

News Release

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GC Securities* Supports First Ever World Bank Catastrophe Bonds and Catastrophe-linked Swaps to Combat Infectious Disease

New York, June 29, 2017 – GC Securities, a division of MMC Securities LLC, a U.S. registered broker-dealer and member FINRA/NFA/SIPC, participated in today’s pricing of bonds and catastrophe-linked swaps supporting pandemic risk. Part of an innovative new public-private partnership aimed at improving global resiliency and health security, the mechanism provides surge funding to developing countries facing a possible pandemic outbreak. GC Securities served as co-manager of the bonds and joint arranger of the swaps. Data from the World Health Organization (WHO) was used by AIR Worldwide to provide expert risk modeling.

The Pandemic Emergency Financing Facility (PEF), announced in 2016 largely in response to the 2014 Ebola outbreak in West Africa, was created to rapidly deliver funds to member countries of the International Development Association (IDA) facing a major disease outbreak. The IDA is the World Bank Group arm providing concessional finance to the world’s poorest countries. The PEF’s unique structure combines swap funding along with proceeds from the bonds, with Japan and Germany financing the cost of premiums and bond coupons.

“Our capital agnostic perspective delivers an innovative combination of catastrophe bonds and swaps, giving the World Bank a diverse range of cost-effective risk transfer products supported by both capital markets investors and traditional (re)insurers,” said Peter Hearn, President and CEO of Guy Carpenter & Company. “This facility will enhance funding for emergency response and give ILS investors and (re)insurers greater access to a non-correlating class of risk, and we are honored to have assisted the World Bank with implementation of its financing.”

The PEF’s insurance component provides cover for viruses most likely to cause a pandemic. Financing is activated when parametric triggers determined by public WHO data are tripped, such as the number of deaths, the speed of the disease spread and if it has crossed international borders. In early 2018 a cash component will provide more flexible funding for pathogens that do not meet these criteria.

Technical details for each respective bond class are as follows:

Bond Class	Covered Viruses	Annualized Attachment Probability	Annualized Expected Loss	Risk Margin portion of Coupon
Class A	Influenza, Coronavirus	4.92%	3.57%	6.90%
Class B	Filovirus, Coronavirus, Rift Valley Fever, Lassa Fever, Crimean Congo Hemorrhagic Fever	9.44%	7.74%	11.50%

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According to Jim Yong Kim, President of the World Bank Group, “we have taken a momentous step that has the potential to save millions of lives and entire economies from one of the greatest systemic threats we face. We are moving away from the cycle of panic and neglect that has characterized so much of our approach to pandemics.”

TAGS/KEYWORDS

Guy Carpenter, GC Securities, catastrophe bond, cat bond, Peter Hearn, pandemic, World Bank, MMC, Marsh & McLennan Companies

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