offering climate risk assessments. In this sense it addresses key verticals in the insurance system.

WHY THE INSURANCE SECTOR SHOULD BLEND

Blended finance is not only a public good enabler; it is a practical way for the insurance sector to grow revenue, build capabilities, and deploy balance sheets effectively in new markets. While still relatively small compared to other asset classes, the blended finance market is growing rapidly and attracting significant attention from policymakers, development banks, and private investors.

In Asia alone, blended finance has already mobilized over $54 billion across sectors such as energy, infrastructure, and agriculture. This trajectory is being reinforced by direct government-backed initiatives to scale blended finance in the region. For example, the Singapore government has committed up to $500 million in concessional capital through the Financing Asia's Transition Partnership (FAST-P), and the Indonesian government, via PT Sarana Multi Infrastruktur, established SDG Indonesia One to channel blended finance into sustainable infrastructure in the country.

When the insurance sector engages as risk advisors, insurers and reinsurers, and investors, it gains earlier visibility into the pipeline, potentially lowers the cost and risk of product innovation, accesses assets that fit liability profiles, and diversifies earnings across fee, insurance coverage, and investment income. Done well, blending moves the sector from being called in at the end of a deal to helping shape opportunities from the start. This expands the number of transactions that are both insurable and investable.

WHEN THE INSURANCE SECTOR ACTS AS A RISK ADVISOR

Early, paid advisory work, a common business line in the insurance sector, is the optimal path to commercial optionality. Development partners already retain insurers, reinsurers, and brokers to scope hazards, design solutions, and test risk transfer options—work that is budgeted at market rates and, crucially, funded up front by donors or MDBs. That gives insurance teams a seat at the table when concessional terms, guarantees, or TA are being configured, allowing them to steer structures toward insurability and future underwriting and insurance coverage. MDBs can (and sometimes already do) finance the upstream risk analytics and product design, and often subsidize initial premiums, with the private market paid to deliver that work. This is provided both public and private counterparts align on plain-language framing and engage early.

The commercial benefits compound at the portfolio level. Where insurers are embedded in platforms, they can potentially see multiple opportunities at once rather than one by one, reducing origination cost per dollar of premium or AUM and creating repeatable structuring patterns. For example, the insurance sector's involvement in the International Renewable Energy Agency's Energy Transition Accelerator Financing (ETAF) Platform illustrates how early advisory involvement can lead to scalable underwriting and investment lanes across multiple clean energy assets, not just a single project.

Finally, advisory roles generate data assets. Every diagnostic, trigger test, and loss model can improve pricing confidence and lower future acquisition and frictional costs. The constraint is not the core underwriting skill; it is thin or siloed data and late access. Being inside the design room fixes both.

WHEN THE INSURANCE SECTOR ACTS AS AN INSURER AND/OR REINSURER

Blended structures create insurable slices. Concessional first loss or backstops remove specific tail risks that keep (re)insurers on the sidelines, letting (re)insurers provide coverage on precisely the layers within their capacity - construction exposure on a hydropower build, portfolio credit risk on a sovereign-linked book, or event-based perils via parametric covers - while still earning technical margin. As detailed in the case study on the Upper Trishuli-1 Hydropower Project in Nepal, lenders could not proceed after the 2015 earthquake until an insurance solution existed; as will be explored later in a case study, a tailored parametric design underwritten by Swiss Re, developed early with IFC and Aon, unlocked disbursement by aligning payouts to objective seismic indices and the construction schedule. The product did not replace debt or donor support; it made them bankable.

Blended finance can also lower the cost of product innovation. Donor-funded design grants, TA facilities, or launch phase premium support allow (re)insurers to test solutions and technology performance covers in thin markets without carrying the full upfront expense alone. Those same facilities pay for beneficiary education and distribution pilots - accelerating adoption and trimming expense ratios. The Women's Climate Shock and Insurance and Livelihoods Initiative (covered in the case study section), for instance, used philanthropic capital to support product development, design and test triggers, and sequence co-pay, letting the insurer and reinsurer scale on data rather than faith. That can be a replicable pattern for climate linked retail and meso level products in other markets.

Diversification and new premium pools are tangible. Underinsured assets include transmission and distribution networks, where parametric wind or flood triggers can be structured quickly, as well as portfolio-level credit, political, or construction risks attached to climate infrastructure. Blended arrangements can also help secure multi-year capacity where annual repricing would otherwise severely disrupt terms after a loss; several stakeholders pointed to concessional support as a bridge to make longer tenor protection viable in markets where need is clear but private capacity alone is cyclical.

WHEN THE INSURANCE SECTOR ACTS AS AN INVESTOR

Blended vehicles open up insurance-friendly assets at scale. Life insurers in particular want long duration, predictable cash flows with limited optionality; properly structured infrastructure and resilience debt in emerging markets can deliver exactly that when supported by first loss capital, guarantees, or wraps that bring exposures into the mandate and rating range. Two live channels are highlighted - Bayfront's Infrastructure Asset-Based Securities (IABS), where insurers are already participating and where the pipeline is designed with institutional allocators in mind, and FAST-P's blended finance initiative, where insurers can participate with commercial capital. Even if starting volumes are modest, these are ready-made origination rails that match asset-liability management needs and offer diversification and illiquidity premia.

The sector does not need to build this from scratch. As explored in the case study section, the blueprint developed by the Insurance Development Forum's (IDF) Infrastructure Task Force was designed with insurers' preferences front of mind. The initiative will invest in a diversified portfolio of greenfield and brownfield commercial infrastructure projects through senior and mezzanine secured debt with a credit profile that is compatible with the requirements of the global insurance industry. For asset side teams under pressure to add private credit while keeping solvency efficient, these vehicles can provide a pragmatic on-ramp.

Blending also turns "hard to hold" exposures into eligible assets. Where first-loss tranches and recognized credit enhancement lift credit quality, for example, insurers' asset management arms can participate as senior investors rather than sitting out entirely—broadening their investable universe without abandoning discipline. Experts we spoke to were cognizant of regulatory consequences (namely, insurance sector actors investing in tiered blended structures may face higher capital charges from regulators); they also emphasized that simple, data-rich structures with recognized ratings are already attracting insurers and that the share is rising from a low base.

CROSS-CUTTING

There is a capability dividend. Upstream work with MDBs and donors builds fluency in solutions design, risk analytics, and sovereign/intermediary distribution skills that carry over into commercial books. Governments and domestic markets do value the sector's technical clarity, and MDBs highlighted that paid technical assistance, if channelled into local capacity, can create future counterparties and co-insurers rather than one-off projects.

There is also a distribution and brand dividend. Working through trusted aggregators, such as banks, MFIs, cooperatives, and employers, can lower acquisition costs, grow embedded protection, and build credibility with first-time buyers. As will be highlighted later in a Q&A, Pioneer Insurance's experience in the Philippines shows how iterating with local partners across dozens of outlets created durable microinsurance demand and opened the door to new lines like agriculture. The United Nations' collaboration with the Munich Climate Insurance Initiative and the Vulnerable 20 (V20) Group of countries systemically vulnerable to climate change, meanwhile, led to the creation of the V20 Sustainable Insurance Facility (V20-SIF), a financial initiative supporting the development and availability of blended finance solutions that enhance the resilience of micro, small, and medium-sized enterprises (MSMEs) in the world's most climate-vulnerable nations. Providing portfolio-level climate modelling for MSME lenders that can be paired with contingent credit and catastrophic parametric layers is an underwriting lane the insurance sector is uniquely placed to fill.

And there is a pipeline dividend. Participating in blended finance initiatives can surface repeatable structures and counterparties. One reinsurer has already seen this happening - their approach of a combination of risk advisory and underwriting, applied early, has already converted "uninsurable" ideas into insured transactions and opened multi-project dialogues; the Monetary Authority of Singapore (MAS) is doing the same on the asset side with platforms such as FAST-P and Bayfront's IABS. These are origination machines that, over time, can lower the cost of doing business in growth markets.

Blending aligns the sector's three roles (advisory, coverage provision, and asset management) and channels them into scalable, revenue-generating activities that build on existing strengths. It brings the insurance sector into the room earlier, subsidises the riskiest part of product development, and converts hard-to-hold exposures into eligible assets. At the same time, it builds the data, counterparties, and talent that raise future margins.

ENTRY POINTS IN THE DEAL CYCLE

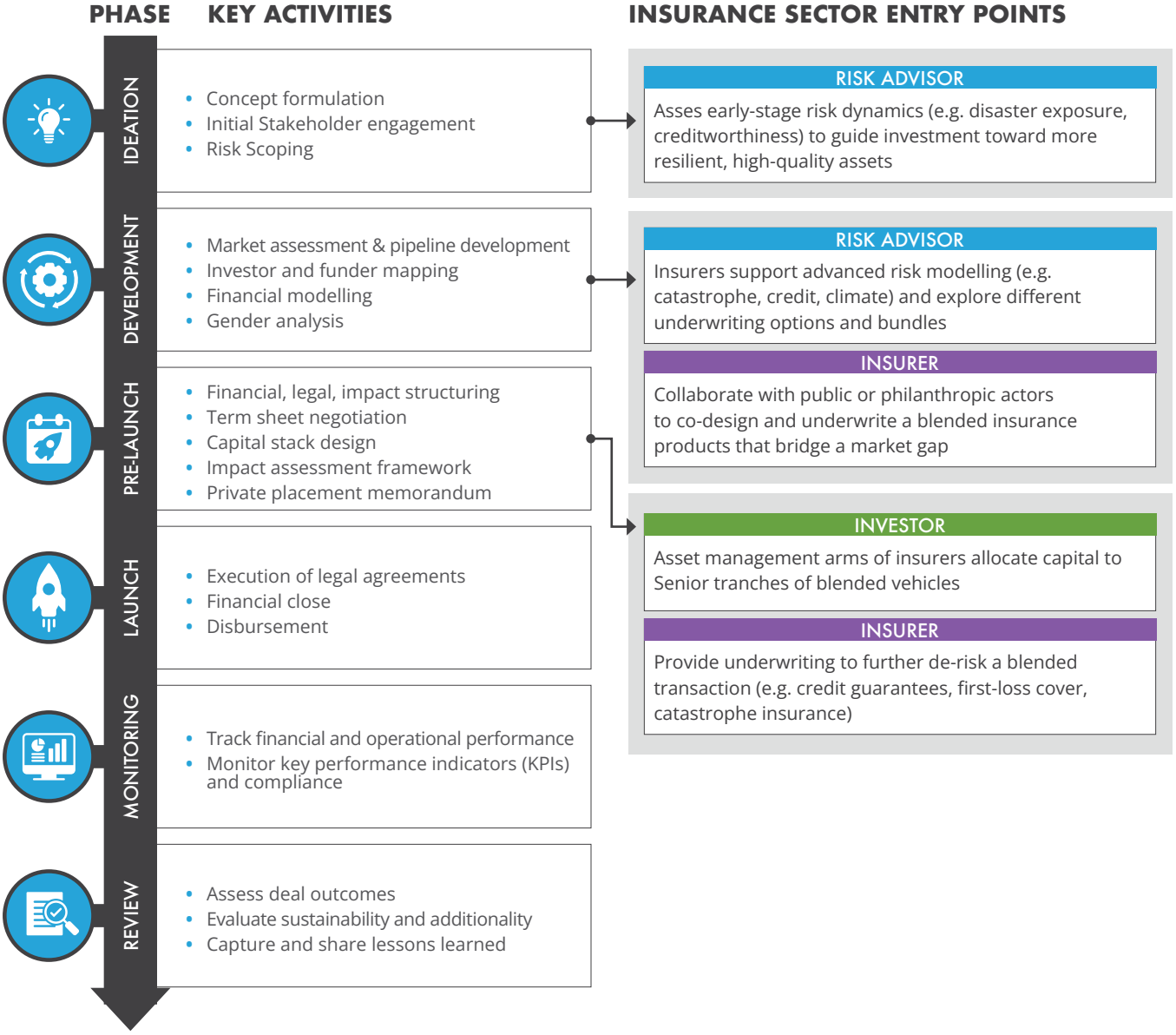


Figure 2: Entry points for the insurance sector in a typical blended finance transaction cycle

A blended finance deal cycle progresses through distinct but interconnected phases, each with specific activities and opportunities for insurance sector participation.

The cycle begins with **IDEATION** where the focus is on identifying promising opportunities with the potential of creating development impact and thereby supporting the Sustainable Development Goals (SDGs), and shaping them into viable concepts. This typically involves scanning national development plans, donor strategies, and private sector trends to pinpoint unmet needs, then formulating an initial concept that clearly articulates the problem, the proposed solution, and the possible financing approach. Alongside this, preliminary risk scoping takes place to flag potential financial, operational, political, or environmental exposures, ensuring alignment between the opportunity and development priorities and investor mandates. At this stage, insurance sector actors have the potential to act as risk advisors, applying hazard models and loss data to assess exposure, such as evaluating flood frequency in coastal Bangladesh, which helps define realistic risk assumptions from the outset. Insurance brokers can begin exploring potential risk coverage options for the concept. Bringing them in early is advantageous, as it allows access to relevant insurance packages before the deal is fully shaped, creating the flexibility either to adapt the concept to fit available products or to work with the insurance sector to design bespoke coverage that aligns with the project's needs. For instance, a broker might identify a parametric cyclone insurance product that pays out when wind speeds exceed a certain threshold, which could be integrated into the project's financial model from the outset, significantly improving its risk profile and appeal to investors.

Once a concept demonstrates potential, the process moves into the **DEVELOPMENT** phase, which is concerned with confirming feasibility and shaping the opportunity into a transaction that investors can evaluate. Market and pipeline analyses are undertaken to verify demand, competition, and scalability. Investor and funder mapping begins, with outreach being launched to anchor investors who can validate the concept and provide a signal of credibility to others. At this point, fundraising begins in an exploratory sense, with investors sounding out potential terms, testing alignment with their mandates, and providing feedback on structuring options. A financial model is prepared and stress-tested under different scenarios to forecast returns and resilience. An impact framework is also created, and a gender analysis should be undertaken simultaneously to embed equitable design, often resulting in a gender action plan or equivalent. The insurance sector can be engaged during the development phase, both as risk advisors and as (re)insurers at this stage. As risk advisors, they help test the concept through risk modelling and by identifying potential coverage options for the transaction. As (re)insurers, they can become direct partners in developing blended insurance products, working with concessional capital providers to provide coverage for risks they would not usually assume; for example, offering drought-indexed insurance to smallholder farmers.

With these foundations established, the transaction progresses to the **PRE-LAUNCH** phase, during which financial, legal, and impact elements are formalized. Financial structuring defines how capital will be layered, how risks and returns will be allocated, and how concessional resources will be applied. Legal structuring establishes governance arrangements, ownership, and regulatory compliance, and impact structuring embeds measurement frameworks and verification methods into the transaction design. Fundraising intensifies at this stage: prospective investors review detailed data rooms, participate in negotiations, and move from expressions of interest to commitments through term sheets. Roadshows and targeted outreach build momentum and finalize the investor base. These efforts culminate in disclosure documents such as a Private Placement Memorandum that consolidate all financial, legal, and impact details. By this point, the blended vehicle may appeal to insurance asset managers, who are often cautious about direct exposure to emerging and developing markets. The use of concessional capital enables them to participate with confidence by cushioning downside risk, creating a predictable return profile, and ensuring alignment with their investment mandates. For example, an insurer might invest in the senior tranche of a securitized SME loan portfolio backed by a donor-funded guarantee, capturing both attractive returns and positive market outcomes.

In the **LAUNCH** phase, all legal agreements are executed, financial close is reached, and capital begins to flow to the investees, whether these are local companies, infrastructure developers, or microfinance institutions. Implementation kicks off, with operational teams delivering activities on the ground while monitoring systems track both financial and impact performance. Reporting schedules are initiated to keep investors informed. In some cases, the investee may itself be an insurance company, such as a microinsurer expanding access to health

coverage in underserved markets, receiving financing from a blended debt fund to strengthen operations and scale innovative products.

The next stage is **IMPLEMENTING & MONITORING** when the transaction transitions from structuring to portfolio management. Funds are put to work in the underlying assets or entities, and delivery begins. Investment teams track performance closely, monitoring repayment schedules, operational milestones, and compliance with covenants, while also measuring impact against agreed KPIs such as service reach, jobs created, or emissions reduced. Regular reports, site visits, and third-party verifications provide assurance, and corrective actions are taken when risks or underperformance emerge. This phase is about ensuring capital is not only preserved and productive but also generates the intended development impact.

Finally, the cycle concludes with **REVIEWING & LEARNING** once the investment matures or exits. At this point, results are measured against both the financial benchmarks and the impact objectives defined at the outset. Evaluation goes beyond simple reporting: it considers additionality, sustainability of outcomes, and the effectiveness of the blended structure in mobilizing private capital. Lessons learned are distilled and shared, internally to refine origination and structuring, and externally to build the evidence base and market confidence. Each transaction, therefore, contributes not just returns and impact, but knowledge that strengthens the ecosystem for future blended finance deals.

Throughout these stages, insurance actors are uniquely positioned to engage in multiple roles, informing early-stage design through risk analysis, co-developing innovative products during feasibility, underwriting risks during structuring, allocating investment capital in pre-launch, and even serving as investees during execution. This multi-role capability enables them to play a key part in blended finance transactions, helping to mobilize capital at scale while ensuring that risk is appropriately understood, priced, and managed.

STAGE	BLENDED FINANCE ADJACENT SKILL-SETS REQUIRED	PRACTICAL AVENUES FOR INSURANCE SECTOR INVOLVEMENT
IDEATION	**RISK ADVISOR:** • **Portfolio structuring expertise:** Ability to design diversified portfolios that pool multiple projects across sectors and geographies, so individual high-risk projects become investible when aggregated. • **Contextual risk analysis:** Capability to evaluate sovereign, currency, political, and regulatory risks in EMDEs that extend beyond traditional actuarial models, and to translate these into structuring solutions. **(RE)INSURER:** • **Public-sector procurement and budget-cycle fluency.** Understanding tenders, buyer-of-record models, and multi-year appropriations. **INVESTOR:** • **Capital-markets and credit-rating literacy for tiered structures.** Understanding first-loss tranches, guarantees, and credit enhancements, relating these to insurance capital regimes.	**ACROSS ROLES:** • **Join** blended finance networks to access early-stage deal flow, participate in multi-stakeholder working groups, and share perspectives on structuring risks. • **Participate** in supranational policy forums or engage in structured dialogues with supervisory authorities to shape capital allocation frameworks. • **Provide** input and thought leadership into global discussions on de-risking and mobilization to position the insurance sector as strategic partners, not passive capital allocators. **RISK ADVISOR:** • **Bid for early advisory scopes.** Look out for requests for proposals (RFPs) for advisory or TA by MDBs and DFIs.

Figure 3: Skillsets required and avenues available for insurance sector involvement in the blended finance deal cycle.

STAGE	BLENDED FINANCE ADJACENT SKILLSETS REQUIRED	PRACTICAL AVENUES FOR INSURANCE SECTOR INVOLVEMENT
DEVELOPMENT	**RISK ADVISOR:** • **Financial engineering capabilities:** Applying techniques such as subordination, layering of concessional capital, and credit enhancement to repackage risky projects into investment-grade instruments. • **Market signaling:** Articulating how risk mitigation tools will reshape the profile of a transaction, building investor confidence not only through actual de-risking but also through perception management. **(RE)INSURER:** • **Aggregator and distribution strategy.** Designing trusted distribution via microfinance institutions, cooperatives, employers, and lenders. **INVESTOR** • **Legal & Regulatory navigation.** Literacy to distinguish securitized vs. non-securitized forms and assemble evidence/rating pathways for differentiated capital treatment under local capital regime.	**RISK ADVISOR:** • **Work** with multilaterals in the design of guarantee facilities, subordinated structures, or first-loss layers to maximize mobilization of private insurers. • **Offer** advisory services to MDB/DFI TA programs, embedding insurance-sector knowledge into structuring processes. **(RE)INSURER:** • **Work** with risk advisors and multilaterals in the design of fit-for-purpose insurance/risk transfer solutions to enhance the risk-return profile of the asset. **INVESTOR** • **Review** early financial models, test alignment with mandates, and provide feedback on structuring options. Engage in exploratory fundraising discussions, signal credibility as anchor investors, and help shape impact and risk frameworks before commitments. • **Assess** solvency/capital impact. Quantify effects of different blended or tiered structures and document for the investment committee. **ACROSS ROLES:** • **Participate** in forums that bring together insurers, pension funds, and asset managers to co-develop standardized approaches to risk allocation and credit enhancement.

Figure 3: Skillsets required and avenues available for insurance sector involvement in the blended finance deal cycle. *(continued)*

STAGE	BLENDED FINANCE ADJACENT SKILLSETS REQUIRED	PRACTICAL AVENUES FOR INSURANCE SECTOR INVOLVEMENT
PRE-LAUNCH	**RISK ADVISOR:** • **Blended-structure due diligence capability:** Ability to leverage rigorous risk assessment capability to validate blended finance structures, lending credibility to project sponsors and reassuring private investors. • **Market preparation:** Support in designing investor roadshows, documentation, and rating agency engagement to highlight the risk-adjusted return profile of blended instruments. **(RE)INSURER:** • **Multi-year insurance and reinsurance capacity design.** The ability to structure multi-year capacity to support blended finance structures. **INVESTOR:** • **Ratings-process for tiered vehicles.** Capability to compile and assess evidence packs showing how concessional layers change expected loss and how ratings map to capital recognition.	**RISK ADVISOR AND/OR (RE)INSURER:** • **Collaborate** with ratings agencies to establish methodologies that appropriately capture the benefits of risk transfers within blended structures, enabling investment-grade ratings. • **Engage** with entities like the African Guarantee Fund or impact investment funds to test innovative risk-sharing approaches and demonstrate scalability. • **Contribute** technical expertise in investor communications, risk disclosure, and operational structuring as deals are brought to market, ensuring private capital entry at scale. **INVESTOR:** • **Engage** with entities like Bayfront Infrastructure Management and the Financing Asia's Transition Partnership to access de-risked climate infrastructure pipelines. • **Review** data rooms, negotiate terms, and commit capital in the senior tranches of de-risked vehicles. Engage in roadshows and assess governance and impact frameworks.
LAUNCH	**RISK ADVISOR:** • **Investor communication:** Ability to translate complex risk transfer structures into clear narratives for institutional investors, emphasizing how risk-return has been reshaped. • **Market validation:** Leveraging the insurance sector's credibility to reassure investors that risk allocation has been rigorously assessed and is aligned with international standards. **INVESTOR:** • **Blended-instrument disclosure literacy.** Ability to read offering documents for recognition of guarantees/wraps and validate how structure supports the rating.	**RISK ADVISOR AND/OR (RE)INSURER:** • **Partner** with MDBs, DFIs, and sponsors to co-present at launch events, providing assurance on risk mitigation aspects. • Where blended instruments are listed on exchanges, **work** with exchanges to ensure insurance-backed enhancements are recognized. • **Provide** formal input during launch to strengthen confidence in the creditworthiness of new instruments, engaging with ratings agencies and regulators. **INVESTOR:** • **Finalize** commitments, sign legal agreements, and deploy capital into blended vehicles. • **Engage** blended finance standardization platforms like the SCALED initiative to increase deal visibility and investor participation and boost awareness of transactions maximizing scalability and replicability.

Figure 3: Skillsets required and avenues available for insurance sector involvement in the blended finance deal cycle. *(continued)*

STAGE	BLENDED FINANCE ADJACENT SKILLSETS REQUIRED	PRACTICAL AVENUES FOR INSURANCE SECTOR INVOLVEMENT
MONITORING	**RISK ADVISOR:** • **Ongoing risk surveillance:** Using analytics to monitor project performance, currency fluctuations, sovereign credit movements, and broader systemic risks that could impact blended structures. • **Data-driven reporting:** Ability to provide regular, independent assessments of portfolio-level risks, supporting transparency and investor trust.	**RISK ADVISOR AND/OR (RE)INSURER:** • **Collaborate** with MDB/DFI monitoring units to provide joint risk assessments and reporting to investors. • **Engage** with independent ESG and impact verification platforms, offering insurance-sector risk oversight as an added layer of credibility. **INVESTOR:** • **Utilize** MDB or DFI funds and platforms like the Insurance Development Forum to access structured reporting, standardized data, and collective monitoring mechanisms to strengthen oversight, manage risks, and ensure sustainable outcomes.
REVIEW	**RISK ADVISOR:** • **Post-deal evaluation:** Applying forensic risk analysis to assess whether risk mitigation mechanisms performed as expected, and whether default or loss outcomes matched modeled scenarios. **ACROSS ROLES:** • **Learning and feedback loops:** Drawing lessons from actual claims experience or market reactions and feeding these into future structuring approaches. • **Policy and regulatory insights:** Translating review findings into proposals for regulators, standard-setting bodies, and capital market actors on the effectiveness of insurance tools in blended finance. Translating portfolio evidence from tiered vehicles into proposals for regulatory guidance and sandbox learnings on classification and recognition of external wraps/ratings.	**RISK ADVISOR:** • **Partner** with development banks to codify risk advisory lessons into toolkits and frameworks that can be scaled across future blended transactions. **INVESTOR:** • **Feed** lessons into global insurance supervisory bodies to shape solvency and risk-capital rules that better accommodate blended finance instruments, to the extent that doing so is in line with risk-based capital frameworks **ACROSS ROLES:** • **Contribute** to blended finance platforms and industry-led initiatives to disseminate findings.

Figure 3: Skillsets required and avenues available for insurance sector involvement in the blended finance deal cycle. *(continued)*

CURRENT ACTIVITY IN THE MARKET

Insurance sector participation in blended finance has been limited

The insurance sector's engagement in the blended finance market has been limited, with participation in only 93 deals, accounting for just under 6.5% of the overall blended finance market. Their involvement has primarily been as investors rather than risk coverage providers, with most of the participation occurring through equity (46%) and debt (35%) investments rather than direct insurance coverage in transactions (6%) or guarantees (12%). Insurance sector investments in the blended finance market total approximately $4.4 billion, though the actual size is likely larger due to limited reporting.

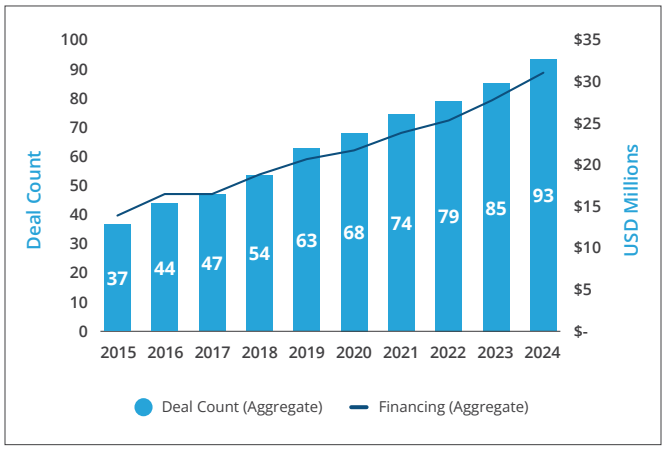


Figure 4: Market size and growth of blended finance deals with an insurance sector commitment.

DEAL TRENDS

Insurance sector actors mainly support blended funds

Funds have seen the greatest involvement from insurance companies (57%), with involvement at a much higher rate than in the overall market (25%). This has primarily involved insurance companies acting as institutional investors deploying capital into blended funds. A notable example is the SDG Loan Fund, which saw substantial investment from Allianz Global Investors and Skandia, a Swedish financial services firm offering insurance. The fund was structured using blended finance principles. Class A shares represent 90% of the committed capital ($1 billion) and are held by institutional investors, including Allianz SE and Skandia. Meanwhile, Class B shares make up the remaining 10% ($111 million) and are fully owned by the Netherlands Development Finance Company (FMO), rank subordinate to Class A,

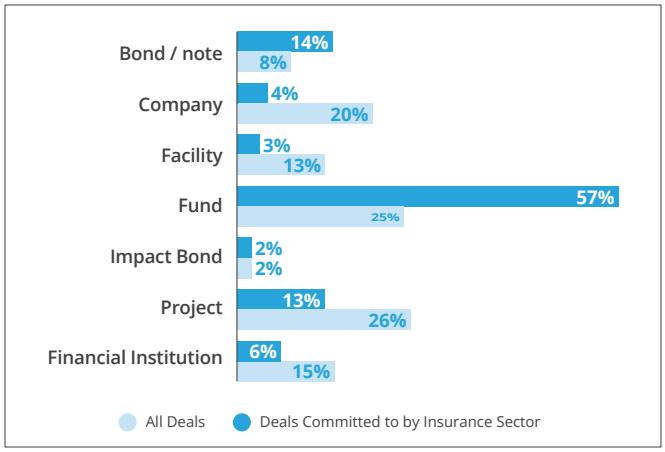


Figure 5: Percentage of transactions by blended vehicle type (deals with an insurance sector commitment vs overall blended finance market)

and are wrapped with a $25 million guarantee from MacArthur Foundation. The significant activity in funds among insurance companies likely stems from insurers' increasing interest in private markets. According to a Mercer-Oliver Wyman survey, 73% of insurers are investing in private markets or plan to do so in 2024, with 39% increasing allocations, especially in private debt. As market volatility and regulatory challenges remain top concerns, funds offer insurers a way to diversify.

Bonds are the second most common vehicle for mobilizing insurance participation in blended finance (14%). The Private Infrastructure Development Group (PIDG) has played a key role in several of these deals, advancing a replicable model that effectively mobilizes insurance capital. This approach combines technical assistance funds from PIDG to support legal structuring and credit rating processes with credit enhancement through full or partial guarantees provided by GuarantCo, a member of the PIDG group. Examples where this model has attracted insurer participation include the Royal Railway Bond, which brought in Prudential (Cambodia) Life Assurance PLC and Manulife (Cambodia) PLC; the Xuan Mai Green Bond, which attracted Chubb Life Vietnam (as anchor investor), Hanwha Life, AIA, and Generali Insurance; and the EVN Finance Bond, which Manulife and AIA supported.

Projects are also a common investment vehicle for insurance companies (13%). While lower than the overall market, where project level deals represent 26% of investments, this is still a significant share. Among the insurance sector, export credit and investment insurance agencies (ECAs)[4] account for much of this activity. ECAs are public or quasi-public institutions that provide insurance and guarantees to mitigate political and commercial risks for exporters, investors, and lenders. Unlike private insurance companies, ECAs operate with policy mandates to support national economic and development objectives rather than to maximize shareholder returns. However, they function as a critical part of the broader insurance ecosystem, and have been especially active in blended finance transactions by channeling risk mitigation into sectors of interest like infrastructure, energy, and industrial development.

An example of a project transaction including support from an ECA is the Gulf of Suez Wind II deal which totalled just over $1 billion. Project finance was led jointly by the European Bank for Reconstruction and Development (EBRD), Green Climate Fund (GCF) and Japan Bank for International Cooperation (JBIC), who provided $50 million, $150 million and $240 million in senior debt respectively. EBRD and GCF also provided TA grant funding to cover the costs of legal, structuring and enhancing local policies and planning. The public sector funding mobilized private sector co-financing totalling $350 million from a series of commercial banks including Sumitomo Mitsui Banking Corporation, Norinchukin Bank, and Société Générale. Notably, insurance for the private loans was provided by Nippon Export and Investment (NEXI), a Japanese government-owned corporation, which offers export credit and investment insurance to protect domestic companies engaged in overseas projects. Remaining project costs were funded through sponsor equity.

TA and design stage grants are used at a slightly higher rate in deals with insurance sector actors

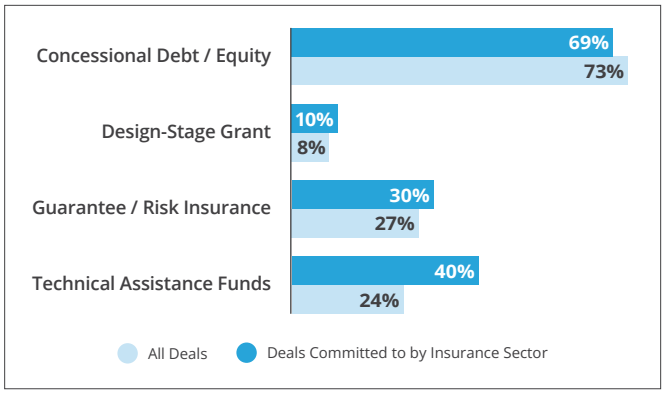


Figure 6: Percentage of transactions by blending archetype (deals with an insurance sector commitment vs overall blended finance market)

TA funds (40% vs. 24%) are used at a higher rate in blended finance deals involving insurance companies. This higher usage is largely because insurance companies are most active in funds, which, according to Convergence Market Data, tend to employ more TA in the first place. Aside from this difference, transactions backed by insurers align with the broader market in their blending archetypes, with concessional debt / equity remaining the most common archetype.

4. ECAs are government-backed entities that offer loans, guarantees, and credit insurance to businesses looking to expand into developing countries and emerging markets. ECAs are deemed as providers of credit insurance and guarantees (e.g., export credit insurance, investment insurance, PRI/PCG) and separate from the private insurance sector. References to "insurance coverage" by ECAs are to be read in this specific credit-enhancement context.

Deals with insurance sector actors typically target financial services and energy sectors

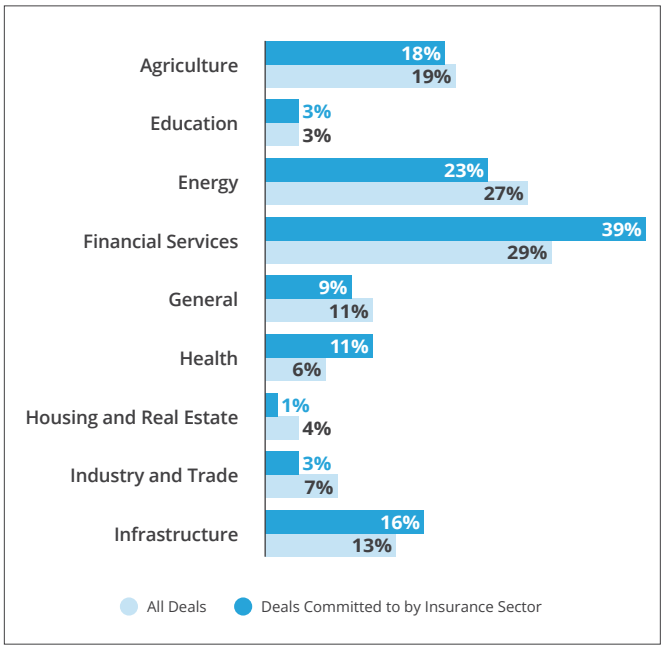


Figure 7: Percentage of deals with an insurance sector commitment by sector

Deals involving insurance companies have targeted the financial services (39% v. 29%) and infrastructure (16% vs. 13%) sectors more than the overall market. The emphasis on the financial services among insurers is likely due to the perceived stability of these institutions, supported by strict regulatory oversight, established performance records, and standardized transaction structures. An example of a unique deal targeting the financial service sector is the Natural Disaster Fund – Deutschland, a financial mechanism established to enhance resilience against natural disasters in developing countries. Launched in December 2019 during COP25, the blended fund is funded by the UK's Foreign, Commonwealth and Development Office (FCDO) and the German Development Bank (KfW) on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). It receives matching reinsurance capacity on its transactions from Hannover Re, a leading global reinsurance company, and is managed by Global Parametrics. It invests in risk-transfer instruments, such as parametric weather derivatives, that offer rapid financial support following natural disasters. The NDF seeks to provide climate risk protection to between 66 million and 105 million people by 2025, aligning with the broader goal of enhancing resilience against climate impacts.

The higher participation of insurance companies, particularly life insurers, in infrastructure blended finance reflects both structural alignment and shifting market dynamics. These institutions manage long-term liabilities and seek assets that generate stable, predictable, and often inflation-linked cash flows over comparable time horizons. Infrastructure assets such as toll roads, telecommunications towers, and solid waste management systems align well with these needs, offering strong potential for asset-liability matching and duration management. In recent years, institutional investors have increasingly viewed infrastructure in emerging markets as an attractive asset class, driven by persistently low interest rates in developed economies, the search for yield, and demand for non-correlated assets, especially in the wake of the global financial crisis. For insurers and pension funds, infrastructure provides a compelling combination of long-term income, diversification, and resilience.

Yet practical constraints remain. On the demand side, insurers must navigate strict regulatory and solvency frameworks that can restrict investment in illiquid or unfamiliar asset classes. On the supply side, particularly in developing countries, a shortage of investable, bankable infrastructure projects at sufficient scale continues to limit deployment. Blended finance plays a critical role in addressing this gap. By combining concessional donor capital with commercial investment, these structures enable scale and risk-sharing. Insurers are increasingly seeking to be part of this approach and are eager to expand collaboration with development institutions to unlock more infrastructure opportunities in emerging markets.

Climate and health objectives tend to be targeted in isolation by insurance sector actors

Blended finance transactions involving insurance sector actors have, to date, largely overlooked the climate health nexus. According to Convergence Market Data, 46% of blended finance deals involving insurance sector actors target climate-related objectives such as mitigation, adaptation, or both. Separately, 11% of these deals target the health sector specifically, and 19% aim to improve health outcomes more broadly. The share of health-related deals is somewhat higher than the overall market, where only 6% of transactions focus on health. However, climate and health objectives in insurance-linked transactions are generally pursued independently.

Only about 5% of blended finance deals involving insurance participation engage with both climate and health, and even these typically address the two themes separately. Most are structured funds that include both sectors within a broader investment scope, but without a unified impact framework, integrated strategy, or linked objectives.

For the small number of blended finance transactions that engage with the climate health nexus and include insurance participation, two distinct approaches have emerged: downstream and upstream. A downstream approach refers to investments that directly strengthen healthcare systems and services, improving their ability to cope with climate-related shocks and stressors. These transactions are explicitly designed to enhance health system resilience in the face of climate change. The Investment Fund for Health in Africa II (IFHA II) is the only transaction captured in Convergence Market Data that follows this approach and includes insurance participation. This $200 million fund supports private companies across Sub-Saharan Africa involved in healthcare services, health insurance, medical product manufacturing, and healthcare product distribution. IFHA II is required to integrate climate and sustainability into its investment strategy given its adherence to the European Union's Sustainable Finance Disclosure Regulation (SFDR). In terms of financial structure, IFHA II secured equity investment from Achmea Holding NV, one of the Netherlands' largest insurance-focused financial services providers. Additional equity came from international institutions, including the Dutch Good Growth Fund, European Investment Bank, International Finance Corporation (IFC), Swiss Investment Fund for Emerging Markets, and the Netherlands Development Finance Company (FMO), along with contributions from pension funds. To mitigate risk, the U.S. International Development Finance Corporation (DFC) provided a concessional loan guarantee of up to $83 million.

The second approach involves upstream investments that target environmental drivers of poor health, such as pollution and waste, with indirect but significant downstream health benefits. The Plastic Waste Reduction-Linked Bond exemplifies this model. Issued by the International Bank for Reconstruction and Development and structured by Citigroup, the $100 million principal-protected bond raised capital from institutional investors, including Skandia, a Swedish life insurance and pension provider. While the bond's primary objective is to reduce over 100,000 tons of CO_2-equivalent emissions, it also seeks to deliver meaningful health-related impacts. By improving waste management infrastructure, the project aims to reduce environmental contamination and limit community exposure to hazardous materials. These interventions are positioned to contribute to better air and water quality, lower pollution-related health risks, and improved local sanitation. In addition, the projects generate employment opportunities in underserved communities, contributing to broader social and public health resilience.

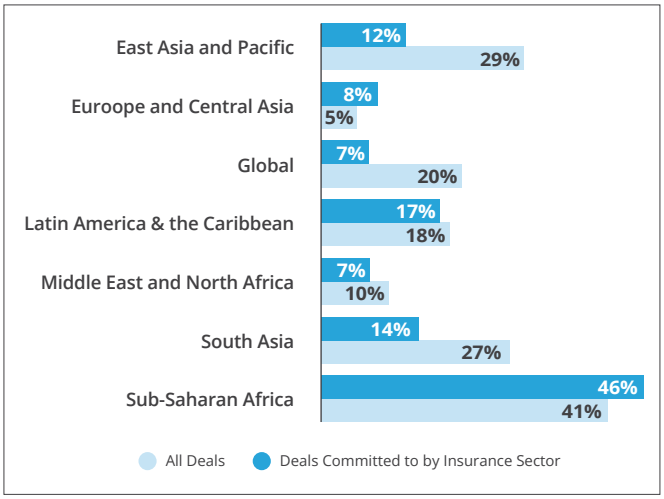


Figure 8: Percentage of transactions by region (deals with an insurance company commitments overall blended finance market)

Sub-Saharan Africa and Asia have seen the most insurance sector participation in deals

Insurance companies have been involved in transactions in East Asia and the Pacific (29% vs. 12%) and South Asia (27% vs. 14%) at a much higher rate compared to the overall market. A notable example of an insurance sector transaction in Asia is Coverfox, a Mumbai-based online insurance brokerage. After securing $2 million and $15 million in Series A and B funding rounds, respectively, Coverfox received an additional $22 million in equity capital from its existing shareholders. These shareholders included Transamerica, SAIF Partners, Accel India, and Catamaran Ventures. The IFC contributed $7 million and administered a $260 thousand We-Fi-funded concessional performance

incentive to support the recruitment, training, and certification of women as insurance brokers. The incentive was tied to targets for onboarding female sub-brokers and the premiums they generated. This deal highlights blended finance's critical role in expanding financial access across Asia and strengthening local insurance players in emerging markets. It is an example of a deal where the insurance sector is deploying capital into a blended structure and where an insurance company is the investee, as Coverfox is the direct recipient of this deal.

INVESTOR TRENDS

AXA, Prudential, and MetLife have been the most active insurance sector actors in the overall market

The most active insurance companies in the blended finance market include AXA (20 commitments), Prudential (13), MetLife (9), Allianz (9), Storebrand Life Insurance (6), and Nippon Export and Investment Insurance (NEXI) (5). For insurance companies, these commitments have almost exclusively come through the asset management side of their businesses, where they provide debt or equity to transactions. ECAs are not typical insurers but instead are state-supported agencies that provide export credit insurance to cover the risks of international trade. They are often amongst the few providers of credit insurance to blended transactions in developing markets given concerns among pure private sector insurers surrounding commercial and regulatory constraints.

Prudential, AXA, and MetLife have been the most active insurance sector actors in the Asia blended finance market

The insurance companies with the most commitments in Asia-focused deals are Prudential (8), AXA (7), MetLife (7), AIA (4), and Nippon Export and Investment Insurance (NEXI) (2). LeapFrog Investments is a key player advancing insurance sector participation in blended finance across Asia. With a strong focus on financial services and healthcare in emerging markets, LeapFrog has built deep expertise in insurance investments and has successfully mobilized capital from major global insurers into funds targeting the region.

A prominent example is the LeapFrog Emerging Consumer Fund III. This 10-year, closed-end private equity fund makes equity and quasi-equity investments to scale companies who provide essential products and services to low-income consumers in Africa and Asia. Two-thirds

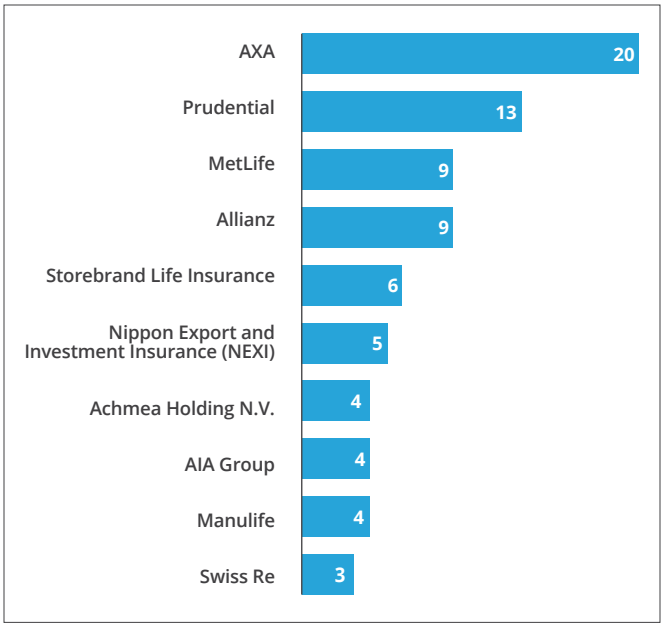


Figure 9: Top insurance sector actors in the overall blended finance market, by number of commitments.

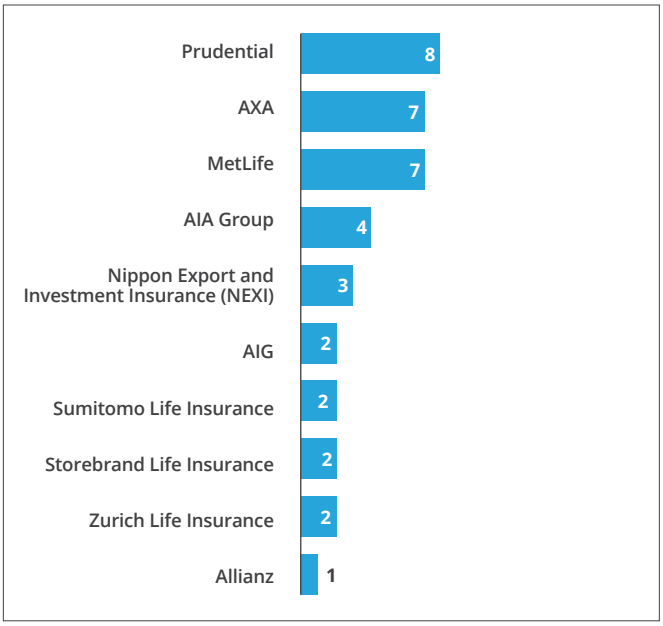


Figure 10: Top insurance sector actors in the overall blended finance market, by number of commitments.

of the Fund's portfolio focuses on financial services, with the remaining one-third comprising healthcare enterprises. The Rockefeller Foundation Zero Gap Fund, the Foundation's design-funding investment arm, made a $3 million catalytic equity investment into LeapFrog III. In partnership with DFC, AXA XL Catlin and LeapFrog Investments, Rockefeller multiplied the catalytic effect of these funds by deploying them as an innovative insurance mechanism, designed to lower tail-end performance risk to entice private investors. This structure helped mobilize approximately $270 million in follow-on commitments, LeapFrog III then went on to raise over $700 million from a diversity of institutional and private investors, including DFIs and foundations, prominent global insurers, pension funds and asset managers, and private corporations. This is an example of a blended fund both attracting insurance capital and blended capital to direct it to insurance companies as the end beneficiary/investee.

Insurance is typically provided by DFIs/ MDBs, and generally differs from that offered by the private insurance sector

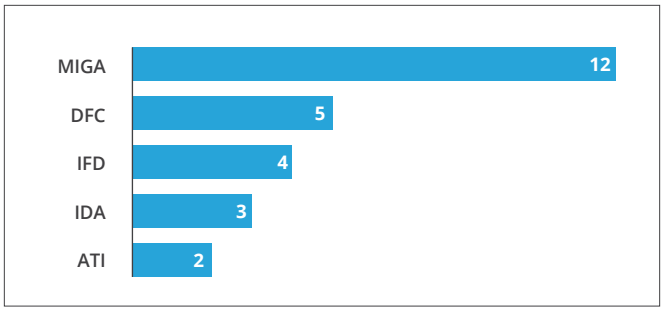
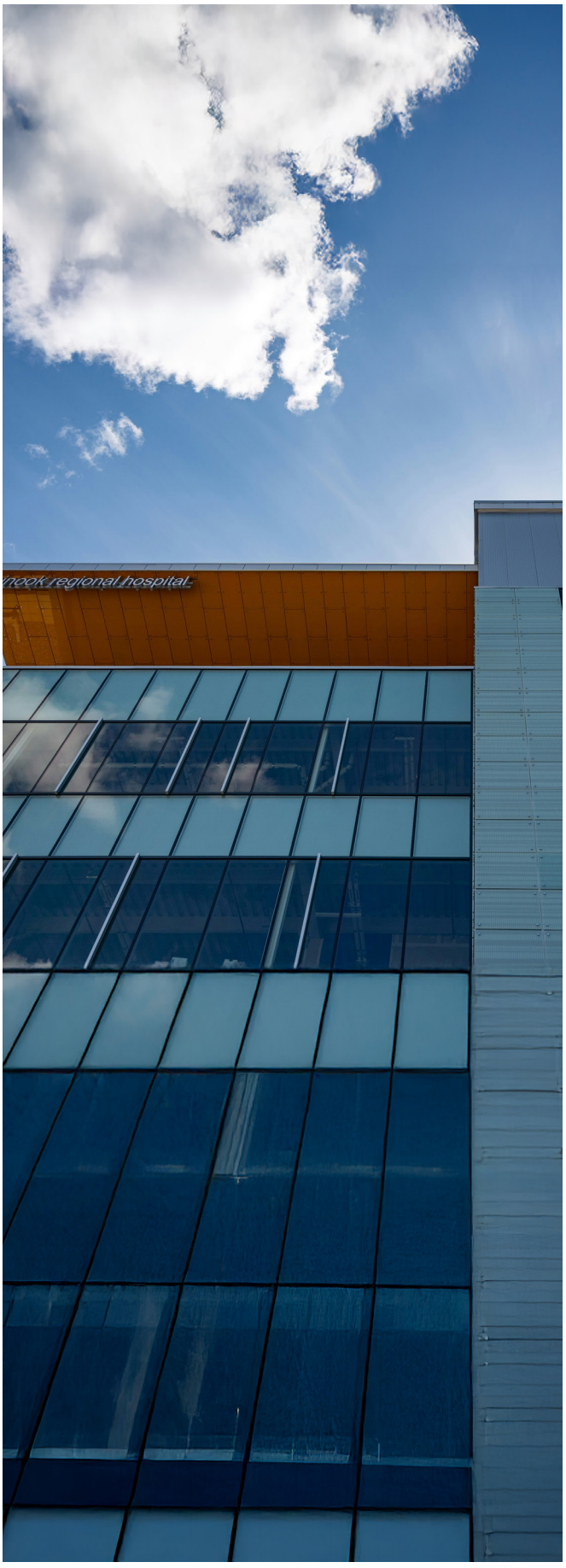


Figure 11: Top insurance product providers in the overall blended finance market, by number of commitments

In the blended finance market, insurance is provided almost entirely by public development institutions, whose products differ from those of private insurers. Rather than covering standard commercial risks like property damage or liability, this insurance is usually designed to mitigate political and sovereign risks that deter private capital. Public DFIs and MDBs have been the most active providers, accounting for 57% of the insurance coverage in this space, while ECAs account for an additional 42%. According to Convergence Market Data, the leading providers of insurance include the Multilateral Investment Guarantee Agency (MIGA) (12 commitments), DFC (5), IFC (4), the International Development Association (IDA) (3), and the African Trade Insurance (ATI) Agency (2).



CASE STUDIES

The report has highlighted the different ways in which the insurance sector can participate in blended finance transactions, including:

1. as **Risk Advisors**, guiding the design and feasibility of blended finance transactions;
2. as **(Re)Insurers**, participating by providing coverage directly within de-risked blended transactions, or developing and underwriting new blended insurance products; and
3. as **Investors**, deploying capital into blended vehicles. It has also presented data highlights on the insurance sector's activity in blended finance, drawn from Convergence Market Data.

Now, historical examples of how the insurance sector has adopted these roles in practice will be analyzed more fully, exemplifying models that practitioners can adopt and build upon. Specifically, the following roles are considered:

1. the insurance sector as **Risk Advisors**, as exemplified by the Upper Trishuli-1 Hydropower Project;
2. the insurance sector as **(Re)Insurers**, as shown by the Women's Climate Shock and Insurance and Livelihoods Initiative and Acre Impact Capital's Feeder Fund;
3. and the insurance sector as **Investors**, as exemplified by the blueprint developed by the IDF Infrastructure Task Force.

1 THE INSURANCE SECTOR AS RISK ADVISORS

Upper Trishuli-1 Hydropower Project

Engaging the insurance sector earlier when structuring transactions can enhance project sponsors' access to the sector's risk assessment and risk management tools. However, the insurance sector is typically approached relatively late to participate in blended transactions and often only after key financial arrangements have been finalized.

One example that illustrates the potential of early engagement with the sector is the Upper Trishuli-1 (UT-1) Hydropower Project, a 216 MW run-of-river plant in Nepal's central highlands, sponsored and developed by the privately-owned Nepal Water and Energy Development Company. The project secured a comprehensive financing package but encountered a roadblock during the disbursement phase when the 2015 earthquake in Nepal significantly increased risk perceptions for infrastructure, with conventional earthquake insurance capacity becoming very scarce in high-risk regions.

The total project cost was $647.4 million, and the project sponsor secured a $453 million financing package arranged by a consortium of nine DFIs and MDBs, led by IFC. A blended finance structure was utilized to address other risks affecting project feasibility, including construction, market, and sovereign risks. Concessional debt was mobilized from various sources, including the International Development Association's Private Sector Window, the Finland-IFC Blended Finance for Climate Program, the Climate Investment Funds, and the Canadian Climate Fund for the Private Sector in Asia II, administered by

ADB. These concessional funds aimed to improve risk-adjusted returns, absorb downside risk, and attract private and commercial finance. IFC provided a total of $190 million in financing, consisting of $95 million in equity and loans from its own account and $95 million as an implementing entity for other funding sources. The MIGA committed $135 million in political risk guarantees for the sponsors. Other financiers included the Export-Import Bank of Korea, ADB, the Asian Infrastructure Investment Bank, the Korea Development Bank, CDC (UK), FMO (Netherlands), the OPEC Fund for International Development, and Proparco. The remaining project funding was covered through sponsor equity.

However, the earthquake risks at the site posed a significant challenge during disbursement, as MDBs and DFIs required such coverage as a condition for loan disbursement. To address this, IFC engaged Aon and Swiss Re Corporate Solutions to co-develop a tailored parametric earthquake insurance solution. Aon served as risk advisor, with Swiss Re Corporate Solutions underwriting and acting as the lead insurer for this product. The policy was based on a site-specific seismic index, with payouts triggered when ground shaking exceeded predetermined thresholds. It included an annual recalibration mechanism that allowed the coverage to evolve as construction progressed, and risk exposures shifted. By offering a flexible, tailored insurance solution that effectively mitigated risks at a reasonable cost, the parametric structure provided lenders with the assurance they needed to proceed with disbursement.

While the insurance coverage ultimately played a critical role in closing a gap and enabling financial close, the experience highlights how projects could benefit from integrating insurability considerations earlier in the cycle. Engaging the insurance sector early streamlines structuring, anticipates coverage needs, and improves bankability by reducing delays. Involving insurers from the outset transforms them from a compliance checkpoint into strategic partners who can shape projects to meet resilience and insurability standards. Their expertise in risk analytics helps eliminate unviable options, while early engagement allows for the design of tailored, affordable insurance products that make projects more attractive to investors and better positioned for capital mobilization.

Women's Climate Shock and Insurance and Livelihoods Initiative

The insurance sector has also been catalyzed directly by concessional funders to act as risk mitigants within blended structures. This has sometimes involved the creation of 'blended insurance' products, where public and philanthropic capital is used to incentivize private insurers to develop and provide insurance solutions that contribute to development outcomes. This often includes subsidizing premiums to make coverage viable in underserved markets, as well as providing design-stage grants to support pilot studies, generate critical data, and refine product features before scaling. However, such interventions should be guided by a clear pathway to commercial sustainability. Subsidies should not serve to perpetuate fundamentally unviable or unsustainable insurance markets, such as those in areas of chronic and escalating exposure without mitigation or adaptation pathways, but rather support temporary risk-sharing while markets develop the conditions for long-term viability.

One example of this is the Women's Climate Shock Insurance and Livelihoods Initiative (WCS). Launched by the Self-Employed Women's Association (SEWA), WCS is a pioneering parametric insurance solution designed to strengthen financial resilience for informal women workers in India. As climate extremes such as heatwaves become more frequent and severe, these kinds of innovations are critical in meeting protection gaps. By leveraging a blended finance approach to pilot products, subsidize premiums, and absorb early-stage risk, WCS illustrates how insurers and donors can align to introduce innovative products in high-exposure, low-income settings.

Women working in India's informal economy are particularly vulnerable to extreme heat. They often work outdoors or in poorly ventilated environments and lack access to any form of formal income protection. The nature of their work, combined with low and irregular earnings, excludes them from conventional insurance products, which require reliable data, predictable cash flows, and administrative scale to operate viably. As climate volatility intensifies, the financial risk to these workers is growing, yet private insurers have lacked the incentive, technical capability, or market infrastructure to design and deliver tailored solutions at scale.

The WCS helped close this gap through a sequenced blended finance strategy. SEWA partnered with philanthropic funders and insurers to design a rules-based, parametric insurance product triggered by extreme heat. Phase 1 of the program launched in April 2023 with technical input from insurance technology firm Blue Marble, financial backing from the Adrienne Arsht-Rockefeller Resilience Center (Arsht-Rock) and underwriting by ICICI Lombard. The pilot used a heat index developed by Arsht-Rock's Heat Health Science Panel to link temperature thresholds with health and productivity risks.

To accelerate rollout ahead of the 2023 heatwave season, the team compressed a typically year-long product development timeline into just 90 days. SEWA mobilized its grassroots network to conduct focus group discussions, which generated insights on how extreme heat affected women's health, income, and daily routines. These insights informed both the policy structure and the design of value-added services, such as shade tarpaulins, solar lamps, and water coolers, which were offered alongside coverage. This helped build trust with a user base largely unfamiliar with formal insurance.

The product also leveraged 30 years of satellite-based temperature data to calibrate geographically specific triggers across five districts. The heatwave season was divided into 10-day phases, with phase-specific triggers reflecting variations in local climate conditions. The payouts offered by the policy were based on whether a rolling three-day high temperature sum exceeded a predefined threshold, tailored to each district's heat exposure. The pilot included fully subsidized premiums, enabling broad enrolment and providing insurers with real-time claims experience in an untested risk pool. Although no payouts were ultimately triggered during the pilot period, participating women reported high levels of satisfaction with the insurance due to the tangible benefits they received from the value-added services,

underscoring their role in building trust and perceived value in first-time insurance markets.

The findings from the pilot in Phase 1 went on to inform Phase 2, which was launched in 2024 and expanded coverage from 21,000 SEWA members across 5 districts in Gujarat during the pilot to 50,000 members across 22 districts across Gujarat, Rajasthan, and Maharashtra. Climate Resilience for All provided catalytic funding to support scale-up, while ICICI Lombard remained the underwriting partner and Swiss Re joined as a reinsurer. Crucially, Phase 2 introduced partial premium contributions from policyholders set at INR 250 annually, while maintaining the original payout level and simplifying terms. This shift was enabled by increased insurer confidence in the model and allowed donors to reduce subsidy intensity without compromising affordability. Expanding the program to new districts and regions also enhanced the product's viability by diversifying geographic exposure, spreading risk more effectively across different climate zones. The product's structure remained parametric and automated, reducing administrative overhead and increasing transparency. While the product did not activate in 2023, the cash assistance layer was triggered in all 22 districts in 2024, providing INR 400 to each member. Additionally, the insurance layer activated in 17 districts, delivering payouts between INR 151 and INR 1,651 to members.

The WCS model demonstrates the role blended finance can play in increasing insurance company involvement and product innovation in underserved markets. Several factors contributed to this model's success:

1. Insurers lacked visibility into demand from low-income women workers. Donor funding filled this gap by financing early-stage market research to determine what beneficiaries could afford, what benefit levels they valued, and what trigger structures they trusted.
2. User adoption hinged on visible impact. The product was deliberately structured to produce early-season payouts, and in Phase 2, the trigger was lowered to increase payout frequency, which was critical in building credibility among first-time users.
3. Cost-effective delivery required a trusted aggregator. SEWA's longstanding relationship with its members enabled mass enrollment, reduced acquisition costs, and built the trust needed to introduce an unfamiliar product like insurance. Its grassroots presence and credibility provided the operational infrastructure that insurers could not deliver themselves, making SEWA a vital link between vulnerable communities and formal insurance systems.

4. Subsidy design focused on tapering, not permanence. While donor capital paid for a significantly large share of the premiums at launch, the share of participant premiums increased in Phase 2, and donor shares declined as actuarial data deepened, geographical scope widened, and insurer confidence improved.
5. Transparent, locally relevant data was a precondition for pricing and payouts. India's climate data infrastructure made the model viable; in lower-capacity settings, public investment in weather monitoring would be required.
6. While payouts were provided without conditions, many beneficiaries directed the funds toward health-related expenses. Integrating simple climate and health messaging at the enrollment stage could reinforce these co-benefits, without requiring any adjustments to the underlying insurance design.

The WCS case demonstrates how blended finance can reposition insurance from an overlooked component of social protection to a catalytic instrument for closing systemic coverage gaps. By enabling insurers to co-develop, test, and scale a parametric product in an unserved, high-risk segment, donor capital helped shift insurance from a peripheral intervention to a viable, market-building solution.

Acre Impact Capital's Feeder Fund

Export finance, traditionally championed by government-backed ECAs, has played a foundational role in cross-border infrastructure investment for over a century. These agencies encourage exports and reduce risk in international transactions by insuring or guaranteeing loans to sovereign borrowers. Their standard model covers 85% of a project's financing, leaving a 15% commercial loan tranche to be filled by private sector lenders.

In Africa, this model has broken down. Since the 2008–2009 financial crisis, international banks have withdrawn from riskier markets. This has been driven by capital requirements under Basel III and internal country limits. Lending to African sovereigns is further inhibited by the unavailability of credit insurance in key markets. Without a lender willing to fund the 15% commercial tranche, the entire transaction stalls because ECAs cannot issue their guarantees until that portion is secured.

Acre Impact Capital created the Acre Export Finance Fund I to address this precise bottleneck. The $300 million private debt fund invests directly in the 15% commercial tranches of ECA-supported projects in Africa. By filling this critical gap, the fund enables the 85% ECA-guaranteed portion to proceed, thereby unlocking full project financing. Each dollar invested is expected to mobilize over five times that amount in private sector capital. The fund targets climate-aligned, sovereign-backed infrastructure in four priority sectors: renewable energy, sustainable cities, resilient food and water systems, and green transportation. It offers institutional investors a pathway to support Africa's climate and development agenda through a tested but underutilized financial mechanism. Acre Impact Capital has already achieved a first close of approximately $100 million, with support from the European Investment Bank, FSD Africa, Ceniarth, and Investec. However, to scale further, the fund must attract more commercial investors. Many of these institutions are restricted by internal mandates that require risk protection. This prompted the development of an innovative insurance-wrapped feeder structure.

The feeder fund is being structured to address the specific constraints of commercial investors who could not participate in the main fund without some form of downside protection. Private risk insurers can provide additional credit risk mitigation to enhance the vehicle's appeal to risk-constrained allocators. Designing such a structure requires navigating significant market unfamiliarity. Through the process, Acre discovered that many private insurers had no previous experience with blended finance. Unlike development institutions that are familiar with catalytic capital models, private insurers were less accustomed to the risk-sharing logic, portfolio structures, or terminology involved in blended finance structures. This presented both a challenge and an opportunity. With sufficient engagement, insurers could be drawn to perform an important role within the blended finance ecosystem.

A defining feature of the feeder fund is its reliance

exclusively on private sector instruments. Acre Impact Capital is looking to work with select Lloyd's of London private risk insurers market. There are no donor guarantees, no concessional capital, and no ECA involvement in the risk-sharing layer. This approach distinguishes Acre's structure within the broader blended finance landscape. Following initial discussions with over 20 private market participants, Acre decided to work with a leading credit insurance broker as well as select group of private risk insurers. These institutions were ideal partners for a co-design process based on their knowledge of the market, experience working with complex structures, and their willingness to lead innovation in sustainable finance. Their involvement illustrates how institutional sustainability commitments at the top can be an important catalyst for underwriting product innovation.

Acre Impact Capital found that working with insurers as partners in a co-design process, as opposed to just counterparts in a transaction, has helped facilitate collaborative discussions around important issues which need to be addressed to structure a vehicle which works for all stakeholders involved. These include:

1. understanding and bridging insurers' and Limited Partners' ("LP") requirements;
2. ensuring alignment of interests amongst all parties;
3. getting insurers comfortable with Acre Impact Capital's underwriting and governance framework; and
4. agreeing structural mitigants which make insuring the feeder vehicle a more attractive risk proposition compared to underwriting single-name risk.

Despite the Fund's success in engaging insurers on the liability side, Acre Impact Capital found it more difficult to bring insurers in as investors due to regulatory constraints. Under Solvency II, a risk-based framework that requires insurers to hold capital in line with the risks they take, insurance companies face steep capital charges for holding sub investment grade rated emerging market debt without additional protection on principal and interest. Securing that level of insurance would have made the economics of the feeder fund unattractive. In response, Acre Impact Capital made a deliberate decision not to target insurers as limited partners in this first iteration. Instead, the structure was positioned for other risk-sensitive investors such as family offices

or foundations. However, the team noted that with partial donor support to subsidize full insurance premiums, a future version of the vehicle could meet regulatory requirements and open the door to direct insurance or pension fund investment.

Acre Impact Capital's experience also revealed structural limitations among some public and development actors. Timelines and risk appetites among development finance institutions and public insurers can often be misaligned with commercial deal cycles. In one case, a public insurer estimated it would take a full year to obtain pricing approvals. This pace is incompatible with private fund structuring where key terms need to be known upfront in order to proactively engage potential investors. Moreover, many DFIs were unwilling to support a first-time structure that did not fit neatly within their mandates. Acre Impact Capital argued that these institutions should become more flexible and responsive to innovative models that offer demonstration effects, while streamlining internal approval processes. Supporting such vehicles is critical to opening new channels for private capital.

Looking ahead, Acre Impact Capital's ambition is to transform the export finance market from a banked product to a new asset class open to institutional investors. While ECAs and banks conduct robust environmental and social due diligence, positive impacts are rarely quantified or monetized. Acre Impact Capital embeds impact measurement directly into its Fund's architecture and shares impact metrics and outcomes with the ECA and Arranging Bank, creating a stronger value proposition for all parties involved including impact-aligned institutional capital. Also, currently very few funds globally are active lenders to the 15% commercial tranche. Acre Impact Capital seeks to expand this narrow space through standardization, impact transparency, and regulatory advocacy. Over time, this will reposition export finance as an attractive asset class for institutional climate investors.

Finally, Acre Impact Capital is also involved in market-wide initiatives which seek to identify policy reforms that would allow institutional investors, including insurers, to allocate capital more easily to transition-aligned infrastructure in emerging markets. Current discussions focus on recalibrating how capital charges reflect actual risk in these markets. According to Acre Impact Capital, currently, regulatory treatment exaggerates perceived volatility and discourages long-term investment. The impetus will be increased availability of transaction-level data. Adapting regulatory frameworks to recognize the actual risk-return profile of sovereign ECA transactions could unlock a significant pool of insurance and pension capital for development and climate goals.

3 THE INSURANCE SECTOR AS INVESTORS

IDF Blueprint to facilitate investment in resilient infrastructure in EMDEs

Finally, insurers can invest as institutional investors through their asset arms, committing to the senior tranches of blended assets backed by a separate layer of concessional capital. In April 2024, the IDF announced it had selected BlackRock to put into action a new blueprint designed as a catalyst for driving greater mobilisation and more impactful insurance sector investment in resilient infrastructure in EMDEs. The IDF is a membership organization of global insurers. It looks to drive action to close protection gaps, and to optimize and extend the use of insurance capabilities to create resilience and enable sustainable growth.

The blueprint, developed by the IDF Infrastructure Task Force, seeks to create a pipeline of infrastructure projects that match insurance sector investment requirements. This includes investing in a diversified portfolio of greenfield and brownfield commercial infrastructure projects in sectors such as renewable energy, water, waste, transportation, social (e.g., hospitals, education, and government-backed housing), digital infrastructure and telecommunication, as well as nature-based solutions geared towards enhancing the resilience of vulnerable communities in EMDEs to risks specifically from climate change and other natural disasters.

Investments will be made through senior and mezzanine secured debt with a credit profile that is compatible with the requirements of the global insurance industry. Through exploring innovative structures, the IDF's ultimate aim is to provide a replicable, scalable solution for resilient infrastructure projects that can come to market quickly and thereby lead to near term measurable positive outcomes for the resilience of vulnerable communities.

The IDF-BlackRock collaboration is an example of insurers combining to collaborate with a well-established asset manager with a broad global footprint. It provides a model for how the scaled involvement of insurers in climate blended finance can be encouraged going forward.

CONCLUSION

The examples presented in this case study report illustrate some of the different modalities through which the insurance sector has participated in blended transactions historically. Based on the consultations conducted with leading industry stakeholders, the key challenges and opportunities facing the insurance sector when using blended finance to support health-resilient climate outcomes in developing countries will now be explored.

REFLECTIONS

CHALLENGES

1 THE INSURANCE SECTOR ACTING AS INVESTORS

1.1 When investing in blended transactions, the insurance sector will often find deal structures designed for commercial banks

The long-term cash flows and illiquidity characteristic of blended finance structures are naturally aligned with the insurance sector's long-duration liabilities and the long-term financing models they rely on, especially life insurers. As the asset management side of life insurers expands its investment mandates to include a wider range of jurisdictions and risk profiles, its interest in blended finance has grown. However, despite this increasing engagement, most blended transaction structures remain designed around the needs of commercial banks rather than those of the insurance sector. This structural bias continues to limit the participation of insurance capital in otherwise suitable development-focused investments.

The distinction between insurance sector actors and commercial banks is not simply a matter of preference but reflects fundamental differences in institutional structure. The insurance sector, particularly life and health firms, manages long-term and illiquid liabilities, and therefore favors fixed-rate, long-duration assets that align with their regulatory frameworks and risk models. By contrast, commercial banks typically pursue short-duration, floating-rate assets. Regulatory regimes such as the European Union's Solvency II directive further reinforce the insurance sectors' preference for assets without prepayment optionality, as prepayment rights introduce reinvestment risk and diminish regulatory capital efficiency. Yet many blended finance structures continue to retain these features, thereby reducing their appeal to insurance investors.

Concerns around portfolio concentration further temper insurer participation in the climate-health nexus. Since many insurers are already exposed to climate and health-related risks across their investment portfolios, increasing exposure through additional underwriting or direct investment in such sectors may generate risk concentrations rather than diversification. For insurers to participate effectively, transactions must offer not only risk-adjusted returns but also a clear strategic fit with their broader investment and sustainability objectives.

A further technical barrier lies in the way DFIs structure their guarantees. Historically, banks often served as both arrangers and lenders, allowing DFIs to condition their guarantees on the performance of a single counterparty. In today's landscape, however, insurers are increasingly entering blended transactions as institutional investors, while banks continue to act as arrangers without necessarily providing capital. Despite this shift, guarantee

frameworks have not evolved to reflect the separation of these roles. As a result, insurers may face penalties or lose coverage due to the actions of arrangers over whom they have no control. This misalignment highlights the continued need to raise awareness of the structural and regulatory requirements specific to insurers, and to adapt blended finance frameworks to accommodate their participation more effectively.

1.2 The insurance sector may face constraints around mandate alignment, internal bandwidth, and data availability when appraising blended transactions

Despite growing interest in blended finance, many insurance sector actors investing through their asset arms continue to face internal limitations that constrain their participation. A key barrier lies in the lack of institutional capacity to assess the anticipated development impact of transactions. For insurance sector actors seeking to align investments with their sustainability objectives, the ability to rigorously evaluate the social and environmental performance of blended structures remains essential. Yet awareness of blended finance remains limited across much of the insurance sector, particularly among institutional investment teams unfamiliar with development-focused instruments.

In this context, demonstrating the long-term strength of credit performance in developing markets becomes critical. Instruments such as the Global Emerging Markets Risk Database, which aggregates default and recovery rate data, offer useful tools for building confidence. However, the absence of standardized credit ratings across many blended structures presents an additional challenge. Insurance companies that lack in-house expertise in this area are often unable to properly evaluate the credit risk of these investments, which in turn constrains their ability to allocate capital at scale. Greater standardization and more consistent alignment with insurance sector requirements are, therefore, necessary to support wider market participation.

1.3 Insurance sector actors investing in tiered blended structures may face higher capital charges from regulators

Blended finance transactions often rely on structured finance principles, including tiered capital structures that resemble those found in securitization vehicles. In such structures, lenders pool portfolios of loans into a legal entity and issue different classes of securities to investors according to their risk-return preferences. Senior notes typically offer low risk and low return, mezzanine notes provide moderate risk and return, while junior notes absorb the highest risk in exchange for higher expected returns.

Within blended finance, concessional actors often occupy the junior tier of the capital structure. Unlike traditional junior investors, they do not expect a high market-rate return. Instead, they accept lower or no returns to improve the risk-return profile for commercial investors in the senior and mezzanine tiers. This catalytic approach is intended to make transactions more attractive to institutional capital by reducing downside exposure.

In European jurisdictions, tiered blended vehicles may be classified as securitizations under Solvency II. For insurers regulated under this framework, securitization exposures can carry significant capital charges, making them less attractive. In the absence of clear regulatory precedents or guidance on whether and when blended finance vehicles qualify as securitizations, transaction sponsors often face significant structuring complexity, increased legal costs, and delays[5].

These regulatory challenges underscore the need for clearer classification standards and practical solutions that enable insurance companies to invest in blended structures with more risk-proportionate capital penalties. Developing solutions that respect current frameworks while expanding market access will be critical to mobilizing insurance capital at scale.

5. Regulatory awareness of these issues has grown, with the European Commission's review of the Solvency II Delegated Regulation recognizing the role insurers can play in mobilizing additional private capital to support key EU objectives, including investments made in the real economy alongside public funds, notably where public guarantees or subsidies are involved.

2 THE INSURANCE SECTOR ACTING AS (RE)INSURERS

2.1 The insurance sector may face capacity, coordination, or information challenges when appraising blended coverages

Insurance sector actors also face constraints when acting as insurers in blended finance structures. Balance sheet allocations for risk coverages are typically fixed and disaggregated by region and country, meaning the annual capacity for risk coverages in a particular jurisdiction is capped. While insurers have long provided credit-wrapping for non-blended loans originated by development institutions, there remains a limited understanding within the development finance community of how insurers can play a similar role in blended structures. Unlike stand-alone insurance products, which insurers can cover independently, blended transactions often require multi-party coordination involving lenders, brokers, and intermediaries. This intermediation can add complexity, particularly in settings where internal awareness of blended finance is still nascent.

The integration of insurance within blended finance funds, particularly at the portfolio level, presents further challenges. Insurance companies must be confident not only in the risk characteristics of individual projects, but also in the design and management of the fund's overall capital structure. This requires a nuanced understanding of how concessional layers provide credit enhancement and risk protection across a diversified portfolio of smaller, potentially higher-risk loans. Compared to assessing risk on a loan-by-loan basis, portfolio-level coverages are less familiar to many insurers and require dedicated time and knowledge-building. Where funds seek to incorporate a risk-mitigating insurance layer into their capital stack, this often depends on the availability of early, pilot-level transactions that can serve as proof of concept and help develop replicable models.

Building trusted relationships between the insurance sector and the development finance community is therefore essential. Establishing clarity around the ideal capital stack, comprising commercial instruments, insurance-based de-risking solutions, and concessional capital, can support better alignment between investor expectations and fund design. Advancing this collaborative effort will be key to unlocking insurance capital at scale for blended finance initiatives targeting health, climate, and development outcomes.

2.2 Insurance sector actors capitalized by blended transactions often lack the data needed to effectively price climate risks, and may struggle to obtain affordable, multi-year reinsurance capacity

Blended transactions targeting local insurers as direct beneficiaries face additional challenges. Climate insurance products rely on sophisticated climate data modelling that local insurers often don't have access to, and together with the capital charges, demand shortages, and distribution uncertainty they face, there are difficulties in attracting them into new business lines where the future returns on invested capital are uncertain. Reaching the desired end beneficiaries through insurance products can also prove particularly challenging for blended practitioners operating in vulnerable communities. Meanwhile, gaps in the enforcement of insurance regulations persist across some developing markets, potentially reducing the trust of the ultimate beneficiaries that climate insurance products will be honoured.

Finally, climate risk events can also be of a magnitude beyond what local insurers can provide risk coverage for, necessitating some kind of scalable and permanent reinsurance capacity in these markets. However, another challenge emerges here. Since insurance products are priced annually and their prices rise dramatically after climate risk events, obtaining affordable, multi-year reinsurance capacity has proven challenging for local insurers, highlighting an area for blended finance's potential support.

OPPORTUNITIES

1 THE INSURANCE SECTOR ACTING AS RISK ADVISORS

Engage the insurance sector early as risk advisors for blended transactions

Insurance sector actors are usually approached quite late on their participation in blended finance transactions, whether they are providing risk coverage, advisory services, and/or investment funds, and often only after key financial arrangements are finalized. This late involvement limits the sector's capacity to come in as an advisor, as well as to assess risks of the underlying projects or activities and offer other risk management tools. Limited say in such complex contracts can increase the perceived risks of blended finance instruments and thereby discourage insurance sector actors from participation as risk advisors, re(insurers), and/or investors.

Engaging insurers (or insurance brokers or other parties who have a comprehensive understanding of the role and potential added value that insurance can provide) earlier in the process of structuring blended finance instruments would enable a wider range of contributions from the insurance sector and ultimately support the robustness and attractiveness of blended finance deals to insurers. Earlier involvement of insurers would also provide benefits from the capabilities of the insurance sector as a risk advisor and through enabling greater access to insurance risk management tools.

2 THE INSURANCE SECTOR ACTING AS INVESTORS

Ensure blended transactions reflect the insurance sector's requirements and improve coordination between the sector and public agencies present in transactions

Enhancing the development community's understanding of the insurance sector's requirements is essential for unlocking their full potential as both institutional investors and risk mitigants in blended finance transactions targeting climate action. Prioritizing the design of insurance-friendly structures is a critical first step. This involves not only aligning financial terms and risk profiles with insurance sector mandates but also improving coordination among public sector actors involved in transactions supported by insurance capital. In many jurisdictions, insurers face a fragmented landscape where ministries, regulators, and ECAs operate in silos, creating operational friction and discouraging investment.

In more mature infrastructure markets, improved public-sector coordination has already demonstrated tangible benefits. In some instances, regulatory authorities have lowered insurers' capital charges for investments in infrastructure projects that received formal credit ratings, leading to both reduced financing costs and increased investment volumes. These outcomes offer a potential blueprint for blended finance. If similar public coordination were extended to climate-related investments in developing markets, it could generate comparable results. In particular, increasing the share of transactions that receive ratings from recognized credit agencies would help standardize risk perceptions and build greater confidence among insurers in the role of investors[6].

6. While external credit ratings can unlock demand from the insurance sector as investors, they do not determine technical pricing for insurance coverage; coverage prices will still hinge on hazard frequency/severity, exposure quality, and available (re)insurance capacity.

7. Preferred Creditor Status (PCS) also known as Preferred Creditor Treatment (PCT), is a market-based (not contractual or legal) convention under which MDBs and many DFIs are treated by sovereign borrowers as having priority repayment rights over other creditors in times of financial stress.

Insurance sector players in need of credit or sovereign-linked comfort in developing markets may also be more inclined to act as coverage providers in blended transactions that are backed by MDBs or large DFIs with preferred creditor status[7]. These institutions offer a level of security and predictability that aligns well with the risk management frameworks of insurers. By contrast, smaller DFIs or national investment funds, particularly those owned by a single government, may lack the perceived financial strength or institutional credibility to attract insurance capital at scale. Governments can play a catalytic role by extending explicit partial credit guarantees or backstop facilities, with clear terms and tenor, to elevate the credibility of smaller institutions and enhance their investability.

In parallel, regulatory frameworks may consider supporting more flexible investment models to the extent that it is in line with their risk-based approach. In addition to focusing on premium subsidies or securitization-based approaches, regulators and standard setters may explore the development of alternative investment structures that justify lower capital charges for insurance investors. By enabling non-securitized structures that meet solvency requirements while retaining developmental intent, public and private stakeholders can work together to expand insurance sector participation in blended finance. This institutional shift would help bridge the investment gap for climate action in developing markets and support more strategic deployment of insurance capital.

3 THE INSURANCE SECTOR ACTING AS (RE)INSURERS

Use blended finance to fund local insurers developing innovative climate insurance products and to boost local insurers' access to affordable, multi-year reinsurance capacity

Many climate insurance solutions are nascent and not ready for mass roll-out, with only a few providers of most of these products. Technology performance insurance, for example, can guarantee the performance of new climate technologies but may involve complicated underwriting, with demand having remained too low to boost supply to date. Blended finance can help support local insurers developing these incipient climate solutions through mechanisms like TA or design-stage grants, and can also help fund affordable, multi-year reinsurance capacity to support local insurers' climate-focused products. In so doing, blended finance can also help to focus efforts on a unifying target for climate adaptation and resilience, such as reaching a certain number of beneficiaries through climate solutions by 2030.

CONCLUSION

The challenges and opportunities presented in this playbook illustrate the key factors that will shape the participation of the insurance sector in blended finance at the climate-health nexus in the years to come. Against this backdrop, what are the practical steps that can be taken by different actors to address these challenges and capitalize on these opportunities going forward? These steps will now be outlined in the final section of this playbook.

RECOMMENDATIONS

1 FOR DEAL SPONSORS

1.1 Integrate risk advisory services and CAT modelling early to strengthen project design, risk pricing, and capital mobilization

To mobilize larger volumes of private capital for climate-resilient infrastructure in vulnerable markets, blended finance practitioners should integrate catastrophe (CAT)[8] modelling and private sector risk advisory services from the earliest stages of project development. Early engagement with the insurance sector not only enables more precise risk identification and pricing but also enhances insurability and improves bankability, ensuring that financial structures are technically viable and contextually grounded. As previously mentioned, when engaged early, the insurance sector can guide investment toward more resilient, high-quality assets and work collaboratively with financiers to tailor bespoke insurance solutions to the needs of the transaction. This strategic use of insurance can improve a project's risk-return profile and increase its attractiveness to commercial investors.

An area of growing importance is the integration of insurability into infrastructure planning as a core strategy for improving project feasibility. This involves designing assets to be resilient from the outset, both physically and operationally, and selecting locations with an awareness of geographic risk. Resilience can be strengthened using forward-looking building codes, climate-informed zoning, and system-wide planning that considers factors like energy supply and transport connectivity. The insurance sector is well-positioned to contribute beyond traditional risk transfer. Acting as advisors, modelers, and disaster risk reduction consultants, they can improve resilience, reduce long-term exposure, and enhance insurability when engaged early in the project lifecycle.

CAT models, widely used in property and casualty insurance, provide essential tools for hazard assessment, vulnerability analysis, and exposure quantification. These models support disaster risk financing strategies developed in collaboration with institutions such as the World Bank and UNDP. However, in many developing markets, the deployment of advanced risk modelling has not consistently led to increased capital flows. This reflects persistent institutional capacity constraints and a broader need to clarify how blended finance mechanisms can improve risk-adjusted returns in markets with high climate vulnerability. Integrating CAT modelling into project origination helps address these challenges and can unlock financing for investments that might otherwise remain commercially unviable.

Aon and Swiss Re offer practical examples of this approach. Aon's platforms, including the Climate

8. Catastrophe (CAT) modelling uses simulations to estimate potential losses from events like earthquakes or floods. It analyzes hazard, exposure, vulnerability, and financial terms to support risk pricing, portfolio management, and insurance-linked instruments.

Risk Monitor and Transition Performance Index, help stakeholders assess climate exposure, map transition risks, and develop tailored financial strategies. Their advisory services cover the full risk lifecycle, from identifying site-specific threats and recommending mitigation measures to structuring conventional and parametric insurance solutions. Swiss Re applies a similar model through its "Understand, Reduce, Transfer" framework, combining IPCC-aligned models with site-specific evaluations and structured risk transfer products. The value of this approach was demonstrated in the post-earthquake hydropower project in Nepal, where structuring of parametric insurance enabled lender participation in a market previously abandoned by traditional insurers.

Beyond climate infrastructure, the insurance sector can also add value in sectors such as healthcare, where implementation challenges are often linked to a disconnect between global program design and local delivery systems. For example, Bupa contributes operational insight, pilot program participation, and systems expertise, thereby supporting program alignment with user needs and institutional capacity. These contributions can help ensure that blended finance interventions are not only technically robust but also socially viable and can be deployed in practice.

Looking ahead, adopting a portfolio-based approach to risk assessment, as exemplified by Swiss Re's collaboration with IRENA's Energy Transition Accelerator Financing (ETAF) platform, can support more institutionalized use of blended finance. By evaluating multiple renewable energy projects concurrently, the insurance sector can apply consistent risk metrics, enabling diversification and improving efficiency. This also aligns with how the insurance sector traditionally manages exposure, through risk pooling and structured underwriting. In markets such as the Philippines, where agricultural lending quotas are chronically unmet due to the absence of reliable risk assessment tools, integrating CAT modelling into blended finance structures could support regulatory compliance and expand access to credit.

By combining CAT modelling and private risk advisory services from the outset, blended finance initiatives can more accurately reflect real-world risk dynamics. This integrated approach strengthens project design, reduces uncertainty, and expands access to capital in the sectors most exposed to climate-related shocks.

Q&A: ADVANCING DISASTER RISK FINANCE THROUGH BLENDED STRUCTURES AND INSTITUTIONAL CAPACITY

Interview with Sumati Rajput, Senior Financial Sector Specialist, Crisis and Disaster Risk Finance, World Bank Group

Q How does the World Bank approach disaster risk finance (DRF) and insurance at the country level?

While there is no one way to approach DRF, good practice suggests that countries should have a comprehensive view of their risks and an understanding of their contingent liabilities. Typically, the World Bank works with countries to develop a (DRF) diagnostic, which maps out a country's major risks and quantifies potential losses to various return period events based on available historical data. This also entails assessing a country's available mechanisms for financing various events to provide a view on the financing gap – and potential approaches for structuring different pre-arranged financial solutions given value for money that could help address that gap. In parallel, the document also outlines the current institutional and regulatory approach for post-disaster response, which can be useful to understand changes that may be needed to make it feasible to establish new financial solutions. Once countries have a clear approach / strategy with priorities, the World Bank also supports the implementation of this strategy. This often includes supporting governments with design and implementation of a wide range of financial solutions – from risk retention to risk transfer.

Q What are the key barriers to implementation, and how does the World Bank address them?

Pre-arranging financial solutions requires upfront costs and sustained financial investments from clients to maintain those solutions. Typically, they also require robust regulations and technical capacity, which also need to be sustained despite government changes.

At the World Bank, we offer partner countries a range of financial instruments through our crisis preparedness and response toolkit, which is central to the World Bank's lending programs. Specific programs such as the Global Shield Financing Facility (GSFF) and the Risk Finance Umbrella, often provide grants for subsidizing some of the design and implementation costs associated with these instruments. For costs such as premium subsidies, GSFF requires counterpart matching considering the need for building longer-term sustainability, especially for risk transfer solutions that are addressing low frequency events. For such solutions, public funds are intended to unlock private risk capital from the reinsurance industry when these solutions are triggered.

Q What conditions enable successful uptake of disaster risk financing tools?

Some enabling factors include:

- **Strong government championship:** The Ministry of Finance are key actors to own this topic in countries, with strong engagement and coordination of various line Ministries and agencies. Having this government championship is important for sustained budgetary allocations for pre-arranging finance and developing and updating regulatory frameworks that institutionalize the topic so it can withstand political turnovers.
- **Sustained investment in updating data and models:** This is essential for countries to be able to keep an up-to-date view on risk and continually update their approach to managing their contingent liabilities. This requires steady investment in expertise on the topic through academics, scientists, as well as required systems infrastructure development and upkeep (e.g., data systems, information management systems, etc.)
- **Investing in "money out" or "delivery" mechanisms:** For countries to continue to keep financing such instruments, they need to demonstrate that they work. This is only possible if funds are released when they are meant to and reach where they are intended to. Therefore, eliminating bottlenecks that delay release and use of funds is fundamental.
- **Learning and tweaking:** It's important to periodically review your risk financing strategy and instruments through regular monitoring and evaluations. This can ensure improvements and tweaks based on sound evidence.

Q What role can insurers play in supporting this agenda?

Insurers have an important role to play in supporting this agenda.

- **Innovation:** Given the complexity of insuring natural catastrophe (NatCat) risks in EMDEs, insurers could show willingness to support innovative product/trigger designs that have limited use cases.
- **Capacity building:** In countries where local markets have limited technical capacities for offering NatCat products, insurers could make the expertise they have available to capacitate local markets e.g., through building local market claims handling capacities, risk modelling, and actuarial expertise.
- **Data:** Insurers could also leverage historical data they collect, e.g., through claims management processes and make that available to e.g., risk modelers to enhance estimations for assessing and pricing of future risks.
- **Risk reduction:** Insuring could incentivize longer-term investment in risk reduction/resilience efforts so that insurance becomes better targeted and affordable over time.

What innovations are being explored to expand DRF impact?

There are a range of stakeholders working on exploring ways to amplify the impact of DRF. Some of this includes:

- **Gathering more data:** Finding innovative approaches for collecting and processing data through earth observations, tools, sensors etc.
- **Types of products:** Innovations are ongoing for risk retention and risk transfer products and for adapting traditional products to address risks across different sectors and for different groups.
- **Bundling approaches:** This includes linking NatCat risk to savings/credit and other solutions, so risk layering is practiced at meso and micro levels as well.
- **Triggers:** Innovating on trigger design to lower basis risk for insurance products, or innovating on combining soft and hard triggers for risk retention solutions to ensure more effective outcomes.
- **Operational preparedness:** This to ensure funds are released quickly and have the impact they are meant to have.
- **Regional risk pools:** In countries where local markets are not developed or able to offer Nat Cat products, regional insurance companies have been established to address this market gap while investing in local market capacities.
- **Partnerships:** Given there is work across communities on the topic – development partners, humanitarian partners, and MDBs, there is a stronger focus on learning from what others are doing and linking different initiatives to maximize impact.

What regulatory challenges hinder DRF innovation, and how are they being addressed?

Regulatory challenges are context specific – often depending on how far along countries have been on their DRF journey, what their priorities are, and what they have had in place. For example, in some countries regulatory changes are needed to establish annual budget allocations for prearranged finance; in others, they're needed to implement risk transfer solutions, which could include innovating in trigger designs or claims handling systems; and in others, regulatory changes are needed to institutionalize DRF within a country's financial planning approach more generally. Addressing these requires strong government championship and robust governance processes.

How are insurers currently engaging in DRF, and what trends are emerging?

Insurers are playing an important role in this space. Through consortiums and partnerships as set up through the Insurance Development Forum and the Global Asia Insurance Partnership, there is strong momentum to innovate and work through public-private partnerships to offer best solutions to our partner countries. With the Insurance Development Forum, the World Bank has set up a knowledge partnership to make insurance expertise available to EMDEs to help further the dialogue.

1.2 Use simple, data-backed structures and differentiated engagement to build the insurance sector's confidence in blended finance

To scale insurance sector participation in blended finance, practitioners should prioritize simple, replicable structures supported by credible data and case-based evidence. Insurance engagement remains limited outside of Europe due to unfamiliarity with blended mechanisms, limited practical experience, and a lack of clear performance precedents. Building sector-wide confidence will require a sustained market education effort, underpinned by well-structured demonstration projects and the development of trusted risk mitigation frameworks.

For many insurance companies, particularly those from emerging markets, meaningful engagement only materializes when presented with transactions that clearly fit their mandates, asset-liability management, and risk-return thresholds. As such, raising awareness must be matched by delivering tangible, data-driven examples of how concessional capital improves transactions' risk-return profiles. Effective engagement rests on the origination of investable projects in priority sectors such as agriculture, credible risk quantification using trusted datasets, and financial structuring that transparently illustrates the catalytic role of blended finance.

A key barrier is the cognitive burden created by overly complex or unfamiliar transaction structures, which can deter insurer involvement. To overcome this, blended finance practitioners should present focused, easy-to-understand case studies that isolate the contribution of blended finance to project bankability. This is especially relevant for institutional insurance companies, such as those in the life segment, who require quantifiable clarity on how concessional elements mitigate risk or improve expected returns.

Engagement strategies should also reflect the institutional asymmetry between the insurance sector in developed and emerging markets. While insurance companies in mature markets are often open to early-stage participation, those in emerging markets tend to engage only once projects are fully structured and contractually defined. This operational rather than strategic orientation calls for differentiated outreach approaches, including proactive awareness-building and the dissemination of successful precedents tailored to local contexts. Curating and circulating such examples are critical, while broader efforts must focus on improving access to high-quality data, strengthening financial modelling capacity, and cultivating a robust pipeline of investable projects.

In parallel, building insurance sector capabilities will be essential to mainstream blended finance within commercial operations. The growing demand for climate-aligned investments has not been matched by sufficient internal expertise. Cross-sector talent strategies, such as those being pursued by Aon, can accelerate institutional learning. These include recruiting professionals from development finance or renewable energy backgrounds and equipping them with insurance-specific skills. Over time, this could help normalize blended finance as a standard investment approach, rather than as a niche tool.

Finally, fostering collaboration through trusted intermediary platforms is vital. Convening spaces facilitated by neutral actors such as the Singapore Sustainable Finance Association[9] or the Insurance Development Forum allow the insurance sector to share best practices, address common challenges, and build consensus on emerging themes like climate risk. Coupled with improved access to asset-level data and risk metrics, these efforts can help the insurance sector provide risk coverage for new technologies and developing markets with greater confidence. Early involvement in the feasibility or design stage allows the insurance sector to shape risk assessments and build the familiarity needed to expand the universe of insurable investments.

9. The Singapore Sustainable Finance Association (SSFA) is an industry body established by the Monetary Authority of Singapore and the financial industry to foster collaboration between finance and the real economy and build Singapore's position as a global sustainable finance hub. Its Blended Finance Workstream convenes financial institutions, development actors, and regulators to address market barriers, and runs workshops to strengthen practitioner knowledge of structuring and de-risking tools.

Q&A: ADVANCING INCLUSIVE INSURANCE AND RISK REDUCTION IN THE PHILIPPINES.

Interview with Lorenzo O. Chan, President & CEO, Rodirick Takiang, Chief Actuary & Special Projects, and Geric Laude, Head of Agriculture and Partnerships, Pioneer Insurance

Q What is your approach to inclusive insurance and how has your product offering evolved over time?

Pioneer comprises four insurance companies in the Philippines, spanning property and casualty (P&C), life, accident, and health insurance, as well as joint ventures focused on inclusive microinsurance and energy infrastructure. With over 70 years of operations, it is the country's largest underwriter of both P&C and microinsurance. Its engagement in microinsurance began in the late 2000s and has grown steadily since. The product strategy is rooted in customer-centricity, driven by actual market needs and iterative learning. Starting with life and health coverage, the offering has expanded to include targeted solutions such as dengue coverage and, more recently, agricultural insurance. Internal capabilities have been developed organically, resulting in over 30 million microinsurance policies issued to date.

Q How have partnerships and technical collaborations supported this development?

Partnerships have primarily provided technical assistance rather than direct funding. Collaboration with development institutions helped co-design agricultural insurance products by offering pricing guidance and access to otherwise unavailable government data. Additional support from innovation accelerators helped refine customer-focused design models. Currently, a network of 80 to 100 distribution partners (including rural banks, cooperatives, pawnshops, schools, and remittance agents) supports the insurance delivery model. Capacity building challenges were significant early on, particularly around data, analytics, and product development. These investments were financed internally, without blended finance, but strong partnerships and a willingness to iterate enabled steady progress.

Q How do microinsurance and agricultural insurance differ in structure and risk, and how are these risks managed?

While overlapping in some respects, microinsurance and agricultural insurance differ substantially in their risk structures. Microinsurance risks can often be absorbed by the insurer directly, whereas agriculture involves systemic risks with higher loss probabilities. Government involvement and innovative financial structuring are crucial to manage these challenges effectively. One example of a blended approach involves the use of rice farming technologies piloted under SDG-linked mandates, combining private sector innovation with public goals. Though not formally structured as blended finance, such models reflect its core principles.

Q What role does regulation play in enabling or constraining innovation in inclusive and agricultural insurance?

The regulatory framework for inclusive insurance in the Philippines is widely seen as a model. Since its introduction in 2006, it has enabled streamlined product approvals, simplified agent training, and clearly defined coverage parameters. However, agricultural insurance lacks a comparable support structure, facing fragmentation across government departments, and insufficient long-term policy or subsidy backing. Regulatory sandboxes now allow for experimentation, particularly when supported by development institutions.

Q What integrated solutions have been deployed to support smallholder farmers, and what role could blended finance play?

One example of an integrated solution involves bundling low-cost loans with mandatory insurance for coffee farmers who previously relied on high-cost lending practices. This pilot was implemented through a foundation and aimed to reduce dependence on informal finance while protecting both borrower and lender. The financing gap in agriculture is substantial.

Farmers often face prohibitively high interest rates from informal lenders and limited bargaining power in post-harvest processing Integrated models that combine credit, insurance, and market access offer a path forward. Blended finance could help scale these approaches by introducing mission-aligned capital that supports both affordability and sustainability.

Q What additional initiatives are underway, and how can blended finance enhance their impact?

A purpose-driven initiative is being developed for rice terrace farmers, structured around an "adopt a farmer family" model. This would provide support across the value chain (from seed and fertilizer to storage and milling) while promoting sustainable rice cultivation and preserving cultural heritage. Beyond financial support, risk reduction through blended finance presents a major opportunity. Poor agricultural practices, such as improper pesticide use, often drive losses more than climate-related events. Investments in agri-tech and farmer education could reduce risk exposure, lower insurance premiums, and improve access to formal finance. Real impact requires a holistic approach that integrates scientific knowledge, technical training, and capital solutions.

2 FOR THE INSURANCE SECTOR

2.1 Brokers

Capabilities and skillsets

Brokers can develop fluency in blended finance (that is, how concessional capital, technical assistance, guarantees, and public mandates fit together) and learn to translate those elements into insurance-ready terms. That includes comfort with development finance documentation, government procurement processes, and the "risk stack" of a transaction so that coverage concepts and investor protections are designed together rather than bolted on at the end. A practical helpful skill is "plain-language risk translation": explaining complex risk allocation to ministries, municipal agencies, or state-owned buyers who may be new to risk-transfer tools, and who often need support to negotiate confidently with market actors. In our consultations, it was emphasized that governments may lack in-house expertise and may benefit when market players speak simply and directly about roles, data, and obligations.

Multi-sectoral collaboration

Brokers can convene the right coalition early: DFIs, MDBs, ministries of finance, municipal disaster agencies, philanthropic funders, asset managers, and trusted local aggregators such as cooperatives, unions, microfinance institutions, or community networks. Several experts we spoke to stressed that uptake depends on a credible "aggregation" partner that communities already trust, as well as a facilitator who can align private insurers with public and philanthropic actors. Brokers can also work with bank and microfinance lenders whose portfolios are directly exposed to climate and health shocks, helping those lenders quantify portfolio-level risk and structure pre-arranged financing that layers internal reserves, contingent credit, and risk-transfer. This is an approach now being piloted across vulnerable country banking systems.

Operationally

Inside transactions, brokers can produce "insurability and bankability notes" at the concept stage so funders know early what risk data, operational safeguards, and governance provisions will unlock coverage and investment. They can coordinate modest, grant-funded feasibility work (for example, willingness-to-pay and service-use research) that gives (re)insurers the demand signals and operational

evidence they ordinarily lack in underserved segments. Philanthropic actors can fund early feasibility, user engagement, risk design, and time-bound premium support, creating the demonstration effects and data insurers need to price sustainably and scale. Finally, brokers can curate anonymized post-event results and share them with regulators and DFIs, building the consistent, comparable evidence set that supervisors may need to calibrate capital treatment for new structures.

2.2 Insurers

Capabilities and skillsets

Insurers can strengthen a few cross-functional muscles without creating new departments:

1. structured-finance literacy for investment, product, legal, and risk teams to read the arrangements for tiered capital stacks, guarantees, and TA;
2. portfolio-based risk thinking so that underwriting and investment arms are comfortable with pooled, multi-country pipelines rather than single-asset decisions;
3. public-sector engagement skills (that is, how to work with ministries of finance, regulators, and municipal buyers); and
4. "translator" roles that convert development finance terms into insurance risk language and vice versa.

Regulators and public agencies repeatedly ask the market to demystify its terms and processes; building this capability internally makes every discussion faster and more productive.

Multisectoral collaboration

Partnerships can be choreographed to reduce friction. Early collaboration with DFIs and donors avoids late-stage redesigns and can secure modest grant support for design work that private carriers will not fund alone. Insurers can also partner with trusted local aggregators to reach households and small enterprises at scale, and with lenders so that pre-arranged finance complements credit restructuring and liquidity support when shocks hit. Reinsurers and modelling firms can be brought in early to co-create portfolio-level risk views and template wordings that make subsequent transactions more repeatable.

Operationally

Commercially, insurers can move earlier in the deal cycle as risk advisors; stress-testing feasibility, highlighting data gaps, and proposing practical operational conditions that make programs insurable and investable. It is noted that when insurers help shape instruments up front (rather than simply quoting terms later), placement risk drops, and public buyers gain confidence. In underserved markets, insurers can back pilot phases whose design is informed by rapid user research and that demonstrate tangible benefits early; experts we spoke to found that early, visible impact builds understanding and trust among first-time users and public sponsors. Insurers can also invest through their asset arms in senior positions of vehicles whose risk is clarified by concessional layers and, where appropriate, by external wraps or ratings, which regulators in several markets view favourably when calibrating capital treatment.

Market building and evidence

Beyond transactions, insurers can co-fund domestic capability by supporting analytics, claims operations, and product management locally, so that less risk is ceded offshore and more solutions are engineered in-country over time. Experts we spoke to highlighted domestic capacity as the difference between one-off pilots and durable markets. Sharing aggregated performance data with supervisors (i.e., default rates, recoveries, severity distributions, and operational loss ratios) helps regulators move from caution to calibrated comfort, a need that the insurance regulatory community articulated.

2.3 Reinsurers

Capabilities and skillsets

Reinsurers can strengthen portfolio-level structuring for pipelines and funds, including dynamic covers that scale with deployment and gradually reduce as maturity develops. Moving from one-asset to portfolio views, and from static to "ramp-and-run-off" protection, was pivotal in winning internal risk committees. Building open, country-relevant analytics, ideally in partnership with public agencies and universities, also pays off where local observation networks or administrative data are thin and supervisors require transparent methods.

Multi-sectoral collaboration

Reinsurers can work alongside DFIs, rating agencies, and brokers to publish standard wordings, due diligence checklists, and risk evidence summaries that sponsors can take from one jurisdiction to the next. They can also provide targeted training and shadowing opportunities for local re(insurers) and regulators, accelerating domestic market development and reducing reliance on offshore capacity. This is something multilateral practitioners repeatedly asked for.

Operationally

Reinsurers can pilot multi-year capacity for well-governed programs, thereby smoothing post-event price spikes that deter public buyers and local (re)insurers from engagement. They can also support pooled approaches where appropriate across municipalities, lenders, or sectors, so that diversification lowers cost and improves predictability for public finance managers. Interviews with both public and private experts underscored the value of such scaling mechanisms to make pre-arranged finance credible in fiscally constrained settings.

3 FOR REGULATORS AND SUPERVISORS

Clarification and guidance

Supervisors can clarify when a tiered or "risk-layered" blended vehicle is, or is not, treated like a securitization, and what evidence for risk-sensitive calibration (for example, diversification, first-loss protection, or preferred-creditor anchors) might be possible, within existing prudential rules. Defining this upfront reduces legal uncertainty and transaction friction for insurers evaluating senior exposures. Interviews highlighted the need for clearer differentiation across structures and data-backed calibration noting today's default loadings on securitized forms and the lack of internal-model pathways in many markets. Since many blended structures remain bespoke, with different risk profiles from project to project, a case-by-case review by insurance sector actors and regulators may also be warranted here.

Sandbox and pilots

Where legal definitions are still catching up, sandboxes let innovators test products and portfolio features at a small scale with monitoring and consumer-protection guardrails. This lowers the learning curve for both firms and supervisors; several markets in Southeast Asia are already using this approach for novel insurance constructs.

Regulators can also try limited pilots that grant carefully bounded recognition (for example, to long-duration, resilient infrastructure that meets defined cash-flow and governance tests) then collect evidence on default/volatility to inform permanent calibration under regimes such as the European Union's Solvency II, with explicit guardrails. A pilot helps build shared evidence where market data are thin, a gap that supervisors themselves flagged.

Supervisory fluency in blended finance and climate-health risk

Dedicated capability building (e.g., short courses, joint clinics with DFIs and MDBs, plus short secondments) can help supervisory teams review novel structures, assess climate-linked risks, and read catastrophe and health-risk analytics with confidence. This addresses the capacity constraint repeatedly cited by country counterparts and can help shorten approval cycles.

Cross-agency collaboration

Regular, structured dialogue that joins supervisors, finance ministries, health and infrastructure agencies, and market participants can help reduce the fragmentation cited. Early engagement with brokers and insurers also surfaces insurability constraints before structures harden, improving bankability and lowering the need for heavier public risk-sharing later on.

4 FOR POLICYMAKERS

Use of public concessional capital

Policymakers can dedicate budget lines for first-loss capital, guarantees, premium co-financing, outcome payments, and TA that sit beneath commercial layers. In practice, this means pre-committing concessional tranches (or guarantee windows) that improve the risk-return for private insurers acting as investors or risk takers and pairing them with time-bound premium support that steps down as data, confidence, and scale improve. This is blended finance by design: public money absorbs early uncertainty so that private capacity can enter and stay, with public funds underwriting risk analytics, trigger design, and even initial premiums, matched by government money to unlock reinsurance capacity. This but only when structured as a temporary market-builder rather than a permanent subsidy. It is also important that explicit, rather than implicit, partial guarantees/backstops with clear tenor/terms are structured.

Experience from India likewise shows that targeted public co-funding and early payouts can kickstart uptake among vulnerable populations when an aggregator is present, with philanthropy and government playing catalytic roles rather than replacing markets.

At the platform level, Singapore's public anchoring of Bayfront Infrastructure Management and the FAST-P are further examples. For Bayfront, the government guarantee enhances Bayfront's credit quality, lowering funding costs and enabling institutional investors like insurers to access infrastructure debt at higher ratings with lower capital charges. For FAST-P, the Singapore Government's pledge of up to $500 million as concessional capital, to match dollar-for-dollar concessional capital from other partners, illustrates how public entities can seed investable vehicles in which institutional investors, including insurers, can participate. The insurance sector's participation in blended transactions currently remains small and tends to follow clear de-risking signals. Purpose-built public layers lower entry barriers, align with insurers' prudential needs, and free scarce grants for what they do best - absorbing first loss, paying for design-stage work, and accelerating proof-of-concept.

Act as "buyer-of-record" and aggregator

Policymakers can centralize demand by purchasing risk transfer on behalf of populations, sectors, or public-asset portfolios, and then passing benefits through to communities, utilities, or clinics, rather than leaving atomized buyers to navigate markets alone. This centralized purchasing is to include transparent procurement, claims-governance standards, pass-through protections for beneficiaries, and market-development plans to avoid crowd-out. States that have done this in DRF show why it matters: when a province or disaster authority holds the policy and budgets the premium, funds reach people faster, and capital requirements are predictable; central programs can even offer co-financing to incentivize take-up by sub-national entities.

Experts we spoke to also underscored that layered solutions combining own reserves, contingent credit, pooled reinsurance, and a top risk-transfer layer are more affordable when the government aggregates the exposure and anchors the lower layers; donors can sit alongside that public layer to deepen the cushion.

When these public purchases are tied to explicit climate and health performance indicators (for

example, continuity of care metrics for health facilities or shock-responsive social protection triggers), they become powerful blended instruments rather than generic covers.

Aggregation solves three blended finance frictions - distribution, scale, and affordability - and allows the encoding of public objectives (speed, equity, essential-service continuity) into the financing terms, instead of hoping they emerge from retail markets.

Fund the pipeline

Policymakers can create design-stage grants and TA windows that pay for feasibility, risk analytics, modelling, and structuring across sectors at the climate–health nexus (for example, climate-hazard and health-systems stress mapping for hospital retrofits or primary-care networks). There are clear precedents from the MDBs: public and donor funds routinely cover upstream modelling and product design so that later-stage private capacity can price and participate; in many countries, these public investments are the difference between an idea and a bankable structure.

Regulators and market developers emphasized the same gap from another angle: insurers and supervisors need transparent structure maps and data to assess relative risk across blended vehicles; and publishing templates and datasets can facilitate supervisory reviews and/or discussions, including that of capital charges, and accelerates execution.

Where modelling costs are a barrier, policymakers can co-finance standardized, open-data toolkits and market surveys to make portfolio-level, layered solutions feasible for banks and insurers.

Blended finance stalls without bankable, well-evidenced pipelines. Paying for preparation and data once, and letting many sponsors reuse it, reduces transaction costs, shortens deal cycles, and gives the insurance sector the risk evidence they require.

Institutionalise cross-ministry, public–private co-design

Policymakers can convene finance, health, energy, infrastructure, and insurance actors (and others necessary) at the outset, co-designing mandate-fit structures with clear roles for public capital, DFIs, MDBs, donors, brokers, and (re)insurers. Deals progress fastest when ministries of finance lead, and when legal, regulatory, and budget pathways are socialised early; policy operations can even condition budget support on passing enabling rules.

Finally, procurement and budgeting can be updated to recognise layered, performance-based contracts (for example, outcome payments linked to resilience or service-continuity metrics) so that public commitments mesh cleanly with donor grants, guarantee instruments, and private tranches.

Fragmentation - not a lack of money - is often the binding constraint. Early, structured co-design reduces rework, clarifies where concessional capital adds the most value, and produces simple, repeatable templates that insurers can underwrite or invest in.

Q&A: CATALYZING INSURANCE INVESTMENT IN SUSTAINABLE INFRASTRUCTURE AND BLENDED FINANCE.

Spotlight on the Monetary Authority of Singapore.

Q What initiatives are underway to attract insurance capital into infrastructure and sustainable finance in Asia?

In line with international developments, the Monetary Authority of Singapore (MAS) recently consulted on (i) a risk-appropriate and evidence-based capital treatment for infrastructure investments entered into by insurers and (ii) the associated infrastructure definitions and qualifying criteria that infrastructure investments must meet to be eligible for the differentiated treatment.

This is as infrastructure assets, generally known for their long-term nature and stable cash flows, align well with the extended financial commitments of life insurers. Additionally, the typical structuring of infrastructure finance provides an inflation-adjusted progression, which offers risk diversification and can serve as a useful alternative within insurers' investment portfolios. Not all the qualifying criteria can be met fully for some infrastructure projects, particularly in Asia. In light of this, MAS will be piloting a differentiated risk capital treatment for insurers' investments in environmentally sustainable infrastructure.

This allows insurers in Singapore to build their experience and capabilities in investing in sustainable infrastructure assets, and to gain deeper exposure to such assets.

Singapore also has platforms that aim to scale infrastructure investments and blended finance. One example is Bayfront Infrastructure Management, which acquires infrastructure debt from banks and repackages them as Infrastructure Asset-Backed Securities, providing institutional investors, including insurers, with access to a diversified portfolio of infrastructure exposures.

In addition, FAST-P is a blended finance initiative that brings together public, private, and philanthropic stakeholders. With a target of mobilizing $5 billion for green and transition projects, the platform aims to bridge viability gaps in Southeast Asia's decarbonization journey. The insurance industry can invest in the commercial tranches and also provide risk mitigation solutions to bring more energy infrastructure projects to market.

CONCLUSION

As climate risks grow and health systems face increasing strain, the insurance sector holds key capabilities, including long-term capital reserves and risk advisory expertise, that can support more resilient development outcomes. The insurance sector therefore has a critical role to play in advancing blended finance, not only as passive participants but as proactive actors shaping markets and products.

Governments and public finance have a key role to play in establishing the enabling conditions for greater insurance sector involvement to support domestic health and climate priorities. The insurance sector in turn can leverage policy innovations such as sandbox environments and targeted regulatory flexibility to experiment with new instruments. The mobilization of insurance sector actors domiciled locally in developing markets to support local priorities is also a promising frontier, but project origination is often driven externally, which means that insurance sector participation depends on whether they are intentionally brought in.

To shift this dynamic, the insurance sector can begin by joining blended finance networks to access early-stage deal flow, participating in multi-stakeholder working groups, and sharing perspectives on structuring risks. The sector can also participate in supranational policy forums to shape capital allocation frameworks and provide input and thought leadership into global discussions on de-risking and mobilization, to position the insurance sector as a strategic partner within blended transactions.

In so doing, the insurance sector can help to align blended finance with its core risk coverage and product development capacities, positioning themselves as co-creators of innovative structures. There is also space to prioritize low-hanging fruit in select sectors where risk-sharing models are more feasible, building momentum for broader engagement. Development funders, in turn, have a key role in supporting the insurance sector to expand its reach and catalyze deeper community impact through blended finance partnerships.

To unlock this potential, blended finance structures must be intentionally designed to align with the insurance sector's investment mandates and operational realities. This includes reducing transaction complexity and improving regulatory treatment. Stronger coordination with public actors is essential to catalyze broader participation. Beyond capital investment, the insurance sector can also act as a strategic partner in underwriting or assessing risk, and in product innovation. Its role in structuring and scaling parametric solutions, for example, can help bridge the gap between financial protection and public health impact.

By shifting from ad hoc engagement to deliberate partnership, stakeholders can embed insurance more centrally into the climate-health financing agenda. This playbook has outlined a practical roadmap to mobilize the insurance sector as risk advisors, (re)insurers, and investors within blended finance structures targeting climate and health outcomes in developing markets. Doing so will accelerate capital flows, enhance resilience, and support vulnerable communities facing the combined pressures of climate change and health insecurity.

METHODOLOGY AND NOTES

- **Convergence Market Data:** Convergence maintains the largest and most detailed database of blended finance transactions that have reached financial close. Given the current state of information sharing, it is not possible for this database to be fully comprehensive. We have made efforts to capture all relevant blended finance transactions; however, there are likely more transactions that have not been captured.
- **Scope of available data:** Convergence Market Data has tracked 93 blended finance transactions including an insurance company. To further understand insurance company involvement in blended finance, this report also draws upon stakeholder interviews conducted with Acre Impact Capital, Aon, Aviva Investors, BlackRock, The Blended Finance Company, Blue Orchard, BPL Global, Bupa, Climate High-Level Champions, GAIP Life and Health Working Group, GAIP Non-Life Working Group, GAIP Regulatory Working Group, the Insurance Development Forum, the Monetary Authority of Singapore, Munich Re, Pioneer Insurance, Swiss Re, The Texel Group, WCM Advisory, and the World Bank. Additionally, Convergence and GAIP co-hosted a roundtable during Ecosperity Week in Singapore, bringing together senior leaders from the insurance industry, including several of those listed here and others.
- **Target regions and countries:** Convergence tracks region and country data by stated region(s) and countries of focus at the time of financial close, not actual investment flows. Often, regions and countries of eligibility are broader than those explicitly stated.

CONVERGENCE
BLENDING GLOBAL FINANCE

CONVERGENCE is the global network for blended finance. We generate blended finance data, intelligence, and deal flow to increase private sector investment in developing countries.

BLENDED FINANCE uses catalytic capital from public or philanthropic sources to scale up private sector investment in emerging markets to realize the SDGs.

Our **GLOBAL MEMBERSHIP** includes public, private, and philanthropic investors as well as sponsors of transactions and funds. We offer this community a curated, online platform to connect with each other on blended finance transactions in progress, as well as exclusive access to original market intelligence and knowledge products such as case studies, reports, trainings, and webinars. To accelerate advances in the field, Convergence also provides grants for the design of vehicles that could attract private capital to global development at scale.

Global Asia
Insurance Partnership

The **GLOBAL ASIA INSURANCE PARTNERSHIP (GAIP)** is a tripartite partnership between the insurance industry, regulators, policymakers, and academia. GAIP's vision is to build a risk-resilient and sustainable world through insurance, closing protection gaps. Through a combination of research, engagement, and educational initiatives, GAIP serves as a unique bridge between academic insights, policy implementation, and industry practice to support the understanding and quantification of risks, the creation of an enabling environment, as well as to facilitate the design and implementation of efficient and sustainable solutions to address protection gaps.

For more information, please visit:
https://gaip.global/