PACIFIC CATASTROPHE RISK INSURANCE COMPANY

PROGRESS REPORT

1st January - 31st March 2021

WORLD BANK GROUP GFDRR Global Facility for Disaster Reduction and Recovery

2021 is an important year in the life of PCRIC for a number of reasons. First, the company celebrates its fifth anniversary. Secondly, it marks the launch of the new five-year strategic plan of the company driven by the PCRIC team that has the vision to grow the company, as envisaged by Pacific Finance Ministers. These momentous milestones come at a time when Pacific Islands Countries (PICs) and their neighbours are battling to contain the impact and spread of COVID-19.

Having taken cognizance of the impact of COVID-19 on the economies of PICs, in consultation with the Board, we have begun reflections on ways in which premium financing for PICs can be enhanced. These reflections are predicated on the realization that five years since the company's existence, the process of encouraging subscription to our products has been slow despite our offer being critical for resilience towards addressing climate challenge drivers such as droughts, tropical cyclones and rainfall. Through numerous regional engagements, we have come to the realisation that PICs are either unwilling or unable to pay for insurance cover which would no doubt give them the necessary cash injection in the unfortunate and unlikely occurrence of a cyclone.

As a creation of the World Bank's PCRAFI project, many a time PICs have seen PCRIC as a foreign company, but this has started to change since September 2020; and it is likely to change even further. PCRIC is currently in constant discussion with the PIFS management to consider integrating PCRIC into the regional cooperation architecture. This is a very critical element to advancing Pacific Countries' technical and policy understanding as a way to attract new members. PCRIC is in the process of setting up a physical office in the Cook Islands while, simultaneously launching a Pacific and global focused outreach program and recruitment of Pacific Islanders to bolster local ownership and inclusive development. We are indeed excited about the post-June 2021 phase of our project.

PCRIC remains as an insurance company of its kind and is fit-for-purpose. PICs need PCRIC as much as PCRIC needs PICs; and as such, 2021 is a transitional year from infantry to maturation. The focus over the next five years would be launched on the 1st of July, 2021. This transitioning launch will shift its focus from operationalizing PCRIC to sustaining it.

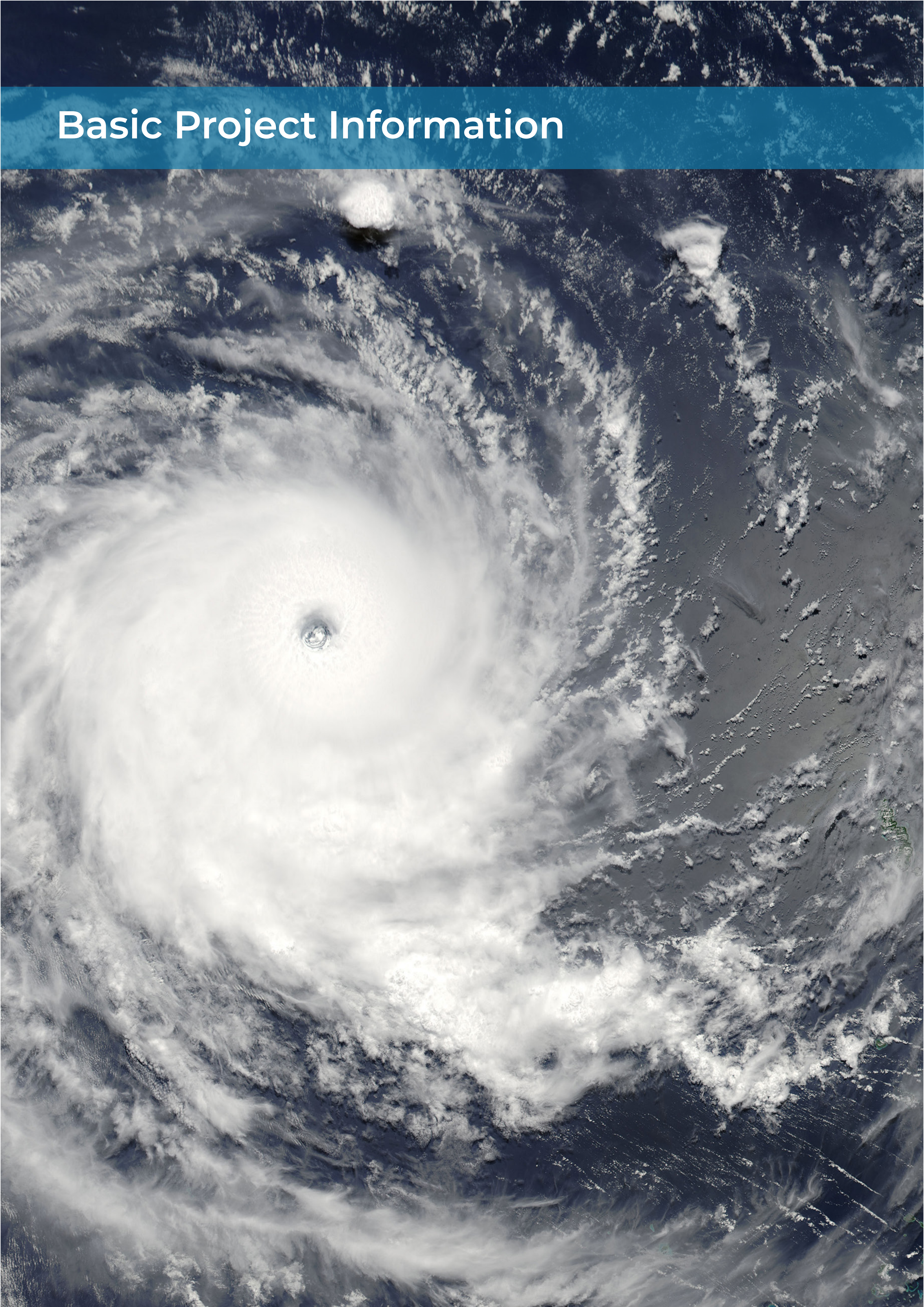
Therefore 2021 is an exciting year and the report below offers reflections on how the company is faring with achieving core objectives (indicators) agreed with the World Bank at the onset of the project. In particular, the report speaks to an emerging company which in five years has met most of its key milestones and much credit goes to the management team and the Board for their strategic direction of the company.

In 2021, PCRIC looks forward to more collaboration and to broaden its footprints in the Pacific sub-region. It is therefore both a year to celebrate how far we have come and to challenge ourselves to do even better in the next five years ahead of us (2021-2026).

Aholotu Palu
Chief Executive Officer

PCRIC

Basic Project Information



Summary		
Project Title	PCRAFI: Furthering Disaster Risk Finance in the Pacific	
Project Number	P161533	
Financing		
Grant Amount	US$ 25.43 million (US$25.33 million PCRIC, US$0.1 million PCRIF)	
Bank Approval Date	14th February, 2017	
Financing Agreement Signing Date	Grant Agreement with PCRIC dated 16th February, 2017 Grant Agreement with PCRIF dated 20th February, 2017	
Grant/Credit Ref.	Grant No. TF A4171 – PCRIC (Components 1, 2b, 4a and 5) Grant No. TF A4136 – PCRIF (Component 2a)	
Revision No.	0	
Effectiveness Date	Effectiveness date of the Grant Agreement with PCRIC: 24th February, 2017	
Closing Date	Closing Date of the Grant Agreement with PCRIC: 30th June, 2021	
Project Funding Mechanisms		
	Institution	**Amount**
World Bank	PCRAFI Multi Donor Trust Fund (MDTF TF72622)	$25.43 million
	TOTAL	**$25.43 million**

Item	Date
PCRIC Board Meeting	21st December, 2020
PCRIC Board Meeting	19th February, 2021
PCRIC Board Meeting	1st April, 2021
World Bank Implementation Mission	12th April, 2021
Council of Members Meeting[1]	28th April, 2021
End of Project (unless extended)	30th June, 2021

Tropical cyclones from January - March 2021[2]				
Storm Name	**Active Dates in 2021**	**Areas Affected**	**Damage Caused**	**Deaths**
04F	22nd - 28th Jan	Vanuatu	Not Recorded	None Recorded
Anna	26th Jan – 8th Feb	Fiji	Not Recorded	1
06F	27th - 28th Jan	Fiji	Not Recorded	None Recorded
Bina	29th - 30th Jan	Vanuatu	Not Recorded	None Recorded
09F	7th - 11th Feb	Fiji, Tonga, et al	Not Recorded	None Recorded
Dujuang (Auring)	16th - 22nd Feb	Palau and the Philippines	$3.29 million	None Recorded
10F	22nd - 24th Feb	Samoa, Tonga, et al	Not Recorded	None Recorded

[1] This is 27th in the Cook Islands

[2] PCRIC tracking of Global Cyclones affecting Pacific countries.

ADB	Asian Development Bank
ARC	African Risk Capacity
CCRIF	Caribbean Catastrophe Risk Insurance Facility
COM	Council of Members
COP	Conference of Parties
DFID	Department for International Development
FEMM	Forum Economic Ministers Meeting
GDP	Gross Domestic Product
GFDRR	Global Facility for Disaster Reduction and Recovery
IBRD	International Bank of Reconstruction and Development
IDA	International Development Association
LCS	Least-Cost Selection
MDTF	Multi-Donor Trust Fund
NDMO	National Disaster Management Office
PacRIS	Pacific Risk Information System
PCRAFI	Pacific Catastrophe Risk Assessment and Financing Initiative
PCRIC	Pacific Catastrophe Risk Insurance Company
PCRIF	Pacific Catastrophe Risk Insurance Foundation
PDO	Project Development Objective
PICs	Pacific Island Countries
PIFS	Pacific Islands Forum Secretariat
PREP	The Pacific Resilience Program
QBS	Quality Based Selection
QCBS	Quality and Cost Based Selection
RI	Risk Transferred to International Markets
SC	Steering Committee
SECCRIF	South East Europe and Caucasus Regional Catastrophe Risk Insurance Facility
SORT	Systematic Operating Risk-Rating Tool
SPC	South Pacific Commission
SPREP	Secretariat of the Pacific Regional Environment Program
SSS	Single-Source Selection
TA	Technical Assistance
TOR	Terms of Reference
WB	World Bank

1. Background & Context

Image Supplied by Webmedia South Pacific

Established in June 2016, the Pacific Catastrophe Risk Insurance Company (PCRIC) is a result of region-wide efforts to address climate and disaster risks across 14 Pacific Island Countries (PICs)[3]. Catastrophe risk insurance for PICs began as a pilot project in 2013 to 2015 through the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), which laid the foundation for a regional catastrophe risk pool to offer governments affordable parametric insurance. Being the parent body that birthed PCRIC, PCRAFI is a joint initiative of the Geoscience Division of the Pacific Community (SPC), the World Bank (the Bank), and the Asian Development Bank (ADB). Supported by these partners, today PCRIC is owned by the Pacific Catastrophe Risk Insurance Foundation (PCRIF) which is directed by participating PICs. Initial capital funds were provided by the PCRAFI Program Multi-Donor Trust Fund (MDTF) with contributions from Germany, Japan, the United States, and the United Kingdom as part of InsuResilience - a G7 initiative on climate risk insurance. Under the PCRAFI Phase II project where PCRIC was established, contributing partners had grown to include (amongst others) Canada, the Global Facility for Disaster Reduction and Recovery (GFDRR), the ACP-EU Natural Disaster Risk Reduction Programme, and technical support from AIR Worldwide, New Zealand GNS Science, Geoscience Australia, Pacific Disaster Center (PDC), OpenGeo and GFDRR Labs.[4]

Aimed at providing PICs with disaster risk modeling and assessment tools, PCRAFI also aims to engage in a dialogue with the PICs on integrated financial solutions for the reduction of their financial vulnerability to natural disasters and to climate change. The PCRAFI's Pacific Disaster Risk Assessment Project provides 15 countries with disaster risk assessment tools to help them better understand, model, and assess their exposure to natural disasters while PCRIC provides them with insurance products to cover for losses resulting from these disasters.

Following from the above, PCRAFI and PCRIC are seamlessly linked and the World Bank's support for PCRIC is with the intent to honor the commitment to finance PCRAFI in the following areas:

- The establishment and operations of PCRIC and PCRIF,
- Capitalization of PCRIC
- Institutional capacity building on disaster risk finance and Insurance.
- Development of disaster risk insurance products; and,
- Monitoring and evaluation.

[3] Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu

[4] PCRAFI PAD document

In this vein, the World Bank committed US$25.43 million split across the four key indicators as shown in Table 1 below:

Table 1: Budget allocation across key indicators

Indicator	Description	Budget allocation
Indicator 1	Establishment and operation of PCRIC	US$2.9 million
Indicator 2	Shareholder capital and capitalization funds	US$20.1 million
Indicator 3	Product development	US$2.2 million
Indicator 4	Establishing a monitoring and evaluation process for payouts including ex-post reporting requirements and more broadly, monitoring and evaluation of the project itself.	US$150,000

As required by the Grant Agreement, periodic reports on the progress of the project and the achievement of its objectives based on the above indicators, need to be provided. This should be undertaken with accent on areas which offer a clear appreciation of the project growth and any mitigating measures undertaken by PCRIC to hedge risks to its sustainability. This progress report covers the period between 1st January and 30th April, 2021[5]; and is divided into three major sections; 1.) the first section focuses on the progress of the achievement of results in relation to the four main indicators; 2.) the second part provides an update on the company's financials,investment drive and the potency of the company to self-sustain; while the third part 3.) provides conclusions and recommendations and planned activities.

Bearing in mind that the initial official end of the World Bank's support to PCRAFI was on 30th June, 2021, and with the appointment of the CEO in September 2020, a preliminary assessment of whether the company would be able to sustain itself was conducted. The conclusions of these consultative assessments revealed that, PCRIC was far from self-sustainability and as such, the Board tasked the team to invest in means and ways of how to accelerate PCRIC's operationalization, foster regionalism and sustain its operations. Satisfied that the consultations were inclusive and wide, this report also focuses on the outcome of those reflections and some of the measures that the company has undertaken to move from the operationalization of PCRIC to its sustainability.

[5] Activities will be reported herein that was progressed in December 2020 noting that the first and last progress report covered January 2020 to November 2020.

2. Operations Updates: Progress Against Results Indicators

Image supplied by ©NEOC, NDMO-SI, 2021

As stated previously, the project implementation has been a challenge for the company since its inception due to a number of factors which has resulted in limited organizational progress over the initial years of the project and a significant level of dissatisfaction from all stakeholders. Nonetheless, as a whole, the PCRAFI project has garnered a good reputation in the region with genuine goodwill by all stakeholders to support its endeavors. To build on this, in October 2020, the company's strategic plan, which was first approved by the Board of Directors, was also approved by the Council of Members. Inter alia, following this approval, the company sought an extension of the project which was due to end in June 2021; and the extension has been granted pending the finalization of critical elements that are being addressed between the CEO and the World Bank. Table 2 below outlines the four approved indicators of which their progress is elaborated in the immediate sub-sections.

Table 2: PCRIC results indicators approved by the World Bank at inception

Project Development Objective is to improve access to post-disaster rapid response finance to Pacific Island Countries.							
Indicators	**Unit**	**Baseline 2016**	**YR1 2017**	**YR2 2018**	**YR3 2019**	**YR4 2020**	**YR5 2021**
Indicator 1: Pacific Catastrophe Risk Insurance Company (PCRIC) operationalized	Yes/No	N	N	N	N	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
Indicator 3: The claims paying capacity of PCRIC is enough to sustain a 1-in-200-year insured loss	Yes/No	N	Y	Y	Y	Y	Y
Intermediate Results Indicators							
Indicator 4: Number of insurance products developed	Number	0	0	0	1	1	3

2.1 INDICATOR 1: PACIFIC CATASTROPHE RISK INSURANCE COMPANY (PCRIC) OPERATIONALIZED

Status	Description
✔	Relatively achieved

Going by the Project Apraisal Document, the 'operationalisation' of the company was projected to take one year. Nonetheless, as was previously reported, what operationalisation meant was never clearly articulated and the midterm project evaluation did not provide a clear definition. Without this, very little mitigating measures were put in place to aid with the company's operationalisation. Nonetheless, with the CEO now hired, core staff on board and the company's standard operating procedures tested, the company's operationalisation is near maturation. Outstanding challenges that the company is yet to compound will include: remote working and on time-based contracts of current PCRIC staff, slow progress in setting-up PCRIC's office in the Cook Islands and general visibility and the regionalisation of PCRIC. These coupled with the need to be self-sustaining are challenges the company has to remedy in at least the next 18-24 months, or as soon as the COVID-19 travel restrictions are upended.

Since the last reporting, significant efforts have been made by the company to establish its physical office in the Cooks Islands but COVID-19 travel restrictions have undermined these efforts. Conversations with the Cook Islands government are at an advanced stage, and a travel agent has been tasked to make travel arrangements for the CEO as soon as borders in New Zealand, Cook Islands and Fiji are re-opened.

In addition, to broaden its corporate identity, temporary measures have been sought to update the company branding, logo, website and staff emails. With the help of the World Bank communications team, PCRIC now has a logo of its own while services of an external company are currently being sourced to develop a secured company website. It is anticipated that the website development would be completed by 30th June, 2021 or soon after.

Image supplied by ©NEOC, NDMO-SI, 2021

PCRIC

Furthermore, to offer the company a regional character, several interventions have been undertaken by the CEO with regional stakeholders. Some of these include:

Table 3: Efforts undertaken by the CEO to enhance PCRIC's regional presence in the Pacific

Regional agency	What has been undertaken
PICAP[6]	PCRIC met the PICAP project team to understand the background of their advertisement to engage a firm to develop a modelling platform for a microinsurance product based on parametric models. The issue was raised by Willis saying that the arrangement between PICAP is equivalent to an initiative developed in the Caribbean 10 years ago to leverage the regional pool (CCRIF) to develop and implement parametric micro-insurance. The expectation for such development is to lodge with PCRIC and that PCRIC should have a leading role in oversight of the project. PICAP shared their intention to proceed with the project and later transfer to PCRIC. PICAP also shared that it would be good if PCRIC can act as a reinsurance entity on a regional arrangement to offer potentially lower premiums. This proposal needs further discussion as PCRIC progresses its key functionalities. Premium financing was a concern from the private sector, during the launch of PICAP.
PREP-PIFS[7]	The second meeting of the Pacific Resilience Partnership working group was held on 23rd March, 2021 where participants from regional organizations and initiatives provided an update of their work and activities in the disaster risk finance space. The current chair is from the Fiji government represented by the DRF Advisor working in the Ministry of Economy. The meeting included an update from the Fiji government on the Drua Incubator and the strategic framework for the working group. An update is due for the next meeting on the PCRIC rainfall product development.

[6] The Pacific Insurance and Climate Adaptation Programme aims to improve the financial preparedness and resilience of Pacific Islanders towards climate change and natural hazards through the development and implementation of market-based meso- and microinsurance schemes. The program will offer an option for the national and sub-national governments to consider subscribing to a 'macro to micro' scheme, where a government level insurance policy pays out to individuals, to support the most vulnerable segments. Fiji, Vanuatu, Tonga, Samoa, and the Solomon Islands will be covered under the multi-year program.

[7] The PREP will consolidate the results of these on-going national and regional initiatives. The regional approach aims to help PICs to: (i) strengthen early warning and preparedness; (ii) create a framework for stronger and prioritized investments in resilience and retrofitting of key-public assets to meet international standards; and (iii) improve the post-disaster response capacity of the countries through strengthened financial resilience to disaster events.

SPC	PCRIC met the M&E Expert from SPC during the periodic reporting to better understand the arrangement of the M&E works and to also convey the expectation of PCRIC regarding this important workstream. The meeting concluded with a clear understanding of the deliverables for the M&E and assigned a time frame for the activities under each deliverable. The M&E work is now progressing with the theory of change and a results-based framework has already been developed. It is expected that the framework will be finalized by 15th June, 2021.
PIFS	PCRIC made a presentation to the PIFS pool of Advisors during an hour seminar to share the role of PCRIC within the disaster risk finance space in the PICs. The seminar was attended by PIFS Advisors both from Suva and the trade offices in Brussels, China and Auckland. The Chairwoman of PCRIC and a Director attended and conveyed the appreciation of the company to PIFS management in agreeing and facilitating the arrangement. There were key questions posed by attendees, such as the opportunity cost between development project vs premium payment, the current arrangement and the projection for membership and product development, noting the emerging initiatives within the DRF space. PCRIC is currently gathering information to develop a formal arrangement with PIFS in expectation of the extension of the project and to consider full observership status for PCRIC. This will allow the execution of the technical assistance component of the project earmarked for capacity building.
InsuResilience Global Partnership	After the CEO participation at the 4th session of the InsuResilience Global Partnership (IGP) in December 2020, two meetings were held with the IGP management which started the discussion and arrangement for PCRIC to become a member. The IGP membership is free, and benefits will be greater for PCRIC in terms of increasing brand awareness and visibility. The Board and COM will consider the proposed membership in their April meetings.
Microinsurance Centre at Milliman (MIC@M):	Through PICAP, PCRIC is now part of the study on climate risk microinsurance. The problem statement for the study was that insurers and intermediaries have limited resources to support them in moving into climate risk microinsurance. Without clear examples and data to support the business case, insurers often face doubt and uncertainty, which influences their decision not to support low-income populations in mitigating risks from climate change. It is expected that the studies will also help enhance PCRIC's global visibility.
Island Finance Forum[8]:	PCRIC was represented by the CEO at the Island Finance Forum from 13th - 16th April, 2021. The CEO presented on the topic 'Insuring the future: creative solutions to risk management'. This virtual event provided an opportunity for PCRIC to network with global platforms and promote the PCRIF/PCRIC brand given that the participants were from across the region and globe.
G7 DRF Working Group:	PCRIC, represented by the CEO, attended the dialogue arranged by the G7 working group on 17th February, 2021. The forum discussed the effort to build a common understanding of the definition and benefits of development insurance. Development insurance can move the dial on the response to natural disasters. It is now possible to provide funding upfront as an alternative to post-disaster financing. The dialogue heard from the speakers indicated the need for increasing premium financing to support uptake and change the mentality to preparative action in responding to natural disasters. This is an ongoing issue and planned to be a top agenda for the G7 and COP26 2021 meetings.

[8] The Island Finance Forum brings together senior financiers, development partners and regulators to share and exchange expertise on sustainable and inclusive financial structures in island communities. The Forum aims to highlight the unique financial challenges faced by global island communities and the solutions for sustainable economic recovery and inclusive growth in a post-pandemic world.

Through the above engagements, PCRIC's visibility in the PICs is on the rise and there is growing interest from CROP agencies such as PIFS and SPC to formalise MOUs and intergrate PCRIC as part of the institutional partnerships. From April 2021, PCRIC is in conversation to gain observer status with PIFS ministerials. The proposal is under consideration and regional government leaders are being engaged with advocacy in high gear on the relevance of PCRIC as a regional Pacific company.

On the count of sustainability, regarding the "PCRIC Operationalised" indicator, offices and staff recruited without the sustainability component will be an anomaly. The company under the CEO's leadership, has come up with a five year strategic plan which the CEO believes is adequate time to broaden the capacity of PCRIC to influence policies in the region and to get PICs to subscribe to the insurance products. This document is central to the motivation of the company's request for restructure and extension beyond June 2021.

Sustainability in the CEO's sense is both administrative and financial. On the administrative side, the CEO is currently in consultations around a new organogram for the company. This will deal both with the challenge of time-based consultants whose hours easily get burned out; and the need to employ Pacific Islanders to give the company a regional face. On the financial side of sustainability, unutilised funds are being guarded for re-prioritisation towards projects and activities that will provide the most impact of growing PCRIC insurance products and broadening its regional appeal. Also, the investment of Capitalization Funds formed an element of the initial "operationalization of the company" with $6m initially released and a subsequent $12m released on acceptance of the 2017 Business Plan. In the January - March 2021 period, the final $2m of Capitalization Funds was requested and approved and in April this amount was received. The funds have now been invested (*Please see Section 3.1 on investment updates*)

Having said the above, it would seem that the PCRIC operationalisation is a moving vehicle slowly headed towards its destination. Many of the initiatives reported in this cycle could not have been possible without a CEO from the region and who has the confidence of regional governments. As such, with the CEO having assumed duties about 7 months ago, it seems likely that by the end of the current phase of the project (June 2021), discussions about setting up the company in the Cook Islands would have advanced to an agreement point. This will allow the company to find a physical office building with an address and offer more permanent contracts to core-staff than the current short-term consultancy and time-based arrangements.

2.2 INDICATOR TWO: PCRIC MAKES FULL INSURANCE PAYOUT WITHIN 30 DAYS OF THE OCCURRENCE OF A COVERED (INSURED) EVENT

Status	Description
✔	Achieved

While a number of payouts are needed to test the potency of PCRIC attaining this indicator, so far there is grounding to suggest that at the closure of this phase of the project, this objective would be met. For Cyclone Gita, a payout was made in less than 10 days as there were no unexpected complications. This cautionary note and approach came in the wake of slight delays recently experienced in the disbursement of funds to Tonga after Cyclone Harold. Although from PCRIC's perspective, the payout was disappointingly delayed and significant changes to the process were made to remove the risk of these issues repeating themselves in the future. Now there is confidence that payments can be deposited with clients within a week of confirmation of a payout by the calculation agent, and it is anticipated that 15-20 days will be the time taken in the future (5-14 days for the event calculation and 3-6 days for the money transfer). This is particularly important to bolster the confidence of PICs in appreciating that in the unlikely event of an insured emergency, PCRIC will be the first, fast and efficient responder to provide the much and urgently needed relief cash injection which states may not often have in abundance.

Furthermore, to ensure that this objective is fully met, a comprehensive review of the process by both PCRIC and ANZ (PCRIC commercial bank) has been undertaken and several measures have been put in place. These measures will ensure that for all future events, payments are consistently made well within the expected timeframes.

In addition, to always remain in a position of being able to pay within 30 days, the CEO continues to ensure that investments made balance the various priorities and needs of the business. Central to this, is to ensure that PCRIC's investment approach does not compromise liquidity and the company's ability to provide payouts within 30 days. PCRIC's conservative approach to investment and testing of the withdrawal process for its investments is an active part in testing the company's ability to maintain its claims paying ability. The investment section below showcases how well guarded the company is in mitigating risks by ensuring returns for investments and growing its capital base while transferring the impacts of any potential large payouts to its reinsurers. However, the challenge remains on how to sustainably raise funds to maintain the human resources and operational needs in a manner that is stable, consistent and sustainable. These are enduring issues for the CEO to address.

2.3 INDICATOR 3: THE CLAIMS PAYING CAPACITY OF PCRIC IS ENOUGH TO SUSTAIN A 1-IN-200-YEAR INSURED LOSS

Status	Description
✔	Achieved

This indicator assesses whether PCRIC has sufficient financial resources to meet the payment of a 1-in-200-year insured loss. Given the Company's strong asset base, combined with a relatively low reinsurance deductible of US$1.25m up to a limit of US$11.75m, it is anticipated that PCRIC has the solvency to meet all its claims paying obligations up to well in excess of the 1-in-200-year target as outlined below. The limit of PCRIC's current reinsurance program is equivalent to a 1 in 1000-year event, meaning PCRIC's losses are limited to US$1.25m for any series of claims up to this return period. PCRIC's current capital is also sufficient to cover losses above the reinsurance program up to the maximum loss in the stochastic catalogue.

Image Supplied by the Fijian Government

Notwithstanding the above, PCRIC's interpretation of this indicator is that it is a test of continued solvency, ensuring that PCRIC has sufficient financial resources to meet potential claims from policyholders as they fall due, considering PCRIC's current capital and reinsurance arrangements. While solvency capital regulations vary, this indicator is based on the generally accepted 'gold standard' of the Solvency II regulation applied in the EU and which other leading insurance markets aim for in equivalence. This requires that insurers hold a level of capital equal to their 99.5% value at risk (VaR), which is equivalent to saying that PCRIC must hold sufficient financial resources to pay claims up to the worst annual experience which would be expected in a 200-year period on the company's current portfolio of policies.

Given the purpose of this indicator and its relevance to demonstrating solvency, it is a requirement that PCRIC meets this indicator at all times if the company is underwriting insurance business. As such, PCRIC could not operate as an insurance company and not meet this indicator, as the company would then be in breach of the applicable solvency requirements. Therefore, this is not an indicator which the company has progressed towards meeting during the lifetime of the project – rather this indicator was met as soon as the company received the initial tranche of capital and started underwriting activities, and the company has continued to meet this indicator since that point. This has been achieved through the company analysing its insurance portfolio on an annual basis and then setting an appropriate reinsurance strategy, bearing in mind the potential losses from the insurance policies underwritten, the company's available capital, risk appetite, and expected reinsurance pricing. The decision with regards to reinsurance strategy is made by the Board of Directors on advice from the company's insurance manager, technical advisor, and reinsurance broker.

With regards to the current policies issued by PCRIC for Season 9 (1st November, 2020 – 31st October, 2021) to the Cook Islands, Samoa and Tonga, the company has secured reinsurance covering 100% of aggregate losses above a reinsurance deductible of US$1.25m, up to a limit of US$11.75m. The 1-in-200-year aggregate loss across all policies for Season 9 is provided in the figure below, both gross and net of reinsurance:

	Net of Reinsurance payable by PCRIC	**Gross of Reinsurance payable by PCRIC's insurer**
1-in-200-year insured loss	US$1.25m	US$10.1m

Net Insurance refers to the maximum that PCRIC would payout for insured losses per annum and the remainder US$10.1m would be paid for by PCRIC's insurer. Added to the gross, the net (US$11.75m) is equal to the maximum limit which PCRIC can pay out per annum

Given that the limit of PCRIC's reinsurance is $11.75m, if PCRIC suffered a 1-in-200-year loss then the company would only suffer a loss of US$1.25m, as the remainder would all be covered by the Company's reinsurance. With its available capital, the company can then comfortably cover a 1-in-200-year loss net of reinsurance.

However, given the importance of meeting this indicator to demonstrate continued solvency, it is fully expected that this indicator will continue to be achieved throughout the remainder of the project. However, the current indicator is insufficient to assess whether the company is financially self-sustainable and able to fund its own operating expenses without just depleting capital in the long-term. In addition, in articulating the way investments are to be made so that priorities and needs of the business are met, the Statement of Investment Policy and Objectives (SIPO) foreguards the company from risks associated with prospects of unexpected large payments of a 1-in-200-year payout. However, the company's conservative reinsurance approach means that the risk of a market downturn is unlikely to impact the company's ability to meet a 1-in-200-year payout. The current review of the SIPO that is underway is amongst others, assessing whether PCRIC's investment profile can ensure that returns are maximised without impacting the company's ability to achieve indicator 2 and 3.

2.4 INDICATOR 4: NUMBER OF NEW PRODUCTS DEVELOPED

Status	Description
	On Track

In terms of the PDA, the target for this indicator is the delivery of two new insurance products in addition to the existing products. The 'On Track' status is predicated on the contemplation that currently one new product is available and two are in feasibility/development. The products developed are described below:

1. Fiji livelihoods product

The Fiji livelihoods product, developed initially by IFC in collaboration with the Government of Fiji and PCRIC was finalised in late 2018. The product is intended to provide payouts to low-income households following category 3, 4, or 5 tropical cyclone events. Following a technical review of the product features and then working with a reinsurance broker to secure appropriate reinsurance, PCRIC offered a policy to the Government of Fiji in March, 2019. While the Government of Fiji decided not to proceed with this product, subsequent analysis has shown it would have responded strongly to Cyclone Harold and is still considered a good product option for the country and potentially others in the region.

2. Excess rainfall and drought products

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 CelsiusPro (CP) to conduct a feasibility study into whether there is sufficient data and technical basis for parametric insurance products for these risks. While this work was contracted by the World Bank, PCRIC was involved throughout the exercise and was involved in all technical discussions.

This study was completed in early 2021 and indicated that there exists 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, and so with guidance from the World Bank, PCRIC commissioned an independent review of CP's work. This review was performed by Willis Towers Watson (WTW) as part of their role as PCRIC's reinsurance broker. The review concluded that though 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, meaning there exists a lack of broad understanding of the benefits and potential drawbacks of the products.

The independent review 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 a country's understanding of the products and ensure that the products are structured in a way that country needs are met. At the same time, it is 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 will require additional financial support.

Engagement with countries at the technical level remains the biggest challenge for PCRIC, and there is a clear need for increased 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 consultations to follow later in 2021 and early 2022.

There still exists technical work to finalise the products, including the establishment of calculation protocols to determine payouts, development of an official calculation agent agreement, the finalisation of policy wording and securing appropriate reinsurance. PCRIC intends to procure appropriate service providers for these activities once there is a stronger engagement with countries and PCRIC has more confidence over the likely demand for the rainfall products. countries and PCRIC has more confidence over the likely demand for the rainfall products.

Not withstanding the above, it is not expected that on 1st July, 2021 there would be a sudden uptake of the product as for PCRIC to feel comfortable enough about its self-sustainability. New products take time to discuss with relevant country officials and to garner buy-in from them as entry points through which entire governments can commit to taking a product. Additionally, as part of WTW's mid-term review of PCRIC's annual reinsurance renewal, WTW commented that there is increasing concern from reinsurers regarding the AIR tropical cyclone model that underpins PCRIC's tropical cyclone insurance product. In particular, reinsurers feel that the AIR model underestimates the true cyclone risk across the region, and as such are likely to increase their loadings for uncertainty when calculating PCRIC's reinsurance premium. While PCRIC could in turn increase the loadings placed on the underlying policies issued to countries, this would reduce the coverage offered to countries (assuming the premium amounts remain unchanged), thereby reducing the perceived value for money of PCRIC's products.

In response to this issue, PCRIC has consulted AIR to understand if any options exist for updating the model to address the concerns from reinsurers. Unfortunately, AIR responded that they are not able to assign any resources to updating the current cyclone model, although they are able to continue their role as calculation agent for the model in its current state. This response from AIR has accelerated the need for a new tropical cyclone model to be built, potentially considering the updated exposure information currently being developed by SPC.

Through further discussion with the World Bank, it has been agreed that PCRIC will first procure the services of either an individual consultant or firm to provide guidance to PCRIC on what options exist to develop a new tropical cyclone model, potentially change the structure of the existing products to better meet country needs, and how this work can be aligned with the steps required to finalise the rainfall product. As a first step, PCRIC will develop a TOR for this work in consultation with the World Bank technical team, with the aim of issuing a contract in June 2021.

A crucial incentive that the company is currently working on relates to the prospect of finding premium finance for PICs to utilize in subscribing to these new products. Should PCRIC be able to secure premium finance then it makes selling the product to countries much easier. This is one blind spot the new CEO has focused his efforts in the first quarter of this year. The CEO has already engaged with the UK and Germany and would update the Board on the outcome of this discussion, and this would be captured in the next update report billed for June 2021 or soon after as would be agreed between PCRIC and the World Bank. PCRIC hopes to demonstrate to the Board that, without premium finance, even if the company successfully sells the new product to countries, the premium volume would be very low, and its impact on the long-term sustainability of the company would be limited. However, with premium finance the company is positive that, there is sufficient demand for these products to make a meaningful difference, both to PCRIC's financial outlook and to the countries themselves.

Image Supplied by Niue Meteorological Service

PCRIC

3. Financial, Investment & Procurement Updates

Image Supplied by Webmedia South Pacific

3. FINANCIAL, INVESTMENT AND PROCUREMENT UPDATES

3.1 Financial Performance

The company remains committed to strict accounting standards adopted to guide the company's financial management. The P&L table below presented the detailed financial situation of the company for the period under review.

Financial Year 2017 - 2021 (31st March, 2021)					
Profit & Loss	**Budget**	**Actual**		**Variance**	**Variance %**
Premium Income	14.44	6.19		(8.25)	(57.16%)
Reinsurance Expense	(4.05)	(2.78)		1.27	(31.31%)
Net premium income	**10.39**	**3.40**		**(6.99)**	**(67.23%)**
MDTF Grant Income for Capitalisation	20.00	20.00		-	0.00%
DFID Grant Income for Capitalisation[1]	7.69	7.77		0.08	0.99%
Net Average Claim Expense	(5.98)	(4.25)		1.73	(28.90%)
Underwriting profit	**32.10**	**26.92**		**(5.18)**	**(16.14%)**
Non-Grant Funded Operational Expenses	(1.61)	(0.86)		0.75	(46.69%)
MDTF Grant Income for Establishment and Operations	1.30	1.81		0.51	39.00%
Establishment and Operations Expenses	(1.30)	(1.81)		(0.51)	39.00%
MDTF Grant Income for Development of Disaster Risk Insurance Products	3.50	0.03		(3.47)	(99.17%)
Development of Disaster Risk Insurance Products Expense	(3.50)	(0.03)		3.47	(99.17%)
MDTF Grant Income for Monitoring and Evaluation	0.53	0.05		(0.48)	(90.80%)
Monitoring and Evaluation Expense	(0.53)	(0.05)		0.48	(90.80%)
Interest Income[2]	0.94	0.50		(0.44)	(46.66%)
TOTAL PROFIT/LOSS	**31.44**	**26.56**		**(4.87)**	**(15.49%)**

From the company's inception date to 31st March, 2021, the company's profit is $4.87m lower than that of the Business Plan submitted in 2017.

From the P&L table above, major variances, explanations, and action items to address gaps are listed below:

- Net premium income is lower than the budget by $6.99m due to the following:
    - o Premium Income is lower than the budget due to the lower number of countries insured.
        - **Action items:**
        - CEO based in the Pacific Islands to promote insurance products
        - Prioritize delivery of Excess Rainfall and Drought products
        - Investigate Premium Financing Opportunities
    - o Reinsurance expense ratio to premium income is 45% vs. budget of 28% due to Poor Loss Experience (two reinsurance recoveries), Loss of Reinsurer confidence in model, General increase in Reinsurance due to the lower number of countries insured, lower deductible retained and COVID-19.
        - **Action items:**
        - Review of existing model options to address Reinsurer concerns
        - Strengthening of Actuarial and Risk Management functions to support ongoing capital management decisions
- Net average claims expense ratio to premium income is 69% vs. budget of 41% due to two large payouts (2018 and 2020).
- Non-grant funded operational expenses is $0.75 lower than the budget due to reallocation to MDTF Grant for establishment and operations (grant funding originally not anticipated).
- Investment income is $0.44m lower than the budget due to significantly lower interest rates on term deposit combined with delays in transferring funds to investment manager.
    - **Action items:**
    - Review of SIPO to utilize greater allocation to higher return share products
- Grant Fund for establishment and operations is $0.51m higher than the budget.
    - **Action items:**
    - Reallocation of grant funds was requested and approved in February 2020
    - Detailed actions are listed in section 3.3 below.
- Grant Fund for development of disaster risk insurance products is $3.47m lower than the budget
    - **Action items:**
    - Procurement of a Hazard Modelling expert to develop product roadmap and support delivery
    - Detailed actions are listed in section 3.3 below.
- Grant Fund for monitoring and evaluation is $0.48m lower than the budget due to reallocation of funds due and a 3.5-year delay in the appointment of contract.
    - **Action items:**
    - Following the project extension, the final M&E evaluation would be replaced by a beneficiary analysis necessary for company stakeholders within the PICs to give feedback on ways of broadening company visibility in the region.

As of 31st March, 2021, the table below provided the balance sheet statement for the company, which shows a total equity of $4.88m. This is lower than that of the Business Plan submitted in 2017 driven by the company's profit variance as noted above.

Financial Year 2021 (31st March, 2021)					
Balance Sheet	**Budget**	**Actual**		**Variance**	**Variance %**
EQUITY					
Share Capital	0.10	0.10		-	0.00%
Retained Earnings (Grant Income)	27.69	26.25		(1.44)	(5.20%)
Retained Earnings	3.75	0.31		(3.44)	(91.62%)
TOTAL EQUITY	**31.54**	**26.66**		**(4.88)**	**(15.45%)**
ASSETS					
Investments	27.69	20.05		(7.64)	(27.58%)
Cash	3.85	7.57		3.72	96.84%
Other Assets	-	0.48		0.48	0.00%
TOTAL ASSETS	**31.54**	**28.10**		(3.43)	(10.88%)
LIABILITIES					
Claims Payable	-	-		-	0.00%
Other Liabilities	-	1.45		1.45	0.00%
TOTAL LIABILITIES	**-**	**1.45**		1.45	0.00%
NET ASSETS	**31.54**	**26.66**		**(4.88)**	**(15.47%)**

3.2 Investments Performance

To bolster the company's financial viability, critical investment decisions have been made with the view of securing revenue and hedging the risks of losses. Thus far, the investments made are as follows:

Date	**Cash**	**Bonds**	**Shares**	**Total**
23/09/2020	$500,000	$0	$0	$500,000
2/11/2020	-$20,000	$0	$0	-$20,000
30/11/2020	-$15,000	$0	$0	-$15,000
7/12/2020	$19,535,000	$0	$0	$19,535,000
	$20,000,000	$0	$0	$20,000,000

No investments were made in the 31st March, 2021 quarter. Since the end of the quarter, $4,119,990 was transferred to the Forsyth Barr broker account and invested in Blackrock ETFs. Also, currently $2,150,000 is being invested in PIMCO bond funds.

The value of and the returns from the investments are as follows:

Date	**Cash**	**Bonds**	**Shares**	**Total**
Value 30/06/2020	$0	$0	$0	$0
Capital invested	$500,000	$0	$0	$500,000
Return	$0	$0	$0	$0
Value 30/09/2020	$500,000	$0	$0	$500,000
Capital invested	$19,500,000	$0	$0	$19,500,000
Return	$18,475	$0	$0	$18,475
Value 31/12/2020	$20,018,475	$0	$0	$20,018,475
Capital invested	$0	$0	$0	$0
Return	$35,213	$0	$0	$35,213
Value 31/03/2021	$20,053,688	$0	$0	$20,053,688

The overall investment strategy has been:

Sector	30/09/2020	31/12/2020	31/03/2021
Cash	$500,000	$20,018,475	$20,053,688
Bonds	$0	$0	$0
Shares	$0	$0	$0
	$500,000	$20,018,475	$20,053,688

The above should be interpreted to the ultimate investment strategy once the capital and reserves are fully invested:

Asset class	(%)	Range
Liquidity Cash	40.0%	0% to 50%
Income assets Cash Bonds	50.0% 0.0%	0% to 80% 0% to 50%
Growth assets Shares	10.0%	0% to 15%
	100.0%	

Markets

Over the 31st March, 2021 quarter, interest rates and market returns were:

	31st December, 2020	31st March, 2021
Interest rates		
Cash Rates (90-day)	0.09%	0.03%
10-year Government Bond Yield	0.93%	1.74%
Returns for quarter	**Market**	**PCRIC**
Cash (S&P US 3-month Treasury Bill Index)	0.02%	0.18%
Bonds (S&P 500 Investment Grade Corporate Bond Index)	-4.78%	n/a
Shares (MSCI ACWI index)	4.57%	n/a

Over the 31st March, 2021 quarter we noted:

- As the cash rates fell, the market cash return was 0.02% and the PIMCO fund return was 0.18%.
- As 10-year bond yields rose, bond investments fell in value and the market return was a loss of 4.78%. PCRIC held no bond investments over the quarter.
- Share markets were positive and including dividends was 4.57%. PCRIC held no share investments over the quarter.

Over the period of 30th September, 2021 (the next 6 months), the actions that will be taken includes:

3.2.1 Investment Implementation

- The allocation of capital to the share markets will be undertaken. The first investments will be made in April, 2021 and the target level will be fully invested by 30th June, 2021.
- The initial investments in bonds will be made and is targeted for May 2021.

3.2.2 Investment Policy Review

- The current SIPO will be reviewed. The focus of the review will be on the level of liquidity required and the appropriate level of risk in that context given PCRIC's liabilities.

3.3 Procurement Performance

From inception, the focus for the company has mainly been on the operationalisation of the company and establishment of stable leadership and governance for the company. The company's ability to drive significant spending in product development procurement activities has remained a significant gap for the company driven by delays in agreeing on the vision and scope for PCRIC's role in the region beyond the limited product range it currently offers and is actively developing. As at March 2021, Year to Date Operating Expenses were $644,421 with $509,990 funded from the PCRAFI MDTF. Budgeted expenses were $1,070,750 with $929,900 funded from PCRAFI MDTF, with the main gaps driven by the lack of travel due to COVID-19, no events leading to no spend on calculation reports and the deprioritisation of procuring roles associated with risk control functions as the resources of the company have focused on supporting the restructuring of the PCRAFI project.

In the period immediately preceding January to March 2021, to address a renewed focus on understanding and addressing deficiencies of the existing product, the significant focus on operational activities was rebalanced in order to allow more focus on product development and regional engagement. Regional engagement was intended to bolster advocacy for PCRIC and entice PICs to subscribe to insurance policies capable of assuaging the impact of climate related disasters on them. The last Council of Members meeting held in October 2020 demonstrated the dividends of investing in regional engagement, as the countries were more engaged than previously. The next meeting scheduled for April 2021 is expected to see countries coming out strongly, noting the outreach program conducted by the CEO and the team.

Image Supplied by the Fijian Government

A contributing factor to PCRIC's visibility and outreach has been the absence of a functional website and communications team or personnel dedicated to support the increasing visibility and marketing of the company, its products, and bright spots. In the latest period, PCRIC has appointed a communications firm and tasked the latter to develop a website and marketing strategy for the company. It is expected that the website will be on air by the end of July. An initial basic landing page with basic information is expected to be available to the management during the FEMM 2021 meeting.

As stipulated supra, the COVID-19 restrictions have had a significant blow of operational travel for company Directors, CEO and core Staff. This has meant that travel and accommodation budgets valued at about $160,000 have remained unspent. Travelling cost is expected to increase once the travel restrictions are relaxed.

3.3.1 Activity in the Quarter

Despite the noted low disbursement of funds, there were several activities progressed in the period:

- o Recruitment Firm (Contract scheduled to be signed in April, 2021)
- o Communications Firm (Contract scheduled to be signed in May, 2021)
- o Website Development (Contract scheduled to be signed in May, 2021)
- o Finalisation of Asset Manager placements - Forsyth Barr/Blackrock (to be finalised/ Funds deposited in April)

There were two existing contracts that were amended to utilise the travel budget for additional works due to the TAs' hours because of the work on the restructure paper required by the World Bank.

- o Technical Specialist – Product & Actuarial
- o Legal Counsel

3.3.2 Outstanding Procurement Activities

Whilst procurement is a key activity of the project/company's operation, it has been labeled as the slowest activity reflected by the lower than forecasted amount of funds disbursed from the project. There is no personal focus on procurement alone, but the functions for procurement are shouldered by the Project Coordinator who is also responsible for project coordination, administrative/office and financial management and technical advice to the CEO on operational management. The lack of capacity in procurement contributed to the lack of ability to prioritize it and the delays in progressing some of its activities. As a result, there are nine activities identified as delayed as follows:

- Three have been deprioritized/put on hold by management pending further review – Risk Management (Board feedback)/Internal Audit (CEO feedback)/Tax Advice (Not required)
- One is considered lower priority and has not been an assigned resource – Calculation Agent – Non-policyholder (Cyclone season in the South Pacific is now completed and the risk of an event prior to November is low)
- The remaining five are valid delays (in priority order):
    - Website/Communications Firm (two linked activities) – In the final contract negotiations with the preferred firm in May, timelines to deploy are also tight, making finalizing the contract only to 30th June, 2021 a small challenge.
    - Product Strategy – This was identified as either a hazard modelling expert to develop a big picture view of developing in-house capability or as phase II of the review into excess rainfall, existing model review and other product development options. The initial draft TOR is being shaped but is being rediscussed and finalized based on discussions with WB technical teams on outputs from Willis's review into Excess Rainfall and Air feedback on existing model development.

- Premium Financing – Last feedback from WB was that they did not support this activity and believed that existing resources could perform the tasks. PCRIC still sees value in progressing some further work in this arena and plans to work on justification once the restructure workload is reduced.
- Admin Support / Office Manager – Initially deprioritized until relocation of the CEO to the Cook Islands is now being reconsidered given high administration loads. The TOR is in draft form and questions remained on the best approach (recruit in Fiji or recruit in the Cook Islands). Looking to now progress immediately to address issues with unnecessary hours of all consultants being consumed on administrative tasks.

Some of the above procurement activities will be further reviewed and progressed in the coming months as well as the TAs' contracts that will come to natural conclusion by the end of June, 2021. This is much to do with contract extensions to avoid interruption with the service of the company to its stakeholders.

3.3.3 Procurement Challenges

Lack of capacity is the main culprit for the slowness in procurement as alluded to above. This has challenged the development of the required TORs to process through some of the key procurement activities for the World Bank's consideration. Procurement was also impacted by the work on the restructure paper required for the extension of the project beyond June 2021 because the Project Coordinator was a key person in the drafting of the paper. It is important to note also that the AML requirements for the placement of Asset Managers due to PCRIC's investment with PIMCO and Blackrock consumed a significant portion of the available time for carrying out procurement over the period.

4. Conclusion

Image Supplied by Webmedia South Pacific

The gains made by PCRIC as demonstrated above could have been better if it were not for the following nudging factors which hopefully the new strategic plan and project extension would focus on, and address:

Factors undermining PCRIC operations and how they are being addressed

The sustainability challenge: The sustainability of the company rests in PICs not just seeing value in the company but also in PICs taking insurance policies and paying their regular annual premium. The slow start on this compounded with some PICs taking insurance cover and dropping out, the sustainability of PCRIC remains uncertain. However, with increased work and collaboration with other agencies whose work points PICs to the need of taking insurance for their recurrent disasters, PCRIC's value proposition is beginning to appeal to many. The low subscription to PCRIC's product and what is needed to remedy this in the long-term is the basis for ongoing conversations which are expressed in a project restructure document submitted to the World Bank.

Recruitment and retaining of key staff: Prior, the difficulty in recruiting qualified and experienced management and staff in adequate roles meant that key functions were overlaid on and burdened the few staff who joined the project since its inception. Nonetheless, the CEO has now been appointed and currently undertaking several institutional and national consultancies with intent to fully operationalize PCRIC in the next five years. With the project extension, the CEO and the company would be resourced to give the company and project a new direction. Groundwork to do this has been established through the design and adoption of a new Theory of Change and Results Framework with detailed activities to foster not just the operationalization of the company, but to broaden its visibility, regionalization and make it more sustainable and less donor driven.

Finalisation of policies and procedures: To date, the company's policies and procedures have been undergoing testing and tweaking necessary to adapt to emerging circumstances. Five years into the project, it is safe to say, the company policies and procedures have evolved and precedents for working through requirements have been set. Going forward, some of such hurdles would be minimized particularly with the Results Framework which offers guidance on how to achieve the company's strategic objective.

Lack of standardised regional data: While disasters in the Pacific region are recurrent, and while there is not a shortage of data for each country, much of what exists was developed in isolation and is not standardized. As such, it is fair to conclude that consistent hazard data and models which are prerequisite for the design of fit-for-purpose products are limited or nearly non-existent. This challenge is attributed to commercial sensitivity, with the granular data not really in an open-source format - and upon this has hinged PCRIC's shouldering approach to working with states to understand their needs and develop products most relevant to them. It was out of this approach that rainfall and drought products were etched. As such, it is critical for the company to continue to invest in and grow its research and resourcing capabilities so as to create new products which can meet the needs of individual countries. Working with AIR Worldwide, PCRIC continues to increase its understanding of how to adapt to the needs of PICs and ultimately become sustainable.

Poor coordination at the regional level: Having been homes to several climate-related atmospheric and environmental disasters, PICs have developed several coping mechanisms and tailored solutions for each kind of disaster including donor-dependence. Alignment discussions continue amongst the various programmes to explore opportunities for complementarity and coordination with different options which PICs are often inclined to fall back on. It is hoped that, as PCRIC's CEO works towards broadening PCRIC's visibility and driving richer collaboration across regional players, the importance, value and uniqueness of PCRIC would be more appreciated. A key part where coordination is needed is in the country-working arrangements between PCRIC and World Bank.

To address some of these challenges, the CEO is developing a new business plan in consultation with all stakeholders. The key highlights amongst envisaged immediate actions to drive the achievement of the new strategic plan and advance regional integration include:

Key Immediate actions

- ✓ Completion of high-level operating model review to look at core functional roles to ensure improved capability and contract effectiveness
- ✓ Development of an updated procurement plan/budget to support final business plan and budget and loading of new procurement activities in STEP for FY22 (by 31st May for internal discussions and WB input)
- ✓ Development of TORs in anticipation of project extension
  - Product Strategy
  - Office Manager
- ✓ Development of Short Form Concept Papers/Activity Summaries
  - Premium Financing
  - Regional Coordinator
- ✓ Placement of New Contracts
  - Communications Firm
  - Website Development
  - Director Appointments (Reappointment of John Bishop, Appointment of new Director)
- ✓ Amendment of Existing Contracts to utilise full STEP amounts (and eventually to extend completion date post Project extension where possible and if required)
  - Technical Specialist
  - Legal Counsel
  - Public International Law Specialist
  - Project Coordinator
  - Recruitment Firm (Post Project Extension)
  - M&E Specialist (Post Project Extension)
  - Communications Firm / Website Development (Post Project Extension)

	Grant Fund	Reallocation	(a) Reallocated Grant Fund	Inception to 31 Dec 2019 Spend	1 Jan 2020 to 31 Dec 2020 Spend	1 Jan 2021 to 31 Mar 2021 Spend	(b) Total Spend Inception to 31 Mar 2021	(a+b) Under/(Over) Spend vs Reallocated Grant Fund	Forecast 1 Apr 2021 to 30 Jun 2021	(c) Forecast Spend from Inception to 30 Jun 2021	(a+c) Under/(Over) Spend vs Reallocated Grant Fund	Comments (diff >=50k)
Category 1	**5 330 131**	**-**	**5 330 131**	**(1 197 180)**	**(441 350)**	**(245 591)**	**(1 884 121)**	**3 446 010**	**(363 896)**	**(2 248 017)**	**3 082 114**	
Component 1	***1 300 131***	***1 586 800***	***2 886 931***	***(1 197 180)***	***(441 350)***	***(168 041)***	***(1 806 571)***	***1 080 360***	***(290 246)***	***(2 096 817)***	***790 114***	
Accounting & Audit Fees	61 458	30 000	91 458	(62 761)	(82 500)	82 500	(62 761)	28 697	10 000	(52 761)	38 697	
Internal Audit		60 000	60 000	-	-	-	-	60 000		-	60 000	Procurement activity not commenced
Project Audit		100 000	100 000	-	-	(70 000)	(70 000)	30 000	(30 000)	(100 000)	-	
Marketing Fee	50 000	-	50 000	-	-	-	-	50 000		-	50 000	Procurement activity cancelled (replaced with Comms Firm and Website)
Webiste Development		25 000	25 000	-	-	-	-	25 000	(25 000)	(25 000)	-	
Director Fee		165 000	165 000	(76 250)	(60 000)	(7 937)	(144 187)	20 813	(15 000)	(159 187)	5 813	
Insurance Management Fee	260 000	140 000	400 000	(280 000)	(120 000)	(20 000)	(420 000)	(20 000)		(420 000)	(20 000)	
Investment Advisor		20 000	20 000	-	(20 700)	-	(20 700)	(700)	(6 800)	(27 500)	(7 500)	
Asset Manager - Cash/Bonds		107 500	107 500	-	-	-	-	107 500		-	107 500	Procurement activity cancelled - paid from investment income
Asset Manager - Shares		17 500	17 500	-	-	-	-	17 500		-	17 500	
Resident Director Fee	24 919	25 000	49 919	(24 919)	(8 000)	(4 000)	(36 919)	13 000	(13 000)	(49 919)	(0)	
Bank Fee	1 908	5 000	6 908	(2 576)	(556)	(259)	(3 391)	3 517	(150)	(3 541)	3 367	
Reinsurance Brokerage	60 000	61 800	121 800	(171 800)	-	-	(171 800)	(50 000)		(171 800)	(50 000)	Product development of Livelihoods/Bronze product done under RI broker contract - not budgeted
Calculation Agent Fee	225 000	80 000	305 000	(135 000)	-	-	(135 000)	170 000	(30 000)	(165 000)	140 000	Original Budget not accessed and lower than expected incidence of calculation runs
DRF Advisor Fee	79 250		79 250	(13 600)	-	-	(13 600)	65 650		(13 600)	65 650	Activity concluded early and not fully utilised - replaced by new activities
Consultants		35 000	35 000	(56 000)	(78 600)	(93 750)	(228 350)	(193 350)	(44 150)	(272 500)	(237 500)	Includes Project Coordinator costs for FY20 (90k) & FY21 (80k) not included in Feb20 estimates (some offset with CEO underspend), plus also includes amounts from Technical Specialist ($28.8k) and Secretariat Advisor($38.7k)
Communications Manager		80 000	80 000	-	-	-	-	80 000	(25 000)	(25 000)	55 000	Contract not fully utilised - only 1 months anticipated work until 30 June
Administrative Support		45 000	45 000	-	-	-	-	45 000		-	45 000	
Secretariat Advisor		65 000	65 000	-	-	-	-	65 000	(21 300)	(21 300)	43 700	
Risk & Compliance Specialist		20 000	20 000	-	-	-	-	20 000		-	20 000	
Recruitment Fee	103 063	65 000	168 063	(142 587)	-	-	(142 587)	25 476	(25 000)	(167 587)	476	
CEO Salary	301 405	220 000	521 405	(154 871)	(53 031)	(39 904)	(247 806)	273 599	(45 000)	(292 806)	228 599	Original Fund not fully Utilised ($301k B vs $154k A) and Current CEO contract under due to delayed start ($220k B vs $138k A)
CEO Travel Expenses		100 000	100 000	-	-	-	-	100 000		-	100 000	No Travel due to Covid
Director Expenses & Travel			-	(9 276)	-	-	(9 276)	(9 276)		(9 276)	(9 276)	
Board Meeting Expense			-	(6 493)	-	-	(6 493)	(6 493)		(6 493)	(6 493)	
D&O Insurance		41 000	41 000	-	-	-	-	41 000		-	41 000	
Travel Insurance		1 000	1 000	-	-	-	-	1 000		-	1 000	
Office Costs	30 000		30 000	-	-	-	-	30 000		-	30 000	
Legal Fees	22 858	60 000	82 858	(56 568)	(17 963)	(14 691)	(89 221)	(6 363)	(19 846)	(109 067)	(26 209)	
Taxation Advice		15 000	15 000	-	-	-	-	15 000		-	15 000	
License Fees	5 270	3 000	8 270	(4 480)	-	-	(4 480)	3 790		(4 480)	3 790	
M&E Specialist Fee	75 000		75 000	-	-	-	-	75 000		-	75 000	Budget moved under Component 5
Component 4(a)	***3 500 000***	***(1 206 800)***	***2 293 200***	***-***	***-***	***(28 800)***	***(28 800)***	***2 264 400***	***(22 400)***	***(51 200)***	***2 242 000***	
Product Development Hazard	3 500 000	(1 306 800)	2 193 200	-	-	(28 800)	(28 800)	2 164 400	(22 400)	(51 200)	2 142 000	Wider Product Development Programme not progressed - Focus on Excess Rainfall
Customer Engagement/Research		100 000	100 000	-	-	-	-	100 000		-	100 000	Activity not progressed
Component 5	***530 000***	***(380 000)***	***150 000***	***-***		***(48 750)***	***(48 750)***	***101 250***	***(51 250)***	***(100 000)***	***50 000***	
M&E Specialist Fee	530 000	(380 000)	150 000	-	-	(48 750)	(48 750)	101 250	(51 250)	(100 000)	50 000	Travel not utilised
Category 2b	**20 000 000**	**-**	**20 000 000**	**(18 000 000)**	**-**	**(2 000 000)**	**(20 000 000)**	**-**	**-**	**(20 000 000)**	**-**	
PCRIC GRANT FUND	**25 330 131**	**-**	**25 330 131**	**(19 197 180)**	**-**	**(2 245 591)**	**(21 884 121)**	**3 446 010**	**(363 896)**	**(22 248 017)**	**3 082 114**	
					From here		1 884 121					
					From IFR		1 884 121					
					Diff		-					
							0%					

4. CONCLUSION

FY 2017 - 2021 (31 Mar 2021)					
Profit & Loss	**Budget**	**Actual**	**Variance**	**Variance %**	**Mgt Comments**
Premium Income	14,44	6,19	(8,25)	(57,16%)	Income lower due to lower number of countries insured
Reinsurance expense	(4,05)	(2,78)	1,27	(31,31%)	Reinsurance costs higher than budget due to recent increase in costs and decision to only retain $1.25m deductible
Net premium income	**10,39**	**3,40**	**(6,99)**	**(67,23%)**	
MDTF Grant Income for capitalisation	20,00	20,00	-	0,00%	
DFID Grant Income for capitalisation[1]	7,69	7,77	0,08	0,99%	
Net average Claim expense	(5,98)	(4,25)	1,73	(28,90%)	2 Large Payouts on the smaller portfolio size - loss ratio (claims / net premium) 125% actual vs 58% budget/modelled
Underwriting profit	**32,10**	**26,92**	**(5,18)**	**(16,14%)**	
Non Grant Funded Operational Expenses	(1,61)	(0,86)	0,75	(46,69%)	Additional operational grant funding that reduced need for company funded activities
MDTF Grant Income for establishment and operations	1,30	1,81	0,51	39,00%	Additional grant funding on operational spend - higher spend than original budget but less than forecast
Establishment and operations expenses	(1,30)	(1,81)	(0,51)	39,00%	
MDTF Grant Income for Development of Disaster Risk Insurance Products	3,50	0,03	(3,47)	(99,17%)	Excess Rainfall Product Development funded from WB budget, with no other activities identified/progressed
Development of Disaster Risk Insurance Products Expense	(3,50)	(0,03)	3,47	(99,17%)	
MDTF Grant Income for Monitoring and evaluation	0,53	0,05	(0,48)	(90,80%)	M&E budget reduced to $0.15m in reallocation, only partly billed to date and likely to come in just under $0.1m
Monitoring and evaluation Expense	(0,53)	(0,05)	0,48	(90,80%)	
Interest Income[2]	0,94	0,50	(0,44)	(46,66%)	Significant drop in forecast interest rates on cash/bills combined with significant delays in transferring assets (now complete)
TOTAL PROFIT/LOSS	**31,44**	**26,56**	**(4,87)**	**(15,49%)**	
	-				

FY 2021 (31 March 2021)					
Balance Sheet	**Budget**	**Actual**	**Variance**	**Variance %**	
EQUITY					
Share capital	0,10	0,10	-	0,00%	
Retained earnings (Grant Income)	27,69	26,25	(1,44)	(5,20%)	Variance due to capaitalisation funds being accessed after cyclone Gita and Harold for Tonga
Retained earnings	3,75	0,31	(3,43)	(91,62%)	Variance due to lack of underwriting profit from activities (see P&L)
TOTAL EQUITY	**31,54**	**26,66**	(4,87)	(15,45%)	
ASSETS					
Investments	27,69	20,05	(7,64)	(27,58%)	Difference mainly driven by amount ($4.1m) for shares still in process of being transferred as at 31 March (now completed) with remainder due to capitalisation funds being accessed
Cash	3,85	7,57	3,72	96,84%	Mainly driven by capitalisation funds intended for shares still in process of being transferred
Other Assets	-	0,48	0,48	0,00%	Driven by timing difference for deffered reinsurance
TOTAL ASSETS	**31,54**	**28,10**	(3,43)	(10,88%)	
LIABILITIES					
Claims Payable	-	-	-	0,00%	
Other Liabilities	-	1,45	1,45	0,00%	Driven by Unearned Premium ($0.74m), reinsurance payable ($0.39m) and accounts payable ($0.16m)
TOTAL LIABILITIES	**-**	**1,45**	1,45	0,00%	
NET ASSETS	**31,54**	**26,66**	**(4,88)**	**(15,47%)**	


Image Supplied by the Fijian Government