

# ANNUAL REPORT 2022

PACIFIC  
CATASTROPHE  
RISK INSURANCE  
COMPANY



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CATASTROPHE  
RISK INSURANCE  
COMPANY**







*(Guadalcanal, Solomon Islands) Photo Supplied by Webmedia South Pacific*



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*(Ebeye Island, Marshall Islands) Photo Supplied by Webmedia South Pacific*



# About PCRIC

## ORIGINS AND PURPOSE

In response to strong representations by Pacific Islands leaders, the Pacific Catastrophe Risk Insurance Company (PCRIC) was established in 2016 as a key component of the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI). This program was designed and implemented by the World Bank as a vehicle for delivery of parametric climate and disaster risk insurance to member countries in the Pacific region.

By agreeing with the client a set of pre-determined parameters which if met will trigger a policy payout without the need for a physical site assessment, such insurance is intended to provide a rapid post-disaster injection of finance. This helps client governments fund early relief and recovery efforts as quickly as possible without compromise to other critical national budget priorities.

PCRIC is owned for the benefit of Pacific Island Countries and Territories (PICTs) through the Pacific Catastrophe Risk Insurance Foundation (PCRIF). It stands today as a fully independent and regionally dedicated insurance company serving the disaster risk finance needs of the region through bespoke insurance products and technical assistance.

## PCRIC VISION

To strengthen the resilience of the Pacific region to disaster and climate risks impact.

## PCRIC MISSION

To increase the range of disaster risk assessment tools and risk transfer products offered to the region and be the partner of choice to support countries in providing cost-effective disaster risk finance.

## PCRIC STRATEGIC OBJECTIVES AND THEMES

PCRIC operates on the platform of five strategic themes. These establish the framework within which PCRIC pursues its vision and mission, supports member nations, measures performance, and collaboratively engages with others in the DRF ecosystem.







## Message from the Chair

As I reflect on the past year, it is without doubt that throughout 2022 we experienced both our most challenging and our most exciting year yet in the history of PCRIC.

Among key challenges, we faced the continuing negative impact of the COVID pandemic on client nations and the business environment, this weighing heavily on opportunities to secure new or renewed policy commitments. Nonetheless, in November we were deeply gratified by the continued demonstration of confidence in PCRIC with the renewal of policies by the Cook Islands, Samoa and Tonga.

We witnessed a significant upward move in the supply of Disaster Risk Financing products and initiatives into the region. As a consequence, we saw increased uncertainty and confusion amongst decision makers as to what products and services might best fit their nations' specific requirements and modest budgets.

Additionally, we had to decisively adjust to the conclusion of the World Bank's Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI). This closed off an important source of grant funding to assist with PCRIC operational costs.

Rather than allow such circumstances to undo the years of work invested in establishing PCRIC, the

Board witnessed the PCRIC team embrace these and other challenges with enthusiasm and conviction, initiating what became a truly transformative year for the company. It was this unswerving commitment and determination of the team to identify and pursue opportunities in every challenge that made 2022 also our most exciting year.

It is with great pride as Board Chair that I can unreservedly state that despite the challenges, the quality and professionalism of our staff and contracted advisors has shone through, seeing us arrive at the end of 2022 in excellent shape. PCRIC enjoys a vastly enhanced corporate profile both regionally and globally; we have stronger client relationships than ever before; there is a sound financial footing for future development; and through our latest Business Plan, we have projected a clear strategic vision for the future of PCRIC as a provider of disaster risk financial services in the Pacific Islands region.

### **A Year of Transition**

The adverse circumstances faced in 2022 ultimately provided a rich and positive enabling environment for the Board and team to implement a range of changes to the operations and reach of PCRIC. This was particularly the case for the move away from the



direct oversight and financial influence of the World Bank as a result of the conclusion of the PCRAFI.

This outcome afforded PCRIC the long-desired opportunity to transition into a fully Pacific Islands oriented institution, now far more able to leverage wider operating parameters and greater flexibility than was previously possible. PCRIC and our client nations now have full control of our destiny ensuring we are laser-focused on what the region needs to best address disaster risk finance and management requirements. In this regard, throughout 2022 we've emphasized the importance of ensuring as a business that we not only listen to, but hear and respond to what our client nations are telling us.

The transition out from under the cloud of the COVID pandemic in the latter part of the year enabled a return to the "Pacific way" of face-to-face, relationship-based engagement. Welcomed by all parties, we ended the year much closer to our market and much better informed on matters of transparency, clarity, product options, accessibility and affordability. This has already begun to translate into operational and product enhancements which will carry through to the end of 2023 and beyond.

This closer proximity to our market and client base also ensured that we were prepared for the significant transition the region's DRF market undertook during the course of 2022. From a leadership role in the introduction of disaster risk transfer products to the region, PCRIC observed a number of other providers begin to enter the market with a variety of new products. These we regard more as complementary to, rather than in competition with, PCRIC's offerings.

Having long expressed the view that a single product or instrument could not fully satisfy market needs, a positive legacy of our long tenure in the market was that over the course of 2022, PCRIC pre-emptively began to scale up our capacity to meet the increased demand for specialist technical support. The wider array of product options has brought with it a heightened need for institutional support to build capacity and confidence within the ranks of the

region's decision makers. With our intern program already well under way and development of support options well progressed by year end, PCRIC is now uniquely positioned to effectively meet this need into 2023 and beyond.

Turning to finances and funding, though the results for FYE June 2022 showed a loss of US\$1.26m, PCRIC ended the year in a very sound position with solvency of the business remaining strong with US\$26.4m in liquid asset holdings and no long-term debt. The continuation of low premium revenues once again highlighted the fiscal challenges most regional nations face, particularly as they emerge from the fog of the COVID pandemic, and saw the team continue in earnest to secure access to the premium support funds provided by Germany some time ago.

Meanwhile, efforts to attract additional donor interest in the work of PCRIC continued unabated. This brings me to my final comments as I invite you to delve into our 2022 Annual Report and gain a deeper understanding of the unique position PCRIC holds in the region's Disaster Risk Management landscape. On behalf of the Board, the Management Team and our regional stakeholders, I want to convey our deepest gratitude to our donors who share the PCRIC journey with us. Working in support of one of the world's most at-risk regions in terms of climate and natural disasters, it is a great comfort to know that the voice of the region has not escaped your attention. Your tangible moral and financial support is highly valued and graciously received.



**SARAH-JANE WILD**  
**Chair**

A handwritten signature in blue ink, appearing to be 'Sj Wild', written in a cursive style.





(Marshall Islands) Photo Supplied by Webmedia South Pacific









## Message from the CEO

A year ago, as CEO I was proudly introducing stakeholders and partners to the first ever PCRIC Annual Report. It stood as a meaningful indicator of just how far PCRIC had progressed since its inception in 2015. As is evident from the Chair's introductory message, much has changed in the ensuing period for PCRIC, and this year's report stands as a testimony to our capacity as an organisation to adapt to significantly changed circumstances.

Such adaptability is indeed symbolic of the challenge our client nations face in regard to the impact of climate change. More and more they must show a great capacity to adapt to sea-level rise, increasingly frequent inundation from high tides and surges whipped up by severe storms, or more persistent periods of drought. Such issues are central to our ethos as a Pacific-oriented business in the disaster risk management space.

With this in mind, the progressive reopening of international borders in the second half of 2022 enabled long overdue personal connection with our client base throughout the region. We actively pursued every opportunity to engage, intent on coming to a fuller understanding of how PCRIC might be best positioned to most effectively assist with the costs and challenges imposed on governments and

communities by increasingly frequent climate related disasters.

An important initial step was our participation in the FEMM meeting in Vanuatu in August which provided an important opportunity to reconnect with key decision makers and elevate the visibility of PCRIC within the region. Subsequently, we met with officials in Kiribati, Samoa, Cooks Islands, the Republic of the Marshall Islands, and Tonga. Beyond the warm welcomes and opportunity to re-establish our presence in each country, with all nations of the region bearing a heavy financial impact from the COVID pandemic, the leaders of Pacific Islands nations spoke to us with passion, with clarity and with determination, seeking more flexible and comprehensive disaster risk mitigation support.

The PCRIC team has actively listened to these messages and throughout the course of 2022 pushed forward with a number of strategic objectives intended to facilitate and deliver tangible solutions. Premium affordability stood as a dominant theme in all our client dialogues. I can report that in addition to establishing protocols which in the coming year will finally yield access to funds donated by Germany specifically to support premium subsidisation, the PCRIC team invested heavily in efforts to attract



additional donor support to ease the budgetary pressures associated with funding policy premiums.

Another dominant theme, already referenced by the Chair, was the need for greater levels of technical support around the subject of Disaster Risk Finance (DRF). PCRIC heard the requests and throughout 2022 proactively responded with decisive actions to step up our capacity to share knowledge and facilitate innovative support options. These are intended to definitively address the continuing limited technical understanding of matters covering DRF, parametric insurance, and payout trigger mechanisms. Additionally, a review of our payout trigger mechanisms is well progressed and intended to enhance transparency and simplicity for client nations.

From nations of the North Pacific a clear message was the need for products suited to their specific exposures. Fortunately, we were able to assure officials that their voice had been heard and PCRIC was already responding with tangible solutions. Products addressing the impact of drought and excess rainfall will be launched in 2023.

Beyond the region, we invested significantly in elevating the profile of PCRIC in the global arena and emphasising the purpose and importance of PCRIC to the Pacific Islands. We pursued inclusion and representation of PCRIC in events of strategic importance to our future and our capacity to ensure the unique voice of Pacific nations is heard on the global DRF stage.

We have been actively extending the scale and reach of the business, recognising that no single entity, product or service alone can meet the disaster risk management challenge the region represents. Consequently, we have actively sought to establish MoUs and collaborate with like-minded entities. One poignant example of this is our participation in a highly visible side-event with disaster risk insurance counterparts from Africa, the Caribbean and Southeast Asia at COP27, held in November in Egypt.

While the above speaks to the front facing and visible aspects of our operations throughout 2022, it is important to also bring attention to what had been going on in the background to capitalise on the opportunities that come with change. I am immensely proud of the efforts of the PCRIC staff and deeply thankful for the support and dedication shown by our donors, Board, contracted advisors, development partners and other stakeholders through this exciting and challenging phase. I extend my deepest gratitude to each and every one of you for your unwavering dedication, passion, and belief in our mission. Your support and efforts contribute directly to the increased resilience and sustainability of the region's nations in the face of significant adversity.

Our recently endorsed Business Plan for the period July 2023 to December 2025 articulates the strategic pathway forward as we mature as a distinctive Pacific Islands company and is a fitting partner document to our 2022 Annual Report. I invite you to now explore this Annual Report to learn more of our key achievements and initiatives. It is a testament to the remarkable progress we have made together, and a celebration of the unwavering spirit of collaboration and shared vision that propels us into the future.



**AHOLOTU PALU**  
**CEO**

A handwritten signature in blue ink, appearing to be 'Aholotu Palu', written in a cursive style.



# PCRIC - Snapshot 2022

6

## Pacific Island Countries are Members of the PCRIF

(Cook Islands, Fiji, Marshall Islands, Samoa, Tonga and Vanuatu). All Pacific Island Countries part of the PIFS family are eligible to become members.

5

## In-country visits by CEO and the Management Team to Pacific Island Countries during 2022 (Tonga, Fiji, Kiribati, Marshall Islands and Cook Islands)

Relationships strengthened, DRF and PCRIC products discussed. Payout trigger mechanisms explained.

3

## MoUs signed in 2022 - with USP, CDP and Risk Pools (ARC and CCRIF)

Collaborations on DRF technical assistance, training, and product diversification formalised.

2

## New Products Developed Addressing Coverage for Excess Rainfall and Drought

Brings to 4 the total of policy options available.

\$25.3 m  
USD

## The Value of PCRIC Capital in December 2022

Provides coverage of over 400 times that required by statute.

€10 m

## Pledge by Germany Towards Policy Premium Financing and Capacity Building

Enables more Pacific Island Countries to access risk transfer mechanisms and assist with lifting revenues via new policy purchases.

1

## Technical Assistance Strategy Developed and Approved by the Board

Provides a clear pathway for delivery of bespoke DRF TA to the region.

3

## Company Policies Developed and Approved by the Board

Actively pursuing Strategic Theme 5: Operational Excellence.

10

## Interns Undertaking Training and Development Courses in 2022

A timely investment in future leaders, with all receiving certificates in DRF from PCRIC.

10

## Knowledge Products Created and Disseminated

Greatly enhances member nations' understanding and capacity to make informed DRF choices.

0

## Payouts in 2022

This compares to 2 payouts made since inception totaling US\$8.0 m (Tonga: 2018 and 2020).

3

## Policy Renewals

Cook Islands, Tonga, and Samoa continued as committed supporters of PCRIC, securing coverage for the benefit of up to 350,000 citizens in the event of a qualifying disaster.





L-R: PCRIC CEO - Aholotu Palu and the Prime Minister of Cook Islands - Mark Brown.  
*Photo supplied*



# Year in Review

(January 2022 – December 2022)









## PCRIC AND THE PACIFIC ISLANDS FORUM SECRETARIAT (PIFS) ROLLED OUT A PARTNERSHIP ON DISASTER RISK FINANCE

The Pacific Islands Forum Secretariat (PIFS) and PCRIC in January 2022 confirmed a new partnership that included the placement of the PCRIC Regional Coordinator at the Forum to provide advice and capacity building to Pacific Island Countries. The move supports PIFS in-house advisory services and technical assistance to Members on Disaster Risk Financing (DRF) and risk pooling issues. PCRIC's CEO emphasised the importance of this collaboration, formalised by a Memorandum of Understanding (MoU) in 2021 and noted that both organisations will see tangible outcomes through the activities covered by the Regional Coordinator's function and mandate.



**PACIFIC ISLANDS  
FORUM SECRETARIAT**





## PCRIC FORMALISED MOU WITH THE CENTRE FOR DISASTER PROTECTION

PCRIC and the Centre for Disaster Protection (CDP) signed an MoU to establish a framework of collaboration on matters of common interest in disaster risk management and financing. The MoU provides a platform for collaboration in areas such as technical assistance and capacity building, advocacy, and research and evidence.

Beyond simply exchanging ideas and data, it was agreed that this partnership will allow PCRIC and CDP to collaborate throughout the Pacific region in the delivery of training, workshops and other events aimed at building awareness of the need for enhanced disaster risk financing solutions across the region. Further, the collaboration is intended to directly contribute to improved quality and quantity of risk financing products and services available and to enable high-risk, vulnerable countries to make better risk management decisions.



*“The company is delighted to be associated with the Centre for Disaster Protection to support Pacific countries. Our collaborative aspirations will further boost our work in serving our region. The PCRIC team is looking forward to enhancing our shared vision in responding to the needs of the region and this partnership is evidence of our growing emphasis in advancing global cooperation for the good of the Pacific.” -*

**PCRIC CEO, Mr. Aholotu Palu**



April 2022

## PCRIC CEO AT THE ISLAND FINANCE FORUM 2022

The PCRIC CEO spoke at the Island Finance Forum 2022 hosted by Island Innovation. The Forum aimed to highlight the unique financial challenges faced by global island communities and the solutions for sustainable economic development and inclusive growth in a post-pandemic world.

### Risky Business: Exploring Insurance & Capital Risk

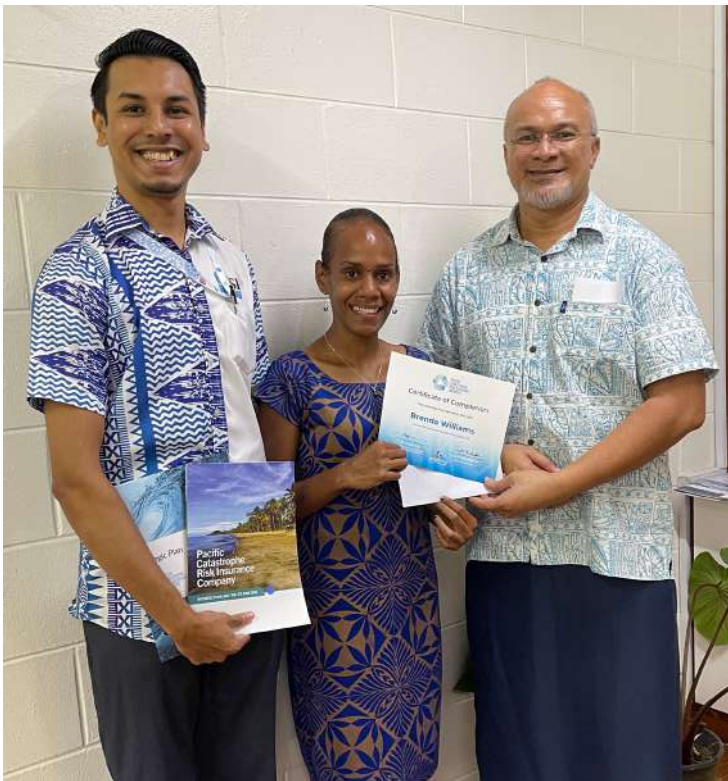


PCRIC CEO - Aholotu Palu during his recorded session at the Island Finance Forum



## PCRIC INTERNS RECEIVE CERTIFICATION IN DISASTER RISK FINANCING

PCRIC was proud to award the first cohort of 10 interns their certificates upon completion of their internship at PCRIC. The PCRIC internship program was launched in 2021 in cooperation with The University of the South Pacific (USP). The program was designed to provide capacity building, training and research opportunities in the subject area of disaster risk financing in order to strengthen the next generation of leaders in this space in the PICs. The purpose of the program was to raise the students' understanding of disaster risk management and financing instruments to support the Pacific region within a global movement of multi-country cooperation programs.



*"It was a privilege to work with the PCRIC team, even while working remotely with COVID in place. These types of training will help our nations as a whole to be prepared in times of disaster."* - **Ms. Brenda Williams**

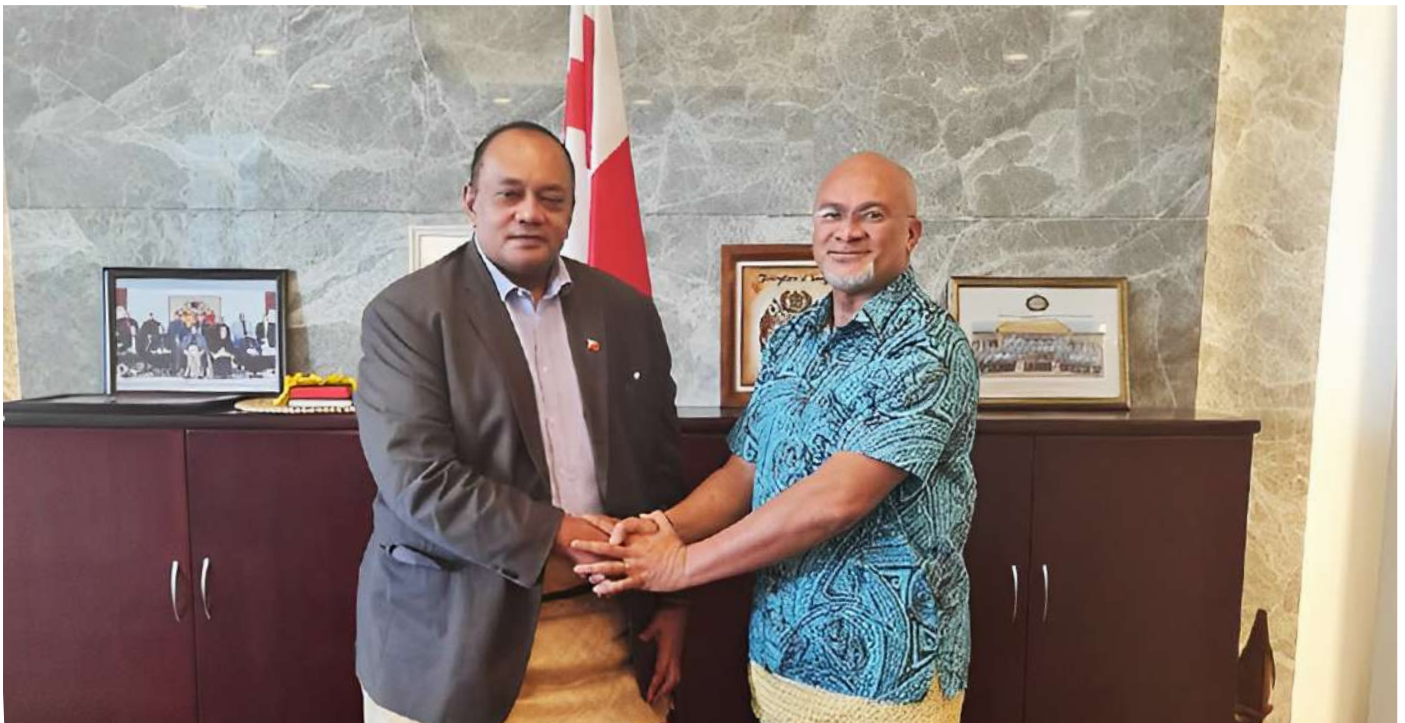
L-R: Deputy Secretary General of the University of the South Pacific's Students Association - Aneet Kumar, PCRIC Intern - Brenda Williams and PCRIC CEO - Aholotu Palu at the intern certificate presentation. *Photo by Webmedia South Pacific*



## PCRIC CEO MEETS THE TONGAN PRIME MINISTER AND DISCUSSES THE TONGA DISASTER RISK STRATEGY

In May 2022, the PCRIC CEO met with the Prime Minister of Tonga, Hon. Siaosi Sovaleni. The two discussed the country's existing disaster risk strategy along with future opportunities for Tonga to pool their risks with other Forum countries.

During the meeting, the Prime Minister and CEO also discussed the circumstances surrounding the aftermath of the Hunga Tonga-Hunga Ha'apai event experienced earlier in the year. The PCRIC CEO provided clarification as to why the event did not trigger an insurance payout.



L-R: Prime Minister of Tonga - Hon. Siaosi Sovaleni and PCRIC CEO - Aholotu Palu during their meeting in Tonga. *Photo supplied*



## PCRIC TAKES PART IN THE DISASTER RISK FINANCE SYMPOSIUM

In a first for the Pacific region, a DRF symposium was held in collaboration between PIFS and the DRF Technical Working Group with PCRIC being a key partner of the event. Organisations such as the UN Office for Disaster Risk Reduction (UNDRR) and UN Capital Development Fund (UNCDF) also played a central role in shaping the event. Convening at the Grand Pacific Hotel, participants at the two-day hybrid symposium learnt how PICs can develop their DRF strategies. PCRIC's Regional Coordinator, Ms. Akosita Drova shared that "a DRF strategy is a critical document that countries should develop given the vulnerabilities of the region to disasters. There are a number of instruments that are available to countries and the parametric insurance that PCRIC offers is one of these."



L-R: Regional Coordinator - Akosita Drova and Finance & Planning Manager - Pankaj Singh at the DRF Symposium. Photo by Webmedia South Pacific



## PCRIC ATTENDS THE INSURANCE RISK POOLS SUMMIT IN LONDON

In June, the PCRIC CEO and some members of the Management Team attended the CEOs and Underwriting Officers Risk Pool Summit in London. During the Summit, PCRIC shared their experience including PCRIC's evolution from its establishment in 2015, and some of the Pacific region's major challenges given the high exposure to the impacts of natural hazards. PCRIC also shared valuable lessons learned, networked with fellow Risk Pool personnel and explored areas of mutual interest and benefit.

At the end of the Summit, the staff and management of all four regional insurance risk pools noted how useful the meeting had been and looked forward to similar workshops in the future.



L-R: PCRIC CEO - Aholotu Palu (middle) and PCRIC Technical Advisor Product/Actuarial - Richard Poulter with CEOs and Underwriting Officers at the Risk Pool summit in London. *Photo supplied*



## PCRIC SIGNS MOU WITH THE UNIVERSITY OF THE SOUTH PACIFIC

PCRIC signed an MoU with the University of the South Pacific (USP) in July 2022 to establish educational cooperation to enhance better understanding and knowledge in the Pacific region regarding disaster risk finance and management.

The successful signing of the MoU between the two regional organisations will allow PCRIC and USP to enable institutional cooperation to promote educational programs to build capacity and technical knowledge in the Pacific region in support of improved disaster risk finance and management. The MoU was executed by the USP's Vice-Chancellor and President Professor Pal Ahluwalia and the PCRIC CEO, Mr. Aholotu Palu.

Key highlights of the MoU include developing executive certificate courses for public officials and private sector organisations to facilitate a better understanding of public-private cooperation for disaster preparedness, convening regional workshops and training programs to promote shared learning and exchange of best practices in disaster risk management and finance, and continuity in executing the internship program with future leaders of the Pacific.



L-R: PCRIC CEO - Aholotu Palu and the University of the South Pacific's Deputy Vice-Chancellor & Vice President - Dr. Giulio Paunga at the MoU signing. *Photo by Webmedia South Pacific*



## PCRIC ARTICULATES ITS VALUE PROPOSITION AT THE FORUM ECONOMIC MINISTERS MEETING IN VANUATU

At the 2022 Forum Economic Ministers Meeting (FEMM) sponsored by PIFS and held in Port Vila, Vanuatu, PCRIC made a unique presentation about disaster relief financing. During the meeting, PCRIC challenged the large audience of Ministers, government officials, donors and regional stakeholders with a simulated major disaster impacting the entire Pacific Islands region.

This unorthodox approach captured the attention and imagination of delegates and though unexpected was well received. The key message was that the unpredictable timing, nature and scale of the disasters impacting our region calls for sound disaster risk finance planning.

By highlighting the advantages of PCRIC's pooled-risk approach to disaster risk insurance, the presentation demonstrated how commitment to a collaborative approach to the financial challenges confronting nations in the wake of a major disaster can serve to deliver better outcomes for all in their most pressing time of need.

PCRIC noted that not only does DRF enable nations to receive a financial injection in the immediate aftermath of an insured event occurring, but by collectively scaling up to a larger insurance pool, each participating nation receives the additional benefit of lower insurance policy premiums than otherwise would be the case if purchasing insurance as individual countries.



L-R: PCRIC Technical Advisor Product/Actuarial - Richard Poulter and PCRIC Chair - Sarah-Jane Wild at the 2022 Forum Economic Ministers Meeting in Vanuatu. *Photo by Webmedia South Pacific*



## PCRIC DEVELOPS KNOWLEDGE PRODUCTS TO ENHANCE THE UNDERSTANDING OF PCRIC'S DISASTER RISK FINANCE INSTRUMENTS AND PARAMETRIC INSURANCE

To create awareness of its products and services, PCRIC developed a series of educational brochures that are now available on its website for public access. Commonly referred to as Knowledge Products, these documents were conceptualised to better help the general public understand more of PCRIC's disaster risk finance instruments and parametric insurance. Further, the knowledge products outlined PCRIC's objectives, the products currently on offer, and its efforts towards developing new products in the face of growing disaster risks across the region.



*“The Knowledge Product Series is a core element of PCRIC’s efforts to build knowledge and capacity of Disaster Risk Financing across the region. Ensuring our vision and products are well understood is critical to helping authorities in our member countries select policies that are appropriate bearing in mind the risks they face and their disaster risk financing objectives.”*

**- PCRIC Technical Advisor Product/Actuarial, Mr. Richard Poulter**

September 2022

## PCRIC HOLDS ITS FIRST IN-PERSON BOARD MEETING IN AUCKLAND, NEW ZEALAND

Enjoying greater freedom of travel with COVID 19 restrictions eased, the PCRIC Board of Directors and CEO together with the key members of the management team greatly enjoyed the first opportunity to meet face-to-face at a formal meeting of the PCRIC Board.

Key highlights of the meeting held in Auckland, on 30th September were discussions on the diversification of PCRIC's insurance products as well as CEO updates regarding member country engagement strategies. Acknowledging the closure of the PCRAFI in December 2022 and the need for PCRIC to secure a tangible alternative financial option, the Board of Directors discussed the need to seek the Council of Members' (CoM) approval to access PCRIC's capitalisation funds to fund operations after the end of grant funding in December 2022.



L-R: Insurance Manager - David Ntow, Board Director - Tine Ponia, Board Director - Darryl Williamson, Investment Manager & Advisor - Michael Chamberlain, Regional Coordinator - Akosita Drova, Finance & Planning Manager - Pankaj Singh, Captive Accountant - Sebi Thomas, CEO - Aholotu Palu, Board Director - Barry Whiteside and Board Chair - Sarah-Jane Wild at the Board Meeting in Auckland, New Zealand. *Photo supplied*



October 2022

## PCRIC WELCOMES THE WORLD BANK'S IMPLEMENTATION SUPPORT MISSION

PCRIC welcomed a visiting mission team from the World Bank to Fiji. With the impending completion of the PCRAFI in December 2022, the World Bank team's mission was to assess the performance of the company prior to its formal closure. This included providing advice to the PCRIC team on project closure requirements regarding the operation, finance, budget, and procurement activities.



## PCRIC PRESENTS AT V20'S HIGH-LEVEL MINISTERIAL DIALOGUE IN WASHINGTON DC

Following the invitation by the V20 (Vulnerable 20 Group) Ministerial Dialogue for PCRIC to be an observer, Mr. Pankaj Singh, the company's Finance & Planning Manager, represented PCRIC at the forum. Taking place in Washington DC, the ninth V20 Ministerial Dialogue was held at the margins of the annual meetings of the International Monetary Fund (IMF) and World Bank Group.

Finance Ministers from 58 climate-vulnerable economies called for reforms in the global financing architecture as they continue to face mounting economic threats from climate disasters and debt. Mr. Patrick Langrune, the Secretary of Finance for the Republic of the Marshall Islands and the incoming chair of the PCRIF CoM, made a strong plea for the World Bank to release from the PCRAFI Multi-Donor Trust Fund (MDTF) the full €10 million provided by the German Government to PCRIC for subsidisation of the cost of PICs' insurance policy premiums.



## AFRICAN RISK CAPACITY, CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY AND PCRIC AGREE TO A RISK POOL PARTNERSHIP AT COP27

On the sidelines of the COP27 climate conference in Sharm el Sheikh, Egypt, global risk pools the African Risk Capacity Limited (ARC), CCRIF SPC (formerly The Caribbean Catastrophe Risk Insurance Facility) and PCRIC agreed to enter a collaborative partnership. The Memorandum of Understanding formalises the relationship and establishes a framework for enhanced cooperation and partnership between the entities.

At the signing, leaders together noted that the arrangement paves the way for the three risk pools to collaborate and share best practices in parametric insurance models, developing new and innovative DRF instruments and undertaking joint initiatives focused on advocacy, capacity building and training.

*"This is an opportunity to take risk pools to the next level so that these are not just seen as insurance mechanisms for transferring risk, but also are viewed as tools to scale up disaster risk finance in a very significant way to enable governments to provide higher levels of financial protection for their populations, including the most vulnerable."* - **CCRIF SPC CEO, Mr. Isaac Anthony**



L-R: ARC Ltd. CEO - Lesley Ndlovu, CCRIF SPC CEO - Isaac Anthony and PCRIC CEO - Aholotu Palu. *Photo supplied*

## PCRIC ATTENDS THE LAUNCHING OF THE GLOBAL SHIELD AGAINST CLIMATE RISKS AT COP27

The PCRIC delegation took part in the launch of the Global Shield, an initiative of the Vulnerable Twenty (V20) Group of Finance Ministers and the Group of Seven (G7). This was a historic event for the disaster risk and finance sector. The launching of the Global Shield against Climate Risks aims to help low-income and vulnerable countries to rebound in the event of climate calamities by providing and facilitating substantially more and better pre-arranged finance against disasters and climate risks. Germany will provide EUR 170 million as a seed contribution, of which EUR 84 million are core funding to the Global Shield and EUR 85.5 million for related climate risk finance instruments. Further contributions by donors were expected in the new year.



## PCRIC AND WTW HOLD KIRIBATI AND MARSHALL ISLANDS DROUGHT CONSULTATIONS

PCRIC and Willis Towers Watson (WTW) visited Kiribati and the Marshall Islands in December 2022 to conduct the second phase of drought consultations with key stakeholders. In Kiribati, the team met with the Ministry of Finance and Economic Development (MFED), the National Disaster Management Office (NDMO), the Kiribati Meteorological Service, the Ministry of Infrastructure and Sustainable Energy and the Ministry of Agriculture.

In the Marshall Islands, the team met and consulted with various stakeholders including the Majuro Water and Sewerage Company, the Ministry of Health, the Ministry of Natural Resource and Commerce, the Majuro Weather Services Office and the RMI Environmental Protection Authority together with the Financial Secretary for the Ministry of Finance, Banking, and Postal Services.

The consultations aimed to gather critical data and stakeholders' feedback on the Drought product being developed. PCRIC's Regional Coordinator, Ms. Akosita Drova and WTW's Associate Director for Disaster Risk Finance and Parametrics, Ms. Viktoria Seifert were part of the mission team as they met with relevant representatives. In their discussions, the PCRIC-WTW team focused on addressing gaps in essential information and data needs to better assist and refine the ongoing drought product development, as well as to validate and expand the findings of Phase 1.



L-R: PCRIC Regional Coordinator - Akosita Drova (middle) and Willis Towers Watson Associate Director Disaster Risk Finance Climate and Resilience Hub - Viktoria Seifert during their consultation meeting in Kiribati. *Photo supplied*

## PCRIC MEETS THE COOK ISLANDS PRIME MINISTER DURING A VISIT TO RAROTONGA

Though registered as a corporate entity in the Cook Islands, it was not until December, 2022 that the current PCRIC management team was able to visit the country. Their mission focused on a series of high-level meetings including the Prime Minister, Ministry of Finance & Economic Management (MFEM) and the Cook Islands Financial Supervisory Commission (FSC).

One particularly notable appointment was with the Financial Secretary for the MFEM, Mr. Garth Henderson, a zealous supporter of PCRIC's positioning for both short- and long-term Pacific Islands resilience.

This strategic session covered multiple issues including approaches to ensure that PCRIC's base operating costs are maintained at manageable levels; the market relevance and suitability of the company's range of products and services; potential future premium subsidisation for PCRIC's sovereign parametric insurance products; and maintaining a firm grasp on the Cook Islands' disaster risk finance technical assistance and capacity building requirements.



L-R: PCRIC Finance & Planning Manager - Pankaj Singh, PCRIC CEO - Aholotu Palu, Prime Minister of Cook Islands - Mark Brown and Financial Secretary for the Ministry of Finance & Economic Management - Garth Henderson during their meeting in the Cook Islands. *Photo supplied*

## CLOSURE OF THE PCRAFI AND THE END OF THE WORLD BANK'S GRANT FUNDING TO PCRIC

With the closure of the PCRAFI funded through the MDTF and administered by the World Bank initially, PCRIC's grant funding came to a close on 31st December, 2022. In working to address the need for new sources funding, PCRIC has been afforded a long-awaited opportunity to exercise greater flexibility and agility than was previously possible. There are high expectations that new funding will be secured, this ensuring goals of the 2021-2025 Strategic Plan remain achievable.





**17 PARTNERSHIPS FOR THE GOALS**

WE PARTNER WITH PRIVATE AND PUBLIC STAKEHOLDERS...

...TO UNLOCK MARKET CONSTRAINTS AND INNOVATION AND TECHNOLOGY.

**SUSTAINABLE DEVELOPMENT GOALS**

...TO BUILD INCLUSIVE DIGITAL ECONOMIES THAT SERVE SUSTAINABLE DEVELOPMENT GOALS.

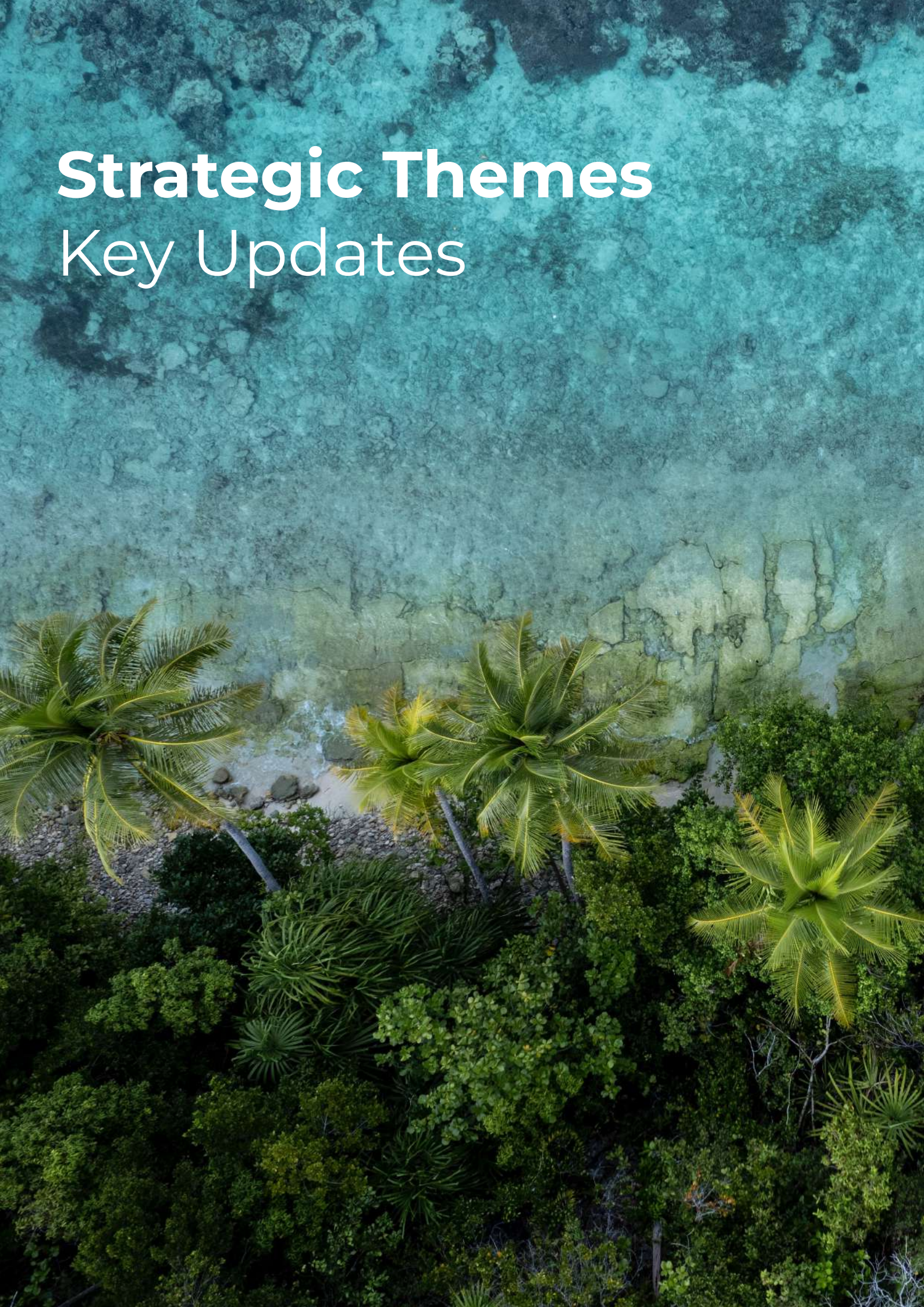
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L-R: Regional Coordinator - Akosita Drova and CEO - Aholotu Palu at the launch of the new parametric microinsurance product by the Pacific Insurance and Climate Adaptation Programme (PICAP) administered by the UN Capital Development Fund. Photo by Webmedia South Pacific



# Strategic Themes

## Key Updates







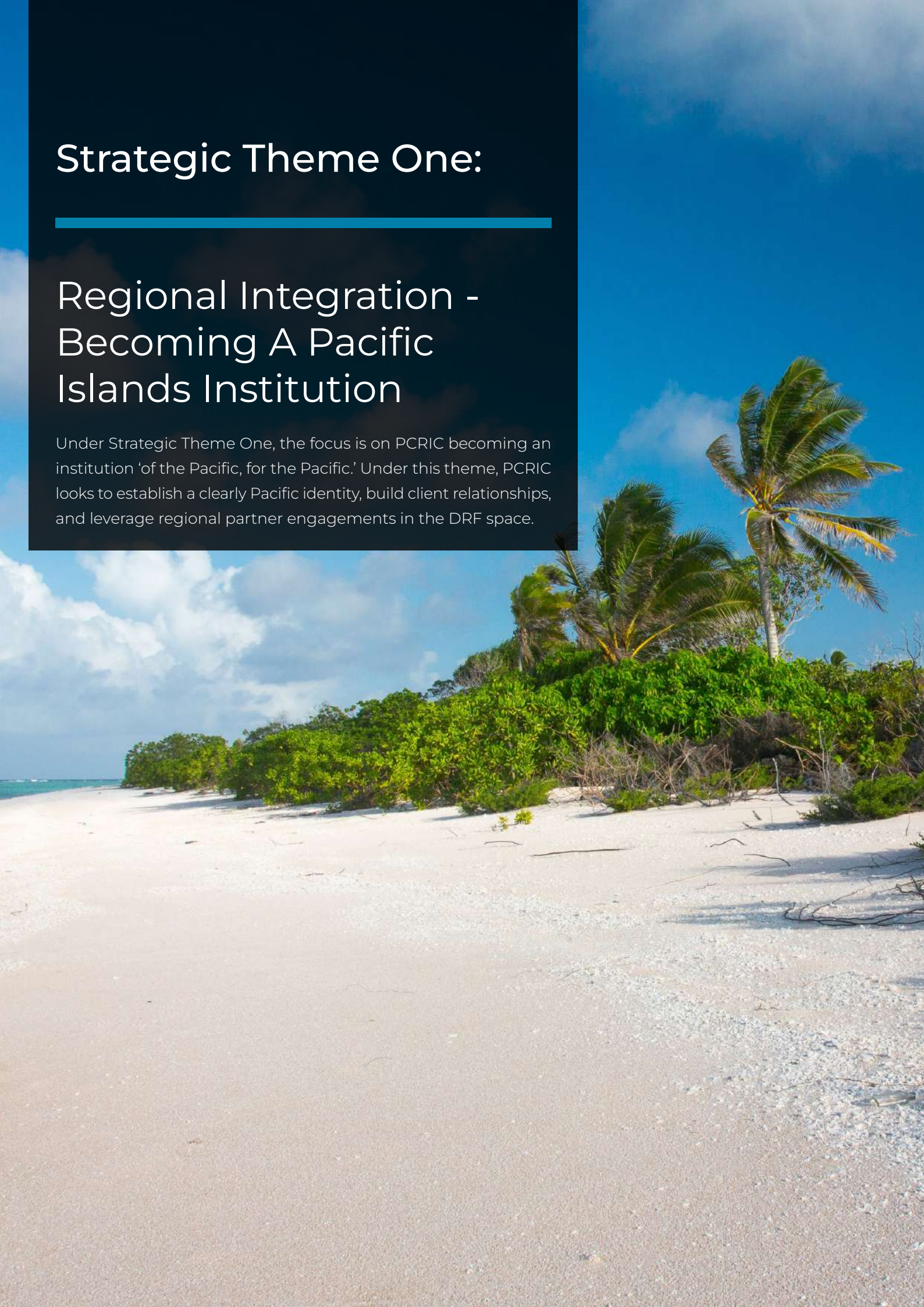


# Strategic Theme One:

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## Regional Integration - Becoming A Pacific Islands Institution

Under Strategic Theme One, the focus is on PCRIC becoming an institution 'of the Pacific, for the Pacific.' Under this theme, PCRIC looks to establish a clearly Pacific identity, build client relationships, and leverage regional partner engagements in the DRF space.





Work Areas	Key Updates
Pacific Region Engagement	<p>PCRIC ramped up its engagement in the Pacific region by participating in, leading, or co-hosting the following high-level key meetings and dialogues:</p> <ul style="list-style-type: none"> <li>• Participated in the Asia-Pacific Ministerial Conference on Disaster Risk Reduction held in Brisbane, Australia. Participation increased visibility in the region and enhanced collaboration with regional organisations and other like-minded partners in the disaster risk finance space.</li> <li>• PCRIC attended and presented at the FEMM meeting in Vanuatu where the case was made for the value of investing in disaster risk finance in the face of climate change and increased disasters. Feedback from the FEMM was positive with ministers and stakeholders noting that they found PCRIC's work and products relevant. There were promises of further exploring engagement and support in the future. PCRIC was accepted formally as a FEMM observer, an important step for networking and relationship building with Finance Ministers and others involved in decisions regarding the funding of policy premiums.</li> </ul>
Country/Client Engagement	<p>In 2022, the PCRIC CEO held more than 10 bilateral meetings, workshops, and conferences with PICs. Effective engagement with regional countries is important not only to enhance the visibility, but to also ensure our product and service offering is adequately understood. This opens the way for more confident recommendations and decisions to be made on policy funding and purchase.</p> <p>The 2021 Annual Report noted that COVID-19 hampered closer engagement with PICs. However, 2022 saw a targeted and well-coordinated plan of engagement executed by the CEO and management team. Highlights included:</p> <ul style="list-style-type: none"> <li>• Together with PIFS and the United Nations Capital Development Fund, PCRIC was part of a joint face-to-face country outreach with the Government of Tonga in July, 2022. Activities included a DRF workshop which allowed PCRIC to present its existing and new products, and the gathering of information on DRF training and technical assistance requirements. The mission was deemed to be highly successful for all the parties involved and provided the Government of Tonga with an opportunity to share with stakeholders its Disaster Risk Financing Strategy.</li> </ul>



Work Areas	Key Updates
Country/Client Engagement (cont.)	<ul style="list-style-type: none"> <li>• Bilateral meetings were convened with the Government of Fiji and the National Disaster Management Office (NDMO), allowing PCRIC the opportunity to present details of its cyclone policy paper and the new rainfall product.</li> <li>• Bilateral meetings were held with officials from Papua New Guinea (PNG) including Treasury and the Acting Director Geo-Hazards Management, Seismologist &amp; Metrological Research Office. PCRIC was able to share a paper on a proposed earthquake policy.</li> <li>• Meetings to gather more data for the development of the drought product were held with the equatorial 'high risk' countries (Palau, FSM, RMI &amp; Kiribati), known product demand (Tonga and Samoa), and known political commitment to DRF (Vanuatu and Fiji). The bilateral meetings were a success as expressed by the partners and the Governments of Tonga, RMI, and Kiribati.</li> <li>• In December 2022 the PCRIC management team undertook the first mission trip to the Cook Islands to hold a series of high-level meetings with various authorities including the Prime Minister and Minister of Finance.</li> <li>• The PCRIC CEO and other members of the management team met the Samoa Ministry of Finance CEO in December 2022. Samoa being a policyholder with PCRIC, the meeting discussed the Samoa IDA allocation for the renewal of the policy. Additionally, there was agreement on the need for further discussions once premium subsidy funds from Germany are released.</li> <li>• With Vanuatu ceasing to be a policyholder beyond 2018, PCRIC renewed efforts to engage with leaders and test interest and willingness to again take up a policy.</li> </ul>
Broader Sectoral Engagement	<p>PCRIC has enhanced regional and global presence and is well embedded in the DRF space. In 2022, PCRIC engaged with the DRF sector through the following meetings and workshops:</p> <ul style="list-style-type: none"> <li>• Participated in monthly Disaster Risk Finance Technical Working Group (DRF - TWG) meetings. PCRIC assisted PIFS in convening two DRF Virtual Learning Episodes (VLE) and a DRF Symposium for the region. The VLEs were conducted in March and April, with the DRF Symposium was conducted in May 2022.</li> <li>• The CEO participated in the PIFS-organised Debt Symposium for the region in April 2022. PCRIC's participation intended to create awareness about other funding options such as PCRIC's non-debt sovereign parametric insurance in comparison to loan instruments.</li> </ul>



## Strategic Theme Two:

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### Technical Capability - Operate Regional Open Risk Information and Underwriting Platforms

Under Strategic Theme Two, the focus is for PCRIC to operate regional open risk information and underwriting platforms effectively and efficiently with the objective being to appropriately meet the actual and potential needs of the PICs for natural disaster risk information and financing options. To achieve this, PCRIC aims to develop an open and flexible comprehensive risk modelling platform; create a flexible and appropriate underwriting system; deliver an effective product development and implementation roadmap; and provide technical tools and services to support client needs.



Work Areas	Key Updates
Segregated Cell Architecture	<ul style="list-style-type: none"> <li>In 2022, PCRIC became a <b>segregated cell company</b>. This now allows the Company to offer a broader range of products to non-sovereign entities, including the private sector, and also allows for the segregation of assets and liabilities for specific initiatives.</li> </ul>
Risk Analytics and Underwriting Platform	<ul style="list-style-type: none"> <li>Through 2022, PCRIC continued to develop its internal <b>'view of risk'</b> and use <b>existing PCRAFI Tropical Cyclone and Earthquake models</b>. PCRIC procured additional meta-data from AIR-worldwide which allowed PCRIC to recalibrate and adjust models based on recent experiences as well as independently evaluate 'live' catastrophe events' potential impact on PICs and PCRIC policies.</li> <li>PCRIC also piloted new ways of product development through the <b>separation of 'demand and need' from 'risk analysis and pricing'</b>. This has proved efficient and for the new Drought product it has allowed successful execution ahead of the anticipated schedule. PCRIC will adopt this approach to future product development.</li> </ul>
Product Development – Insurance	<p><b>Significant product development activity ensued throughout 2022:</b></p> <ul style="list-style-type: none"> <li><b>Tropical Cyclone/Earthquake/Tsunami:</b> significant progress was made to ensure the Tropical Cyclone and Earthquake/Tsunami products remain relevant. Efforts were put into redesigning the insurance product definition focused on modelling, expanding PCRIC's internal capabilities and future-proofing existing models. In this regard, the Tropical Cyclone and Earthquake/Tsunami models were rehoused in a new modelling software. Both models have been integrated into the GNS-RiskScape Platform as aggregate (low-resolution) loss models.</li> </ul> <p>In addition, an updated analysis of PICs' exposure was conducted for PCRIC by GNS, and meta-data was procured from the original model developer to allow an internal recalibration of these models. Updated and recalibrated versions of both models and country risk profiles will be launched in 2023. As a result, PCRIC can now independently maintain a 'view of risk' using the original PCRAFI models and ensure they are up-to-date with respect to the latest thinking on catastrophe risk across the region as well as issues such as climate change.</p> <ul style="list-style-type: none"> <li><b>Drought:</b> PCRIC engaged WTW Climate &amp; Resilience Hub to conduct a "Definition, Demand and Needs Assessment to Support Parametric Drought Insurance Products for Pacific Island Countries" and to deliver a risk analysis and product structuring framework. The development of this product was consultative with PCRIC and WTW holding meetings with stakeholders in Kiribati and the Marshall Islands. The consultations and work was</li> </ul>



Work Areas	Key Updates
Product Development – Insurance (cont.)	<p>completed by December 2022. PCRIC now has a framework to structure and price the drought policies for PICs. The Drought product will come to market in 2023.</p> <ul style="list-style-type: none"> <li>• <b>Excess Rainfall:</b> PCRIC engaged JBA for a multi-year development partnership on excess rainfall modelling and product development. JBA is 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 Pacific region. PCRIC worked 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> <li>• The initial plan for the product to be available for PICs in 2022 was not achieved due to technical limitations and procurement delays. However, significant groundwork has been completed including a monitoring framework and methodology to structure the products. Full risk analysis for pricing to issue policies is outstanding and will be completed in 2023.</li> </ul>
Insurance and Reinsurance Policy Renewals	<p>The insurance and reinsurance policy renewals for Season 11 were implemented successfully. Overall, PCRIC continues to offer competitively-priced policies which remains its key achievement in the region as a DRF institution serving small and developing island nations.</p>
Technical Assistance Program	<p>PCRIC developed its Technical Assistance (TA) strategy to guide the identification of Disaster Risk Finance training and TA requirements to further strengthen DRF comprehension and capabilities across the region. The strategy was approved by the PCRIC Board in June 2022. For 2023, PCRIC management will continue to explore opportunities for funding and or collaboration with partners such as the World Bank, InsuResilience Global Partnership and the CDP to implement the key components of the strategy. PCRIC will also continue with the internship program with USP to provide opportunities for interns to learn about DRF within the Pacific context.</p>

# Strategic Theme Three:

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## Compelling Value Proposition - Appropriate Client Management and Broader Stakeholder Expectations

Under Strategic Theme Three, the focus is for PCRIC to deliver on the reasonable expectations of clients and other stakeholders. To achieve this, PCRIC must establish a clear playing field and value proposition, set clear goals, monitor, and report on progress and understand and manage external expectations of PCRIC.





Work Areas	Key Updates
Business Planning and Budgeting	<p>The Finance and Planning Manager ensured Company planning and budgeting obligations were met with finalisation of the 2022/2023 Entity &amp; Project planning. This included assessment of the plausible financial outlook for PCRIC beyond the conclusion of World Bank grant funding in December 2022. In addition, financial guidelines for employee entitlements and official engagement-related expenses were drafted and approved by the Board. With the current Business Plan coming to an end in June 2023, preliminary work on development of the 2023-2025 Business Plan in line with the current Strategic Plan commenced.</p>
Monitoring and Evaluation	<p>The discipline of effective monitoring and evaluation (M&amp;E) was further integrated into the Company's processes and procedures throughout 2022. An M&amp;E framework with accompanying indicators was used to track progress on the project development objectives and the intermediate results. The M&amp;E Specialist also supported PCRIC with technical assistance and capacity building efforts within the region as well as supporting the Company's progress reporting, learning and adaptation strategies which culminated in PCRIC developing its first Annual Progress Report for 2021. The Report was endorsed by the PCRIC Board and was shared with relevant partners and stakeholders. The report was also shared at the FEMM meeting in Vanuatu in August 2022.</p>
Marketing and Communications	<p>PCRIC's Communications Team enhanced communications and visibility of the Company by providing content and design support for a range of communication activities and knowledge products. Communications outputs included multiple press releases and social media posts. The team ran a digital ad campaign for the inaugural Risk Pool Summit in London; developed PCRIC's FEMM presentation, undertook interviews with representatives from the Cook Islands, Niue, PNG and Tonga and handled logistics with the Vanuatu technical team. They drafted multiple speeches and presentations on behalf of the CEO throughout the year and provided extensive support for PCRIC's participation in COP27 and the Risk Pool collaboration. The Communications Team also supported PCRIC's response to the Hunga-Tonga-Hunga-Ha'apai volcanic eruption and other disaster events throughout the year.</p>

# Strategic Theme Four:

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## Global Partnering

Under Strategic Theme Four, the focus is for PCRIC to fully leverage the global Climate Risk Insurance landscape to the benefit of Pacific Island countries and peoples. To enhance global partnering, PCRIC aims to represent and champion Pacific interests on the global stage, understand and fully engage with key elements of the current global climate and resilience landscape as well as build a support network within the sector.





Work Areas	Key Updates
Donor Engagement	<p>PCRIC continued to engage with the donor community in pursuit of support for operational, technical assistance and premium funding.</p> <ul style="list-style-type: none"> <li>A substantial achievement in 2022 was the securing of €10 m funding from Germany’s Federal Ministry of Economic Cooperation and Development (BMZ) for premium funding and technical assistance to PICs. The funds were channelled to the World Bank’s PCRAFI Multi-Donor Trust Fund in 2022, with a plan for a country allocation methodology to be developed in 2023. The Company is extremely grateful for this support, which will directly benefit member countries when purchasing a policy.</li> <li>At the request of the Japanese government via the Ministry of Finance, PCRIC submitted a funding proposal for technical and operational support of the company. In its reply to PCRIC, Japan mentioned their support to PCRIC would be conditional upon it being channelled through the World Bank, this being a significant hurdle with the end of the PCRAFI and formal World Bank oversight of PCRIC.</li> <li>A proposal was also submitted for US\$10 m to the government of Australia’s Department of Foreign Affairs and Trade (DFAT). Regrettably, the proposal was unsuccessful in securing a funding commitment.</li> <li>PCRIC engaged with the New Zealand Ministry of Foreign Affairs and Trade (MFAT) in Tonga and Samoa to explore funding opportunities. MFAT showed interest and noted that they were drawn to explore the opportunities again in-line with their commitments to climate change and disaster risk management efforts in the Pacific.</li> </ul>
Development and Programme Partnerships	<p>PCRIC engaged other global regional and global development partners to explore partnerships and collaborations on DRF. These included:</p> <ul style="list-style-type: none"> <li>Meetings with the Food and Agriculture Organization (FAO) and the United Nations Development Programme (UNDP) to explore possibilities for funding.</li> <li>Preliminary discussions with the Pacific Region Infrastructure Facility (PRIF) to explore how PCRIC could participate in infrastructure insurance financing for resilience.</li> <li>Exploration of possible collaboration with UNDP Insurance and Risk Finance Facility (IRFF) which was launched in 2021.</li> <li>Exploration of possible support from the British-American multinational financial services firm AON which markets a range of risk-mitigation products, including Commercial Risk, Investment, Wealth and Reinsurance solutions.</li> <li>Discussions with SPC to explore the feasibility and collaboration of the Fiji UNDP and Asian Development Bank Partnership Project on data and modelling.</li> </ul>

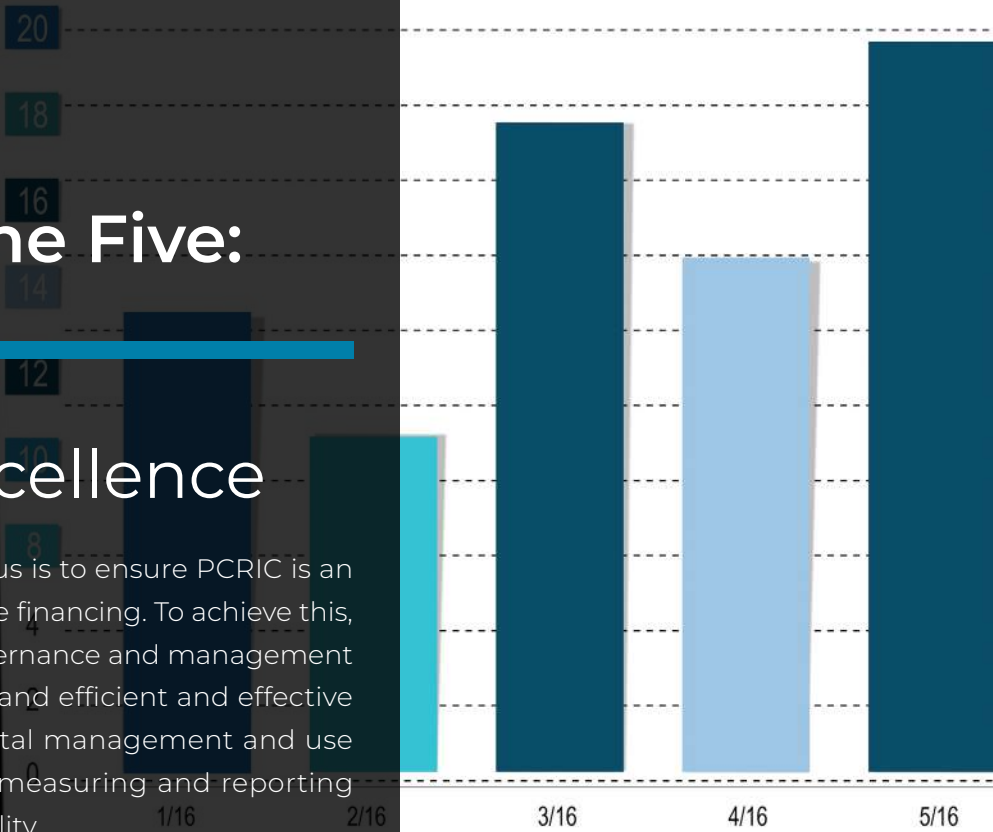
Work Areas	Key Updates
Development and Programme Partnerships (cont.)	<ul style="list-style-type: none"> <li>Discussions with InsuResilience Global Partnership on smart premium principles and exploration of ways that PCRIC could embed the smart premium principles in its methodology.</li> </ul>
Network for Collaboration and Influence	<ul style="list-style-type: none"> <li>PCRIC participated in the CEO &amp; Underwriting Officer Summit held at the Centre for Disaster Protection (CDP) in London. This was the first Summit of its kind, bringing together CEOs and Underwriting Officers from the four sovereign risk pools. There was a focus on peer-to-peer learning and building relationships to foster greater collaboration between the risk pools in the future.</li> <li>PCRIC presented at the V20 Risk Pool Workshop focused on building knowledge of risk pooling. On behalf of the CEO, PCRIC's Technical Advisor – Product &amp; Actuarial, presented on “Building Access to Sovereign Climate Risk Pooling for all V20 Members - V20 Strategic Dialogue on Gaps and Priority Areas of Action.” The workshop also introduced PCRIC's offering to the V20 group, raising awareness of PCRIC's vision and helped to establish the Company as the DRF provider of choice across the Pacific region.</li> <li>PCRIC participated in the COP 27 held in Egypt where it took part in many side events and spoke on panels addressing the value of parametric insurance and the need for DRF in the Pacific region. Key events and meetings attended included the launching of the Global Shield; a side event hosted by the Federal Ministry for Economic Cooperation and Development (BMZ); meetings with the V20 Secretariat, the UNDP Head of Insurance, and the World Food Programme. At COP 27, PCRIC also signed the MoU with ARC and CCRIF to formalise collaboration and sharing of best practices in parametric insurance models, developing new and innovative DRF instruments and undertaking joint initiatives focused on advocacy, capacity building and training.</li> </ul>



# Strategic Theme Five:

## Operational Excellence

Under Strategic Theme Five, the focus is to ensure PCRIC is an effective organisation with sustainable financing. To achieve this, PCRIC aims to have best-in-class governance and management capability, robust internal processes and efficient and effective operational execution, effective capital management and use of a comprehensive framework for measuring and reporting organisational sustainability and stability.



Work Areas	Key Updates
Governance	<p>Key progress was made on the Company's governance processes as follows:</p> <ul style="list-style-type: none"> <li>Completed amendments to the PCRIC Constitution and the Foundation Rules subsequent to the passage of the new PCRIF Act.</li> <li>Completed initial application documentation for OECD Annex 2 determination.</li> <li>With valuable support from a World Bank technical team, PCRIC made positive advances on the capital solvency framework that will apply under the new Segregated Portfolio Company regulation. This will ensure PCRIC follows capital solvency regulation 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>
Company Policy	<p>On Company policy and systems, PCRIC completed the following:</p> <ul style="list-style-type: none"> <li>Designed the framework of the 2022/2023 Entity Budget</li> <li>Drafted the financial guideline for employee entitlements and official engagement-related expenses.</li> <li>Finalised the Travel Policy</li> </ul>
Capital Management	<p>At year end, PCRIC remained very well capitalized with capital exceeding the minimum statutory capital requirement by more than 400 times and US\$5,000,000 more than the target set by the World Bank at inception.</p> <ul style="list-style-type: none"> <li>The value of actual capital (US\$25,326,073 m) is 400 times more than the statutory minimum capital requirement of NZ\$100,000 (US\$ 62,014) under the Captive Insurance Act 2013. Though PCRIC is expected to face a stricter solvency capital requirement under the new Regulations which will apply to the Company as a Segregated Cell Company, the Company's capital is still expected to be more than sufficient to meet this requirement.</li> <li>In November 2022, PCRIC received in-principle approval from the Council of Members to tap into the capitalisation fund, subject to approval from the Board, to fund the new Business Plan in the case of failure to secure funding from other sources to cover operational and product development costs.</li> </ul>





*Photo Supplied by the Government of Samoa-DMO/NEOC*



# Financial and Investments Key Data and Updates



*Photo Supplied by Webmedia South Pacific*







## FINANCIAL UPDATES

PCRIC prepares its financial statements in accordance with the New Zealand Generally Accepted Accounting Practice (NZ GAAP) as required by the Cook Islands Captive Insurance Regulations 2013. These financial statements adhere to Tier 1 Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS). Presented below are the financial results and key highlights:

### *Financial and Operational Highlights*

- PCRIC registered a net underwriting revenue gain of \$0.49 million, largely supported by zero claims arising during FY22. However, accounting for the net realized loss of \$1.41 million, there was an overall loss of \$1.26 for the period ending June 30, 2022.
- On a year-on-year basis, a marginal increase in expenses was noted mainly due to the rolling out of the procurement process for an array of product development activities. This is anticipated to bolster the suite of PCRIC products and correspondingly have a positive impact on the revenue stream for the Company in the foreseeable future.
- On the investment front, US\$25.06 million has been invested with 85.7 per cent held in managed funds and the residual balance in Listed Funds.

### *Status of the Financial Position*

- The solvency position of the Company was very strong with liquid asset holding of over US\$26.4 million and debt to equity standing at a very modest 4.2 per cent, underscoring the financial strength of the entity.
- The working capital of 24.6:1 reflects the healthy liquidity position of the Company. In the same vein, the Company does not have a long-term debt on its balance sheet which further affirms the strength of its balance sheet.
- The value of actual capital was US\$25.3 million and compared to the requirement pursuant to the guiding capital insurance act of NZ100,000 equivalent to US\$62,014, this is 408 times more than the required volume.



## Financial Performance for the Year Ended 30 June 2022

	2022 US\$	2021 US\$
Premium Income	1,273,206	1,252,055
Less Reinsurance Expenses	(786,414)	(738,152)
<b>Net Premium Income</b>	<b>486,792</b>	<b>513,903</b>
Claims Expense	-	-
Reinsurance recovery	-	-
<b>Net Claims Incurred</b>	<b>-</b>	<b>-</b>
<b>Net underwriting profit/loss</b>	<b>486,792</b>	<b>513,903</b>
MDTF & DFID Grants	805,364	2,842,320
Unrealized Income/loss	(1,412,190)	181,700
Dividend Income	81,792	26,229
Other income	33	2,431
<b>Revenue from non-underwriting sources</b>	<b>(525,001)</b>	<b>3,052,680</b>
<b>Total Revenue</b>	<b>(38,209)</b>	<b>3,566,583</b>
Less Expenses	(1,225,786)	(1,302,827)
<b>Surplus/Loss for the period</b>	<b>(1,263,995)</b>	<b>2,533,756</b>

## Balance Sheet as at 30 June 2022

	2022 US\$	2021 US\$
Current Assets		
Cash and cash equivalents	1,352,881	1,332,599
Short Term Investments	25,060,207	26,438,116
Other liquid assets & Prepayments	293,690	1,618,134
<b>Total Current Assets</b>	<b>26,706,778</b>	<b>28,056,250</b>
Less Current Liabilities	1,087,015	1,172,499
<b>Working Capital/Net Assets</b>	<b>25,619,763</b>	<b>26,883,758</b>
<b>Total Equity</b>	<b>25,619,763</b>	<b>26,883,758</b>

## Forward Outlook

- As a consequence of the closure of the World Bank-led PCRAFI, financial engineering is critical to reach a sustainable financial position. In this regard, expanding the sovereign and non-sovereign client base is a key focus, coupled with securing enhanced donor support.
- The unveiling of the new rainfall and drought parametric products in the second half of 2023 will elevate PCRIC's profile as several client countries have requested these new insurance products. In addition to this, country outreach is critical in order to create more awareness of the range of parametric insurance products on offer and the value proposition associated with them.

## INVESTMENT UPDATES

In 2022, the dominant themes centred around inflationary pressure, the rise in interest rates and what became known as the 'cost-of-living crisis.' One immediate impact was the continued high global inflation levels relative to recent years, and the consequences of rising food and energy prices on the cost of living.

The investment outcomes shown below for calendar year 2022 should also be viewed in the context of the continued impact of the major macro themes of baby boomers, the adoption of technology, the cost of energy, popular politics, social and environmental awareness, and the power of social media. These have been present for several years and will continue to be the underlying macro influences that affect the average for the next few years. Short-term 1-year investment results will continue to be driven by micro-events.

### Interest Rates

2022 was a year where short-term interest rates rose in response to central bank rate rises imposed in response to persistent inflation.

The **short-term** interest rates, as indicated by the 90-day treasury rates, were:

End of month	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sept 22	Oct 22	Nov 22	Dec 22
US	0.06%	0.22%	0.35%	0.52%	0.85%	1.16%	1.72%	2.41%	2.96%	3.33%	4.22%	4.37%	4.42%
Europe	-0.57%	-0.55%	-0.53%	-0.46%	-0.43%	-0.34%	-0.20%	0.23%	0.65%	1.17%	1.70%	1.97%	2.13%
Japan	-0.11%	-0.10%	-0.10%	-0.10%	-0.13%	-0.12%	-0.14%	-0.15%	-0.13%	-0.14%	-0.14%	-0.14%	-0.14%



Over the year, the short-term US interest rates rose from 0.06% to 4.42% and averaged 2.03%. The market return to an investor over the year, from the US cash market was 1.55%. The exception to rising interest rates was Japan where rates remained negative. Europe started the year with negative cash rates but ended the year with positive rates.

The **long-term** interest rates, as indicated by the 10-year treasury rates, were:

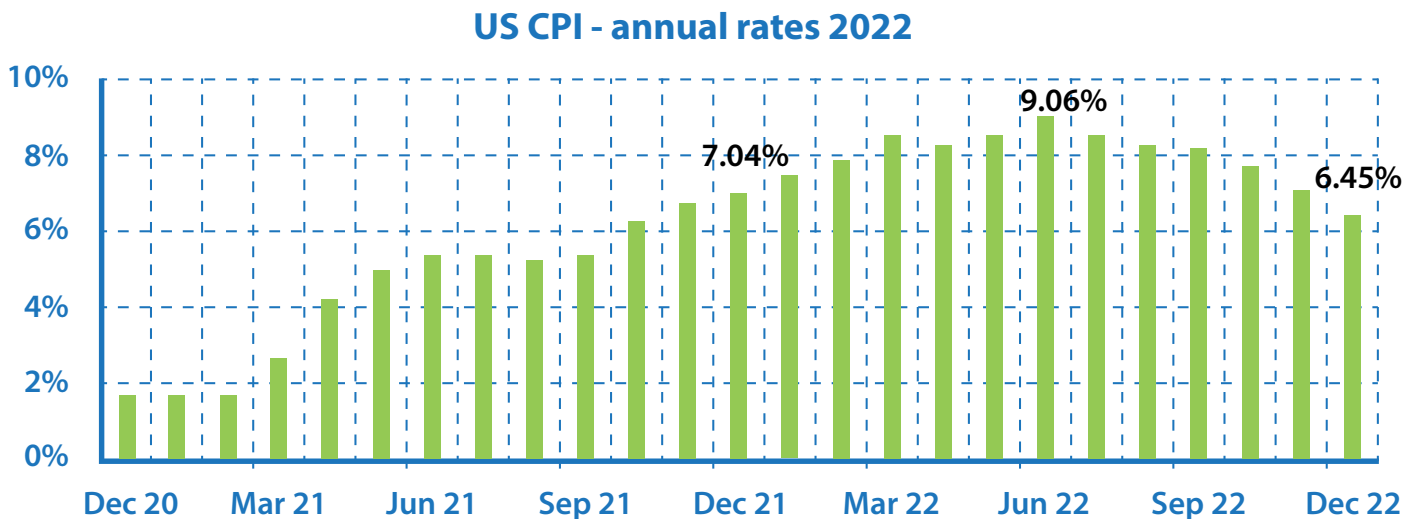
End of month	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sept 22	Oct 22	Nov 22	Dec 22
<b>US</b>	1.52%	1.79%	1.83%	2.32%	2.89%	2.85%	2.98%	2.67%	3.15%	3.83%	4.10%	3.68%	3.88%
<b>Europe</b>	0.28%	0.53%	0.94%	1.06%	1.57%	1.87%	2.44%	2.09%	2.06%	2.81%	3.19%	2.94%	3.00%
<b>Japan</b>	0.07%	0.17%	0.18%	0.19%	0.22%	0.24%	0.23%	0.18%	0.23%	0.25%	0.24%	0.25%	0.42%

Over the year, the long-term US interest rates started the year at 1.52% and ended the year 2.36 percentage points higher at 3.88% having reached 4.10% on 31 October 2022. It fluctuated between 1.52% and 4.10% and averaged 2.90%. The market return to an investor over the year is made up of the interest (i.e., coupons received) and the change in market value if the bond was sold reflecting the change in interest rates. A rise in rates leads to a fall in market value. Such falls self-correct if the bond does not default as the bond reaches maturity. The market return from the US investment grade corporate bond market was -14.76% reflecting the significance, in the short-term, of the rise in interest rates.

Relative to the market, the return earned by PCRIC in 2022 from its cash investments was 0.00% and from bonds was -16.80%. The lower than-market return from cash reflected a slightly longer duration than the 90-day index and also the management fees (0.45% pa). The lower returns from bonds reflected the greater impact that the interest rate rises had on the corporate bond investments and the impact of management fees (0.49% pa). PIMCO remained the Investment Manager over the full course of the year.

## US Inflation Rates

2022 was a year when the annual rate of inflation in the USA rose from 7.04% (December 2021) to 9.06% (June 2022) before falling back to 6.45% (December 2022). The continuation of the dramatic rise in inflation that started in 2021 is illustrated by looking at the moving 12-month average over the last two years.



While it is unknown whether the rise in inflation has peaked and will continue to decline back to the 2% target, it introduces uncertainty and potentially will result in the independent central banks with inflation mandates to maintain higher interest rates. PCRIC's investment policies are structured to meet the return objectives in both cases as they do not allocate capital to the investment sectors on a single economic scenario. At this stage, the most likely outcome is that inflation will be short-lived and central banks will maintain monetary policies to bring it back to the relevant mandated target.

## Share Markets

Following the above-average share market returns in 2021, 2022 was a negative year, reflecting the consequences of inflation, interest rate rises and the general economic environment. It was an above-average year for share markets globally. The monthly returns of the major share markets in 2021 were:



Month	Jan 22	Feb 22	Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sept 22	Oct 22	Nov 22	Dec 22	12 months
US	-5.69%	-2.97%	3.48%	-9.09%	-0.27%	-8.32%	9.29%	-3.97%	-9.31%	7.91%	5.38%	-5.92%	-19.85%
UK	0.90%	0.79%	0.14%	-3.69%	1.72%	-8.62%	3.73%	-5.64%	-8.84%	6.03%	10.76%	-0.39%	-4.84%
Germany	-3.69%	-6.90%	-2.84%	-8.18%	3.06%	-13.48%	2.35%	-6.37%	-8.78%	9.35%	13.97%	-0.05%	-22.34%
Japan	-5.07%	-1.12%	-0.50%	-8.80%	1.64%	-7.89%	5.70%	-2.55%	-10.36%	2.96%	9.68%	0.27%	-16.65%
World <sup>1</sup>	-5.29%	-2.53%	2.74%	-8.31%	0.08%	-8.66%	7.94%	-4.18%	-9.30%	7.18%	6.95%	-4.25%	-18.14%
ACWI <sup>2</sup>	-4.91%	-2.58%	2.17%	-8.00%	0.12%	-8.43%	6.98%	-3.68%	-9.57%	6.03%	7.76%	-3.93%	-18.36%

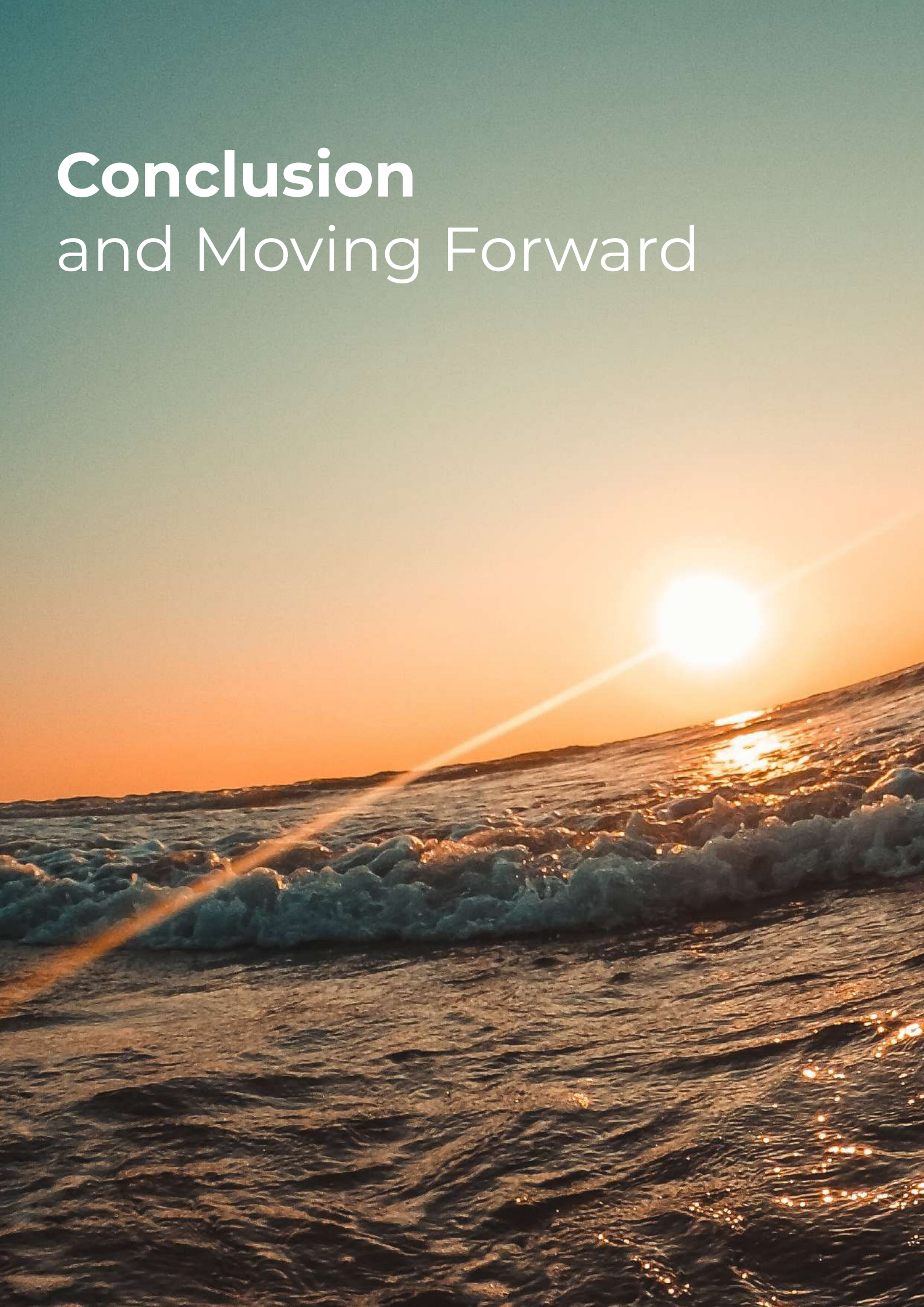
<sup>1</sup> The Total World Index (ie developed markets) with net dividends reinvested in US \$

<sup>2</sup> The Total All Country World Index (including emerging markets) with net dividends reinvested in US \$

The general World market return for 2022 was -18.14%. Compared to the general market return, PCRIC achieved -17.80% after investment costs. There was no change to the Investment Manager over the year. PCRIC continues to invest in Blackrock ETFs.

Since 31 December 2022, share markets have been positive and the year-to-date return of the MSCI World index has been positive at 7.73% for the four months to the end of April 2023.

# Conclusion and Moving Forward









We ended 2022 knowing it had been a year of much closer engagement with PICs. Though higher visibility for the organisation was pursued amongst regional countries, with donor partners and global stakeholders, we also took a step back to more deeply engage and actively listen to the concerns and aspirations of our market. Key lessons emerged and we are confident our future product offering and services will reflect the fact that we have closely considered all that was shared with us.

First, we were reminded again of the significance of face-to-face interaction in the Pacific. This is the time-

honoured cultural norm across our region and the pandemic ultimately demonstrated to us just how essential a physical presence is to clear, easeful and effective communications, the building of confidence and the clarification of PCRIC's mandate and the value proposition of our products.

Video calls are no substitute for the personal touch and for 2023 and beyond, PCRIC will maximise opportunities to engage in-country to enhance client relationships, foster active political engagement, and share in open and honest dialogue.



*Photo Supplied by the Fijian Government*

Second, we acknowledge that technical assistance and capacity building to increase awareness of disaster risk finance and PCRIC's product offerings must go hand-in-hand with country outreach missions. Evidence has shown that for administrators and officials of disaster risk finance to be confident they are making the best decisions and recommendations in the circumstances, they need access to more detailed information and technical knowledge. There is a need for better understanding of products, the technical background to policies, what constitutes a qualifying event, claim triggers, and the payout process in general.

To address this, in a number of instances while conducting country missions, tangible actions were taken to provide capacity building opportunities to local officials. Our missions to both Kiribati and RMI in December 2022 included sessions where updates were provided on its existing PCRIC products and the new products under development as well as the payout trigger mechanisms. While visiting Tonga PCRIC also provided technical assistance and communication support for the launch and dissemination throughout the community of the nation's disaster risk management strategy.





Photo Supplied by the Tonga National Emergency Management Office

Third, limited financial capacity to fund purchase of disaster risk insurance remains a significant, tangible barrier for many potential client nations in the region, and is expected to remain so well into the future. This emphasises the importance of securing financial support for policy premiums from donors and development partners. With the pledge of €10m from Germany, PCRIC will be in a much stronger position to support countries with contributions toward premium funding from 2023 onwards.

Finally, for our product offering to be fit-for-purpose, continuous development and refinement of policy fundamentals is required. We recognised this with the 2022 review of our two foundational products, realising that the underlying models upon which these policies were based had not been revised in over a decade. The review demonstrated that we must embrace a continuous program of model maintenance, evaluation, and re-development to ensure the models and products remain relevant to the market.

With these lessons learned, PCRIC is in a stronger position to engage in the region and move the company forward. In this regard, the following key actions have been prioritised for 2023:

- Finalise development and bring to market the Excess Rainfall and Drought products. These are of special relevance to nations located in the North Pacific and we anticipate additional policy purchases once the products are launched.
- Reach agreement on a proposed allocation methodology amongst PICs for the €10m in funds from Germany for premium subsidy support.
- Scaling up of disaster risk finance technical assistance to PICs and other regional organisations. Developing further knowledge and competence into the next generation of leaders in disaster risk management and financing is a key objective.
- Engage in new and innovative projects with regional organisations with a focus on building resilience.

All of the above are well within reach for PCRIC in the coming year, but only with the continued support of our vast array of stakeholders – member nations, development partners, the Board, advisors, regional organisations, academia, and many others. PCRIC warmly thanks you all in anticipation for your input and encouragement in the coming year as we continue to serve the island nations of the Pacific.



*Photo Supplied by Webmedia South Pacific*



# Annexes



## OVERVIEW OF PCRIC

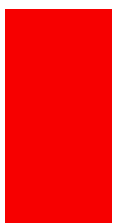
### PCRIF COUNCIL OF MEMBERS

#### Who are the CoM?

The CoM convenes biannually and is comprised of participating PCRAFI member countries (Fiji, Cook Islands, Marshall Islands, Tonga, Samoa and Vanuatu) and the four contributing donors (Germany, Japan, UK and USA). This structure provides donor partners a voice in key decisions pertaining to the strategy and programs of PCRIC, as well as direct dialogue to discuss priorities and challenges of the Facility with member countries. The Chairmanship of the Council rotates according to alphabetical order. Mr. Shiri Counder, Permanent Secretary of the Fiji Ministry of Economy, currently serves as the Chairman of the CoM.

### DONORS

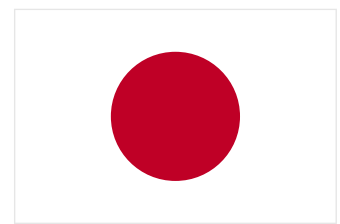
In 2016, more than US\$40 million in grants was mobilized for PICs through the G7 initiative on climate risk insurance, InsuResilience Global Partnership, to establish the PCRAFI Multi-Donor Trust Fund (MDTF) with generous contributions from Germany, Japan, the United Kingdom and the United States. Canada is also a donor however, PCRIF's foundation rules state that only four donors can have representation on the foundation council.



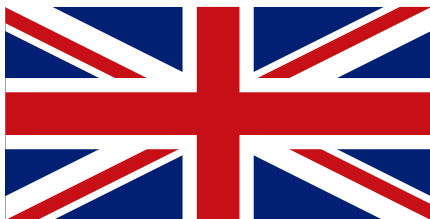
Canada



Germany



Japan



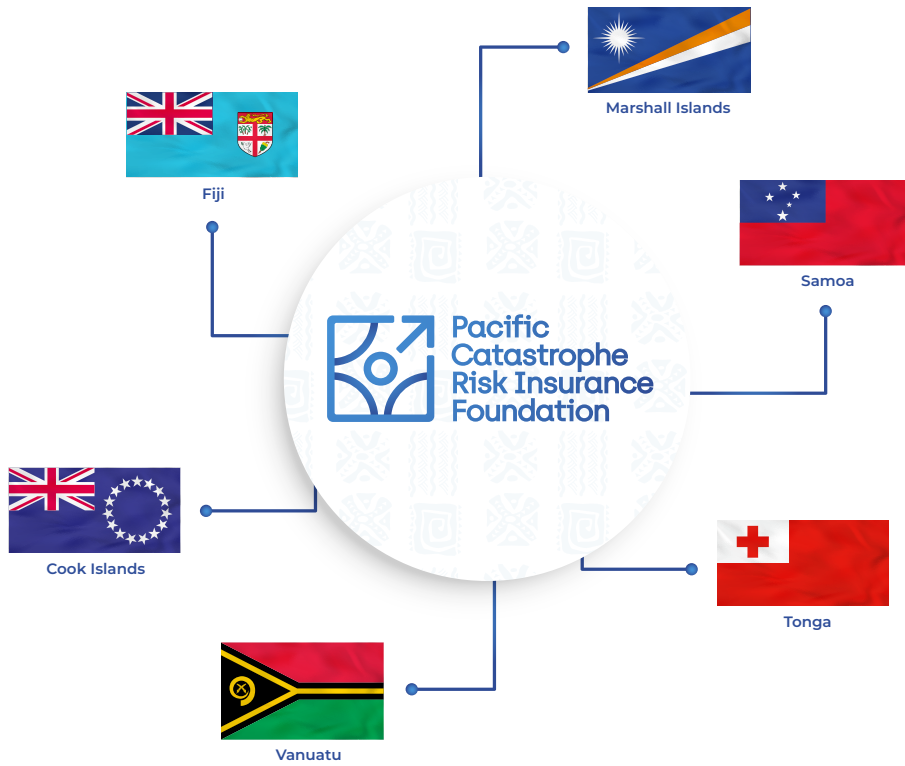
UK



US



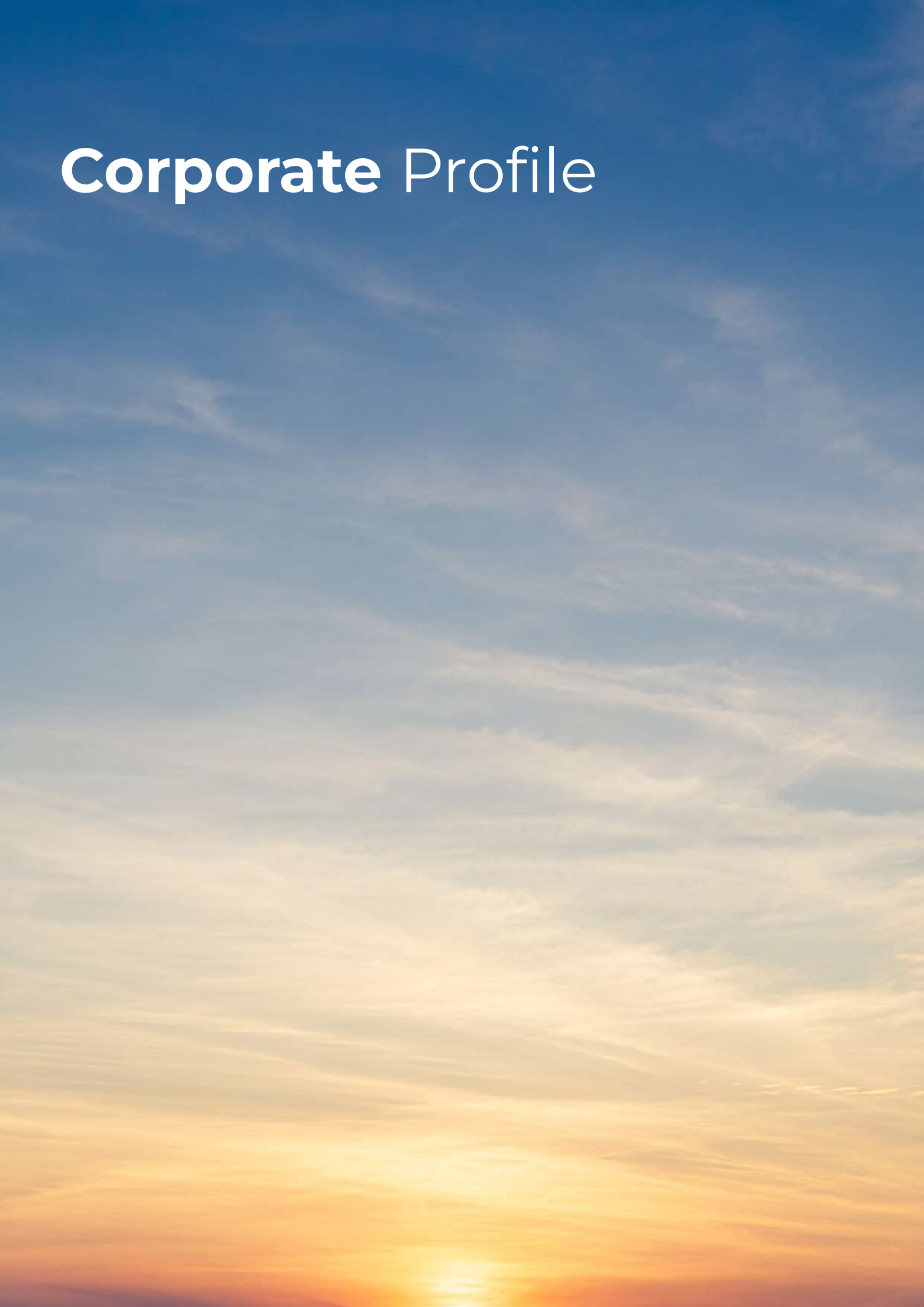
## FOUNDATION MEMBERS



## CURRENT POLICYHOLDERS

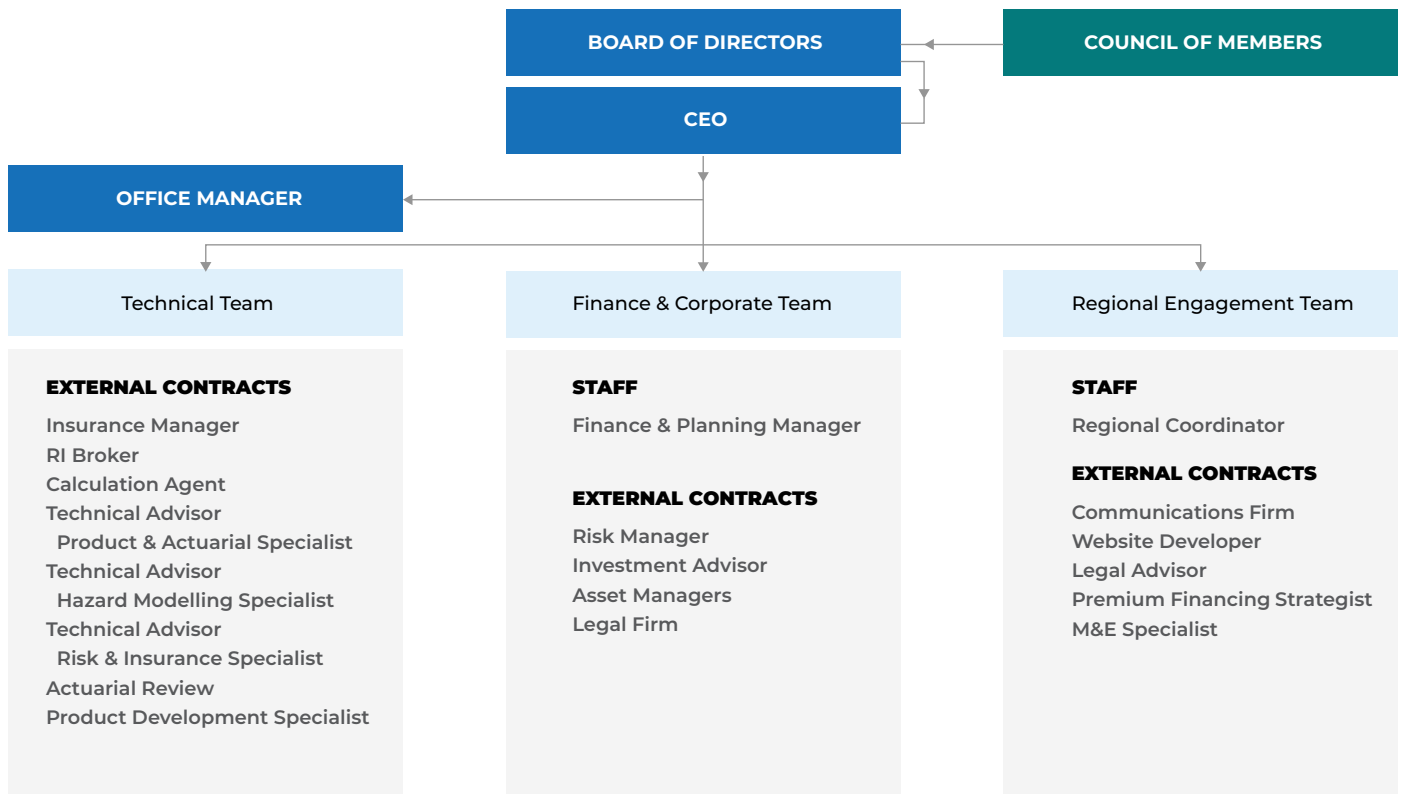


# Corporate Profile





# ORGANIZATIONAL STRUCTURE





# Board of Directors



(Guadalcanal, Solomon Islands) Photo Supplied by Webmedia South Pacific





## SARAH-JANE WILD

Sarah-Jane is the Chair of PCRIC. She has over 25 years' experience in the insurance industry and currently works for Tower Ltd in NZ in a senior leadership role. She holds a Diploma in Financial Services from ANZIIF (Australia & NZ Institute of Insurance and Finance).

Sarah-Jane has recently returned from 5 years in Fiji where she was the GM of Tower's Fiji operation. In her time in Fiji, Sarah-Jane set up the Pacific Operations for Tower. Other roles held in Fiji, included Chair of the Insurance Council, Vice Chair of the Women in Business and Vice Chair of the Accident Compensation Commission of Fiji.



## BARRY WHITESIDE

A Fiji citizen, Barry retired in 2017 after a long and distinguished career in central banking and is currently serving as a Director on a number of Fijian financial institutions, as well as the PCRIC. Prior to retirement he served as Governor of the Reserve Bank of Fiji from May 2011 to May 2017. Prior to that he was Deputy Governor from October 2009.

His service with the Fijian Central Bank spanned over 40 years and across all core areas, including Economics, Financial Markets, Financial Institutions Supervision, Currency and Corporate Services.

As Governor, Barry was a member of the National Anti-Money Laundering Council, National MSME Taskforce, and Fiji Institute of Bankers Council. He chaired several key external and internal committees including the Macro Economic Policy Committee, National Capital Markets Taskforce, National Financial Inclusion Taskforce, National Secured Transactions Taskforce, the Reserve Bank of Fiji Board, and various policy committees of the Bank.

Barry has a Bachelor's degree in economics and administration from the University of the South Pacific and a Master's degree in economics from Simon Fraser University, Canada. He was awarded the Companion of the Order of Fiji in 2018.



## DARRYL WILLIAMSON

Darryl Williamson has over 40 years of experience in the insurance industry working in numerous markets in the Pacific and Asia. Starting his career in New Zealand with NZI, Darryl had the opportunity to work in a number of countries including; Fiji, Samoa, Tonga, American Samoa, Papua New Guinea, Indonesia, and the Philippines.

He recently returned to New Zealand after 21 years abroad, managing country operations for QBE Insurance and prior to that, as the Managing Director of National Pacific Insurance Ltd, responsible for operations in Samoa, American Samoa, and The Kingdom of Tonga.

Darryl is a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF), has a Bachelor of Applied Management majoring in Strategic Management, and is a qualified member of the Institute of Directors in New Zealand (IoD).

In his spare time, Darryl is an avid sports person who loves running and enjoying the outdoors whenever possible.





## SIOSUA UTOIKAMANU

Siosua Utoikamanu is an independent consultant who specializes in international development issues including public financial management, national strategic planning, capacity building, and economic governance. He holds post-graduate degrees in Economics and Finance from the Victoria University of Wellington in New Zealand, and the University of Birmingham in the United Kingdom.

From 1991 to 2001, he held the position of Governor of the National Reserve Bank of Tonga. In 2001, he was appointed to the position of Minister for Finance and Chief Commissioner of Revenue in the government of Tonga. He held the position of Director of the Pacific Islands Centre for Public Administration at the University of the South Pacific, Laucala Campus, Fiji from 2012 to 2015. In 2016, he was elected to the Legal and Technical Commission of the International Seabed Authority.



## TINE PONIA

Tine Ponia is the Managing Director at Asiaciti Trust Pacific Limited in Rarotonga, Cook Islands. She is also a Director of the Cook Islands Financial Services Development Authority.

Tine graduated with a Bachelor of Laws from the Victoria University of Wellington, New Zealand and has 20 years of experience holding Legal / General Counsel roles in various firms.

Tine is a registered practitioner with the Society of Trust and Estate Practitioners, and a Barrister and Solicitor of the High Courts of the Cook Islands and New Zealand. She has also won multiple awards for her research and work in the field of law and educational scholarships.

When she's not busy with her passion for law, Tine enjoys spending time with family and friends, being involved in community affairs and has an avid interest in health, fitness and the outdoors. Tine is of Samoan heritage. She considers raising four beautiful children aged 3 to 18 with her Cook Islands husband the most rewarding job.

# PCRIC Team







**Aholotu Palu**  
Chief Executive  
Officer



**Akosita Drova**  
PCRIC Regional  
Co-ordinator



**Pankaj Pratap  
Singh**  
Finance & Planning  
Manager



**Dr. Timothy  
Nielander**  
Legal Advisor –  
Secretariat



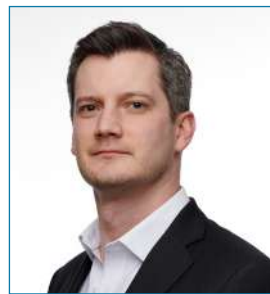
**Karen Harvey**  
PCRIC Legal Counsel



**Michael  
Chamberlain**  
Investment  
Consultant



**Richard Poulter**  
Technical Advisor –  
Product & Actuarial



**Dr. Paul Wilson**  
Catastrophe Risk  
Modelling Expert



**David Elliot Ntow**  
Insurance Manager  
for PCRIC



**Sebi Thomas**  
Captive Accountant



**Charles Owen**  
Premium Financing  
Strategist



**Monica Wabuke**  
Monitoring and  
Evaluation (M&E)  
Specialist



**Steve Reid**  
Communications and  
Marketing Strategy  
Specialist



**Peter Bennett**  
Communications and  
Marketing Strategy  
Specialist



**Susan Yee**  
Creative Strategist –  
Website  
Development

# Service Providers





## 10 Development Consulting LLC (trading as GP3 Institute)



# GP3 INSTITUTE

Global Public Private Partnership Advisory Network

GP3 Institute is contracted by PCRIC as its Legal Advisor and some of its activities include:

- Supporting the CoM chair and council including drafting and preparing documents for CoM Members and PCRIC Board members attending or presenting to the CoM.
- Providing the CoM with the necessary public international legal and governance advice to enable it to carry out its responsibilities under the PCRIF Charter, Council Rules and procedures, to help facilitate CoM governance processes and decisions.
- Providing advisory support and written materials at the request of the PCRIC Board to help facilitate CoM decisions that create matters arising or tasks delegated to the PCRIC and which require coordination between the Cook Island's legal requirements and the individual national legal requirements of the CoM member states.
- Overseeing and keeping accurate records and accounts of CoM document pack, meeting minutes and written resolutions / decisions, including ensuring all records are provided to PCRIC / PCRIF's trustee company for regulatory compliance.
- Providing support to the PCRIC's CEO and Board on engagement with the CoM and the PCRIF Member States (in particular donor members) on legal matters and organizational design recommendations for PCRIC / PCRIF as a sovereign disaster finance institution.

## Air Worldwide Corporation



A Verisk Business

Air Worldwide Corporation is contracted by PCRIC and its activities include:

- Address product development questions relating to refinement of the existing models / products / processes for existing PCRAFI Sovereign Parametric and Livelihoods products (and potential variants) and / or development of new products.
- To produce Calculation Reports of the scope detailed in the Calculation Agency Agreement to be entered into separately by the Calculation Agent and PCRIC following the occurrence of potential covered events, and the receipt of Calculation Notices from PCRIC.
- To act as Calculation Agent for the PCRAFI Insurance Program (Season 9, renewing November 1, 2020).
- To assist the Directors, Insurance Manager and Reinsurance Broker of PCRIC as required in the analysis, placement and delivery of the portfolio of PCRAFI insurance and reinsurance policies ( Season 9).
- To produce a country event briefing as per the template used during previous seasons of the PCRAFI Insurance Program.



## Asiaciti Trust Pacific Limited



Asiaciti Trust Pacific Limited is contracted by PCRIC as its Trustee Company with the provision of a Resident Director whose activities include:

- The maintenance of statutory registers and minute books.
- Attending Quarterly Board Meetings.
- Liaising with the Financial Supervisory Commission on oversight of PCRIC and PCRIF.
- Attending the Trustee Companies Association as required to keep up-to-date on any legislative changes that may affect PCRIC or PCRIF.
- Support ongoing additional Board activities as required, including attendance at additional Board Meetings, feedback on project outputs and deliverables, input into required reports and returns and support of operational activities (such as payment approvals) of PCRIC on a time in attendance basis.

**Baker Tilly**



Baker Tilly is contracted by PCRIC as its Project Auditor and some of its activities include:

- Identifying and assessing the risks of material misstatement of the Project's financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern.
- Evaluating the overall presentation, structure and content of the Project's financial statements, including the disclosures, and whether the Project's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



## Browne Harvey & Associates P.C.



Browne Harvey & Associates P.C. is contracted by PCRIC as its Legal Counsel and some of its activities include:

- Provision of legal services in connection with the operation of the PCRIC and PCRIF under the PCRAFI Facility.
- Attendance at meetings between PCRAFI Facility's management and the Cook Islands Government, Development Partners and the PCRAFI Facility's own Board of Directors and Council of Members.
- Support in the contracting of required service providers.
- Support in establishing a segregated portfolio company and aligning supporting legislation and company documents.
- Provision of general legal and regulatory advice in the operation of the PCRIC and PCRIF.

## KPMG New Zealand



KPMG New Zealand is contracted by PCRIC as its External Auditor and its activities include:

- Examining and reporting to the Directors on the financial statements of the Company which comprise the statement of financial position.
- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error.
- Design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Drawing conclusions on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



MCA NZ Limited

# MCA

- actuaries & consultants -

MCA NZ Limited is contracted by PCRIC as its Investment Advisor and its activities include:

- Developing the investment strategy and policy to ensure maximization of returns and protection of liquidity and solvency requirements, which includes the formalization of a reserve policy and a framework for managing both working capital and long-term reserves to be reviewed by the Board of Directors.
- Providing advice on potential investments and suggested returns with respect to the existing portfolio of work and any additional products / changes to the company's holdings. This must include a cost-benefit analysis demonstrating optimal returns and ensuring sufficient capital remains to meet expected probable maximum loss.
- Preparing a capital replenishment plan to restore long-term reserves accessed in making payouts relating to the last cyclone season, this must include an options analysis demonstrating different returns and the time impacts for replenishment.
- Monitoring the investments and reporting to Management and the Board of Directors.

## Webmedia South Pacific



Webmedia South Pacific is contracted by PCRIC as both a Website (IT) developer and Marketing & Communications Firm. Some of its activities include:

Website:

- Securing an online presence for PCRIC through the identification of appropriate Domain names, social media profiles, software licenses and other infrastructure.
- Supporting the establishment of a secure cloud-based document storage and sharing platform for PCRIC staff and provide basic tech support.
- Supporting appropriate set up of company email and other communications software (Office 365, Zoom, etc) and provide basic technical support during implementation.
- Development (and maintenance) of a website for the PCRIC to host key information on the company, the PCRAFI project, core strategic priorities, organizational functions and products.
- Establishment of regular reporting of Website performance (Monthly reports).

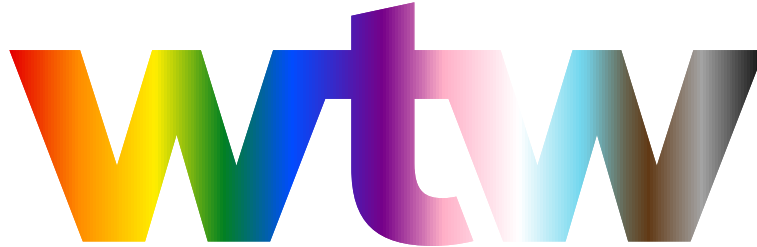




Communications:

- Marketing and communication for awareness raising, transfer of information and educational purposes to the general public in order to promote PCRIC and the value to countries of ongoing support and membership.
- Marketing and communication to raise awareness and interest among additional Pacific Island Country governments to encourage their participation in the insurance program.
- Communication to educate potential beneficiaries and policyholders about PCRIC, including support in the development and presentation of knowledge-based products etc.
- Communication with current and potential stakeholders and policyholders during all design and implementation of new products and product changes of PCRIC.
- Communication and press releases on announcement of payouts, new members, product changes and other key milestones, managing pressures from various stakeholders and expectations.

## WTW (Willis Towers Watson / Willis New Zealand Limited)

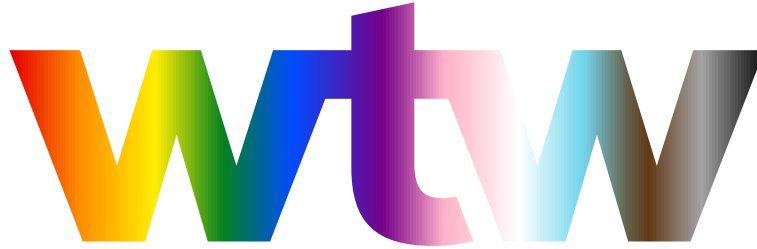


Willis New Zealand Limited is contracted by PCRIC as its Insurance Manager and some of its activities include:

- Assisting the client company board (“the Board”) or authorised representative in the design of the insurance program to be implemented by the Client.
- Analysing the insurance portfolio based on the coverage selections made by each insured country calculating the aggregate risk profile, average expected loss amounts and possible maximum loss amounts to the portfolio.
- Estimating the future capital required by the Client based on past claims experience, anticipated future premium levels and anticipated level of risk retained.
- Presenting the results of the above analysis to the Board, making recommendations on the future level of risk retention and reinsurance strategy, and assist with updating the business plan accordingly.
- Controlling the fiduciary aspects of the insurance program of the Client under guidance from the Client’s CEO.



## WTW (Willis Towers Watson / Willis Reinsurance Australia Ltd)



Willis Reinsurance Australia Ltd is contracted by PCRIC as its Reinsurance Broker and some of its activities include:

- Contacting the Client's representatives prior to renewal of the reinsurance programme to discuss and agree a placement strategy for the coming year.
- Submitting regular reports in writing on progress during the period of placement.
- Preparing and conducting a post renewal debrief with the Client, detailing salient information relative to the renewal and summarising terms and conditions of placement.
- Preparing addenda noting alterations to the Treaty as and when required within 20 working days of receipt of instructions.
- Conducting negotiations needed to seek to gain Reinsurers' approval of alteration or special acceptance to the treaty as and when required.

# **Audited** Financial Statements









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PCRIC Indicators For The 2023-2025 New Business Plan	XXVIII





## PACIFIC CATASTROPHE RISK INSURANCE COMPANY

### DIRECTORS' REPORT

For the year ended 30 June 2022

#### Results

The net loss after tax for the year ended 30 June 2022 is US \$1,271,955 (2021: US \$2,533,756 profit). The net loss after tax includes grant income in which the funds received have a restricted use. This requires that when the funds are utilised a replenishment strategy needs to be put in place. Without access to the Grant Income the entity itself would have a net loss after tax of US \$2,069,359 for the year ended 30 June 2022 (2021: US \$308,563 loss).

#### Grant Income

Grant income is key to the establishment of the Company and its future sustainability and also forms a part of the wider Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI). The Grant Income received is in accordance with the PCRAFI Multi-Donor Trust Fund Agreement (Grant Agreement). The Company received Grant Income from the World Bank Multi-Donor Trust Fund equal to US \$721,027 to fund the operational expenses of the Company (Category 1 as per the Grant Agreement) during the year ended 30 June 2022.

#### Disclosures of Interests by Directors

There have been no transactions in which Directors have had an interest.

#### Auditor

The Auditor, Baker Tilly Staples Rodway Auckland has been appointed and continues in office in accordance with Section 19 of the Captive Insurance Act 2013.

#### General

There has been no change in the main activities of the Company during the period.


The Directors consider the state of the Company's affairs to be satisfactory.

For and on behalf of the Board of Directors

  
Sarah-Jane Wild  
Director & Chairperson  
30 November 2022

  
Tine Ponia  
Resident Director  
30 November 2022





**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**DIRECTORS' RESPONSIBILITY STATEMENT**  
**For the year ended 30 June 2022**

The Directors are pleased to present the financial statements of Pacific Catastrophe Risk Insurance Limited for the year ended 30 June 2022 on pages 4 to 19 and the attached unaudited supplementary information on pages 22-23.

The Directors are responsible for the preparation of the financial statements in accordance with Cook Islands law and which are in accordance with New Zealand Generally Accepted Accounting Practice which give a true and fair view of the financial position of the Company as at 30 June 2022 and the results of its operations and cash flows for the year ended 30 June 2022.

The Directors consider that the financial statements of the Company have been prepared using accounting policies appropriate to the Company circumstances, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable New Zealand PBE Accounting Standards have been followed.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

For and on behalf of the Directors



Sarah-Jane Wild  
Director & Chairperson



Tine Ponia  
Resident Director

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES**  
**For the year ended 30 June 2022**

	NOTE	TOTAL 2022 US\$	TOTAL 2021 US\$
Gross written premium		1,280,000	1,260,000
Plus / (Less) change in unearned premium		(6,794)	(7,945)
Premium income		1,273,206	1,252,055
Reinsurance premiums		(792,800)	(774,000)
Less change in deferred reinsurance		6,386	35,848
Outwards reinsurance expense		(786,414)	(738,152)
<b>Net premium income</b>		<b>486,792</b>	<b>513,903</b>
Claims expense		-	-
Reinsurance recovery		-	-
<b>Net claims incurred</b>		<b>-</b>	<b>-</b>
<b>Net underwriting profit / (loss)</b>		<b>486,792</b>	<b>513,903</b>
Revenue from non-exchange transactions	9	721,027	2,540,684
Plus / (less) movement in revenue received in advance	9	84,337	301,636
Unrealized investment gain / (loss)		(1,412,190)	181,700
Dividends income		81,792	26,229
Interest income		33	2,431
<b>Revenue from non-underwriting sources</b>		<b>(525,001)</b>	<b>3,052,680</b>
		<b>(38,209)</b>	<b>3,566,583</b>
Auditor's remuneration	8	(34,573)	(35,228)
Project Audit		(10,000)	(100,000)
CEO remuneration		(162,679)	(132,429)
Calculation agent fee		(61,950)	(26,950)
Management fee expense		(111,500)	(100,000)
Recruitment agency fee		(13,498)	(12,500)
Reinsurance broker fee		(50,000)	(50,000)
Directors' fees		(54,995)	(84,142)
Legal fees		(49,586)	(59,138)
Investment Advisor		(12,556)	(5,815)
Project Coordinator		(39,300)	(105,350)
Website Development		(16,011)	(8,989)
Monitoring and Evaluation Specialist Fee		(42,750)	(94,500)
Communications Manager		(107,973)	(17,400)
Secretariat Advisor		(114,278)	(63,225)
D&O Insurance		(33,394)	(29,208)
Other expenses		(310,743)	(107,953)
<b>Total expenses</b>		<b>(1,225,786)</b>	<b>(1,032,827)</b>
<b>SURPLUS / (LOSS) FOR THE PERIOD</b>		<b>(1,263,995)</b>	<b>2,533,756</b>
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSES</b>		<b>(1,263,995)</b>	<b>2,533,756</b>

The notes to the financial statements form part of and should be read in conjunction with this statement.



**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**

	NOTE	TOTAL 2022 US\$	TOTAL 2021 US\$
<b>EQUITY</b>			
Share capital	3	100,000	100,000
Long Term Reserves (Restricted)		26,590,439	26,516,880
Retained Earnings (Unrestricted)		(1,070,676)	266,878
<b>TOTAL EQUITY</b>		<b>25,619,763</b>	<b>26,883,758</b>
Represented By:			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	1,352,881	1,332,599
Investments	5	25,060,207	26,438,116
Deferred Reinsurance		269,335	262,948
Other receivable		1,035	-
Prepayments		23,320	22,587
<b>TOTAL CURRENT ASSETS</b>		<b>26,706,778</b>	<b>28,056,250</b>
<b>TOTAL ASSETS</b>		<b>26,706,778</b>	<b>28,056,250</b>
<b>CURRENT LIABILITIES</b>			
Payables	10(e)	705,044	712,978
MDTF Grant - Category 1 Advance	9 & 10	(52,878)	31,459
Unearned premium reserve		434,849	428,055
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,087,015</b>	<b>1,172,492</b>
<b>NET ASSETS</b>		<b>25,619,763</b>	<b>26,883,758</b>

The notes to the financial statements form part of and should be read in conjunction with this statement.

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 30 June 2022

	Share Capital US\$	Retained Earning Unrestricted US\$	Retained Earnings Restricted US\$	Long Term Reserves Restricted US\$	Total US\$
<b>Balance at 30 June 2020</b>	100,000	-	-	24,250,002	24,350,002
Surplus for the period	-	2,533,756	-	-	2,533,756
Transfer (to) / from Long Term Reserves - MDTF	-	(2,000,000)	-	2,000,000	-
Reallocation to Long Term Reserves Accessed - MDTF	-	(192,152)	-	192,152	-
Transfer (to) / from Long Term Reserves - DFID	-	-	-	-	-
Reallocation to Long Term Reserves Accessed - DFID	-	(74,726)	-	74,726	-
Other comprehensive revenue and expenses for the period	-	-	-	-	-
Total	-	266,878	-	2,266,878	2,533,756
<b>Balance at 30 June 2021</b>	<b>100,000</b>	<b>266,878</b>	<b>-</b>	<b>26,516,880</b>	<b>26,883,758</b>
Surplus for the period	-	(1,263,995)	-	-	(1,263,995)
Transfer (to) / from Long Term Reserves - MDTF	-	-	-	-	-
Reallocation to Long Term Reserves Accessed - MDTF	-	(52,963)	-	52,963	-
Transfer (to) / from Long Term Reserves - DFID	-	-	-	-	-
Reallocation to Long Term Reserves Accessed - DFID	-	(20,596)	-	20,596	-
Other comprehensive revenue and expenses for the period	-	-	-	-	-
Total	-	(1,337,554)	-	73,559	(1,263,995)
<b>Balance at 30 June 2022</b>	<b>100,000</b>	<b>(1,070,676)</b>	<b>-</b>	<b>26,590,439</b>	<b>25,619,763</b>

The notes to the financial statements form part of and should be read in conjunction with this statement.



**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**STATEMENT OF CASH FLOWS**  
For the year ended 30 June 2022

	NOTE	TOTAL 2022 US\$	TOTAL 2021 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Receipts from insurance contracts		1,280,000	1,260,000
		<u>1,280,000</u>	<u>1,260,000</u>
<i>Cash was disbursed to:</i>			
Payments to suppliers		(1,243,855)	(906,756)
Reinsurance premiums		(783,400)	(722,155)
		<u>(2,027,255)</u>	<u>(1,628,911)</u>
<b>NET CASH (OUTFLOWS) / INFLOWS FROM OPERATING ACTIVITIES</b>	12	<u>(747,255)</u>	<u>(368,911)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Interest received		33	7,853
Repayment of investment - Term Deposits		-	3,975,622
Dividends received		80,740	26,229
Sale of Investments		346,238	35,000
		<u>427,011</u>	<u>4,044,704</u>
<i>Cash was disbursed to:</i>			
Purchase of Investments		(380,500)	(26,291,416)
		<u>(380,500)</u>	<u>(26,291,416)</u>
<b>NET CASH (OUTFLOWS) / INFLOW FROM INVESTING ACTIVITIES</b>		<u>46,511</u>	<u>(22,246,712)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Receipts from revenue from non-exchange transactions		721,027	2,540,684
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<u>721,027</u>	<u>2,540,684</u>
<b>NET (DECREASE) / INCREASE IN CASH HELD</b>		20,282	(20,074,939)
Cash and cash equivalents at the beginning of the period		1,332,599	21,407,538
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u>1,352,881</u>	<u>1,332,599</u>
Represented by:			
<b>Bank balance</b>		<u>1,352,881</u>	<u>1,332,599</u>

The notes to the financial statements form part of and should be read in conjunction with this statement.

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2022**

**1 REPORTING ENTITY**

Pacific Catastrophe Risk Insurance Company (PCRIC / the Company) is a body constituted in the Cook Islands under the Pacific Catastrophe Risk Insurance Facility Act 2016. The Pacific Catastrophe Risk Insurance Foundation (the Foundation) is the sole shareholder of PCRIC. The purpose of the Company is to undertake captive insurance business within the meaning of the Cook Island Captive Insurance Act 2013. The primary objective of the Company is to provide services for the benefit of the Pacific Island Countries and to establish a sustainable and viable vehicle to assist with post disaster relief in the Pacific. The Company is a Public Benefit Entity (PBE) for financial reporting purposes. These financial statements for the Company are for the year ended 30 June 2022 and were authorised for issue by the Board on 30 November 2022

**Basis of Financial Statement Preparation**

Statement of Compliance

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as required by the Cook Island Captive Insurance Regulations 2013. Management has elected to prepare these financial statements in accordance with Tier 1 PBE accounting standards. The financial statements comply with PBE accounting standards for Tier 1 not-for-profit public benefit entities.

The period covered by the financial statements is from 1 July 2021 to 30 June 2022. The comparative balances are the period from 1 July 2020 to 30 June 2021.

The financial statements are presented in United States dollars, rounded to the nearest dollar, being the functional currency.

The financial statements have been prepared on the historical cost basis unless otherwise stated. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Directors consider it appropriate for these financial statements to be prepared on a going concern basis.

Compliance with the Grant Agreement

Under the Pacific Catastrophe Risk Assessment and Financing Initiative Multi-Donor Trust Fund Grant Agreement Number TF A4171 dated 16 February 2017 ('Grant Agreement') between the Company and the International Bank for Reconstruction and Development and the International Development Association, the Company has to ensure compliance with the Grant Agreement. In the event the Company fails to perform any obligation under the Grant Agreement, the World Bank could either: suspend the Company's right to make withdrawals from the Grant Account; or cancel / terminate the right of the Company to make withdrawals with respect to an unwithdrawn amount of the Grant under the Grant Agreement.

In addition, under clause 4.05(a) of the World Bank Policy "Standard Conditions for Grants Made by the World Bank Out of Various Funds", the World Bank has the ability to seek a refund if the Company is deemed to be non-compliant with the Grant Agreement and the Terms and Conditions attaching.

To date there have been minor instances of non-compliance regarding process matters, and whilst known to the World Bank, these breaches have not been formally waived by them.

Management's immediate plans are to closely monitor the performance of its obligations under the Grant Agreement and if the Company anticipates non-compliance of any such obligations, Management would notify the World Bank and seek approval from duly authorised World Bank staff member (or representative) prior to any actions which may be considered as non-compliant.

As at 30 June 2022 and the date of the signing of these financial statements, the unwithdrawn amount of grant under the Grant Agreement was \$1.9m. As at the date of the signing of these financial statements, the Company has cash and cash equivalents of \$2.5m and investments available of \$25.3m, which provides sufficient operating cashflows for the Company's cashflows requirements for 12 months from the date of the signing of these financial statements, should the World Bank suspend the Company's right to make withdrawals from the Grant Account or cancel / terminate the right of the Company to make withdrawals with respect to an unwithdrawn amount of the grant under the Grant Agreement.

Nevertheless the matters referred to above indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and that the Company may, as a consequence, be unable to realise its assets and discharge its liabilities in the normal course of business.



**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2022**

**1 REPORTING ENTITY (continued)**

*"Closing date" of the Project*

The Grant Agreement stipulates the "Closing Date" of the Grant Agreement is December 31, 2022. The World Bank Policy 'Standard Conditions for Grants Made by the World Bank Out of Various Funds' (the 'Standard Conditions') set forth certain terms and conditions generally applicable to grants made by the World Bank and they apply to the extent specified in the Grant Agreement. The definitions of the Standard Conditions define the "Closing Date" as the date specified in the Grant Agreement (or such later date as the World Bank shall establish by notice to the Company) after which the World Bank may, by notice to the Company, terminate the right of the Recipient to withdraw from the Grant Account. Section 4.03 (e) Cancellation by the World Bank of the Standard Conditions - Closing Date, stipulate that 'the World Bank may, by notice to the Company, terminate the right of the Company to make withdrawals with respect to an unwithdrawn amount of the Grant, and cancel such amount, if, after the Closing Date, there remains an unwithdrawn amount of the Grant.

**Standards issued and not yet effective and not early adopted**

PBE IPSAS 41 Financial Instruments replaces the existing guidance in PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IPSAS 41 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

PBE IPSAS 41 is effective for annual reporting periods beginning on or after 1 January 2022, with early adoption permitted. Based on management's initial impact assessment of this Standard, this Standard is not expected to have a material impact on the Company's financial statements.

PBE FRS 48 Service Performance Reporting is effective for annual reporting periods beginning on or after 1 January 2022, with early adoption permitted. Based on management's initial impact assessment of this Standard, this Standard is not expected to have a material impact on the Company however its financial statements would need to include Service Performance Reporting, which the Company intends to disclose upon adoption.

PBE IPSAS IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with early adoption permitted. Management is conducting an initial impact assessment of this of Standard.

**Summary of Significant Accounting Policies**

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements. Significant accounting policies that do not relate to a specific note are outlined below:

Investments

*Classification*

The Company designates all of its financial assets as 'at fair value through surplus or deficit' as they are held for trading and available to back insurance liabilities. Assets in this category are classified as current assets if expected to be settled or sold within 12 months, otherwise they are classified as non-current.

*Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date, being the date on which the Company commits to purchase or sell the asset. Financial assets carried at fair value through surplus or deficit are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive revenue and expenses. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through surplus or deficit are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through surplus or deficit' category are presented in the statement of comprehensive revenue and expenses in the period in which they arise. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Company is the current bid price.

*Disclosure*

The Company designates all of its financial assets as 'at fair value through surplus or deficit' under PBE IPSAS 29 because they are held for trading in accordance with the Statement of Investment Policy Objectives and reported to Key Management Personnel on a fair value basis.

Income Tax

The Company is exempt from income tax in accordance with the Pacific Catastrophe Risk Insurance Facility Act 2016. Accordingly, no provision has been made for income tax. Tax advice may be sought to ensure that any operation by PCRIC in other jurisdictions does not jeopardise the entity's position to maintain the tax exempt status.

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2022

**2 BASIS OF FINANCIAL STATEMENT PRESENTATION**

Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with PBE IPSAS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are also reviewed on an ongoing basis and any changes to the estimates are recognised in the period in which they are revised.

For the year ending 30 June 2022, estimation of the fair value of financial assets, as disclosed in note 5 was an area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank and deposits on call, with an original maturity of three months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

**(a) Revenue Recognition**

Premium Income

Premium income is recognised by reference to the pattern of risk and the proportion of the policy period covered by the premium that is completed at balance date. The adequacy of the unearned premium liability is assessed by considering the current estimates of the present value of the expected cash flows relating to future claims arising from the rights and obligations under current insurance contracts against the unearned premium liability.

Interest

Interest revenue is recognised in profit or loss using the effective interest method.

Unrealised investment gains or losses are recognised in profit or loss.

Revenue from non-exchange transactions

Where a physical asset is acquired for no cost or nominal cost, the fair value of the asset received is recognised as revenue only when the Company has control of the asset. Multi Donor Trust Fund (MDTF) Operational Expense Grant Category 1 is recognised as revenue in the fiscal period in which an eligible expenditure is incurred. MDTF Grant (Category 2 & 3) and Department for International Development (DFID) Grant are recognised in the financial period in which the funds are received. Refer Note 8 for further details on revenue from non-exchange transactions.

**(b) Outwards Reinsurance**

Premiums ceded to reinsurers are recognised as an expense in accordance with the incidence of risk and pattern of reinsurance cover received.

**(c) Claims Expense and Outstanding Claims**

Claims paid are treated as an expense. Provision is made for the estimated cost of all claims notified but not settled at balance date and claims incurred but not yet reported. Claims incurred must be reported within 40 business days after the date of occurrence of the applicable catastrophe event. During the period ended 30 June 2022 there were no claims reported for which a provision may be required (2021: none).

**(d) Reinsurance and Other Recoveries Receivable**

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and claims incurred but not reported are assessed in a manner similar to the assessment of outstanding claims.

**(e) Assets Backing General Insurance Liabilities**

The assets are assessed under PBE IFRS 4 Insurance Contracts to be assets that are held to back general insurance liabilities. The fair value of these assets are obtained from quoted market prices for equity investments and valuation techniques using observable inputs for managed funds investments.

These financial assets are designated as fair value through surplus or deficit. Initial recognition is at fair value in the statement of financial position with any fair value gains or losses recognised in the statement of comprehensive revenue and expenses.

Loans and other receivables are initially recognised at fair value, being the amount due. Debts which are known to be uncollectible, are written off.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the loans and other receivables.



**PACIFIC CATASTROPHE RISK INSURANCE COMPANY  
NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2022**

**2 BASIS OF FINANCIAL STATEMENT PRESENTATION (continued)**

**(f) Other Payables**

Other payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Payables are recognised at amortised cost.

**(g) Statement of Cash Flows**

For the purposes of the statement of cash flows, cash and cash equivalents include bank balances net of outstanding bank overdrafts.

The following terms are used in the statement of cash flows:

**Operating activities** are the principal revenue producing activities of the Company and other activities that are not investing or financing activities.

**Investing activities** are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

**Financing activities** are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company and funds received under grants.

**(h) Equity**

Equity is measured by total assets less total liabilities. Equity is comprised of share capital, retained earnings and long term reserves.

Share capital is classified as equity when there is no obligation to transfer cash or other assets.

Retained earnings are disaggregated and classified into a number of sub-reserves to enable clearer identification of the specified uses that Company makes of its retained earnings. The components of retained earnings are:

- \* Retained Earnings
- \* Long Term Reserves

Reserves represent a particular use to which various parts of equity have been assigned.

Retained earnings sub-reserves may be:

- \* Created, by the Company and may be altered without reference to any party, transfers to and from these reserves are at the discretion of Company; or
- \* Legally restricted, under specific conditions accepted as binding by the Company, transfers from these reserves may be made only for specified purposes or when certain conditions are met.

The PCRIC retained earnings sub-reserve named Long Term Reserve has been created by the Company for the purpose of:

- Identifying and segregating from Retained Earnings the restricted MDTF and DFID funds which can only be used for:
  - \* facilitating a quick claim payment whilst waiting on reinsurance to be recovered.
  - \* making a claim payment where there is insufficient Retained Earnings to cover the full cost of the claim.

**(i) Contingent Liability**

The Company defines this as an obligation (if any), that will only be confirmed through the occurrence or non-occurrence of an uncertain event not wholly within the Company's control.

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2022

	2022 US\$	2021 US\$
<b>3. SHARE CAPITAL</b>		
One ordinary share	100,000	100,000

All ordinary shares are fully paid, have equal voting rights and share equally in dividends and net assets on winding up. The shares have no par value.

**4. CASH & CASH EQUIVALENTS**

	2022 US\$	2022 US\$	2022 US\$	2021 US\$	2021 US\$	2021 US\$
	Restricted Funds	Unrestricted Funds	Total	Restricted Funds	Unrestricted Funds	Total
Designated Bank Account/s	159,769	-	159,769	249,198	-	249,198
Premium Account	-	1,125,367	1,125,367	266,878	785,394	1,052,272
Total Cash & Cash equivalents	159,769	1,125,367	1,285,136	516,076	785,394	1,301,470
Cash - Forsyth Barr	-	67,745.00	67,745.00	-	31,129	31,129
Cash funds	-	67,745.00	67,745.00	-	31,129	31,129

The Designated Bank Account and Cash funds have been created to hold the restricted funds. Restricted Funds are those funds received from either the MDTF or DFID.

Funds disbursed from the MDTF are designated as follows:

**Category 1** - Funds for goods, consulting services, non-consulting services, training and operating costs for:

- Establishment and operationalisation of the PCRIC
- Monitoring and evaluation of the insurance pay-out process
- Development of Disaster Risk Insurance Products.

**Category 2** - Capitalisation Phase 1 (First instalment of project funds for capitalisation)

**Category 3** - Capitalisation Phase 2 (Second instalment of project funds for capitalisation)

Funds received from the MDTF as Category 1 are held within the Designated Bank Account. Funds received as Category 2 and 3 and those funds received from DFID are held within the investments.

	2022 US\$	2021 US\$
<b>5. INVESTMENTS</b>		
(i) Equity Investments in Listed Funds	3,579,570	4,231,053
(ii) Investments in Managed Funds	21,480,637	22,207,063
	<b>25,060,207</b>	<b>26,438,116</b>

(i) these are classified as financial assets at fair value through surplus and deficit with a carrying value of \$3,579,570 (30 June 2021: \$4,231,053)

(ii) these are classified as financial assets at fair value through surplus and deficit with a carrying value of \$21,480,637 (30 June 2021: \$22,207,063).

**6. CREDIT RATING**

The Company does not have, has not sought and is not required to have a credit rating. The Company is exempted from this requirement as the Company does not insure any third party risks.



**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2022

**7. INSURANCE CONTRACTS - RISK MANAGEMENT POLICIES AND PROCEDURES**

The Company was issued with a licence under the Cook Islands Captive Insurance Act 2013 on 10 June 2016.

The financial condition and operation of the Company is affected by a number of key risks including insurance risk, interest rate risk, market risk, compliance risk and operational risk. The Company's policies and procedures in respect of managing insurance risk are set out in this note.

**Objectives in managing risks arising from insurance contracts and policies for mitigating those risks**

The Company has an objective to control insurance risk thus minimising substantial unexpected losses that would expose the Company to an adverse financial capital loss.

The Company has an Operational Manual which has been endorsed by the council of members, this manual sets out the policies and procedures.

**Key aspects of the processes established to mitigate risks include:**

- The maintenance and use of management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Models, using information from the management information systems, are used to calculate premiums and monitor claims patterns. Past experience is used as part of the process.
- The management of assets and liabilities is closely monitored to attempt to match the maturity dates of assets with the expected pattern of claims.
- The investment strategy is to invest in assets as stipulated in the Company's Statement of Investment Policy Objectives (SIPO).
- Undertaking reinsurance cover to limit its maximum probable loss.

**Insurance Risk**

Insurance exposure is managed by the Company by its ability to review insurance contracts in place and in particular adjust future premium rates.

The gross exposure of the Company is US\$ 20,634,269 (2021 US\$ 20,326,983 ). This is limited through the purchase of reinsurance. Net exposure of the Company is US\$ 8,884,269 (2021 US\$ 8,576,983).

Exposure for each of the member countries is:

Member	2022			2021		
	Peril Insured	Event Insured	Coverage Limit	Peril Insured	Event Insured	Coverage Limit
Cook Islands	Tropical Cyclone	1 in 150 Year	2,881,982	Tropical Cyclone	1 in 150 Year	2,881,982
Samoa	Earthquake & Tropical Cyclone	1 in 50 Year	10,695,750	Earthquake & Tropical Cyclone	1 in 50 Year	10,510,162
Tonga	Earthquake & Tropical Cyclone	1 in 30 Year	7,056,537	Earthquake & Tropical Cyclone	1 in 30 Year	6,934,839
<b>Total</b>			<b>20,634,269</b>			<b>20,326,983</b>

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2022

**7. INSURANCE CONTRACTS - RISK MANAGEMENT POLICIES AND PROCEDURES (continued)**

Liquidity Risk

Liquidity risk represents the risk that the company may not have the financial ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis, with a special focus at the time of the insurance renewal (1 November each year). The key risk to liquidity is the net exposure retained as noted in the Insurance Risk section of this note. Although the Capital held by the Company is greater than the net exposure the Board makes an assessment of the likelihood of a full claim from each participating country and notes it would require the following:

Member	Peril Insured	2022	2021
		Event Required for Full Loss	Event Required for Full Loss
Cook Islands	Tropical Cyclone	1 in 150 Year	Tropical Cyclone 1 in 150 Year
Samoa	Earthquake & Tropical Cyclone	1 in 50 Year	Earthquake & Tropical Cyclone 1 in 50 Year
Tonga	Earthquake & Tropical Cyclone	1 in 30 Year	Earthquake & Tropical Cyclone 1 in 30 Year

Credit Risk

The credit rating of all participating reinsurers is monitored by the Company's Adviser who is responsible for warning the Board of changes to the credit ratings of any reinsurer involved in the Company's reinsurance programme. The reinsurer credit ratings are listed below and are formally reviewed by the Board each year.

Reinsurer	Rating Agency	Coverage Percentage	Rating
Lloyd's of London	Kroll Bond Rating Agency	25%	AA-
Liberty Specialty Markets Paris	Standard & Poor's	15%	A
Mitsui Sumitomo Insurance Co Ltd, Japan	Standard & Poor's	20%	A+
Generali Assicurazioni Generali S.p.A	AM Best	40%	A

Financial assets and liabilities arising from insurance and reinsurance contracts are stated in the balance sheet at the amount that best represents the maximum credit exposure at balance date.

Liability Adequacy Test

The liability adequacy test is an assessment of whether the carrying amount of the recognised liabilities are adequate and is conducted at each reporting date. If current estimates of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance contracts exceed the recognised liabilities then the recognised liabilities are deemed to be deficient.

There is no deficiency at 30 June 2022.

**8. AUDITOR'S REMUNERATION**

	2022 US\$	2021 US\$
- Audit of financial statements	34,573	35,228
<b>Total</b>	<b>34,573</b>	<b>35,228</b>

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2022

**9. REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Non-exchange transactions are those where the Company receives value from another entity without giving approximately equal value in exchange. The Company receives non-exchange transactions by way of grant funding under the Multi-Donor Trust Fund Agreement (MDTF) entered into with International Bank for Reconstruction and Development, and the International Development Association. The Company also receives grant funding under the Memorandum of Understanding entered into with the Department for International Development (DFID). Recognition of non-exchange revenue from grants depends on whether the grant comes with any stipulations imposed on the use of a transferred asset.

Stipulations that are 'conditions' specifically require the Company to return the inflow of resources received if they are not used in the way stipulated, and therefore do not result in the recognition of a non-exchange revenue until the 'conditions' are satisfied.

Stipulations that are 'restrictions' do not specifically require the Company to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, which results in the immediate recognition of non-exchange revenue on receipt.

	2022 US\$	2021 US\$
MDTF Grant (Category 2 & 3)	-	2,000,000
Opening balance MDTF Revenue received in Advance	31,459	333,095
MDTF Grant (Category 1)	721,027	540,684
MDTF Revenue Received in Advance	52,878	(31,459)
DFID	-	-
<b>Revenue from non-exchange transactions</b>	<b>805,364</b>	<b>2,842,320</b>

**10. RISK MANAGEMENT**

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance.

**(a) Capital Management**

The Company's capital includes share capital and retained earnings. The Company's policy is to maintain a strong capital base so as to maintain shareholder, creditor and policyholder confidence and to sustain the future development of the business.

**Financial Resource Requirements under the Captive Insurance Act 2013**

When managing capital, the Directors' objective is to ensure the Company continues as a going concern, at the same time meeting regulatory obligations in regard to minimum capital requirements.

The Directors monitor the capital structure of the Company in light of economic factors and regulatory requirements, with a view of making adjustments where necessary.

The Company, as a captive insurer, is required to maintain sufficient capital to meet the prescribed minimum requirements in accordance with the Captive Insurance Act 2013, Captive Insurance Regulations 2013 and related regulations (collectively, "the Act"). The methodology and bases for determining the financial resource requirements are in accordance with the requirements of the Act.

Under the Act, the Company is required to maintain minimum prescribed capital and surplus of NZ \$100,000.

	2022 US\$	2021 US\$
Actual capital	25,326,073	26,598,224
Prescribed minimum capital (expressed in USD equivalent of NZD \$100,000)	62,014	69,775
Margin	25,264,059	26,528,449
Margin ratio	408.39	381.20



**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2022**

**(b) Market Risk**

*(i) Interest rate risk*

The Company's interest rate risk arises from the cash component held in its investments portfolio. To manage its exposure to interest rate risk the Company diversifies its investment portfolio. Diversification of the investment portfolio is done in accordance with the limits set by the Company's SIPO.

**10. RISK MANAGEMENT (continued)**

**(b) Market Risk (continued)**

*(ii) Foreign exchange risk*

Foreign currency risk is the risk that the value of the Company's assets and liabilities or revenues and expenditure will fluctuate due to changes in foreign exchange rates. Reinsurance is purchased in United States dollars, irrespective of where the reinsurer is domiciled, and is effective from the same date and time as the Company writes the policy for its premiums and accepts the insurance risk. The Company is not exposed to currency risk as its investments are denominated in United States dollars.

*(iii) Price risk*

The Company is exposed to equity securities price risk because of investments held by the Company and classified in the statement of financial position as at fair value through surplus or deficit. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company's SIPO.

**(c) Credit Risk Management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The failure of a reinsurer to pay claims will constitute a credit risk. The Company minimises this credit risk by reinsuring with reinsurers with a credit ratings of A or above.

Financial instruments which potentially subject the Company to credit risk principally consist of cash and cash equivalents held with a counterparty bank. The Company maintains these balances with a counterparty bank having a credit rating of AA- from Standard & Poor's, and does not anticipate a default from the counterparty bank.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

**(d) Liquidity Risk Management**

The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The maturity profile of financial instruments is disclosed in Note 11.

**(e) Categories of Financial Instruments and fair value hierarchy**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : Quoted market prices – financial instruments with quoted prices for identical instruments in active markets.

Level 2: Valuation techniques using observable inputs - financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3: Valuation techniques with significant non-observable inputs - financial instruments valued using models where one or more significant inputs are not observable.

<b>Financial assets:</b>	2022	2021
<u>Assets measured at fair value</u>	US\$	US\$
- Cash and cash equivalent (Level 2)	1,352,881	1,332,599
- Equity Investments in Listed Funds (Level 1)	3,579,570	4,231,053
- Investments in Managed funds (Level 2)	21,480,637	22,207,063
<u>Loans and receivables</u>		
- Other receivables (Level 3)	1,035	-
<b>Total financial assets</b>	<b>26,414,123</b>	<b>27,770,715</b>

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2022

**Financial liabilities**

Other financial liabilities

- Payables (Level 2)	705,044	712,978
- MDTF grant income category 1 advance (Level 2)	(52,878)	31,459
<b>Total financial liabilities</b>	<b>652,166</b>	<b>744,437</b>

**(f) Sensitivity Analysis**

In managing interest rate risk and price risk the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. The table below summarises the impact of increases / decreases of the investment income on the Company's surplus or deficit for the year and on equity. The analysis is based on the assumption that the investment income had increased / decreased by 5% with all other variables held constant:

	Impact on Total Comprehensive Revenue and Expenses	
	2022	2021
	US\$	US\$
Unrealized investment gain	(1,412,190)	181,700
Impact of a +/- 5% change in market prices	(70,610)	9,085
Interest income	33	2,431
Impact of a +/- 5% change in interest rates	2	122

**11. MATURITY PROFILE OF FINANCIAL INSTRUMENTS**

The following tables detail the Company's remaining contractual maturity for its financial instruments. The tables have been drawn up based on the undiscounted cash flows of financial instruments based on the earliest date on which the Company can be required to pay/receive. The table includes both interest and principal cash flows.

	Up to 1 month	1 month up to	Over one year	Total
	US\$	12 months	US\$	
<b>2022</b>				
<b>Financial Liabilities</b>				
- MDTF grant income category 1 advance	-	52,878	-	52,878
- Reinsurance payable	-	(396,400)	-	(396,400)
- Audit fee payable	-	(55,000)	-	(55,000)
- Management fee payable	(17,500)	-	-	(17,500)
- Director Fees	(20,000)	-	-	(20,000)
- Pacific Catastrophe Risk Insurance Foundation	(50,300)	-	-	(50,300)
- Investment Advisor	(11,434)	-	-	(11,434)
- Communications Manager	(15,248)	-	-	(15,248)
- Product Development	(100,662)	-	-	(100,662)
- Secretariat Fee	(7,000)	-	-	(7,000)
- Monitoring & Evaluation Fees	(31,500)	-	-	(31,500)
- Resident Director	-	-	-	-
	(253,644)	(398,522)	-	(652,166)

**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2022

	Up to 1 month US\$	1 month up to 12 months US\$	Over one year US\$	Total US\$
<b>2021</b>				
<b>Financial Liabilities</b>				
- MDTF grant income category 1 advance	-	(31,459)	-	(31,459)
- Reinsurance payable	-	(387,000)	-	(387,000)
- Audit fee payable	-	(63,978)	-	(63,978)
- Management fee payable	(60,000)	-	-	(60,000)
- Consultants	(10,350)	-	-	(10,350)
- Director Fees	(8,000)	-	-	(8,000)
- Pacific Catastrophe Risk Insurance Foundation	(50,300)	-	-	(50,300)
- Legal Fees	(18,817)	-	-	(18,817)
- Website Development	(8,989)	-	-	(8,989)
- Investment Advisor	(26,514)	-	-	(26,514)
- Communications Manager	(17,400)	-	-	(17,400)
- Product Development	(4,800)	-	-	(4,800)
- Secretariat Fee	(5,625)	-	-	(5,625)
- Monitoring & Evaluation Fees	(26,250)	-	-	(26,250)
- Resident Director	(24,955)	-	-	(24,955)
	(262,000)	(482,437)	-	(744,437)

**12. NET CASH GENERATED BY OPERATING ACTIVITIES**

Reconciliation of (loss) / profit for the period to net cash generated by operating activities:	2022	2021
	US\$	US\$
(Loss) / Profit for the year	(1,263,995)	2,533,756
Less revenue from non-exchange transactions	(797,364)	(2,842,320)
Less interest on Term Deposit	(33)	(2,431)
Less Unrealised investment gain	1,412,190	(181,700)
Less Dividend income	(81,792)	(26,229)
Changes in net assets and liabilities:		
Deferred reinsurance	(6,387)	(35,848)
Prepayments	(733)	(5,535)
Payables & MDTF Grant	(15,934)	183,451
Unearned premium reserve	6,794	7,945
<b>Net cash (used in)/generated by operating activities</b>	<b>(747,255)</b>	<b>(368,911)</b>

**13. RELATED PARTY TRANSACTIONS AND BALANCES**

The parent of the Company is Pacific Catastrophe Risk Insurance Foundation (PCRIF), which is also the sole shareholder, and therefore is a related party.

Contributions made by Fiji to become a member of PCRIF is held by PCRIC since PCRIF does not have a bank account. This is recorded as part of payables and the balance as at 30 June 2022 is \$50,300 (2021: \$50,300)

During the year, the Company incurred directors fees of \$54,995 (2021: \$84,142).

During the year, the Company incurred \$162,679 (2021: \$132,429) on CEO Salary.

During the year, the Company incurred \$17,656 (2021: \$0) on travel expenses.





**PACIFIC CATASTROPHE RISK INSURANCE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2022**

**14. REPLENISHMENT STRATEGY**

A requirement of the Grant Agreement is to replenish any reserves utilized to fund a claim. The Board approved a Replenishment Strategy to replenish the Long Term Reserves with 50% of the current year's Operating Profit after taking out the MDTF Cat 3 grant income received. The Replenishment Strategy will remain in place until the Long Term Reserves are fully replenished.

A total of \$73,559 was transferred from retained earnings to Long Term Reserves.

**15. CONTINGENT LIABILITY**

The Company insured the Governments of the Cook Islands, Tonga and Samoa. Most countries impose a tax on premiums paid to insurers in overseas jurisdictions. Any such tax obligation is typically the obligation of the insured, however in the event that the insured does not honour any liability, the insurer would be responsible for any tax amounts owing.

As at 30 June 2022 (and as at 30 June 2021), Tonga have granted a revocation to exempt the Company from taxes related to premiums effective 1 June 2021 and Samoa have confirmed the Company has no outstanding tax obligation. However, this potential obligation meets the definition a contingent liability. That is, the obligation (if any), will only be confirmed through the occurrence or non-occurrence of an uncertain event not wholly within the Company's control.

**16. EVENTS OCCURRING AFTER BALANCE DATE**

There has been no matter or circumstance, which has arisen since 30 June 2022 that has significantly affected or may significantly affect the operations in financial years subsequent to 30 June 2022 of the Company.

APPENDIX 1

PACIFIC CATASTROPHE RISK INSURANCE COMPANY  
 SUPPLEMENTARY INFORMATION (UNAUDITED) - STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES BY BUSINESS LINE  
 For the year ended 30 June 2022

	NOTE	MDTF Cat 1 2022 US\$	MDTF Cat 2-3 2022 US\$	DFID 2022 US\$	PCRIF 2022	ENTITY 2022 US\$	TOTAL 2022 US\$	MDTF Cat 1 2021 US\$	MDTF Cat 2-3 2021 US\$	DFID 2021 US\$	ENTITY 2021 US\$	TOTAL 2021 US\$
Gross written premium		-	-	-	-	1,280,000	1,280,000	-	-	-	1,260,000	1,260,000
Less change in unearned premium		-	-	-	-	(6,794)	(6,794)	-	-	-	(7,945)	(7,945)
Premium income		-	-	-	-	1,273,206	1,273,206	-	-	-	1,252,055	1,252,055
Reinsurance premiums		-	-	-	-	(792,800)	(792,800)	-	-	-	(774,000)	(774,000)
Less change in deferred reinsurance		-	-	-	-	6,386	6,386	-	-	-	35,848	35,848
Outwards reinsurance expense		-	-	-	-	(786,414)	(786,414)	-	-	-	(738,152)	(738,152)
<b>Net premium income</b>		-	-	-	-	486,792	486,792	-	-	-	513,903	513,903
Claims expense		-	-	-	-	-	-	-	-	-	-	-
Reinsurance recovery		-	-	-	-	-	-	-	-	-	-	-
<b>Net claims incurred</b>		-	-	-	-	-	-	-	-	-	-	-
<b>Net underwriting (loss) / profit</b>		-	-	-	-	486,792	486,792	-	-	-	513,903	513,903
Revenue from non-exchange transactions		721,027	-	-	-	-	721,027	540,684	2,000,000	-	-	2,540,684
Plus / (less) movement in revenue received in advance		84,337	-	-	-	-	84,337	301,636	-	-	-	301,636
Unrealized investment gain		-	-	-	-	(1,412,190.00)	(1,412,190)	-	-	-	181,700	181,700
Dividends income		-	-	-	-	81,792.00	81,792	-	-	-	26,230	26,230
Interest income		-	-	-	-	33.00	33	-	-	-	2,431	2,431
<b>Revenue from non-underwriting sources</b>		<b>805,364</b>	-	-	-	<b>(1,330,365)</b>	<b>(525,001)</b>	<b>842,320</b>	<b>2,000,000</b>	-	<b>210,360</b>	<b>3,052,680</b>
		<b>805,364</b>	-	-	-	<b>(843,573)</b>	<b>(38,209)</b>	<b>842,320</b>	<b>2,000,000</b>	-	<b>724,263</b>	<b>3,566,583</b>
Auditor's remuneration	7	-	-	-	-	(34,573)	(34,573)	-	-	-	(35,228)	(35,228)
Project Auditor's remuneration		(10,000)	-	-	-	-	(10,000)	(100,000)	-	-	-	(100,000)
CEO remuneration		(162,679)	-	-	-	-	(162,679)	(132,429)	-	-	-	(132,429)
Calculation agent fee		(60,000)	-	-	-	(1,950)	(61,950)	(26,950)	-	-	-	(26,950)
Management fee expense		(37,500)	-	-	-	(74,000)	(111,500)	(80,000)	-	-	(20,000)	(100,000)
Recruitment agency fee		(13,498)	-	-	-	-	(13,498)	(12,500)	-	-	-	(12,500)
Reinsurance broker fee		-	-	-	-	(50,000)	(50,000)	-	-	-	(50,000)	(50,000)
Directors' fees		(54,995)	-	-	-	-	(54,995)	(84,142)	-	-	-	(84,142)
Legal fees		(10,652)	-	-	-	(38,934)	(49,586)	(59,118)	-	-	(20)	(59,138)
Financial Strength Rating		-	-	-	-	-	-	-	-	-	-	-
Investment Advisor		(12,556)	-	-	-	-	(12,556)	(5,815)	-	-	-	(5,815)
Consultants		(3,250)	-	-	-	(36,050)	(39,300)	(81,750)	-	-	(23,600)	(105,350)
D&O Insurance		-	-	-	-	(33,394)	(33,394)	-	-	-	(29,208)	(29,208)
Other expenses		(440,235)	-	-	-	(151,520)	(591,755)	(259,617)	-	-	(32,451)	(292,068)
<b>Total expenses</b>		<b>(805,365)</b>	-	-	-	<b>(420,421)</b>	<b>(1,225,786)</b>	<b>(842,320)</b>	-	-	<b>(190,506)</b>	<b>(1,032,826)</b>
<b>SURPLUS FOR THE PERIOD</b>		<b>(1)</b>	-	-	-	<b>(1,263,994)</b>	<b>(1,263,995)</b>	<b>(0)</b>	<b>2,000,000</b>	-	<b>533,757</b>	<b>2,533,757</b>
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSES</b>		<b>(1)</b>	-	-	-	<b>(1,263,994)</b>	<b>(1,263,995)</b>	<b>(0)</b>	<b>2,000,000</b>	-	<b>533,757</b>	<b>2,533,757</b>

The notes to the financial statements form part of and should be read in conjunction with this appendix.

APPENDIX 2

PACIFIC CATASTROPHE RISK INSURANCE COMPANY  
SUPPLEMENTARY INFORMATION (UNAUDITED) - STATEMENT OF FINANCIAL POSITION BY BUSINESS LINE  
AS AT 30 JUNE 2022

	NOTE	MDTF Cat 1 2022 US\$	MDTF Cat 2-3 2022 US\$	DFID 2022 US\$	PCRIF 2022 US\$	ENTITY 2022 US\$	TOTAL 2022 US\$	MDTF Cat 1 2021 US\$	MDTF Cat 2-3 2021 US\$	DFID 2021 US\$	ENTITY 2021 US\$	TOTAL 2021 US\$
<b>EQUITY</b>												
Share capital	3	-	-	-	-	100,000	100,000	-	-	-	100,000	100,000
Long Term Reserves		-	17,072,462	9,444,418	-	-	26,516,880	-	16,880,310	9,369,692	-	26,250,002
Long Term Reserves Replenished / (Accessed)		-	52,963	20,596	-	-	73,559	-	192,152	74,726	-	266,878
Retained Earnings		-	-	-	-	(1,070,676)	(1,070,676)	-	-	-	266,878	266,878
<b>TOTAL EQUITY</b>		<b>-</b>	<b>17,125,425</b>	<b>9,465,014</b>	<b>-</b>	<b>(970,676)</b>	<b>25,619,763.00</b>	<b>-</b>	<b>17,072,462</b>	<b>9,444,418</b>	<b>366,878</b>	<b>26,883,758</b>
Represented By:												
<b>CURRENT ASSETS</b>												
Cash and cash equivalents	4	159,769	-	-	50,300	1,142,812	1,352,881	249,198	192,152	74,726	816,523	1,332,598
Term Deposits		-	-	-	-	-	-	-	-	-	-	-
Investments	5	-	19,125,425	7,465,015	-	(1,530,233)	25,060,207	-	18,880,300	7,369,692	188,124	26,438,116
Deferred Reinsurance		-	-	-	-	269,335	269,335	-	-	-	262,948	262,948
Other receivable		1,035	-	-	-	-	1,035	-	-	-	-	-
Prepayments		-	-	-	-	23,320	23,320	-	-	-	22,587	22,587
<b>TOTAL CURRENT ASSETS</b>		<b>160,804</b>	<b>19,125,425</b>	<b>7,465,015</b>	<b>50,300</b>	<b>(94,766)</b>	<b>26,706,778</b>	<b>249,198</b>	<b>19,072,452</b>	<b>7,444,418</b>	<b>1,290,181</b>	<b>28,056,250</b>
<b>TOTAL ASSETS</b>		<b>160,804</b>	<b>19,125,425</b>	<b>7,465,015</b>	<b>50,300</b>	<b>(94,766)</b>	<b>26,706,778</b>	<b>249,198</b>	<b>19,072,452</b>	<b>7,444,418</b>	<b>1,290,181</b>	<b>28,056,250</b>
<b>CURRENT LIABILITIES</b>												
Payables	10	213,682	-	-	50,300	441,062	705,044	221,700	-	-	491,278	712,978
Claim payables		-	-	-	-	-	-	-	-	-	-	-
MDTF Grant - Category 1 Advance	8	(52,878)	-	-	-	-	(52,878)	31,459	-	-	-	31,459
Unearned premium reserve		-	-	-	-	434,849	434,849	-	-	-	428,055	428,055
<b>TOTAL CURRENT LIABILITIES</b>		<b>160,804</b>	<b>-</b>	<b>-</b>	<b>50,300</b>	<b>875,911</b>	<b>1,087,015</b>	<b>253,159</b>	<b>-</b>	<b>-</b>	<b>919,332</b>	<b>1,172,492</b>
<b>NET ASSETS</b>		<b>-</b>	<b>19,125,425.00</b>	<b>7,465,015.00</b>	<b>-</b>	<b>(970,677.00)</b>	<b>25,619,763.00</b>	<b>(3,962)</b>	<b>19,072,452</b>	<b>7,444,418</b>	<b>370,849</b>	<b>26,883,758</b>

The notes to the financial statements form part of and should be read in conjunction with this appendix.



The background of the entire page is a close-up photograph of parched, cracked earth. The soil is a dark brown color and has broken into numerous irregular, angular clumps. The cracks are deep and form a complex, interconnected network across the surface, creating a textured, almost mosaic-like appearance. The lighting is somewhat uneven, with slightly darker areas in the shadows of the cracks and lighter areas on the raised surfaces of the soil clumps.

# **PCRIC INDICATORS**

## **FOR THE 2021-2023**

### **BUSINESS PLAN**







Project Development Objective is to improve access to post-disaster rapid response finance to Pacific Island Countries

PCRIC Strategic Themes	Indicators	Unit	Baseline (June-2016)	YR1 (June-2017)	YR2 (June-2018)	YR3 (June-2019)	YR4 (June-2020)	YR5 (June-2021)	YR6 (June-2022)	YR7 (June-2023 <sup>1</sup> )
<b>Accelerate Regional Integration</b>	<b>Indicator 1:</b> Number of meetings, workshops, conferences and bilateral meetings held with PICs	Number	0	-	-	-	-	5	5	6
	<b>Indicator 2:</b> Number of additional countries purchasing insurance per season	Number	3	-	-	-	-	3	4	5
	<b>Indicator 3:</b> Number of regional/PIC nationals employed in PCRIC activities	Number	0	0	0	0	0	1	3	4
<b>Broaden Technical Capability</b>	<b>Indicator 4:</b> New risk modelling and underwriting platforms developed	Yes/No	N	N	N	N	N	N	Y	Y
	<b>Indicator 5:</b> Number of insurance products developed	Number	2	-	-	-	-	1	1	1
	<b>Indicator 6:</b> At least one new technical assistance program is implemented in the region with PIC participation	Yes/No	N	N	N	N	N	N	Y	Y

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



<b>Operational Excellence</b>	<b>Indicator 7:</b> Pacific Catastrophe Risk Insurance Company (PCRIC) operationalized	Yes/No	N	N	Y	Y	Y	Y	Y	Y
	<b>Indicator 8:</b> PCRIC makes full insurance payout within 30 days of the occurrence of a covered (insured) event	Yes/No	N	Y	Y	Y	Y	Y	Y	Y
	<b>Indicator 9:</b> PCRIC to become a Segregated Cell Company with the establishment of one additional financing instrument to support PIC DRM financing objectives	Yes/No	N	N	N	N	N	N	Y	Y
	<b>Indicator 10:</b> The claims-paying capacity of PCRIC is enough to sustain a 1-in-200 year insured loss	Yes/No	Y	Y	Y	Y	Y	Y	Y	Y
	<b>Indicator 11:</b> PCRIC total equity is projected to increase through FY 24	Yes/No	-	-	-	-	-	N	Y	Y
	<b>Indicator 12:</b> PCRIC capitalization (Amount in USD)	Amount in USD	-	-	-	-	-	N	20,000,000.00	20,000,000.00
<b>Consolidating a Compelling Value Proposition</b>	<b>Indicator 13:</b> Marketing and communication strategy and PCRIC website developed	Yes/ No	N	N	N	N	N	Y	Y	Y
	<b>Indicator 14:</b> Monitoring and evaluation conducted	Yes/No	N	N	N	N	N	Y	Y	Y
<b>Establishing New and Strategic Global Partnerships</b>	<b>Indicator 15:</b> Establishment of a new source of premium financing for countries	Yes/No	N	N	N	N	N	N	Y	Y
	<b>Indicator 16:</b> Number of global engagements attended by PCRIC staff (CEO plus other staff)	Number	0	0	0	0	0	3	3	4

# PCRIC INDICATORS FOR THE 2023-2025 NEW BUSINESS PLAN









PCRIC Strategic Themes	Indicators	Unit	Baseline (June - 2023)	Target (December - 2025)	Comments
<b>Regional Integration - Becoming a Pacific Islands Institution</b>	<b>Indicator 1:</b> Number of country outreach programs held with PCRIC members and non-member countries	Number	3	10	
	<b>Indicator 2:</b> Number of regional workshops on DRF hosted, co-hosted, or attended by PCRIC with partners	Number	3	8	
	<b>Indicator 3:</b> PCRIC Internship program with USP and the scholarship program for post-graduate students in PICs launched and implemented	Yes/No	No	Yes	
	<b>Indicator 4:</b> Joint Disaster Risk Financing Technical Assistance program with PIFS developed and implemented	Yes/No	No	Yes	
	<b>Indicator 5:</b> Number of new countries purchasing insurance per season	Number	3	7	
	<b>Indicator 6:</b> PCRIC is able to provide premium finance for countries	Yes/No	No	Yes	
<b>Technical Capability - Operate Regional Open Risk Information and Underwriting Platforms</b>	<b>Indicator 7:</b> All relevant Company policies developed, and control functions established as required by the new FSC Regulations for PCRIC to operate as a Segregated Portfolio Company	Yes/No	No	Yes	
	<b>Indicator 8:</b> Number of Excess Rainfall and Drought products policies sold	Number	0	3	
	<b>Indicator 9:</b> Redesigned Tropical Cyclone and Earthquake Product models operationalised and migrated to the 'people impacted model'	Yes/No	No	Yes	
	<b>Indicator 10:</b> Number of non-insurance products/solutions developed	Number	0	1	
	<b>Indicator 11:</b> PCRIC developed risk models are available as DRF tools for the region	Yes/No	No	Yes	
	<b>Indicator 12:</b> Updated Country Risk Profiles for PCRIC member and non-member countries developed with partners for all hazards for which PCRIC offer products	Yes/No	No	Yes	

PCRIC Strategic Themes	Indicators	Unit	Baseline (June - 2023)	Target (December - 2025)	Comments
<b>Compelling Value Proposition - Appropriate Client Management and Broader Stakeholder Expectation</b>	<b>Indicator 13:</b> Monitoring and evaluation conducted	Yes/No	Yes	Yes	
	<b>Indicator 14:</b> Evidence of enhanced visibility of PCRIC due to strategic marketing and communication	Yes/No	Yes	Yes	
<b>Global Partnering</b>	<b>Indicator 15:</b> Number of PCRIC funding proposals developed and funds secured	Number	0	5	
	<b>Indicator 16:</b> Evidence of closer engagement with other risk pools, regional sovereigns, and global partners in the DRF space	Yes/No	No	Yes	
<b>Operational Excellence</b>	<b>Indicator 17:</b> PCRIC makes a full insurance payout within 30 days of the occurrence of a covered (insured) event	Yes/No	Yes	Yes	
	<b>Indicator 18:</b> The Company has a projected surplus for FY25/26 after allowing for average expected claims expense, reinsurance recoveries, and investment income on a best estimate basis	Yes/No	No	Yes	
	<b>Indicator 19:</b> Investment income above 2.0% annually	Yes/No	Yes	Yes	









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