

**START READY**

---

**RISK  
POOL 01**

---

STRUCTURING REPORT | MAY 2022 – APRIL 2023

**START**  
NETWORK

# INTRODUCTION

Start Ready enables frontline humanitarians to access funding at scale, before predictable climate disasters occur. The concept for Start Ready was launched in November 2021 at COP26. The unique financing enables national and local institutions and NGOs to collectively analyse and quantify crisis risks, in anticipation of expected shocks. Using scientific modelling of data and best practice from insurance, financial, and humanitarian sectors – Start Ready pools risks across countries and allows financing to stretch up to three<sup>1</sup> times further than traditional humanitarian funding.

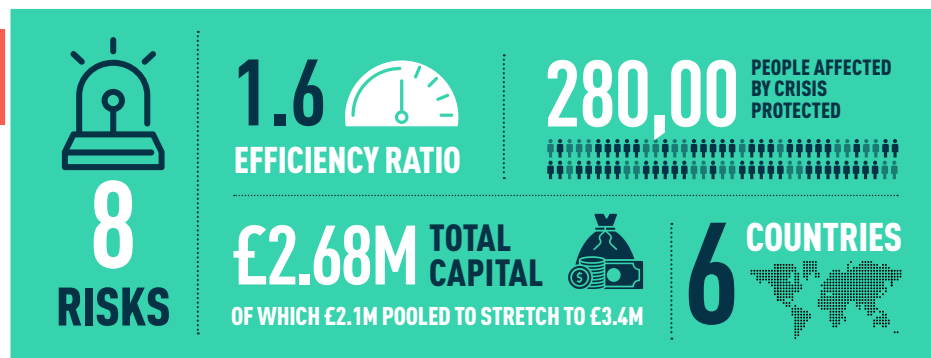
Following a number of years of investment in building disaster risk financing systems in various countries\*, Start Ready's first pool went **live in May 2022** with £2.68m in capital from six donors: [the UK Foreign, Commonwealth & Development Office](#), [Margaret A. Cargill Philanthropies](#), [IKEA Foundation](#), [Irish Aid](#), the [French Ministry for Europe and Foreign Affairs](#) and the [Netherlands Ministry of Foreign Affairs](#). In the first quarter of 2022, the Start Ready Governance Committee was formed.<sup>3</sup> Its nine members reflect the diversity of the Start Network and the wide range of skills needed to structure and manage funding in accordance with the [Start Ready principles](#). Supported by a technical advisory unit<sup>4</sup> the committee pre-arranges funding to support the pool of risk financing layer. This report outlines how Start Ready funds were structured across the portfolio of risks in the first pool. Pool 1A refers to the first 6 months of this pool (May 1st - November 29th 2022). Halfway through the first pool, in November 2022, we received additional funds from existing donors as well as one new ([Swiss Re Foundation](#)) donor, which allowed us to add two further countries/risks to the pool. The second half of the pool is referred to as 1B in this report, and runs from November 30 - April 30.

**Start Ready is the first scaled, multi hazard risk financing system for locally led networks of civil society organisations to act in anticipation and response to crisis. Action planning is locally led and relevant but connected into a globally risk pooled funding mechanism. Innovation around early and anticipatory action for crisis is now more urgent than ever, to protect the increasing number of vulnerable people at risk of climate shocks."**

**Clare Harris** Head of Crisis Anticipation & Risk Financing, Start Network

## POOL 1A

This report contains an overview of the risk pool and how the total Start Ready capital has been pre-positioned across the portfolio of risks. The following graphic gives an overview of Pool 1A.



## DECISION-MAKING

Both cycles of decision-making the Start Ready Committee convened to review applications and explore different options for structuring the pool. To assist their decision making, the Committee were supported by technical members of Start Network's Crisis Anticipation and Risk Financing team, expert capital modellers, actuarial consultants, and members of the UK Government Actuary's Department. The committee reviewed **modelled outputs** for the consequence that these options are likely to have, assessing the amount of people that could be protected, the ratio of support offered to applicants, and key risk statistics, such as the probability of exhausting all funds.

Capital model: The Start Ready capital model (Rimetrica) takes the risk inputs for each country-peril, along with the coverage structures and quantifies the risk to each country and the portfolio. The capital model relies on loss profiles for each country-peril risk – derived from historical exposure and disaster data – as its primary input. Losses are simulated from the original risk inputs and coverage structures were applied. Stochastic simulation was performed to model losses by countries and the whole portfolio. All financial modelling was undertaken via a well-established financial modelling software.

\*This involves building a predictive hazard model, agreeing thresholds for the release of funds and the agreement of contingency plans in advance of a predicted disaster. Building such a system can take up to 2 years and requires investment on the part of Start Network, our members, partners and donors,

<sup>1</sup> The exact stretch or efficiency depends on the make up of each pool.

<sup>2</sup> [UK Foreign, Commonwealth & Development Office](#), [Margaret A. Cargill Philanthropies](#), [IKEA Foundation](#), [Irish Aid](#), the [French Ministry for Europe and Foreign Affairs](#) and the [Netherlands Ministry of Foreign Affairs](#).

<sup>3</sup> Selected from 20 applying candidates by a panel consisting of a Governance Design Group who formed to develop and agree the [governance structure, principles, processes, and guidelines](#) that would steer this new fund.

<sup>4</sup> Start Network CARF technical team, external capital modellers and actuarial consultant and members of the UK Government Actuary's Department.

## APPLICATIONS

From the 6 aforementioned donors, a total of £2,682,412 was dedicated to Start Ready capital in April 2022. Applications to receive coverage from Start Ready were limited to members from countries that have been building **Disaster Risk Financing systems**. Networks of members in 6 countries applied requesting coverage which exceeded £20 million. The large gap (£17.4m) between what was requested versus what capital was held for the 6 countries that now form Start Ready's first pool demonstrates a number of things:

- 01** the very real and significant risk that climate change poses to these countries, and this is likely to worsen and grow over time;
- 02** the level to which many of these risks are uncovered or not transferred by countries facing them; and
- 03** the demand for innovative funding mechanisms like Start Ready, and the likelihood that they will need to scale in the coming years, to stretch dwindling funds across growing risks.

## SUMMARY OF COVERAGE OFFERED IN POOL 1A



### STRUCTURING OF POOL 1A

COUNTRY	ZIMBABWE	PAKISTAN	PAKISTAN	BANGLADESH	PHILIPPINES	DRC	SENEGAL	PAKISTAN
Risk	Drought	Heatwave	Fluvial flood	Fluvial flood	Tropical Cyclone	Fluvial flood	Drought	Drought
Amount prepositioned	£471,270.91	£191,807.45	£498,699.38	£453,816.43	£498,699.38	£460,798.38	£332,466.25	£523,634.35
Number of people protected	11,760	96,923	42,000	11,760	10,080	11,760/	6,720	37,800

### LAYERS OF POOL 1A

AMOUNT ALLOCATED	% OF TOTAL CAPITAL	PURPOSE OF FUNDS	DESCRIPTION
£200,180	7%	Basis risk funding	A ringfenced allocation from the total available capital for the purpose of providing funding for basis risk events. This is for the scenario of an event materialising yet the DRF model thresholds used have not been breached.
£413,395	15%	National Reserves	Individual allocations made to members in-country with an established governance structure to support seasonal readiness activities.
£2,068,837	77%	Global Risk Pool	Pre-positioned financing for disbursing when the pre-defined thresholds for the DRF model have been breached. <b>Given the specific portfolio of risks in Pool 1A, we were able to pool and stretch the capital 1.65 times to £3.4m.</b>

<sup>5</sup> Average annual loss: shown by a financial amount giving the average amount that would be paid out in a given year. If the same risks were included every year with the same amount allocated, on average, this is the amount that would be disbursed each year on each risk (for example, if flooding occurs once every five years causing \$500,000 damage, the AAL would be \$100,000).

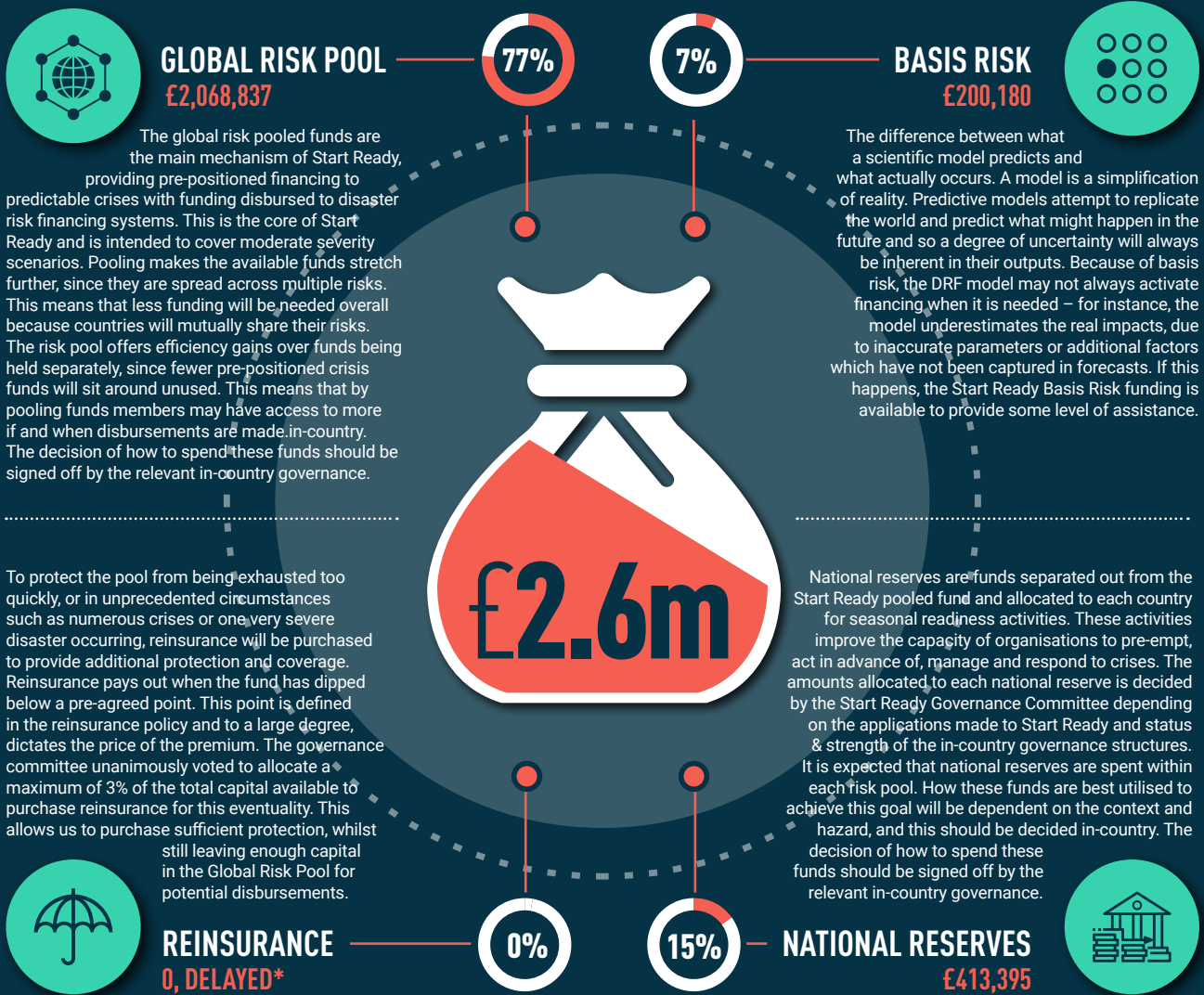


THE SEASONAL CALENDAR BELOW OUTLINES THE RISKS OF POOL 1A

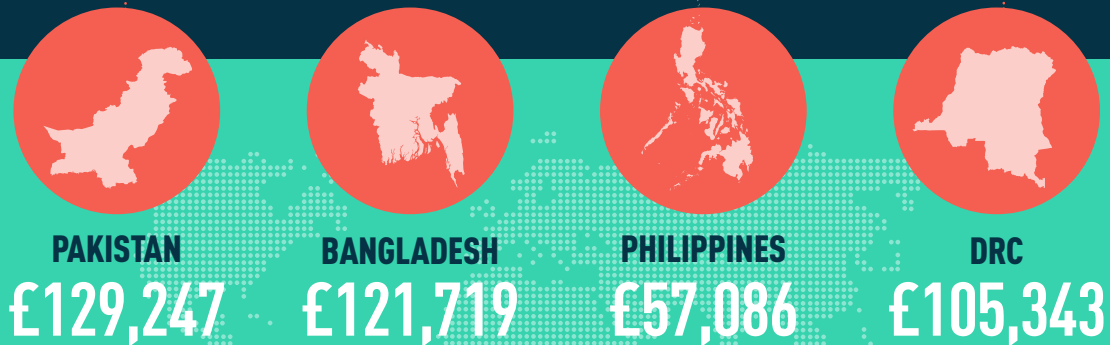
	MAY	JUNE	JULY	AUGUST	SEPT.	OCT.	NOV.	DEC.	JAN.23	FEB.	MARCH
PAKISTAN	HEATWAVES		FLOODS								DROUGHT*
ZIMBABWE	DROUGHT*										
BANGLADESH			FLOODS								
DRC						FLOODS					
PHILIPPINES					CYCLONES						
SENEGAL							DROUGHT*				

\*End of monitoring period

## THE TOTAL CAPITAL FOR POOL 1A (£2.6M) WAS SEGMENTED AS FOLLOWS:



### STRUCTURING OF THE NATIONAL RESERVE ALLOCATIONS



The national reserve amounts were based on the requests each country made. Their total ask from Start Ready was broken down by % into the proportion they wanted to manage locally (national reserves) and what proportion they wanted to pool globally and stretch). To ensure efficiencies we suggested a 20/80% split, to ensure efficiencies whilst retaining local decision-making power and control.

\* There have been delays in securing reinsurance in pool 1. This document will be updated as such in due course. These delays will be mitigated in Pool 2 by starting the process earlier and in the fact that the reinsurers will only need to analyse the new incoming risks and review any changes made to existing risks – rather than evaluate the whole risk portfolio.



## POOL 1B

At the half way point of pool 1, further funds were committed from existing donors and one additional donor joined the existing 6, [Swiss Re Foundation](#). The incoming funding looked as follows:

### THE TOTAL NEW INCOMING CAPITAL WAS:

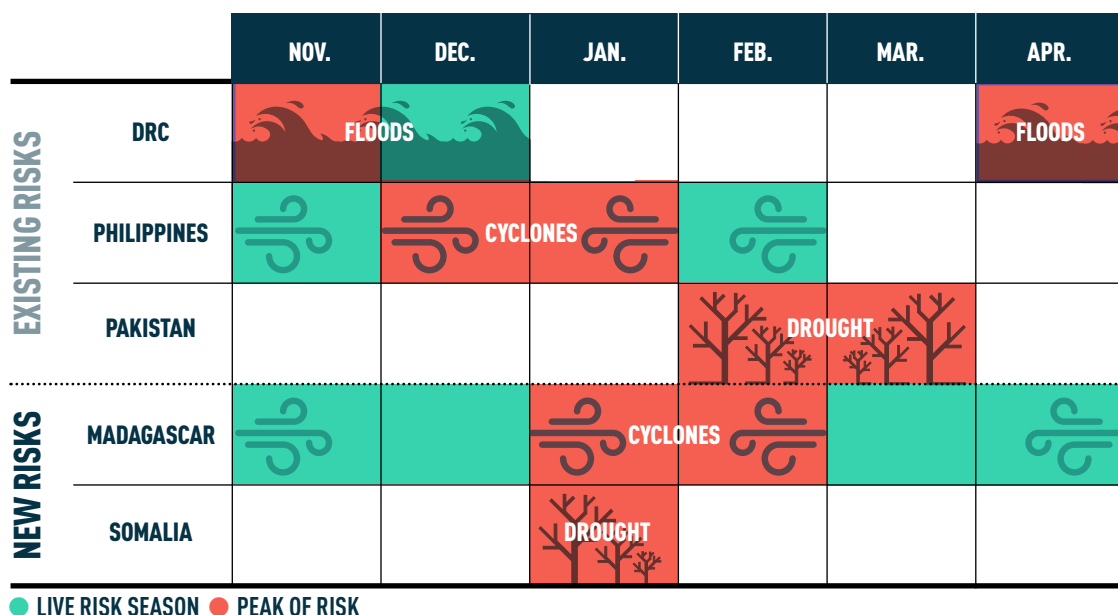
SOURCE	YEAR 1 POOL 1
Swiss Re Foundation (new contribution)	£82,300
UK Foreign, Commonwealth & Development Office (new contribution)	£1,200,000
Savings made in Start Network budgets that were moved to the Start Ready pooled capital	£127,000
<b>Total:</b>	<b>£1,409,300</b>

### TWO APPLICATIONS WERE RECEIVED FROM TWO COUNTRIES WHOSE SYSTEMS WERE NOW READY TO APPLY TO START READY.

- Members in Madagascar requested just under £1m to be able to act in advance of a moderate cyclone, up to two times in the coming season. They also requested a national reserve of £170,000, to enable them to mobilise and pre-position ahead of the season, given the rapid onset nature of the cyclone hazard. 
- Members in Somalia face unprecedented drought conditions this year (2022) after 4 consecutive failed harvests. This is reflected in their application request totalling over £15m. Other risk mitigation and risk transfer mechanisms (such as ARC Replica, see further in this report for more on this complementary of programming) are expected to be in place for the coming season for larger, more severe drought-induced food insecurity. 

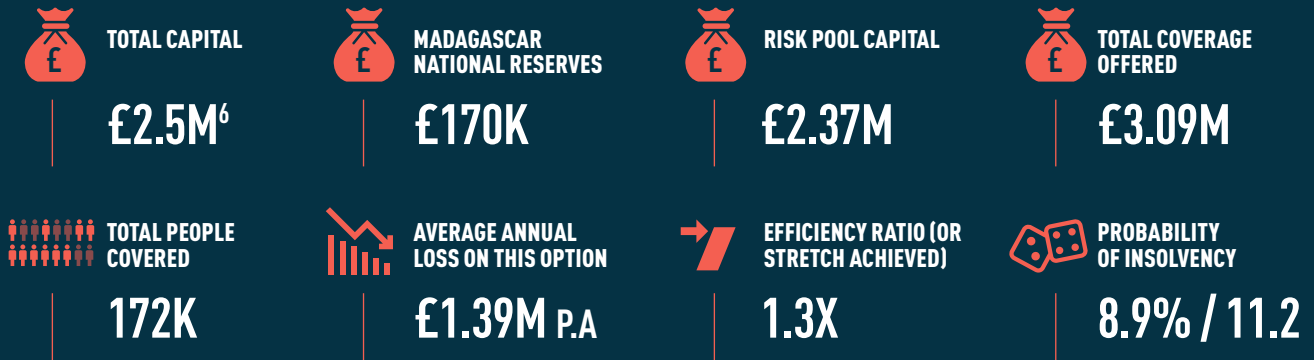
The Governance Committee were given the option to a) allocate the additional funds to the new incoming risks only, or b) to restructure the pool with the to date unspent pooled funds (£1.14m) and the incoming new funds across the new and remaining risks (£1.4m). They went for the latter as this was more financially efficient and allowed for the pre-positioned amounts per country to be increased in a year of record-breaking global humanitarian need.

As such, pool 1b incorporates the three remaining risks of the pool at the point of top up (29th November 2022) + the two new risks applying for coverage:

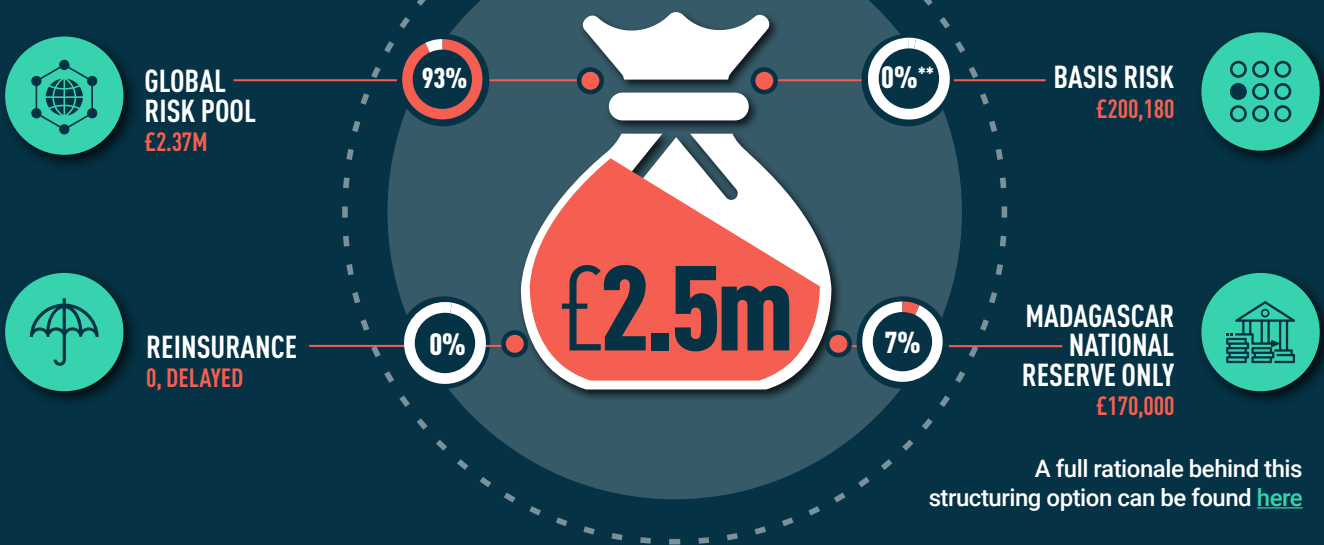
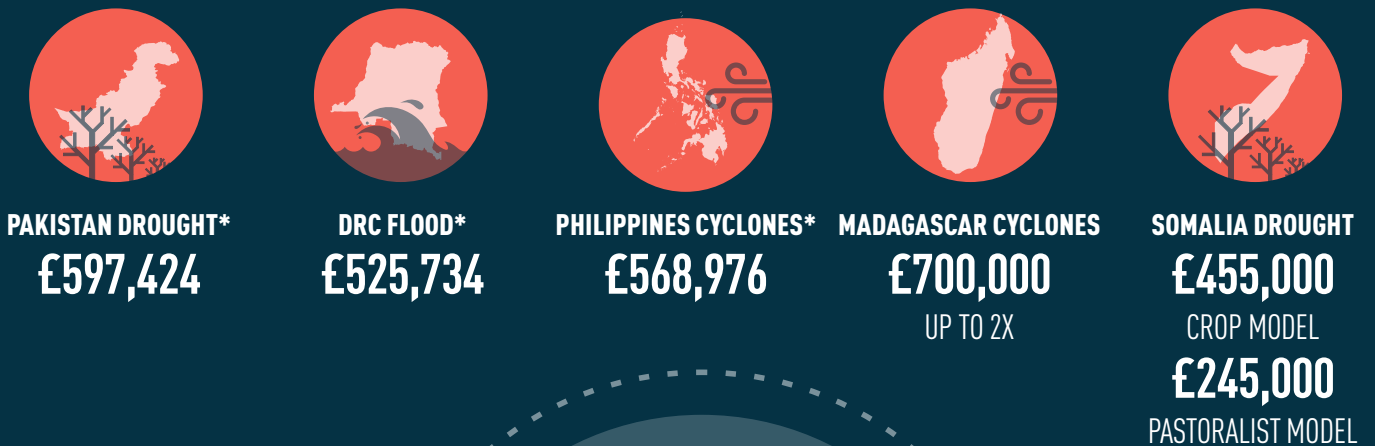


## THE STRUCTURING DECISIONS MADE BY THE GOVERNANCE COMMITTEE FOR POOL 1B WERE AS FOLLOWS:

### OVERVIEW



### COUNTRY BY COUNTRY DISBURSEMENTS



\* These were existing risks from pool 1A which had seasonalities in the second half of the pool. After the mid point top up, the allocations for these 3 existing countries/risks increased slightly in pool 1B as compared to their allocations in pool 1A.

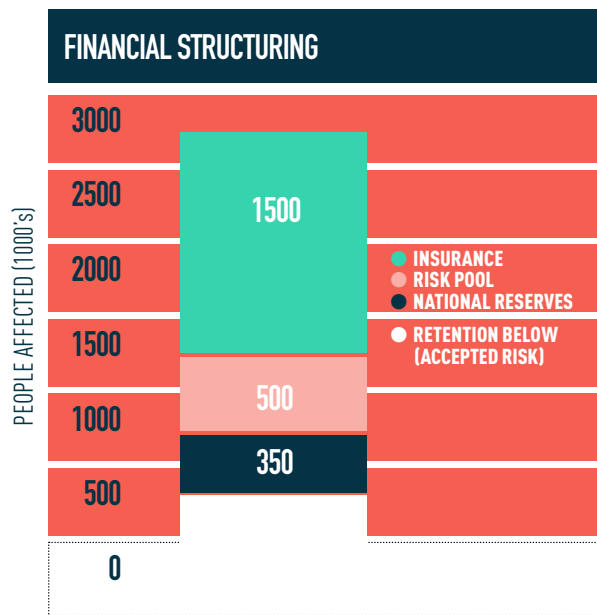
\*\* allocated as part of Pool 1A

<sup>6</sup> This is the £1.4m of new funding outlined in the table on page 6 + the unspent funds from Pool 1A.

## EXISTING MECHANISMS THAT COMPLEMENT START READY

Start Network has a rich experience of risk financing programmes, including macro-insurance mechanisms that pre-date Start Ready. Our involvement in the ARC Replica programme is ongoing and complements the protection offered through Start Ready -- which is still relatively limited given the size of Pool 1 (and the likely size for the next pools of Start Ready).

In future, it may be possible to purchase insurance with Start Ready capital. However, for Pool 1, insurance policies will not be purchased with Start Ready funding but will be purchased by Start Network, in separate programmes such as ARC Replica. Despite not forming part of the Start Ready programme, these policies might complement Start Ready coverage. For example, Start Ready applications may mention existing insurance policies, to show how Start Ready coverage might cover other gaps in the risks a country faces. Grups of members might decide that Start Ready coverage can be for under-attachment (or smaller, less severe) events, knowing their insurance payouts will come in in rarer more severe events. This layering of existing programmes, insurance and Start Ready - and maximising the use of each of these - will be explored in the first pool and learnings from this will be taken into pool 2.



# CONCLUSION

## THE FOLLOWING KEY MILESTONES LIE AHEAD:

### 01

Once the pool has closed, a pool performance report will be published and shared – and ultimately will be used by the Committee to make informed decisions for pool 2's structuring.



### 02

Start Ready pool 2 is expected to go live on May 1st 2023. We expect further risks (e.g.: cyclones in Bangladesh, droughts in Madagascar) to join Start Ready then. Future pools could see the inclusion of new countries such as Kenya, Guatemala and Nepal.



### 03

The expansion planned for pool 2 will necessitate further funding to be committed. This will enable us to increase the efficiencies of Start Ready and ultimately protect more people at risk of climate shocks across more than 10 risks worldwide.







Temporary cooling station, Sibbi  
©Care International and BSDSB

## ANNEXES

- [START READY HANDBOOK](#)
- [START READY – RISK PORTFOLIO INFORMATION PACK](#)
- [START READY FAQs](#)
- [START READY COMMITTEE TERMS OF REFERENCE](#)
- [START READY DECISION-MAKING PRINCIPLES](#)
- [CAPITAL MODEL OUTPUTS: THE THREE STRUCTURING OPTIONS PRESENTING TO THE GOVERNANCE COMMITTEE](#)
- [START READY PROCESS CYCLE](#)
- [START READY TECHNICAL REPORT](#)
- [BASIS RISK ALERT NOTE](#)



## THANKS TO:

[UK Foreign, Commonwealth & Development Office](#)

[Margaret A. Cargill Philanthropies](#)

[IKEA Foundation](#)

[Irish Aid](#)

[The French Ministry for Europe and Foreign Affairs](#)

[The Netherlands Ministry of Foreign Affairs](#)

[Swiss Re Foundation](#)

## CONTACT US AT

[startready@startnetwork.org](mailto:startready@startnetwork.org)



ACTED ACTION AGAINST HUNGER ACTIONAID AGAHE AGE INTERNATIONAL ALIMA AFEDEM ARAB RENAISSANCE FOR DEMOCRACY AND DEVELOPMENT ASECSA AFPDE AZAT FOUNDATION BRAC INTERNATIONAL BRIGHT STAR DEVELOPMENT SOCIETY BALOCHISTAN CADENA CAFOD CARE INTERNATIONAL CARITAS BANGLADESH CARITAS GOMA CARITAS INDIA CARITAS SRI LANKA CATHOLIC RELIEF SERVICES CDF CHRISTIAN AID COMMUNITY WORLD SERVICE-ASIA CONCERN WORLDWIDE CORDAID DOCTORS OF THE WORLD DOABA FOUNDATION DORCAS AID EHSAR FOUNDATION EPS FARMERS DEVELOPMENT ORGANIZATION GOAL HEALTH AND NUTRITION DEVELOPMENT SOCIETY HELPAGE HELP FOUNDATION HUMANITY & INCLUSION INITIATIVE FOR DEVELOPMENT AND EMPOWERMENT AXIS ISLAMIC RELIEF LASOONA LHDP MANZIL ORGANIZATION BALOCHISTAN MEDAIR MERCY CORPS MIDEFEHOPS ASBL MRC MUSLIM AID MUZAFFARABAD POVERTY ALLEVIATION PROGRAMME NDO NIDA-PAKISTAN NORTH-EAST AFFECTED AREA DEVELOPMENT SOCIETY OXFAM PARC PEOPLE IN NEED PIANGO PLAN INTERNATIONAL PRDS PRO-VIDA QATAR CHARITY RDF RELIEF INTERNATIONAL REPID RURAL DEVELOPMENT ORGINZATION BUNER SAMI FOUNDATION SAVE THE CHILDREN UK SMAAJ SOLIDARITES INTERNATIONAL SUSTAINABLE ENVIRONMENT AND ECOLOGICAL DEVELOPMENT SOCIETY SWRDO TEARFUND TROCAIRE VEER DEVELOPMENT ORGANIZATION WAR CHILD WELFARE ASSOCIATION JARED WELTHUNGERHILFE WORLD JEWISH RELIEF WORLD VISION YUGANTER