

Third Catastrophe Bond for Jamaica: Increased Cover following Hurricane Melissa

In May 2026, the World Bank issued a catastrophe bond (“Cat Bond”) that provides the Government of Jamaica with \$200 million of insurance cover for four hurricane seasons. The renewal represents an increase from the 2024 Cat Bond, which was fully redeemed early following a full \$150 million payout triggered by Hurricane Melissa in October 2025.

Background

As an island nation in the Atlantic Hurricane Belt, Jamaica is highly exposed to hurricanes. For this reason, Jamaica has an established National Natural Disaster Risk Financing Policy that combines budgetary resources, pre-arranged contingency credits, insurance from the Caribbean Catastrophe Risk Insurance Facility (CCRIF), and Cat Bonds issued by the World Bank. The Cat Bonds cover top layer of Jamaica’s risk (i.e., cover the least frequent but most severe events).

The first Cat Bond for Jamaica was issued by the World Bank in 2021, and it was fully funded by donors, who recognized Jamaica’s commitment to fiscal resilience. Jamaica then renewed and extended coverage in 2024 – from three hurricane seasons to four seasons and financed the insurance premiums for \$150 million of coverage on its own.

When Hurricane Melissa made landfall in October 2025, the 2024 Cat Bond indeed proved to be very valuable. Nine days after

Montego Bay after Hurricane Melissa



Photo Credit: APFootage / Alamy.

landfall, the event calculation agent confirmed a full \$150 million Cat Bond payout was due to Jamaica, providing critical financial resources for recovery and reconstruction.

Jamaica’s commitment to proactive disaster risk management underscores its overall sound fiscal management strategy. Highlighting this fact, Moody’s Ratings upgraded Jamaica’s credit rating, citing “reforms that bolster financial sector oversight and disaster risk management” as a contributing factor¹, following Hurricane Melissa.

Objectives

Following hurricane Melissa, the Government aimed to renew its hurricane coverage and further optimize its structure.

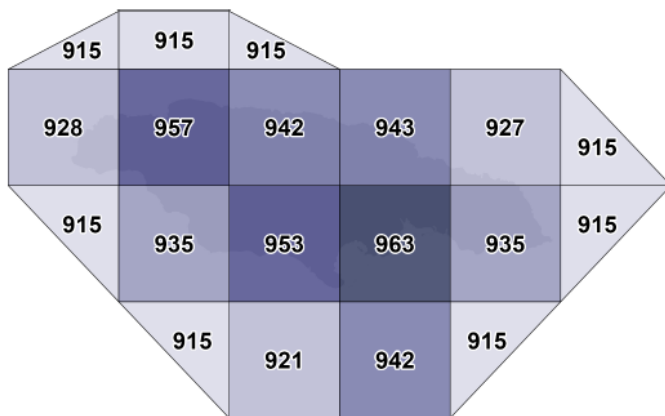
¹ Moody’s, “Rating Action: Moody’s Ratings upgrades Jamaica’s rating to Ba3 from B1 changes outlook to stable from positive”, December 19, 2025.

Financial Solution

In May of 2025, the World Bank issued a new \$200 million Cat Bond for Jamaica. As for the previous Cat Bonds, the World Bank simultaneously entered into a risk transfer agreement with the Government of Jamaica with insurance terms that mirror the Cat Bond.

Jamaica is paying an insurance premium to the World Bank and in return may receive payouts from the World Bank based on the path and intensity of named storms that cross the island and surrounding waters. The payout structure uses a 19-box grid, where each box has a central pressure threshold (see graphic on the next page). A payout is triggered when a storm's track intersects a box with a central pressure below that threshold. Storms with lower central pressures trigger larger payouts.

2026 central pressure payout thresholds



The Cat Bond is listed in Singapore on SGX and expected to be supported by a grant from the Monetary Authority of Singapore to help cover the transaction costs.

World Bank's Role

The World Bank issued the bond and managed the structuring and issuance process. The World Bank procured external service providers for the transaction, including Aon Securities and Swiss Re Capital Markets as lead managers. The World Bank for the first time used Moody's RMS as risk modeler and calculation agent.

Transaction Summary

The transaction was oversubscribed with 25 investors participating – up from 15 investors in the 2024 issuance.

Cat Bond Investor Characteristics			
Geographical base		Investor Type	
Europe	42%	ILS Fund	69%
North America	41%	Asset Managers	25%
Bermuda	16%	Insurer / Reinsurer	6%
Asia	1%		

Cat Bond Summary Terms	
Peril	Jamaica Named Storm
Coverage Amount	\$200 million
Risk Period	4 years
Trigger Type	Parametric CAT-in-a-grid, based on central pressure
Payout Structure	Linear sliding scale with a minimum payout of 30% and maximum payout of 100% of principal
Risk Statistics	Expected loss: 2.48% p.a. Attachment probability: 3.86% p.a. Exhaustion Probability: 1.08% p.a.
Risk Margin	6.75% p.a.