

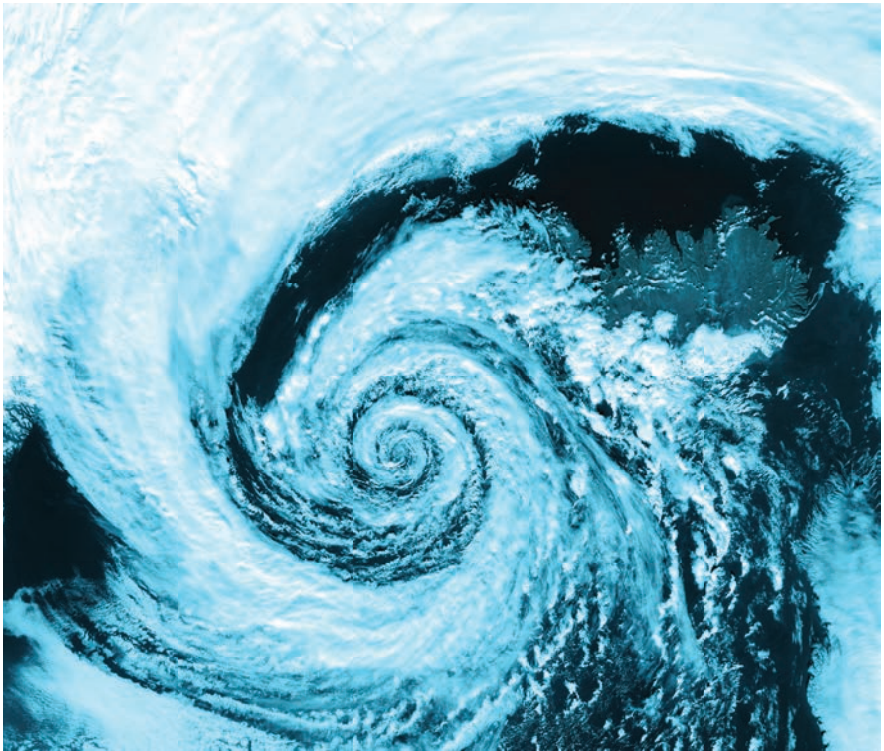


Strategic Plan

2021-2025



PACIFIC
CATASTROPHE
RISK INSURANCE
COMPANY





Rotui Mountain, Tahiti in French Polynesia: Photographed by iPics

MESSAGE FROM THE Chairperson

This Strategic Plan represents an important step for the PCRAFI Project which operates now through the member organization of donor and Pacific nations – called the Pacific Catastrophe Risk Insurance Foundation (**PCRIF**) and through the Pacific Island Catastrophe Risk Insurance Company (**PCRIC**). The ongoing PCRAFI Project builds on the strategic work and valuable support of the World Bank. The PCRIF/PCRIC institution is comprised of two entities that support disaster risk management and provide risk pooling mechanisms for Pacific Islands to strengthen regional resilience. Strength is required in the face of the present global challenges stemming from economic impacts relating to rising natural disasters and the COVID pandemic, which may erase years of development gains.

This Strategic Plan articulates PCRIC's vision to provide a valuable and complementary function to buttress the development gains achieved through the cooperation mandates of the Pacific Community (**SPC**) and the Pacific Forum (**PIF**).

PCRIC provides financing instruments to help Pacific Islands sustain development gains. Pooling and transferring natural disaster risk into the international insurance markets through the PCRIC's programs can provide immediate disaster response finance, leveraging the multiplier effect of insurance provided to several countries. This mechanism has resulted in disaster response insurance payouts that are multiples of the premiums paid to some of PCRIF's member states.

Pacific island Countries (PICs) are highly exposed to adverse natural events, including tropical cyclones, earthquakes, volcanic eruptions, and tsunamis, which can result in disasters affecting the entire economic, human, and physical environment.

Fiji: Tropical Cyclone Winston photographed Vlad Sokhin (World Bank)



These events negatively impact the PICs' long-term development agendas. The critical challenges confronting PIC governments in the aftermath of a disaster, includes securing access to short-term/immediate financing for emergency response and for the maintenance of essential government services until additional resources become available.

In 2015, the Pacific finance ministers in their annual meeting called Forum Economic Minister Meeting (**FEMM**) endorsed the establishment of the PCRIF/PCRIC as a legally independent entity that could manage the PCRAFI to build on the work of the PCRAFI initiative¹. In June of 2016, that endorsement was realized by Cook Island's legislative act to create this regional disaster risk financing mechanism.

PCRIC still has a road ahead in reaching a long-term sustainable position. However after the normal start-up challenges of creating this new regional mechanism, the many operational challenges have been addressed and the PCRIC is now operational with a regional Chief Executive Officer (CEO), a full complement of insurance, disaster risk management and regional representation in the Board of Directors, and with a targeted engagement program through which the CEO is actively consulting with PIC governments to review how to fully operationalize and tailor the PCRIC's programs to meet regional disaster risk financing needs. Key to that work stream is the regular review and improvement of data-sets, disaster models and risk transfer instruments that are fit for purpose. These principles are embedded in the Strategic Plan's activities.

Our key objectives are described in this Strategic Plan which guides the business plan and day-to-day work plans to build an entity that is financially sustainable, reflecting Pacific ownership and serving disaster finance needs to strengthen resiliency in the region.

Through this Strategic Plan PCRIC continues to pursue its vision, mission and objective to ensure that PICs have access to post-disaster rapid response finances while building on PCRIC's vision and plans to address key activities relating to regional integration, institutional capacity-building and disaster risk product development. We will strive to ensure that PICs benefit from the PCRIC's resources strengthened by a well-established and impactful technical assistance programme. Financing tools and technical knowledge go hand-in-hand and are necessary to build resilient disaster risk management plans and infrastructure to help mitigate risks. PCRIC's vision for complementary Technical Assistance focuses on building and transferring knowledge in the region as a way of providing and returning value to the region, in addition to providing disaster risk financing and risk pooling through insurance.

We also fully understand the fiscal constraints facing Pacific governments and will seek premium financing support from the donor community in the short and medium-term to help PCRIC along the path to financial sustainability by 2025, the horizon for this Strategic Plan. We are mindful of the current financial impact caused by COVID-19 and will work hard to collaborate with PICs to ensure that financial needs for immediate relief post-disasters is affordable and can be swiftly disbursed in response to disasters, thus reducing post-disaster government budget volatility. The cycle envisioned to move PCRIC toward financial sustainability is reflected in the Table on Core Themes in the attached Plan.

The Plan will guide and direct the implementation of the key activities to help PCRIC meet the disaster risk support outcomes expected by Pacific governments. The implementation of this Plan follows the decision of the Forum Leaders in 2019 reaffirming the importance of a member-driven, inclusive and

¹**Acknowledged** the generous and continued financial support of the Government of Japan since the inception of the PCRAFI insurance program, and the announcement made by Prime Minister Abe to continue to provide financial support for the expansion of the Program in cooperation with the World Bank during the Seventh Pacific Island Leaders Meeting (PALM 7) Leaders Declaration; ii. **Agreed** to establish a PCRAFI facility in the form of a Trust, whose beneficiaries are participating PICs (with the sole purpose to establish and own an insurance captive) to provide disaster and climate risk insurance, created as an independent legal entity; iii. **Noted** the domicile of the facility in the Cook Islands pending further legal due diligence; iv. **Called** on development partners to provide the necessary funding to allow for the establishment of a facility. In particular, to invite Germany and other G7 member countries to provide financial support under the G7 Climate Risk Insurance Initiative. v. **Agreed** to establish the dedicated PCRAFI facility, with support of PIFS and the World Bank, by August 2016 for the start of the fifth season of the PCRAFI insurance program; vi. **Directed** PIFS, World Bank and partners to develop the necessary linkages and agreements with other regional facilities to ensure the necessary transfer of experience and technical knowledge to the Pacific; vii. **Welcomed** the development of a mutual insurance fund as part of the PCRAFI insurance program, supported by the Forum Secretariat and the World Bank under the Pacific Resilience Programme; and viii. **Called** on the World Bank to continue to provide technical assistance to support the establishment of the PCRAFI facility



coordinated action to address climate and disaster resilience. PCRIC wishes to play its part in helping PICs realise this stated ambition.

As we look to the future, we are encouraged with the dependable support provided by our partners and indeed we are very optimistic that PCRIC has a unique mix of instruments and technical skills to strengthen linkages among country DRM strategies, risk transfer needs, poverty reduction and economic growth. We share the vision of the UN 2030 Sustainable Development Goals and know

that the goal that no one is left behind, turns on protecting populations that are most vulnerable to the impacts of natural disasters. This resonates the declared vision of PCRIC: “to strengthen the resilience of the Pacific region to disaster and climate risk impacts”. PCRIC’s Strategic Plan amplifies these objectives, using risk pooling, technical assistance and knowledge exchange functions to promote regional objectives.

We look forward to serving the Pacific region.



Sarah-Jane Wild
Sarah-Jane Wild
CHAIRPERSON, PCRIC BOARD

EXECUTIVE *Summary*

PCRIC is at a promising crossroads. Emerging from the initial phases of the PCRAFI project PCRIC met the normal (and sometimes unexpected) challenges associated with a start-up project. Significant headwinds in a number of key areas have interrupted momentum despite the still-growing interest in sovereign disaster risk finance and insurance across the development space. This Strategic Plan sets out a vision and mission and identifies key strategic themes that guide PCRIC as a self-standing Pacific-region entity, operating for public-benefit.

The Plan identifies five key strategic themes which address PCRIC's value differentiators and frame outcomes for each theme. The themes labelled (1) Regional integration (3) Developing a compelling value proposition, and (4) Global partnering, address the enabling environment for disaster risk management and financing in the Pacific. It is true that both the countries and territories of the Pacific region and the international community recognise the challenges faced across the region in sustaining economic and social progress in the face of climate change and increasing disaster risk, while recognising that risk financing is a key approach in addressing these challenges. However, the implementation of risk financing solutions has not yet reached the scale nor had the impact that is needed or desired to support regional development objectives.

Theme (2) Technical Capability focuses on offering the best technical products to PICs through technical risk understanding, modelling, risk pooling and underwriting platforms. Theme 5 focuses on PCRIC's operational excellence to offer disaster risk finance services at the best possible price, and on a financially sustainable basis.

Defining PCRIC's value proposition and re-setting the relationship with our Pacific island members to build trust is served by both better regional integration and PCRIC's offer of compelling value proposition.

In formulating this Strategic Plan, the historic PCRAFI / PCRIC experiences have been taken into account, alongside the broader experience of the region in disaster risk management, and the global research and experience base - available both in writing and shared informally over a decade or so of knowledge exchange. A key observation coming out of the global experience is that executing the actions proposed within this Strategic Plan is no guarantee of success, but unless most, if not all, of these actions are not implemented, with sufficient financial and human resources, then regional success will be extremely difficult. Another key observation is that success in the context of natural disaster risk is unlikely to fully materialise over short periods of time; the 5-year horizon of this Plan may not prove the value of PCRIC even if everything goes according to plan. However, after five years, PCRIC can and should reach the end of the period in a position to be financially sustainable and to succeed on an ongoing

basis, providing the region with tools and products which will become vital to increase resilience and sustain development.

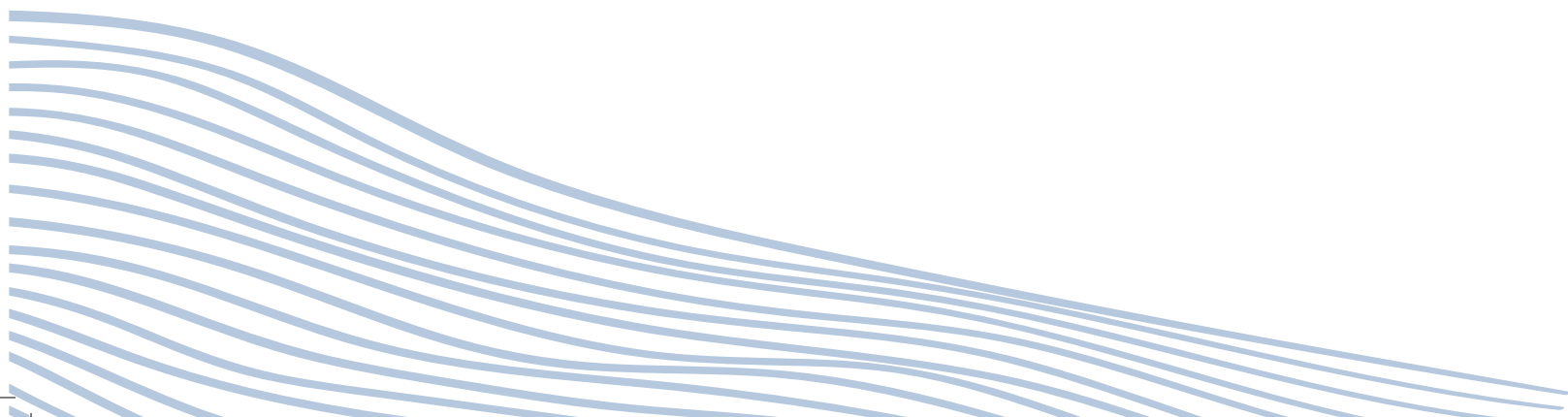
The basis of a good strategic plan is an ambitious and compelling long term vision with which to set direction with. Without clarity on the long term goals, then a strategy may not lay the foundations for long term sustainable success. Conversely an overly ambitious strategy risks failing in delivering short term successes by distracting or overwhelming the organisation. PCRIC is acutely aware of the challenges in under-estimating the work required to deliver change and has formulated a plan focused on building a strong foundation in operational performance and product relevance initially before embarking on more ambitious change.

It is recognised that this Strategic Plan is ambitious and that its execution will require renewed resource commitments from PCRIC's members and other financing partners. It is also recognised that regular updates to the plan will be critical and that key priorities will change. However, the Plan must be viewed holistically in the sense that each key theme supports all of the other key themes, and lack of progress in one theme will likely lead to challenges in progress under other themes. So, while the Plan may be ambitious, it is necessarily ambitious, as the challenges faced by the PICs are momentous, and PCRIC has a substantial contribution to offer to help address those challenges.



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1. INTRODUCTION

1.1 PCRIF / PCRIC background

The Pacific Catastrophe Risk Assessment and Financing Initiative (**PCRAFI**) insurance programme was designed to provide climate and disaster risk insurance to member countries in the Pacific region². The primary aim of such insurance is to provide a quick injection of financing to help participating governments deliver relief and early recovery efforts as quickly as possible after a disaster. During its pilot phase, which started in January 2013, the PCRAFI insurance programme provided parametric earthquake and tropical cyclone insurance solutions that increase the financial response capacity of Pacific Island Countries and Territories (**PICs**), helping them to meet post-disaster funding needs without compromising their fiscal balances and development objectives. The “modelled loss parametric” insurance coverage in place during the pilot phase provided cash pay-outs to insured governments within 10 working days after a qualifying disaster event, with pay-out amount scaling with the scale of the disaster (as estimated within the model).

Following a successful pilot of the PCRAFI insurance programme and the endorsement by the Forum Economic Ministers Meeting in 2015, an insurance vehicle was established by legal statute in the Cook Islands on 10 June 2016, to provide a disaster risk insurance programme to PICs on a long-term basis. The vehicle was established as a “group captive” insurer, the Pacific Catastrophe Risk Insurance Company (**PCRIC**), which is fully owned by the Pacific Catastrophe Risk Insurance Foundation (**PCRIF**). PCRIF is a self-standing Foundation with a Council of Members (**CoM**) comprising member PIC representatives, and representation of donors which provided grant capitalisation.

Germany, Japan, the United Kingdom, and the United States have provided grant support towards the establishment and capitalisation of PCRIC, and these funds are held in a Multi-Donor Trust Fund at the World Bank.

Kapari Village, Papua New Guinea: Photographed by AbauMan



² This was developed with the technical knowledge of the WB.

At the time the facility was established Hon. **Mark Brown**³, the then **Cook Islands Minister of Finance and Economic Management** said “We are pleased the PCRAFI Facility has been established to assist in providing Pacific Island countries with insurance coverage against tropical cyclones and earthquakes, we look forward to the Facility growing and developing additional products to help us better meet our post-disaster financial needs in the Pacific region.”

Michel Kerf, the World Bank Country Director for Timor-Leste, Papua New Guinea and the Pacific Islands at the time said “The PCRAFI Facility forms part of Phase II of the PCRAFI program, which aims to increase the fiscal resilience of Pacific Island countries and their capacity to meet post-disaster funding needs without compromising domestic budgets,” “The Facility also affords Pacific Island countries greater ownership of disaster and climate risk financing – meaning more control and influence over the design of future disaster and climate risk solutions.”

PCRIC currently offers the parametric ‘modelled loss’ coverage for cyclone and earthquake perils based on the PCRAFI pilot design. A catastrophe risk model built by AIR Worldwide between 2010 and 2012 is used to underpin these parametric products, with three countries (Cook Islands, Samoa and Tonga) purchasing coverage from PCRIC as of the 2020/21 underwriting year⁴ and three others (Marshall Islands, Solomon Islands and Vanuatu) previously having done so also.

PCRIC appointed a CEO in 2017 but that CEO had to resign due to administrative matters related to residential domicile. A subsequent search for a replacement to be resident in the Cook Islands has led to the successful recruitment of an experienced regional leader with strong Public Financial Management and Climate Change Financing experience.

PCRIC’s Board of Directors was fully constituted in October 2018 and, given the absence of any directly-employed staff over the past 4 year, its Chairman and Board had temporarily assumed operational and governance responsibilities, assisted by consulting inputs to support operations and advise on technical

matters. With the start of the new CEO in September 2020⁵ the Board delegated authorities down to management over the following months, and is now endeavouring to build the expected regional ownership of the company from the PICs. The World Bank also continues to support PCRIC’s operations through the provision of technical resources and administration of the grant funds provided by donors through a Grant Agreement between PCRIC and the World Bank.



³ Incumbent Hon Prime Minister for the Cook Islands.

⁴ PCRIC’s underwriting year runs from 1 November.

⁵ Remotely from Fiji due to COVID19. The CEO will be repatriated to the Cook Islands once the travel restrictions are uplifted.

1.2 Strategic Planning process

The purpose of this Strategic Plan is to present the overall aims of the organisation over a 5-year period and describe a pathway along which the organisation should travel to achieve those aims. In the immediate term, it is also intended to provide guidance to the Chairman and Board of PCRIC through a period of transition and a planned 'reset' for the organisation. This period included a mid-term review by the World Bank of the project supporting PCRIC, the revision of terms for and engagement of a CEO, and a desire on the part of all stakeholders to agree a path for PCRIC to follow which can best serve the Pacific island countries, communities, and peoples in their disaster risk awareness and financing needs.

It is noted that this strategic planning process has been executed with reduced opportunities for wider formal stakeholder engagement in compiling the plan (beyond PCRIC's Directors and the Council of Members). As an iterative process to build on, this initial strategic plan, once adopted by the CoM, is envisaged to be led by the new CEO, and take into account of the various developments in the remainder of 2020/2021 (including the work done on a PCRAFI Project Extension/Restructuring) which will be critical to PCRIC's future.

It is important to highlight the very significant body of existing and emerging research, as well as direct, practical experience which has been drawn upon in the drafting of this plan. Many of the strategic issues which face PCRIC have been, and continue to be, addressed by other regional risk pools as well as other sovereign and sub-sovereign disaster risk insurance programmes. Some of the detailed issues – of product development, operational efficiency, governance, etc. – have also been faced and, sometimes, solved, through approaches which may be replicable by PCRIC.

So, while recognising that this Strategic Plan is but the first iteration of a living document, and acknowledging that the strategic planning process will always benefit from broad stakeholder engagement, the relatively light touch approach necessary to produce this document in a timely manner is founded on a broad knowledge base and strong consensus regarding the key themes identified.

Given the background of the lead WTW consultant, the resource constraints, and the need to develop a business plan and budgets for two years flowing from the Strategic Plan while it is still in draft form, the following points are noted:

- The identification of key themes has been done with reference to PCRAFI and PCRIF/PCRIC formative documents (which go back a decade or so), but without being constrained by them;
- A fresh view has been introduced within the context of the current regional and international disaster risk financing space, and based on some high-level observations made in the region; and
- The top-down strategic planning approach has informed the development of the PCRIC Business Plan, so that together, the Strategic and Business plans recognise both a high level vision for the facility and a more granular view of the immediate work required.

The remaining two sections briefly expand on the middle bullet by providing a view of the current regional and international context, and some high-level framing observations.



1.3 Regional and International context

In the decade or so since discussions around disaster risk financing and insurance were initiated in earnest by the PICs, the overall regional and international landscape around natural disaster risk – particularly climate risk – and its management and financing in both the humanitarian and development contexts has evolved dramatically. The creation of PCRIF/PCRIC itself started in 2015, a year in which the international community, with the PIC punching substantially above their weight, agreed a number of key strategies and initiatives. This “post-2015 development agenda” reinforced the concept of disaster risk financing as an integral and necessary part of achieving sustainable and inclusive development, particularly in light of the expected increasing impacts of climate change on the frequency and severity of extreme weather events.

Through the recognition of financial protection as a key element of resilience in many global, regional and national initiatives and discussions, disaster risk financing has now become fully mainstreamed into the development agenda and many countries’ national priorities.

Additional momentum was provided by the G7’s adoption of the InsuResilience targets under the German presidency in 2015, whereby the G7 countries committed to assisting an additional 400 million people to be directly or indirectly covered by climate risk insurance. Under Germany’s presidency of the G20 in 2017, the InsuResilience concept was expanded, and in late 2017, at the Twenty-third Conference of Parties to the UN Framework Convention on Climate Change, the first to be chaired by a Pacific Island country, Fiji, the InsuResilience Global Partnership was launched, bringing together multiple strands into a single framework for supporting the broader use of risk transfer to build resilience to climate and other natural disaster risk.

A regional Framework for Resilient Development in the Pacific has been adopted by the Forum Leaders as an integrated approach to address Climate Change and Disaster Risk Management (FRDP), which provides guidance and support for building resilience to climate change and disasters in the Pacific Island region⁶. The Framework seeks to place sustainable development, which is resilient, front and centre.

In the interests of maintaining a concise document, further details on the regional and international context are not provided here, but such details are readily accessible via a substantial volume of literature generated by MDBs (mainly the World Bank), governments and civil society, including commissioned work by think tanks and academics. The following two documents are perhaps particularly noteworthy for the accessibility of relevant information:

- Sovereign Catastrophe Risk Pools: World Bank Technical Contribution to the G20 (<https://openknowledge.worldbank.org/handle/10986/28311>)
- Disaster Risk Financing: Opportunities for Regional Cooperation in Asia and the Pacific (<https://www.unescap.org/resources/disaster-risk-financing-opportunities-regional-cooperation-asia-and-pacific>)

A third, listed below, provides a comprehensive and clear elaboration of the economic and social rationale for disaster risk financing:

- Dull disasters? How planning ahead will make a difference by Daniel Clarke and Stefan Dercon (<http://documents.worldbank.org/curated/en/962821468836117709/Dull-disasters-How-planning-ahead-will-make-a-difference>)

Each of these three documents is available on request.

⁶The region’s experiences of Tropical Cyclone Winston in 2016, Tropical Cyclone Pam in 2015, Tropical Cyclone Harrold in early 2020 and numerous other events reinforce the need for action on climate change and disaster risk management to be better understood, planned for, funded and coordinated at local, national, regional and international levels.

1.4 Framing observations

These framing observations are deliberately somewhat provocative, and make black and white what are almost always things that are grey. They have been developed utilising the experience of key global experts with direct experience with PCRAFI throughout its history. Rather than represent a structured piece of market research, these observations capture important insights gathered by the team during their experiences starting before the launch of the insurance pilot, including being actively engaged in sovereign disaster risk financing initiatives globally throughout PCRAFI / PCRIC's evolution, and through more focussed engagements in the Pacific since late-2017.

These observations represent the available knowledge of the team without access to the capacity for a comprehensive review and has deliberately concentrated more on strategic and operational gaps. No criticism is implied of what has gone before and the aim of these observations is to feed the Strategic Plan which puts markers on a path forward towards allowing PCRIC to achieve the best outcomes possible in service to the countries and people of the Pacific islands.

- PCRIC is regarded more as a World Bank project than a regional institution. While there are and always will be significant advantages to a strong relationship between PCRIC and WB (and, indeed, the Asian Development Bank and other DFIs), it is important for PCRIC to also develop its own identity as an institution serving the Pacific islands and its peoples, alongside and in partnership with existing regional institutions.
- A single modelled loss parametric product covering a (small) portion of emergency response funding will lack the relevance and flexibility that a more comprehensive set of product solutions would offer, making membership development challenging. Expansion of the DRF space has raised expectations as to the role insurance tools and products can and should play in managing disaster risk and building resilience, and PCRIC will need to be able to provide a range of such tools and products to a heterogeneous group of sovereign states and their institutions and populations in order to demonstrate relevance.
- For the emergency response cover, the historical reliance and comfort of international aid leads to strong inertia in engaging with PCRIC's insurance offerings. The incentives for PICTs to finance premiums to cover disaster response are substantially diluted by the continued availability of funding post-disaster, much of which can arrive relatively quickly. Large funding gaps remain, but PCRIC's current offering is not viewed as being able to address those.
- Insurance is viewed as 'a luxury' because the base case is 100% (or close) unfunded catastrophe risk, so budgeting for any level of premium seems expensive to a Minister of Finance compared to zero. The return on investment in increased resilience, including through disaster risk insurance, is not well captured on sovereign balance sheets, and viewing a payout from insurance as a return on investment incentivises use of insurance where it is less economically efficient and also sets hard-to-meet expectations.



Vanuatu: Volcanic Eruption at Mt. Yasur Tanna Island photographed by Ben Jeayes

- The current catastrophe risk model licensed by PCRIC is unlikely to provide the level of flexibility, accessibility, and transparency required to meet future needs. The core technology that PCRIC requires to understand and quantify risk, and package a portion of that risk for cost-effective transfer to the international risk markets, is catastrophe risk modelling and related financial modelling. Further, in PCRIC's case, that technology needs to be flexible, to meet the various needs of the PICs for bespoke services and products, accessible, so that it can be applied across a range of evolving needs, and transparent, to attract the best per-risk pricing in the market and to meet increasing development partner desires for openly available risk information.
- The expectations of disaster risk insurance in general, and PCRIC in particular, are very different on the part of PCRIC's development partners compared to the PICs themselves, and neither is commensurate with the resources currently at PCRIC's disposal.
- From the PIC perspective, the expectations of climate risk insurance, for which PCRIC has been viewed as a delivery mechanism, have been long-lived and persistent, but not necessarily consistent with either what disaster risk insurance can deliver or the resources available to PCRIC as a delivery mechanism:
 - Pacific islands first demanded insurance against climate change at the Rio Earth Summit in 1992.
 - The intent was that the climate-polluting countries of the world (known as 'Annex 1' countries within the UN-FCCC and broader climate change context) would pay the premium, and pay-outs would help the non-polluters to cope with and adapt to the consequences.
 - While the PICs had high climate risk before 1900, the incremental increase in risk because of climate change is high because of low-lying territory, high population on the coasts, and reliance on climate - and environment-sensitive industries such as fisheries, tourism and agriculture.
- PICs have been the most vocal on the international stage in demanding more resources for adaptation and for addressing 'Loss & Damage'.
- In the Paris Declaration, insurance is highlighted as a key mechanism to address loss & damage, and Fiji made climate risk insurance a key theme during its presidency of the CoP 23 cycle.
- From the development partner perspective, PCRIC is expected to be an efficient vehicle, due to donor-funded technical support and provision of risk capital, to supply the inherent sovereign disaster/climate risk insurance market demand in the Pacific.
 - However, demand for insurance is not inherent, due to 'competition' via the moral hazard created by the donor community in responding to disasters in the region with generally timely and adequate humanitarian aid, and from other financing mechanisms and vehicles often supported by PCRIC's own donor partners.
 - The ongoing complexity in global discussions on the best way to finance and build resilience across global, regional and national priorities continues to create the potential for political confusion and caution in PIC's fully engaging in solutions like PCRIC that may be seen as not fully aligning with individual national positions or ambitions.
 - The financial resource allocation to PCRIC is well below the perceived need across a diverse region for tools and products to build resilience to climate change, meaning that trade-offs have to be made, which in turn opens the facility to criticism from those segments not well catered to.

2. STRATEGIC *Planning Process*



2.1 PCRIC Vision, Mission and Measures of Success

PICs have taken deliberate steps to take ownership of disaster and climate risk understanding and financing at the regional level through the establishment of PCRIF, which provides them with control and influence over the design and implementation of future disaster and climate risk solutions through PCRIC. Such improved disaster and climate risk management is inherent in the vision of a more resilient Pacific region, better able to build economic prosperity and stay true to social needs and desires despite the growing headwinds of climate change and the presence of other natural threats.

PCRIC VISION

The wider vision for PCRIC has always been to strengthen the resilience of the Pacific region to disaster and climate risk impacts; however, the initial

focus on financing for sovereign response costs over other financing gaps has proved limiting to the role that a risk pool could play in enhancing resilience. Improved disaster and climate risk management and its role in informing financing decisions is inherent in the vision of a more resilient Pacific region, better able to build economic prosperity and stay true to social needs and desires despite the growing headwinds of climate change and the presence of other natural threats.

PCRIC MISSION

PCRIC's mission can be framed as a goal to increase the range of disaster risk knowledge / assessment tools and risk transfer products offered to the region, and PCRIC's ambition is to be the regional leader and partner of choice in cost-efficient disaster risk transfer.

PCRIC OBJECTIVES

The primary objective of the company as articulated by the current constitution is to provide catastrophe risk insurance against natural and climatic disasters to Qualifying Pacific Island Countries with an aim of providing liquidity to help participating governments deliver relief efforts as quickly as possible after a disaster.

While PCRIC is designed to offer products primarily at the sovereign level, and its current legal and regulatory set-up limits it to doing just that, the organisation would be falling short on its mandate if it were to stand aside when asked to assist sovereign governments in managing their disaster risk through improving the use of risk information and transfer at the sub-sovereign level through public – and private – mechanisms operating at the meso (community) and micro (individual, household) levels.

In the short term, however PCRIC is mindful of its need to ensure it provides a compelling foundation with which the region can build insurance related solutions from, and as such an emphasis on fully operationalising the company and delivering improvements in its sovereign insurance programme remain the immediate priority.

Success after five years can look very different due to random chance and to the lens one uses. PCRIC might not be particularly financially healthy because it has paid out large claims, or it may not have paid many claims and therefore might have a very healthy stock of risk capital. Either of these should be deemed a success, so long as PCRIC can continue to provide and expand its services for the next 5, 10 and even 50 years. Making lots of big pay-outs and still having lots of risk capital might be viewed a great success, but would suggest that capital deployment and economic efficiency is

sub-optimal. Making few pay-outs and having little risk capital would likely not be deemed a success, but could be the result of good fortune and high economic efficiency.

So, while establishing metrics and monitoring progress is important, the disaster risk insurance value proposition is an inherently long term one, and therefore five years provides an insufficient sample size to fully test many of the key characteristics of success. There are, however, some key characteristics which can be considered pre-requisites for success and which can therefore form the core of a monitoring and evaluation framework. These characteristics include:

- Establishing a well-governed, efficiently operated and financially sound institution, by international standards;
- Gaining the trust of the region to deliver its services and products in a fashion which recognises not only the similarities but also the differences between the constituent countries and peoples of the region;
- To be creative and develop new products to meet the needs of the PICs and fill critical gaps in available insurance offerings for natural disasters;
- Ensure swift payment of funds when a policy is triggered;
- Provide tangible help to the countries of the region to unlock the international support necessary and warranted to build and maintain resilience and sustain economic and social development from the front lines of the battle against climate change.



2.2 Key Strategic Themes

Five key strategic themes have been identified through a process of consultation with the PCRIC

Board, service providers, and other stakeholders. These themes are illustrated below.

PCRIC STRATEGIC PLAN

Core Themes



Brief commentary on each key theme is provided in the following chapter, and we have identified a few target outcomes within each theme, which are also described below.

To achieve these outcomes, we have identified the main areas within which work needs to be undertaken in the short (0-12 months) and medium (9-36 months) terms. The work areas are also described below, and are further broken down in Appendix 1.



2.3 Linkage to Business Planning

The information in Appendix 1 provides the bridge between the Strategic Plan and the business planning and budgeting process, which will build off this document. The work areas themselves have been rationalised between the top-down approach described here, where they flow out of the key themes and desired outcomes, and the bottom-up business planning approach building from tasks already on PCRIC's to-do list.

Identification of individual tasks within each work area, the staffing and other resources required to execute those tasks, and the priority of each task, is not further described in this narrative document, but is picked up in the Business Plan and captured in Appendix 1.

It is important to describe here, though, the way in which the overall business planning and execution approach is informed by the Strategic Plan. Two elements in particular are highlighted below.

a) Internal change management

PCRIC will seek to be nimble in its modus operandi, which requires a business approach and management tools which facilitate incremental change without compromising strategic objectives. Strategic themes and key outcomes thus need to be both general enough to accommodate flexibility in work areas and action lists and specific enough to maintain continuity and long-term business focus.

Such an approach requires a significant step change for PCRIC, given that the current business planning and execution approach is reactive rather than proactive, and grounded in a set of project documents and funding agreements which by their very nature are rather rigid. While the mid-term review process provides an opportunity for some course correction and re-focusing of resource allocations, these will only be useful if consistent with, and complementary to, this Strategic Plan and the business planning that flows from it.

Put slightly differently, PCRIC at formation inherited an institutional / public sector approach with limited flexibility, rather than being able to utilise a wider range of more adaptive start-up/private sector approaches which may improve the ability of PCRIC to manage its lack of scale and develop and deploy

innovative solutions. With a Strategic Plan owned by the Council of Members and Board, and a cascading business plan developed to deliver key outcomes in a more flexible way, PCRIC should have an improved enabling environment for success.

b) Strategic business positioning

While PCRIC's business environment is non-traditional, in that it is not competing in an established market with specific peers but rather building a market, or enabling environment, through offering useful services and products, the 'Value Differentiation' approach to framing business planning is still useful, at least in as much as a requirement to reach critical thresholds of performance in all three differentiators (the three, in the original conceptualisation, being operational excellence, customer intimacy, and product leadership).

The five key themes between them address each of the three dimensions to business differentiation, as well as addressing the enabling environment which PCRIC needs to leverage.



Fiji: Tropical Cyclone Winston photographed by Vlad Sokhin (World Bank)

3. STRATEGIC THEMES, *Outcomes and Work Areas*

This chapter provides the heart of the Strategic Plan in outlining PCRIC's path to sustainability and regional impact—descriptions of the five key strategic themes including a vision of what success after five years would look like, a breakdown of target outcomes and the breakdown of main work areas to achieve those outcomes.

In terms of monitoring and evaluation of PCRIC's progress within the context of this Strategic Plan, for each key theme:

- Progress towards or achievement of the vision will likely be measured mainly qualitatively (through a survey of stakeholders, for example) and only at the end of the five years, though a sense of general direction might be useful after 3 years.
- Outcomes should be monitored against more quantitative measures and on an annual basis, although progress will generally not be linear.
- Definition of work areas provides the framework for linking business plan development and implementation with strategic outcomes, and monitoring of work area outputs will feed up from monitoring of business plan progress.

As a living and breathing document, and as the full Business Plan for PCRIC and M&E results framework for the PCRAFI project is developed and finalised as part of the ongoing development of the company and PCRAFI project, the key outcomes and measures of success for the project will be refined and detailed. However for the purpose of this strategic plan we have developed a high level view of activities that will inform the development of both the company business plan and the PCRAFI project M&E results framework over coming months as the review and restructuring of the PCRAFI project is completed and a new business plan finalised.



Fiji: Tropical Cyclone Winston photographed by Chameleons Eye

3.1 Key Theme 1: Regional Integration

Vision: Become a Pacific Islands institution and the regional provider of choice for disaster risk financing

Becoming an institution of the Pacific, for the Pacific, requires much more than a formal PPP structure that confers ownership by and overall control and direction from the PICs. While PCRIF/PCRIC has emerged from the World Bank PCRAFI project and is still supported by that project via a Grant Agreement, it has not yet established itself as a self-standing entity supporting disaster risk understanding and management, particularly through financing, for the region. PCRIC will seek to strengthen and build relationship with participating and non-participating countries and seek to enrich their experiences with PCRIC. This will not only cultivate higher levels of trust but will promote member engagement and satisfaction. By doing so, it will allow PCRIC to understand the PICs' needs and enable to meet and exceed their expectations. To advance this strategic theme, PCRIC will ensure that it works closely with the regional organisations to support the DRM in the region building on existing mechanisms, tools and platform such as the PRP⁷ working group under the mandate of the FRDP. Further, the overall landscape of disaster risk management, including particularly climate risk and resilience issues, is already complex, so that fitting into that landscape, as a relative newcomer and in a fast-evolving space, requires dedicated resources and time. And effective communication is key to strengthening engagement with the countries through production of communication and informational products both online⁸ as well as printed.

Target Outcomes

- 1A Establish PCRIC identity: While PCRIF/PCRIC is a self-standing entity, it is serving the region alongside existing political and technical institutions, with which it must establish both formal and informal ties if it is to maximise its impact.
- 1B Build client relationships: Alongside regional integration, PCRIC must develop direct links with its clients, primarily comprising the PIC

governments themselves, but potentially in the future also including sub-sovereign entities and the private sector.

- 1C Leverage regional partner engagement: PCRIC's core donor/development finance partners are already and will continue to be active in the Pacific region both through PCRIC and through a variety of other channels. It will be important to maintain complementarity rather than competition with these other initiatives, aligning disaster risk understanding and financing efforts through PCRIC or at least in conjunction with PCRIC.
- 1D Build PCRIC in-region capability: While PCRIC has operationalised, it is yet to be regionally and nationally visible which affected the prior effort to create the anticipated ownership envisaged by the finance ministers in 2015. It will be critical to start building the regional human resources capacity of the company in areas which can be occupied by Pacific leaders and experts in the region to meet the PICs ownership expectations.

Work Areas

In order to achieve these outcomes under Key Theme 1, the following groups of tasks have been identified, to feed into the business planning and budgeting processes that are happening concurrent with this strategic plan development:

- **Pacific Region Engagement** – comprising, in the short term, an overall landscaping exercise across the disaster risk management and financing space (including important touch points with other associated areas), engagement with key regional institutions and initiatives, and in the medium term, establishment of formal ties (through, for example, memoranda of understanding) with those institutions where such formal ties are deemed as being critical to establishing PCRIF/PCRIC as a regional institution.
- **Country / Client Engagement** – Through the development of a regional engagement strategy and regional roadshow involving the CEO, Board, and key officials in current member governments of PCRIF and those who are

⁷ The PRP TWG was established by PIFS and partners and recognised by the Forum Leaders, as part of the outcomes of the recent PRP Taskforce Meeting, and is in response to a need to better understand the current landscape of existing disaster risk financing mechanisms available to the region and the gaps.

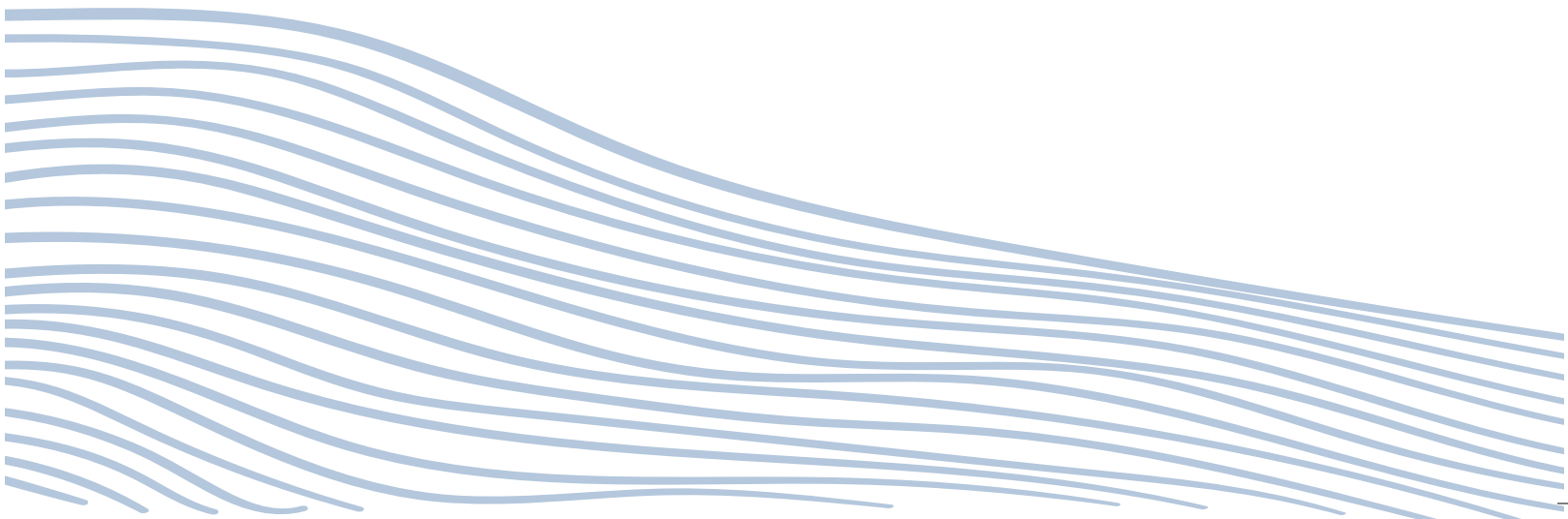
⁸ The company is currently in a process of recruiting a firm/individual to develop PCRIC's website and its features.

actively considering joining or re-joining for the 2021/22 underwriting years, and medium term expansion of both direct engagement with all PICs and presence at regional meetings (both political and technical) which can support PCRIC's goal of building relationships with PIC's at different levels. Consideration of more inclusive Foundation membership rules.

- **Broader Sectoral Engagement** – comprising medium term expansion of direct engagement to include non-core sectors such as the private insurance industry, the NGO/CSO sector, and

the disaster risk management community, all of which are likely further end-users of PCRIC's tools and/or products.

- **PCRIF/PCRIC Ambassador Programme** –medium term strategy initially to build a network of national champions, but longer term to launch a scholarship and internship programme to build domestic capacity, and build links with regional academic institutions and to create opportunities for Pacific leaders and experts to be involved in PCRIC's operational activity and future success.



3.2 Key Theme 2: Technical Capability

Vision: Effectively and efficiently operate regional open risk information and underwriting platforms

PCRIC's current product range is insufficient to make the impact required in the region. In order for PCRIC to appropriately meet the actual and potential needs of the PICs for natural disaster risk information and financing options, a flexible and open risk modelling platform is required, along with a linked underwriting platform that can efficiently accommodate different product types while maintaining cost-effective access to the international risk markets.

The technical platform is a binding constraint on PCRIC's development; the region demands an innovative product pipeline, deriving from an ability to quickly build bespoke technical models and structure insurance instruments to meet local needs in a cost-effective way and with best-possible quality standards (particularly with regard to basis risk in parametric products). While likely to be resource-intensive (i.e. expensive relative to derived premium income), designing and building an appropriate technical platform is critical and the earlier that is scoped and started, the earlier the benefits will be felt across the region.

Even with greater technical capability, the success of PCRIC is not guaranteed, but without it, success is very difficult. Co-designing technical solutions for multiple uses (such as supporting rapid need assessments as well as acting as the trigger for parametric covers) provides value in a modelling platform even if the scale of risk transfer transactions derived from it is small.

Leveraging enhanced technical capability and platform PCRIC will strengthen the product development pipeline and seek how to enhance existing products and the complementary development and launch of new products that meet the needs of PIC governments and communities.

Target Outcomes

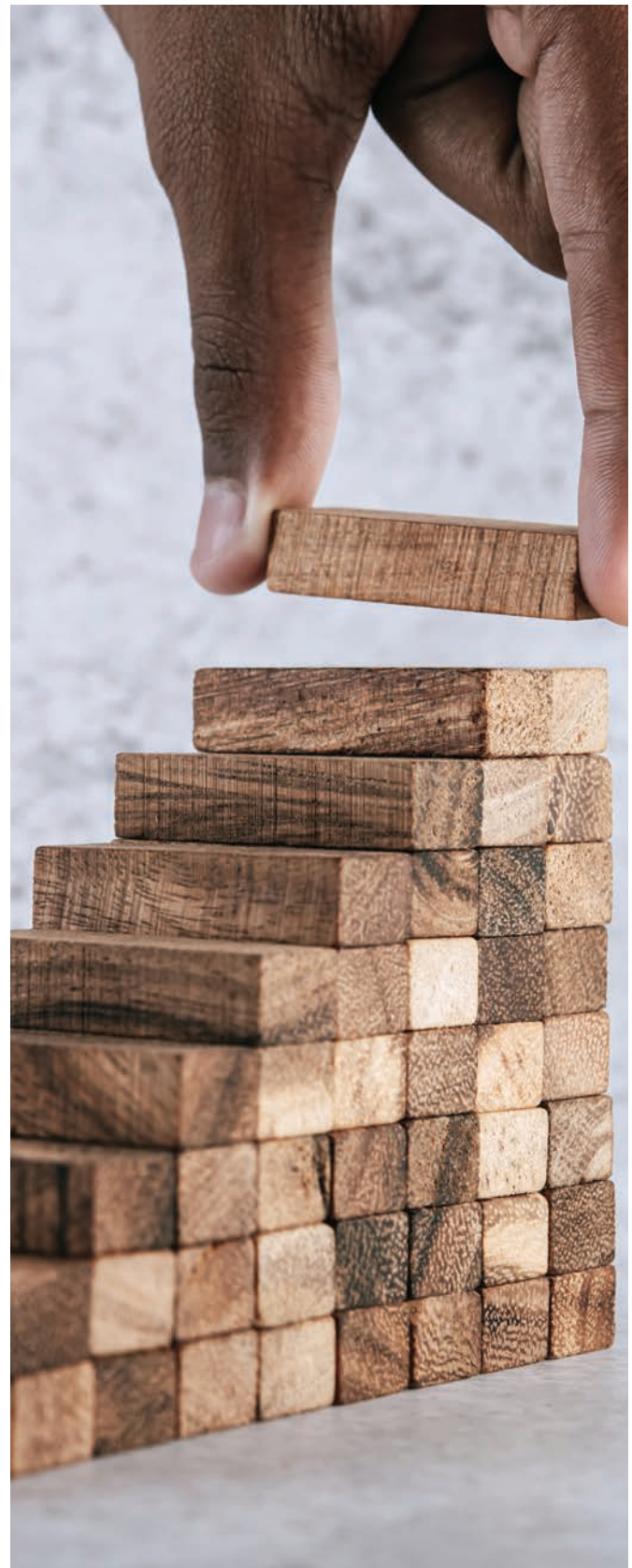
- 2A Develop an open, flexible and comprehensive risk modelling platform: PCRIC's strategy for growth requires an innovative and dynamic platform for risk modelling, which can accommodate not only current approaches and technologies, but also future developments – for example in climate modelling and in big-data from space.
- 2B Create flexible and appropriate underwriting system: Reaching PCRIC's potential as a transformative vehicle for financing of disaster risk will require an underwriting system that transforms modelling outputs and product structure into pricing and capital allocation which maximises the benefits of PCRIC's own capital.
- 2C Deliver effective product development and implementation roadmap/pipeline: PCRIC will seek to meet the needs of all of its client countries, both directly and indirectly, for risk transfer solutions within the constraints of what is technologically feasible, what is appropriate for a given requested outcome, and subject to appropriate pricing expectations for both new products and the enhancement of existing products.
- 2D Provide technical support tools and services to support client needs: PCRIC will support client needs for technical assistance in areas such as early warning, contingency planning and post-disaster needs assessment, and will provide assistance to clients in accessing premium financing and other external financial support.

Work Areas

- **Segregated Cell Architecture** – transition to a segregated cell (or equivalent) company form and medium term utilisation of the new architecture, including efficient administrative and capital management tools, to bring flexibility in delivering solutions to client countries.



- Risk Analytics and Underwriting Platform** – short term establishment of an external working group to complete needs assessment, review options, and present a roadmap for delivery. Medium term execution of delivery plan, bearing in mind potential priorities generated from specific product demand analysis and resulting product development pipeline, plus end-user needs for analytical tools and data in broader technical assistance from PCRIC.
- Product Roadmap** – short term review and implementation of enhancements to current product. External demand analysis based on risk analytics/underwriting platform blueprint, and development of roadmap.
- Product Development - Insurance** – address known needs in short term (Existing Cyclone/ EQ product enhancement, Excess Rainfall, Drought, Livelihood Protection products), and review other potential needs (e.g. options for supporting Bronze Household insurance, individual - and community - level agricultural cover, review volcano risk status, ecosystem coverage) and build / execute pipeline of actions in light of demand analysis and analytics platform blueprint/availability.
- Product Development - Mutual Funds** – review business case for ADB Contingent Financing Fund and, presuming it is deemed appropriate for PCRIC, integrate into business planning and budgeting, establish execution timetable and responsibilities, ‘market’ to PCRIC countries.
- Technical Assistance Programme** – develop linkages into support mechanisms for institutional development, enhanced contingency planning, market development and early warning and post-disaster needs assessment (linked to PCRIC’s risk analytics where possible). Support clients in addressing innovative premium financing options and other financial support for disaster risk reduction investments.



3.3 Key Theme 3: Compelling Value Proposition

Vision: Deliver on the reasonable expectations of clients and other stakeholders

PCRIC has moved from pilot programme to a full-function, independent entity during a period when disaster – and particularly climate – risk insurance has become viewed as a critical element of the humanitarian and development financing landscape. As a consequence, the expectations of PCRIC amongst its client countries, its financing partners, and a wide variety of other stakeholders have risen dramatically, especially as the discussions on the role of regional risk pools in both addressing historical insurance market failures and providing innovative future solutions to the challenges of climate change has intensified. It is thus critical for PCRIC to transition out from under the umbrella of a “World Bank Project” and to establish for itself as a Pacific regional Institution and within the resource constraints it faces, the field on which it can reasonably play, and the value proposition it already provides or can in the future provide across that field of play. Once these are established, it will be equally important to monitor progress towards the targets which have been set, and to review and re-set targets which are reasonably attainable by PCRIC’s own estimation.

Target Outcomes

3A Establish a clear playing field and value proposition: Identify what areas it is possible for PCRIC to play a positive role in, and the areas where that is either not possible or is beyond the

reasonable capacity of PCRIC to deliver. Once the playing field is established, develop a simple and robust value proposition demonstrating why insurance (and including other disaster risk financing) tools and products in general, and PCRIC’s in particular, are useful and necessary.

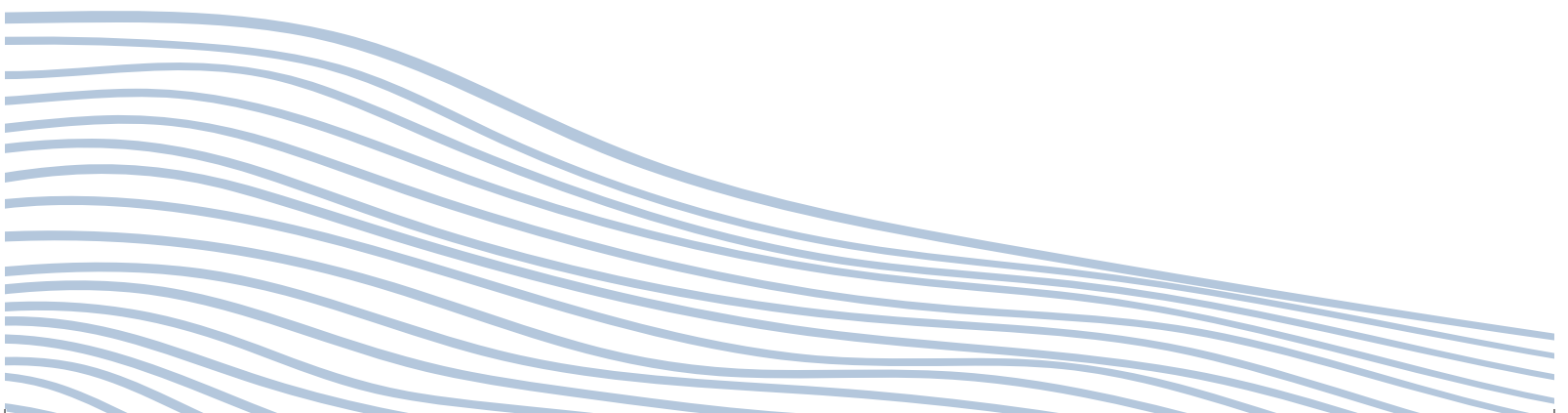
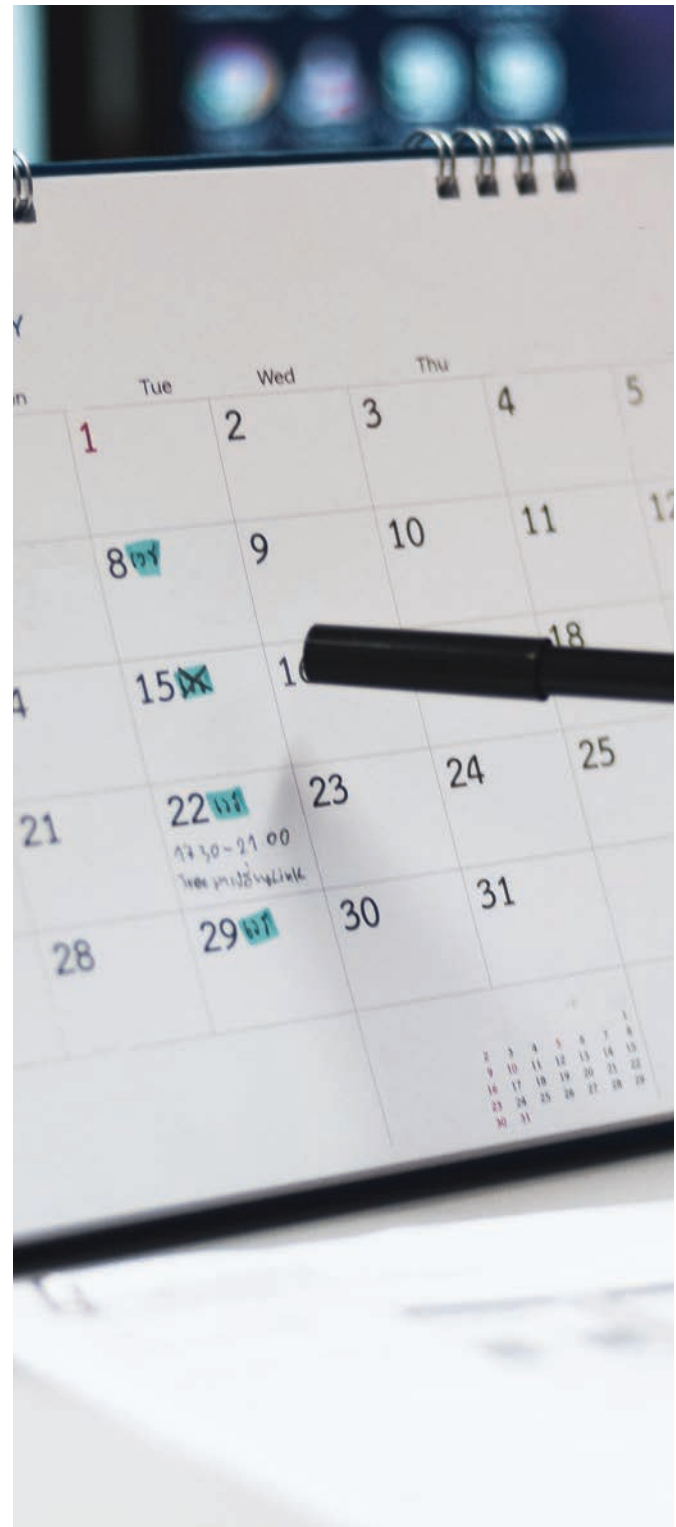
- 3B Set clear goals, and monitor and report on progress: CoM and Board establishment, oversight and responsibility for strategic goals and business planning and budgeting process that flow from those. Establish reporting framework for progress, and report frequently on progress, including identifying barriers early.
- 3C Understand and manage external expectations of PCRIC: Rapidly build out digital resources, documentation and other collateral to support PCRIC’s vision and mission, and establish where it can and cannot be useful, to both PCRIC member and potential member countries and to donors, MDBs and other stakeholders.

Work Areas

- **Building the Value Proposition** – further refining strategic priorities and establishing a clear field of play for PCRIC, and building a narrative value proposition based on supporting data. This will require an honest diagnostic capturing the power of both the moral hazard of donor’s humanitarian response and recovery commitments and the moral indignation of the PICs with regard to expectation of their shouldering of climate risk impacts and costs.



- **Business Planning and Budgeting** – build out a robust business plan and realistic budget to support the strategic goals, and establish systems, in the medium term, for re-forecasting and managing a changing playing field and changing global and regional economic and social circumstances.
- **Monitoring and Evaluation** – short-to medium term build-out of systems to monitor PCRIC impacts, enable maximum transparency and report on activities and outcomes efficiently and effectively.
- **Addressing Critical Expectations** – understand and plan to meet critical stakeholder expectations on management of capital, premium financing and other issues, and establish framework for relations with WB and prioritisation of other activities with stakeholders to ensure future expectations can be met.
- **Relaunch PCRAFI programme workstreams and reintroduce PCRIC** – To lift the awareness of PCRAFI and PCRIC as a regional mechanism, the re-launch of the programme is required to bring wider awareness and visibility to the programme and company. This will look to coincide with and leverage key regional and global events, like a side-line event around COP26 or the Pacific's FEMM summits.
- **Marketing and Communications** – short-to medium term development of a communications strategy for both internal and external stakeholders, including marketing of products and tools through communication of value proposition (in its broadest sense), development of collateral, and (re)establishment of PCRIC web and social media presence, tied into the regional landscape.



3.4 Key Theme 4: Global Partnering

Vision: Fully leverage the global Climate Risk Insurance landscape to the benefit of Pacific Island countries and peoples

PCRIC has received particular attention within the disaster risk insurance space as an initiative worthy of support, with a mission increasingly relevant to both Pacific Island countries and development partners alike. This is particularly true in the climate change adaptation space, where the PICs have specific and enhanced status within the UN-FCCC, and insurance has been recognised as a key tool for managing climate risk and resilience.

But adaptation finance has been slow to flow, in the view of the PICs at least, and the risk financing capacity provided by PCRIC to date has been viewed as too small to make the difference the PICs feel, and state, is warranted and urgently required. It is hoped that further developments in this area will unlock financing for 'development insurance' in a more systematic way, driving growth on the demand side which PCRIC is best-placed to supply.

Without stepping outside PCRIC role as a disaster risk insurance provider, activities under this theme are focussed on better connecting with relevant regional and global initiatives which can bring additional resources and broaden the partner base willing and able to directly assist PCRIC. The return on investment to PCRIC and the region is compelling once links to the global space are more strategically managed over the medium term, especially relating to understanding the role of disaster risk management activities on ensuring insurable risk is sustainable and affordable.

Target Outcomes

- 4A Represent and champion Pacific Island interests on the global stage: Despite the multi-hazard nature of disaster risk in the Pacific, it is climate risks which drive the dialogue across the region, and PIC needs and interests on climate change & resilience have been strongly stated over more than 25 years on the international stage. PCRIC must fully understand this context, and act as a catalyst to deliver useful innovation for the Pacific islands and islanders.
- 4B Understand and fully engage with key elements of the current global climate and resilience landscape: PCRIC needs to establish itself as an

institutional member of the evolving landscape of risk and resilience initiatives and partnerships, which together provide numerous opportunities to enhance relationships with clients and other stakeholders. In particular, a focus on understanding and providing insurance related solutions that support relevant disaster management and resilience building processes is required.

- 4C Build a support network within the sector: Due to its relative geographical isolation, the Pacific region generally, and PCRIC in particular, needs to focus specifically on building out a network of support amongst technical partners across both public and particularly private sectors, so that it has access to the best global resources, though of course recognising the particular regional context and need for appropriate experience.

Work Areas

- **Donor Engagement** – direct engagement with current and potential new donors to ensure coordination across their respective regional, climate and disaster risk, and other agendas in PICs and the risk and resilience space. Explore benefits of OECD DAC Annex II listing.
- **Premium Funding Approach** – to understand and explore the range of alternatives available to support PIC's in their goals of obtaining a degree of support for DRF products whilst they strengthen resilience.
- **Development and Programme Partnerships** – be recognised by and, to the extent reasonably possible, engage with global programmes in risk and resilience, both directly and through proxies, and with a particular focus on recognition of PCRIC amongst the PICs themselves. Review and re-set, as necessary, partnerships with World Bank, Asian Development Bank and others.
- **Network for Collaboration and Influence** – establish direct access to experience and expertise which can serve PCRIC's various needs, through both public and private sector channels. In conjunction with the National Champion network and with other regional engagements, develop and utilise national, regional and global influencers to build the profile of PCRIC, particular in the political realm.

3.5 Key Theme 5: Operational Excellence

Vision: Ensure PCRIC is an effective organisation with sustainable financing

In order to achieve any of the outcomes of the first four themes, PCRIC must first be institutionally sound and efficient, with best-in-class governance and management (relative to operational scale), efficient operational processes and systems, and a capital management strategy which maximises the value of PCRIC as a risk financing supplier to PICs. Whilst this theme is presented last, its activities are the most immediately pressing in order to ensure that a strong underlying foundation is cemented with which all other activity can be built upon.

Target Outcomes

- 5A Best-in-class governance and management capability: Governance and management structures and processes must meet or exceed international best practice in order to engender the trust of both clients/PICs and the international development community (including financial partners).
- 5B Robust internal processes and efficient and effective operational execution: Operational efficiency and compliance with regulation and contractual commitments is critical for PCRIC, given that it is reliant on grant funding in its formative years and serves an inherently small-volume market with highly variable needs in terms of disaster risk financing tools and products.
- 5C Effective and sustainable capital management: Create a financial architecture which allows PCRIC to reach long term sustainability and enables flexibility in segregating risk while also maximising the value of diversification. Deploy risk capital where it is most cost-effective to do so, and ensure transparent and comprehensive documentation of financial risk appetite for operational decision-making.
- 5D Use of a comprehensive framework for measuring and reporting organisational sustainability and stability: PCRIC will need to meet both internal and external requirements on survivability

and sustainability, based on enterprise risk management principles.

Work Areas

- **CEO, staff and Director Recruitment / Induction / Development / Retention** – induction and development of the newly appointed CEO. Director recruitment and hiring of other staff and/or service providers to fill key positions (Technical/Underwriting, Comms), and retention of talent.
- **Governance** – clarification of CoM, Board, and CEO roles, establishment of rules and procedures for CoM and Board meetings, documentation, performance review and change management, including internal responsibilities and transparency/confidentiality factors. Efficiently meet the needs of World Bank (per Grant Agreement), other financing partners, and corporate governance standards on external financial and other project/process auditing in short and medium terms.
- **Company Policy** – short-term need for effective procurement of services to support PCRIC operations, both via WB Grant and from PCRIC funds (as necessary). Review of existing status and roll-out of updated Operations Manual(s) to cover key services and operations, assign responsibilities, etc. Medium term need to build out a comprehensive risk management system to cover financial, operational and governance risks, and assist Board and Management in meeting legal and fiduciary responsibilities.
- **Capital Management** – immediate need for a comprehensive capital management strategy to be developed in order for PCRIC to ensure it becomes fully sustainable, including investment strategy, reserving and dynamic financial analysis, system development, and establishment of broader capital allocation and reporting processes.

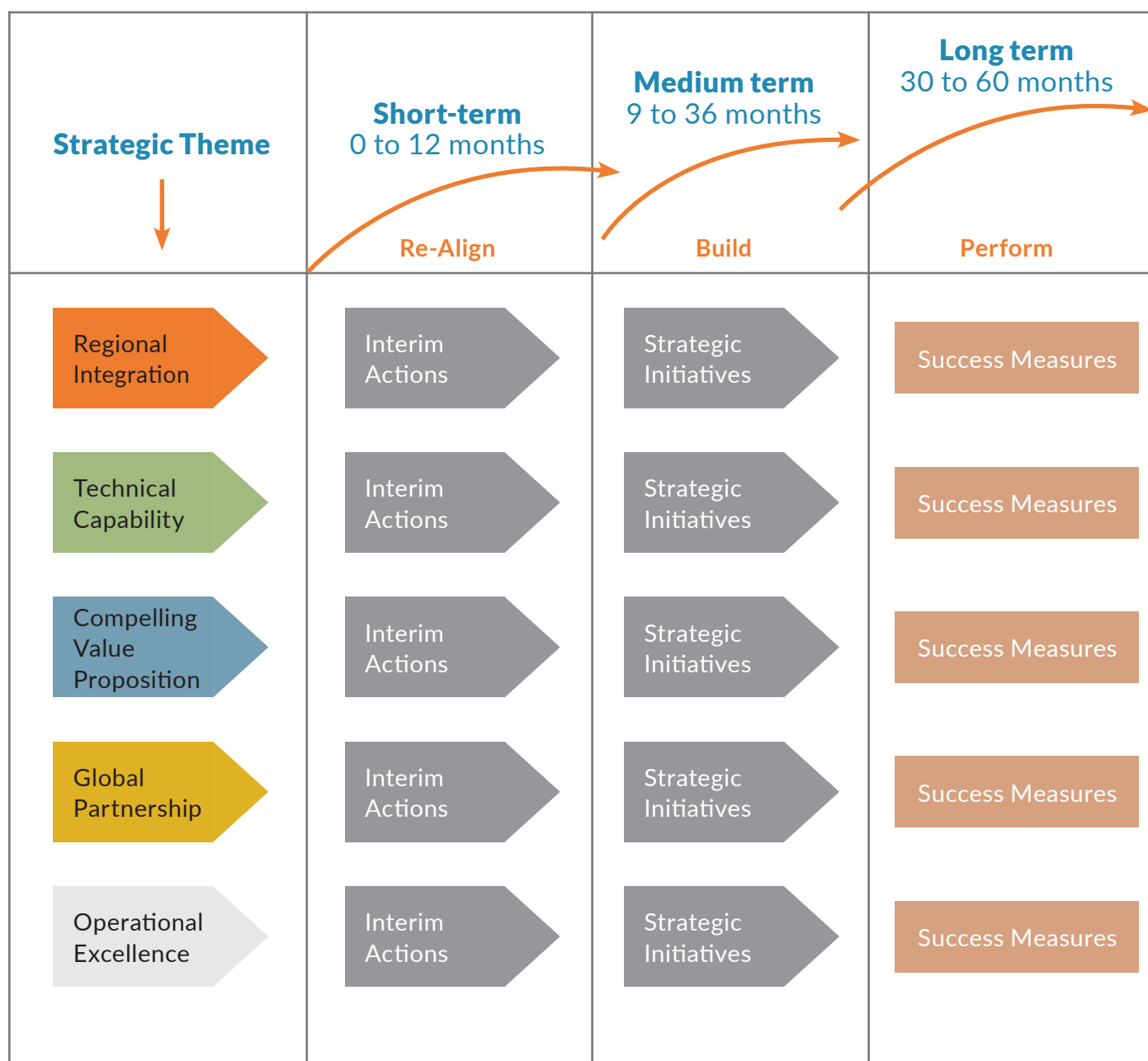
4. THEORY OF Change

Change management within PCRIC has been briefly addressed in an earlier section of this document, and here the high-level concepts of blending progress towards the strategic objectives with the annual

business planning and budgeting cycle.

The diagram below provides the conceptual framework for the theory of change.

PCRIC STRATEGIC PLAN Theory of Change Concept



The 5-year horizon of the Strategic Plan has been broken down into three parts, short (first 12 months), medium (1 to 3 years) and long (last 2.5 years) terms. It should be noted that the nominal start date is early 2021, and that while there is reasonable alignment with PCRIC's financial year, there is mis-alignment with respect to PCRIC's current underwriting year.

The short-term phase concentrates on re-alignment, including the World Bank project restructuring, final induction and on-boarding of a CEO and transition of responsibilities, delivering of current projects (segregated cell and excess rainfall projects) and delivery of 2021/22 policy renewals (and, hopefully, new issuances). Many actions will be necessarily of an interim nature as the project restructuring is finalised and the plans for the company developed in further granularity, but progress on key strategic themes should be made through those interim actions as far as possible. Business planning primarily concentrates on this initial 12-month timeframe.

The medium-term phase concentrates on executing the key components of each of the strategic themes, supported by existing and known planned resources (through the remainder of the anticipated extended MDTF Grant Agreement period to December 2022 as endorsed at the latest CoM meeting) and potentially new resources and sources of funding. Business planning partly addresses this phase (up to a 30 month view of activities and results through to the end of financial year June 2023), particularly where already-planned tasks require an inherently medium-term view and require a detailed workplan.

The long-term phase, the second half of the strategic planning horizon, will include some continued building out of core value differentiators and unlocking of the enabling environment, but the concentration will be on delivery of tools and products, and tangible progress towards the strategic objectives. This third phase is not addressed in the business planning process at this time, except in the identification of a need to build out a comprehensive internal result framework and also revisit – and enhance – this Strategic Plan.

This conceptual theory of change is picked up as a common thread with the business planning process, and can be used as a basis for building out the more

detailed results framework that will be required to accompany this Strategic Plan and the business plan. It is also used as a basis for summarising the Strategic Plan in the final chapter which follows.





Tonga: Nursing Staff at Vaiola Hospital photographed by Tom Perry (World Bank)

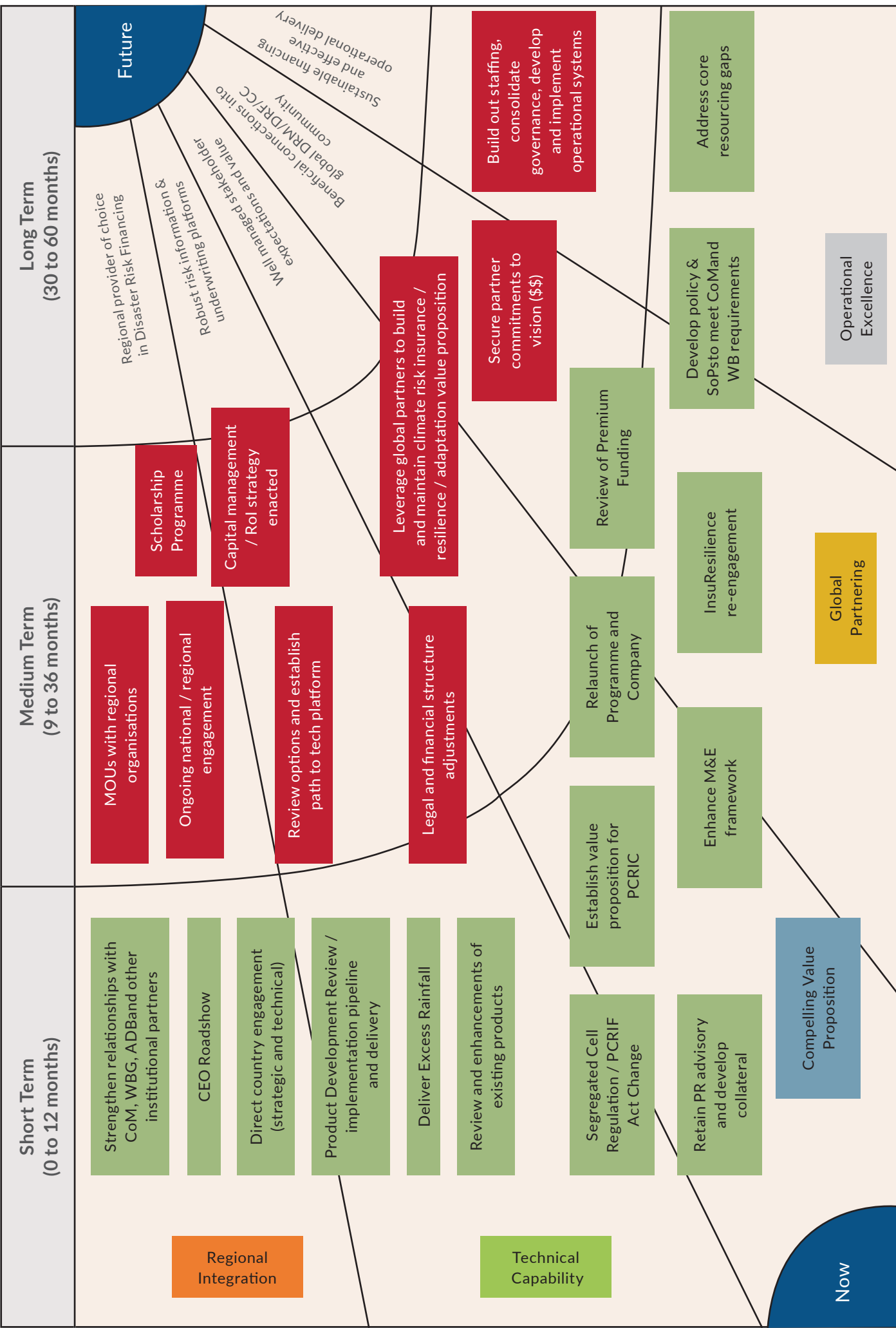
5. SUMMARY

We have identified and described five themes which aim to capture the key strategic priorities of PCRIC over the next five years that will enable PCRIC to support the region in building greater resilience to natural disasters and for the company to reach a long term sustainable position. Within each theme, a few outcomes are defined, and a number of work areas mapped out. The diagram below, and the table which follows, summarise these elements of the Strategic Plan.

Further, in the diagram below, key work areas are mapped against a timeline, split into short and medium-term, defined as the next year and the next three years respectively. Long term work areas have not been defined as priorities will change; however, it is assumed that the outcomes under each theme will remain fixed, so that the work areas and individual action items will evolve naturally.

This Strategic Plan provides guidance for business planning across the timeframe January 2021 to June 2023 (the next two full financial years) and will inform future year business plans.

The Strategic Plan serves the business planning and budgeting process in a couple of ways. First, the Plan addresses the key business drivers through both attempting to unlock the enabling environment (through the regional integration and global partnering themes) and through positioning the business activities to be client-focussed, offer the best technical services and products possible, and be operationally exceptional to serve the PICs in the most cost-effective way possible. Second, the work areas defined in the Strategic Plan map directly into the grouping of action items in the business plan.



Strategic Theme	Outcomes	Work Areas
1. Regional Integration	Outcome 1A: Establish PCRIC identity	Pacific Region Engagement
	Outcome 1B: Build client relationships	
	Outcome 1C: Leverage regional partner engagement	Country / Client Engagement
	Outcome 1D: Build PCRIC In-region capability	Broader Sectoral Engagement
		PCRIF / PCRIC Ambassador Programme

Strategic Theme	Outcomes	Work Areas
2. Technical Capability	Outcome 2A: Develop an open, flexible and comprehensive risk modelling platform	Segregated Cell Architecture
	Outcome 2B: Create flexible and appropriate underwriting system	Risk Analytics and Underwriting Platform
	Outcome 2C: Deliver effective product development and implementation roadmap / pipeline	Product Roadmap
		Product Development - Insurance
	Outcome 2D: Provide technical support tools and services to support client needs	Product Development - Mutual Funds
		Technical Assistance Projects

Strategic Theme	Outcomes	Work Areas
3. Compelling Value Proposition	Outcome 3A: Establish a clear playing field and value proposition	Building the Value Proposition
	Outcome 3B: Set clear goals, and monitor and report on progress	Business Planning and Budgeting
	Outcome 3C: Understand and manage external expectations of Facility	Monitoring and Evaluation
		Addressing Critical Expectations
		Relaunch of Programme
		Marketing and Communications

Strategic Theme	Outcomes	Work Areas
4. Global Partnering	Outcome 4A: Represent and champion Pacific Island interests on the global stage	Donor Engagement
	Outcome 4B: Understand and fully engage with key elements of the current global climate and resilience landscape	Premium Funding Approach
	Outcome 4C: Build a support network within the sector	Development and Programme Partnerships
		Network for Collaboration and Influence

Strategic Theme	Outcomes	Work Areas
5. Operational Excellence	Outcome 5A: Best-in-class governance and management capability	Company Policy
	Outcome 5B: Robust internal processes and efficient and effective operational execution	Capital Management
	Outcome 5C: Effective and sustainable capital management	Governance
	Outcome 5D: Use of a comprehensive framework for measuring and reporting organisational sustainability and stability	CEO, Staff and Director Recruitment / Induction / Development / Retention



APPENDIX 1: Mapping of Business Plan to Strategic Plan

Strategic Themes	Work Areas	Sub Projects	
		Short-term 0 to 12 months	Medium-term 9-36 months
1: Regional Integration	Pacific Region EngagementCountry	Pacific DRF Landscape review	
			MoUs with regional organisations (e.g. PIFS, SPC, SPREP, Met Services, PHT)
		Strategic engagement with key programmes (e.g. PICAP, PICCIF, PRF, POFP)	
	Country / Client Engagement	Pacific Roadshow - prioritised engagement with target countries	
		Strengthen relations with CoM, WBG, ADB and other key partners	Adjust Foundation membership rules to be more inclusive
		Meetings with Pacific Governments and presence at regional events	
	Broader Sectoral Engagement		Insurance sector
			Emergency Management sector
			NGO / CSO (Red Cross, etc)
	PCRIF / PCRIC Ambassador Programme	Establish in-country National Champion network	
			Scholarships and Internships
			Academic collaboration (USP)

Strategic Themes	Work Areas	Sub Projects	
		Short-term 0 to 12 months	Medium-term 9-36 months
2: Technical Capability	Segregated Cell Architecture	Segregated Cell Regulation / Change to PCRIF Act	Legal and financial structure adjustments
		Organisational restructure (to support multi-cell entity) - including admin and capital management planning tools	
	Risk Analytics and Underwriting Platform	Expert working group review of options and delivery of product roadmap	
			Delivery of in-house modelling and underwriting platform
		Technical Assistance operating model - how PCRIC delivers broader benefits of risk understanding	
	Product Roadmap	Review and Enhancement of Current Products	
		Independent demand survey to establish product development pipeline	Roadmap completion and pipeline execution
	Product Development - Insurance	Excess Rainfall - Completion of Feasibility, Development and Initial Launch	Roll-out
		Drought - feasibility of options and prototyping of product	further Product development and implementation (if feasible / useful / wanted)
		WB/IFC/PICAP/PCRIC alignment on livelihoods product implementation in Fiji	Livelihoods Product roll-out elsewhere in PICs
		Bronze Product feasibility	Bronze Product support (and implementation pending feasibility)
		Review status of other products - volcano (assess Feasibility Review findings), agriculture, ecosystems, etc	
	Product Development - Mutual Funds	ADB Mutual Contingency Fund structure, cell business model, ADB financial support mechanism	Establishment of ADB Mutual Contingency Fund instrument
	Technical Assistance Projects	Develop support mechanisms for contingency planning, 'technical' early warning and post-disaster needs assessment	
		Support client engagement with funders for premium financing and for disaster risk reduction investments	

Strategic Themes	Work Areas	Sub Projects	
		Short-term 0 to 12 months	Medium-term 9-36 months
3:Compelling Value Proposition	Building the Value Proposition	Establish strategic objectives and priorities - and the playing field	
		Establish PCRIC's value proposition	
	Business Planning and Budgeting	Business planning and budgeting framework development	
			Reforecasting and change management
	Monitoring and Evaluation	Organisational / Programme impacts	
		Internal Q&A / transparency	
		Reporting approach	
	Addressing Critical Expectations	Risk Capital management strategy - including replenishment	
		Premium Financing strategy (PCRIC vs country-specific)	
		Research and establish Stakeholder priorities (Donor vs Recipient)	
		Establish organisational independence (evolve WB relationship)	
	Relaunch of Programme	Formal Relaunch of Programme / Update at FEMM 2021	
Marketing and Communications			Ongoing presence at global events (e.g COP26)
		Internal comms strategy (WBG, MDTF donors, CoM, countries)	
		External comms strategy	
		PCRIC information and product collateral development	
		Staging website - source of PCRIC info	

Strategic Themes	Work Areas	Sub Projects	
		Short-term 0 to 12 months	Medium-term 9-36 months
4:Global Partnering	Donor Engagement	PCRAFI Donors / MDTF Steering Group - strengthen WB-independent channels	
			Donor MoU approach
			OECD-DAC Annex II application
	Premium Funding Approach		New donors
		Review of current sources of premium funds	
		Development of Premium Funding Approach	
	Development and Programme Partnerships		Implementation of Premium Funding Plan in conjunction with PIC's
		InsuResilience	
		WB and ADB relationships (see Theme 1 also)	
	Network for Collaboration and Influence		Wider engagement across the development space
		Other risk pools (CCRIF, ARC, SEADRIF) and regional sovereigns (PHI)	
			Reinsurance community
			Disaster Risk Management community
			Hazard modelling community
		Government/Technical advisor community	
			International academic / research community

Strategic Themes	Work Areas	Sub Projects	
		Short-term 0 to 12 months	Medium-term 9-36 months
5:Operational Excellence	Company Policy	Grant Fund management	
		Enhanced policy and procedure mapping	
		Risk Management framework / system	Risk appetite and active risk culture and capability
	Capital Management	Investment strategy and policy	
		Capital management (reserving and Dynamic Financial Analysis)	
		Roles and responsibilities - Asset Manager, Actuarial, Commercial Bank	
	Governance	Board structure, capability and focus	
			CoM engagement model
		WB Mid Term Review, other WB financial reviews, annual external audit	WB and other external audit requirements (financial, process, etc)
	CEO, Staff and Director Recruitment / Induction / Development / Retention	CEO induction (and establishment of Cook Islands Office)	Operating Model / Review of Key roles
		Director recruitment, other staff and / or service provider recruitment	
		Director and staff retention	





PACIFIC
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