

Pacific Catastrophe Risk Insurance Company – PCRIC

Bermuda House, Tutakimoa Road
Avarua, Rarotonga, Cook Islands

PRESS RELEASE – for immediate release

Tonga To Receive Record Insurance Payout Following Cyclone Harold

COOK ISLANDS, April 29, 2020 – In the aftermath of Cyclone Harold, the government of Tonga will receive a US\$4.5 million payout from the Pacific Catastrophe Risk Insurance Company (PCRIC) based on its insurance cover against tropical cyclones, the largest payment in the company's history. These funds will provide the government with much needed rapid-response financing to support disaster-relief efforts at a crucial time with Governments around the world also grappling with the impacts of COVID-19.

Tonga is one of the Pacific Island countries that purchased catastrophe risk insurance from PCRIC – a regional catastrophe insurance platform that offers governments insurance cover against climate and seismic hazards, currently tropical cyclones and earthquake/tsunamis. PCRIC policies are designed to payout quickly after a triggering event to provide immediate access to liquidity for disaster response.

A representative of the Government of Tonga has welcomed confirmation of the payment “These funds will enhance our ability to respond to the needs of our communities impacted by Cyclone Harold and already dealing with the impacts of the COVID-19 global pandemic” said Balwyn Fa’otusia, CEO for the Tonga Ministry of Finance “in these challenging times the value of these products has been shown in supporting our wider strategy to financing natural disaster responses”

Cyclone Harold reached its peak intensity as a Category 5 cyclone as it tore a path across the Solomon Islands, Vanuatu, Fiji and Tonga, causing widespread destruction across the region. The cyclone passed within 100km of Tongatapu, Tonga’s main island, with significant storm surge coinciding with king tides, which caused wide spread damage around the coastline.

“Our thoughts and prayers go out to the affected communities across the Pacific, said PCRIC Interim Chairman, Sarah-Jane Wild. “Despite the challenging circumstances that the dual impacts of COVID-19 and Cyclone Harold presented, we are proud to be able to assist the Tongan government with much needed financing, which will provide immediate support to help meet the needs of their communities.

This event has reinforced the value of a comprehensive and diversified disaster risk financing approach in the region, and we believe that PCRIC stands as an important option in ensuring governments can access liquidity quickly to finance rehabilitation and recovery efforts. It is clear that the level of coverage provided to Pacific Island countries through the support of PCRIC by our donor partners and reinsurance panel continues to have a positive impact in the Pacific Island region.

We would like to acknowledge the contributions made by the governments of Germany, Japan, the United Kingdom, the United States of America and Canada, along with the support of our reinsurance partners AXA XL, Descartes Underwriting (Generali Security), Liberty Mutual Reinsurance and Mitsui Sumitomo Insurance who stand behind us in providing coverage to the region.”

PCRIC is committed to ongoing efforts to develop new products to increase the financial protection of governments against the impacts of natural hazards including drought, excess rainfall and other seismic and climate hazards.

“We also value the close working relationship we have with the World Bank who administers the PCRAFI multi-donor trust fund that has been instrumental in supporting PCRIC through its establishment, and look forward to strengthening this relationship along with wider relationships with other key international organizations and in particular PIC governments to ensure we continue to refine our products and services to better respond to the insurance needs of the region”



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History of PCRIC

Established in June 2016, PCRIC is a result of region-wide efforts to address climate and disaster risks across 14 Pacific Island Countries (PICs). Catastrophe risk insurance for PICs began as a pilot in 2013 to 2015 through the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), which laid the foundation for a regional catastrophe risk pool to offer governments affordable parametric insurance. PCRIC is a captive insurance company owned by the Pacific Catastrophe Risk Insurance Foundation (PCRIF), which is directed by participating Pacific Island Countries. Initial capital funds were provided by the PCRAFI Program Multi-Donor Trust Fund (MDTF) with contributions from Germany, Japan, the United States and the United Kingdom as part of InsuResilience - the G7 initiative on climate risk insurance.

Key Facts about PCRIC Pacific Catastrophe Risk Insurance Company

- A regional entity owned by PICs to meet the demand for catastrophe insurance for governments to manage fiscal impacts of climate and geophysical hazard events; current member countries form the Council of Members of the Pacific Catastrophe Risk Insurance Foundation (PCRIF) and can access the range of products available.
- **Sovereign parametric insurance** policies are offered for both tropical cyclone and earthquake/tsunami events based on a pre-selected trigger by the policyholder, or government, and designed to provide rapid-response emergency funds in case of a triggered event.
- Five insurance policies were issued in Season 8 to three participating countries, running November 1, 2019 through October 31, 2020.
- International reinsurance markets have validated the Company's portfolio, with reinsurance protection for Season 8 being provided by four reinsurers: *AXA XL*, *Descartes Underwriting (Generali Security)*, *Liberty Mutual Reinsurance* and *Mitsui Sumitomo Insurance*.
- PCRIC creates a regional platform that PICs can leverage to explore additional products, such as coverage against additional perils such as drought and excess rainfall
- Represents the Pacific region and participates in the global dialogues on climate and disaster risk insurance with other similar regional facilities such as the African Risk Capacity (ARC) and the Caribbean Catastrophe Risk Insurance Facility (CCRIF).
- Has received significant support from international donors who have so far contributed US\$24 million in capital alone, which supports the existing insurance products.
- PCRIC is an example of the strength of regionalization demonstrating what can be achieved when PICs work together.