

The Global Health Risk Facility

Mission driven insurance for Covid-19 vaccine distribution and life saving global health supply chains.



As the world embarks on the largest vaccine campaign in human history, the risk of supply chain breakdowns in low income countries calls for renewed focus on the logistics and risk management of vaccine distribution.

Introduction

Billions of dollars of health commodities are shipped around the world every year, many of which require complex, temperature controlled supply chains to remain safe and effective. These critical goods are at risk but are often under- or uninsured. The Covid-19 pandemic is only accentuating pre-existing vulnerabilities in the way they are delivered and distributed. In addition, experts fear that the disruption of routine health programming due to Covid-19 may lead to new outbreaks of vaccine-preventable diseases, like polio and measles, and the reversal of decades of progress against HIV, tuberculosis and malaria.^{1,2} Gavi, the Vaccine Alliance that helps to vaccinate half of the world's children, warns that 80 million children under the age of one will be put at risk as a result of suspended vaccine services.³

As global health leaders, scientists, manufacturers and governments race to develop a Covid-19 vaccine and design equitable funding and distribution plans, a new approach to insuring these life saving vaccines and medicines will be essential to ensuring that crucial investments are protected and global health supply chains are ready to meet the challenge.

Problem

The problem today is that insurance for global health commodities is fragmented, expensive and difficult to source. Modeling shows insurance is cost beneficial at all tiers of the supply chain,⁴ but insurance coverage, when and where it exists, often involves prohibitively high premiums and deductibles, speculative exclusions and restrictions on coverage for in-country delivery. Insurance contracts may not cover risks associated with unanticipated changes in commodity type, geography, volume or exposure that can occur during a pandemic or other global health emergency.

The nature of donor procurement contracts means that when insurance is available, it is limited to global transits, leading to an accumulation of risk exposure once goods arrive in country. Once ownership of goods transfers to local partners, sourcing reasonably priced coverage from financially sound local insurers remains elusive in too many cases. When coupled with unprecedented rate increases in today's rapidly hardening insurance market, reduced air and ocean cargo capacity and higher international freight costs, the impact on global health commodity delivery can be significant.

Solution

Once a Covid-19 vaccine is available, it will be critical that we protect and deliver every last dose. This herculean effort will require a comprehensive and streamlined insurance and risk mitigation strategy that can complement manufacturing and distribution objectives of major Covid-19 vaccine development efforts, including the ACT-Accelerator Vaccines Pillar (COVAX) and the US Government's Operation Warp Speed (OWS). This strategy is at the heart of the new Global Health Risk Facility (GHRF), anchored by a new "Syndicate 1796" operated by Parsyl Insurance at Lloyd's of London, which will serve as the dedicated risk facility for Covid-related transit and storage risks. The Syndicate has been given the number '1796' in honor of the year physician Edward Jenner carried out his first experiments in what would become the smallpox vaccine, the world's first vaccine and the only disease the world has ever eradicated through vaccination.

How it Works and What it Covers

Lloyd's of London is the world's specialist insurance and reinsurance marketplace where insurance companies operate as syndicates and join together to underwrite complex risks. In the GHRF, Syndicate 1796 will be backed by development finance capital, allowing it to share risks with leading cargo syndicates and better, fairly priced coverage available for complex global health risks. The GHRF will offer 'All Risk' cargo coverage for transit and storage risks on all global health products related to Covid-19 and any other infectious disease control and prevention programs. The creation of a public-private syndicate to address a global health emergency is the first in Lloyd's 330 year history.

To achieve rapid economies of scale, the GHRF will take a portfolio approach, focusing primarily on global distribution of products supported by global public health agencies, such as Gavi, the Global Fund to Fight AIDS, TB and Malaria, PEPFAR and UNICEF. Importantly, the GHRF will also offer coverage, via direct insurance or reinsurance, for in-country risks to ensure vaccines and other commodities are protected as they are stored in central warehouses and travel through health systems to the last mile. Eligible insureds include the following: private manufacturers, procurement agents, logistics companies, Ministries of Health and other public agencies supporting the distribution of Covid-19 vaccines and other life saving products to low income countries.

Reducing Risk and Strengthening Supply Chains

To provide fairly priced, comprehensive insurance coverage for global health commodities, both during the pandemic period and beyond, insurers require visibility into the risks they are insuring.

This includes the location and conditions of warehouses, utilization of warehouse and cold chain monitoring solutions, basic inventory management, suitable packaging and adequate training of supply chain personnel. As a companion to the GHRF and Syndicate 1796, a Risk Management Accelerator (RMA) will be created to provide risk engineering services for loss prevention and reduction in order to strengthen supply chains for existing vaccines and prepare countries for Covid-19 vaccine distribution. Support will be focused on key risks that can improve insurability, such as risk evaluation, warehouse and cold chain monitoring, inventory analysis and technical assistance to parties who are interested in seeking insurance coverage from the GHRF. RMA services and activities will leverage the global presence and risk management capabilities of GHRF partner AXA XL and will pull from a range of technology solution providers with experience operating in emerging markets. The activities will be co-financed through a combination of resources from insurance industry participants and donors.

Status

The GHRF and Syndicate 1796 have been developed by Parsyl in close partnership with Ascot (lead underwriter) and AXA XL and in partnership with Gavi, McGill & Partners, Ernst & Young and Lloyd's of London. Syndicate 1796 was recently approved by Lloyd's of London and is planning to begin operations on October 1, 2020. Capital backing for Syndicate 1796 is currently under consideration by U.S International Development Finance Corporation (DFC). Design and development of the Risk Management Accelerator is underway with donor and industry partners. Interested partners are encouraged to get in touch by emailing GHRF@parsyl.com.



¹ Global Fund. Mitigating the Impact of Covid-19 on Countries Affected by HIV, Tuberculosis and Malaria. Global Fund to Fight HIV, TB and Malaria. Geneva: 1 June 2020. Available from: https://www.theglobalfund.org/media/9819/covid19_mitigatingimpact_report_en.pdf. Accessed 10 July 2020.

² Hoffman J. Polio and Measles Could Surge After Disruption of Vaccine Programs. New York Times. New York: 22 May 2020. Available from: <https://www.nytimes.com/2020/05/22/health/coronavirus-polio-measles-immunizations.html>. Accessed 10 July 2020.

³ Gavi, the Vaccine Alliance. Geneva: 22 May 2020. <https://www.gavi.org/news/media-room/least-80-million-children-risk-disease-covid-19-disrupts-vaccination-efforts>. Accessed 14 July 2020.

⁴ William Davidson Institute. Business Case for Insuring Health Commodities in Low- and Middle-Income Countries. February 2020. Funding provided by the Bill and Melinda Gates Foundation.