

Pacific Catastrophe Risk Insurance Company – PCRIC

Bermuda House, Tutakimoa Road
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For immediate release

PRESS RELEASE

Tonga Receives Record Insurance Payout Following Cyclone Gita

COOK ISLANDS, February 20, 2018 – In the wake of Cyclone Gita, the government of Tonga received a US\$3.5 million payout from the Pacific Catastrophe Risk Insurance Company (PCRIC) based on its insurance cover against tropical cyclones. Funds were transferred after seven days of the cyclone event, providing the government with rapid-response financing to support disaster-relief efforts and effective service delivery to the affected areas

Tonga is one of five Pacific Island countries that purchased catastrophe risk insurance from PCRIC – a regional catastrophe insurance platform that offers governments insurance cover against climate and seismic hazards, currently tropical cyclones and earthquake/tsunamis. PCRIC policies are, designed to payout within 10 days of a triggered event to provide immediate access to liquidity for disaster response.

Cyclone Gita reached its peak intensity as a Category 4 cyclone before making landfall on Tonga, which caused wide spread damage largely due to destructive wind strength.

“Our thoughts and prayers go out to the affected communities across the Pacific, said PCRIC Chief Executive, David Traill. “Despite the tragic circumstances, we are proud to have been able to provide rapid funding to the Tongan government seven days after Gita making landfall which will provide immediate support to help meet the needs of local communities.

“Cyclone Gita has reinforced the importance of a coordinated disaster management capability across the Pacific, and PCRIC stands as a critical support in ensuring governments can act quickly following disasters.

“It is clear that the increased level of coverage provided to Pacific Island countries through the establishment and capitalisation of PCRIC by our donor partners has made a positive impact on the support we are able to deliver to the Pacific Island region.

“We would like to acknowledge the generous capital contributions made by the governments of Germany, Japan, the United Kingdom and the United States of America who have made this result possible, and the World Bank for their role in supporting the overall PCRAFI Program.

PCRIC is committed to ongoing efforts to develop new products to increase the financial protection of governments against the impacts of climate change including drought, excess rainfall and other seismic hazards.

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History of PCRIC

Established in June 2016, PCRIC is a result of region-wide efforts to address climate and disaster risks across 14 Pacific Island Countries (PICs). Catastrophe risk insurance for PICs began as a pilot in 2013 to 2015 through the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), which laid the foundation for a regional catastrophe risk pool to offer governments affordable parametric insurance. PCRIC is a captive insurance company owned by the Pacific Catastrophe Risk Insurance Foundation (PCRIF), which is directed by participating Pacific Island Countries. Initial capital funds were provided by the PCRAFI Program Multi-Donor Trust Fund (MDTF) with contributions from Germany, Japan, the United States and the United Kingdom as part of InsuResilience - the G7 initiative on climate risk insurance.

Key Facts about PCRIC Pacific Catastrophe Risk Insurance Company

- A regional entity owned by PICs to meet the demand for catastrophe insurance for governments to manage fiscal impacts of climate and geophysical hazard events; current policyholders form the Council of Members of the Pacific Catastrophe Risk Insurance Foundation (PCRIF).
- **Sovereign parametric insurance** policies are offered for both tropical cyclone and earthquake/tsunami events based on a pre-selected trigger by the policyholder, or government, and designed to provide rapid-response emergency funds in case of a triggered event.
- Eight insurance policies were issued in Season 6 to five participating countries, running November 1, 2017 through October 31, 2018.
- International reinsurance markets have validated the Company's portfolio, with reinsurance protection for Season 6 being provided by four reinsurers: AXA, Hannover Re, Liberty, and Mitsui Sumitomo Insurance (MSI).
- PCRIC creates a regional platform that PICs can leverage to explore additional products, such as coverage against additional perils such as drought and excess rainfall
- Discussions for an enhanced insurance product for events below the attachment point are ongoing with the Asian Development Bank (ADB) and the World Bank (WB).
- Represents the Pacific region and participates in the global dialogues on climate and disaster risk insurance with other similar regional facilities such as the African Risk Capacity (ARC) and the Caribbean Catastrophe Risk Insurance Facility (CCRIF).
- Has received significant support from international donors who have so far contributed US\$24 million in capital alone, which supports the existing insurance products.
- Expertise is leveraged from key regional organizations, including the Pacific Community (SPC) and the Pacific Islands Forum Secretariat (PIFS): SPC is supporting PCRIC in regional efforts to update the regional hazard and exposure database (PacRIS); PIFS coordinates with its members to convene high level political dialogue on disaster and climate risk financing and insurance needs.
- PCRIC is successful example of regionalization demonstrating what can be achieved when PICs work together.

