

Nepal Signs a Cat Bond Mandate With the World Bank

From the Risk Coverage Hub desk — Tygart Media's reinsurance and catastrophe-risk desk, where the market's plumbing gets read closely.

Nepal has signed a mandate agreement with the World Bank to explore a parametric earthquake catastrophe bond — a deal that, if it reaches issuance, would let one of the world's most disaster-prone countries draw funding quickly after a major quake, without waiting for loss adjustment or emergency appropriations.

Under the agreement, the World Bank Group Treasury will work with the Government of Nepal and market participants across the structuring and insurance-linked securities community to assess feasibility and potential structure. The World Bank describes the signing as “the beginning of a collaboration to assess how capital markets can support Nepal's broader disaster risk management strategy.”

What is actually signed — and what is not

Precision matters here, because cat bond headlines tend to run ahead of cat bond facts. What exists today is a *mandate to explore*: a feasibility and structuring engagement. No bond has been issued, no trigger has been set, and no final size has been announced.

The shape under discussion comes from the World Bank's earlier work on the project, reported by Artemis in July: a proposed US \$80 million to \$190 million of fully collateralised disaster risk financing, envisaged as a three-year parametric earthquake bond. Those are proposal parameters from the summer — a reasonable picture of the intended deal, not terms of a signed one. Nepal's Council of Ministers approved signing the mandate earlier this month, and the Treasury-led assessment is the next step.

Why parametric, and why Nepal

A parametric bond pays on the measurement, not the damage assessment: if a quake exceeds agreed physical parameters — magnitude, location, depth — the money moves. For a government, that speed is the product. Disaster budgets fail in the gap between the event and the arrival of funds; a parametric structure is built to close that gap to days or weeks.

Nepal's exposure needs little arguing. It sits on an active seismic zone, its building stock is vulnerable, and the World Bank flatly calls it one of the world's most disaster-prone countries, with ongoing work across risk reduction, preparedness, and financial protection. Financial protection is the layer this mandate addresses: pre-arranged money, priced and placed before the ground moves.

The pattern worth watching

Sovereign cat bonds have become a standard tool in the World Bank's disaster-finance kit, and each new mandate extends the map of where capital markets — not just reinsurer balance sheets — carry catastrophe risk. For the ILS market, an \$80–190 million parametric quake bond is a modest size and a meaningful signal: another sovereign buyer entering the market, another peril region getting a price.

If the mandate becomes an issuance, the details that matter will be the trigger design and the basis risk Nepal accepts in exchange for speed. We will cover it when the terms exist. Until then: a mandate is signed, the assessment is underway, and nothing has been sold yet.

SOURCES

- Artemis: “World Bank confirms signing of Nepal quake catastrophe bond mandate” (artemis.bm), including its July 2026 reporting on the proposed project parameters

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