

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**ANNUAL REPORT**  
**For the year ended 30 June 2021**

<b>Contents</b>	<b>Page</b>
Directory	1
Directors' report	2
Directors' responsibility statement	3
Statement of comprehensive revenue and expenses	4
Statement of financial position	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 18
Independent Auditor's report	19 - 21
Supplementary information (Unaudited) - Statement of comprehensive revenue and expenses by business line	22
Supplementary information (Unaudited) - Statement of financial position by business line	23

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY  
DIRECTORY  
For the year ended 30 June 2021**

**Board of Directors:**

John Bishop	28 May 2018	/ 25 August 2021 (resigned)
Barry Whiteside	8 June 2018	
Sarah-Jane Wild	25 September 2018	
Tine Ponia	10 December 2019	
Iulai Lavea	10 December 2019	/ 31 December 2020 (resigned)

**Auditor:**

KPMG  
18 Viaduct Harbour Avenue  
Auckland  
New Zealand

**Banker:**

ANZ Banking Group Limited  
Maire Nui Drive, Avarua  
Rarotonga  
Cook Islands

**Registered Office:**

Asiaciti Trust Pacific Limited  
Bermuda House  
Tutakimoa Road  
Avarua  
Rarotonga  
Cook Islands

**Postal Address:**

Bermuda House  
Tutakimoa Road

Rarotonga  
Cook Islands

**Shareholder:**

Pacific Catastrophe Risk Insurance Foundation	One ordinary share
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**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**DIRECTORS' REPORT**  
**For the year ended 30 June 2021**

**Results**

The net profit after tax for the year ended 30 June 2021 is US \$2,533,756, 2020: US \$904,625 loss. The net profit after tax includes grant income in which the funds received have a restricted use. This requires that when the funds are utilised a replenishment strategy needs to be put in place. Without access to the Grant Income the entity itself would have a net loss after tax of US \$308,563 for the year ended 30 June 2021, 2020: US \$ 1,095,201 loss .

**Grant Income**

Grant income is key to the establishment of the Company and its future sustainability and also forms a part of the wider Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI). The Grant Income received is in accordance with the PCRAFI Multi-Donor Trust Fund Agreement (Grant Agreement). The Company received Grant Income from the World Bank Multi-Donor Trust Fund equal to US\$2,540,684 during the year ended 30 June 2021. US\$2,000,000 of the income received is to fund the capitalisation of the Company (Category 3 as per the Grant Agreement) and US\$540,684 of the income received is to fund the operational expenses of the Company (Category 1 as per the Grant Agreement).

**Disclosures of Interests by Directors**

There have been no transactions in which Directors have had an interest.

**Auditor**

The Auditor, KPMG New Zealand has been appointed and continues in office in accordance with Section 19 of the Captive Insurance Act 2013.

**General**

There has been no change in the main activities of the Company during the period.

The Directors consider the state of the Company's affairs to be satisfactory.

For and on behalf of the Board of Directors

  
Sarah-Jane Wild  
Director & Chairperson  
7 December 2021

  
Tine Ponia  
Resident Director  
7 December 2021

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**DIRECTORS' RESPONSIBILITY STATEMENT**  
**For the year ended 30 June 2021**

The Directors are pleased to present the financial statements of Pacific Catastrophe Risk Insurance Limited for the year ended 30 June 2021 on pages 4 to 18 and the attached unaudited supplementary information on pages 22-23.

The Directors are responsible for the preparation of the financial statements in accordance with Cook Islands law and which are in accordance with New Zealand Generally Accepted Accounting Practice which give a true and fair view of the financial position of the Company as at 30 June 2021 and the results of its operations and cash flows for the year ended 30 June 2021.

The Directors consider that the financial statements of the Company have been prepared using accounting policies appropriate to the Company circumstances, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable New Zealand PBE Accounting Standards have been followed.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

For and on behalf of the Directors



Sarah-Jane Wild  
Director & Chairperson



Tine Ponia  
Resident Director

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES**  
For the year ended 30 June 2021

	NOTE	TOTAL 2021 US\$	TOTAL 2020 US\$
Gross written premium		1,260,000	1,240,000
Plus / (Less) change in unearned premium		(7,945)	184,603
Premium income		1,252,055	1,424,603
Reinsurance premiums		(774,000)	(670,311)
Less change in deferred reinsurance		35,848	(66,768)
Outwards reinsurance expense		(738,152)	(737,079)
<b>Net premium income</b>		<b>513,903</b>	<b>687,524</b>
Claims expense		-	(4,517,046)
Reinsurance recovery		-	3,267,046
<b>Net claims incurred</b>		<b>-</b>	<b>(1,250,000)</b>
<b>Net underwriting profit / (loss)</b>		<b>513,903</b>	<b>(562,476)</b>
Revenue from non-exchange transactions	9	2,540,684	214,440
Plus / (less) movement in revenue received in advance		301,636	(23,864)
Unrealized investment gain		181,700	-
Dividends income		26,229	-
Interest income		2,431	227,414
<b>Revenue from non-underwriting sources</b>		<b>3,052,680</b>	<b>417,990</b>
		<b>3,566,583</b>	<b>(144,486)</b>
Auditor's remuneration	8	(35,228)	(32,442)
Project Audit		(100,000)	-
CEO remuneration		(132,429)	-
Calculation agent fee		(26,950)	(76,950)
Management fee expense		(100,000)	(100,000)
Recruitment agency fee		(12,500)	(15,520)
Reinsurance broker fee		(50,000)	(61,800)
Directors' fees		(84,142)	(104,673)
Legal fees		(59,138)	(47,173)
Financial Strength Rating		-	(37)
Investment Advisor		(5,815)	(20,700)
Consultants		(105,350)	(257,859)
Website Development		(8,989)	-
Monitoring and Evaluation Specialist Fee		(94,500)	-
Communications Manager		(17,400)	-
Secretariat Advisor		(63,225)	-
D&O Insurance		(29,208)	(24,857)
Other expenses		(107,953)	(18,128)
<b>Total expenses</b>		<b>(1,032,827)</b>	<b>(760,139)</b>
<b>SURPLUS / (LOSS) FOR THE PERIOD</b>		<b>2,533,756</b>	<b>(904,625)</b>
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSES</b>		<b>2,533,756</b>	<b>(904,625)</b>

The notes to the financial statements form part of and should be read in conjunction with this statement.

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

	NOTE	TOTAL 2021 US\$	TOTAL 2020 US\$
<b>EQUITY</b>			
Share capital	3	100,000	100,000
Long Term Reserves (Restricted)		26,516,880	24,250,002
Retained Earnings (Unrestricted)		266,878	-
<b>TOTAL EQUITY</b>		<b>26,883,758</b>	<b>24,350,002</b>
Represented By:			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	1,332,599	21,407,538
Investments	5	26,438,116	-
Term Deposits	4	-	3,975,622
Deferred Reinsurance		262,948	227,100
Other receivable		-	5,421
Prepayments		22,587	17,052
<b>TOTAL CURRENT ASSETS</b>		<b>28,056,250</b>	<b>25,632,733</b>
<b>TOTAL ASSETS</b>		<b>28,056,250</b>	<b>25,632,733</b>
<b>CURRENT LIABILITIES</b>			
Payables	10(e)	712,978	529,527
Claim payables		-	-
MDTF Grant - Category 1 Advance	9 & 10	31,459	333,095
Unearned premium reserve		428,055	420,109
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,172,492</b>	<b>1,282,731</b>
<b>NET ASSETS</b>		<b>26,883,758</b>	<b>24,350,002</b>

The notes to the financial statements form part of and should be read in conjunction with this statement.

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 30 June 2021

	Share Capital US\$	Retained Earning Unrestricted	Retained Earnings Restricted US\$	Long Term Reserves Restricted US\$	Total US\$
<b>Balance at 30 June 2019</b>	<b>100,000</b>	<b>560,039</b>	-	24,594,588	<b>25,254,627</b>
Loss for the period	-	(904,625)	-	-	<b>(904,625)</b>
Transfer (to) / from Long Term Reserves - MDTF	-	-	-	-	-
Reallocation to Long Term Reserves Accessed - MDTF	-	241,210	-	(241,210)	-
Transfer (to) / from Long Term Reserves - DFID	-	-	-	-	-
Reallocation to Long Term Reserves Accessed - DFID	-	103,376	-	(103,376)	-
Other comprehensive revenue and expenses for the period	-	-	-	-	-
<b>Total</b>	-	<b>(560,039)</b>	-	<b>(344,586)</b>	<b>(904,625)</b>
<b>Balance at 30 June 2020</b>	<b>100,000</b>	-	-	<b>24,250,002</b>	<b>24,350,002</b>
Surplus for the period	-	2,533,756	-	-	<b>2,533,756</b>
Transfer (to) / from Long Term Reserves - MDTF	-	(2,000,000)	-	2,000,000	-
Reallocation to Long Term Reserves Accessed - MDTF	-	(192,152)	-	192,152	-
Transfer (to) / from Long Term Reserves - DFID	-	-	-	-	-
Reallocation to Long Term Reserves Accessed - DFID	-	(74,726)	-	74,726	-
Other comprehensive revenue and expenses for the period	-	-	-	-	-
<b>Total</b>	-	<b>266,878</b>	-	<b>2,266,878</b>	<b>2,533,756</b>
<b>Balance at 30 June 2021</b>	<b>100,000</b>	<b>266,878</b>	-	<b>26,516,880</b>	<b>26,883,758</b>

The notes to the financial statements form part of and should be read in conjunction with this statement.

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**STATEMENT OF CASH FLOWS**  
For the year ended 30 June 2021

	NOTE	TOTAL 2021 US\$	TOTAL 2020 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Receipts from insurance contracts		1,260,000	1,240,000
Plus reinsurance recoveries received		-	3,267,046
		<u>1,260,000</u>	<u>4,507,046</u>
<i>Cash was disbursed to:</i>			
Claims paid		-	(4,517,046)
Payments to suppliers		(906,756)	(789,098)
Reinsurance premiums		(722,155)	(767,663)
		<u>(1,628,911)</u>	<u>(6,073,807)</u>
<b>NET CASH (OUTFLOWS) / INFLOWS FROM OPERATING ACTIVITIES</b>	12	<u>(368,911)</u>	<u>(1,566,761)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Interest received		7,853	234,576
Repayment of investment - Term Deposits		3,975,622	17,261,530
Dividends received		26,229	-
Sale of Investments		35,000	-
		<u>4,044,704</u>	<u>17,261,530</u>
<i>Cash was disbursed to:</i>			
Purchase of Investments		(26,291,416)	(4,535,660)
		<u>(26,291,416)</u>	<u>(4,535,660)</u>
<b>NET CASH (OUTFLOWS) / INFLOW FROM INVESTING ACTIVITIES</b>		<u>(22,246,712)</u>	<u>12,960,446</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Receipts from revenue from non-exchange transactions		2,540,684	214,440
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<u>2,540,684</u>	<u>214,440</u>
<b>NET (DECREASE) / INCREASE IN CASH HELD</b>		(20,074,939)	11,608,125
Cash and cash equivalents at the beginning of the period		21,407,538	9,799,413
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u>1,332,599</u>	<u>21,407,538</u>
Represented by:			
<b>Bank balance</b>		<u>1,332,599</u>	<u>21,407,538</u>

The notes to the financial statements form part of and should be read in conjunction with this statement.



## **1 REPORTING ENTITY**

Pacific Catastrophe Risk Insurance Company (PCRIC / the Company) is a body constituted in the Cook Islands under the Pacific Catastrophe Risk Insurance Facility Act 2016. The Pacific Catastrophe Risk Insurance Foundation (the Foundation) is the sole shareholder of PCRIC. The purpose of the Company is to undertake captive insurance business within the meaning of the Cook Island Captive Insurance Act 2013. The primary objective of the Company is to provide services for the benefit of the Pacific Island Countries and to establish a sustainable and viable vehicle to assist with post disaster relief in the Pacific. The Company is a Public Benefit Entity (PBE) for financial reporting purposes. These financial statements for the Company are for the year ended 30 June 2021 and were authorised for issue by the Board on 7 December 2021

### **Basis of Financial Statement Preparation**

#### Statement of Compliance

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as required by the Cook Island Captive Insurance Regulations 2013. Management has elected to prepare these financial statements in accordance with Tier 1 PBE accounting standards. The financial statements comply with PBE accounting standards for Tier 1 not-for-profit public benefit entities.

The period covered by the financial statements is from 1 July 2020 to 30 June 2021. The comparative balances are the period from 1 July 2019 to 30 June 2020.

The financial statements are presented in United States dollars, rounded to the nearest dollar, being the functional currency.

The financial statements have been prepared on the historical cost basis unless otherwise stated. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

#### Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Directors consider it appropriate for these financial statements to be prepared on a going concern basis.

#### Compliance with the Grant Agreement

Under the Pacific Catastrophe Risk Assessment and Financing Initiative Multi-Donor Trust Fund Grant Agreement Number TF A4171 dated 16 February 2017 ('Grant Agreement') between the Company and the International Bank for Reconstruction and Development and the International Development Association, the Company has to ensure compliance with the Grant Agreement. In the event the Company fails to perform any obligation under the Grant Agreement, the World Bank could either: suspend the Company's right to make withdrawals from the Grant Account; or cancel / terminate the right of the Company to make withdrawals with respect to an unwithdrawn amount of the Grant under the Grant Agreement.

In addition, under clause 4.05(a) of the World Bank Policy "Standard Conditions for Grants Made by the World Bank Out of Various Funds", the World Bank has the ability to seek a refund if the Company is deemed to be non-compliant with the Grant Agreement and the Terms and Conditions attaching.

To date there have been minor instances of non-compliance regarding process matters, and whilst known to the World Bank, these breaches have not been formally waived by them.

Management's immediate plans are to closely monitor the performance of its obligations under the Grant Agreement and if the Company anticipates non-compliance of any such obligations, Management would notify the World Bank and seek approval from duly authorised World Bank staff member (or representative) prior to any actions which may be considered as non-compliant.

As at 30 June 2021 and the date of the signing of these financial statements, the unwithdrawn amount of grant under the Grant Agreement was \$3.1m. As at the date of the signing of these financial statements, the Company has cash and cash equivalents of \$1.3m and investments available of \$26.4m, which provides sufficient operating cashflows for the Company's cashflows requirements for 12 months from the date of the signing of these financial statements, should the World Bank suspend the Company's right to make withdrawals from the Grant Account or cancel / terminate the right of the Company to make withdrawals with respect to an unwithdrawn amount of the grant under the Grant Agreement.

Nevertheless the matters referred to above indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and that the Company may, as a consequence, be unable to realise its assets and discharge its liabilities in the normal course of business.

**1 REPORTING ENTITY (continued)**

"Closing date" of the Project

The Grant Agreement establishes the objective of the project as improving access to post-disaster rapid response finance for Pacific Island Countries. The Company is responsible for administering the project in order to achieve this objective. The World Bank has approved to extend the closing date to December 31, 2022. Accordingly, these financial statements have been prepared on a going concern basis.

**Standards issued and not yet effective and not early adopted**

PBE IPSAS 41 Financial Instruments replaces the existing guidance in PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IPSAS 41 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

PBE IPSAS 41 is effective for annual reporting periods beginning on or after 1 January 2022, with early adoption permitted. Based on management's initial impact assessment of this Standard, this Standard is not expected to have a material impact on the Company's financial statements.

**Summary of Significant Accounting Policies**

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements. Significant accounting policies that do not relate to a specific note are outlined below:

Investments

Classification

The Company designates all of its financial assets as 'at fair value through surplus or deficit' as they are held for trading and available to back insurance liabilities. Assets in this category are classified as current assets if expected to be settled or sold within 12 months, otherwise they are classified as non-current.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, being the date on which the Company commits to purchase or sell the asset. Financial assets carried at fair value through surplus or deficit are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive revenue and expenses. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through surplus or deficit are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through surplus or deficit' category are presented in the statement of comprehensive revenue and expenses in the period in which they arise. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Company is the current bid price.

Disclosure

The Company designates all of its financial assets as 'at fair value through surplus or deficit' under PBE IPSAS 29 because they are held for trading in accordance with the Statement of Investment Policy Objectives and reported to Key Management Personnel on a fair value basis.

Income Tax

The Company is exempt from income tax in accordance with the Pacific Catastrophe Risk Insurance Facility Act 2016. Accordingly, no provision has been made for income tax. Tax advice may be sought to ensure that any operation by PCRIC in other jurisdictions does not jeopardise the entity's position to maintain the tax exempt status.

Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with PBE IPSAS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are also reviewed on an ongoing basis and any changes to the estimates are recognised in the period in which they are revised.

For the year ending 30 June 2021, estimation of the fair value of financial assets, as disclosed in note 5 was an area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

## 2 **BASIS OF FINANCIAL STATEMENT PRESENTATION**

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank and deposits on call, with an original maturity of three months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

### **(a) Revenue Recognition**

#### Premium Income

Premium income is recognised by reference to the pattern of risk and the proportion of the policy period covered by the premium that is completed at balance date. The adequacy of the unearned premium liability is assessed by considering the current estimates of the present value of the expected cash flows relating to future claims arising from the rights and obligations under current insurance contracts against the unearned premium liability.

#### Interest

Interest revenue is recognised in profit or loss using the effective interest method.

Unrealised investment gains or losses are recognised in profit or loss.

#### Revenue from non-exchange transactions

Where a physical asset is acquired for no cost or nominal cost, the fair value of the asset received is recognised as revenue only when the Company has control of the asset. Multi Donor Trust Fund (MDTF) Operational Expense Grant Category 1 is recognised as revenue in the fiscal period in which an eligible expenditure is incurred. MDTF Grant (Category 2 & 3) and Department for International Development (DFID) Grant are recognised in the financial period in which the funds are received. Refer Note 8 for further details on revenue from non-exchange transactions.

### **(b) Outwards Reinsurance**

Premiums ceded to reinsurers are recognised as an expense in accordance with the incidence of risk and pattern of reinsurance cover received.

### **(c) Claims Expense and Outstanding Claims**

Claims paid are treated as an expense. Provision is made for the estimated cost of all claims notified but not settled at balance date and claims incurred but not yet reported. Claims incurred must be reported within 40 business days after the date of occurrence of the applicable catastrophe event. During the period ended 30 June 2021 there were no claims reported for which a provision may be required.

### **(d) Reinsurance and Other Recoveries Receivable**

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and claims incurred but not reported are assessed in a manner similar to the assessment of outstanding claims.

### **(e) Assets Backing General Insurance Liabilities**

The assets are assessed under PBE IFRS 4 Insurance Contracts to be assets that are held to back general insurance liabilities. The fair value of these assets are obtained from quoted market prices for equity investments and valuation techniques using observable inputs for managed funds investments.

These financial assets are designated as fair value through surplus or deficit. Initial recognition is at fair value in the statement of financial position with any fair value gains or losses recognised in the statement of comprehensive revenue and expenses.

Loans and other receivables are initially recognised at fair value, being the amount due. Debts which are known to be uncollectible, are written off.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the loans and other receivables.

## 2 BASIS OF FINANCIAL STATEMENT PRESENTATION (continued)

### (f) **Other Payables**

Other payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Payables are recognised at amortised cost.

### (g) **Statement of Cash Flows**

For the purposes of the statement of cash flows, cash and cash equivalents include bank balances net of outstanding bank overdrafts.

The following terms are used in the statement of cash flows:

**Operating activities** are the principal revenue producing activities of the Company and other activities that are not investing or financing activities.

**Investing activities** are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

**Financing activities** are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company and funds received under grants.

### (h) **Equity**

Equity is measured by total assets less total liabilities. Equity is comprised of share capital, retained earnings and long term reserves.

Share capital is classified as equity when there is no obligation to transfer cash or other assets.

Retained earnings are disaggregated and classified into a number of sub-reserves to enable clearer identification of the specified uses that Company makes of its retained earnings. The components of retained earnings are:

- \* Retained Earnings
- \* Long Term Reserves

Reserves represent a particular use to which various parts of equity have been assigned.

Retained earnings sub-reserves may be:

- \* Created, by the Company and may be altered without reference to any party, transfers to and from these reserves are at the discretion of Company; or
- \* Legally restricted, under specific conditions accepted as binding by the Company, transfers from these reserves may be made only for specified purposes or when certain conditions are met.

The PCRIC retained earnings sub-reserve named Long Term Reserve has been created by the Company for the purpose of:

- Identifying and segregating from Retained Earnings the restricted MDTF and DFID funds which can only be used for:
  - \* facilitating a quick claim payment whilst waiting on reinsurance to be recovered.
  - \* making a claim payment where there is insufficient Retained Earnings to cover the full cost of the claim.

### (i) **Contingent Liability**

The Company defines this as an obligation (if any), that will only be confirmed through the occurrence or non-occurrence of an uncertain event not wholly within the Company's control.

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2021

	2021 US\$	2020 US\$
<b>3. SHARE CAPITAL</b>		
One ordinary share	100,000	100,000

All ordinary shares are fully paid, have equal voting rights and share equally in dividends and net assets on winding up. The shares have no par value.

**4. CASH & CASH EQUIVALENTS AND TERM DEPOSITS**

	2021 US\$	2021 US\$	2021 US\$	2020 US\$	2020 US\$	2020 US\$
	Restricted Funds	Unrestricted Funds	Total	Restricted Funds	Unrestricted Funds	Total
Designated Bank Account/s	249,198	-	249,198	17,505,520	-	17,505,520
Premium Account	266,878	785,394	1,052,272	3,186,911	715,107	3,902,018
Total Cash & Cash equivalents	516,076	785,394	1,301,470	20,692,431	715,107	21,407,538
Term Deposits	-	-	-	3,975,622	-	3,975,622
Cash - ForsythBarr	-	31,129	31,129	-	-	-
Term Deposits & Cash funds	-	31,129	31,129	3,975,622	-	3,975,622

Subsequent to 30 June 2020, the World Bank requested that \$17,121,521 relating to the maturity of a DFID term deposit in June 2020 which is included in the \$17,505,520 Designated Account above be transferred to the Premium Account in line with the designations as described below. The transfer was made on 27 August 2020. Subsequent to this the funds were used to purchase investments.

The Designated Bank Account, Cash funds and Term Deposits have been created to hold the restricted funds. Restricted Funds are those funds received from either the MDTF or DFID.

Funds disbursed from the MDTF are designated as follows:

**Category 1** - Funds for goods, consulting services, non-consulting services, training and operating costs for:

- Establishment and operationalisation of the PCRIC
- Monitoring and evaluation of the insurance payout process
- Development of Disaster Risk Insurance Products.

**Category 2** - Capitalisation Phase 1 (First instalment of project funds for capitalisation)

**Category 3** - Capitalisation Phase 2 (Second instalment of project funds for capitalisation)

Funds received from the MDTF as Category 1 are held within the Designated Bank Account. Funds received as Category 2 and 3 and those funds received from DFID are held within the investments.

**5. INVESTMENTS**

	2021 US\$	2020 US\$
(i) Equity Investments in Listed Funds	4,231,053	-
(ii) Investments in Managed Funds	22,207,063	-
	<b>26,438,116</b>	<b>-</b>

(i) these are classified as financial assets at fair value through surplus and deficit with a carrying value of \$4,231,053 (30 June 2020: \$0)

(ii) these are classified as financial assets at fair value through surplus and deficit with a carrying value of \$22,207,063 (30 June 2020: \$0).

**6. CREDIT RATING**

The Company does not have, has not sought and is not required to have a credit rating. The Company is exempted from this requirement as the Company does not insure any third party risks.

## **7. INSURANCE CONTRACTS - RISK MANAGEMENT POLICIES AND PROCEDURES**

The Company was issued with a licence under the Cook Islands Captive Insurance Act 2013 on 10 June 2016.

The financial condition and operation of the Company is affected by a number of key risks including insurance risk, interest rate risk, market risk, compliance risk and operational risk. The Company's policies and procedures in respect of managing insurance risk are set out in this note.

### **Objectives in managing risks arising from insurance contracts and policies for mitigating those risks**

The Company has an objective to control insurance risk thus minimising substantial unexpected losses that would expose the Company to an adverse financial capital loss.

The Company has an Operational Manual which has been endorsed by the council of members, this manual sets out the policies and procedures.

### **Key aspects of the processes established to mitigate risks include:**

- The maintenance and use of management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Models, using information from the management information systems, are used to calculate premiums and monitor claims patterns. Past experience is used as part of the process.
- The management of assets and liabilities is closely monitored to attempt to match the maturity dates of assets with the expected pattern of claims.
- The investment strategy is to invest in assets as stipulated in the Company's Statement of Investment Policy Objectives (SIPO).
- Undertaking reinsurance cover to limit its maximum probable loss.

### **Insurance Risk**

Insurance exposure is managed by the Company by its ability to review insurance contracts in place and in particular adjust future premium rates.

The gross exposure of the Company is US\$ 20,326,983 (2020 US\$ 20,875,244 ). This is limited through the purchase of reinsurance. Net exposure of the Company is US\$ 8,576,983 (2020 US\$ 9,125,244).

Exposure for each of the member countries is:

Member	Peril Insured	2021		Coverage Limit	Peril Insured	2020		Coverage Limit
		Event Insured				Event Insured		
Cook Islands	Tropical				Tropical			
	Cyclone	1 in 150 Year		2,881,982	Cyclone	1 in 150 Year		3,004,647
Samoa	Earthquake & Tropical				Earthquake & Tropical			
	Cyclone	1 in 50 Year		10,510,162	Cyclone	1 in 50 Year		10,716,366
Tonga	Earthquake & Tropical				Earthquake & Tropical			
	Cyclone	1 in 30 Year		6,934,839	Cyclone	1 in 30 Year		7,154,231
<b>Total</b>				<b>20,326,983</b>				<b>20,875,244</b>

**7. INSURANCE CONTRACTS - RISK MANAGEMENT POLICIES AND PROCEDURES (continued)**

Liquidity Risk

Liquidity risk represents the risk that the company may not have the financial ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis, with a special focus at the time of the insurance renewal (1 November each year). The key risk to liquidity is the net exposure retained as noted in the Insurance Risk section of this note. Although the Capital held by the Company is greater than the net exposure the Board makes an assessment of the likelihood of a full claim from each participating country and notes it would require the following:

Member	Peril Insured	2021	2020
		Event Required for Full Loss	Event Required for Full Loss
Cook Islands	Tropical Cyclone	1 in 150 Year	Tropical Cyclone 1 in 150 Year
Samoa	Earthquake & Tropical Cyclone	1 in 50 Year	Earthquake & Tropical Cyclone 1 in 50 Year
Tonga	Earthquake & Tropical Cyclone	1 in 30 Year	Earthquake & Tropical Cyclone 1 in 30 Year

Credit Risk

The credit rating of all participating reinsurers is monitored by the Company's Adviser who is responsible for warning the Board of changes to the credit ratings of any reinsurer involved in the Company's reinsurance programme. The reinsurer credit ratings are listed below and are formally reviewed by the Board each year.

Reinsurer	Rating Agency	Coverage Percentage	Rating
Lloyd's of London	Kroll Bond Rating Agency	30%	AA-
Liberty Specialty Markets Paris	Standard & Poors	10%	A
Mitsui Sumitomo Insurance Co Ltd, Japan	Standard & Poors	20%	A+
Generali Assicurazioni Generali S.p.A	AM Best	40%	A

Financial assets and liabilities arising from insurance and reinsurance contracts are stated in the balance sheet at the amount that best represents the maximum credit exposure at balance date.

Liability Adequacy Test

The liability adequacy test is an assessment of whether the carrying amount of the recognised liabilities are adequate and is conducted at each reporting date. If current estimates of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance contracts exceed the recognised liabilities then the recognised liabilities are deemed to be deficient.

There is no deficiency at 30 June 2021

**8. AUDITOR'S REMUNERATION**

	2021 US\$	2020 US\$
- Audit of financial statements	35,228	32,442
<b>Total</b>	<b>35,228</b>	<b>32,442</b>

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2021

**9. REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Non-exchange transactions are those where the Company receives value from another entity without giving approximately equal value in exchange. The Company receives non-exchange transactions by way of grant funding under the Multi-Donor Trust Fund Agreement (MDTF) entered into with International Bank for Reconstruction and Development, and the International Development Association. The Company also receives grant funding under the Memorandum of Understanding entered into with the Department for International Development (DFID). Recognition of non-exchange revenue from grants depends on whether the grant comes with any stipulations imposed on the use of a transferred asset.

Stipulations that are 'conditions' specifically require the Company to return the inflow of resources received if they are not used in the way stipulated, and therefore do not result in the recognition of a non-exchange revenue until the 'conditions' are satisfied.

Stipulations that are 'restrictions' do not specifically require the Company to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, which results in the immediate recognition of non-exchange revenue on receipt.

	2021 US\$	2020 US\$
MDTF Grant (Category 2 & 3)	2,000,000	-
Opening balance MDTF Revenue received in Advance	333,095	309,231
MDTF Grant (Category 1)	540,684	214,440
MDTF Revenue Received in Advance	(31,459)	(333,095)
DFID	-	-
<b>Revenue from non-exchange transactions</b>	<b>2,842,320</b>	<b>190,576</b>

**10. RISK MANAGEMENT**

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance.

**(a) Capital Management**

The Company's capital includes share capital and retained earnings. The Company's policy is to maintain a strong capital base so as to maintain shareholder, creditor and policyholder confidence and to sustain the future development of the business.

**Financial Resource Requirements under the Captive Insurance Act 2013**

When managing capital, the Directors' objective is to ensure the Company continues as a going concern, at the same time meeting regulatory obligations in regard to minimum capital requirements.

The Directors monitor the capital structure of the Company in light of economic factors and regulatory requirements, with a view of making adjustments where necessary.

The Company, as a captive insurer, is required to maintain sufficient capital to meet the prescribed minimum requirements in accordance with the Captive Insurance Act 2013, Captive Insurance Regulations 2013 and related regulations (collectively, "the Act"). The methodology and bases for determining the financial resource requirements are in accordance with the requirements of the Act.

Under the Act, the Company is required to maintain minimum prescribed capital and surplus of NZ \$100,000.

	2021 US\$	2020 US\$
Actual capital	26,598,224	24,105,850
Prescribed minimum capital (expressed in USD equivalent of NZD \$100,000)	69,775	64,232
Margin	26,528,449	24,041,618
Margin ratio	381.20	375.29

**(b) Market Risk**

*(i) Interest rate risk*

The Company's interest rate risk arises from the cash component held in its investments portfolio. To manage its exposure to interest rate risk the Company diversifies its investment portfolio. Diversification of the investment portfolio is done in accordance with the limits set by the Company's SIPO.



# **10. RISK MANAGEMENT (continued)**

## **(b) Market Risk (continued)**

### *(ii) Foreign exchange risk*

Foreign currency risk is the risk that the value of the Company's assets and liabilities or revenues and expenditure will fluctuate due to changes in foreign exchange rates. Reinsurance is purchased in United States dollars, irrespective of where the reinsurer is domiciled, and is effective from the same date and time as the Company writes the policy for its premiums and accepts the insurance risk. The Company is not exposed to currency risk as its investments are denominated in United States dollars.

### *(iii) Price risk*

The Company is exposed to equity securities price risk because of investments held by the Company and classified in the statement of financial position as at fair value through surplus or deficit. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company's SIPO.

## **(c) Credit Risk Management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The failure of a reinsurer to pay claims will constitute a credit risk. The Company minimises this credit risk by reinsuring with reinsurers with a credit ratings of A or above.

Financial instruments which potentially subject the Company to credit risk principally consist of cash and cash equivalents held with a counterparty bank. The Company maintains these balances with a counterparty bank having a credit rating of AA- from Standard & Poors, and does not anticipate a default from the counterparty bank.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

## **(d) Liquidity Risk Management**

The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The maturity profile of financial instruments is disclosed in Note 11.

## **(e) Categories of Financial Instruments and fair value hierarchy**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted market prices – financial instruments with quoted prices for identical instruments in active markets.

Level 2: Valuation techniques using observable inputs - financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

### **Financial assets:**

#### Assets measured at fair value

	2021 US\$	2020 US\$
- Cash and cash equivalent (Level 2)	1,332,599	21,407,538
- Investments in Term Deposits (Level 1)	-	3,975,622
- Equity Investments in Listed Funds (Level 1)	4,231,053	-
- Investments in Managed funds (Level 2)	22,207,063	-

#### Loans and receivables

- Other receivables (Level 2)	-	5,421
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### **Total financial assets**

<b>27,770,714</b>	<b>25,388,581</b>
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### **Financial liabilities**

#### Other financial liabilities

- Payables (Level 2)	712,978	529,527
- MDTF grant income category 1 advance (Level 2)	31,459	333,095

### **Total financial liabilities**

<b>744,437</b>	<b>862,622</b>
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## **(f) Sensitivity Analysis**

In managing interest rate risk and price risk the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. The table below summarises the impact of increases / decreases of the investment income on the Company's surplus or deficit for the year and on equity. The analysis is based on the assumption that the investment income had increased / decreased by 5% with all other variables held constant:

	Impact on Total Comprehensive Revenue and Expenses	
	2021 US\$	2020 US\$
Unrealized investment gain	181,700	-
Impact of a +/- 5% change in market prices	9,085	-
Interest income	2,431	227,414
Impact of a +/- 5% change in interest rates	122	11,371

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2021

**11. MATURITY PROFILE OF FINANCIAL INSTRUMENTS**

The following tables detail the Company's remaining contractual maturity for its financial instruments. The tables have been drawn up based on the undiscounted cash flows of financial instruments based on the earliest date on which the Company can be required to pay/receive. The table includes both interest and principal cash flows.

	Up to 1 month US\$	1 month up to 12 months US\$	Over one year US\$	Total US\$
<b>2021</b>				
<b>Financial Liabilities</b>				
- MDTF grant income category 1 advance	-	(31,459)	-	(31,459)
- Reinsurance payable	-	(387,000)	-	(387,000)
- Audit fee payable	-	(63,978)	-	(63,978)
- Management fee payable	(60,000)	-	-	(60,000)
- Consultants	(10,350)	-	-	(10,350)
- Director Fees	(8,000)	-	-	(8,000)
- Pacific Catastrophe Risk Insurance Foundation	(50,300)	-	-	(50,300)
- Legal Fees	(18,817)	-	-	(18,817)
- Website Development	(8,989)	-	-	(8,989)
- Investment Advisor	(26,514)	-	-	(26,514)
- Communications Manager	(17,400)	-	-	(17,400)
- Product Development	(4,800)	-	-	(4,800)
- Secretariat Fee	(5,625)	-	-	(5,625)
- Monitoring & Evaluation Fees	(26,250)	-	-	(26,250)
- Resident Director	(24,955)	-	-	(24,955)
	(262,000)	(482,437)	-	(744,437)
	Up to 1 month US\$	1 month up to 12 months US\$	Over one year US\$	Total US\$
<b>2020</b>				
<b>Financial Liabilities</b>				
- MDTF grant income category 1 advance	-	(333,095)	-	(333,095)
- Reinsurance payable	-	(335,155)	-	(335,155)
- Audit fee payable	-	(40,000)	-	(40,000)
- Management fee payable	(20,000)	-	-	(20,000)
- Consultants	(23,350)	-	-	(23,350)
- Director Fees	(35,973)	-	-	(35,973)
- Pacific Catastrophe Risk Insurance Foundation	(50,300)	-	-	(50,300)
- Legal Fees	(3,079)	-	-	(3,079)
- Board Meeting Expenses	(970)	-	-	(970)
- Investment Advisor	(20,700)	-	-	(20,700)
	(154,372)	(708,250)	-	(862,622)

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2021

**12. NET CASH GENERATED BY OPERATING ACTIVITIES**

Reconciliation of (loss) / profit for the period to net cash generated by operating activities:	2021	2020
	US\$	US\$
(Loss) / Profit for the year	2,533,756	(904,625)
Less revenue from non-exchange transactions	(2,842,320)	(190,576)
Less interest on Term Deposit	(2,431)	(234,576)
Less Unrealised investment gain	(181,700)	-
Less Dividend income	(26,229)	-
Changes in net assets and liabilities:		
Other receivables	-	7,162
Deferred reinsurance	(35,848)	66,768
Prepayments	(5,535)	(497)
Payables & MDTF Grant	183,451	(125,813)
Unearned premium reserve	7,945	(184,603)
<b>Net cash (used in)/generated by operating activities</b>	<b>(368,911)</b>	<b>(1,566,760)</b>

**13. RELATED PARTY TRANSACTIONS AND BALANCES**

The parent of the Company is Pacific Catastrophe Risk Insurance Foundation (PCRIF), which is also the sole shareholder, and therefore is a related party.

Contributions made by Fiji to become a member of PCRIF is held by PCRIC since PCRIF does not have a bank account. This is recorded as part of part of payables and the balance as at 30 June 2021 is \$50,300 (2020: \$50,300)

During the year, the Company incurred directors fees of \$84,142 (2020: \$104,673).

During the year, the Company incurred \$132,429 (2020: \$0) on CEO Salary.

There were no travel expenses incurred on behalf of the Company during the year (2020: \$8,806).

**14. REPLENISHMENT STRATEGY**

A requirement of the Grant Agreement is to replenish any reserves utilized to fund a claim. The Board approved a Replenishment Strategy to replenish the Long Term Reserves with 50% of the current year's Operating Profit after taking out the MDTF Cat 3 grant income received. The Replenishment Strategy will remain in place until the Long Term Reserves are fully replenished.

A total of \$266,878 was transferred from retained earnings to Long Term Reserves.

**15. CONTINGENT LIABILITY**

The Company insured the Governments of the Cook Islands, Tonga and Samoa. Most countries impose a tax on premiums paid to insurers in overseas jurisdictions. Any such tax obligation is typically the obligation of the insured, however in the event that the insured does not honour any liability, the insurer would be responsible for any tax amounts owing.

As at 30 June 2021, Tonga have granted a revocation to exempt the Company from taxes related to premiums effective 1 June 2021 and Samoa have confirmed the Company has no outstanding tax obligation. However, this potential obligation meets the definition a contingent liability. That is, the obligation (if any), will only be confirmed through the occurrence or non-occurrence of an uncertain event not wholly within the Company's control."

**16. EVENTS OCCURRING AFTER BALANCE DATE**

There are no subsequent events which occurred after the balance date



# Independent Auditor's Report

To the shareholder of Pacific Catastrophe Risk Insurance Company

## Report on the audit of the financial statements

### Opinion

In our opinion, the accompanying financial statements of Pacific Catastrophe Risk Insurance Company (the 'Company') on pages 4 to 18:

- i. present fairly in all material respects the Company's financial position as at 30 June 2021 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with Public Benefit Entity Standards (Not For Profit).

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 30 June 2021;
- the statements of comprehensive revenue and expenses, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.



### Material uncertainty related to going concern

We draw attention to Note 1 Basis of Financial Statement Preparation – "Compliance with Grant Agreement".

As highlighted in the Compliance with the Grant Agreement note to the financial statements, should the Company fail to comply with the terms and conditions attaching to the Grant Agreement, the World Bank could cancel/terminate the right of the Company to make withdrawals from the Grant Account, and/or cancel/terminate the right of the Company to make withdrawals with respect to any undrawn amount of the Grant under the Grant Agreement, and in addition seek a refund of Grant amounts disbursed. To date there have been minor instances of non-compliance regarding process matters with the Grant Agreement, and whilst known to the World Bank, these breaches have not been formally waived by them.



As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our audit opinion is not qualified in respect of this matter.

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## Other information

The Directors, on behalf of the Company, are responsible for the other information, being the Directors' report, Directors' responsibility statement and supplementary information included on pages 22 to 23 included in the Company's Annual Report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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## Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholder as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



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## Report on other legal and regulatory requirements

In accordance with the requirements of Regulations 13(2) and 13(3) of the Captive Insurance Regulations 2013, we report that the financial statements are prepared in accordance with the provisions of Section 18 (1) of the Captive Insurance Act 2013, and Regulation 12 of the Captive Insurance Regulation 2013.



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## Responsibilities of the Directors for the financial statements

The Directors, on behalf of the Company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Not For Profit));
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



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## Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

This description forms part of our independent auditor's report.

KPMG

KPMG  
Auckland

13 December 2021

**APPENDIX 1**

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**SUPPLEMENTARY INFORMATION (UNAUDITED) - STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES BY BUSINESS LINE**  
For the year ended 30 June 2021

	NOTE	MDTF Cat 1 2021 US\$	MDTF Cat 2-3 2021 US\$	DFID 2021 US\$	ENTITY 2021 US\$	TOTAL 2021 US\$	MDTF Cat 1 2020 US\$	MDTF Cat 2-3 2020 US\$	DFID 2020 US\$	ENTITY 2020 US\$	TOTAL 2020 US\$
Gross written premium		-	-	-	1,260,000	1,260,000	-	-	-	1,240,000	1,240,000
Less change in unearned premium		-	-	-	(7,945)	(7,945)	-	-	-	184,603	184,603
Premium income		-	-	-	1,252,055	1,252,055	-	-	-	1,424,603	1,424,603
Reinsurance premiums		-	-	-	(774,000)	(774,000)	-	-	-	(670,311)	(670,311)
Less change in deferred reinsurance		-	-	-	35,848	35,848	-	-	-	(66,768)	(66,768)
Outwards reinsurance expense		-	-	-	(738,152)	(738,152)	-	-	-	(737,079)	(737,079)
<b>Net premium income</b>		-	-	-	513,903	513,903	-	-	-	687,524	687,524
Claims expense		-	-	-	-	-	-	-	-	(4,517,046)	(4,517,046)
Reinsurance recovery		-	-	-	-	-	-	-	-	3,267,046	3,267,046
<b>Net claims incurred</b>		-	-	-	-	-	-	-	-	(1,250,000)	(1,250,000)
<b>Net underwriting (loss) / profit</b>		-	-	-	513,903	513,903	-	-	-	(562,476)	(562,476)
Revenue from non-exchange transactions		540,684	2,000,000	-	-	2,540,684	214,440	-	-	-	214,440
Plus / (less) movement in revenue received in advance		301,636	-	-	-	301,636	(23,864)	-	-	-	(23,864)
Unrealized investment gain		-	-	-	181,700	181,700	-	-	-	-	-
Dividends income		-	-	-	26,230	26,230	-	-	-	-	-
Interest income		-	-	-	2,431	2,431	-	-	-	227,414	227,414
<b>Revenue from non-underwriting sources</b>		842,320	2,000,000	-	210,360	3,052,680	190,576	-	-	227,414	417,990
		842,320	2,000,000	-	724,263	3,566,583	190,576	-	-	(335,062)	(144,486)
Auditor's remuneration	7	-	-	-	(35,228)	(35,228)	-	-	-	(32,442)	(32,442)
Project Auditor's remuneration		(100,000)	-	-	-	(100,000)	-	-	-	-	-
CEO remuneration		(132,429)	-	-	-	(132,429)	-	-	-	-	-
Calculation agent fee		(26,950)	-	-	-	(26,950)	-	-	-	(76,950)	(76,950)
Management fee expense		(80,000)	-	-	(20,000)	(100,000)	(80,000)	-	-	(20,000)	(100,000)
Recruitment agency fee		(12,500)	-	-	-	(12,500)	(15,000)	-	-	(520)	(15,520)
Reinsurance broker fee		-	-	-	(50,000)	(50,000)	-	-	-	(61,800)	(61,800)
Directors' fees		(84,142)	-	-	-	(84,142)	(22,056)	-	-	(82,617)	(104,673)
Legal fees		(59,118)	-	-	(20)	(59,138)	-	-	-	(47,173)	(47,173)
Financial Strength Rating		-	-	-	-	-	54,014	-	-	(54,051)	(37)
Investment Advisor		(5,815)	-	-	-	(5,815)	(20,700)	-	-	-	(20,700)
Consultants		(81,750)	-	-	(23,600)	(105,350)	(105,000)	-	-	(152,859)	(257,859)
D&O Insurance		-	-	-	(29,208)	(29,208)	-	-	-	(24,857)	(24,857)
Other expenses		(259,617)	-	-	(32,451)	(292,068)	(1,834)	-	-	(16,294)	(18,128)
<b>Total expenses</b>		(842,320)	-	-	(190,506)	(1,032,826)	(190,576)	-	-	(569,563)	(760,139)
<b>SURPLUS FOR THE PERIOD</b>		(0)	2,000,000	-	533,757	2,533,757	-	-	-	(904,625)	(904,625)
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSES</b>		(0)	2,000,000	-	533,757	2,533,757	-	-	-	(904,625)	(904,625)

The notes to the financial statements form part of and should be read in conjunction with this appendix.

**APPENDIX 2**

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**SUPPLEMENTARY INFORMATION (UNAUDITED) - STATEMENT OF FINANCIAL POSITION BY BUSINESS LINE**  
**AS AT 30 JUNE 2021**

	NOTE	MDTF Cat 1 2021 US\$	MDTF Cat 2-3 2021 US\$	DFID 2021 US\$	ENTITY 2021 US\$	TOTAL 2021 US\$	MDTF Cat 1 2020 US\$	MDTF Cat 2-3 2020 US\$	DFID 2020 US\$	ENTITY 2020 US\$	TOTAL 2020 US\$
<b>EQUITY</b>											
Share capital	3	-	-	-	100,000	100,000	-	-	-	100,000	100,000
Long Term Reserves		-	16,880,310	9,369,692	-	26,250,002	-	18,000,000	7,765,895	-	25,765,895
Long Term Reserves Replenished / (Accessed)		-	192,152	74,726	-	266,878	-	(1,119,690)	(396,203)	-	(1,515,893)
Retained Earnings		-	-	-	266,878	266,878	-	-	-	-	-
<b>TOTAL EQUITY</b>		-	17,072,462	9,444,418	366,878	26,883,758	-	16,880,310	7,369,692	100,000	24,350,002
Represented By:											
<b>CURRENT ASSETS</b>											
Cash and cash equivalents	4	249,198	192,152	74,726	816,523	1,332,598	418,051	16,880,310	3,394,070	715,107	21,407,538
Term Deposits		-	-	-	-	-	-	-	3,975,622	-	3,975,622
Investments	5	-	18,880,300	7,369,692	188,124	26,438,116	-	-	-	-	-
Deferred Reinsurance		-	-	-	262,948	262,948	-	-	-	227,100	227,100
Other receivable		-	-	-	-	-	-	-	-	5,421	5,421
Prepayments		-	-	-	22,587	22,587	-	-	-	17,052	17,052
<b>TOTAL CURRENT ASSETS</b>		249,198	19,072,452	7,444,418	1,290,181	28,056,250	418,051	16,880,310	7,369,692	964,680	25,632,733
<b>TOTAL ASSETS</b>		249,198	19,072,452	7,444,418	1,290,181	28,056,250	418,051	16,880,310	7,369,692	964,680	25,632,733
<b>CURRENT LIABILITIES</b>											
Payables	10	221,700	-	-	491,278	712,978	84,956	-	-	444,571	529,527
Claim payables		-	-	-	-	-	-	-	-	-	-
MDTF Grant - Category 1 Advance	8	31,459	-	-	-	31,459	333,095	-	-	-	333,095
Unearned premium reserve		-	-	-	428,055	428,055	-	-	-	420,109	420,109
<b>TOTAL CURRENT LIABILITIES</b>		253,159	-	-	919,332	1,172,492	418,051	-	-	864,680	1,282,731
<b>NET ASSETS</b>		(3,962)	19,072,452	7,444,418	370,849	26,883,758	-	16,880,310	7,369,692	100,000	24,350,002

The notes to the financial statements form part of and should be read in conjunction with this appendix.