Government of Fiji’s Engagement with PCRIC:

The Government of Fiji (GoF) is an active member of the Pacific Catastrophe Risk Insurance Foundation (PCRF). This enables the GoF to immediately access PCRF’s full suite of existing insurance products (tropical cyclone and earthquake/tsunami). In addition, this allows the GoF to seek consideration of development of bespoke products that meet the specific needs of the nation of Fiji.

PCRIC can design and develop bespoke products for the Government of Fiji:

One of PCRIC’s strengths is the technical capability to develop tailored products for specific needs. For example, if GoF desired the security of a payout after a cyclone of a particular category impacting a pre-defined area (e.g. only Viti Levu, or an area covering particular groups of islands), including weaker category storms that may cause significant damages but still represent a protection gap in other Disaster Risk Financing, then PCRIC could develop such a product and provide indicative pricing very quickly.

PCRIC products can complement other Disaster Risk Financing:

PCRIC’s products can provide payouts for major events where additional funds are needed, complementing other risk transfer products. For example, after a major cyclone, products such as the recently launched UNDPCL microinsurance initiative will provide payouts to only a select number of households which have purchased that insurance. PCRIC’s policy could provide GoF with external funds to provide financial support to additional households or businesses in the impacted area, or cover administrative and other costs associated with disbursement of funds from other products, maximizing their effectiveness.

PCRIC’s standard tropical cyclone product:

PCRIC’s standard tropical cyclone product is a national level ‘modelled loss’ product, with the trigger for a payout based on the estimated disaster response cost as calculated by an internationally recognized catastrophe model.¹

¹ See PCRIC’s Knowledge Product, ‘Understanding the Uniqueness of PCRIC Parametric Risk Pool Insurance Policies’ for more information on the modelled loss approach and how a payout is triggered.
Benefits of a PCRIC modelled loss product:

A modelled loss product differs to a pure parametric product (for example a product based on observed windspeed or rainfall) in that it takes into account where key assets are located. So, rather than a payout being provided solely on the windspeed of a cyclone or location of the eye of the cyclone, PCRIC’s product provides payouts based on the estimated damage to assets from any strength of cyclone. This means a weaker cyclone impacting an area with a high level of assets may provide the same payout as a stronger cyclone impacting an area with a lower level of assets.

Purpose of PCRIC’s standard tropical cyclone product:

PCRIC’s standard product is intended to provide a rapid payout to support emergency response costs for major cyclones that cause significant financial loss. The goal is to provide timely payouts when major cyclones impact key economic centres. Payouts are higher when storms impact more populated areas with more assets.

Beneficiary of payouts:

If GoF takes out a policy with PCRIC, GoF would be the recipient of any payout and is free to use the payout as it wishes. GoF may also designate a third-party recipient of any payout. For example, a payout could be provided directly to a local insurer to distribute to a pre-determined list of households. PCRIC’s policies are also available to the private sector (e.g. local insurers or community organisations can also purchase PCRIC’s products).

Indicative coverage limit:

Based on the pricing of PCRIC’s in-force policies with other Pacific Island nations, the indicative coverage limit (maximum payout) amounts to GoF are as follows. For all options presented, a payout is triggered if modelled emergency response costs exceed US$40.6m, equivalent to a 1-in-10-year tropical cyclone event for Fiji:

<table>
<thead>
<tr>
<th>Annual premium</th>
<th>US$1.25m</th>
<th>US$2.5m</th>
<th>US$5m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated coverage limit</td>
<td>US$19.4m</td>
<td>US$38.9m</td>
<td>US$77.7m</td>
</tr>
</tbody>
</table>

2 The indicative coverage limits are calculated assuming the policy has an attachment point of the emergency response cost equivalent to a 1-in-10-year event, and an exhaustion point of the emergency response cost equivalent to a 1-in-50-year event. The attachment point is the $ value above which modelled emergency response costs must exceed for a payout to be triggered. The exhaustion point is the $ value of modelled emergency response costs at which the maximum payout is reached - the payout is fixed at this maximum value even for larger modelled emergency costs.