



BRAZIL RESILIENCE THROUGH CLIMATE CREDIT AND INSURANCE FOR SMES (BRACCE)

PROPONENT ORGANIZATION: STONE AND ZURICH

FINANCIAL MECHANISM: CREDIT ENHANCEMENT

SECTOR: MULTI-SECTOR

REGION: LATIN AMERICA AND THE CARIBBEAN

FUNDRAISING TARGET		
TYPE	ROLE OF CAPITAL	AMOUNT
Senior Debt (Commercial)	Commercial capital, repaid first	USD 12M
Mezzanine Debt (Impact)	Concessional capital, subordinated to senior	USD 6M
Junior Debt (secured by Stone)	First loss, anchored by Stone	USD 2M

BRACCE, developed by Stone and Zurich, is a credit enhancement vehicle that bundles SME credit with embedded flood and heavy-rainfall business interruption insurance. It will launch as a USD 20M demonstration fund, with the potential to scale to USD 100M+ as the model proves itself.

INNOVATION

Climate-vulnerable urban SMEs in Brazil face limited access to affordable credit and insufficient protection against climate-related losses, especially floods and heavy rainfall. Traditional lending and underwriting

systems fail to account for climate hazards, leaving lenders and SMEs unprotected against business interruptions. SMEs rarely buy climate insurance on their own, and post-disaster financial recovery is slow and fragmented.

BRACCE solves these challenges with a unique, integrated credit-insurance model for urban SMEs, combining a primary parametric trigger (under evaluation by Zurich) with indemnity recourse. Instead of relying on individual SMEs to purchase insurance individually, BRACCE embeds insurance directly into the credit structure at the fund level, eliminating affordability burdens.

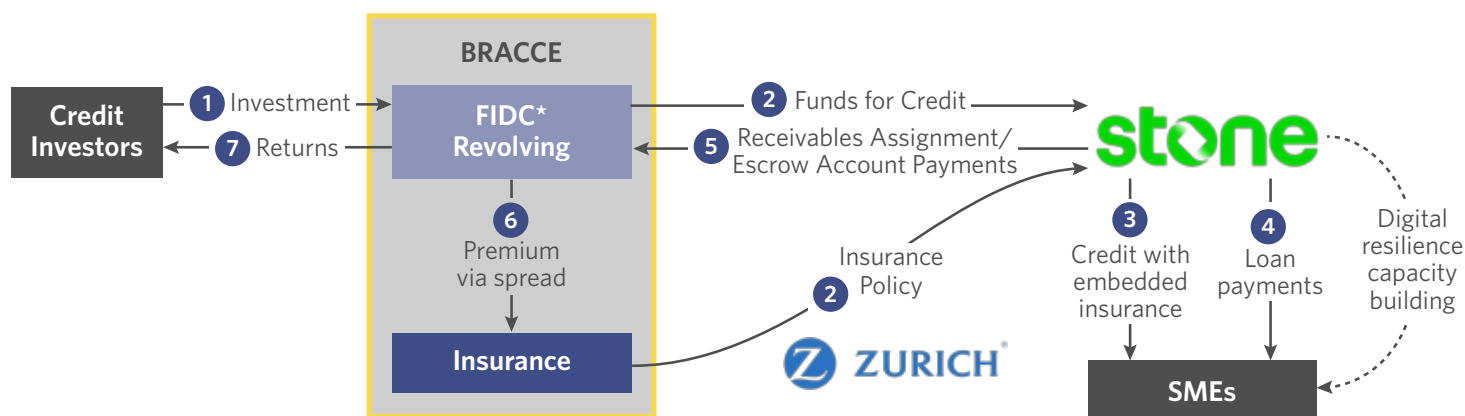
It integrates Stone's payment terminal data and credit history with Zurich's insurance capabilities and AdaptaBrasil municipal-level flood risk data to screen and price flood and heavy-rainfall risk at onboarding. When a covered event occurs, Zurich pays Stone directly under the policy, and Stone amortizes the loan installments due during the interruption, capped at up to three months' payments, turning unhedged climate shocks into a shared, underwritten risk.

IMPACT

At the USD 20M demonstration phase, BRACCE models financing ~9,045 SMEs and supporting ~18,090 formal jobs, roughly 452 SMEs and 904 jobs per USD 1M invested. Scaling to USD 100M+ expands reach to ~45,225 SMEs and ~90,451 jobs, all with embedded flood cover.

The implementation pathway moves progressively from a demonstration supported by concessional capital to a fully commercial model. Mezzanine capital takes losses below senior investors, lowering risk so commercial lenders can fund SME climate resilience at scale. The spread between commercial rates and this tranche's concessional rate funds: (a) insurance premiums; (b) loss absorption under severe stress; and (c) capital headroom for further impact measures.

The concessional layer can then step away entirely, demonstrating the potential for embedded climate insurance to strengthen SME resilience at scale.



INVESTMENT STRATEGY

BRACCE is structured under Brazilian law as a receivables fund (Fundo de Investimento em Direitos Creditórios – FIDC). Capital from credit investors is deployed to SMEs in the form of loans originated through Stone's existing client and payment-terminal channels, with the resulting receivables assigned to the fund. Part of the credit spread earned on the loan payments is automatically directed to pay Zurich insurance premiums, embedding business interruption insurance via climate event coverage directly into the credit product.

The investment strategy executes across three phases (Demonstration, Scaling, and Commercial), scaling total fund capacity from USD 20M to USD 100M+. Lead partner Stone Co. provides a 10% first-loss equity position across all phases to de-risk senior/mezzanine investors. In comparison, the concessional share falls from 30% to 20%, then to zero as commercial investor participation grows. Base-case demonstration-phase IRRs are 17% (Senior), 14% (Mezzanine), and 14% (Junior).

PIPELINE

BRACCE originates from Stone's existing SME base of 4.7M clients and a USD 560M credit portfolio, with USD 30M (5.4%) exposed to very high vulnerability to floods and heavy rainfall. The demonstration phase draws on that book, blended with medium-vulnerability areas, to keep the pool insurable, and scaling applies the same mix across Stone's national footprint.

Eligibility is screened against Stone's E&S procedures, DFI exclusion lists, and municipal-level flood risk before onboarding. Around 75% of active credit clients are in Retail Trade and Food & Beverage, whose shared profile of fixed premises, daily cash flow, and local customers allows flood loss to be priced once rather than on a borrower-by-borrower basis. Capital revolves every 12 months, in alignment with underlying asset tenors.

TEAM



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The Lab identifies, develops, and launches sustainable finance vehicles that can drive billions to a low-carbon economy. The 2026 Lab cycle developed eight instruments targeting six geographic regions: Africa, Asia-Pacific, Brazil, India, Latin America & the Caribbean, and the Philippines. Bloomberg Philanthropies, the United Nations Development Programme, and the governments of Canada, Germany, and the United Kingdom have funded the Lab's 2026 programs. Climate Policy Initiative (CPI) serves as the Secretariat and analytical provider.