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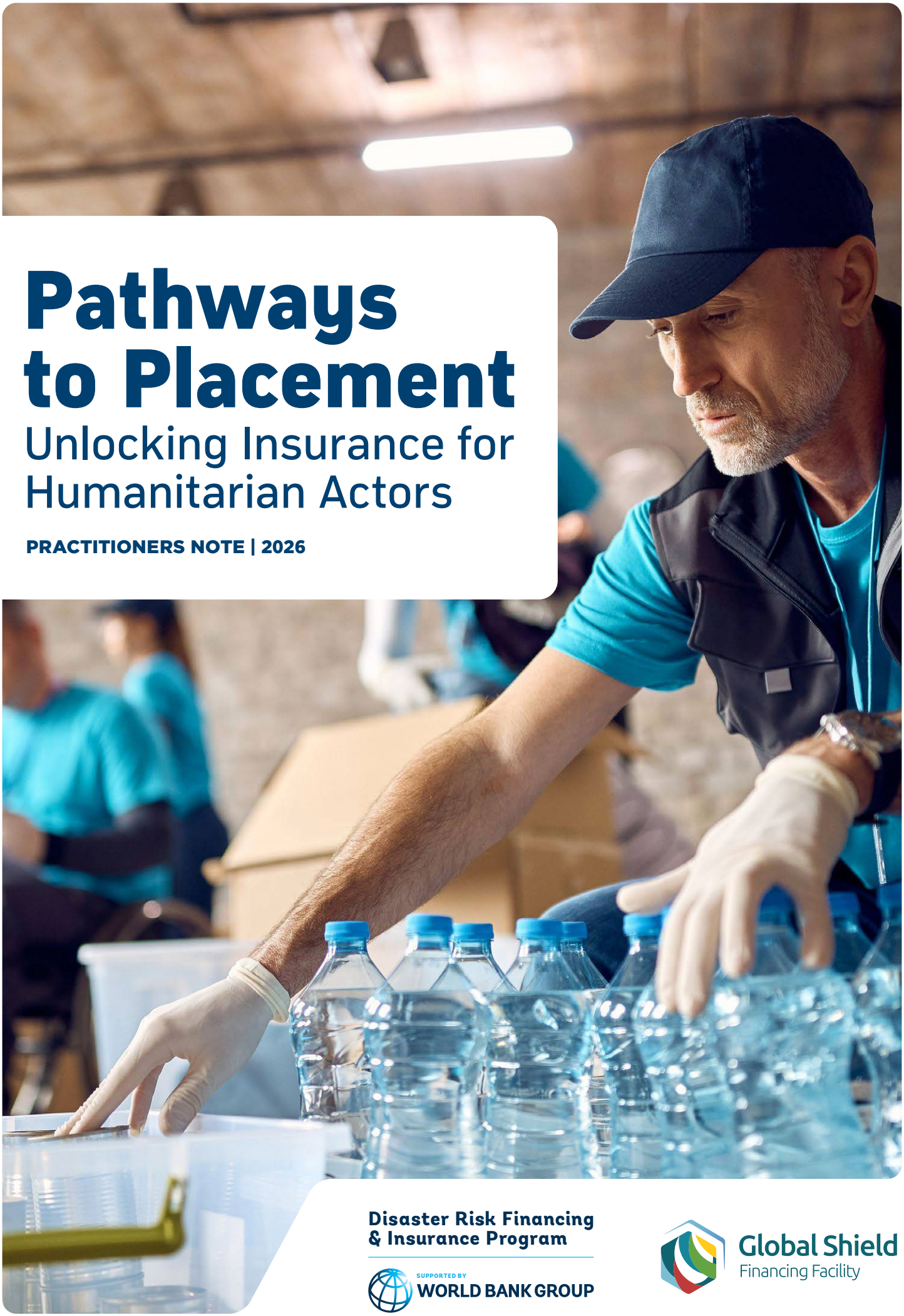

Pathways to Placement

Unlocking Insurance for Humanitarian Actors

PRACTITIONERS NOTE | 2026

Disaster Risk Financing & Insurance Program

SUPPORTED BY WORLD BANK GROUP

Global Shield Financing Facility

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Acknowledgments

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Executive summary

Humanitarian organizations typically operate in a system with reactive fundraising, where resources arrive late and are highly volatile. To avoid the difficulties this situation entails, humanitarian organizations are seeking to move toward more proactive, pre-arranged finance and are using tools like insurance to protect humanitarian budgets. An insurance policy can rapidly release funds at the time and scale required; it can provide access to additional capacity for infrequent, exceptional events; and it can obviate the need to stockpile resources or hold large amounts of funds in reserve.

Humanitarian insurance can help build organizational resilience to spikes in demand and facilitate faster, more predictable surge financing. It thus helps ensure continuity of assistance provision when there would otherwise not be enough money to meet large needs. The humanitarian organization pays a regular premium so that when an insured event occurs—for example, a major flood or drought, or multiple large-scale disasters in parallel—it receives a timely payout to cover the costs of responding. Humanitarian insurance is not a universal solution; for example, organizations facing chronic structural underfunding (i.e., insufficient funding every year) are unlikely to find insurance an effective solution for their core financing gap. Careful, independent consideration is therefore required before selecting insurance as a financing tool.

The process of designing and placing a humanitarian insurance contract is slow and complex, in some cases taking up to four years. This slow pace often reflects institutional, legal, procurement, and donor alignment challenges associated with these innovative, first-of-a-kind products, rather than technical or market constraints.

Buying insurance is a negotiated process that evolves through a sequence of interactions between the client and the insurance market. Each stage entails key decisions about what to do, what to avoid, and whom to involve.

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This note aims to provide those working in the humanitarian space with a clear understanding of the insurance placement process. It will be most useful to humanitarian organizations actively exploring purchase of an insurance product or early in the process of placing one, and to the donors and advisors supporting them. For these groups, it offers a realistic, experience-grounded guide to the placement process.

Drawing on 12 real-world placement experiences, it presents a step-by-step overview of the four stages of insurance contract placement (Figure 1). Importantly, buying insurance is a negotiated process that evolves through a sequence of interactions between the client and the insurance market. Each stage entails key decisions about what to do, what to avoid, and whom to involve (Table 1), including decisions about often-overlooked internal functions such as legal, finance, and procurement, which can become bottlenecks if engaged too late.

FIGURE 1
Placing humanitarian insurance

Source: World Bank.

The stages of placing a product are largely consistent across different types of humanitarian insurance, but the external actors, their roles, and the sequencing may vary. Typically, one entity serves as the primary counterpart for the humanitarian client and determines the placement pathway—through a regional risk pool, through a broker, or directly with an insurer. Each involves different trade-offs in cost, speed, and control. The suitability of a given pathway also differs markedly for first-time buyers versus organizations with prior experience of risk transfer.

- **Working through a risk pool** may be highly suitable for humanitarian insurance pilots operating in a geography or for a hazard where a risk pool exists (e.g., Africa, droughts) and where there is interest in aligning with sovereign approaches and minimizing transaction costs.

- **Working with a broker** is usually essential to place products involving multiple insurers or to build market confidence in highly innovative product designs.

- **Working directly with an insurer** can streamline product design and thus make this pathway an effective one for a confident and experienced buyer, particularly if the partnership is supported by an advisor or convenor.

The note makes recommendations for three distinct audiences. Humanitarian organizations are advised to invest in institutional readiness—particularly insurance literacy across finance, legal, and procurement teams—before engaging the market. For this group, success is defined not by achieving a single placement but by having the ability to renew coverage repeatedly and predictably. Donors are urged to commit to premium support comparatively early in the process, before products are fully scoped, in order to reduce market uncertainty and avoid costly delays. Advisory and convening organizations are called on to build trust between humanitarian actors and commercial insurers through collective education and codified ways of working. Table 1 summarizes actions to take and actions to avoid for those engaging the market.

TABLE 1
Top tips for placement

Stage	Dos	Don'ts
1 **Problem definition**	✓ Define the problem in operational terms to ensure insurance is the right financing tool ✓ Secure senior leadership buy-in ✓ Have exploratory conversations with more than one external actor ✓ Secure early signals of premium funding	✗ Assume insurance will generate net new money ✗ Allow pro bono assistance to define the problem
2 **Product design**	✓ Iterate with operations teams ✓ Bring finance/legal in early ✓ Request transparency in modeling (including testing triggers against real historical events and operational decisions) ✓ Consider using procurement tools to compare product design approaches and costs	✗ Lock into proprietary models without comparison ✗ Design around donor desire for payouts during project cycle ✗ Over-scope (include multiple hazards and geographies at once)
3 **Placement**	✓ Request pricing breakdowns ✓ Stimulate competition where appropriate ✓ Clarify governance for payouts	✗ Accept the first offer without benchmarking ✗ Fundraise only after full design is complete ✗ Place too close to risk season ✗ Present the product as a one-off with little chance of continuation
4 **Contracting**	✓ Allow sufficient time to set up new operational processes ✓ Use external legal/advisors familiar with both insurance and humanitarian contracts	✗ Bring finance/legal teams in at the last minute ✗ Assume sanctions/tax issues will resolve themselves

Source: World Bank.

Overview and purpose

There is growing interest among humanitarian organizations, both civil society organizations and UN agencies, in the use of innovative financing tools like insurance to improve the mobilization of resources for future disasters.

The purpose of this note is to serve as a practical resource that allows humanitarian organizations (and partners) to learn from the experiences of existing insurance placements. It focuses specifically on how to get a policy to market.

- **For humanitarian organizations** considering their first insurance placement, this note helps clarify the stages of insurance contract placement, the entities that organizations might work with (the differing pathways to placement), and some common pitfalls to avoid.
- **For donors**, it provides insight into the sequencing of the process and shows how donor support can best facilitate the placement, depending on how it is applied.
- **For the market**, it describes the internal institutional hurdles faced by humanitarian organizations and how these can be navigated.

The paper draws on 12 examples of humanitarian disaster insurance (listed in the Annex) and interviews with humanitarian policyholders, risk insurers, brokers, donors, intermediaries, and risk pools (see Box 1 on key players in the process).

BOX 1

Key players in the humanitarian insurance placement process

Client or buyer: In the context of this note, the humanitarian organization seeking to purchase insurance to manage the costs of future disaster-related expenditures. Buyers are responsible for defining their own needs and for making key decisions on options and the contracting of services.

Insurer: The entity ultimately bearing the insurance risk. This may be an insurer, reinsurer, or risk pool retaining risk on its own balance sheet; the catch-all term "insurer" is used for simplicity. The insurer assesses the defined risk, prices the product, sets terms and conditions, and ultimately pays claims when parameters are met. The insurer can also advise on product design and structuring.

Broker: The entity intermediating between client and the risk market. The broker can advise on product design, market appetite, structuring options, placement strategy, and negotiations. The broker coordinates across multiple insurers if the risk is syndicated.

Risk pool: A collective insurance mechanism that pools risk across multiple countries or entities in order to make insurance more affordable and accessible to its members. Risk pools typically offer standardized products and embedded technical support. Examples of risk pools leveraged for humanitarian insurance include African Risk Capacity.

Donor: Provider of financing for product design and/or premium financing. A small number of donors specialize in offering funding for new humanitarian insurance initiatives; examples include the InsuResilience Solutions Fund and Humanity Insured.

Data providers and modelers: Actors that can play an important role in developing insurance products, especially parametric products.

Technical advisors and convenors: Specialized organizations that facilitate and support development and placement of sovereign and humanitarian risk transfer. These include the Centre for Disaster Protection, which provides advisory support and quality assurance; the Insurance Development Forum, which facilitates collaboration among private sector market participants and coordinates offers of pro bono support; and the Lloyd's Disaster Risk Facility, which groups risk insurers to offer capacity in this product space. The World Bank Disaster Risk Finance team also provides relevant technical and financial support.

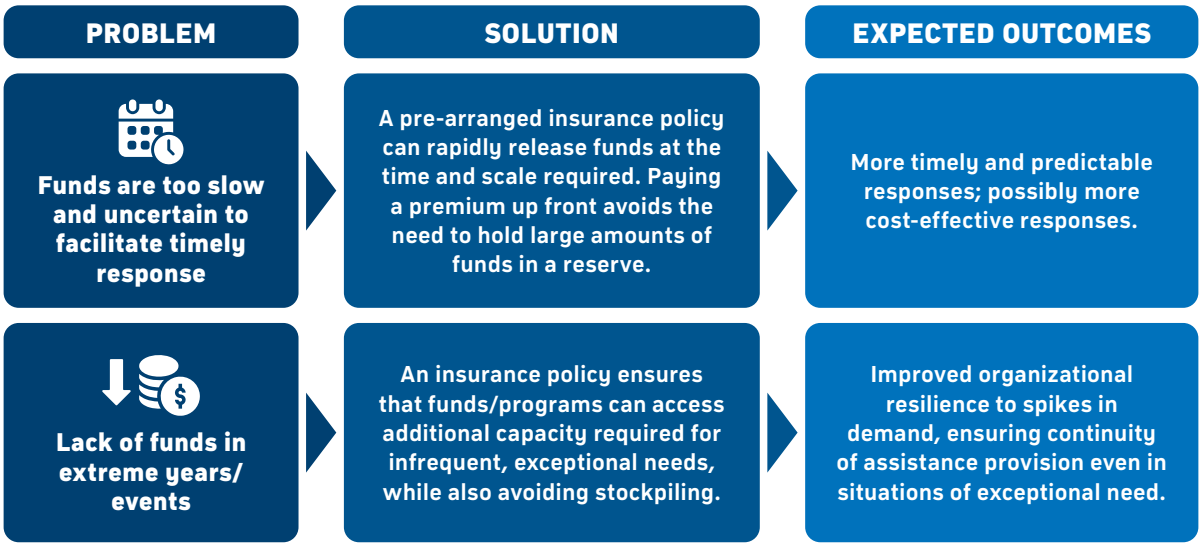
Background

Humanitarian organizations typically operate in a system with reactive fundraising, where resources arrive late and are highly volatile. This situation undermines opportunities for early action, leaving affected households to resort to negative coping strategies that erode development gains. To address this problem, humanitarian organizations are seeking to move beyond reactive fundraising toward more proactive pre-arranged finance, including use of tools like insurance.

This note focuses on insurance policies designed to protect humanitarian budgets, instead of policies purchased to cover a specific person or household.[1] In this case, the humanitarian organization pays a regular premium so that when an insured event occurs (for example, a major flood or drought, or multiple major disasters in parallel), it can benefit from a timely payout to cover the costs of responding to that disaster.

There are two main reasons why organizations may wish to organize funding in this way: (i) to ensure more timely and predictable responses, and (ii) to improve their resilience to spikes in demand, thereby ensuring continuity of assistance provision. The ways by which these outcomes are expected to be achieved are summarized in Figure 2, and examples of how insurance has been used to protect humanitarian budgets are presented in Box 2.

FIGURE 2
Expected outcomes achieved by insurance products



Source: World Bank.

Importantly, insurance does not ensure overall net availability of funds to meet escalating humanitarian requirements. Insurance is best suited to managing volatility; it protects against a bad year or infrequent event (not enough money in some years). Organizations facing chronic structural underfunding (not enough money every year) are unlikely to find insurance an effective solution for their core financing gap. Careful independent thought is required before selecting insurance as a financing tool. This point is expanded on below in the section on problem definition (the first stage of humanitarian insurance placement).

[1] This note doesn't include the process for alternative types of risk transfer, such as catastrophe bonds, although these are referred to in the "Pathways to Placement" section.

BOX 2

Using insurance to protect humanitarian budgets

Organizations use humanitarian insurance to protect humanitarian budgets in a number of ways. Based on the examples reviewed for this study (see Annex), the following are among the most common:

Protecting existing pooled funds and ensuring business continuity: A number of organizations have purchased (re)insurance to ensure that their existing humanitarian fund remains solvent and able to continue supporting their mission, even in situations of multiple overlapping crises. This outcome has been achieved where funds have very clear criteria for disbursement. Examples: International Federation of Red Cross and Red Crescent Societies' Disaster Response Emergency Fund (IFRC DREF), Start Ready insurance.

Supporting anticipatory action and earlier, faster response: Humanitarian organizations are increasingly pre-arranging funds for anticipatory and early action in order to mobilize resources faster and reduce downstream humanitarian costs. Insurance is being deployed strategically to minimize stockpiling of pre-arranged finance, thereby smoothing volatility and ensuring that funds are available when required in return for an annual premium. Examples: UN Capital Development Fund (UNCDF), Tearfund, International Rescue Committee (IRC), UN Office for the Coordination of Humanitarian Affairs (OCHA) anticipatory insurance programs.

Preparing for peak risk rather than average risk: Many organizations using insurance are doing so selectively for lower-frequency, higher-severity events that would otherwise overwhelm internal reserves or contingency budgets. Buying insurance for selective risks (specific hazard or geography) can strengthen financial planning, clarify roles, and increase accountability before a crisis occurs. Examples: African Risk Capacity (ARC) Replica, Sahel Climate Catastrophe Layer.

At present, the process of designing and placing a humanitarian insurance contract remains slow and complex. Most humanitarian insurance products take four years or more from initial discussions among program teams to signing of a contract. This slow pace often reflects institutional, legal, procurement, and donor alignment challenges associated with these innovative first-of-a-kind products, rather than technical or market constraints. To date, these challenges have not been documented in a systematic way, and there is little practical guidance available for humanitarian organizations on how to mitigate common obstacles and identify the most appropriate pathway to place a new product in the market.

This practitioners note aims to fill that gap. It is aimed at those working in the humanitarian space who are starting the insurance placement process or reviewing their approach to it. The note is arranged as follows:

- **The first section** provides a conceptual framework for thinking about humanitarian insurance.
- **The second section** provides a step-by-step overview of the four stages of insurance contract placement, including lessons on barriers and enablers.
- **The third section** outlines three common pathways to placement and assesses their relative strengths for different kinds of humanitarian insurance products.
- **The fourth section** discusses cost considerations as part of the process.
- **The note concludes** with practical recommendations to support humanitarian organizations embarking on their first insurance placement.

Humanitarians have only recently started using insurance, and in some cases they have used it to meet the wrong objectives. As stated above, careful independent thought is needed before selecting it as a financing tool. This note should be read alongside existing guidance and analysis on whether insurance can add value.

Conceptual framing

Buying insurance is a negotiated process that evolves through a sequence of interactions between the client and the insurance market. This sequence can be mapped into a number of stages that are iterative but nonetheless distinct from each other. Understanding these stages can help humanitarian organizations more effectively navigate the process of buying insurance and build the institutional readiness needed.

Importantly, however, humanitarian insurance is inherently not a standard transaction: buyers, beneficiaries, and implementers are often different entities, timelines and budgets are politically and operationally constrained, and products may rely on technical approaches or structures unfamiliar to most humanitarian actors (see Box 3). As a result, even well-resourced humanitarian actors require specialist technical support and intermediation to bring a product to market; this is a structural requirement, not a reflection of capability gaps.

A key challenge for humanitarian organizations is to figure out whom to work with. The stages of placing a product are largely consistent across different types of humanitarian insurance, but the external actors, their roles, and the sequencing may vary. Organizations may engage different actors at different stages of the process; for example, they may work with a risk pool, intermediaries, or a broker during early problem definition and then transition to insurers as the placement moves toward execution (see Figure 3).

Understanding the stages can help humanitarian organizations more effectively navigate the process of buying insurance and build the institutional readiness needed.

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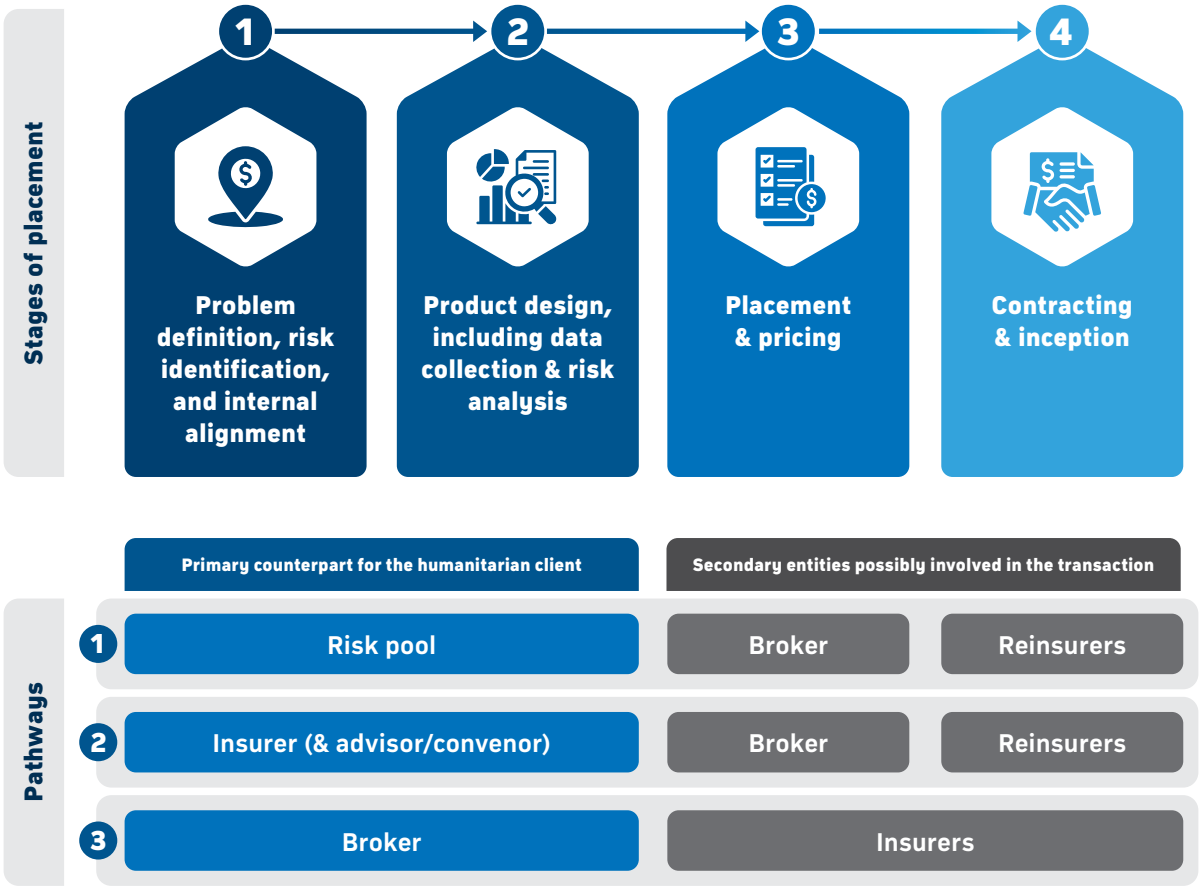
FIGURE 3
Visualization of placing humanitarian insurance



Source: World Bank.

A second key challenge regards the product design, and specifically the need to avoid early framing choices that can lock in constraints that only surface much later, when they are hard or costly to unwind. The main challenges that can delay the placement of humanitarian products are often not modeling or pricing issues, but institutional ones: procurement hurdles, donor value-for-money concerns, regulatory requirements, and questions over roles and authority. These often trace back to early decisions about the nature of the solution (e.g., assuming a particular type of insurance is the answer) before governance, funding flexibility, and regulatory constraints are clear. Once those early assumptions harden, revisiting them later in the process can be slow and politically difficult. It's important to sequence the operational and technical discussions appropriately to avoid later frictions.

In the following sections, this note describes the key stages in placing a humanitarian insurance product and offers tips to avoid common hurdles; it then outlines three pathways to placement distinguished by the choice of external actors that can support the process. The choice of pathway can constrain the design options available for a humanitarian product, and thus the two are closely interrelated. This point is further explored in the sections below.

Stages of the placement process

The placement of humanitarian insurance products typically unfolds across four interconnected stages. These stages apply across all humanitarian insurance placements, regardless of whether an organization ultimately works with a risk pool, an insurer, or a broker. However, the way each stage is executed, including speed, governance burden, data requirements, and donor engagement, differs significantly by pathway.

The process is typically not linear and includes feedback loops and frequent revisiting of earlier steps. The experience gained from placement, implementation, and any payouts typically leads organizations to revisit objectives, risk appetite, and design assumptions. Humanitarian insurance is not a "buy once" asset, but an iterative financial strategy. Thus, although first placements are typically slow, later renewals can be faster if learning is institutionalized.

The subsections below describe each stage and highlight common challenges and practical enablers.

1 Problem definition, risk identification, and internal alignment

The first stage of placing a humanitarian insurance product centers on developing a clear understanding of what the insurance is for, and specifically what problem it will solve in the organization. This is the stage where the most time is needed and the stage that is most often compressed. Weak or vague problem definition leads to products that are poorly aligned to operational needs, difficult to price, or impossible to gain internal approval for. It would be ill-advised to move forward to Stage 2 without clarity on expenditure needs, the source of funding for premium, and the internal operational governance of any payouts.

The most commonly cited problem at this stage is that insurance is approached as a source of funding rather than a financing tool. Business development teams may view insurance as a new way to raise money from different donors or budget lines, particularly where donor interest in innovative instruments is strong. However, under most insurance contracts, clients will pay more in premium than they will receive in payouts, as they are paying for risk transfer and financial protection, not for net new resources. When the underlying protection objective is not clearly defined, there is the risk that insurance will be judged against inappropriate criteria (such as net money in versus money out), in turn raising value-for-money concerns within internal management teams. The lack of a clear protection objective can also result in product designs with high payout frequency and high premium cost, which are poorly adapted to the original objective of the insurance product. This situation is not unique to humanitarian clients.

At the problem-definition stage, humanitarian operations teams should be able to articulate and quantify the operational constraints that existing models of financing impose on their work, and should be able to identify where more predictable and timely finance can have the most impact. Also at this stage, technical advisors with experience in insurance solutions should be involved to help in translating the identified needs into a problem statement that is understandable to the market. It is not easy for insurance experts to understand the humanitarian problem space (see Box 3), so this stage can take time.

BOX 3

Understanding yourself: Why do humanitarians present a challenging insurance client group?

One of the core challenges in developing humanitarian insurance products is that humanitarian organizations approach insurance very differently from typical clients. Most commercial buyers come with a clearly defined asset or liability (e.g., a house or a specified portfolio) and ask, *"Given what I need to insure, what will the cost be?"* By contrast, humanitarian organizations often lack a fixed, quantifiable liability and instead start from their available budget. Their question is more likely to be, *"Given that I can spend US$1 million in premium, what is the best coverage I can buy for the population I aim to assist?"* This reverse logic makes product design more complex and requires insurers to translate a humanitarian objective into a technically sound and financially viable structure.

Another example of reverse logic is the pressure to "spend out" funds and avoid too much accumulation of reserves in order to justify further fundraising and in some cases to meet charitable regulations. This pressure to spend out can make volatility protection countercultural. Also problematic is the tendency of insurers to view humanitarians through the same lens as they would a commercial organization (where money in the bank is a sign of good risk management). Embedding insurance tools and approaches can mean challenging some of these fundamental assumptions and approaches.

Humanitarian organizations also face structural barriers, including decision-making that is led by donors or carried out through decentralized structures that require buy-in from country offices. Because these organizations must be accountable to affected populations and their use of funds is under pressure, transparency in modeling and pricing is expected. These factors, which may be fundamental to the ways that humanitarian organizations work, can make humanitarians a challenging client group for new insurance tools, even when there is opportunity to enhance financial efficiency and responsiveness. These structural characteristics explain why the early stages of humanitarian insurance placement often require more iteration, education, and internal alignment than comparable sovereign or corporate transactions.

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The following are enablers for a successful Stage 1

- **Educate the staff about insurance:** Educate and train staff on what insurance is (and is not), why it is being explored, and how it fits within a broader disaster risk financing strategy. This step can include targeted staff training, peer learning, and exposure to existing humanitarian insurance programs.
- **Engage the market early on:** Many brokers, insurers, or intermediaries are happy to have initial exploratory conversations to help humanitarian organizations better define their needs, and will do so on a no-commitment basis. Speaking to more than one organization can provide different perspectives.
- **Pursue a strategic approach driven by senior management:** Seek early buy-in to explore insurance as a strategic risk management and business continuity tool, rather than a short-term fundraising opportunity. This step should include a clear articulation of the financial problem insurance is intended to address.
- **Seek out early signals of premium support:** Such signals include an early indication of whether the organization could plausibly allocate flexible resources (or donor funding) to pay premiums if a viable solution emerges. Even a tentative budget signal can materially reduce friction in later stages.
- **Reflect before embarking on a specific placement pathway:** The technical counterpart supporting humanitarian organizations at this stage is often opportunistic, a function of who is approached first, who is willing to work pro bono, and where donor funds are available. Choice of partner can constrain later design choices (e.g., if the partner entity works only in a specific geography or offers just one type of insurance product). This point is elaborated further in the section on pathways to placement.

A successful Stage 1 should end with a clearly articulated problem statement, a defined coverage objective, potential sources of funding for premium, and early senior management alignment on why insurance is being explored. Decisions taken at this stage, particularly on geography, peril scope, governance tolerance, and speed, often implicitly constrain or enable different pathways to market later in the process. In practice, a robust Stage 1 should result in explicit agreement on what kinds of costs are being protected, over what time horizon, and in which geographies, and it should also indicate under whose authority payouts would be triggered and used. If this stage is weak, subsequent product design is likely to be misaligned with operational needs, difficult to price, and vulnerable to internal challenge or rejection at later approval stages.

2 Product design, including data collection and risk analysis

In the second stage of insurance placement, the problem statement is translated into the design of an insurance product that meets a specific financing need. It may be necessary to prioritize needs in order to avoid developing products that try to cover too many hazards or too many geographies at once, which would make pricing impossible. Box 4 outlines why humanitarian polices might attract the market.

The humanitarian client will typically work with a product design partner. This may include intermediaries or advisory bodies supporting early structuring and data analysis, and/or brokers,

insurers, or risk pools that will ultimately design, price, or carry the risk (the differences between these entities are described in the next section). The partner will help the organization quantify and analyze its financial requirements. For example, the client will be asked to share historical loss data to reveal patterns of expenditure on previous disasters. Insurers need clear, organized data, linked to specific places and events, not just situation reports or internal reporting. At this stage, organizations should carefully assess how they manage basis risk, so that proposed triggers (e.g. rainfall thresholds or indices) align with actual operational thresholds and response decisions, considering the trade-off between simplicity and accuracy.

BOX 4

Understanding the market: Why do insurers want to engage with humanitarian organizations?

Humanitarian insurance transactions can be slow, resource-intensive, and there are some examples of them being priced below fully competitive levels. Whilst there are still only a small number of transactions, there is growing interest from the insurance industry. Understanding industry motivations can help build trust between the parties and facilitate smoother humanitarian insurance transactions.

At a strategic level, one clear driver is the public profile and ESG (environment, social, and governance) credentials arising from association with innovative humanitarian finance insurance; existing transactions have stimulated significant public interest. There is also a market-development dimension. The industry has ample capital but faces limited demand for insurance in the countries most exposed to climate and disaster risks. Humanitarian organizations operate at the front line of these risks, and insurers can build a future market by creating reliable, functional products for them. Insurers also recognize that the resilience of the Global South and resilience of the Global North are interdependent: strengthening risk management in emerging markets ultimately supports global economic stability.

At an individual-product level, the degree to which the product looks sustainable is often a key factor for an insurer in deciding whether to participate, either in product design or underwriting. Insurers assess whether the organization is engaging strategically as part of a broader resilience approach or simply seeking a one-off fundraising opportunity that is unlikely to last. Market actors are willing to invest time on a pro bono basis and to absorb higher transaction costs when they expect to be able to take a percentage fee, particularly if they believe the product can develop into a long-term, scalable solution. For humanitarian buyers, understanding these motivations can help frame engagements in ways that build confidence, reduce friction, and sustain market participation over time.

Humanitarian organizations often have more data than they realize, but locating data and translating data into a form insurers can use may take some time. Humanitarian organizations may also have internal data protection rules or political concerns about sharing loss data with private actors; formal legal agreements between organizations can help mitigate some of these concerns. Importantly, imperfect data do not preclude insurance design; rather, they shape early design choices, pricing assumptions, and the degree of iteration the market requires. Being able to quantify early on what financial loss the product is protecting against may be important where an insurer asks the client to demonstrate “insurable interest” (a tangible, financial exposure linked to the trigger event).

At this stage in the process, the humanitarian client and product design partner may seek funding from external donors. Some donors, including the InsuResilience Solutions Fund, provide funding for the early design stage, which can secure staff time and other much-needed resources. The validation of an external donor also can help secure the attention of internal senior management. In some cases, however, translating an iterative and innovative design process into formal donor-

funded project structures can introduce additional process and stakeholder requirements, which need to be managed alongside technical considerations. In addition, the use of donor funds brings a new set of stakeholder interests into the design process. For example, in some circumstances donors express preference for certain pathways (like established pooled structures) or request product designs that will pay out during the life cycle of the project to "prove" the concept with accountability and evidence. The latter is not in line with how insurance is typically designed and can create problems later on when the product is placed and priced. Conversely, if funding for design is not available, then humanitarian clients may rely on pro bono work, which can also slow down the process and/or make it harder to manage differing commercial interests. In every case, the approach to resourcing should be carefully considered.

The following are enablers for a successful Stage 2

- **Carry out iterative co-design with operations teams:** Humanitarian clients often expect a fully formed design early. The process is much smoother when clients expect the design to be developed through multiple iterations, and when operations teams ensure that what is designed enhances their work, fits with existing rules (for example, on how funds are disbursed), and uses transparent modeling approaches.
- **Put forward own seed funding:** Having some financial "skin in the game" (whether funding design-stage costs or making a commitment to premium costs) can ensure that organizations are more disciplined about defining what they actually need. It can also signal seriousness to donors and show the market that an organization is a serious buyer.
- **Demonstrate senior-level commitment and seriousness about buying over the long term:** The market's perception that the product can be placed will influence its support for product design and the cost of this support (some firms will waive product design fees where they see a realistic chance of placement).
- **Use procurement strategically to support design:** Where possible, humanitarian organizations should use light-touch or early-stage procurement tools (e.g., requests for information, advisory frameworks, or competitive scoping exercises) to access multiple brokers, carriers, or intermediaries during the design phase. This can help test feasibility, compare approaches, and avoid premature lock-in to a single solution, while ensuring compliance and transparency.[2]

A successful Stage 2 concludes with a product design that clearly defines and quantifies the humanitarian client's risk-transfer needs in a form that the market can price. The design and underlying modeling should be transparent, understandable to the client, and well aligned with the client's operational and financing requirements. Simplicity of design is typically preferable to complexity, as this improves understanding and buy-in from stakeholders, enables quicker pricing and transactions, and reduces the risk of errors. This provides a solid basis for market engagement in Stage 3 by ensuring that all technical assumptions, trigger mechanisms, and coverage parameters are coherent, defensible, and ready for external scrutiny. If this stage is weak, the product will struggle to attract credible market appetite, face higher uncertainty loadings in pricing, or fail to progress smoothly into competitive placement.

[2] See Box 9 on procurement sequencing.

3 Placement and pricing

During the placement and pricing stage, the insurance product is taken to the market so that insurers can quote terms, compete on price and structure, and ultimately provide a binding offer for coverage. Ideally, products would be tested with multiple insurers to get a broad set of feedback.

The first challenge at this stage is the innovative nature of humanitarian insurance products, which means that there are few relevant examples to relate to. It can take time to build potential insurers' understanding of and confidence in the trigger logic, modeling assumptions, operational processes, and approach to managing payouts. Providing clarity on how the humanitarian client will manage and use payouts is important, because unclear governance arrangements, slow spending, or weak accountability increases compliance and reputational risks for the insurer (creating fiduciary concerns). These factors also influence the likelihood of the product's future viability and the willingness of the market to write the policy.

The second challenge at this stage is that the placement process often halts while fundraising for the premium takes place. Donors are often not engaged until a product is fully designed and a clear pitch can be made regarding the parameters of the product, including who it will reach and its approximate coverage for a given premium. In some cases this practice has introduced around a year of delay in the middle of the insurance placement process, potentially reducing the negotiating power of the purchaser and increasing costs. Earlier donor commitment (in Stages 1 and 2) based on a clear understanding of the expected benefits of the policy (not the final product) can reduce delays, and multiyear commitments can increase market confidence in the viability and sustainability of the product.

The following are enablers for a successful Stage 3

- **Clearly describe an understandable product:** Insurers need concise materials for underwriting committees. Humanitarian organizations can help by providing crisp trigger logic, governance description, and operational pathways.
- **Seek early engagement with the market:** Early, informal testing of market appetite with multiple risk carriers helps surface feasibility issues and reduces late-stage surprises. This market sounding may be conducted by a broker (where a brokered pathway is pursued), a risk pool, or development intermediary, or it may be carried out directly by the humanitarian organization where relationships allow.
- **Be transparent in pricing:** Insurers should provide (and humanitarians should request) clear information on their workings regarding pricing, i.e., how they view risk and what they are charging. This builds trust and facilitates client understanding and internal approvals.
- **Improve pricing through multiyear premium commitments:** Insurance can potentially offer better value when buyers commit to multiyear arrangements, but this depends on the market cycle and recent experience.

More detailed tips on how to achieve effective pricing are included in Box 5.

A successful Stage 3 concludes with a competitively sourced, transparently priced insurance offer that meets the client's coverage needs, is backed by committed insurers, and is ready to move into contracting. If this stage is weak, organizations risk accepting noncompetitive pricing, opaque terms, or fragile market participation that undermines both value for money and longer-term sustainability.

BOX 5

How insurance is priced—and how to get a good price

The most important cost driver of premium is the expected payout—i.e., the probability that the insured event will occur and the expected payout if it does. The expected payout is typically based on historical data and simulated distributions to determine how often a particular insurance policy is likely to trigger. The insurer then adds a risk margin (for uncertainty, model error, or changing climate conditions), administrative costs (design, monitoring, verification), a cost of capital margin to ensure solvency, and a profit margin.

The difference between the expected payout and the premium is often expressed as a cost multiple. A cost multiple of 1.0 means that the premium equals the expected payout (the insurer expects, on average, to pay out the same amount as it collects). For typical sovereign/humanitarian parametric products, the multiple often ranges from ~1.2 to ~2.0, but for innovative or data-poor products it can be higher. A higher multiple typically indicates greater perceived uncertainty or higher transaction costs, not the expectation of making more money. A lower premium or cost multiple does not necessarily indicate better value if the product has high basis risk. Buyers should assess both price and the likelihood that payouts will align with actual needs.

Humanitarian buyers often do not know that they (or a broker on their behalf) can request to (i) see full actuarial results, (ii) request a breakdown of loadings, and (iii) ask for an explanation of uncertainty assumptions. Note that certain perils, particularly flood and drought, may also be subject to higher minimum pricing thresholds (minimum rate on line levels), reflecting market risk appetite and capital requirements.

Ensuring a good market price means securing fair, competitive, and transparent terms that reflect the true underlying risk, not inflated costs or excessive margins (a cost multiple that is in the lower range). Factors affecting price include the following:

- **Data quality:** Strong and objective risk data will increase confidence in the modeling and reduce the uncertainty loading that may be included in the price.
- **Appetite:** Stimulating market interest in the product can facilitate competitive pricing.
- **Timing:** It can be helpful to place the product well ahead of the relevant risk season (e.g., a flood or drought season). If placed too late, reinsurers will factor in emerging seasonal forecasts, which may increase the price.
- **Confidence and sustainability:** A buyer can improve pricing by having a well-designed product with clear triggers, giving reinsurers confidence that the program is viable.
- **Multiyear contracts:** A multiyear policy will typically cost more than the equivalent single-year premiums multiplied by the number of years, though the extent of this depends on the market cycle at the time of placement and whether there are big events in that period or not. For highly innovative products, insurers may include a larger uncertainty loading unless the contract provides ways to adjust assumptions over time.

Humanitarian buyers should expect pricing discussions to be iterative, with assumptions refined over time as data quality, governance arrangements, and market confidence improve.

4 Contracting and inception

At the contracting and inception stage, the humanitarian client finalizes the insurance agreement—by signing the policy, confirming all legal and financial terms, and paying the premium. Coverage is then activated from the agreed start date.

Humanitarian organizations will at this point be heavily dependent on their internal operations teams, in particular finance, legal, and procurement. If the teams are brought in only at this late stage, it can take a long time for them to be brought up to speed on the product. Finance teams often question the value for money of the policy; legal teams may question the policy's fit within the organization's charitable objectives. At this stage, it is sometimes discovered that internal rules (such as rules on advance payments or internal authorization thresholds) clash with the policy structure. Engaging senior management at earlier stages so that they understand the value added by an insurance process is critical to avoid delays at the point of contracting.

The laws affecting humanitarian organizations and their operations can present a challenge in contracting, as they may clash with market norms. For example, sanctions on countries and counterterrorism legislation can complicate products intended to provide global coverage. UN agencies are tax exempt and cannot submit to foreign courts, while insurers often require contracts to be governed under London or New York law. Such points of friction must be reconciled before a policy can be finalized.

Finally, the humanitarian organization will also often have to set up new operational processes if purchasing disaster insurance for the first time. For example, it may have to establish who signs the policy, and how; or put in place processes to pay premiums; or set up new project accounts to receive payouts.

The following are enablers for a successful Stage 4

- **Engage senior management early on:** This step can facilitate early buy-in to the concept and product and can prevent lengthy delays in approvals at the point of contracting. If approval must be multitiered (involving headquarters, regional office, country office), it is important to ensure that all of these levels have been engaged early on.
- **Support operational teams with insurance literacy:** Finance, legal, and procurement staff may misunderstand key terms (trigger, exposure, data, basis risk). A short onboarding session early on helps prevent friction later and could be supported by the internal corporate insurance team (if one exists).
- **Use legal advisors and brokers familiar with humanitarian contracts:** This step can help anticipate potential challenges and facilitate negotiations.

A successful Stage 4 ends with a fully negotiated and signed insurance policy, clarity on all legal and operational obligations, premium payment arrangements in place, and the product formally activated and ready for implementation. If this stage is weak, then delays, legal friction, or operational misalignment can prevent timely activation of coverage or compromise the organization's ability to use payouts effectively when a shock occurs.

Pathways to placement: Three common routes and some possible alternatives

Having outlined the stages common to all humanitarian insurance placements, this note now explores three distinct pathways through which organizations have navigated those stages in practice. Each pathway represents a different way of structuring relationships with the insurance market and has implications for how the four stages described above are executed. For example, organizations prioritizing speed and low transaction costs may gravitate toward pooled solutions, while those seeking bespoke coverage or global scope may engage directly with insurers or brokers. Pathway suitability also differs markedly between first-time buyers and organizations with prior experience of risk transfer.

In practice, the pathways described below are not mutually exclusive, and the key players—brokers and insurers—are likely to be involved in every transaction, though usually only one entity will be the primary counterpart for the humanitarian client (with the others operating in the background). Humanitarian organizations should consider carefully what pathway best suits their needs, as getting this right can reduce rework and transaction costs and help align procurement, governance, and technical resources to the approach most likely to succeed.

1 Working with a risk pool

This pathway has been used by organizations seeking rapid entry, lower transaction costs, and alignment with sovereign disaster response mechanisms, particularly where geographic and peril scope are regionally constrained. Risk pools are collective insurance mechanisms that pool risk across multiple countries or entities in order to make insurance more affordable and accessible to their members. Sovereign risk pools have been embedded in regional structures such as the African Risk Capacity (ARC) Group (see Box 6), Caribbean Catastrophe Risk Insurance Facility

BOX 6

Pathway example: ARC Replica program

African Risk Capacity (ARC) Replica enables humanitarian organizations (initially World Food Programme and Start Network, and now others) to "mirror" the sovereign drought coverage that a government purchases from the ARC Ltd. risk pool. The humanitarian actor buys an insurance policy against droughts that is attached to the same index-based trigger and model as those found in the sovereign policy. When a drought event meets the policy's criteria, separate payouts can flow to both government and the humanitarian "replica" partner, enabling a coordinated and scaled-up response that reaches more people. ARC provides free technical assistance, uses its existing Africa RiskView model, and handles pricing and placement directly, reducing transaction costs for humanitarians. This model illustrates how pathway choice (involving a risk pool) can significantly reduce transaction costs and accelerate placement for first-time buyers.

Further details: ARC Replica

Segregated Portfolio Company (CCRIF SPC), the Pacific Catastrophe Risk Insurance Company (PCRIC), and the Southeast Asia Disaster Risk Insurance Facility (SEADRIF). These pools are now opening up to provide policies for humanitarian organizations as well as sovereign states. Working with an existing sovereign risk pool can allow humanitarian organizations to access preexisting, regionally coordinated insurance structures that are designed to respond rapidly to climate shocks. Because these risk pools already operate in humanitarian contexts, the pathway can be simpler and more cost-effective for a first-time buyer.

Key strengths

- **Sovereign risk pools are operating in the same risk landscape as humanitarians**, often with similar donor support. These risk pools were designed to serve governments facing climate shocks, so they inherently understand response timelines, vulnerability, and coordination needs.
- **Risk pools can lower transaction costs**, particularly when structured as nonprofit mutuals. For example, for humanitarian clients ARC waives design fees, broker fees, and calculation agent fees, and it also offers access to its risk models. These advantages can make risk pools highly attractive for smaller pilots.
- **Risk pools offer efficient access to the reinsurance market**, as they aggregate a variety of risks and provide an attractive package of diversified risk to the market.
- **They can provide an entry point for collaboration on disaster risk financing for humanitarian organizations and national governments.**
- **They can offer procurement advantages.** Some humanitarian organizations can contract with risk pools without competitive tendering because of their multilateral or intergovernmental status (this may not be the case for for-profit risk pools).

For consideration

At present, the only risk pool that serves humanitarian clients directly is ARC; CCRIF and PCRIC are in exploratory discussions with humanitarian organizations, but have not yet placed products directly with a humanitarian organization as a policyholder. Regardless of whether this changes, the flexibility of existing risk pools is constrained by their regional focus—that is, their coverage is limited to specific regions and to certain climate or geophysical hazards.[3] This situation may also change if new risk pools emerge with not-for-profit objectives and structures.

Though ARC does not charge explicit fees for product design, brokers, or calculation agents, these services are not costless, as they are funded implicitly through the premium, through the pool's donor-supported operating model, or through cross-subsidization across the pool. For humanitarian clients, these costs are often bundled and may be less visible than they would be in a brokered market placement, where fees are explicit and separable. It is important to note that while risk pools can reduce transaction friction and up-front costs, they may offer less ability to compare

[3] Current risk pools' coverage is limited to climate and geophysical hazards, including drought, tropical cyclone, earthquake, flood, and tsunami. Further description of risk pools is in the Annex.

pricing across different providers than other pathways (broker or advisor/convenor) and their level of bespoke explanation, iteration, and hand-holding may be more limited. Some organizations may prefer to pay explicit advisory or brokerage fees in exchange for deeper support, broader market testing, or more tailored design.

This pathway is therefore highly suitable for humanitarian insurance pilots operating in a geography or for a hazard where a risk pool exists (e.g., Africa, droughts) and where there is interest in aligning with sovereign approaches and minimizing transaction costs. It may be less suitable for products that require global coverage or include non-climate risks.

2 Working with an insurer directly (possibly with advisors or convenors)

Working directly with an insurer is most effective where hazards are well understood, data availability is strong, and the humanitarian organization has sufficient internal capability to manage technical design and commercial negotiation directly. This pathway involves a humanitarian organization co-designing a bespoke product directly with a reinsurer or insurer, which subsequently also carries the risk. It offers the potential to access high levels of technical expertise and model sophistication but requires clear decision-making and careful procurement oversight to manage commercial interests.

In practice, this approach has sometimes been successful with the support of external organizations. The Insurance Development Forum, for example, provides humanitarian organizations structured access to their participating market members, including potential underwriters, brokers, and modelers, who may engage on a pro bono or formally contracted basis (see Box 7). This kind of support reduces the barrier to market entry, provides a degree of independent oversight during early design, and can support the journey from problem definition to product development.

BOX 7

Pathway example: WFP's collaboration with Swiss Re on Syria product

Under partnership convened through the Insurance Development Forum (see Box 1), the World Food Programme (WFP) worked with the reinsurance company Swiss Re as well as with Hiscox and Howden to design a parametric drought product for northeast Syria that covers the risk of failed rainfall seasons. Swiss Re contributed significant pro bono technical support—developed the index, refined the trigger methodology, and validated data—before ultimately underwriting the risk. The process was comparatively quick (around 24 months), reportedly due to the expertise and experience of teams on both side of the transaction, particularly WFP's experience with risk transfer and its clear decision-making. This example reflects an insurer-led pathway, facilitated through a convenor, that relied on strong internal capability and prior experience with risk transfer.

Further details: Insurance Development Forum

Key strengths

- **Insurers may bring strong expertise.** A small number of insurers have deep experience with humanitarian clients and specific peril modeling. This can significantly accelerate the product design process.
- **Insurers offer access to proprietary modeling.** Insurers often have advanced in-house models (such as for soil moisture, earthquake, tropical cyclone, or flood) that humanitarians can leverage at low or no cost.
- **Working with insurers may lower design cost.** Some insurers will waive product development fees in situations where the transaction is likely to materialize (though this practice is potentially problematic if transactions require commercial open procurement).

For consideration

Working directly with an insurer can be effective when the hazard is well understood and supported by strong historical data (such as data on droughts), so that the actuarial pricing is clear. However, when an insurer both designs and underwrites a product, commercial incentives could shape early discussions and potentially create conflicts of interest. Such incentives could include a preference for proprietary risk models, structuring choices that reflect the insurer's internal risk appetite, trigger designs aligned with datasets the insurer is comfortable underwriting, and limited visibility into alternative models or market prices.

These risks can be managed in a number of ways. For example, advisory organizations or convening entities like the Insurance Development Forum or Centre for Disaster Protection could be brought into the process to support thinking about early-stage design, create the space for product development outside of competitive market interests, support negotiations with the broker or insurer, and/or provide independent technical quality assurance.

Working directly with an insurer can streamline product design and thus make this pathway an effective one for a confident and experienced buyer (like the World Food Programme; see Box 7), particularly if the partnership is supported by an advisor or convenor. Humanitarian organizations should enter insurer discussions with clear expectations and ensure that decision-making remains anchored in their operational and financial needs.

3 Working with a broker

This pathway is typically deployed for complex or large-scale placements requiring access to multiple insurers, structured competition, and independent benchmarking of pricing and terms. Brokers act as the humanitarian organization's agent, translating needs into an insurable product, sourcing capacity across the market, ensuring competitive pricing for the client, and facilitating the transparent comparison of options (see Box 8 for an example).

BOX 8

Pathway example: IFRC's collaboration with Aon on reinsurance for DREF

The International Federation of Red Cross and Red Crescent Societies (IFRC), supported by intermediaries such as the Centre for Disaster Protection, worked with Aon to design and place an indemnity insurance product to manage volatility in the Disaster Response Emergency Fund (DREF) and protect it from depletion in years of exceptional need. The broker translated the humanitarian objective into a market-ready structure, conducted market sounding across insurers, negotiated terms, and placed this innovative multi-insurer risk product. Aon also coordinated modeling, documentation, and verification processes. This case demonstrates the value of a broker-led pathway for complex, multi-insurer placements requiring structured market engagement.

Further details: Insuring the IFRC Disaster Response Emergency Fund

Key strengths

- **Using a broker is the standard commercial approach to developing a new insurance product.** It provides a relatively clean transaction structure with well-defined roles and responsibilities on both sides. Although brokers are best known for pricing and placing products, they can be involved much earlier in the process to support product design and structuring.
- **International brokers (e.g., those based in the large insurance markets) are regulated or work with insurers who are.** Thus they must comply with conduct standards that require them to act honestly, fairly, and professionally in the best interests of their clients, and to base their advice on a fair and broad analysis of the market. The actual regulation varies by jurisdiction.
- **Early involvement of a broker helps build market consensus around the structure, feasibility, and pricing of the proposed coverage.** Thus for large placements involving multiple insurers or highly innovative product designs, engaging a broker early can be essential. It can also provide protections to first-time buyers.

For consideration

A broker can be engaged through competitive procurement, which is often advisable to secure a team with the right technical experience (see Box 9). Costs may be charged as a fixed fee for design and placement or as a commission based on premium size; many humanitarian buyers prefer fee-based models, which offer transparency and do not incentivize inflated premiums. It is important to note that although international brokers are regulated to act in their clients' best interests, they still operate commercial businesses, and certain incentives can influence early product discussions. For example, brokers may express a preference for in-house parametric frameworks or specific model vendors or risk insurers; they may opt for structuring choices that increase premium volume when remuneration is commission-based; or they may favor layering approaches that generate higher brokerage income and therefore narrow the initial set of options.

Brokers can provide inputs across all stages of the placement process. At the start of the process they can help confirm whether insurance is the right solution and present multiple design options. During design they can provide clear, transparent modelling and assumptions, offer alternative structures, and give access to a broad range of insurers. During placement they should ensure real market competition, deliver full pricing breakdowns, and demonstrate that the agency is getting fair value for money. At contracting they can support legal, finance, and operational teams so the product is understood and can be implemented smoothly.

Humanitarian organizations with limited internal insurance expertise may depend on brokers to frame technical choices, so practical safeguards should be deployed to manage the commercial incentives for the broker. These include discussing early on how the broker will be remunerated (e.g., fixed fee, commission based and other incentives they may receive); asking brokers to present several alternative models or trigger designs; using requests for proposals (RFPs) to compare broker services and test the wider market; requiring brokers to document the rationale behind recommended structures or models; and asking if they have preferred markets and insurers they work with and how they solicit offers.

Working with a broker as a primary counterpart can be a neat commercial pathway to insurance placement, and this route is usually essential to place products involving multiple insurers or to build market confidence in highly innovative product designs.

BOX 9

Engaging the market: Competitive procurement through RFIs or RFPs

Requests for information (RFIs) and requests for proposals (RFPs) are common procurement processes within the insurance sector that humanitarian organizations can use to engage the insurance market during the design and placement of insurance products. When used well, they support informed decision-making, transparency, and defensible governance, and they also help humanitarian organizations manage their own procurement requirements. But when used too early or framed too narrowly, they can constrain product design, lock organizations into suboptimal structures, or discourage market participation.

In humanitarian insurance, issuing an RFI (equivalent to a formal expression of interest) is most effective during Stage 1 or early Stage 2 of the placement process, when organizations are still refining the problem definition and want to understand what is feasible across different pathways (risk pools, insurers, brokers). RFIs are typically used to gather comparative information on market appetite, relevant experience, technical approaches, and potential structuring options, rather than to select a provider or commit to a particular product design. They are not a commitment to purchase.

RFPs are more appropriate after a clear coverage objective and indicative product structure exist, but before a specific counterparty, pricing approach, or model has been committed to. At this point, an RFP can be issued to assess how short-listed providers would design, structure, place, and support an insurance product in practice. In humanitarian insurance, RFPs should focus not only on price but also on the robustness of proposed methodologies, transparency of modeling and pricing assumptions, governance and accountability arrangements, resourcing and timelines, and the provider's ability to support internal and donor decision-making. Buyers should treat indicative quotes provided during RFP processes as directional signals rather than binding offers, as actual underwritten pricing may differ substantially from desk estimates.

The role and design of procurement processes also differ by pathway. When working with risk pools, formal competitive tendering may be unnecessary or inappropriate due to their intergovernmental or multilateral status. When working directly with insurers, procurement should prioritize transparency, benchmarking, and independent validation of assumptions rather than price competition alone, given the dual role of the insurer as designer and risk-taker. When working with brokers, competitive RFPs are particularly valuable to test technical capability, incentives, market access, and the broker's ability to present and negotiate alternative structures across multiple insurers.

Humanitarian organizations issuing an RFI or RFP for insurance design or placement services should request evidence of the following:

- Relevant experience designing and placing sovereign or humanitarian risk-transfer products in comparable contexts.
- Ability to explain models, assumptions, and pricing transparently to support internal governance and donor accountability.
- Demonstrated access to appropriate insurers or pools for the hazards and geographies in scope.
- Clear remuneration structures and explicit approaches to identifying and managing conflicts of interest.
- Capacity to present alternative structures and clearly explain trade-offs, rather than steering toward a single preferred solution.

Used in this way, RFIs and RFPs can strengthen market engagement, improve value for money, and support robust decision-making throughout the humanitarian insurance placement process.

Other routes to placement

It is important to note that additional routes to placement may emerge over time. For example, in the world of sovereign insurance, it is common for the client and/or an intermediary to work with a consultant (for example, a risk modeling firm) to design the product and then bring it to market. Where consultancies have ongoing exposure to market pricing, underwriting constraints, and recent placements, they can play a very effective role in early-stage product design, particularly for parametric and climate-related products. Because humanitarian insurance is so new, this approach has not been tried with it; the market has been involved from earlier in the process to ensure that products can be placed. However, as the humanitarian insurance market matures, hybrid approaches combining independent technical design with structured market engagement (for example, going through the local insurance market) may become more common.

Some humanitarians are also exploring the use of catastrophe bonds (cat bonds) as alternatives to reinsurance. Cat bonds, a form of insurance-linked security (ILS), allow institutions such as insurers and governments to transfer significant catastrophe risk to capital markets, thereby expanding access to risk carriers beyond traditional reinsurance and retrocession. Like catastrophe insurance, cat bonds transfer risk in return for a payment commensurate with the risk. Rather than structuring this arrangement through an insurance contract, investors provide capital that is at risk of partial or total loss if a disaster event occurs. In exchange, investors receive a coupon that reflects the insurance premium for such risk. Cat bonds typically provide greater capacity and longer-duration coverage than the traditional reinsurance market. But due to their complexity and transaction costs, cat bonds are best suited to larger transactions covering infrequent, high-severity events. As the market matures and structures simplify, they may become increasingly relevant for humanitarian organizations seeking pre-arranged disaster financing.

The World Bank Treasury acts as issuer and intermediary for catastrophe bond transactions. It works with member countries and humanitarian partners to structure and execute the deals, selects service providers (investment banks, legal counsel, modeling firms), and lends the World Bank's credibility to increase investor confidence in the issuance. Most of the volume of risk in cat bonds and other ILS products is from the US, with risk in developing markets (predominantly World Bank–intermediated cat bonds) making up only a small percentage of the total. For more details, see the World Bank Treasury disaster risk management page.

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What to cost when embarking on a placement process

Humanitarian organizations often underestimate the full range of costs associated with exploring, designing, and placing an insurance product, which extend beyond the premium itself. Understanding these costs ahead of embarking on a design and placement process may help humanitarian organizations make the case for internal allocation of resources, or build a budget to submit to external donors for support.

Internal staff time is often the largest hidden cost. Staff time is spent providing data and responding to data-quality queries, reviewing and iterating product designs, carrying out internal education and capacity building, and managing internal governance and senior decision-making. On an operational level, staff time is also required to engage legal, finance, procurement, and compliance teams and set up new financial and operational processes.

A second key cost is paying for external services. These costs will vary depending on the pathway and product design. Costs may involve the following:

- **Product design fees:** For model workshops, actuarial work, trigger design
- **Broker fees:** Usually for placement and sometimes for advisory work
- **Structuring costs:** For setting up a captive, ILS vehicle, trust account, or special-purpose entity
- **Legal fees:** For contract drafting, review, regulatory advice
- **Data acquisition:** For satellite data, exposure datasets, hazard datasets if not available internally

Finally, the placement may be subject to taxes or regulatory fees, depending on the buyer's legal status and the jurisdiction in which the policy is issued.

It is important to note that costs often evolve as the process progresses—for example, if additional modeling, data purchase, or legal review is required. Many costs are fixed regardless of placement size, so that small transactions potentially offer less value for money than larger or pooled arrangements.

In practice, costs also interact with pathway choice and donor support. Some donor funding is more readily available for specific pathways (for example, established risk pools or donor-backed facilities) and so can reduce or absorb certain up-front design and transaction costs. More bespoke market placements may require greater use of internal or unrestricted funds at early stages, or additional donor engagement. As a result, the perceived cost-effectiveness of different pathways may also reflect where costs are subsidized, rather than their underlying economic efficiency.

Entities interviewed for this note also highlight the value of peer learning. Humanitarian organizations considering insurance for the first time may benefit from speaking directly with organizations that have already designed or placed similar products. This step can provide insight into realistic cost ranges, staff time requirements, and common pressure points; it can also help organizations avoid under-budgeting and may reduce surprises later in the process.

Humanitarian organizations seeking to understand costs should be aware that pro bono support offers obvious advantages but also entails some challenges; see Box 10.

BOX 10

Reducing product design and development costs through access to pro bono support

Where dedicated donor funding is not available, humanitarian organizations often rely on pro bono technical support from brokers, carriers, modelers, or intermediaries during the design phase. This can be a valuable way to access expertise and test concepts, but there are important trade-offs and commercial interests that need to be managed.

Pro bono support offers clear potential benefits:

- Enables early exploration of feasibility where no budget yet exists
- Lowers barriers for first-time or experimental transactions
- Allows organizations to access specialist technical skills that may not be available internally
- Can help build internal understanding and momentum before formal commitments are made

But there are possible downsides as well:

- Slow or uneven progress, as work competes with core commercial priorities of the commercial entities engaged
- Continuity risk if key individuals become unavailable or priorities shift
- Difficulty managing expectations and ensuring accountability without formal contractual arrangements
- Risk of implicit solution bias if pro bono support comes primarily from actors with a commercial interest in a particular pathway or structure (very important to manage)

Pro bono support can be most helpful when used to scope options and build internal understanding, but sustained design and iteration typically require either dedicated donor funding or an early transition to a funded advisory or placement relationship.

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Conclusions and recommendations

The humanitarian sector is at an inflection point. Over the past decade, increasing climate volatility has driven a growing number of organizations to move from curiosity about insurance to a willingness to test its use in practice—by navigating the market, placing products, and in some cases receiving payouts that funded faster, more impactful responses to crisis. The 12 placement journeys documented in this report are evidence that humanitarian insurance is not a theoretical ambition.

The ease of insurance placement and its long-term sustainability depend on the strength of an organization's internal processes, the depth of its stakeholder alignment, and the quality of its relationships with the market. Yet humanitarian organizations still have limited understanding of how best to leverage insurance as a strategic financing tool, rather than as a project or fundraising opportunity. Going forward, institutionalizing insurance will require leadership commitment, clarity of mandate, and predictable internal processes.

The 12 placement journeys documented in this report are evidence that humanitarian insurance is not a theoretical ambition.

For humanitarian organizations, success begins with an immediate investment in insurance literacy across finance, legal, and procurement functions; organizations should not wait until a placement is already in motion. A goal should be the ability to renew coverage year after year, rather than achieving a single landmark placement. This means choosing a pathway to market not by default or out of convenience, but on the basis of a clear-eyed assessment of organizational scale, risk appetite, and market relationships that deliver genuine value for money. Careful attention to what should and should not be done at each stage of the placement process is essential; relevant guidance is presented in Table 2.

Humanitarian organizations should carefully consider which pathway best suits their needs before embarking on a placement process, as different pathways vary in suitability depending on the product and the client. Broker-led approaches are particularly effective for larger placements requiring access to multiple insurers and independent benchmarking of pricing and terms. Risk pool–led approaches may be more appropriate where mandate alignment and concessionality are priorities and where existing products are appropriate. Convening structures, meanwhile, support institutional readiness and access to expertise before commercial market interests are brought into play.

For donors, there is an opportunity to shift from funding premiums to enabling the conditions for sustained insurance use. That means committing to premium support before products are fully designed, not after, to allow institutional ownership to develop. It means offering multiyear funding horizons that align with insurance cycles, build business continuity, and avoid the constraints posed by annual budget processes. And it means recognizing that the design phase, which entails the data work, the modeling, and the internal alignment, is where donor support can have the greatest leverage—and where it is currently most scarce. Over time, as these products generate evidence of results, premium financing should be integrated into "normal" funds arranged ahead of disasters, such as pooled funds, anticipatory action finance, or similar mechanisms.

For advisory and convening organizations, the challenge is to move from episodic support to systemic investment. To date, the heavy transaction costs associated with these novel products have been lightened through bespoke advisory support from organizations like the Centre for Disaster Protection and collaborative structures like the Insurance Development Forum and Lloyd's Disaster Risk

Facility, which allow market players to mutualize resources. However, the sector cannot continue to rely on ad hoc workshops and informal peer learning to build the institutional knowledge that placement requires. A structured, sector-wide capacity-building program—one that codifies ways of working, shares pricing benchmarks, and builds trust between humanitarian actors and commercial insurers over time—is both achievable and overdue.

The development and placement of humanitarian insurance products has been, and largely remains, a highly innovative exercise in which organizations have followed placement pathways largely opportunistically. As the market matures, it should become possible to move from opportunistic pathway selection toward more deliberate choice, based on product complexity, organizational capability, and governance constraints.

TABLE 2

Checklist for humanitarian organizations seeking insurance

Stage	Dos	Don'ts
1 Problem definition	✓ Define the problem in operational terms to ensure insurance is the right financing tool ✓ Secure senior leadership buy-in ✓ Have exploratory conversations with more than one external actor ✓ Secure early signals of premium funding	✗ Assume insurance will generate net new money ✗ Allow pro bono assistance to define the problem
2 Product design	✓ Iterate with operations teams ✓ Bring finance/legal in early ✓ Request transparency in modeling (including testing triggers against real historical events and operational decisions) ✓ Consider using procurement tools to compare product design approaches and costs	✗ Lock into proprietary models without comparison ✗ Design around donor desire for payouts during project cycle ✗ Over-scope (include multiple hazards and geographies at once)
3 Placement	✓ Request pricing breakdowns ✓ Stimulate competition where appropriate ✓ Clarify governance for payouts	✗ Accept the first offer without benchmarking ✗ Fundraise only after full design is complete ✗ Place too close to risk season ✗ Present the product as a one-off with little chance of continuation
4 Contracting	✓ Allow sufficient time to set up new operational processes ✓ Use external legal/advisors familiar with both insurance and humanitarian contracts	✗ Bring finance/legal teams in at the last minute ✗ Assume sanctions/tax issues will resolve themselves

Source: World Bank.

Annex: Examples of humanitarian insurance reviewed

Initiative	Humanitarian client organization	Primary market counterpart	Link
IFRC DREF insurance	IFRC	**Broker:** Aon	https://www.ifrc.org/happening-now/emergency-appeals/disaster-response-emergency-fund-dref/dref-insurance
Start Ready	Start Network	**Broker:** Aon	https://startnetwork.org/funds/start-ready
ARC Replica	WFP, Start Network, & UNHCR	**Risk pool:** ARC	https://www.arc.int/arc-replica
UNICEF Today & Tomorrow (TTI)	UNICEF	**Broker:** WTW	https://www.unicef.org/documents/today-tomorrow
Volcano cat bond	Danish Red Cross	**Broker:** Howden	https://www.artemis.bm/news/first-volcanic-eruption-cat-bond-issued-for-the-danish-red-cross/
ARC anticipatory pilot	OCHA	**Risk pool:** ARC	https://www.preventionweb.net/news/how-anticipatory-insurance-can-help-africa-better-prepare-and-respond-disasters
Syria drought insurance	WFP	**Insurer:** Swiss Re	https://www.insdevforum.org/press_releases/launch-of-us9-25m-climate-risk-insurance-to-protect-vulnerable-communities-from-the-impacts-of-drought-in-syria/
Sahel Climate Catastrophe Layer	WFP	**Broker:** Gallagher Re	https://www.insdevforum.org/wp-content/uploads/2025/03/IDF_Case_Study_WFP_Sahel_2025.pdf
Tearfund anticipatory drought insurance	Tearfund	**Insurer:** Global Parametrics[4]	https://www.tearfund.org/stories/media/press-releases/2025/02/malawian-farmers-receive-first-drought-insurance-payout
IRC Kenya anticipatory pilot	IRC Kenya	**Risk pool:** ARC	https://www.rescue.org/report/CREST
UNCDF anticipatory insurance (various pilots—e.g., Fiji PICAP anticipatory cyclone cover)	UNCDF (with UNDP & UNDRR)	Various	https://thecommonwealth.org/news/parametric-insurance-lifeline-fijis-climate-challenges
B-READY (Building Resilient, Adaptive and Disaster Ready Communities)	Oxfam, Plan International	**Data & forecasting provider:**[5] Global Parametrics	https://dutchrelief.org/b-ready

Source: World Bank compilation.

Note: ARC = African Risk Capacity; DREF = Disaster Response Emergency Fund; IFRC = International Federation of Red Cross and Red Crescent Societies; IRC = International Rescue Committee; OCHA = Office for the Coordination of Humanitarian Affairs; PICAP = Pacific Insurance and Climate Adaptation Programme; UNCDF = United Nations Capital Development Fund; UNDP = United Nations Development Programme; UNDRR = United Nations Office for Disaster Risk Reduction; UNHCR = United Nations Refugee Agency; UNICEF = United Nations Children's Fund; WFP = World Food Programme.

[4] Global Parametrics is not a balance-sheet insurer: it structures parametric products and deploys risk capacity through the Natural Disaster Fund, a donor-backed vehicle (FCDO and KfW/BMZ) with matching reinsurance from Hannover Re. It is grouped under the insurer pathway here because the client-side considerations, managing commercial incentives and pricing transparency, mirror those of working directly with an insurer.

[5] This is an anticipatory action mechanism not insurance.

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