



Pacific Catastrophe Risk Insurance Company

BUSINESS PLAN: JULY 2021 TO JUNE 2023



PACIFIC
CATASTROPHE
RISK INSURANCE
COMPANY

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Stakeholder Review

Version	Operations	Board	World Bank
First Draft			
Final			
Reforecast			

List of Acronyms

BoD	Board of Directors
CoM	Council of Members
DFID	UK Government Department for International Development
DRF	Disaster Risk Finance
MDTF	Multi-Donor Trust Fund
FICs	Forum Island Countries
FRDP	Framework for Resilience Development in the Pacific
FY	Financial Year
PCRAFI	Pacific Catastrophe Risk Assessment and Financing Initiative
PCRIC	Pacific Catastrophe Risk Insurance Company
PCRIF	Pacific Catastrophe Risk Insurance Foundation
PRP	Pacific Resilience Partnership
WB	World Bank

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PCRIC Business Plan

July 2021-June 2023 Introduction

This Business Plan outlines PCRIC's priorities and key activities required to deliver target outcomes in accordance with the budget (including grant funding under the PCRAFI project) and procurement plans from July 2021 to June 2023 and covers the 1.5-year extension of the PCRAFI project.

Additionally, an initial view of the activities that would follow during the PCRIC Financial Year (FY) July 2023 to June 2024, has been developed. This allows for discussions on the measurement of the indicator for the PCRAFI project, proposed as part of the project extension, which requires that PCRIC's total equity is projected to increase through the 2024 Financial Year.

This Business Plan is based on the strategic plan approved by the PCRIF Council of Members and current existing legal agreements between the World Bank (WB) and PCRIC. ^[1]

The approved PCRIC Strategic Plan 2021-2025 provides the strategic roadmap for the development of this Business Plan. PART I reviews the business activities and deliverables during FY 2020/2021 and PART II articulates the Business Plan 2021-2023.

PART I: Overview of Current State - Synopsis of PCRIC Fiscal Year 2020/2021 Operations – Mapped to Strategic Plan Themes

This Section provides a synopsis of the main activities progressed under each of the 5 Strategic Themes in the 2020-2021 PCRIC Financial Year, aligned to the Strategic Plan 2021-2025.

Strategic Theme #1: Regional Integration - Becoming a Pacific Islands Institution

Work Areas	Activities
<ul style="list-style-type: none"> Pacific Region Engagement 	<ul style="list-style-type: none"> Engagement with donor partners that can also support PCRIC directly via this regional arrangement, through direct contribution or by aligning development activities and visibly supporting the goal of getting FICs to join as members. PCRIC has continued to pursue improved coordination Wto strengthen the understanding and commitment within the region to preparative action rather than reactive action in responding to natural disasters. A request was made to Pacific Islands Forum Secretariat (PIFS) to consider granting observer member status to PCRIC at the Forum Economic Ministers Meeting (FEMM) from 2021. This is to integrate the company into the regional coordination architectures that will provide an effective platform to advocate the relevance of PCRIC to support the implementation of the Disaster Risk Finance (DRF) agenda to countries. PCRIC was also heavily involved with the work undertaken by the Risk Finance Working Group (RFGW) under PRP in developing the framework to coordinate risk financing workstreams. PCRIC worked closely with the PIFS Resilience Team in drafting the FEMM 2021 paper entitled: Leveraging disaster risk finance opportunities, which features an update of the decision made by the FEMM in 2015 approving the consensus to establish PCRIC.
<ul style="list-style-type: none"> Country/Client Engagement 	<ul style="list-style-type: none"> PCRIC virtually consulted more than 10 FICs to reintroduce the company and what it offers to the countries. PCRIC issued the first knowledge-based product and distributed widely to countries and partners. This can be found on the website; pcric.org

1. The agreement based on the PCRAFI project which was extended by the World Bank effective on July 1st 2021 to December 2022.

Work Areas	Activities
<ul style="list-style-type: none"> • Broader Sectoral Engagement 	<ul style="list-style-type: none"> • Limited progress due to focus on Government Engagement.
<ul style="list-style-type: none"> • PCRIF/PCRIC Ambassador Programme 	<ul style="list-style-type: none"> • PCRIC launched an extensive internship programme in cooperation with the University of the South Pacific, School of Law, to provide capacity building, training and research opportunities to strengthen future generations of Pacific countries. The first cohort webinar is scheduled for August 2021.

Strategic Theme #2: Technical Capability - Operate Regional Open Risk Information and Underwriting Platforms

Work Areas	Activities
<ul style="list-style-type: none"> • Segregated Cell Architecture 	<ul style="list-style-type: none"> • CoM approved the legislative amendments to the PCRIF Act to restructure PCRIC into a Segregated Portfolio Company.
<ul style="list-style-type: none"> • Risk Analytics and Underwriting Platform 	<ul style="list-style-type: none"> • Limited Progress due to priority focus on segregated cell changes and excess rainfall product development.
<ul style="list-style-type: none"> • Product Roadmap 	<ul style="list-style-type: none"> • Limited Progress. Appointment of Hazard Modelling Advisor will now accelerate development through to November 2021.
<ul style="list-style-type: none"> • Product Development - Insurance 	<ul style="list-style-type: none"> • PCRIC identified issues with the existing model. Plan in place to review later in 2021.
<ul style="list-style-type: none"> • Product Development - Mutual Funds 	<ul style="list-style-type: none"> • On hold pending Segregated Cell and Excess Rainfall Product delivery. • Held consultation with ADB staff on the future opportunities.
<ul style="list-style-type: none"> • Technical Assistance Programme 	<ul style="list-style-type: none"> • Ongoing dialogue between PIFS, WB and PCRIC leadership on the need to develop TA programme.

Strategic Theme #3: Compelling Value Proposition - Appropriate Client Management and Broader Stakeholder Expectation

Work Areas	Activities
<ul style="list-style-type: none"> Building the Value Proposition 	<ul style="list-style-type: none"> Appointment of a Communications Firm and commencement of research and development of a value proposition and communications strategy.
<ul style="list-style-type: none"> Business Planning and Budgeting 	<ul style="list-style-type: none"> Development of analysis papers on the need for project restructuring and organisational sustainability. Updated procurement proposal to support project restructuring.
<ul style="list-style-type: none"> Monitoring and Evaluation 	<ul style="list-style-type: none"> A monitoring and evaluation result-based framework was developed including a theory of change to monitor the impact of PCRIC. PCRIC developed a template to report the progress to its key stakeholders and began using it from late 2020. ^[1]
<ul style="list-style-type: none"> Addressing Critical Expectations 	<ul style="list-style-type: none"> Ongoing dialogue with FICs' CoM representatives and WB project team on the potential role of PCRIC and challenges in achieving sustainability in the short-term.
<ul style="list-style-type: none"> Relaunch PCRAFI Programme Workstreams and Reintroduce PCRIC 	<ul style="list-style-type: none"> PCRIC has been strongly involved in meetings within the regional discussion on the DRF space managed by PIFS to increase visible collaboration with other related initiatives in the region. Prepared for the relaunch of PCRIC's regional offering at FEMM21 and COP26. PCRIC officially requested the World Bank to extend the PCRAFI project for another 1.5 years as approved by the CoM^[2] (refer Annex 3)
<ul style="list-style-type: none"> Marketing and Communications 	<ul style="list-style-type: none"> Communications and Marketing Strategy and Website Development expected to be completed in the later part of 2021.

1. During the last PCRAFI Implementation Support Mission, the World Bank informed that they will provide a revised reporting template to be used by PCRIC for reporting progress.

2. PCRIC requested extension up to December 2023 but the WB advised to go with the 1.5 year as it allows for easy administration.

Strategic Theme #4: Global Partnering

Work Areas	Activities
<ul style="list-style-type: none"> Premium Funding Approach 	<ul style="list-style-type: none"> PCRIC initiated conversations with CoM donors for further premium financing, noting the impact of COVID-19 on FICs' fiscal balances.
<ul style="list-style-type: none"> Development and Programme Partnership 	<ul style="list-style-type: none"> The CEO represented PCRIC at the G7 DRF Working Group to discuss key issues related to development insurance and what G7 can offer to FICs. PCRIC has become a member of the InsuResilience Global Partnership (IGP). This will support the effort to establish a global partner for information sharing and capacity building opportunities within the DRFI space.
<ul style="list-style-type: none"> Network for Collaboration and Influence 	<ul style="list-style-type: none"> PCRIC participated at the Island Finance Forum in its April 2021 meeting and presented PCRIC from the "Insuring the Future - Creative Solutions for Risk Management" perspective.

Strategic Theme #5: Operational Excellence

Work Areas	Activities
<ul style="list-style-type: none"> CEO and Directors' Recruitment/Induction/Development/Retention 	<ul style="list-style-type: none"> A new CEO was appointed on 1st September 2020, which was a significant step to fully operationalise PCRIC.
<ul style="list-style-type: none"> Governance 	<ul style="list-style-type: none"> PCRIC hosted two Implementation Support Missions with the World Bank and identified areas that required further improvement in its operation and management of the World Bank project. Two CoM meetings were held in October 2020 and April 2021, confirming FICs' support for efforts in transitioning PCRIC into a segregated cell reorganization.
<ul style="list-style-type: none"> Company Policy 	<ul style="list-style-type: none"> PCRIC revised the SIPO to allow themselves to access higher returns through a more balanced investment between cash, bonds and shares.
<ul style="list-style-type: none"> Capital Management 	<ul style="list-style-type: none"> PCRIC completed the drawdown of all the remaining capitalization grants from the World Bank and invested in cash, bonds and shares with PIMCO and Blackrock.

PCRIC and the PCRAFI Project Extension's Impact on the Business Plan

- The PCRAFI Project has been extended by the World Bank for 1.5 years following the request made by PCRIC. The extension was based on the view that the company will not achieve long-term financial sustainability.
- The PCRAFI project is financed from the Multi-Donor Trust Fund (TF072622). Under the Grant Agreement, an allocation of \$25.33m was made available to PCRIC for establishment, capitalisation and operation of the company (including product development work, and monitoring and evaluation of the project)
- PCRIC has received US\$20.00m in capitalisation funds for underwriting its insurance products (and investing in interest bearing assets). There is about US\$3.16m available from the remaining \$5.33m grant for utilisation in procurement activities and operating expenses during the period of the extension.
- The table below shows the description of the project's initial activities and distribution of the grant between its components and allocation during the extension. It should be noted that the grant income for capitalisation was already completed.

Original Project Components

Component	Feb 2020 Allocation	Utilised (June 21)	Reallocation	Revised June 2021 Allocation
1) Establishment & Operations of the PCRIC	2.887	2.038	0.528	3.415
2a) Shareholder Capital of PCRIC	0.100	0.100	0	0.100
2b) Capitalisation Funds	20.000	20.000	0	20.000
4a) Development of Disaster Risk Insurance Products	2.293	0.082	(0.614)	1.679
5) Monitoring and Evaluation	0.150	0.095	0.086	0.236
Total	25.43	2.214	0.000	25.43

- PCRIC fully utilized the allocation for its establishment and operationalization under Component 1. The World Bank has not accepted PCRIC's request to include the \$1.3m of funding available for regional Technical Assistance under track II of the PCRIC Grant Agreement. However, it has been indicated that it may be possible for PCRIC to implement capacity building activities funded either under Component 1 or 4(a), or PCRIC can submit a request for a further restructure of the project to include financing specifically for capacity-building activities.
- There is ongoing risk that with the current portfolio size and investment returns being potentially insignificant in the face of historically low global interest rates, a portion of future operational costs will need to be grant funded to protect existing capital. One of the original goals for the project was to support operational costs until the facility had reached a financially sustainable level.

Implementation of Grant Agreement

- Due to the exhaustion of the initial grant funding for operations and the lead time for procurement, limited amounts of funds were utilised in FY 2020/21, with the majority of funds relating to activity undertaken prior to January 2020.
- A reallocation of \$1.6m funds for establishment and operations was agreed after the mid-term review in January 2020 and the subsequent procurement plan agreed with the World Bank. In June 2021, a further \$0.6m in funds were reallocated as described above during the project extension.

As at 30th June, 2021: Total Disbursements made from the MDTF are:

as at 30 June 2021			Category 1		Category 2b	Total
		Part 1	Part 4(a)	Part 5		
Original Funding	Grant Fund				20,000,000	20,000,000
	Operational Expense	1,300,000	3,500,000	530,000		5,330,000
Total		1,300,000	3,500,000	530,000	20,000,000	25,330,000
Reallocation	Grant Fund					
	Operational Expense	1,586,800	(1,206,800)	(380,000)		-
Revised Grant Fund		2,886,800	2,293,200	150,000	20,000,000	25,330,000
Spend	Grant Fund				(20,000,000)	
	Operational Expense	(2,037,662)	(81,600)	(94,500)		(2,213,762)
Remaining Grant Fund		849,138	2,211,600	55,500	20,000,000	3,116,238

PART II: Business Plan July 2021-June 2023

This Business Plan covers the period from July 2021 to June 2023 which includes the 1.5-year (18 month) extension of the PCRAFI Project. The plan is presented below and is organised to help PCRIC achieve its Strategic Plan, as articulated in the diagram below. Under each Strategic Plan theme, Business Plan activities are organised around key indicators and include timeframes and responsibilities of team members (the service providers) to allocate activities under their core areas of responsibility.



Strategic Theme #1: Regional Integration - Becoming a Pacific Islands Institution

Principles Framing Business Plan Implementation Deliverables Listed in Table 1

Work Areas	Activities
<ul style="list-style-type: none"> Pacific Region Engagement 	<ul style="list-style-type: none"> Engaging with FICs will require PCRIC to effectively utilise effective communication products and tools, both online as well as face-to-face. In terms of online communication, PCRIC will utilise technology-enabled mechanisms and ensure that the website and other social media instruments are dynamic and up-to-date to provide FICs with the latest development and information. PCRIC will continue to issue knowledge-based products to provide relevant information to FICs that is easy to understand and has a clear messaging of what the company is offering. These will be centred around the subject areas relating to disaster risk, risk transfer solutions and climate change, as well as organising capacity building initiatives as a means of facilitating and promoting informed decision-making by FICs. This will provide a positive opportunity for PCRIC to grow its membership (refer Annex 8) In addition to direct engagement with FICs, building a network within the region with regional organisations and other key stakeholders, allows PCRIC to access experience and expertise which can serve the company's various needs. The rolling out of the internship programme with the University of the South Pacific will help PCRIC's current efforts to increase brand awareness and potentially creating a national champion as these students will be future leaders in the region. PCRIC continues to participate or be a member of any regional mechanisms established to offer capacity development for disaster risk management in the region. To do this, PCRIC is planning to work with PIFS in coordinating a TA programme to offer capacity building on DRF initiatives. PCRIC continues to work with the FRDP PRP Risk Finance Working Group in collaborating on the implementation of the Framework for Resilient Development in the Pacific (FRDP).
<ul style="list-style-type: none"> Country/Client Engagement 	<ul style="list-style-type: none"> Under this strategic theme, PCRIC will seek to strengthen relations with its members and potential members and seek to enrich their experiences with PCRIC. This will not only cultivate higher levels of trust, but will promote member engagement and member retention, and satisfaction. Strengthening relationships with FICs (participating and non-participating) will also enable PCRIC to better understand their needs and enable the company to meet and exceed their expectations. Recognising the importance of PCRIC joining the CROP Agency, FEMM July 2021, granted observership status for PCRIC to the FEMM annual conferences.^[1] This allows PCRIC to participate in the decision-making process about DRF needs of the FICs and importantly, to allow the sharing of the latest developments with officials and leaders. Face-to-face interactions with FICs is critical as PCRIC seeks to strengthen relationships and deepen and broaden engagement. PCRIC will engage in-country visits and host meetings with FICs to discuss their disaster risk finance and insurance needs, and to also participate in workshops and conferences to support their risk financing agendas.

1. PCRIC will seek to enter into a formal partnership with other regional organisations such as the Pacific Community (SPC), Secretariat of the Pacific Regional Environment Programme (SPREP) and Pacific Climate Change Centre (PCCC) to name a few. While the formalisation of such partnerships will take some time, PCRIC will continue to work with them to advance common goals and to reduce existing vulnerabilities in the FICs.

Work Areas	Activities
<ul style="list-style-type: none"> • Broader Sectoral Engagement 	<ul style="list-style-type: none"> • After FEMM approves PCRIC's observer membership, PCRIC will participate in private sector dialogue to create engagement arrangement with private sectors, NGOs or CSOs noting they are potential end-users of PCRIC products.
<ul style="list-style-type: none"> • PCRIF/PCRIC Ambassador Programme 	<ul style="list-style-type: none"> • The overall outcome that PCRIC seeks to achieve through enhancing FICs' relations and engagements is the identification of champions at the highest political and policy levels. This is to promote PCRIC and risk transfer and parametric insurance products as key tools in addressing disaster risk management and fiscal and debt sustainability.



Table 1: Key Activities for Strategic Theme #1 and Management & Service Providers with Key Responsibility

Work Areas	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
Pacific Region Engagement	Complete a high-level Pacific DRF Landscape Review to support validation of value proposition and identify potential needs and engagement points.	Coordinate a high-level overview of the Pacific DRF Landscape for use in developing a clear engagement strategy.	January 2021	Regional Coordinator CEO	High	Low
	Obtain observership member status and participate in the FEMM meeting or any regional ministerial meetings.	Recognising the critical role of the support of regional institutions to the growth of the business, participating in regional gatherings enhances the visibility of PCRIC.	July 2021 and July 2022	CEO Legal Advisor Communications Firm	High	Low
	Develop an MOU to formalise the partnership arrangement with PIFS.	PCRIC formalising its observership member status with PIFS. This integration helps improve the relevancy of PCRIC in the regional architecture.	December 2021	CEO Regional Coordinator Legal Advisor	High	Medium
	Investigate with other CROP Agencies to consider having a formal partnership and then develop an MOU.	Building networks with other organisations provides an opportunity to experience the key issues faced by countries in their line of work that's related to PCRIC business.	December 2021	CEO Regional Coordinator Legal Advisor	Medium	Medium
	Utilising existing regional projects and mechanisms and participate to support engagement with members such as PIFS, SPC, SPREP, UNDP, Regional WB & ADB and others as appropriate.	Increased engagement with other regional projects (and other mechanisms) in order to strengthen understanding and coordination of mutually beneficial activities and ensure clarity of how each can support each other.	As required	CEO Regional Coordinator	Medium	Low

Work Areas	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
Country/ Client Engagement	Prepare a regional outreach programme with FICs (participating and non-participating members)	PCRIC is interested in developing a more formal engagement that is focused on increasing interaction with key stakeholders and the FICs to build political support.	January 2021	CEO Communications Firm Regional Coordinator	High	Medium
	Participate in national, regional and international forums and meetings to showcase PCRIC and enhance understanding of the importance of risk transfer to FICs amongst varying stakeholders.	Being part of any programme in risk and resilience building development by international institutions will enhance the visibility of PCRIC.	As required	CEO Regional Coordinator Technical Resource – Product & Actuarial	Medium	Low
Broader Sectoral Engagement	Develop a concept/programme to host or co-host a regional meeting on DRFI including other sectors, particularly private sectors, CSOs etc.	Investigate and plan for hosting/co-hosting a regional event that supports ongoing education and engagement across multiple stakeholders on key issues faced in the DRFI arena in the region.	February 2022 to December 2022	CEO Regional Coordinator Communications Firm Selected PCRIC team member	Medium	Low

Work Areas	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
PCRIF/PCRIC Ambassador Programme	Launch of PCRIC Internship programme with USP and sponsorship.	This has started on an informal arrangement with an expectation to arrange a formal programme in the future. This is an effort to build future regional champions through education and to start weaving in PCRIC's vision in the region to education programmes.	August 2021 and planned as an annual event	CEO Regional Coordinator Legal Advisor Technical Resources	High	Low
	Launch a scholarship for post-graduate students in the PICs	This is to build domestic technical capacity in the areas of DRFI and policy or related fields.	November 2022	CEO Regional Coordinator Legal Advisor Technical Resources	Medium	Low
	Develop a joint TA programme with PIFS	This arrangement is to coordinate and facilitate capacity building in the FICs regarding DRFI.	December 2021	CEO Regional Coordinator	High	High

Strategic Theme #2: Technical Capability - Operate Regional Open Risk Information and Underwriting Platforms

Principles Framing Business Plan Implementation Deliverables Listed in Table 2

Work Areas	Activities
<ul style="list-style-type: none"> Segregated Cell Architecture 	<ul style="list-style-type: none"> With the CoM's approval of the amendment to the PCRIF Act to restructure PCRIC into a Segregated Portfolio Company achieved, the company will now ensure that the legislative amendment is completed and enacted during the period of extension so that a larger pipeline of products that meets the needs of the FICs can be delivered.
<ul style="list-style-type: none"> Product Roadmap 	<ul style="list-style-type: none"> PCRIC will continue to work closely with key stakeholders working in the disaster and climate change arena to better understand the opportunities for any new product to meet national needs, ensuring value for money and robust performance from its product range. PCRIC will review the existing model because of the significant concerns from the reinsurers over the validity/accuracy of AIR's cyclone model, driven by the significant disparity between the AIR modelled expected loss and recent observed losses, primarily because of cyclones in the basin from 2014 onwards. This model review will guide the anticipated construction of a new model platform to house the current and future suite of products.
<ul style="list-style-type: none"> Risk Analytics and Underwriting Platform 	<ul style="list-style-type: none"> PCRIC will review the most efficient approach to housing related hazard models and insurance products, recognising that these are a regional asset and ensuring that these can be utilised in a transparent, low cost and flexible manner to ensure they address regional needs.
<ul style="list-style-type: none"> Product Development - Insurance 	<ul style="list-style-type: none"> PCRIC will play a key role towards enhancing capacity for disaster risk management and climate change adaptation in the FICs towards reducing vulnerability by leading the development of products aimed to build resilience in the region. It acknowledges that PCRIC's current product range is insufficient to make the impact required in the region. PCRIC has started to review its current model to appropriately meet the actual and potential needs of the FICs. To advance this activity, PCRIC must cater to developing a flexible and adaptive risk modelling and underwriting platform that can efficiently accommodate different product types while maintaining cost-effective access to the international risk markets. PCRIC recognises that risk transfer and its parametric insurance products will continue to play a key role in climate change adaptation and will help advance the Forum Leaders' ambition of making the Pacific a more resilient region in the world. This is noted by the reaffirmation made by the Leaders in their 2019 meeting that climate change is the single greatest threat to the livelihoods, security and wellbeing of the Pacific people and to progress the implementation of the Paris Agreement.^[1] PCRIC continues to support FICs in their efforts to increase their coverage level of existing policies and purchasing additional policies for existing and new perils.
<ul style="list-style-type: none"> Product Development - Mutual Funds 	<ul style="list-style-type: none"> PCRIC recognises that insurance products are not sufficient in isolation to enhance regional resilience and is open to exploring options for greater integration and linkages between other related DRF products.

1. <https://www.forumsec.org/wp-content/uploads/2019/08/50th-Pacific-Islands-Forum-Communique.pdf>

Work Areas	Activities
<ul style="list-style-type: none"> • Technical Assistance Programme 	<ul style="list-style-type: none"> • Being responsive to the demand of FICs' needs will also require PCRIC to play a key role in assisting countries to better understand parametric insurance, disaster risk financing and how PCRIC fits into their comprehensive disaster management and fiscal policy framework. The TA programmes planned to be developed with PIFS is an important element of the capacity building process because of the potential business growth for the company. This programme is also crucial to the ongoing development of the rainfall product requested by FICs in 2017 to provide insurance against both excess rainfall and drought to improve technical understanding of the product. • PCRIC, as part of its corporate responsibility, is committed to increasing the focus of FICs' governments on disaster risk reduction as a part of national planning and sustainable development efforts. The TA programme will possibly include professional development for the nationals of FICs such as peer-to-peer learning and conducting regional workshops/seminars on DRF and insurance. This arrangement will also enhance the understanding of government officials, particularly finance, disaster management and meteorology and key technocrats, regarding ex-ante disaster financing, the PCRIC parametric policies and the relationship between fiscal and economic policies.



Credit: Photo by Tom Perry / World Bank - Students from Rensarie College, Malekula Island

Table 2: Key Activities for Strategic Theme #2 and Management & Service Providers with Key Responsibilities

Work Areas	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
Segregated Cell Architecture	Ensure legislative amendment to the PCRIF Act is submitted to the government of Cook Islands.	The WB is providing TA to the PCRIC legal team drafting the amendment to the Act. This is planned to be tabled in Parliament during the late 2021 Parliament sitting.	September 2021 to December 2021	CEO Legal Counsel Legal Advisor	High	High
Risk Analytics and Underwriting Platform	Develop Business Case for implementation of Risk Analytics and Underwriting Platform.	Off the back of a clear Product Development Strategy, a business case is required to support the company in deciding on the best approach to support hazard models and products within an underwriting platform.	January 2022 to April 2022	Technical Specialist - Product & Actuarial Technical Resource – Hazard Modelling	High	High
Product Roadmap	Review of Current Product performance	Comprehensive review and catalogue of known performance and questions relating to current and proposed products for use in the development of a roadmap for product development.	October 2021 to November 2021	Technical Specialist - Product & Actuarial Technical Resource – Hazard Modelling Reinsurance Broker	High	Medium
	Development of Product Roadmap/ Strategy	This is associated to the reviewing of the existing model to guide the review and implementation of enhancements to current products. This work should be based on risk analysis and underwriting platform.	November 2021 to December 2021	Technical Specialist – Hazard Modelling Technical Specialist – Product & Actuarial	High	Medium
	Identification and Development of next Generation Product (beyond current known products)	Identification and development of feasibility studies into additional products beyond the known range as a result of work done over the extension period.	November 2021 -June 2022	Technical Specialist – Hazard Modelling	High	High

Work Areas	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
Product Development – Insurance	Detailed Review of Model options for Cyclone and Earthquake/Tsunami Perils and business care for in-house modelling and delivery.	Comprehensive review of options for continuing to address Cyclone and Earthquake risk – including recommendations for future work that aligns with PCRIC’s goal for developing a risk modelling platform.	November 2021 to February 2022	CEO Technical Specialist - Product & Actuarial Technical Resource – Hazard Modelling Reinsurance Broker	High	High
	Undertake independent demand survey to establish product development pipeline beyond existing customer base.	This is to target sectors of the economy that had not been covered in the current structure (i.e. NGOs, State Owned Enterprises, Private Sector, etc)	February 2022 - June 2022	Technical Specialist – Hazard Modelling Technical Specialist – Product & Actuarial Communications Firm	High	Low
	Bronze Product feasibility	Review and coordination of a final approach to delivering entry level house insurance (like the bronze product concept) via engagement with the Pacific Insurance sector.	January 2022 to June 2022	Technical Specialist – Hazard Modelling	Medium	Medium
	Prepare the insurance policy renewal for sessions 10 and 11	Engagement with policyholders and renewal of insurance and reinsurance programmes.	September to November (2021 and 2022)	CEO Insurance Manager Technical Specialist – Product & Actuarial Reinsurance Broker	High	Low
Product Development – Mutual Funds	ADB Mutual Contingency Fund structure, cell business model, ADB financial support mechanism.	Renewed engagement with ADB on the mutual contingency fund concept and role that PCRIC could play, resulting in a clear business case and implementation plan if still supported.	November 2021 – June 2022	Technical Specialist – Hazard Modelling Technical Specialist – Product & Actuarial Legal Advisor	Medium	Low

Work Areas	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
Technical Assistance Programme	Develop a Technical Assistance programme aiming to improve technical understanding of PCRIC offerings and integrating DRF into the PFM system.	This programme is key to the business development of PCRIC noting the current lack of understanding and knowledge by the FICs of the company.	December 2021-December 2022	CEO Regional Coordinator Technical Resource – Product & Actuarial PCRIC Team	High	Medium
	Conduct consultation (including face-to-face and online) with FICs to educate them on the rainfall products and its benefits and application.	Better understanding of the technical aspects of the rainfall product is critical to PCRIC's business growth. These consultations will pave the road to any formal arrangement with the FICs.	February 2022 to September 2022	CEO Technical Specialist – Product & Actuarial Board Member	High	High
	Support Summary Risk Assessment Analysis/ Discussion Paper on Perils for interested Countries (Reviews of historical events to support cabinet discussions)	Developing technical notes for officials to use in internal discussions on FICs' natural hazard risks and other related disaster financing issues is critical to gaining the trust and confidence of clients on PCRIC's services.	Ongoing	Technical Specialist – Product & Actuarial Communications Firm	Medium	Low

Strategic Theme #3: Compelling Value Proposition - Appropriate Client Management and Broader Stakeholder Expectation

Principles Framing Business Plan Implementation Deliverables Listed in Table 3

Work Areas	Activities
Building the Value Proposition	<p>To foster resilience and ensure rapid access to unencumbered liquid funds when the nation is in crisis, PCRIC educates, collaborates, and innovates, partnering with governments of the Blue Pacific Continent to better prepare, structure and manage disaster risk finances.</p> <p>PCRIC provides donors with a secure, transparent and well-established structure which enables precise alignment of the requirement for disaster risk financing support in the Pacific Islands region with the foreign aid priorities of donor nations.</p>
Business Planning and Budgeting	<p>The plan is an instrument to execute the expectations articulated in the Strategic Plan 2021-2025. The plan has laid out activities that aligns with the budget funding from the project.</p>
Monitoring and Evaluation	<p>PCRIC will continue to monitor the indicators articulated in the M&E result-based framework and theory of change to ensure good progress on the company deliverables. This is an integral element of the overall management and governance of the company to promote continuous improvement, and the principles of transparency and accountability.</p>
Addressing Critical Expectations	<p>PCRIC has moved from a pilot programme within the World Bank to a fully-functioning, independently governed entity that receives technical and financial support from the World Bank along with other regional partners. This movement is in line with the period when disasters and particularly climate change risk insurance has become a critical element of the humanitarian and development financing landscape, and signals the regional desire for greater autonomy in developing solutions within the DRF arena.</p>
Relaunch PCRAFI Programme Workstreams and Reintroduce PCRIC	<p>PCRIC will relaunch the company to lift the awareness and visibility of the programme that the company is offering and what is planned to roll out to the FICs in the coming years. This includes the FEMM21 and COP26 meeting in November 2021. This event coincides with the development of the PCRIC Communications and Marketing strategies which are key features of the website platform to market the company's products and tools through the communication of value propositions tied into FICs' needs in the regional landscape.</p>
Marketing and Communications	<p>Development of the Marketing and Communications strategy will provide proper guidance on activities to support PCRIC's efforts to market and communicate the company's offerings to PICs.</p>

Table 3: Key Activities for Strategic Theme #3 and Management & Service Providers with Key Responsibilities

Work Areas	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
Building the Value Proposition	Establish PCRIC's value proposition	Refinement and distillation of a clear value proposition for PCRIC in relation to its regional impact and benefit to key stakeholders.	July 2021 to June 2023	CEO Communications Firm	High	Low
Business Planning and Budgeting	Development of a revised Business Plan and budget for the period July 2022 to June 2024 for Director Approval and WB No-Objections (for FY23), which includes an initial forecast for FY2024 for use in project evaluation in December 2022.	Development of final project budget in mid-2022 to support the final evaluation of the project and ensure all remaining funds are utilised prior to project completion.	March 2022 to August 2022	CEO Finance & Planning Manager Insurance Manager	High	High
Monitoring and Evaluation	Implementing the M&E result-based framework and theory of change	This is the framework that traces the impact of the indicators assigned to the strategic themes and the project development objectives.	July 2021 to June 2023	CEO M&E Expert	High	High
	Prepare M&E progress reports in line with WB requirements to demonstrate organisational progress and impacts.	Delivery of regular progress reports on the PCRAFI project to support transparency and the preparation of implementation support missions.	As required (semi-annually)	CEO M&E Expert	High	Medium

Work Areas	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
Addressing Critical Expectations	Continue discussions with stakeholders to ensure alignment of expectations	Regular discussions with WB, FICs and Donors to ensure alignment of expectations and activities to support greater understanding and acceptance of company and project progress.	Ongoing	CEO	High	Low
Relaunching PCRAFI Programme Workstreams and Reintroduce PCRIC	Providing updates during the FEMM and developing a programme for a relaunching event during COP26.	Using these platforms will help support the efforts to enhance PCRIC's visibility and better understanding of the brand.	July 2021 to November 2021	CEO Communications Firm PCRIC Team	High	High
Marketing and Communications	Develop a fully operational website	This is the platform that supports the outreaching and visibility of the company.	September 2021	Communications Firm PCRIC Team	High	High
	Development of Communications and Marketing strategies	These are strategies that will articulate the activities that PCRIC will conduct to improve its low visibility.	October 2021	Communications Firm PCRIC Team	High	High
	Raising awareness of PCRIC and gaining greater uptake of PCRIC products and services by both member and non-member nations.	This is to create an environment of trust and loyalty and to better understand the business-related activities as planned in SP theme 1.	February 2022	CEO Communications Firm Technical Resources	High	Low
	Preparing the Project Evaluation Report for the Completion of the PCRAFI project.	Design, Preparation and submission of the final project evaluation report.	July 2022	CEO M&E Expert	High	High

Strategic Theme #4: Global Partnering

Principles Framing Business Plan Implementation Deliverables Listed in Table 4

Work Areas	Activities
<ul style="list-style-type: none"> Premium Funding Approach 	<ul style="list-style-type: none"> Development of the premium financing strategy to guide the efforts of the company to secure financial support from Donors to subsidise the premium for PICs noting the current fiscal constraint posed by COVID.
<ul style="list-style-type: none"> Development and Programme Partnership 	<ul style="list-style-type: none"> PCRIC continues to foster partnerships as a critical strategy to achieving its vision, mission and objectives, and business works with partners/donors and national, regional and international organisations. This includes regulators, members, other risk pooling facilities, and other key stakeholders to advance common goals related to resilience and sustainability. The importance of strategic partnerships cannot be overstated as these not only enables PCRIC to effectively undertake its core business but allows for capitalisation, advancing research and development and enabling support in critical areas of disaster risk management, climate change adaptation and new developments in risk transfer towards ensuring that member countries enhance their developmental prospects.
<ul style="list-style-type: none"> Network for Collaboration and Influence 	<ul style="list-style-type: none"> PCRIC understands that it is critical to effectively partner with our development partners as we seek to engage more in driving the dialogue in the region and across the globe for a better understanding of the company and what it can offer to support the disaster risk financing agenda including climate change adaptation. PCRIC can also act as a catalyst to undertake research and development and bring to the FICs useful innovative products and services that have been successfully trialled elsewhere. PCRIC will continue to seek opportunities to participate in meetings and conferences at the regional and international levels towards sharing best practices and lessons learnt in the area of risk transfer while showcasing the work of the company and facilitate the strengthening of disaster risk management strategies and support the development of financial protection strategies. PCRIC will strengthen collaborations with other regional and international organisations and initiatives as well as other risk transfer facilities such as CCRIF and ARC towards sharing lessons learnt and best practices.

Table 4: Key Activities for Strategic Theme #4 and Management & Service Providers with Key Responsibilities

Work Areas	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
Donor Engagement	Continuously seek opportunity to meet or interface with donors (inside or outside CoM group) such as ADB, NZ and Australia to coordinate DRM issues and to establish a stronger linkage to avoid duplication and build synergies.	Keeping donors abreast with development allows greater understanding and opportunities to partners.	Ongoing	CEO Legal Advisor	High	Low
	OECD-DAC Annex II application	Seek donor sponsorship and file an application to be listed on the OECD DAC Annex II application after consideration of insights from donor engagements and support for application if agreed.	January 2022 to June 2022	Legal Advisor	High	Medium
Premium Funding Approach	Develop a Premium financing strategy and Proposal for ongoing support to FICs.	Focused on delivering a coherent long- term financing strategy for the region along with supporting the securing of short-term financing associated with discussions around COP26.	July 2021 to August 2021	Premium Financing Advisor	High	High

Work Areas	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
Development and Programme Partnership	Donor MoU approach	Review and development of a framework for improved engagement with donors and securing financial and non-financial support related to future project concepts (new products, new channels, technical assistance)	December 2021 to December 2022	Legal Advisor	Medium	Low
Network for Collaboration and Influence	Engagement with other risk pools (CCRIF, ARC, SEADRIF) and regional sovereigns (PHI)	Systematic engagement with other risk pool leaders to ensure sharing of best practices and learnings, and strengthening opportunities for global cooperation.	Ongoing	CEO Legal Advisor	Medium	Low
	Development of a Network for Collaboration	Review of wider opportunities for strengthening PCRIC's networks across insurance, development and hazard modelling industries to ensure access to global support and learning.	Ongoing	CEO Regional Coordinator Technical Advisor – Hazard Modelling	Medium	Medium

Strategic Theme #5: Operational Excellence

Principles Framing Business Plan Implementation Deliverables Listed in Table 5

Work Areas	Activities
<ul style="list-style-type: none"> CEO, Staff and Directors Recruitment/Induction/Development/Retention 	<ul style="list-style-type: none"> PCRIC is committed to ensuring it has the adequate capacity to provide the efficient and effective operational management of the company and just as importantly, to offer comprehensive governance and support services that are valued by PCRIF members. Transparent and timely reporting that measures performance against the strategic themes is critical to the effectiveness of monitoring the progress being made on the execution of deliverables and, where required, ensure that corrective action is taken. This process is also critical to ensure the company creates a financial architecture that allows it to reach long-term sustainability and enables flexibility in segregating risk while also maximising the value of diversification.^[1]
<ul style="list-style-type: none"> Governance 	<ul style="list-style-type: none"> A robust and credible governance framework is key to PCRIC's operation to promote full accountability and transparency with its members and stakeholders. PCRIC will produce an annual Board Plan to help underpin a robust governance framework. PCRIC will continue to ensure that the concepts of transparency and accountability for business management are integrated at all levels of decision-making and into business planning and control systems.
<ul style="list-style-type: none"> Company Policy 	<ul style="list-style-type: none"> To sustain corporate and operational integrity, PCRIC will continue to uphold its current management and procedural processes to facilitate the business interests of the company that addresses both decision-making and governance with a focus on ensuring high-quality internal controls, improving efficiencies and reducing the risk of business interruption with an environment of continuous improvement. Comprehensive risk management frameworks and operational efficiency and compliance with procedural processes, rules, regulations and contractual commitments are critical for PCRIC, given the grant funding received from the World Bank and its services to help the FICs with significant needs in terms of DRF tools and products.
<ul style="list-style-type: none"> Capital Management 	<ul style="list-style-type: none"> PCRIC will also provide its stakeholders with appropriate reports (Progress, Financial and Annual Report) via planned stakeholder engagements. PCRIC will ensure investment is adhered to the SIPO and continue to carefully monitor the global market to protect the investment made.

1. This underscores the need to develop a comprehensive capital management strategy to ensure PCRIC will become fully sustainable, including actively monitoring and adjusting the investment strategy to maximize returns while managing portfolio risk. PCRIC will consider this beyond June 2023 as the priority is now focused on building membership.

Table 5: Key Activities for Strategic Theme #5 and Management & Service Providers with Key Responsibilities

Work Area	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
CEO, Staff and Directors Recruitment/ Induction/ Development/ Retention	Establishment of a Regional Coordinator function	This position will provide further support to the CEO and drive strategic direction for the engagement and coordinating of DRFI Technical Assistance activities in the region from PIFS, and play a key role in interacting with Fiji-based regional organisations and stakeholders.	December 2021	CEO	High	High
	Appoint a Finance & Planning Manager and enhance financial management function.	Transition of financial management responsibilities into a new Planning & Finance Manager role. Responsible for financial oversight, procurement management and planning and budgeting.	December 2021	CEO	High	High
	Appoint an Office Manager to support the company's administrative operations.	Establishment of a comprehensive administrative function to support the business.	December 2021	CEO	High	Medium

Work Area	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
Governance	Review of the initial contribution to PCRIF membership and develop an optional paper for the consideration by the CoM.	Gives an opportunity for FICs to join PCRIF without paying any entry fees. This can be shared with the FICs in the second round of consultations regarding the rainfall product and providing ongoing updates of the latest developments.	October 2021	Legal Counsel Legal Advisor	High	Low
	Review the existing operational manual and procedural process and update if required.	Review and carry out the prioritisation of programme of work to incorporate segregated cell structures, and strengthen company policies and procedures across key operational areas.	April 2022 to August 2022	Technical Specialist – Insurance & Risk PCRIF Team	High	Medium
	Participate in Project Implementation Missions	Consolidating the required information from the WB and sharing them before the mission starts.	One month prior through to end of Mission	CEO PCRIF Team	High	Low
	CoM meetings	Prepare for the CoM meetings	October 2021, April 2022 and October 2022	BoD CEO Legal Advisor PCRIF Team	High	Low
	Board meetings	Prepare for the Board meetings	All meetings	BoD CEO Legal Advisor PCRIF Team	High	Low

Work Area	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
Company Policy	Prepare the company financial statements and undertake the required audits (Company and Project)	This is for the 2020/2021 and 2021/2022 accounts along with ensuring project audits for July 22 to December 22 are also delivered within required timeframes.	Four months after the end of the reporting period	Finance & Planning Manager Finance Team Auditors	High	High
	Enhancements to Project/Grant Fund management	Review and strengthening of grant fund management and procurement planning, and management within World Bank Systems.	Ongoing	Finance & Planning Manager Finance Team	High	Medium
	Risk Management framework / system review and active management of the risk register.	The process for this review and updating the RR will continue to ensure that PCRIC is self-mitigating risks.	All the time	Technical Specialist – Insurance & Risk	High	High
	Ensure that the service providers' contracts are reviewed and revised as deliverables are completed, and necessary documents are filed and uploaded to the system.	Delivery of planned procurement plan and transition of all roles into a new structure.	Ongoing	CEO Finance & Planning Manager Legal Counsel	High	High

Work Area	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
Capital Management	Reallocation of Investments and management of performance	Manage the reallocation of Investments with Asset Managers under the new SIPO and report on performance and advise on potential risks.	October 2021 then ongoing	Investment Advisor Technical Specialist – Product & Actuarial Finance & Planning Manager Finance Team	High	Low
	Refinement of PCRIC's capital management strategy and supporting capabilities and systems.	Review of Actuarial function and refinement of capital management and reinsurance strategy to optimise portfolio performance.	January 2022 to June 2022	Technical Specialist – Product & Actuarial Technical Specialist – Insurance & Risk Actuarial Review Reinsurance Broker	High	Medium

Work Area	Activity	Descriptions	Timeframe	Responsibility	Priority	Cost/ Complexity
	Review of Governance Model	Review of PCRIF and PCRIC Governance Models to ensure effective decision-making and alignment between CoM, BoD and other stakeholders along with the integration of segregated cell structures.	November 2021 to April 2022	BoD CEO Legal Advisor Finance and Planning Manager	Medium	Medium
	Review of current Organisational Structures (including the role of the Insurance Manager and Trustee firm) to ensure best practice operations.	Review of organisational structures as PCRIC exits the PCRAFI project to ensure a fit for purpose structure once project support has ceased, and to ensure the appropriate management of segregated cell structures.	July 2021 to December 2022	CEO PCRIC Team	High	Medium

PCRIC Performance Measures - Indicators and Targets

M&E Results Indicators

The Monitoring and Evaluation (Result) Framework is a measurement tool that will help PCRIC, the donors and recipient countries assess whether the project and the company are achieving results at every step of the implementation. The Framework will measure the progress of the company by articulating indicators, baselines and targets along the project implementation trajectory.

The PCRIC result framework includes two types of indicators:

- **PCRIC Strategic Indicators** are the indicators that PCRIC will use to measure the internal and regional performance of PCRIC as a Pacific Islands Company against its Strategic Plan/Business Plan objectives.
- **PCRAFI Project Indicators** are the subset of indicators that PCRIC will report to the World Bank relating to the PCRAFI Project. These include indicators originally approved as part of the PAD at the project inception and new additional indicators submitted to the World Bank as part of the request for project extension.

Under each of the strategic themes, the PCRIC M&E framework identified key indicators and targets that will be pursued over the period covered by the Project/Business Plan. For each strategic theme, PCRIC has also identified the results intended to be achieved in each year. These are included in the two tables in Annex 1, with table one relating to the strategic indicators to be reported internally within PCRIC aligned to the Strategic Plan, and table two relating to the Project Results Indicators reported to the World Bank.

Budgetary and Financial Envelope

PCRIC has three main sources of funds: i) Premium Income, ii) PCRIC Investment Returns and iii) Grant Funding from donors. For the period of the approved extension, PCRIC's financial expenses will be mostly covered from the project financial envelope.^[1] Beyond the extension period and in alignment with the Business Plan timeframe, expenses are expected to be covered from PCRIC's own internal resources generated from investment and underwriting surpluses. This situation necessitates a careful review of the operational and financial need of the company in order to avoid service interruption and, more importantly, to not greatly affect the financial sustainability of the company.

The table below shows the two funding sources to cover the expenses of PCRIC with project money available to be used until December 2022. However, beyond that to June 2023, expenses will be covered from PCRIC's own funds. PCRIC will continue to monitor closely its financial situation to ensure it can secure additional resources to cover operational costs without using the return earnings or investment proceeds, and avoid compromising the efforts to build PCRIC's financial sustainability level by 2024.

1. The period where project money isn't transferred due to slowness of the process, expenses will be covered from PCRIC's own resources.

Expense Group / Sources of Fund	Total Envelope	Estimated Expenses July 2021 to December 2022	Estimated Expenses January 2023 to June 2023
Project Funded Operational and Project Related Costs Project Funds	US\$3.116M	US\$3.116M	US\$0.000
Entity Funded Operational Costs PCRIC Funds	US\$1.523M of budgeted US\$1.560M investment income (98% of budgeted investment income) \$0.037M contribution to surplus	US\$0.847M	US\$0.676M
Premium Funded Insurance Result PCRIC Funds	US\$0.894M (claims) of budgeted \$1.266M net premium (71% of net premiums) \$0.372M contribution to surplus	US\$0.567M (claims)	US\$0.327M (claims)

NB: The estimated expenses are in line with the procurement activities including premium funded insurance.

The information provided above is articulated in more detail under two sets of financial reports:

1. Company Budget (P&L and Balance Sheet) – the projections for PCRIC’s entity level financial performance and position, and includes all sources of income, expenditure and capitalisation. Annex 2 contains the financial performance and financial position for the company’s financial years ending 30th June 2022 and 30th June 2023.
2. Project Budget (Project to date P&L – Grant related Income and Expenditure) – the consolidated view of the utilisation of the grant funding under the PCRAFI project including grant income, capitalisation funds and related expenditure. Annex 4 contains the project budget for the remainder of the PCRAFI project through to 31st December 2022.

Further detail on PCRIC’s Insurance Portfolio assumptions and associated membership development and, product development opportunities can be found in Annex 5.

Entity and Project Financing of Expenditure

As shown in the table above, for the period 1st July 2021 to 31st December 2022, the majority of the company’s operating expenditure (that is excluding insurance costs like reinsurance and claims) is funded via grant funding from the PCRAFI project. With significant investment in the development of product development systems and outputs and strengthening of all other functions, the operating budget for FY22 and FY23 is higher than the long-term expectation.

As the company approaches 31st December, operating expenses will begin to be financed via PCRIC entity activities (in particular investment income and insurance surpluses) or from alternative grant funding should appropriate opportunities arise. The current forecast for FY24 expenditure is marginally covered by the forecast investments and insurance surpluses, representing the view

that further growth beyond FY24 forecasts would be required before a more comfortable (and sustainable) buffer is achieved. PCRIC will continue to assess its funding sources to ensure that operating expenses can be realistically met from income sources so that capital is not eroded.

Operational Structure of the Company and Project

In order to deliver on the strategic objectives, desired results and associated budgets of the business, PCRIC has undertaken a review of company operations, roles and responsibilities to more effectively deliver its services in the region and transitioning the company to realise its strategic theme to become a Pacific company. This review was led by the PCRIC CEO and briefly discussed with the World Bank via the Board of the desire to build regional talent by establishing a more permanent in-region capability for the business. The organisational structure below reflects the true nature of the operational machinery of the company in which the existing human resources are engaged as time-based service providers whether in the form of consultancy or firm arrangements.

PCRIC FY21/22 & 22/23 STRUCTURE

Note: PCRIC will engage TAs, Firms and Consultants that are contracted for the duration of the PCRAFI Project:

- Technical Resources
- Communications Website/IT
- Insurance Manager
- Reinsurance Broker
- Calculation Agent
- Investment Advisor
- Asset Managers
- Legal Firm
- Legal Advisor
- Premium Financing Specialist
- Product Development Specialists
- Risk Management Specialists
- Actuarial Review
- Product Development Specialists
- M&E Expert



In particular, the rationale for the change included:

- Increasing overall resourcing in the company (both financial and human) in order to match its ambition and scope of activities.
- Building a regional capability in the company through the development of in-region roles and centralisation of core management into a Cook Islands office to support collaboration amongst management.
- Strengthening the administrative capabilities of the company to minimise the administrative burden on key roles within the company.
- Reorganise Project Coordination responsibilities across a wider number of roles to further reduce key human dependencies and ensure procurement, financial management and project management can receive increased focus and time.
- Strengthening of risk management functions to enable more effective governance and management of activities.
- Improving reporting capability for both the project and the company as a whole.
- Ensuring PCRIC retains a presence in Suva as a critical centre for regional coordination and to achieve political gain from this regional machinery, including other regional organisations and related initiatives.
- Product development and the development of internal technical capability is required to ensure product innovation and relevance.
- Strengthening internal and external communication has also been identified as an important area for improving transparency.
- In order to do this, a number of new roles have been proposed and some changes to existing roles have also been identified.

Key Material Organisational Changes to Support the Business Plan:

Role	Change	Comments
Board of Directors (Part-Time)	Refine	Recruitment of an in-region Chairman and further strengthening of governance focus
CEO	Refine	Further refinement focussing on support for regional development to come in to allow more time for overall leadership and steering of the company. Relocation to the Cook Islands after border restrictions lift.
Project Coordinator (Part-Time)	Disestablish	Responsibilities will be spread over new roles created (in particular Finance & Planning Manager, Technical Specialist – Insurance & Risk and Regional Coordinator), and CEO as they gain more capacity for leadership.
Regional Coordinator	New	Suva based role residing on the PIFS campus to support regional engagement and coordination of TA activities across PIFS (and other CROP agencies and international organisations in the region)
Finance & Planning Manager	New	Cook Islands based role that assumes the majority of existing project coordinator responsibilities around procurement, financial management and planning.

Role	Change	Comments
Office Manager	New	Cook Islands based administrative role to support reduction of burden on other roles and help with simple tasks (for example support with procurement areas like arranging the advertising of roles, meetings with applicants and write up of evaluations)
Technical Specialist – Insurance & Risk (Part-Time)	New	Role to support more effective delivery of risk management function and also work with the Board to ensure effective reporting and visibility of key risks and mitigating activity, as well as support technical input into project work relating to insurance risk.
Technical Specialist – Hazard Modelling (Part-Time)	New	Technical role to guide the development of the modelling and underwriting platform and the refinement and delivery of a product development roadmap.
Premium Financing Advisor (Part-Time)	New	Technical role supporting donor engagement and the development of new sources of premium financing
M&E Expert (Part-Time)	Refine	Recruit in-region capability to leverage access to regional information and strengthen clarity of reporting requirements for both the project and wider organisations.

Note: Roles are full-time unless specified

There are also minor refinements to all other existing roles and also some lower-level contracts to support delivery of smaller elements of the Business Plan as described in the Procurement Plan.

Annex 3 contains the list of all procurement activities and associated costs planned by the company related to project activity and non-project activity, through to 30th June 2023, including timeframes and budgets required. Further details on the linkages of these roles direct back to Business Plan activities and can be found in the tables relating to elements of each strategic theme, found earlier in Section II of this Business Plan.

Marketing and Communications Strategy

With the website expected to be officially launched in September 2021 and the Marketing and Communications Strategy to be accepted by mid-October, PCRIC is well-positioned to now fully leverage our investment in these tools over the coming months and beyond. The strategy is currently developed to fully support the objectives and activities articulated in this Business Plan. Deep consideration of the unique characteristics of the Pacific marketplace is being given an early attention to the current misalignment between supply and demand for PCRIC's unique product and service offering. The strategy will provide an alignment of PCRIC's business to a full redeveloped brand covering product positioning, product definition and description, brand statement and value propositions tailored to various key stakeholders which carries forward to all other key activities within the strategy.

Education recognises that a far wider cross-section of Pacific Island government and society needs a more comprehensive understanding of DRF in general and PCRIC's purpose and products in particular. It also reflects the patience and commitment required to cultivate the significant cultural transformation required to move mindsets from high levels of donor dependency to greater self-reliance. This will leverage the awareness efforts as the centrepiece of the Marketing and Communications activities and speaks to casting the brand throughout the marketplace to establish stronger market presence and dramatically improved brand recognition.^[1]

The dearth of locally available technical expertise is seen as an opportunity for PCRIC to leverage the technical experience gained in the development phase and address the void. Additionally, given the characteristics of the regional marketplace, the provision of technically superior and locally tempered support will positively influence decisions made with respect to disaster risk insurance. With key relationships in all current and potential client nations refreshed through participation in FEMM21, timely, enthusiastic and effective implementation of the Marketing and Communications strategy is the essential next step. Gaining observer membership in the FEMM and launching of the website will provide great confidence, that with sufficient resources and time, we will have substantially enhanced the visibility and awareness of DRF throughout the region and drawn additional countries into the PCRIC portfolio.



Credit: Photo by Tom Perry / World Bank - Nukua'lofa, Tonga

1. Engagement through all forms of media is included, with raised awareness an essential element of conditioning the marketplace ahead of extensive advocacy and sales activities.

Annex 1:

Business Plan Monitoring and Evaluation

Table: PCRIC Strategic Results Indicators

Project Development Objective is to improve access to post-disaster rapid response finance to Pacific Island Countries										
PCRIC Strategic Themes	Indicators	Unit	Baseline (Jun-2016)	YR1 (Jun-2017)	YR2 (Jun-2018)	YR3 (Jun-2019)	YR4 (Jun-2020)	YR5 (Jun-2021)	YR6 (Jun-2022)	YR7 (Jun-2023 ^[1])
Accelerate Regional Integration	Indicator 1: Number of meetings, workshops, conferences and bilateral meetings held with PICs	Number	0	-	-	-	-	-	5	6
	Indicator 2: Number of countries purchasing insurance per season	Number	5	-	-	-	-	3 ^[2]	3	4
	Indicator 3: Number of regional/PIC nationals employed in PCRIC activities	Number	0	-	-	-	-	1	3	4

1. Unlike the primary indicators that are measured up to December 2022, the secondary indicators will be measured up to June 2023 which is the end of the PCRIC Business Plan.

2. Two countries (Vanuatu and RMI) did not renew their policies conveying commitment with CAT-DDO and not high risk to cyclone.

Project Development Objective is to improve access to post-disaster rapid response finance to Pacific Island Countries										
PCRIC Strategic Themes	Indicators	Unit	Baseline (Jun-2016)	YR1 (Jun-2017)	YR2 (Jun-2018)	YR3 (Jun-2019)	YR4 (Jun-2020)	YR5 (Jun-2021)	YR6 (Jun-2022)	YR7 (Jun-2023 ⁽¹⁾)
Broaden Technical Capability	Indicator 4: New risk modelling and underwriting platforms developed	Yes/No	N	N	N	N	N	N	Y	Y
	Indicator 5: Number of insurance products developed	Number	2	-	-	1	1	1	2	3
	Indicator 6: At least one new technical assistance programme is implemented in the region with PIC participation	Yes/No	N	N	N	N	N	N	Y	Y

Project Development Objective is to improve access to post-disaster rapid response finance to Pacific Island Countries										
PCRIC Strategic Themes	Indicators	Unit	Baseline (Jun-2016)	YR1 (Jun-2017)	YR2 (Jun-2018)	YR3 (Jun-2019)	YR4 (Jun-2020)	YR5 (Jun-2021)	YR6 (Jun-2022)	YR7 (Jun-2023 ⁽¹⁾)
Operational Excellence	Indicator 7: Pacific Catastrophe Risk Insurance Company (PCRIC) operationalized	Yes/No	N	N	N	Y	Y	Y	Y	Y
	Indicator 8: PCRIC makes full insurance payout within 30 days of the occurrence of a covered (insured) event	Yes/No	N	Y	Y	Y	Y	Y	Y	Y
	Indicator 9: PCRIC to become a Segregated Cell Company with the establishment of one additional financing instrument to support PIC DRM financing objectives.	Yes/No	N	N	N	N	N	N	Y	Y
	Indicator 10: The claims-paying capacity of the PCRIC is enough to sustain a 1-in-200 year insured loss	Yes/No	Y	Y	Y	Y	Y	Y	Y	Y
	Indicator 11: PCRIC total equity is projected to increase through FY 24	Yes/No	-	-	-	-	-	N	Y	Y
	Indicator 12: PCRIC capitalization (Amount in USD)	Amount in USD	-	-	-	-	-	20.0M	20.0M	20.0M
Consolidating a Compelling Value Proposition	Indicator 13: Marketing and Communications Strategy and PCRIC website developed	Yes/No	N	N	N	N	N	N	Y	Y
	Indicator 14: Monitoring and evaluation conducted	Yes/No	N	N	N	N	N	Y	Y	Y

Project Development Objective is to improve access to post-disaster rapid response finance to Pacific Island Countries										
PCRIC Strategic Themes	Indicators	Unit	Baseline (Jun-2016)	YR1 (Jun-2017)	YR2 (Jun-2018)	YR3 (Jun-2019)	YR4 (Jun-2020)	YR5 (Jun-2021)	YR6 (Jun-2022)	YR7 (Jun-2023 ⁽¹⁾)
Establishing New and Strategic Global Partnerships	Indicator 15: Establishment of a new source of premium financing for countries	Yes/No	N	N	N	N	N	N	Y	Y
	Indicator 16: Number of global engagements attended by PCRIC staff (CEO plus other staff)	Number	0	0	0	0	0	3	3	4

Table: PCRAFI Project Monitoring & Evaluation Results Indicators

Project Development Objective is to improve access to post-disaster rapid response finance to Pacific Island Countries									
Primary Indicators	Unit	Baseline (Jun-16)	YR1 (Jun-17)	YR2 (Jun-18)	YR3 (Jun-19)	YR4 (Jun-20)	YR5 (Jun-21)	YR6 (Jun-22)	YR7 (Dec-22)
Indicator 1: Pacific Catastrophe Risk Insurance Company (PCRIC) operationalized	Yes/No	N	N	N	Y	Y	Y	Y	Y
Indicator 2: PCRIC makes full insurance payout within 30 days of the occurrence of a covered (insured) event	Yes/No	N	Y	Y	Y	Y	Y	Y	Y
Indicator 3: The claims-paying capacity of the PCRIC is enough to sustain a 1-in-200 year insured loss	Yes/No	Y	Y	Y	Y	Y	Y	Y	Y
Indicator 4: PCRIC total equity is projected to increase through FY 24	Yes/No	-	-	-	-	-	N	Y	Y

Project Development Objective is to improve access to post-disaster rapid response finance to Pacific Island Countries									
Primary Indicators	Unit	Baseline (Jun-16)	YR1 (Jun-17)	YR2 (Jun-18)	YR3 (Jun-19)	YR4 (Jun-20)	YR5 (Jun-21)	YR6 (Jun-22)	YR7 (Dec-22)
Intermediate Results Indicators									
Indicator 5: Number of countries purchasing insurance per season	Number	5	-	-	-	-	3	3	5
Indicator 6: PCRIC capitalization (Amount in USD)	Amount in USD	-	-	-	-	-	20.0M	20.0M	20.0M
Indicator 7: Number of insurance products developed	Number	2	0	0	0	1	1	1	1
Indicator 8: Monitoring and evaluation conducted	Yes/No	N	N	N	N	N	Y	Y	Y

Annex 2:

Financial Performance 2020/2021 and Financial Projection 2021/2022

Table: Financial Performance

	Actual				Prelim	Budget		Forecast					
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Total		Actual to date	Two Year Budget	FY24 Forec
Premium Income	0.23	1.62	1.97	1.42	1.25	1.27	1.69	2.30	11.77		6.50	2.97	2.30
Reinsurance expense	(0.08)	(0.56)	(0.86)	(0.74)	(0.74)	(0.79)	(0.91)	(0.99)	(5.66)		(2.97)	(1.70)	(0.99)
Net premium income	0.15	1.06	1.11	0.69	0.51	0.49	0.78	1.31	6.11		3.53	1.27	1.31
Net average Claim expense		(3.00)		(1.25)		(0.34)	(0.55)	(0.93)	(6.08)		(4.25)	(0.89)	(0.93)
Underwriting profit	0.15	(1.94)	1.11	(0.56)	0.51	0.14	0.23	0.38	0.03		(0.72)	0.37	0.38
Non Grant Funded Operational Expenses	0.00	(0.02)	(0.14)	(0.57)	(0.18)	(0.56)	(0.96)	(1.26)	(3.68)		(0.90)	(1.52)	(1.26)
Interest Income ²	0.01	0.06	0.15	0.23	0.20	0.68	0.88	0.88	3.08		0.65	1.56	0.88

	Actual				Prelim	Budget		Forecast	
	2016 -17	2017 -18	2018 -19	2019 -20	2020 -21	2021 -22	2022 -23	2023 -24	Total
Company/Entity Profit	0.16	(1.89)	1.12	(0.90)	0.54	0.27	0.14	0.00	(0.57)
MDTF Grant Income for capitalisation	6.00	12.00			2.00				20.00
DFID Grant Income for capitalisation ¹		6.13	1.64						7.77
MDTF Grant Income for establishment and operations	0.11	0.52	0.56	0.19	0.66	0.95	0.42		3.41
Establishment and operations expenses	(0.11)	(0.52)	(0.56)	(0.19)	(0.66)	(0.95)	(0.42)		(3.41)
MDTF Grant Income for Development of Disaster Risk									
Insurance Products					0.08	0.76	0.84		1.68
Development of Disaster Risk Insurance Products Expense					(0.08)	(0.76)	(0.84)		(1.68)
MDTF Grant Income for Monitoring and evaluation					0.09	0.07	0.07		0.24
Monitoring and evaluation Expense					0.09	0.07	0.07		0.24
TOTAL PROFIT/LOSS	6.16	16.24	2.76	(0.90)	2.54	0.27	0.14	0.00	27.19

Actual to date	Two Year Budget	FY24 Forec
(0.98)	0.41	0.00
20.00		
7.77		
2.04	1.38	
(2.04)	(1.38)	
0.08	1.60	
(0.08)	(1.60)	
0.09	0.14	
0.09	0.14	
26.79	0.41	0.00

	Actual				Prelim	Budget		Forecast					
	2016 -17	2017 -18	2018 -19	2019 -20	2020 -21	2021 -22	2022 -23	2023 -24	Total		Actual to date	Two Year Budget	FY24 Forec
Insurance (premiums less Claims)	0.15	1.94	1.11	0.56	0.51	0.14	0.23	0.38	0.03		0.72	0.37	0.38
Operational {Investments less entity funded expenses)	0.01	0.05	0.01	0.34	0.02	0.12	0.09	0.38	0.60		0.26	0.04	0.38
Project/Grants (grant funding less grant funded expenses)	6.00	18.13	1.64	0.00	2.00	0.00	0.00	0.00	27.77		27.77	0.00	0.00

The nature of parametric insurance allows PCRIC to increase or decrease coverage provided to countries (leading to an increase or decrease in average expected claims) for a given level of premium income. This flexibility allows PCRIC to reduce coverage if reinsurance and other expenses are higher than expected, or conversely pass on benefits of lower-than-expected expenses to its policyholders (i.e., the insured countries) by increasing coverage. Inflationary adjustment of expenses has not been assumed as any inflationary pressure will be offset by ongoing organisational efficiencies being achieved.

Tonga received a full payout of US \$3.5m due to Cyclone Gita in February 2018 (of which \$3.0m was retained by PCRIC) and Tonga received a further US \$4.5m due to Cyclone Harold in April 2020 (of which \$1.25m was retained by PCRIC). These losses exceeded premium earnings and income for the company, resulting in a need for PCRIC to access capitalisation funds to cover losses in excess of retained earnings. As of 30th June 2021, the remaining amount of funds that required replenishment (long-term reserves accessed) is US \$1.248m.

No assumption on replenishment has been built into the projected balance sheet beyond FY21 (which utilised the existing replenishment plan to replenish capitalisation funds accessed with 50% of the current year surplus at a ratio of 75% MDTF/25% DFID reserves). PCRIC will look to continue the discussion on removing this requirement in order to prioritise building retained earnings to a level where it has sustainable capital levels available, and can manage risk without exposing further capitalisation funds to short-term losses.

Table: Projected Balance Sheet

	Actual				Prelim	Budget		Forecast
Balance Sheet	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
EQUITY								
Share capital	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Retained earnings (Grant Income)	6	22.4	24.59	24.25	26.52	26.52	26.52	26.52
Retained earnings	0.16	-	0.56	-	0.27	0.53	0.68	0.68
TOTAL EQUITY	6.26	22.5	25.25	24.35	26.89	27.15	27.29	27.29
ASSETS								
Investments	-	21.16	16.7	3.98	26.52	26.52	27.02	27.02
Cash	6.88	2.56	9.8	21.41	0.95	1.21	1	0.78
Other Assets	0	0.29	0.32	0.25	0.26	0.26	0.33	0.33
TOTAL SETS	6.88	24.02	26.82	25.63	27.72	28	28.35	28.13
LIABILITIES								
Claims Payable	-	-	-	-	-	-	-	-
Other Liabilities	0.62	1.52	1.57	1.28	0.84	0.84	1.05	0.83
TOTAL LIABILITIES	0.62	1.52	1.57	1.28	0.84	0.84	1.05	0.83
NET ASSETS	6.26	22.5	25.25	24.35	26.89	27.15	27.29	27.29

Annex 3:

Procurement (Key Staff Roles and Existing and Proposed Contracts)

Procurement activities for the period are articulated in the table below. The activities are aligned to the planned activities to be undertaken during the period as detailed above under each strategic theme.

Current company and proposed employees^[1] — These roles are employed directly by the company and are full-time (not contractors)

Company Employees				FY20/21 and Prior		FY21/22 & FY22/23	
Title	Brief Description	Start Date	End Date	Grant Funded	Company Funded	Grant Funded	Company Funded
Chief Executive	Chief Executive for the Company	9/1/2020	6/30/2023	132429.69	-	172000	200000
Directors Fees	Directors fees and travel (for June 2021 through to 30 June 23)	7/1/2021	6/30/2023	171185.05	-	152500	70000
Finance & Planning Manager	Role to support the strengthening of the financial management and procurement functions and support coordination of project related tasks	10/1/2021	6/30/2023			130000	60000
Office Manager	Administration role to support the CEO and wider team	10/1/2021	6/30/2023			-	50000
						454500	380000

1. Chief Financial Officer, Regional Coordinator, Office Manager and Communication Specialist are proposed positions to be recruited during the Business Plan execution and have employment contracts with PCRIC.

Run-Off of Current Contracts – These contracts are currently active and will be completed in the Business Plan period

Current Contracts				FY20/21 and Prior		FY21/22 & FY22/23	
Title	Brief Description	Start Date	End Date	Grant Funded	Company Funded	Grant Funded	Company Funded
Insurance Manager	Statutory requirement for a Captive Insurance operation. Responsible for ensuring compliance with regulatory requirements and maintains accounting systems and advises on insurance operations	1/1/2020	9/30/2021	140,000	20,000	-	80,000
Trustee Company (Resident Director)	Provides registered address for company and foundation and resident director for the board as per the company constitution. Responsible for maintaining company records for regulatory supervision	7/1/2020	9/30/2021	24,955	-	45	21,000
Legal Advisor - International Public Law & Secretariat	Key role in coordinating secretariat function for the PCRIF and providing international public law advice to the company (particularly with regards to donor engagement, segregated cell company structure, and premium financing)	8/25/2020	9/30/2021	63,225	-	1,775	43,950
Technical Advisor - Product & Actuarial	Technical specialist to support product development, regional engagement and basic actuarial/capital management analysis	7/16/2020	9/30/2021	81,600	-	18,400	25,200
Legal Counsel	Cook Islands legal firm specialising in Cooks Islands law and supporting legal advice, development of segregated cell legislation and support in contractual matters	7/15/2020	9/30/2021	59,118	-	882	64,500
Project Coordinator	Coordination role to support the CEO in operational activity, particularly procurement, contract management, financial management support, risk management and planning	9/23/2020	8/31/2021	81,750	-	3,250	36,500

Current Contracts				FY20/21 and Prior		FY21/22 & FY22/23	
Title	Brief Description	Start Date	End Date	Grant Funded	Company Funded	Grant Funded	Company Funded
Calculation Agent	Calculation Agent for Current EQ/Cyclone products	11/1/2020	10/31/2021	26,950	-	48,050	3,950
M&E Specialist	Specialist to perform monitoring and evaluation for the project, including development of a results framework, progress reporting and project evaluation	7/17/2020	12/31/2021	94,500	-	11,250	-
Investment Advisor	Advice on asset management and development of investment strategy/policy. Support in investment transactions	7/1/2019	6/30/2023	23,825	-	11,955	14,157
Website Development	Contract for the development of a website for PCRIC	5/26/2021	9/30/2021	8,989	-	16,011	-
Communications Firm	Firm to develop and execute on a marketing and communications strategy for the company	5/26/2021	12/31/2021	17,400	-	62,600	30,000
Recruitment Firm	Executive search firm to support applicant management and probity checks for director appointments.	4/29/2021	6/30/2023	12,500	-	44,500	-
Project Audit (FY16 - FY21)	Audit of Project Financial Statements for the initial 5 years of the project (through to June 2021)	4/27/2021	10/31/2021	100,000	-	-	-
Reinsurance Broker (Company Funded)	Placement broker for PCRIC Reinsurance programme	10/1/2020	10/31/2021	-	62,000	-	-
				734,812	82,000	218,718	319,257

Renewal of Existing Roles – These activities represent a continuance of existing/past activities

Renewal of Existing Roles/Activities				FY20/21 and Prior		FY21/22 & FY22/23	
Title	Brief Description	Start Date	End Date	Grant Funded	Company Funded	Grant Funded	Company Funded
Insurance Manager	Statutory requirement for a Captive Insurance operation. Responsible for ensuring compliance with regulatory requirements and maintains accounting systems and advises on insurance operations	1/10/2021	30/06/2023			90,000	65,000
Trustee Manager	Provides registered address for company and foundation and resident director for the board as per the company constitution. Responsible for maintaining company records for regulatory supervision	1/10/2021	30/06/2023			31,833	10,000
Legal Advisor - International Public Law & Secretariat	Key role in coordinating secretariat function for the PCRIF and providing international public law advice to the company (particularly with regards to donor engagement, segregated cell company structure, and premium financing)	1/08/2021	30/06/2023			82,500	30,000
Technical Advisor - Product & Actuarial	Technical specialist to support product development, actuarial/capital management, technical capacity building and regional engagement	1/10/2021	30/06/2023			125,000	50,000

Renewal of Existing Roles/Activities				FY20/21 and Prior		FY21/22 & FY22/23	
Title	Brief Description	Start Date	End Date	Grant Funded	Company Funded	Grant Funded	Company Funded
Legal Counsel	Cook Islands legal firm specialising in Cooks Islands law and supporting legal advice, development of segregated cell legislation and support in contractual matters	1/08/2021	30/06/2023			67,500	25,000
M&E Expert	M&E Costs for additional 18 months of project duration and enhanced engagement with PIC and donor stakeholders	1/08/2021	30/06/2023			130,250	-
Calculation Agent	Calculation Agent for Current EQ/ Cyclone products	1/11/2021	30/06/2023			95,000	67,000
Communications Firm	Support to Communications officer for communications strategy and media plan	1/12/2021	30/06/2023			150,000	40,000
Project Audit	Audit of Project Financial Statements for the period July 2021 to 31 December 2022	1/12/2021	30/06/2023			40,000	-
Company Audit (Company Funded)	External Auditor for the Company (as required for regulatory compliance)	1/07/2021	31/10/2023			-	77,500
Reinsurance Broker (Company Funded)	Placement broker for PCRIC Reinsurance programme	1/10/2021	31/10/2023			-	130,000
						8,12,083	4,94,500

New Activities – These activities have not been procured in the past

New Activities/Roles - Operational				FY20/21 and Prior		FY21/22 & FY22/23	
Title	Brief Description	Start Date	End Date			Grant Funded	Company Funded
Premium Financing Strategy	Role to support engagement on developing a premium financing strategy and engagement with donors	6/21/2021	11/30/2021			-	70,000
Technical Advisor - Insurance & Risk	Specialist role to maintain strategic planning, company risk management (incl oversight of risk control functions) and insurance oversight (underwriting and reinsurance)	9/1/2021	6/30/2022			80,000	30,000
Risk Management System Review	Specialist review of Risk Management System and workshop with Board on Strategic Risk prioritisation	1/1/2022	6/30/2022			15,000	-
Process Mapping, Improvement & Internal Audit)	Business Process Mapping and Internal Audit function to support wider company risk management	1/1/2022	12/31/2022			40,000	-
Actuarial Review	Support Strengthening Actuarial Control Function and input into Annual Capital Management Strategy and Audit Reporting (in conjunction with Tech. Advisor - Product and Actuarial	11/1/2021	12/31/2022			20,000	-
Support Costs - Company Retreat	Basic support coordinating and facilitating the first company retreat in Auckland	8/1/2021	11/30/2021			-	10,000
						155,000	110,000

New Activities/Roles - Product Development & Technical Assistance				FY20/21 and Prior		FY21/22 & FY22/23	
Title	Brief Description	Start Date	End Date			Grant Funded	Company Funded
Hazard Modelling/ Product StrateQV	Hazard modelling expert to support the development of a clear strategy and roadmap for developing a modelling and underwriting platform and product suite for the region	8/1/2021	12/31/2022			100,000	-
Calc Agent - Nonpolicyholder	Contract for running EQ/Cyclone models for non-policy holder companies for product refinement and technical capacity building purposes	9/1/2021	12/31/2022			40,000	-
Regional Coordinator	Fiji-based Technical Assistance coordinator operating within PIFS environment to leverage regional CDRF TA opportunities and ensure PCRIC is represented at all times	10/1/2021	6/30/2023			110,000	60,000
Excess Rainfall Product Detailed Product Review	Detailed review of Excess Rainfall product in order to finalise product for initial market launch	9/1/2021	12/31/2021			75,000	-
Scholarship, Internship Programme	Funding for a number of internships to support capacity building across the region in Insurance related ORF	1/1/2022	12/31/2022			-	40,000
TA and Regional Conference Costs	Costs associated with hosting a regional conference (including travel for key stakeholders/ key note speakers)	1/1/2022	12/31/2022			120,000	-
Other Product Development	To be confirmed after Product Roadmap agreed	TBC	TBC			1,009,454	-
				.		1,454,454	100,000

Annex 4:

Summary of Expenses for the Period July 2021 to June 2023

Role/Expense	CI - Operationalisation	C4a - Product Development	CS- M&E	Total Grant Funded	Company Funded	Total
Directors	152,500			152,500	70,000	222,500
CEO	172,000			172,000	200,000	372,000
Investment Advisor	11,955			11,955	14,157	26,112
Recruitment Firm	44,500			44,500	-	44,500
Insurance Manager	90,000			90,000	145,000	235,000
Trustee Manager	31,878			31,878	31,000	62,878
Legal Advisor- International Public Law & Secretariat	84,275			84,275	73,950	158,225
Technical Advisor - Product & Actuarial	-	143,400		143,400	75,200	218,600
Legal Counsel	68,382			68,382	89,500	157,882
M&E Expert	-		141,500	141,500	-	141,500
Calculation Agent	143,050			143,050	72,950	216,000
Communications Firm	228,611			228,611	70,000	298,611
Project Audit	40,000			40,000	-	40,000

Role/Expense	CI - Operationalisation	C4a - Product Development	CS- M&E	Total Grant Funded	Company Funded	Total
Company Audit (Company Funded)	10,000			- 10,000	77,500	67,500
Reinsurance Broker (Company Funded)	-			-	130,000	130,000
Finance & Planning Manager	130,000			130,000	60,000	190,000
Regional Coordinator	-	110,000		110,000	60,000	170,000
Office Manager	-			-	50,000	50,000
Premium Financing Strategy	-			-	70,000	70,000
Technical Advisor - Insurance & Risk	80,000			80,000	30,000	110,000
Risk Management System Review	15,000			15,000	-	15,000
Process Mapping, Improvement (& Internal Audit)	40,000			40,000	-	40,000
Actuarial Review	20,000			20,000	-	20,000
Support Costs - Company Retreat	-			-	10,000	10,000
Hazard Modelling/ Product Strategy	-	100,000		100,000	-	100,000

Role/Expense	CI - Operationalisation	C4a - Product Development	CS- M&E	Total Grant Funded	Company Funded	Total
Cale Agent - Nonpolicyholder	-	40,000		40,000	-	40,000
Excess Rainfall Product Detailed Product Review	-	75,000		75,000	-	75,000
Scholarship, Internship Programme	-	-		-	40,000	40,000
TA and Regional Conference Costs	-	120,000		120,000	-	120,000
Other Product Development	-	1,009,454		1,009,454	-	1,009,454
Project Coordinator (run off)	3,250			3,250	36,500	39,750
	-					
Bank Fees	1,500			1,500	2,000	3,500
License Fees	-				5,000	5,000
D&O/Travel Insurance	-				80,000	80,000
Other	29,780			29,780	30,400	60,180
Total	1,376,681	1,597,854	141,500	3,116,035	1,523,157	4,639,192

Annex 5: Insurance Programme

Season Nine

The ninth season of the PCRAFI Insurance Programme ran from 1st November 2020 to 31st October 2021, providing coverage to the Cook Islands, Samoa, and Tonga.

At the renewal of Season 9, PCRIC can confirm that:

- i. The PICs selected the exhaustion points (limits) for policies issued as per Season 8.
- ii. Tonga elected to change their split of premium between perils to allocate 80% of premium to tropical cyclone and 20% to earthquake/tsunami. All other PICs maintained the same split of premium as per Season 8.

The table below illustrates the notional amount for the chosen perils, associated attachment and detachment points and the expected average annual loss for Season 9.

Season 9 – Insurance Programme

Country	Peril	Attachment Point		Detachment Point		Ceding Percentage	Premium to PCRIC (US\$)	Notional Amount (US\$)	Average Annual Loss (US\$)
		Return Period	US \$	Return Period	US \$				
Samoa	Tropical Cyclone	10	2,624,000	50	17,591,000	46.03%	382,800	6,888,714	273,429
	Earthquake/ Tsunami	10	1,106,000	50	8,340,000	50.06%	197,200	3,621,448	140,857
Tonga	Tropical Cyclone	10	4,806,000	30	11,388,000	83.37%	464,000	5,487,427	331,429
	Earthquake/ Tsunami	10	724,000	30	6,122,000	26.81%	116,000	1,447,412	82,857
Cook Islands	Tropical Cyclone	10	1,571,000	150	30,193,000	10.07%	100,000	2,881,982	71,429
Total							1,260,000	20,326,982	900,000

Note: The Insurance Programme used a multiplier of 1.4 on a total premium of 1.26m

The total notional amount for all participating PICs for combined Tropical Cyclone and Earthquake/Tsunami perils is \$20,326,982. This represented a 2.2% decrease from Season 8 due to the flow on impacts of moving the multiplier from 1.35 to 1.40 and having premiums increase by \$20k on the portfolio. The average insured annual loss for Season 9 is estimated to be \$900,000.

Season Ten

The tenth season of the PCRAFI Insurance Programme will run from 1st November 2021 to 31st October 2022. The Business Plan forecast assumes the renewal of policies for the three participating PICs from Season 9.

As with prior seasons, PCRIC will receive the full premium amount from the countries and then through the assistance of the appointed reinsurance broker, purchase an appropriate reinsurance programme to transfer some of the assumed exposure to the reinsurance market.

PCRIC is anticipating a total premium amount of \$1.28 million from the three participating PICs, assuming the Cook Islands maintains a premium of \$100,000 and the other two countries use \$500,000 of their IDA allocation and make a co-payment of \$90,000, giving a total premium of \$590,000 per country.

The basic product design remained unchanged from Season 9:

- i. Attachment point (deductible) is fixed at 1-in-10-years.
- ii. Exhaustion point (limit) is to be chosen by each country. Countries were presented with the options of 1-in-30 years, 1-in-50 years or 1-in-150 years, although an alternative exhaustion point can be selected.
- iii. Premium split between each peril (tropical cyclone and/or earthquake/tsunami) can be chosen.

Season Ten Reinsurance Programme Renewal

PCRIC expects to hold around \$26.89 million in equity as at 30th June, 2021.

During Season 9, PCRIC purchased reinsurance to cover any losses over US\$ 1.25 million up to a maximum reinsurance payout of US\$ 11.75m.

- i. The key points to consider for the Season 10 reinsurance programme are:
- ii. PCRIC will renew covers with the PICs with the required \$10k increase for IDA subsidised countries as per the agreement. Therefore, a total premium of US\$ 1.28 million is expected (from both IDA finance and national contributions) and PCRIC will purchase reinsurance to protect the capital base. The capital base as at 30th June 2021, is higher than 30th June 2020, due to the lack of events in the FY21.
- iii. PCRIC intends to maintain its reinsurance purchase of a limit of US \$11.75 million with an attachment point of US \$1.25 million. This continues the conservative approach from recent seasons.
- iv. The cost of the reinsurance is expected to be US \$799,230 at a 1.4 multiplier.

The following table highlights the associated financial indicators with the proposed reinsurance programme.

Key Financial Indicators

Description	Reinsurance Programme
Capital Available	\$26,892,284
1 in 250 year Retained Portfolio Loss	\$1,250,000
Gross Premium to PCRIC	\$1,280,000
Reinsurance Premium	\$799,230
1 in 10,000 year Retained Portfolio Loss	\$3,619,786
Average Net Expected Loss to PCRIC	\$343,407

As indicated above, PCRIC currently holds significantly more capital than a typical commercial insurer would be required to hold relative to the current level of underwriting risk. This arises because of the unique nature of PCRIC and the constraints that the company faces. In particular:

- Donors have provided PCRIC with significant capital with the intention that through investment returns and retained earnings, the company will be able to meet operational costs and net claims as they fall without the need for further capital injections in the future.
- As discussed alongside the Financial Projections below, the Grant Agreement requires PCRIC to have in place a reserve retention policy for capitalisation funds in order to maintain reserves at the initial levels. Access to capitalisation funds/reserves were made following the US\$3.0m net payout to Tonga due to TC Gita and further accessed after the US\$1.25m net payout to Tonga due to TC Harold. At the time, PCRIC developed a replenishment strategy which states that 50% of annual profits will be used to replenish the capital deficit each year until the capital is fully replenished. The replenishment requirement condition results in PCRIC having a very low tolerance for underwriting risk, as any future capital losses would be very difficult to repay given PCRIC's expected net premium income. For the period of the Business Plan, no assumption has been made on the replenishment of reserves over the short-term, until sufficient retained earnings have been accumulated to allow PCRIC to retain more risk without exposing capitalisation funds further to short-term volatility in losses.

The PCRIC Board recognises that retaining a higher level of underwriting risk may increase the efficiency of PCRIC's available capital. Should there be a change to the replenishment requirement in the Grant Agreement, then the Board would reconsider the company's risk tolerance, and any changes to the current strategy will be reflected in an updated Business Plan and budget.



Credit: Photo by Aleta Monarty, World Bank - Solomon Islands

Annex 6:

Expansion of Existing PCRAFI Insurance Programme

The catastrophe model which underpins the PCRAFI Insurance Programme is currently available for 15 countries across the Pacific, although some work would be required to enable a new country to have access to a fast calculation process in line with existing policyholders. PCRIC is looking to actively engage with PICs across the entire region on the DRF agenda, and based on recent discussions, countries remain open to joining the PCRAFI Insurance Programme in the future but are also cautious due to historical issues raised about product performance within the existing model.

In addition to the demand for the existing products offered, PCRIC intends to develop and supply additional products to the PICs. The MDTF Grant Agreement includes funding to support PCRIC in conducting a programme of activities for the development, refinement and implementation of additional disaster and climate-related risk products, including:

- The design and/or modification of insurance products to provide coverage against major hydro-meteorological events and associated sub-hazards (e.g., cyclone, rainfall, flooding and drought related products including subnational “livelihood” type products)
- The design and/or modification of insurance products to provide coverage against major geophysical events and associated sub-hazards (e.g., earthquake/tsunami)
- The development of mutual disaster risk insurance products, such as a hybrid disaster risk insurance product to cover medium-sized disasters (e.g., contingent financing schemes)

In the coming years, PCRIC may also explore the possibility of providing catastrophe risk insurance for key public assets and infrastructure or providing coverage to or alongside the private sector to meet wider disaster risk financing needs in the region. However, at this stage there is no business case to pursue opportunities beyond the range of products already under development. PCRIC will continue to explore ways to quantify these opportunities so they can be pursued, should they be identified as feasible and impactful.

Given the fact that the existing products do not appear to meet the range of requirements of non-member countries, PCRIC will experience limited growth in new members/total premiums until new products can be offered.

Insurance Coverage (Key Assumptions)

- Minimal change in premium contributions from existing PICs for the next two seasons.
- Continuation of partial premium financing from IDA, at least through to FY23 (current IDA premium funding via the PREP project is secure for the coming two years, however with the PREP project closing on 31st October 2022, IDA financing for premiums after this date is yet to be confirmed)
- Impacts from product enhancements on existing products should not negatively impact the premium pool or reinsurance cost.

Improved Bilateral Relationships (Future Pipeline)

- Current Policyholders: Cook Islands, Samoa and Tonga. Products of Interest: Cyclone, Rainfall and Earthquake.
- Continued engagement with existing policyholders on product refinement will form the base of a defensive strategy ensuring that existing policyholders continue to purchase products. The opportunities to consider for softer triggers and the impacts of storm surge on cyclone product performance includes inundation losses due to waves, and not rainfall or wind damage, may also improve the offering.
- Non-Policyholder Countries: Fiji, RMI, Vanuatu and the Solomon Islands. Products of Interest: Rainfall, Cyclone and Earthquake.
- Engagement with Fiji, RMI, Vanuatu and the Solomon Islands on the development of a rainfall product is seen as critical in building trust with those nations and managing expectations around what a rainfall product could deliver. Both Vanuatu and the Solomon Islands also present opportunities for greater engagement in supporting government responses to small remote events through the supply of meaningful information in the days just after an event.
- Tourism Reliant Economies: Palau and Niue
- Along with the Cook Islands, there are opportunities to consider how to strengthen small island states that are heavily reliant on tourism and exposed to environmental destruction from large storms (reef and coastal) that leads to damage and lost income from reduced tourism. Due to the size of these economies, the likelihood of a private sector response is minimal and government support is needed.
- Papua New Guinea (and the Solomon Islands) – Earthquake
- PNG represents by far the largest population base in the region and like other equatorial countries, has limited need for the

cyclone cover offered where their exposure to earthquakes however, is high. With the asset bases of the country centered in larger cities, consideration would be needed on whether a district level cover may be more useful to the resilience of the nation so that the expensive response costs associated with responding to remote communities can be taken into account. The Solomon Islands also has a high exposure to earthquake damage.

- Pacific Small Island States: Tuvalu, FSM and Kiribati – Drought and Rainfall
- Currently, Pacific Small Island States near the equator have been reticent to engage in PCRAFI given they have a well-known focus on addressing the impacts and inequalities resulting from climate change impacts like sea level rises, droughts and flood events. Whilst this group makes up a small proportion of the Pacific people, there are a number of governments where they are a vocal component of the region's dialogue on risk financing needs.



Credit: Photo by Muchamad Husyeln / Pixabay - The beach near Taremb Maleikula Island, Vanuatu

Annex 7:

Commentary on Product Development

This section highlights further commentary on the product development priorities for PCRIC:

- Segregated Cell Structure
- Sovereign Level Parametric Rainfall Product and ADB Sponsored Contingent Financing Product.

Segregated Cell Structure

- The CoM has approved this restructure of the company into a segregated cell company. The changes allow a segregation of assets and liabilities between cells (which are often set up to house a product not suitable to be housed with other products offered). This is comparable to establishing a subsidiary limited liability company without the need for separate governance and operational structures nor any major legal complications while ensuring that current PCRAFI legislations incorporates the new entities.
- Some products identified for development are dependent on a reorganization structure being established and a separate cell being approved. The required amendments to the Act have been drafted and is being worked through with the Cook Islands government for final submission to parliament before the end of 2021.

Sovereign Level Parametric Rainfall Product (Excess Rainfall and Drought)

Following requests from member countries, PCRIC has been working with the World Bank team over the past 12 months on the development of two rainfall products for the region, one for excess rainfall and one for drought risk. Following an update to NASA's Global Precipitation Measurement (GPM) Mission in 2020, the World Bank commissioned Celsius Pro (CP) to conduct a feasibility study into whether there is sufficient data and technical basis for parametric insurance products for these risks where PCRIC was involved in the technical discussions.

This study has been completed in early 2021 and indicated that there does exist sufficient information and data to conduct the analysis required to develop a product. There were however some concerns from both the World Bank and PCRIC teams regarding the product structures proposed by CP. Therefore, the World Bank and PCRIC commissioned an independent review of CP's work. The review was performed by Willis Towers Watson (WTW) and concluded that the proposed product structures for excess rainfall and drought are technically sound.

There exists significant reputational risk due to the basis risk inherent in the products, which is exacerbated by the limited engagement PCRIC has been able to have with countries regarding the proposed at the technical level. This means that there exists a lack of broad understanding of the benefits and potential drawbacks of the products.

The independent review therefore recommended that PCRIC do not release the products for purchase in their current state, but rather spend more time engaging with countries at the technical level to build countries' understanding of the products and ensure that the products are structured in a way that country needs are met. At the same time, it recommended that the product structures be reviewed with potential changes made to reduce basis risk and increase the probability that the products would respond to the kinds of events that countries would require additional financial support. Because of the lack of technical understanding in the region, PCRIC will increase investment in capacity building to bring countries along on the journey of product development. Country engagement has been made much more difficult by the impact of COVID-19, and so the expectation is that initial consultations can happen virtually over the coming months with face-to-face to follow over the later parts of the FY2022 once the travel restrictions are lifted.

ADB Sponsored Contingent Disaster Financing Fund

PCRIC is currently working with the ADB on a business case for housing a Contingent Disaster Financing facility for PICs as a way of connecting the PCRAFI Sovereign Parametric Covers with the Contingent Credit/Grant products offered via the Pacific Disaster Resilience Programme. Whilst this product is not anticipated to bring in significant revenue margins for PCRIC, it is expected to help alleviate issues with basis risk/events below a 1-in-10-year return period and ensure that PICs can have a single, regional point of reference for consultation and strategic planning for risk financing needs for medium to large events with PCRIC.

Once a full business case is developed, we expect that this product will strongly support the development of new member countries and take some funding pressure off company overheads. However, the product will require a separate cell to manage grant funds and fund balances segregated from the main PCRIC insurance capital and functions.

Annex 8:

Investment Strategy for 2020/2021

SIPO – Allocation of Funds

Asset class ¹	Target asset allocation			
	(US\$m)	(%)		Range
Liquidity				
Cash ²	5.25	20%		0% to 50%
Income				
Cash ³	5.25	20%		0% to 50%
Bonds	5.25	20%		0% to 80%
Growth				
Shares	10.5	40%		0% to 50%
	26.25	100%		

1. Subject to the, prudential investment guidelines set out in section 4.

2. Cash assets held for liquidity purposes.

3. Cash assets that are held for income purposes and its defensive characteristics.

Projections of Investment Returns

Fin Year	Assets (US\$m)		
	Jun-22	Jun-23	Jun-24
Cash - PIMCO	13.47	10.5	10.5
Bonds - PIMCO	5.25	5.25	5.25
Shares - Blackrock	7.53	10.5	10.5
Total	26.25	26.25	26.25

Return		
Jun-22	Jun-23	Jun-24
0.45%	0.45%	0.45%
1.81%	1.81%	1.81%
7%	7%	7%
2.60%	3.34%	3.34%

Fin Year	Asset Split		
	Jun-22	Jun-23	Jun-24
Cash - PIMCO	51.30%	40%	40%
Bonds - PIMCO	20%	20%	20%
Shares - Blackrock	28.70%	40%	40%
Total	100%	100%	100%

Investment Earnings (US\$m)		
Jun-22	Jun-23	Jun-24
0.061	0.047	0.047
0.095	0.095	0.095
0.527	0.735	0.735
0.683	0.877	0.877

Annex 9:

Risks to the PCRIC Business Plan

The financial model prepared as part of this Business Plan has four key assumptions as noted below:

1. That total gross premium income will increase on the basis of one new country joining the pool of insured countries for the season starting 1st November 2022, with a further country joining the pool for the season starting 1st November 2023.
2. That Reinsurance pricing (in terms of multiple over the average expected reinsured loss) remains in line with current levels.
3. That the claims incurred would be equal to the average expected loss of the portfolio.
4. That investment earnings would be equal to the forecast average rate of return each year.

The above assumptions have been assessed for variance and the findings including the financial impacts, have been considered.

Given the flexibility that PCRIC has in terms of increasing or reducing the coverage offered to countries for a given level of premium, it is assumed that any increase in the cost of reinsurance can be passed onto countries through a reduction in the coverage offered. While there does exist a reputational risk of such a strategy, and such reductions in coverage may eventually result in countries withdrawing from the pool if they no longer perceive PCRIC's products as valuable or competitively priced, this does eliminate any short-term financial risk associated with an unexpected increase in the cost of reinsurance.

Further, given PCRIC's relatively cautious approach to reinsurance protection which covers all losses above \$1.25m up to a maximum payout of \$11.75m, the impact of a relatively high-level of claims (for example, two payouts in one year) is limited to the \$1.25m deductible on a net of reinsurance basis.

The World Bank therefore suggested that PCRIC focus solely on testing the impact of variance in the first assumption above, i.e., the number of new countries expected to join the pool in the coming 2-3 years. In particular, as part of the project restructure proposal, the World Bank requested PCRIC to provide financial projections for two alternative scenarios regarding the number of new member countries joining the pool: one on a more pessimistic basis and one on a more optimistic basis relative to the submitted forecast.

Alternative Scenarios

Under the 'base case' scenario, it is assumed that one additional country will purchase a policy for an annual premium of US\$600,000 starting 1st November 2022, and a second additional country will purchase a policy also for US\$600,000 starting 1st November 2023. The reinsurance deductible and limits are assumed to increase over time due to the expansion of the portfolio and also bearing in mind the expected relaxation of the capital replenishment requirement.

The World Bank has asked PCRIC to provide the financial forecast for the following two scenarios:

A more pessimistic scenario where the additional policy starting 1st November 2022 does not materialise but the 1st November 2023 one still does; and

A more optimistic scenario where an additional policy is sold from 1st November 2022 onwards.

In both scenarios, the reinsurance deductible and limit are adjusted to match the size of the portfolio, but assuming there is no change to the reinsurance pricing multiple. The relevant changes to the base case assumptions are summarized in the table below:

	Insurance Season	9	10	11	12
	Dates	1 Nov 2020 - 31 Oct 2021	1 Nov 2021 - 31 Oct 2022	1 Nov 2022 - 31 Oct 2023	1 Nov 2023 - 31 Oct 2024
Base Case	Number of insured Countries	3	3	4	5
	Gross premium income	1,260,000	1,280,000	1,900,000	2,500,000
	Reinsurance deductible	1,250,000	1,250,000	2,000,000	3,000,000
	Reinsurance limit	11,750,000	11,750,000	12,250,000	13,000,000
Pessimistic scenario	Insured countries	3	3	3	4
	Gross premium income	1,260,000	1,280,000	1,300,000	1,900,000
	Reinsurance deductible	1,250,000	1,250,000	1,250,000	2,000,000
	Reinsurance limit	11,750,000	11,750,000	11,750,000	12,250,000
Optimistic scenario	Insured countries	3	3	5	6
	Gross premium income	1,260,000	1,280,000	2,500,000	3,100,000
	Reinsurance deductible	1,250,000	1,250,000	3,000,000	4,000,000
	Reinsurance limit	11,750	11,750,000	13,000,000	14,000,000

As with the base case projections, the projected insurance losses is based on the current AIR model given that a stochastic event set of losses from the new rainfall product is not available at the time of producing these forecasts. Under the more optimistic scenario, the insured losses from the additional (sixth) country policy is based on the tropical cyclone model for the Federated States of Micronesia (FSM), although this is just a proxy for an excess rainfall or drought policy issued to any new member country.

Summary of Results

The High-Level P&L and Balance Sheet for the alternative scenarios are provided below:

More Pessimistic Scenario: High-Level P&L

	Actual				Prelim	Budget		Forecast				
Profit & Loss	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Total	Actual To Date	Two Year Budget	FY24 Forecast
Premium Income	0.23	1.62	1.97	1.42	1.25	1.27	1.69	2.30	11.77	6.50	2.97	2.30
Reinsurance expense	(0.08)	(0.56)	(0.86)	(0.74)	(0.74)	(0.79)	(0.91)	(0.99)	(5.66)	(2.97)	(1.70)	(0.99)
Net premium income	0.15	1.06	1.11	0.69	0.51	0.49	0.78	1.31	6.11	3.53	1.27	1.31
Net average Claim expense		(3.00)		(1.25)	-	(0.34)	(0.55)	(0.93)	(6.08)	(4.25)	(0.89)	(0.93)
Underwriting profit	0.15	(1.94)	1.11	(0.56)	0.51	0.14	0.23	0.38	0.03	(0.72)	0.37	0.38
Non Grant Funded Operational Expenses	(0.00)	(0.02)	(0.14)	(0.57)	(0.18)	(0.56)	(0.96)	(1.26)	(3.68)	(0.90)	(1.52)	(1.26)
Interest Income ²	0.01	0.06	0.15	0.23	0.20	0.68	0.877	0.88	3.08	0.65	1.56	0.88
Company/Entity Profit	0.16	(1.89)	1.12	(0.90)	0.54	0.27	0.14	0.00	(0.57)	(0.98)	0.41	0.00
MDTF Grant Income for capitalisation	6.00	12.00			2.00	-	-	-	20.00	20.00	-	-
DFID Grant Income for capitalisation ¹		6.13	1.64		-	-	-	-	7.77	7.77	-	-
MDTF Grant Income for establishment and operations	0.11	0.52	0.56	0.19	0.67	0.92	0.42	-	3.39	2.04	1.34	-
Establishment and operations expenses	(0.11)	(0.52)	(0.56)	(0.19)	(0.67)	(0.92)	(0.42)	-	(3.39)	(2.04)	(1.34)	-

	Actual				Prelim	Budget		Forecast				
Profit & Loss	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Total	Actual To Date	Two Year Budget	FY24 Forecast
MDTF Grant Income for Development of Disaster Risk Insurance Products					0.08	0.76	0.84	-	1.68	0.08	1.60	-
Development of Disaster Risk Insurance Products Expense					(0.08)	(0.76)	(0.84)	-	(1.68)	(0.08)	(1.60)	-
MDTF Grant Income for Monitoring and evaluation					0.09	0.07	0.07	-	0.24	0.09	0.14	-
Monitoring and evaluation Expense					(0.09)	(0.07)	(0.07)	-	(0.24)	(0.09)	(0.14)	-
TOTAL PROFIT/LOSS	6.16	16.24	2.76	(0.90)	2.54	0.27	0.14	0.00	27.19	26.79	0.41	0.00
Insurance (premiums less Claims)	0.15	1.94	1.11	0.56	0.51	0.14	0.23	0.38	0.03	0.72	0.37	0.38
Operational (Investments less entity funded expenses)	0.01	0.05	0.01	0.34	0.02	0.12	0.09	0.38	0.60	0.26	0.04	0.38
Project/Grants (grant funding less grant funded expenses)	6.00	18.13	1.64	0.00	2.00	0.00	0.00	0.00	27.77	27.77	0.00	0.00

More Pessimistic Scenario: High-Level Balance Sheet

	Actual				Prelim	Budget		Forecast
Balance Sheet	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
EQUITY								
Share capital	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Retained earnings (Grant Income)	6.00	22.40	24.59	24.25	26.52	26.52	26.52	26.52
Retained earnings	0.16	-	0.56	-	0.27	0.53	0.60	0.55
TOTAL EQUITY	6.26	22.50	25.25	24.35	26.89	27.15	27.02	27.17
ASSETS								
Investments	-	21.16	16.70	3.98	26.52	26.52	27.02	27.02
Cash	6.88	2.56	9.80	21.41	0.95	1.21	0.92	0.66
Other Assets	0.00	0.29	0.32	0.25	0.26	0.26	0.27	0.31
TOTAL ASSETS	6.88	24.02	26.82	25.63	27.72	28.00	28.21	28.98
LIABILITIES								
Claims Payable	-	-	-	-	-	-	-	-
Other Liabilities	0.62	1.52	1.57	1.28	0.84	0.84	0.85	0.63
TOTAL LIABILITIES	0.62	1.52	1.57	1.28	0.84	0.84	0.85	0.63
NET ASSETS	6.26	22.50	25.25	24.35	26.89	27.15	27.36	27.35

More Optimistic Scenario: High-Level P&L

	Actual				Prelim	Budget		Forecast	
Profit & Loss	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Premium Income	0.23	1.62	1.97	1.42	1.25	1.27	2.09	2.90	12.77
Reinsurance expense	(0.08)	(0.56)	(0.86)	(0.74)	(0.74)	(0.79)	(0.88)	(0.97)	(5.61)
Net premium income	0.15	1.06	1.11	0.69	0.51	0.49	1.21	1.93	7.16
Net average Claim expense		(3.00)		(1.25)	-	(0.34)	(0.67)	(1.18)	(6.44)
Underwriting profit	0.15	(1.94)	1.11	(0.56)	0.51	0.14	0.55	0.75	0.72
Non Grant Funded Operational Expenses	(0.00)	(0.02)	(0.14)	(0.57)	(0.18)	(0.56)	(0.96)	(1.26)	(3.68)
Interest Income ²	0.01	0.06	0.15	0.23	0.20	0.68	0.877	0.88	3.08
Company/Entity Profit	0.16	(1.89)	1.12	(0.90)	0.54	0.27	0.46	0.37	0.12
MDTF Grant Income for capitalisation	6.00	12.00			2.00	-	-	-	20.00
DFID Grant Income for capitalisation ¹		6.13	1.64		-	-	-	-	7.77
MDTF Grant Income for establishment and operations	0.11	0.52	0.56	0.19	0.66	0.95	0.42	-	3.41
Establishment and operations expenses	(0.11)	(0.52)	(0.56)	(0.19)	(0.66)	(0.95)	(0.42)	-	(3.41)

Actual To Date	Two Year Budget	FY24 Forecast
6.50	3.37	2.90
(2.97)	(1.67)	(0.97)
3.53	1.70	1.93
(4.25)	(1.01)	(1.18)
(0.72)	0.69	0.75
(0.90)	(1.52)	(1.26)
0.65	1.56	0.88
(0.98)	0.73	0.37
20.00	-	-
7.77	-	-
2.04	1.38	-
(2.04)	(1.38)	

	Actual				Prelim	Budget		Forecast				
Profit & Loss	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Total	Actual To Date	Two Year Budget	FY24 Forecast
MDTF Grant Income for Development of Disaster Risk Insurance Products					0.08	0.76	0.84	-	1.68	0.08	1.60	-
Development of Disaster Risk Insurance Products Expense					(0.08)	(0.76)	(0.84)	-	(1.68)	(0.08)	(1.60)	-
MDTF Grant Income for Monitoring and evaluation					0.09	0.07	0.07	-	0.24	0.09	0.14	-
Monitoring and evaluation Expense					(0.09)	(0.07)	(0.07)	-	(0.24)	(0.09)	(0.14)	-
TOTAL PROFIT/LOSS	6.16	16.24	2.76	(0.90)	2.54	0.27	0.46	0.37	27.88	26.79	0.73	0.37
Insurance (premiums less Claims)	0.15	1.94	1.11	0.56	0.51	0.14	0.55	0.75	0.72	0.72	0.69	0.75
Operational (Investments less entity funded expenses)	0.01	0.05	0.01	0.34	0.02	0.12	0.09	0.38	0.60	0.26	0.04	0.38
Project/Grants (grant funding less grant funded expenses)	6.00	18.13	1.64	0.00	2.00	0.00	0.00	0.00	27.77	27.77	0.00	0.00

More Optimistic Scenario: High-Level Balance Sheet

	Actual				Prelim	Budget		Forecast
Balance Sheet	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
EQUITY								
Share capital	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Retained earnings (Grant Income)	6.00	22.40	24.59	24.25	26.52	26.52	26.52	26.52
Retained earnings	0.16	-	0.56	-	0.27	0.53	0.99	1.36
TOTAL EQUITY	6.26	22.50	25.25	24.35	26.89	27.15	27.61	27.98
ASSETS								
Investments	-	21.16	16.70	3.98	26.52	26.52	27.02	27.02
Cash	6.88	2.56	9.80	21.41	0.95	1.21	1.32	1.47
Other Assets	0.00	0.29	0.32	0.25	0.26	0.26	0.31	0.33
TOTAL ASSETS	6.88	24.02	26.82	25.63	27.72	28.00	28.65	28.81
LIABILITIES								
Claims Payable	-	-	-	-	-	-	-	-
Other Liabilities	0.62	1.52	1.57	1.28	0.84	0.84	1.25	1.03
TOTAL LIABILITIES	0.62	1.52	1.57	1.28	0.84	0.84	1.25	1.03
NET ASSETS	6.26	22.50	25.25	24.35	26.89	27.15	27.39	27.78

Discussion of Results

The scenarios presented indicate that having one fewer or one more country policyholder over the final two years of the projection period has a very limited impact on the balance sheet (less than \$300,000 in either direction from the base case projected equity of \$27.3m at the end of FY24). This is largely because of the very high capital base relative to the insurance exposure after taking into account PCRIC's reinsurance strategy which is expected to remain relatively cautious (i.e., the company will purchase a relatively high-level of reinsurance compared to underlying exposure).

The main difference is in the P&L, which for FY24 becomes negative in the pessimistic scenario, indicating the business would not be profitable on an average basis if only one additional country joined the pool of insured countries over the projection period. This is not surprising given that the base case indicates a positive but relatively small profit position in the first full financial year after the end of the PCRAFI project (assuming the project is extended to 31st December 2022 as requested). This is based on the key assumption that planned expenditures for FY24 would not be cut if the company is unable to increase the pool of members by FY23. In reality, budgets related to Marketing/Communications and product development/regional engagement may be reduced if the company is expecting to make a loss on an average basis. Such spending cuts would make it very unlikely that the company would be able to return to a position of profitability without further grant financing.

The PCRIC Board of Directors already consider a number of the assumptions in the 'base case' as optimistic, in particular with regards to the pricing of reinsurance which is assumed to be unchanged from the pricing multiple achieved in Season 9 over the full projection period. The scenarios presented therefore further illustrate a small margin of profitability that the company is able to achieve, and how the overall profitability of the company is dependent on a number of relatively optimistic assumptions. Poor Claim Experience

The risk to the initial Business Plan is that PCRIC experiences a single claim or multiple claims in excess of the annual expected portfolio loss.

Annual Losses	Probability	Average Annual Loss (Long Term)		
		Gross	RI	Net
1. No Losses	61.7%	-	-	-
2. 200k	6.7%	13,400	-	13,400
3. 201k to 500k	4.6%	16,051	-	16,051
4. 501k to 1.25m	6.3%	52,995	-	52,995
5. 1.25m to 13.0m	20.7%	806,405	548,280	258,125
6. 13.0m plus	0.1%	11,149	9,400	1,749
Total	100.0%	900,000	557,680	342,320

A review of the event catalogue based on the Season 9 terms for the insurance portfolio demonstrates that whilst the average expected loss is \$0.900m Gross and \$0.342m Net per annum, there is a significant chance of no losses in a year (62%) but also a 1-in-5 chance of having a \$1.25m loss or greater. In reality, the actual distribution of losses is more continuous than the six categories presented but the table is a good illustration of the range and likelihood of different outcomes.

Poor Investment Returns

The risk to the initial Business Plan is that PCRIC experiences investment returns below expectations which puts pressure on or reduces operating surpluses used to cover overheads. The lower-than-expected investment returns may be for a year and is recovered in subsequent years or for the projection period as a whole.

Key Risks

1. Investment returns achieved are lower than forecasted over the period.
2. Significant share market downturns leading to material loss of forecasted income in future years.

The analysis originally done on financial sustainability also made assumptions on the volatility of investment returns. Given the global uncertainty surrounding investment markets in a COVID-19 environment, there will always be a risk associated with more volatile investments like shares and over the short-term with interest rate movements with bonds. However, the new investment strategy still retains a high proportion of assets in lower risk investments (PIMCO US short-term fund and bond fund) meaning that returns are lower but less volatile and when negative, the size of the negative is not as great.

We also recognise that the overall investment earnings are made up of two components. The first component is the income, i.e., interest from cash, coupons from bonds and dividends from shares. The second component is market movement. This is where bonds arise with interest rate changes where a rise in rates reduces the current market value and a fall in rates increases it. The rise and fall in rates with bonds will ultimately lead to lower/higher future income, though this only arises as existing bonds mature and are replaced by new bonds.

The key investment risks that will result in lower investment earnings include:

- a. Bond interest rates rise, particularly towards the end of the budget period.
- b. Dividends are cut and not replaced by share buybacks or higher retained earnings, i.e., are cut through reduced revenue.
- c. Share markets fall as part of the normal behaviour of share markets.

Risks b. and c. can be interrelated. If b. happens, c. will almost always happen. If c. happens, b. may not happen. Simple scenarios have been considered for the key risks:

Scenario One: Lower than expected average overall investment returns

Investments were modelled assuming that bond yields rise by 1% and therefore the investment earnings from bonds includes an 8% fall in value and share capital value fell by 20% and did recover-half the loss over the forecasted period. In each case, the adverse events were assumed to occur in the FY2022. This would result in an investment return that is US\$470,000 per annum, on average, lower than investment earnings.

Scenario Two: Significant share market downturn

Investments were modelled assuming a 2% rise in bonds (1% each year for the next two years) and a 30% drop in share value from a significant downturn with only one-third of this being recovered in the forecasted period. This would result in investment returns being \$US590,000 per annum, on average, lower than investment earnings.

This scenario would also result in a \$1.76m reduction in the expected book value of capitalisation funds.

Both of these scenarios would result in PCRIC forecasting financial losses in FY2024.



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