



## 2022 Six-Month Report

January - June 2022



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PCRIC

## List of Abbreviations

<b>ADB</b>	Asian Development Bank
<b>CDP</b>	Centre for Disaster Protection
<b>CoM</b>	Council of Members
<b>COP</b>	Conference of Parties
<b>DFAT</b>	Australia's Department of Foreign Affairs and Trade
<b>DRF</b>	Disaster Risk Finance
<b>FAO</b>	Food and Agriculture Organization
<b>FEMM</b>	Forum Economic Ministers Meeting
<b>FSC</b>	Financial Supervisory Commission
<b>IRFF</b>	Insurance and Risk Finance Facility
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MDTF</b>	Multi-Donor Trust Fund
<b>MOU</b>	Memorandum of Understanding
<b>NDMO</b>	National Disaster Management Office
<b>PCRAFI</b>	Pacific Catastrophe Risk Assessment and Financing Initiative
<b>PCRIC</b>	Pacific Catastrophe Risk Insurance Company
<b>PCRIF</b>	Pacific Catastrophe Risk Insurance Foundation
<b>PICs</b>	Pacific Island Countries
<b>PIFS</b>	Pacific Islands Forum Secretariat
<b>PNG</b>	Papua New Guinea
<b>PRIF</b>	Pacific Region Infrastructure Facility
<b>SIPO</b>	Statement of Investment Policy and Objectives
<b>TA</b>	Technical Assistance
<b>TWG</b>	Technical Working Group
<b>UNDP</b>	United Nations Development Programme
<b>VLE</b>	Virtual Learning Episodes



PCRIF

## Executive Summary



*Image from Xinhua News Agency*

The Pacific Catastrophe Risk Insurance Company (PCRIC) is a regionally dedicated insurance company owned for the benefit of Pacific Island Countries (PICs) through the Pacific Catastrophe Risk Insurance Foundation (PCRIF). The overarching Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) insurance program was designed to provide parametric climate and disaster risk insurance to member countries in the Pacific region. Such insurance is intended to provide a rapid post-disaster injection of finance to give participating governments financial confidence and help fund early relief and recovery efforts as quickly as possible.

The PCRIC six monthly progress report captures the progress and achievements of the company during the first half of 2022. January to June 2022 saw the easing of COVID-19 border restrictions and countries reopening for travel. PCRIC took advantage of the reopening to advance its in-country presence and collaboration with the relevant PICs. Other than this, PCRIC progressed on diversifying its product offering, furthering premium finance support, and enhancing its operations to support the implementation of the Company's key mandate and objectives.

In June 2022, however, the World Bank advised PCRIC that they would be drawing the PCRAFI project to a close, with World Bank grant funding to PCRIC ceasing with effect 31 December, 2022. This of course presents funding challenges for PCRIC, but also provides opportunities for PCRIC to move in new directions as a stand-alone disaster risk insurance provider, diversifying its resource base as it develops new capacity as the region's company of choice for disaster risk financing.

For this reporting period certain progress updates stand out:

## Premium Financing

- ▶ PCRIC still awaits the €10M committed in December 2021 by Germany's Federal Ministry of Economic Cooperation and Development (BMZ) for premium finance to PICs. The World Bank still hold the funds with no official indication of when the funds will be available to PCRIC.
- ▶ A funding proposal has been submitted to the government of Japan for technical and operational support to the company. The proposal was requested by the Japanese government via the Ministry of Finance. Japan has not responded officially but sent informal advice that their support will be going through the World Bank as their preferred modality.
- ▶ Another proposal has also been submitted for US\$ 10 million support from the government of Australia's Department of Foreign Affairs and Trade (DFAT).

## Legal and Governance

- ▶ Completed amendments to the PCRIC Constitution and the Foundation Rules subsequent to the passage of the new PCRI Act.
- ▶ Completed initial application documentation for OECD Annex 2 determination.
- ▶ Continued to work with the World Bank on the development of the new regulations which will apply to PCRIC as a Segregated Portfolio Company, with the key principles to be drafted in the second half of the year.

## Modelling and Product Development

- ▶ PCRIC continued to develop its internal 'view of risk' and use of the existing PCRAFI Tropical Cyclone and Earthquake models. This has included plans for a formal evaluation of existing PCRAFI model's assumptions and basis risk, as well as rehousing existing PCRAFI models in a new software platform.
- ▶ PCRIC engaged JBA (a specialist flood catastrophe risk model vendor) as a multi-year development partner on excess rainfall modelling and product development.
- ▶ PCRIC engaged WTW Climate & Resilience Hub to conduct a "Definition, Demand and Needs Assessment to Support Parametric Drought Insurance Products for Pacific Island Countries".
- ▶ Provided to Tonga a detailed technical interpretation of PCRIC policy definition and products with respect to the 15 January, 2022 Tonga volcanic eruption.

## Technical Capability and Understanding

- ▶ Advanced the capital solvency framework with the World Bank technical team that will apply to PCRIC under the new Segregated Portfolio Company regulation. This will ensure PCRIC follows capital solvency regulation that meets the highest international standards.
- ▶ Participated in the CEO & Underwriting Officer Summit in London held at the Centre for Disaster Protection (CDP). This was the first Summit of its kind, bringing together CEOs and Underwriting Officers from the four sovereign risk pools.

## Regional Integration and Coordination

- ▶ Developed the PCRIC Technical Assistance (TA) strategy to provide guidance in the identification of Disaster Risk Finance training and TA requirements to assist in strengthening DRF in the region. The strategy has been approved by the Board for implementation and shared with the World Bank. Work on the implementation is planned for the second half of the year.
- ▶ Participated in the Asia Pacific Ministerial Conference on Disaster Risk Reduction Reference Group, monthly Disaster Risk Finance (DRF) Technical Working Group (DRF - TWG) meetings and the Pacific Islands Forum Secretariat (PIFS) organised Debt Symposium.

## Finance, Communications and Monitoring and Evaluation

- ▶ Enhanced communications and visibility of the Company by developing different communications and knowledge products including press releases, social media posts and digital ad campaigns.
- ▶ Drafted the first PCRIC Annual Progress Report. The report has been approved by the Board and circulated widely.
- ▶ Designed the framework of the 2022/23 Entity Budget, drafted the financial guideline for employee entitlements and official engagement-related expenses and finalised the PCRIC Travel Policy.



# Introduction

## PCRIC Overview

The Pacific Catastrophe Risk Insurance Company (PCRIC) is a regionally dedicated insurance company owned for the benefit of Pacific Island Countries (PICs) through the Pacific Catastrophe Risk Insurance Foundation (PCRIF). The overarching Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) insurance program was designed to provide parametric climate and disaster risk insurance to member countries in the Pacific region. Such insurance is intended to provide a rapid post-disaster injection of finance to give participating governments financial confidence and help fund early relief and recovery efforts as quickly as possible. During its pilot phase, which commenced in January 2013, the PCRAFI insurance program provided earthquake and tropical cyclone insurance solutions. In the event that disaster struck, these products were intended to help impacted participating nations avoid compromising their fiscal balances and development objectives.

Following the successful pilot phase and the endorsement by the Forum Economic Ministers Meeting in 2015, a dedicated insurance vehicle was established by legal statute in the Cook Islands on 10 June 2016. This was tasked with the provision of a disaster risk insurance program to PICs on a long-term basis. The vehicle, PCRIC, was established as a “group captive” insurer, fully owned by the PCRIF. PCRIF is an independent Foundation with a Council of Members (CoM) comprising member PIC representatives plus the representation of donors.

PCRIC products are designed to meet specific needs identified by Pacific Island nations, and in times of crisis, aim to deliver timely post-disaster liquidity to support rapid relief. In addition, in collaboration with PIFS, PCRIC is able to facilitate technical assistance to help countries build resilience to disaster and climate risks and in this way help them sustain development gains. Current Pacific

Island country members of the Foundation (PCRIF) are Cook Islands, Fiji, Marshall Islands, Samoa, Tonga and Vanuatu. All other member nations of the Pacific Island Forum Secretariat (PIFS) are eligible and are actively encouraged to become members.

Canada, Germany, Japan, the United Kingdom, and the United States have provided grant support towards the establishment and capitalisation of PCRIC, and these funds have been managed in a Multi-Donor Trust Fund (MDTF) at the World Bank. PCRIC grant funding from the World Bank comes to an end on December 31, 2022 (see 2.2). To date, in response to insured disaster events occurring, four payouts have been made for an aggregate amount of more than US\$11 million. These payouts, all received immediately post-disaster(s), were the first financial injections of emergency funds made into each country.

On the investment front, PCRIC takes a long-term approach to its investments. Capital is invested in a manner to maintain liquidity, to ensure that all claims are met on a timely basis, to generate income each year to help fund the business costs, to grow the capital base over the median-term to protect the capital against the impact of inflation and, to position the company to enhance the services it offers. Investments are held in a mix of cash, bonds and shares denominated in US dollars. With the advice from the World Bank in June 2022 that the grant funding would cease from 31 December 2022, greater emphasis has now been placed on the need to generate income through interest and dividends in future years.

This six-monthly report provides key updates for PCRIC from January to June, 2022. It provides key updates on the operations, investment, financial, products development, communications and regional coordination and partnerships.

## Changes in the Operating Context

January to June 2022 saw the easing of COVID-19 border restrictions and countries reopening for travel. PCRIC took advantage of the reopening to advance its in-country presence and collaboration with the relevant PICs. During the period, in anticipation of the borders reopening, PCRIC CEO and members of the management team held virtual meetings with Tonga and Vanuatu, with visits planned to these countries and Solomon Islands, Marshall Islands and New Zealand in the second half of the year. Looking ahead, the progressive reopening of international borders in 2022 and beyond will see PCRIC invest significantly more time and effort into addressing gaps in product knowledge and political willingness, mindful that the decisive commitment to PCRIC membership is one of the best actions our island nations can take to garner the support of donors in addressing the risks we face, both now, and into the future.

In terms of the investment markets, the first six months of 2022 was dominated by the rise in inflation and the consequences of rising interest rates in response. This saw the value of the bond and share investments decline resulting in a negative total return for the period. The return for the period was -5.69%.

While the market value of the investments declined, the decline is expected to be short-term and to recover over the next few years. Also, we note that while the total return was negative, the negative return was less than the general markets (-11.16%) and the investments are designed to provide income to help meet the operational costs and to grow the assets over the medium-term. PCRIC remains in a position to achieve its long-term investment objectives.

Also, in June 2022, the World Bank confirmed to PCRIC that they will be closing the PCRAFI project and that the World Bank funding for PCRIC will cease after the end of December 2022. This disappointing news came to PCRIC management despite members of the Council having made official request to the World Bank to extend the project for a further 1.5 years, as had been discussed in the initial request for extension made in 2020.

On a positive note, during this reporting period, PCRIC submitted funding proposals to the government of Japan (\$ 15 million) and recently to DFAT (\$ 10 million). If these two-funding proposals are accepted, PCRIC will be ushered into a post-PCRAFI era on a strong financial footing (see section 3.2).



Image from lalibre.be

## Key Activities and Progress Updates

This section provides progress updates and key highlights of PCRIC core areas of operations, modelling and product development, investments, and premium financing as well as finance, communications and monitoring and evaluation (M&E). The section highlights key activities conducted from January to June 2022 and provides a rating of whether the activities are complete, ongoing, or delayed. The progress rating is based on the final status of the planned activity.

PCRIC Focal Area	Progress updates and key activities	Progress Rating
Premium Financing	<ul style="list-style-type: none"> <li>► <b>PCRIC submitted allocation methodology for BMZ €10M premium finance to the World Bank.</b> The methodology outlines the allocation of the funds that will support premium subsidies to PICs as a mechanism for supporting more countries to buy PCRIC insurance products.</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>► To support further funding to PCRIC and enhance its capital base, <b>PCRIC also in June 2022 submitted a \$15 million funding proposal to the Government of Japan.</b> The indicative allocations included US\$ 12 million funds for premium financing support, US\$ 2 million funds for reinsurance support and \$ 1 million funding for technical assistance. Japan is yet to provide formal feedback and the outcome status of the funding proposal.</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>► <b>PCRIC submitted a US\$ 10 million funding proposal to DFAT.</b> As a positive outcome of PCRIC'S participation in the Forum Economic Ministers Meeting (FEMM) in Vanuatu, PCRIC was requested by DFAT to submit the funding proposal. The indicative allocations in the proposal include US\$ 9 million for operations and product development funding, and US\$ 1 million for technical assistance. At the time of writing this report, DFAT has not provided feedback on the outcome of the proposal.</li> </ul>	Ongoing
Legal and Governance	<ul style="list-style-type: none"> <li>► <b>Completed amendments to the PCRIC Constitution and the Foundation Rules.</b> PCRIC legal and governance team completed the amendments to the PCRIC Constitution and the Foundation Rules subsequent to the passage of the new PCRIF Act, including approval and formal adoption by the Foundation Council.</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>► <b>Completed initial application documentation for OECD Annex 2 determination.</b></li> </ul>	Completed
	<ul style="list-style-type: none"> <li>► <b>Completed legal documentation for Memorandum of Understanding (MOU)</b> and collaboration for education and capacity building with the University of the South Pacific (USP).</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>► <b>PCRIC continued to serve as PCRIF Secretariat,</b> coordinating legal and governance documentation and communications with PICs donor partners and international organizations.</li> </ul>	Ongoing



PCRIC Focal Area	Progress updates and key activities	Progress Rating
Modelling and Product Development	<ul style="list-style-type: none"> <li>► <b>PCRIC continued to develop its internal 'view of risk' and use of existing PCRAFI Tropical Cyclone and Earthquake models.</b> PCRIC procured additional meta-data from AIR-worldwide which will allow PCRIC to recalibrate and adjust models based on recent experience and well as independently evaluate 'live' catastrophe events potential impact on PICs and PCRIC policies.</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>► <b>Engaged a model vendor as a multi-year development partner on excess rainfall modelling and product development.</b> PCRIC engaged JBA (a catastrophe model vendor with extensive experience in flood and rainfall modelling as well as existing established stochastic rainfall and flood models for multiple countries in the region) as a project partner to develop an excess rainfall insurance product for PICs. PCRIC will work with JBA to both develop an excess rainfall product based on the current model's coverage in 2022 and to extend JBA's model to cover all countries in the region in 2023.</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>► <b>Engaged WTW Climate &amp; Resilience Hub to conduct a "Definition, Demand and Needs Assessment to Support Parametric Drought Insurance Products for Pacific Island Countries".</b> The final report is being prepared and the preliminary work is an initial stage of a broader initiative to develop drought modelling and product development (see section 4 on the next key actions)</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>► <b>PCRIC finalised its modelling / development plans for the second half of 2022.</b> PCRIC finalized plans for projects to be completed in 2022 covering 1) an evaluation of existing PCRAFI model assumptions and basis risk, 2) rehousing existing PCRAFI models in a new software platform.</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>► <b>Provided technical interpretation of the Hunga-Tonga-Hunga-Ha'apai volcano eruption.</b> Support was provided to PCRIC leadership in response to the 15 January, 2022 volcanic eruption and tsunami in Tonga through provision of the detailed technical interpretation of the event with respect to PCRIC policy definition and products.</li> </ul>	Completed
Technical Capability and Understanding	<ul style="list-style-type: none"> <li>► <b>Supported the contracting of firms for product development activities.</b> In a collaborative effort, the PCRIC's Technical Advisor – Product &amp; Actuarial together with the PCRIC CEO, Catastrophe Modelling Specialist &amp; Finance and Planning Manager contracted consultant firms for product development activities, in particular, to bring the excess rainfall and drought products to market in late 2022 or early 2023.</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>► <b>Advanced the capital solvency framework with the World Bank technical team.</b> PCRIC worked with the World Bank technical team on the capital solvency framework that will apply to PCRIC under the new Segregated Portfolio Company regulation. This would ensure PCRIC follows capital solvency regulations that meets the highest international standards, giving the PCRIC Board and CEO, donors, PICs, Cook Islands' Financial Supervisory Commission (FSC), reinsurers and all other external stakeholders confidence in PCRIC's capital management and solvency position.</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>► <b>Participated in the CEO &amp; Underwriting Officer Summit in London.</b> PCRIC CEO and members of the management team attended the CEO &amp; Underwriting Officer Summit held at the Centre for Disaster Protection (CDP). This was the first Summit of its kind, bringing together CEOs and Underwriting Officers from the four sovereign risk pools and focussed on peer-to-peer learning and building relationships to foster greater collaboration between the risk pools in the future. More on the London Summit can be found <a href="#">here</a><sup>1</sup></li> </ul>	Completed
	<ul style="list-style-type: none"> <li>► <b>Provided technical support and financial projections for FY23/24.</b> Provided technical input into the PCRIC budget for FY22/23 (gaining Board approval) and financial projections for FY23/24, while considering the future of PCRIC after the closure of the World Bank PCRAFI Project.</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>► <b>Presented to the PCRIF Council of Members special meeting.</b> The presentation was focused on sharing lessons learned from the eruption of the Hunga-Tonga-Hunga-Ha'apai volcano on 15 January, 2022. This focussed in particular on building knowledge around what PCRIC's current insurance products do and do not cover.</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>► <b>Presented at the V20 Risk Pool Workshop.</b> On behalf of the CEO, PCRIC Technical Advisor – Product &amp; Actuarial presented at the V20 Risk Pool Workshop on "Building Access to Sovereign Climate Risk Pooling for all V20 Members - V20 Strategic Dialogue on Gaps and Priority Areas of Action". The workshop focused on building knowledge of risk pooling and introducing PCRIC's offering to the V20 group, raising awareness of PCRIC's vision and helping to establish the Company as the DRF provider of choice across the Pacific region.</li> </ul>	Completed

<sup>1</sup> <https://www.disasterprotection.org/blogs/risky-business-three-exam-questions-from-the-risk-pool-summit>

PCRIC Focal Area	Progress updates and key activities	Progress Rating
Regional Integration and Coordination	<ul style="list-style-type: none"> <li>► <b>Developed the PCRIC Technical Assistance (TA) Strategy 2022 – 2025.</b> PCRIC has developed its TA strategy which was approved by the PCRIC Board in June 2022. The TA Strategy provides guidance to the PCRIC in the identification of Disaster Risk Finance (DRF) training and TA requirements to assist in strengthening DRF in the region.</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>► <b>Participated in the Asia-Pacific Ministerial Conference on Disaster Risk Reduction Reference Group.</b> From March to May 2022, PCRIC was a member of the Reference Group that designed some of the resilience sessions for the Asia-Pacific Ministerial Conference on Disaster Risk Reduction scheduled for September 2022. PCRIC's participation in these reference groups contributed to increasing its visibility in the region and enhanced its collaboration with regional organisations and other like-minded partners in the disaster risk finance space.</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>► <b>Participated in the monthly Disaster Risk Finance (DRF) Technical Working Group (DRF - TWG) meetings.</b> PCRIC assisted the Pacific Islands Forum Secretariat (PIFS) in convening two DRF Virtual Learning Episodes (VLE) and a DRF Symposium for the region. The VLEs were conducted in March and April and the DRF Symposium in May 2022.</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>► <b>Participated in the Pacific Islands Forum Secretariat (PIFS) organised Debt Symposium.</b> PCRIC CEO participated in the PIFS-organised Debt Symposium for the region in April 2022. The objective of this participation was to create awareness about other funding options such as PCRIC's sovereign parametric insurance, in comparison to loan instruments.</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>► <b>Convened a Disaster Risk Finance Workshop to create more awareness of PCRIC's sovereign parametric insurance,</b> and to help the Ministry of Finance in socializing the Government of Tonga Disaster Risk Finance Strategy.</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>► <b>PCRIC was part of a joint face-to-face country outreach with Government of Tonga with PIFs and the United Nations Capital Development Fund in July 2022.</b> The country outreach was aimed at gathering DRF training and DRF technical assistance requirements. The joint mission was a success as expressed by the partners and the Government of Tonga.</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>► <b>PCRIC organised bilateral meetings to gather more data for the development of the drought product</b> with the equatorial 'high risk' countries (Palau, FSM, RMI &amp; Kiribati), known product demand (Tonga, Samoa), and known political commitment to DRF (Vanuatu, Fiji)</li> </ul>	Completed
Communications	<ul style="list-style-type: none"> <li>► <b>Enhanced communications and visibility of the Company.</b> PCRIC's communication team provided communications and design support by developing different communications and knowledge products. For instance, the team drafted press releases, shared multiple social media posts and ran a digital ad campaign for the inaugural London summit of regional risk pool organisations. The team also developed PCRIC's FEMM presentation and handled logistics with the Vanuatu technical team. During the FEMM, the team also conducted interviews with representatives from the Cook Islands, Niue, PNG and Tonga which were later posted on PCRIC's platforms. Also, the team supported PCRIC's response to the Hunga-Tonga-Hunga-Ha'apai volcano eruption and earthquake by drafting the press release after the event.</li> </ul>	Ongoing
Finance and Planning	<ul style="list-style-type: none"> <li>► Designed the <b>framework of the 2022/2023 Entity Budget.</b></li> </ul>	Completed
	<ul style="list-style-type: none"> <li>► <b>Drafted the financial guideline for employee entitlements</b> and official engagement-related expenses.</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>► Finalised the <b>Travel Policy.</b></li> </ul>	Completed

PCRIC Focal Area	Progress updates and key activities	Progress Rating
Monitoring and Evaluation	<ul style="list-style-type: none"> <li>▶ <b>With support from the communications team, drafted the first PCRIC Annual Progress Report.</b> The Report was endorsed by the PCRIC Board and has been shared with relevant partners and stakeholders. The report was also shared at the FEMM meeting.</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>▶ <b>Supporting results-based management and progress reporting for the Company.</b> The M&amp;E support has continued to support progress reporting for the company aligned to the key results and PCRIC's strategic themes.</li> </ul>	Ongoing
Regional and Global Engagements and Partnerships	<ul style="list-style-type: none"> <li>▶ <b>Held bilateral meetings with Government of Fiji</b> where PCRIC shared the cyclone policy paper and is awaiting a meeting with the Ministry of Economy to discuss among other things, PCRIC's new rainfall products. The same cyclone policy paper has been shared with the Government of Fiji National Disaster Management Office (NDMO)</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>▶ <b>Held bilateral meetings with officials from Papua New Guinea (PNG)</b> where PCRIC shared an earthquake policy paper proposal and is awaiting discussions with the Treasury and the Acting Director Geo-Hazards Management, Seismologist &amp; Metrological Research Officer.</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>▶ <b>Held anticipatory financing bilateral meetings with the Food and Agriculture Organization (FAO) and the United Nations Development Programme (UNDP)</b></li> </ul>	Completed
	<ul style="list-style-type: none"> <li>▶ <b>Held preliminary discussions with the Pacific Region Infrastructure Facility (PRIF)</b> to explore how PCRIC could participate in infrastructures insurance financing for resilience.</li> </ul>	Completed
	<ul style="list-style-type: none"> <li>▶ <b>Explored possible collaboration with UNDP Insurance and Risk Finance Facility (IRFF)</b> that was launched in 2021.</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>▶ <b>Explored possible support from AON- a British-American multinational financial services firm</b> that sells a range of risk-mitigation products, including Commercial Risk, Investment, Wealth and Reinsurance solutions.</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>▶ <b>Held discussions with SPC to explore feasibility and collaboration of the Fiji UNDP and ADB Partnership Project</b> on data and modelling.</li> </ul>	Ongoing

## Moving Forward and Next Actions

2022 provides an opportunity for PCRIC to advance its disaster risk financing value proposition to the Pacific and consolidate its position as the company of choice for disaster risk financing and insurance needs throughout the region. With World Bank grant funding coming to an end in December 2022, PCRIC is indeed presented with capitalisation challenges to help subsidise countries' policy premiums given the dire fiscal impact created by COVID19 throughout the small island economies. However, the need for DRFI in the region has not diminished, so we approach the next phase of our development as a business with optimism that donors can favourably respond to the financial burdens imposed on our region's nations as they endeavour to address the severity of climate change impact.

PCRIC now has room to move and meet market expectations with greater pace and flexibility than was previously possible. Whilst PCRIC is not a panacea for disaster risk, we remain a viable and valuable DRFI instrument for regional nations to leverage to the advantage of their fiscal responsibilities. So, we are now presented with the opportunity to diversify and expand our funding and resource base. We have an experienced management team, Board of Directors and specialist advisors who are deeply committed to the mission of PCRIC. With COP27 soon to showcase to the world the latest knowledge on climate change impact and the elevated risk of disaster in our region, we anticipate great interest in what we can offer existing and potentially new donors as a vehicle for their support for developing nations.

Meanwhile, the MOUs signed with USP and planned with SPC have already secured many of their expected benefits for PCRIC with substantial regional political capital already generated for the company. There are rightfully high expectations that this will translate to increased membership, especially now that with the removal of travel restrictions across the region. The management team has the opportunity to travel and meet personally with national authorities to support their DRFI agenda and priorities.

The last half of 2022 will have a strong focus on transitioning and positioning the company in the post-PCRAFI era with the following activities and actions planned for July to December 2022.



Image by Tonga National Emergency Management Office



Focus Area	Next Actions
Modelling and Product Development	<ul style="list-style-type: none"> <li>▶ <b>Finalise the development of PCRIC's excess rainfall model and product.</b> The excess rainfall product will provide protection against the costs and impact of excess rainfall which is a high priority for many PICs. PCRIC will work with JBA to finalise this product for priority countries in 2022 and expand to all countries in 2023.</li> <li>▶ <b>Finalise the development of PCRIC's drought model and product.</b> PCRIC will support WTW Climate and Resilience Hub in completing phase 1 of the project a "Definition, Demand and Needs Assessment". PCRIC has also confirmed WTW as our partner for phase 2 - "Risk Assessment and Modelling to Support Parametric Drought Insurance Products for Pacific Island Countries" which will provide the framework and analytics for PCRIC to offer a Drought product in 2023.</li> <li>▶ <b>Support the evaluation of PCRIC parametric insurance models and products: Definition, Assumptions and Basis Risk.</b> PCRIC has confirmed the WTW Climate and Resilience Hub as the project partners to develop a set of recommendations to redesign or adjust key assumptions in PCRICs existing Tropical Cyclone and Earthquake models and products to reflect current best practices in the disaster risk financing.</li> <li>▶ <b>Support the rehousing the existing model in a new flexible software platform.</b> This project will deliver a new software and modelling system that will allow PCRIC greater flexibility in its use of existing PCRAFI models. PCRIC has confirmed a consortium led by GNS / Riskscape as our partner on this project.</li> <li>▶ <b>Support re-insurance placement for 2022/2023 policies.</b> Including any results or findings from the work conducted to establish PCRIC own view of risk.</li> </ul>
Regional Integration and Coordination	<ul style="list-style-type: none"> <li>▶ <b>Attend the Asia Pacific Ministerial Conference on Disaster Risk Reduction in Brisbane in September 2022.</b> Apart from being part of the reference group that designed some of the resilience sessions, the PCRIC Team will attend relevant sessions that will further support and strengthen the resilience work that it undertakes for the region.</li> <li>▶ <b>Attend the Forum Economic Ministers Meeting to relaunch PCRIC in August 2022.</b> PCRIC has since attended this meeting where it was recognised as a critical partner in disaster risk financing in the Pacific and the FEMM Outcome Statement captured the need for development partners to support PCRIC on the product and services that it offers for the region. Looking ahead, PCRIC will advance the partnerships and funding opportunities from this meeting toward financial stability. For instance, after this meeting with an invitation from DFAT, PCRIC submitted a funding proposal for US\$ 10 million (see section 3)</li> <li>▶ <b>Continue securing partnerships and outreach with relevant regional organisations.</b> PCRIC has already secured a partnership with the University of the South Pacific on 5th July 2022. This partnership aims to explore the possibility of the USP offering some DRF-related courses under its existing programs.</li> <li>▶ <b>Plan for multiple country engagements</b> to market the new insurance products and to share the benefits of the disaster's preparedness via risk pooling insurance.</li> <li>▶ <b>Commence the process for be accepted into the Council of Regional Organisations in the Pacific (CROP)</b> to improve cooperation, coordination, and collaboration among the various organisations in respect of working toward the common goal of achieving sustainable development in the Pacific region under the DRFI space.</li> <li>▶ <b>Attend the CoM meeting scheduled for October 2022</b> in Washington DC to seek guidance from Council on way forward once the project closes in December 2022. Also seeking strategic direction of the Council donors for their priorities to PCRIC and the Pacific under the DRFI space.</li> </ul>
Premium Financing	<ul style="list-style-type: none"> <li>▶ <b>Secure full control of €10M premium financing funding from BMZ out of the World Bank MDTF.</b></li> <li>▶ <b>Continue conversations and discussions with DFAT</b> to further secure premium financing, reinsurance, and technical assistance.</li> <li>▶ <b>Develop PCRIC's premium funding strategy.</b> The premium funding strategy will provide guidance to PCRIC on where to secure funding and pave the road to understand the global funding landscape for DRF initiatives.</li> </ul>
Legal and Governance	<ul style="list-style-type: none"> <li>▶ <b>Completion of Regulations to the PCRIF Act upon receipt of broad principles from World Bank,</b> PCRIC and Financial Supervisory Commission (FSC) approval and enactment by the Executive Council of the Cook Islands.</li> <li>▶ <b>Formulate the framework for the establishment of segregated cells.</b></li> <li>▶ <b>Complete legal workplan drafting for MOUs</b> with the Centre for Disaster Protection, SPC, and the USP to facilitate cooperation and capacity building activities.</li> <li>▶ <b>Finalise segregated cell regulations with World Bank consultative input</b> and prepare documentation templates to establish segregated cells inside PCRIC for existing and future programs.</li> <li>▶ <b>Provide legal support and drafting for October CoM meeting</b> and work plans after PCRAFI project closure.</li> <li>▶ <b>Hold Board Meeting in September</b> in New Zealand to discuss the future of PCRIC after the end of the grant funding in December 2022.</li> </ul>

Focus Area	Next Actions
Technical Capability and Understanding	<ul style="list-style-type: none"> <li>▶ Continuing all of PCRIC's ongoing product development activities.</li> <li>▶ Support renewal of all country insurance policies and PCRIC's reinsurance policies as of November 2022.</li> <li>▶ Attend and present at the PCRIF Council of Members meeting in October 2022 to secure the Council's support for PCRIC beyond the closure of the World Bank PCRAFI Project on 31 Dec 2022.</li> <li>▶ Lead the technical work on the capital and solvency framework to be approved by Cook Islands FSC as part of the new regulations that will apply to PCRIC as a Segregated Portfolio Company.</li> </ul>
Finance and Planning	<ul style="list-style-type: none"> <li>▶ Finalise the 2022/23 Entity &amp; Project Budget.</li> <li>▶ Wrap up all product development activities funded through the project grant funds from the World Bank.</li> <li>▶ Assess the plausible financial outlook of PCRIC post the end of the World Bank project grant funding.</li> </ul>
Communications	<ul style="list-style-type: none"> <li>▶ Finalise the Crisis Communication Plan for PCRIC.</li> <li>▶ Provide communication support for the following meetings, workshops and conferences: <ul style="list-style-type: none"> <li>- September 19 to 23: Asia-Pacific Ministerial Conference on Disaster Risk Reduction in Brisbane.</li> <li>- October 12 to 14: Council of Members meeting in Washington DC.</li> <li>- October 17 to 21: World Bank Implementation Support Mission in Fiji with the WB and the Chair.</li> <li>- October 24 to 28: World Bank Implementation Support Mission to Tonga.</li> <li>- November 6 to 18: Conference of the Parties (COP) in Egypt.</li> <li>- November country visits: Vanuatu, Marshall Islands, Solomon Islands.</li> </ul> </li> </ul>
Monitoring and Evaluation	<ul style="list-style-type: none"> <li>▶ Finalise the Monitoring and Evaluation Plan for PCRIC.</li> <li>▶ Develop a framework for the development of the PCRIC business plan beyond the current expiration date of June 2023.</li> <li>▶ Develop a methodology and data collection plan for the independent evaluation of the PCRIC before PCRAFI project completion.</li> <li>▶ Prepare for the project completion review and drafting of the project completion report.</li> <li>▶ Take part in the World Bank Implementation Support Mission in Fiji and Tonga.</li> </ul>
Investment	<ul style="list-style-type: none"> <li>▶ Review the Statement of Investment Policy and Objectives (SIPO) and make recommendations for the requirements post 31 December 2022.</li> <li>▶ Review the PIMCO cash and fixed interest investments to determine whether there would be a benefit in diversification.</li> <li>▶ Implement the next step of the strategy once the current inflation pressures dissipate.</li> </ul>



PCRIC







*Image Supplied by the Government of Kiribati*